



THE INFLUENCE OF MULTIFACTOR RISK ON  
MALAYSIAN FINANCIAL FIRMS STOCK RETURNS

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## TABLE OF CONTENT

LIST PAGE	PAGES
TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	vi
TABLE OF CONTENT	v-vii
LIST OF FIGURES	viii
LIST OF TABLES	ix
LIST OF ABBREVIATIONS	x
ABSTRACT	xi
<b>CHAPTER 1: INTRODUCTION</b>	
1.0 Introduction	1
1.1 Background of Study	1-4
1.2 Problem Statement	4-7
1.3 Research Objective	7
1.4 Scope of Study	8
1.5 Limitation of Study	8-9
1.6 Significant of Study	9-10
1.7 Conclusion	11
<b>CHAPTER 2: LITERATURE REVIEW</b>	
2.0 Introduction	12
2.1 Theoretical Perspective	12
2.1.1 APT Theory	13
2.1.2 CAPM Theory	14
2.2 Empirical Evidence and Hypothesis	15
2.2.1 Macroeconomic Risk Factor	15
2.2.1.1 Interest Rate	15-17
2.2.1.2 Inflation Rate	17-19
2.2.1.3 Exchange Rate	19-21
2.2.2 Market Risk	21-22
2.2.3 Size Effect	23-24
2.2.4 Day-of-the-Week Effect	24-25
2.3 Conceptual Framework	26
2.4 Conclusion	27
<b>CHAPTER 3: DATA AND METHODOLOGY</b>	
3.0 Introduction	28
3.1 Research Design	28
3.2 Data	28-30
3.3 Measurement of Variables	31

3.3.1 Dependent Variables	31
3.3.2 Independent Variables	31-32
3.3.3 Data Description	33
3.3.4 Sampling Technique	34
3.4 Empirical Model	34-35
3.5 Flow of Estimation Procedure	36
3.6 Estimation Procedure	37
3.6.1 Descriptive Test	37-38
3.6.2 Stationary Test	38-39
3.6.3 Diagnostic Test	39
3.6.4 Panel Regression Model	40
3.6.4.1 Pooled OLS	40
3.6.4.2 Fixed Effect Model	40-41
3.6.4.3 Random Effect Model	41
3.6.5 Panel Data Model Selection	41
3.6.5.1 Ordinary Least Square or Random Effect	42
3.6.5.2 Random Effect or Fixed Effect	42
3.7 Conclusion	43

#### **CHAPTER 4 FINDING AND ANALYSIS**

4.0 Introduction	44
4.1 Descriptive Statistic Test	44-45
4.2 Stationary Test	46-47
4.3 Multicollinearity Test	48
4.4 Correlation Analysis	49
4.5 Regression Test	50
4.5.1 Overall Regression Test	50-51
4.5.2 Size Effect	52-53
4.5.3 Day-of-the-Week Effect	53-55
4.6 Summary of Findings	56
4.7 Summary of Hypothesis Testing	57
4.8 Conclusion	57

#### **CHAPTER 5: DISCUSSION**

5.0 Introduction	58
5.1 Overall of Sample	58-61
5.2 Size Effect	61-62
5.3 Day-of-the-Week Effect	62-63

## ABSTRACT

This research modeled and tested the multifactor risk determinants for financial firm stocks in Malaysia. The stock pricing model is conceptualized based on a combination of CAPM and APT theoretical perspectives. The model is tested using panel regression methods in the full sample of finance stocks in Malaysia with daily data started from 2011 to 2015. The research considers the size effects and the day-of-the-week effect in the tests. The result revealed that, only interest rate and market risk variables are consistently significant in explaining the financial stock returns which are in line with the theory and evidence. While, the other considered macroeconomic variables are statistically unsupported despite theoretically justified. These findings provide useful references to investor and fund manager on risk and return relationships of finance stocks in Malaysia.

**Key words:** Asset pricing test, Finance stock return, macroeconomic risk, market risk, size effect, Day-of-the-Week-Effect and Malaysia.