DETERMINANTS OF SHARE PRICE VOLATILITY: EVIDENCE FROM CONSTRUCTION COMPANIES IN MALAYSIA (2006-2015)

NURASWANI BINTI MOHD DAHALAN
2013509771

BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
PERLIS

JUNE 2016

ACKNOWLEDGEMENTS

First of all, I would like to say Alhamdulillah to Allah S.W.T, the most merciful, utmost gratitude for the divine blessings along the completion of this study on the given time. I consider myself richly blessed to have the opportunity to do this research in order to fulfill the requirement of university as needed by the Faculty of Business Management, Universiti Teknologi Mara.

I would like to express my gratitude to my first advisor Madam Noor Azillah binti Mohamad Ali as well as my second advisor, Sir Norhisam bin Bulot. The task of conducting this study could never have been undertaken without their guidance and advice. Then, thanks to my parents who always encouraged me to finish up this study, to work hard and never give up. They loved and believed in me. I would also like to extend this gratitude to my fellow classmates. All these friends and helpers are blameless for what should be better, and responsible in no small measure for what is good, in the following pages.

I would like to give mega big thanks to UiTM Library staff for the guidance of the usage of online databases, usage of Endnotes and how to locate my data to be used in this study. It was a really big help to undertake this study. Great appreciation is expressed to all those who offered me their assistance and words of encouragements during the completion of this study.

Thank you.

ABSTRACT

This study is undertaken to identify the determinants of share price volatility evidence from construction companies in Malaysia. The data employed in this study is from year 2006 until year 2015. This study is using share price as the dependent variable. Independent variables used in this study are firm size, profitability, leverage, dividend yield and liquidity. This study used Ordinary Least Squares, Fixed Effect Model, Random Effect Model, Pearson Correlation, Multicollinearity Test, Heterokedasticity Test and Serial Correlation Test. It is found that firm size and profitability are statistically significant in determining the share price volatility. Meanwhile, leverage, dividend yield and liquidity are found to have not significant relationship with share price volatility.

TABLE OF CONTENTS

TITLE PAGE ii

DECLARATION OF ORIGINAL WORK iii

LETTER OF SUBMISSION iv

ACKNOWLEDGEMENTS v

LIST OF TABLES vi

LIST OF FIGURES vii

LIST OF ABBREVATIONS viii

ABSTRACT ix

CHAPTER 1: INTRODUCTION 1

1.1 Background of the study 1

1.2 Problem statement 4

1.3 Research objectives 6

1.4 Scope of study 8

1.5 Significance of study 8

1.6 Limitation of study 8

1.6.1 Reliability and quality of data 8

1.6.2 Accessibility of data 8

1.7 Conclusion 9

CHAPTER 2: LITERATURE REVIEW 10

2.1 Literature review 10

2.1.1 Share price 10

2.1.2 Share price and firm size 11

2.1.3 Share price and leverage 12

2.1.4 Share price and profitability 13

2.1.5 Share price and liquidity 13

2.1.6 Share price and dividend yield 14

2.2 Development of Research Framework 15

2.3 Hypothesis Development 16

CHAPTER 3: RESEARCH METHODOLOGY 17

3.1 Methods of the research 17

3.2 Data collection technique 18

3.2.1 Journals and articles 18

3.2.2 Internet 18

3.2.3 Time frame of study 18

3.3 Measurement of variables 19

3.3.1 Share Price 19

3.3.2 Firm Size 19

3.3.3 Leverage 20