



DETERMINANT OF STOCK PRICE IN MALAYSIA

FERHANA BINTI JIM SHAMSUDIN
2012507437

BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KOTA KINABALU, SABAH

JANUARY 2015

ACKNOWLEDGEMENT

Praise and thank to Allah S.W.T for giving me strength to finish my course of Bachelor of Finance programme which is Fin668 the Industrial Training Project Paper. Firstly, I would like to express my sincere thankfulness and receptiveness to my advisor Mdm Flicia Rimin, for her great effort on giving lesson, guideline, suggestion and encouragement to accomplish this final year project paper. She inspired me all along the way and she also has provided a clear direction and valuable comment for doing a proper research paper. I would also thankful to my family and friends who always give me their biggest support on my way in completing this final year project.

I am also thankful to University of Technology MARA (UiTM), Sabah, for giving me an opportunity to pursue my Bachelor of Finance and not forgetting to all my lecturers who giving their support and guided me in this field of study.

Last but not least, I am also a very thankful to my second advisor Ms Anastasia Binti Harbi on her willingness to judge and guide me on completing this research study.

TABLE OF CONTENTS

	PAGE
TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF TRANSMITTAL	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF FIGURES	vi
LIST OF TABLES	vii
LIST OF ABBREVIATIONS	viii
ABSTRACT	viii
CHAPTER 1 INTRODUCTION	
1.1 Background of Study	1
1.2 Problem Statement	5
1.3 Objectives of Study	7
1.4 Significant of study	7
1.5 Scope of Study	9
1.6 Limitation of Study	9
1.6.1 Time and Financial Constraint	9
1.6.2 Accuracy of information	10
1.6.3 Availability of data	10
CHAPTER 2 LITERATURE REVIEW	
2.1 Introduction	11
2.2 Review of Relevant Theoretical Model	11
2.2.1 Efficient Market Hypothesis Theory (EMH)	11

2.2.2	Capital Asset Pricing Model (CAPM)	12
2.2.3	Random Walk Theory	13
2.3	Review of the Literature	13
2.3.1	Dividend policy (DY and DPR)	13
2.3.2	Earning Per Share (EPS)	14
2.3.3	Interest Rate (IR)	15
2.4	Methodology of Study	17
2.4.1	Dividend policy (DY and DPR)	17
2.4.2	Earning Per Share (EPS)	19
2.4.3	Interest Rate (IR)	19
2.5	Conclusion	20

CHAPTER 3 DATA AND METHODOLOGY

3.1	Introduction	21
3.2	Research Design	21
3.3	Data Collection	22
3.3.1	Secondary Data	22
3.3.2	Sampling Design	23
3.3.2.1	Target Population	23
3.3.2.2	Sampling size	23
3.3.2.3	Sampling Technique	24
3.4	Theoretical Framework	24
3.5	Empirical Model	25
3.6	Analysis of Data	27
3.6.1	Descriptive Statistics	27
3.6.2	Panel Unit Root Testing	29

ABSTRACT

This study is to identify the determinant of stock price in Malaysia. The independent variables used are dividend policy (dividend yield and dividend payout ratio), earning per share and interest rate. This paper also intends to determine the key factor that influences the volatility of the stock price from January 2004 to December 2013 which contains a yearly data set of 110 observations. This paper used a panel data set and employed a Hausman test to determine the statistical relationship. The results indicate that there are significant and positive relationships for EPS and DPR. While, the IR was found has a positive relationship but not significant and DY is a significant but has negative relationship with stock price.