



UNIVERSITI TEKNOLOGI MARA

**THE RELATIONSHIP BETWEEN FINANCIAL
RATIOS AND SHARE PRICE IN BANKING
SECTOR IN MALAYSIA**

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ABSTRACT

Financial indicators are the most important tools for tracking and analysing a company's financial performance. It aids in the comparison and study of an organization's overall financial health through the use of various financial ratios, and it may also be utilised by a variety of stakeholders to obtain insight into the firm's stock price. Many of research has been done on this topic and every researcher has different independent variables to see how it affects the share prices. The objectives of this study is to examine the relationship between financial ratios and share price in banking sector. Components under financial ratios are return on asset, return on equity, earning per share, and price earning ratio. In order to develop a better and more accurate study, it is proposed the sample from 10 banks listed under Bursa Malaysia. The analysis will be based on data from the years 2010 to 2020.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

The most significant instruments for monitoring and analysing a company's financial performance are financial variables. It helps in the comparison and analysis of an organization's overall financial health using various financial ratios and also it can be used by many stakeholders to gain insight into the firm's stock price. Furthermore, according to Sufian Radwan (2020), stock investors' primary purpose is to make profits and financial ratios are one of the most essential tools and methods used to analyse and comprehend financial data since they require knowledge about the company, which is critical in anticipating stock prices.

The following is a disintergration of this chapters structure. Section 1.2 presents background of the study, which is followed by section 1.3 which stating problem statement. In section 1.4 is outlines the research objectives and it lead to research question in section 1.5. Section 1.6 explains the significant of study and Section 1.7 explain on the scope of study. Next in Section 1.8 explaining about the limitation of the study and follow by Section 1.9 which is explain the definition of key terms. Lastly in Section 1.10, the summary for easier comprehension of the material, with a brief explanation of this chapter.