



UNIVERSITI TEKNOLOGI MARA

**FACTORS AFFECTING COMPANIES' VALUE: AN EMPIRICAL STUDY
OF AGRICULTURE PRODUCT COMPANIES LISTED ON BURSA
MALAYSIA**

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ABSTRACT

The company's value is reflected in its stock price and as a signal in response to the company's performance. Since the stock price is a reflection of the investor's expectations of the company's performance, management must continue to make systematic efforts so that the company's performance grows continuously. The aim of this research is to identify the factors that affect companies' value in the agriculture sector listed on Bursa Malaysia. This research used leverage, firm efficiency, profitability and firm size as the independent variables. This study used secondary data from 5 agriculture product companies that are listed on Bursa Malaysia for the period of year 2012 to 2021. The data for the analysis were collected from the sample companies' related databases and annual reports. Panel data analysis such as descriptive analysis, correlation analysis and multiple regression analysis were performed in order to examine the factors that affect the agriculture companies' value. This study found that profitability has a significant positive relationship with company value.

Keywords: Agriculture sector, Leverage, Firm Efficiency, Profitability, Firm Size

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CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

Firm value is reflected in stock price (Gujarati, 2006; Munawar, 2018; Shah & Khalidi, 2020), in the market value of equity (Surjandari et al., 2019; Nguyen & Bui, 2020), or book market of equity (Saona & Martin, 2016). Investors can determine their investing strategies with the aid of information on share market price developments. The share market price, which serves as a proxy for business value, will define firm value and have an impact on how investors choose to allocate their capital. The stock price, according to (Tandelilin, 2010), is a reflection of the investor's expectations of the earning elements, cash flow, and investor-required return level, all of which are also greatly influenced by economic performance. Hence, companies must continue to make strategic efforts to ensure that the company's performance increases consistently if it is to increase the value of the business.

This research is carried out to examine the factors that affect companies' value in the agriculture sector of Bursa Malaysia. The main focus of this chapter is to explain the Malaysia agriculture sector as well as the background of this study. This chapter also develops the research questions and research objectives. This is then followed by significance of study, the scope of study and limitations that may arise in this study.

1.2 OVERVIEW OF AGRICULTURE INDUSTRY IN MALAYSIA

Agriculture has been revolutionized in every country that has transformed its economy (Timmer, 2009). Successful agricultural reforms can therefore help to alleviate poverty. This is because agricultural transformation has the potential to develop significant economic engines in rural areas. The dynamics of agricultural change begin with increased rural income households, increased farm production and increased demand in local markets. As countries go down the road of economic growth, the agricultural sector is evolving, becoming more efficient and labor-intensive. At the same time, the economy's non-agricultural sectors (e.g., manufacturing and service sectors) expand and absorb additional labor. As a result, this transformation is known as "slow magic.