MICRO-ANALYSIS FACTORS AFFECTING STOCK RETURN: EVIDENCE IN MALAYSIA"

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CHAPTER 1

INTRODUCTION

1.0 BACKGROUND OF STUDY

Stock market is considered to be the biggest and most active financial market in Malaysia. There are massive amount of participants in the stock market and they have only two reasons of participating in the stock market, either funding or investing.

Funding using the stock market is the company activity to raise funds for its business operations or expansion through the issuance of shares to the investors. Meanwhile, investing is the activity made by investors that buy shares of companies in the stock market.

There are several types of investors in the stock market. This includes the general public investors, fund managers, portfolio managers and financial planners. Every investor has their own perception and anticipation of return that can be gained from investing in the stock market. Thus, knowing the behaviour of stock return is essential for them in order to make proper and reliable estimation of future stock return.

The fundamental components of stock return consist of only two variables, which are dividends and capital gains. By definition, the return on stock must be equal to the sum of these two components. This means that the future return is determined by the changes in prices and the dividends received.