UNIVERSITI TEKNOLOGI MARA

THE RELATIONSHIP OF FINANCIAL PERFORMANCE INDICATORS TOWARDS STOCK RETURN IN CONSUMER PRODUCT SECTOR LISTED IN BURSA MALAYSIA

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ABSTRACT

The aim of this paper is to find out the best indicator for stock return on consumers sector in Malaysia that is listed in Bursa Malaysia. This study focus is on stock return related with the financial performance indicator on food industry companies in Malaysia. The researcher wants to identify the relationship of the financial performance indicator with the stock return. The methodology will be used in this study is Regression Model with panel data source from data stream and annual report. The interactive software package E-view 8 will be used for testing and analyzing the collected data. This study is an attempt to investigate the relationship of the chosen variables on the influence toward the stock return. Based on the findings, it shows that only three variables have significant relationship with the stock return which is debt to equity ratio (DE), book market value equity (BMVE) and sales to price ratio (SP). The remaining three variables which are firm size (FS), dividend yields (DY) and earnings to price ratio (EP) show insignificant relationship towards the stock return. Based on the pooled OLS regression analysis, it shows that SP has the strongest relationship towards stock return compare to other variables.

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INTRODUCTION

1.1 INTRODUCTION

Today we can see a lot of methods used to measure the company's profitability. Profitability of the company is critical for a firm in order to manage and expand their business. The performance of the company can also be seen through the profitability gained by a company. This is because a higher profitability indicates a better return to firm's shareholders. The performance can be seen from many aspects but financial is surely one of the major contributors. Financially, a firm can be observed based on financial performance stability and how well the firm's financial performances are. For this reason, it is important to make financial performance analysis of the firms.

Financial performance referred to the ability of the firm to use firm's assets from its business to generate revenues. Financial performance can also be measured using the firm's overall financial statement within a period of time. The similar firms on the same industry can be measured by using the same financial performance indicator. There are plenty of different methods in measuring financial performance. One of it is by using fundamental analysis but all measures should be based on its own group. The investors or analysts can analyze more on the company's financial statement whether it has strong firm's margin growth and show decreasing trend in debt.

Financial performance consists of several indicators that can be used to measure stock returns. The performances of the firm are believed to be slightly effected by several indicators. But the question is, which of the indicators will give strongest relationship towards the financial performance of the firm? Therefore, in this study the researcher will focus on the effect of fundamental analysis towards the stock return by using several indicators such as debt to equity ratio, book to market value ratio, firm size, dividend yield, sales to price ratio and earnings to price ratio.