RESEARCH ARTICLE

Review on the Stock Investment in Malaysia in Overcoming the Inflation of the Malaysian Economy

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Abstract
The purpose of the study is targeted to explore and investigate the potential performance of the stock investment in Malaysia in overcoming the inflation of the Malaysian economy. The primary goal of the investment is motivated to overcome the inflation rate to avoid losing the purchasing power. This leads to the problem statement for the study to investigate the performance of the KLSE market index growth against the inflation rate in Malaysia. The methodology of the research had focus in the application using past ten years of data including the range from 2013 to 2022 to compare the growth of the inflation against the KLSE market index. The findings had provided the sufficient evidence to showed that the inflation rate in average had exceed the KLSE market index growth reflecting that the investment in overall Malaysian stock is not favourable to overcome the increasing inflation in the country. In addition, the average Fixed Deposit (FD) rate in Malaysia had surpassed both the inflation rate and KLSE market index growth in average for the past ten years performance. The recommendation drawn from the study had proposed more solid management of the portfolio by not over diversifying the portfolio for the stock investment. The outcome for the study had provide the significant contribution and refenrece towards the academic and investors to gain future input.

Keywords: investment; Kuala Lumpur Stock Exchange; inflation; Malaysia; fixed deposit rate; portfolio

Introduction

The rising concerns for the inflation of the prices among the goods and services for the Malaysian consumers had been at the boiling point where a lot of consumers had expressed their struggle in meeting the day-to-day expenses to meet the purchase of the necessities. Recently, the hike in the consumer goods' prices had put a major address at the national level in the understanding to overcome the rising living cost in Malaysia (Yeoh, 2023). Many individuals had been relying on to work more than one jobs as well as getting support from the government initiatives to create sufficient income to survive against the rising living cost. However, one of the common methods for the individuals to beat the inflation is to invest where the investment is believed to become the solid solutions to beat the inflation rate as maintaining the purchasing power for the individual (Farooq & Ahmed, 2018).

Coming into the view of the investment, there are many multiple types of investment that is in the picture and there is also no guarantee where the investment can always provide higher return or at the favourable side beat the inflation despite the myth of the investment becoming the method to overcome the rising prices with the time value of money concept (Yang & Shafiq, 2020). However, it is still the fundamental for the investors to invest to fight against the inflation rate where the inflation rate is often becoming the benchmark reference for the minimum required rate of return when comes to making investment decision (Huawei, 2022) One of the popular type of investment in Malaysia had been the stock investments where the public listed companies in Malaysia had been encouraging for majority of the investors and being viewed as very potentials tocks to generate higher return than other investment like fixed deposits and mutual funds (Triyawan et al., 2022). Investments like fixed deposit could posed very minimum risk exposure for the investors but the common expectations for investors would express the return from fixed deposit would be hardly sufficient to cover the rising inflation rate in the country (Yeoh, 2023).

With the problem statement being identified which is to study the ability for the stock investment to beat the inflation rate in Malaysia, the Kuala Lumpur Stock Exchange (KLSE) will become the representation for the stock portfolio investment where the market index of KLSE will provide the combination of the performance of all the public listed companies in Malaysia. Based on the historical trend of the return for the market index will be referring to the equivalent for the portfolio return for the investment which will provide the significant comparison towards the incremental of the inflation rate in the country (Yeoh, 2022). The buy and hold strategy will be implied in this measurement to ease the methodology of the quantitative study and drawing the understanding towards the outcome for the study (Tsaurai, 2018).

With this, the objective of the study had been identified which is to investigate the stock portfolio return in Malaysian stock market against the inflation rate in the country. The outcome for the study will create the significant contribution to understand the relevance impact towards the investment strategy of the individual to identify the power of stock investment to win against the inflation rate of the country. This will provide higher refenrece for the individuals in selecting the right choice and preference in the type of investment to drive better achievement for the wealth of the investors (Narayan, Phan & Narayan, 2018).

