



THE RELATIONSHIP BETWEEN DIVERSIFICATION AND
MANUFACTURING COMPANIES' PERFORMANCE IN MALAYSIA.

NUR AFIZAN BINTI ABD LATIP

2014324997

BACHELOR OF BUSINESS ADMINISTRATION

WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

SABAH

JUNE 2017

ACKNOWLEDGEMENT

First praise to Allah SWT, the Almighty, on whom ultimately we depend for guidance and sustenance. I am grateful for the health, the strength and the well being given for in order to complete this thesis. Secondly, I wish to express my gratitude to my advisor, Mrs Emelia A. Girau, whose guidance and give valuable constructive comments which it persistently helped me a lot in improvised my thesis. A special thanks to the second panel who examining this paper, Miss Dgku Habibah Ag Kee for suggesting some ideas and helping me to improvised my thesis. A sincere appreciation also for Professor Dr Imbarine Bujang for his valuable advice and knowledge at the initial stage of this study.

I am also thankful to my beloved family and my friends for giving me a consistent support and encourage completing this thesis as well as my study.

TABLE OF CONTENT

TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF FIGURES	vii
LIST OF TABLES	viii
LIST OF ABBREVIATIONS	ix
ABSTRACT	x
CHAPTER 1 INTRODUCTION	
1.0 Introduction	1
1.1 Background of Study	3
1.2 Problem Statement	4
1.3 Research Objective	4
1.4 Significant of Study	5
1.5 Limitation of Study	6
CHAPTER 2 LITERATURE REVIEW	
2.0 Introduction	7
2.1 Literature Review	
2.1.1 The Concept of Diversification	7
2.1.2 Diversification Strategies	8

2.1.3	The Diversification and Performance Relationship	9
2.2	Theoretical Framework	10
CHAPTER 3 DATA AND METHODOLOGY		
3.0	Introduction	13
3.1	Data Collection	13
3.2	Measurement of Variables	14
3.3	Empirical Models	16
3.4	Diagnostic Data	
3.4.1	Descriptive Statistic	18
3.4.2	Unit Root Test	19
3.4.3	Breusch and Pagan LM (BPLM) Test	20
3.4.4	Multicollinearity Test	21
3.5	Flow of Estimation Procedure	22
CHAPTER 4 FINDINGS		
4.0	Introduction	23
4.1	Regression Result for Overall Variables	23
CHAPTER 5 CONCLUSION AND RECOMMENDATION		
		26
REFERENCES		
		28
APPENDICES		
		34

Abstract

This research paper investigate relationship between diversification and manufacturing companies' performance in Malaysia. The key performance indicator includes return on asset (ROA), return on equity (ROE) and market return (MR). The diversification measured by Specialization ratio (SR) whereby it classified into three (3) categories: less diversification, moderate diversification and high diversification. The data sample that used in this research are based on panel data approach comprised the data of 120 manufacturing companies listed in Bursa Malaysia within a period of five (5) years from 2012 to 2016. The findings of this study resulted that there is positive relationship between diversification and companies' performance.

Keywords: diversification, performance, manufacturing, return on asset, return on equity, market return, specialization ratio.