



UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF STOCK MARKET PRICE IN
MALAYSIAN BANKING SECTOR**

**DINA QISTINA BINTI ZULKANAIN
2020966393**

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ABSTRACT

The share price is a stock's market price is its current trading price, which is determined by the interaction of investors, traders, and dealers. The share price is believed to represent information about a company. This research is focusing on banking sectors in Malaysia. The 5 banking companies are Malayan Banking Berhad (MBB), Public Bank Berhad (PBB), CIMB Group Holdings Berhad (CIMB), Hong Leong Bank Berhad (HLB) and RHB Bank Berhad (RHB). Bursa Malaysia Finance Index is used to evaluate the overall performance of the financial sector later a brief analysis of trends of 5 banking companies is evaluated to look at the differences between before and after the pandemic. Putting aside pandemic as one the factors that influence changes in share price trends. This research will hopefully cover the fundamental factors that contribute to movements in share price. In this study, panel data analysis, correlation, multicollinearity, and regression are used in this research. The findings conclude that return on assets, price-earnings ratio and firm size are significantly related to share price.

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CHAPTER ONE

INTRODUCTION

1.1. Introduction

As a result of the large number of investments in the capital market, a growing number of investors are shifting to the capital market sector. The capital market plays a vital role in supporting the economy because it may connect individuals who require finances with those who have extra funds. Furthermore, the capital market can support the formation of efficient fund allocations since it allows individuals with excess funds (investors) to select alternative assets that yield the best return. (Medyawati & Yunanto, 2020) Besides that Ibrahim Obeidat, 2009 agrees that a stock market allows money lenders and users to fulfil their own interests. But to do so, an efficient number of stock market need to be available.

Bursa Malaysia Finance Index is used to evaluate the banking performance from 2012 to 2021. Since early 2012, financial sector has been showing an uptrend until mid-2014. Financial sector went through a downtrend from end 2014 until 2016. From early 2017 to January 2019 financial recovered and showed an uptrend. Right after that, banking sector have shown a downtrend and hit the lowest when the pandemic hits in March 2020. The financial sector starts to recover in November 2020 and since then financial sector has been showing uptrend.

1.2. Background of Study

According to Sharma (2011), the market price of a share is influenced by a variety of factors including earning per share, dividend per share, pay-out ratio, size of the firm and dividend yield, management and diversification. It was later broken down into fundamental and technical approaches. The fundamental method forecasts stock prices using financial, environmental, and managerial aspects. While technical approach uses past prices to predict the future.

Bhattarai (2014) convinced that market prices fluctuate as a result of supply and demand factors. Technical factors, fundamental factors and market sentiments are three factors that influence the increase and decrease in demand and supply of a market price.