Literature Review

The prior knowledge derived from concepts of finance and economics gave a clear indication that the role of investments will help investors achieve greater wealth while reducing pressure on the country's inflation rate. According to Jareno, Ferrer & Miroslavova (2016), the most common mistake people make is not investing, which causes money to lose value over time. This allows the investment return to exceed the inflation rate. This is due to the concept of time value of money, which will ultimately result in a similar amount of money being recorded at a lower value in the future. For this reason, investors often create a portfolio investment that allows money to grow over time through the investment, thus ensuring that the growth of money and wealth correlates with the country's rising inflation (Nkoro & Uko, 2016). In addition, according to Ichsan et al. (2021), the creation of a portfolio was planned to increase investors' risk returns, which is considered the best way to protect against rising inflation.

Antonakakis, Gupta, & Tiwari (2017) found that using a portfolio investment strategy typically produced positive results, as portfolio returns were more likely to produce a positive return for investors even during recessions. Thus, the ability of portfolio investments to diversify risk in investment portfolios and provide investors with stable returns has been proven. A constant return that ultimately offsets the falling value of money can counteract rising inflation. Salisu, Sikiru & Vo (2020) emphasized that despite the fact that portfolio investments may not maximize the potential return on investment, they still provide a stable and consistent return sufficient to match the time value of money.

Based on prior knowledge, previous publications have argued that stock investments are the best types of investments because the performance of stocks is typically favorable, especially during economic booms (Kwofie & Ansah, 2018). Company performance was often influenced by the economic situation, which was reflected in the share price performance of the stock market. Stock market performance is expected to have a favorable relationship with economic growth as the economic environment changes over time as evidenced by GDP growth (Yismaw, 2019). As a result, investing in a stock portfolio gave the impression that the value would increase dramatically over time. Therefore, when investors compare investment assets with the country's inflation rate, the growth of their stock portfolio investments will usually exceed that of the overall inflation rate (Salisu, Akanni & Raheem, 2020). Furthermore, although portfolio investments in the stock market are expected to generate positive returns during a recession due to their diversification, the inflation rate is expected to decrease (Bonab, 2017).
With reference to the previous studies, the positive relationship and correlation is expected to be identified between the stock investment and the inflation rate which translate to the similar direction of the growth. However, the literature review had been lacking in suggesting the gap where there is no solid evidence to pose the supporting on the stock market return in comparison against the inflation rate in Malaysia. The scope of interest had been crucial to be addressed in the world of finance and economics where the one of the major objectives for the investors is to drive higher return against the inflation rate of the local economy. Therefore, the current study will address the motivation to explore the review on the stock investment in Malaysia in overcoming the inflation within the economy of Malaysia.

Research Methodology

The research methodology of the study will enable the application of the quantitative analysis method which is crucial to consider the current state of research in which the numerical data from the historical data on the stock market return and inflation rate in Malaysia is heavily involved. This introduces comparative analysis, which comparative analysis is a method by which two or more variables that provide a consistent measurement are systematically compared and contrasted in order to increase understanding of the similarities and differences and to provide higher visibility of quantitative measurements output (Piątkowski, 2020). It is a valuable tool in various disciplines including economics, business administration, sociology, politics, literature and more (Roig-Tierno, Gonzalez-Cruz & Llopis-Martinez, 2017). It is important to note that the level of detail and complexity of a comparative analysis can vary greatly depending on the context and the entities being compared (Fainshmidt et al., 2020). Additionally, it is important to ensure that the criteria used for the comparison are relevant and appropriate for the specific context of the analysis (Ezejiofor, Olise & John-Akamelu, 2017).
The comparative analysis will direct the quantitative analysis using the Kuala Lumpur Stock Exchange (KLSE) market index and the inflation rate in Malaysia for the timeline of the 2013 to 2022 to provide the coverage for the recent trend for the past ten years. The period of the ten years had been significant as the timeline cover the experience of the major recession during the time of the Covid-19 to ensure the measurement involving the up and down within the market trend. In addition, the fixed deposit return will be further included as part of the additional analysis to provide additional insight on understanding the comparison towards the lowest risk of the investment by the investors through the fixed deposit investment.

