



DETERMINANTS OF STOCK RETURNS BASED ON
FUNDAMENTAL APPROACH: EVIDENCE FROM FINANCE
SECTOR OF BURSA MALAYSIA

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TABLE OF CONTENTS

| | Page |
|-------------------------------------|-------------|
| TITLE PAGE | i |
| DECLARATION | ii |
| LETTER OF SUBMISION | iii |
| ACKNOWLEDGEMENTS | iv |
| TABLE OF CONTENTS | v |
| LIST OF TABLES | viii |
| LIST OF FIGURES | ix |
| LIST OF ABBREVIATIONS | x |
| ABSTRACT | xi |
| | |
| CHAPTER 1 INTRODUCTION | |
| 1.0 Introduction | 1 |
| 1.1 Background of Study | 2 |
| 1.2 Problem Statement | 4 |
| 1.3 Research Objective | 6 |
| 1.3.1 General Objective | 6 |
| 1.3.2 Specific Objective | 6 |
| 1.4 Significant of Study | 7 |
| 1.4.1 For the Researchers | 7 |
| 1.4.2 For the Investors and Readers | 7 |
| 1.5 Limitation of Study | 8 |
| 1.5.1 Availability of Data | 8 |
| 1.5.2 Limited to Finance Area | 8 |
| 1.5.3 Poolability of the Data | 8 |
| 1.6 Chapter Summary | 9 |
| | |
| CHAPTER 2 LITERATURE REVIEW | |
| 2.0 Introduction | 10 |
| 2.1 Theory | 11 |

| | |
|--|----|
| 2.1.1 Fundamental Theory and Classical Theory of Share Prices | 11 |
| 2.1.2 Fundamental Theory and Confidence Theory of Share Prices | 12 |
| 2.2 Literature Review | 13 |
| 2.2.1 Profitability Ratio | 14 |
| 2.2.2 Leverage Ratio | 15 |
| 2.2.3 Market Value Ratio | 16 |
| 2.2.4 Stock Return | 16 |
| 2.3 Theoretical Framework | 18 |
| 2.4 Chapter Summary | 19 |

CHAPTER 3 DATA AND METHODOLOGY

| | |
|--|----|
| 3.0 Introduction | 20 |
| 3.1 Scope of study | 21 |
| 3.2 Empirical Model | 22 |
| 3.3 Measurement of Variables | 23 |
| 3.3.1 Measurement for Dependent Variables | 23 |
| 3.3.2 Measurement for Independent Variables | 23 |
| 3.4 Hypothesis testing | 24 |
| 3.5 Estimation Methods | 25 |
| 3.5.1 Panel Unit Root Test | 25 |
| 3.5.2 Diagnostic Test | 25 |
| 3.5.2.1 Serial Correlation | 25 |
| 3.5.2.2 Heteroscedasticity | 26 |
| 3.5.2.3 Multicollinearity | 26 |
| 3.5.3 Estimation Procedure for Panel Data Approach | 27 |
| 3.5.3.1 Breush and Pagan LM | 27 |
| 3.5.3.2 Hausman Specification Test | 27 |
| 3.5.4 Panel Data Models | 28 |
| 3.5.4.1 Fixed Effects Model | 28 |

ABSTRACT

Fundamental analysis involves the use of financial statement in predicting the stock return. Present study aims whether the accounting measure or historical accounting data or more known as fundamental analysis able to predict the future earnings of the companies or investors. The purpose of this study is to identify whether the fundamental analysis able to predict the stock returns for companies listed in Bursa Malaysia based on the stock price movements. This study used three fundamental areas; profitability, leverage and market value ratio to predict the stock returns. This study used three ratio under the three areas which is ROA, DR and MBR for the profitability ratio, leverage ratio and market value ratio respectively. Data were selected from the period of 2004 until 2014. The sample of the study consists of the companies listed in Bursa Malaysia under the finance sector. OLS regression were used to conduct the study and the study found that fundamental analysis have negative and insignificant impact in predicting the stock returns.

Keywords: Fundamental analysis, probability ratio, leverage ratio, market value ratio, stock returns