



UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF THE FIRM'S VALUE: THE STUDY
OF STEEL INDUSTRY IN PUBLIC LISTED COMPANIES
OF BURSA MALAYSIA**

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ABSTRACT

The purpose of this study is to examine the determinants of the firm's value from 15 listed steel companies of Bursa Malaysia from the year of 2007 until 2016. There were 150 observations which were involved in this paper. Five independent variables were involved which are net profit margin, operating cost, book value per share, earnings per share and dividend per share. These variables were tested to be the determinants of the firm's value. In this study, panel data fixed effect model were applied by using EViews 8.1. There were two independent variables were significant which are operating cost and the dividend per share. The other three independent variables were insignificant from the results which are net profit margin, book value per share and earnings per share. This study had R-squared of 0.973906, which means there were 97.39% of the dependent variable was explained by the independent variables. But R-squared is still known to be biased, thus it had the adjusted R-squared of 0.970092, means there were 97.01% of the variability in firm's value is explained by the explanatory variables which are net profit margin, operating cost, book value per share, earning, per share and dividend per share. On top of that, the results showed the Prob(F- statistics) of 0.000000 which does mean the independent variables used do show significant impact to the firm's value of the steel companies involved in Malaysia.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter introduces the overview of this research study. It starts with the background of the study and problem statement. Other than that, it describes the research questions and research objectives. The research questions are related with dependant variable and independent variables. Plus, it includes the significance of the study. Then, chapter one also provides the scope of the study.

Steel is at the the place where many consumers use in their daily life. The steel business believes that economic advancement must address the issues of the present without trading off the capacity of future eras to address their own issues. There are two components of steel which are recycled steel and new steel that is newly found. Steel has helped the community from poverty and develop the economic growth. It is one of the most important resources worldwide, as we need it for constructions, automotive, transport system, metal products, plumbing, domestic appliances, machineries and electrical equipment. To conclude, we are surrounded with products which are mostly made by steel. Moreover, there are variety types of steel which are made to meet the requirements. Steel will remain to continue to be required in both developing and newly developed countries.

China is known to be a country which dominates steel industry. This is because before they succeed to be on top of the world's biggest steelmaker, China invested enormous amounts of money into constructions and insisted the country to develop the production of steel quickly to meet the economic growth. Recently, China's economy is slowing down. The biggest China's steel company, Wuhan Iron Steel Corporation had huge problem to pay their workers as there was no sales. According to The World Steel Association, they stated that China's demand for steel has decreased by 3.5% in 2015, and will drop again in the year of 2016. Due to this economy problem, this has given the Chinese steelmakers to think out of the box to come out with new ideas so that the customers from other countries buy their extra steel. Thus, China increased 25% of their steel exports to 112 million tons in the year of 2015. Due to cheap price offered by China, it can interrupt the business of local and domestic market producers.