



UNIVERSITI TEKNOLOGI MARA

**THE RELATIONSHIP BETWEEN
LEVEL OF DIVERSIFICATIONS
AND THE PERFORMANCE OF
SELECTED COMPANIES IN BURSA
MALAYSIA**

**NURUL HAZWANI BINTI MUSTAFAR
(2015144609)**

Thesis submitted in fulfillment
of the requirements for the degree of
**Bachelor of Business Administration
(Hons) (Investment Management)**

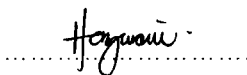
Faculty of Business Management

December 2017

AUTHOR'S DECLARATION

I declare the work in this project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless is indicated and acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-institution for any degree or qualification

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduates, Universiti Teknologi MARA regulating the conduct for my study and research.

Name of student : Nurul Hazwani binti Mustafar
Student I.D. No. : 2015144609
Programme : BBA (Hons) (Investment Management)
Faculty : Business Management
Project Paper Title : The relationship between level of diversification and the performance of selected companies in Bursa Malaysia
Signature of student : 
Date : 21 December 2017

LETTER OF SUBMISSION

December 2017

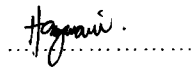
Dr. Roslina binti Hj Mohamad Shafi,
Faculty of Business Management,
Universiti Teknologi MARA Johor Branch,
Segamat Campus,
85000 Segamat,
Johor Darul Takzim

Dear Madam,
SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “THE RELATIONSHIP BETWEEN LEVEL OF DIVERSIFICATION AND THE PERFORMANCE OF SELECTED COMPANIES IN BURSA MALAYSIA” to fulfil the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,



NURUL HAZWANI BINTI MUSTAFAR
2015144609
Bachelor of BBA (Hons) Investment Management

ABSTRACT

Diversification is a common strategic planning that most managers will do in order to expand their business and enhance their firms' performance but how related it is to the firms' performance is still questionable to this day (T. Ravichandran, Yu Liu, Shu Han & Iftekhhar Hasan (2009)). Studies done before stated that there is a positive relationship between diversification and firm performance (Bettis, A. R., & Hall, W. K., (1982), Olu Ojo (2009), Mansi, S. A., & Reeb, D. M. (2002)) but there are studies that resulted in opposite view which is there is negative relationship between these two variables (Lang, L. H. P., & Stulz, R. M. (1994), Serveas (1996), Lins and Serveas (1999)). However, the studies were mostly done in the developed country but only a few were done in developing countries or to be specific in the view of Malaysia. Thus, in this paper, researcher tries to examine the level of diversification based on selected companies chose from various sectors in Bursa Malaysia and to study its impact towards the firms' performance. The level of diversification is determined by using the famous Specialization Ratios (SR) which later will classify them into three different classes whereas Return on Asset (ROA), Return on Equity (ROE) and Return on Investment (ROI) will be used as a proxy to measure the firms' performance. The paper concludes that there is a positive relationship between levels of diversification and a firms' performance. In terms of return, undiversified firms may perform better than others but in terms of riskiness highly diversified firms may have better chance in reducing it.

TABLE OF CONTENTS

	Page
DECLARATION OF ORIGINAL WORK	i
LETTER OF SUBMISSION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF ABBREVIATIONS	x
LIST OF APPENDICES	xi
CHAPTER ONE: INTRODUCTION	
1.1 Introduction	1
1.2 Background of the study	1
1.3 Problem statement	3
1.4 Research question	4
1.4.1 Main research question	4
1.4.2 Specific research question	4
1.5 Research objective	4
1.5.1 Main research objectives	4
1.5.2 Specific research objectives	4
1.6 Significance of the study	5
1.7 Scope of the study	5
1.8 Definition of key terms	6
1.8.1 Level of Diversification	6
1.8.2 Specialization Ratio (SR)	6
1.9 Summary	7