Results and Findings

Based on the findings from the study, it had been identified that the measurement of the overall Malaysian stock performance as the portfolio investment is being measured through the Kuala Lumpur Stock Exchange (KLSE) market index growth for the past. The assessment for the growth will be refenrece for the past ten years trend.

The similar data input will then be compared against the ten years of the inflation rate in Malaysia. With such comparison, the demonstration of the table data can be referred as below.
With refenrece to the Table 1 as shown, the past trend of historical data collected had focus in the most recent ten years' period where the average of the percentage achievement had been summarized to understand the comparison between the inflation rate in Malaysia against the KLSE market growth. The clear outcome from the comparative analysis had identified the inflation achieving 1.96% had been exceeding the growth of the KLSE market index with only -0.79%. The negative outcome in the KLSE market index growth and suggested that the combination of the overall stock investment in Malaysia is likely to reduce the wealth of the investors. The inflation rate still remained as positive integer suggesting the continuous growth of the Malaysian inflation over time and being higher compared to potential portfolio return in the stock portfolio investment.

Table 1: Comparison Between Inflation Rate and KLSE Market Index Growth

Year	Inflation	KLSE Growth
2013	2.11 %	10.91 %
2014	3.14 %	6.16 %
2015	2.10 %	-9.35 %
2016	2.09 %	-3.08 %
2017	3.87 %	6.63 %
2018	0.88 %	-4.09 %
2019	0.66 %	-1.15 %
2020	-1.14 %	-10.24 %
2021	2.48 %	2.11 %
2022	3.38 %	-5.77 %
Average	**1.96 %**	**-0.79 %**

The potential reasons to address the negative return through the growth of the KLSE market index can be reference to the trend of the major recession during the Covid-19 dated back in the year 2020 to 2022 which had created the tremendous loss in the stock market where majority of the businesses are suffering and struggle to make the comeback to generate consistent profit like the previous times. This had certainly taken into consideration to explain the negative return for the portfolio investment in Malaysia. In addition, the higher inflation rate can be explained to verify the statement where the consumer price goods (CPI) had been increasing drastically in Malaysia which proven through the statistics where the impact from the Covid-19 situation does not seems to slow down the inflation rate in Malaysia. The gap between the average inflation rate had been reaching more than 2% differences which is considered significant based on the ratio towards the average percentage for the KLSE market index growth. In other words, the growth of the inflation rate had likely to reduce the purchasing power for the investors provided the investors had been investing in a well-diversified stock portfolio in Bursa Malaysia. Shifting back to the attention on the feasibility of the portfolio stock investment in Malaysia to overcome the rising inflation in the Malaysian economy, the answer to the research question had been very clear where the past ten years trend had suggested the failure for the portfolio return to beat the rising inflation rate where the investors will likely to loss out in both wealth and purchasing power when investing in the Malaysian stocks portfolio. With the investment strategy being not advisable for the Malaysian investors, the next question will arise to address on the potential alternative investments that will be made available for the investors besides the preference towards the portfolio investment through the stock market tin Malaysia.

The fixed deposit (FD) investment is often being referred safe investment where the risk had been minimal for the investors with the offering of the steady flow of return. In Malaysia, the FD is a common investment alternative for investors that prefer to have low risk investment which is highly fitting for the investment for the investors which are lacking the investment knowledge or being risk averse. In common understanding, the FD often appear as lower return options compared to equity investment and bond investment which aligned with the concept of risk and return where investment like the equity and stock investment will appear to be higher risk which induced higher return to attract the investors to invest with compensation of higher risk premium.

Table 2: Comparison with FD Rate in Malaysia

Year	Inflation	KLSE Growth	FD Rate
2013	2.11 %	10.91 %	2.97 %
2014	3.14 %	6.16 %	3.05 %
2015	2.10 %	-9.35 %	3.12 %
2016	2.09 %	-3.08 %	3.03 %
2017	3.87 %	6.63 %	2.92 %
2018	0.88 %	-4.09 %	3.14 %
2019	0.66 %	-1.15 %	2.98 %
2020	-1.14 %	-10.24 %	1.95 %
2021	2.48 %	2.11 %	1.56 %
2022	3.38 %	-5.77 %	1.95 %
Average	**1.96 %**	**-0.79 %**	**2.67 %**

The Table 2 had been providing the demonstration of the additional factor of the FD rate into the consideration. To the surprising fact, the FD rate had been showing the highest average return for the investment in comparison against the inflation rate and the KLSE market index growth. This suggests the strong growth in the investment wealth where the FD rate provide a consistence but also steady growth for the investment return. The potential reasoning can be addressed with the concept of the risk and return. It is expected to have higher return when comes to the higher risk to bear for the investors but include higher uncertainty. The negative impact from the Covid-19 and major recession that had shaken the world definitely had become more concerning for the investors as the negative impact results in the fall for the return for the portfolio investment in the Malaysia stock.

To summarize the potential indication from the evidence, the FD rate appear to be higher than the KLSE market index growth is most likely to occurred due to the major recession causing majority of the fall in the stock prices during the time of Covid-19 creating the lower average return for the KLSE market index growth but the similar impact is not significant towards the where the FD rate remained positive and being consistence over the past years. Therefore, it is evidence that the investing in FD may not generate great return for the investors but able to create consistence positive return that result in achieving higher ROI over the equity investment in stock market. The impact from the major recession from the Covid-19 period had observed the reduce in the FD rate but still remained positive return creating higher average return over other investment in terms of ROI.

Discussion on Findings

Another potential address for the outcome for this study had shown the lower achievement in the return from the average KLSE market index growth which indicating the unfavourable situation where the investment in portfolio through the selection of stocks in KLSE will not be likely to beat the inflation or even the FD rate return. However, one of the potential reasons that generate this outcome could be led by the fact of over diversifying. The term of over diversification referred to the fact where the effect from over diversification of the number of stocks in the portfolio will create likeliness of diverse impact.

Firstly, the high diversification of the stocks through the total number of stocks in KLSE stock market will induce lower returns over a normal portfolio. The advisable size of the portfolio management refers to no more than 20 stock for a portfolio to remain as effective to deliver adequate return against the average benchmark of investment return. Therefore, including too many different stocks in the portfolio will reduce the overall return due to the allocation of the ROI being insignificant within the portfolio investment and falling behind the benchmark of the average investment return. In addition, the high number of stocks will eliminate the opportunity to earn higher return for large companies' stock resulting in lower and unfavorable return. Therefore, the measurement through the KLSE market index growth had reflected in similar situation as describe in the over diversification in investment.

Furthermore, the combinations of the stocks in KLSE market index will include the good and bad performing stocks in the market where the average growth of KLSE market index took into consideration of both type of performance. Unlike the usual investment strategy, the selection and choice of stocks remained crucial to address the designation of the portfolio. Therefore, the reason why investors may still be beating the inflation in the economy could be contributed by smart investing strategy through the technical analysis to identify the favourable choice of stocks investment to be included into the portfolio. In other words, the combination of the stocks in a portfolio should be focus and small to generate higher return for the investment rather than over diversification through the high number of stocks within the Malaysian stock market.

Conclusion

The outcome of the research had concluded the objective of the study which is to explore the ability for the portfolio investment in Malaysia to overcome the inflation rate in the Malaysian economy. The simple answer towards the study is not likely with the overall KLSE market index growth not being able to exceed the inflation rate for the past ten years. However, this was also affected by the fact where the stock market is experiencing the bad wave from the major recession during the Covid-19 period which results in negative growth during the year of 2020 to 2022. This had affected the overall growth of the KLSE market index resulting in average of negative return over the ten years' trend. In another assessment, the FD rate appear to be more attractive over the past ten years'; return where the FD may pose lower risk and return but considering the negative economic impact, the study had eventually observed the positive return for the investment. Therefore, the FD rate investment appear to be safer and less prone to the adverse impact from the investment world compared to the stock portfolio investment.

The outcome of the study remained significant to contribute to the knowledge for the academic where the findings had contributed to the newfound knowledge that will reduce in the gap of the literature review. The findings will generate future reference that will be crucial to address relevance scope of study by the future researchers. In addition, the outcome for the study will become great refenrece for the investors to further understand the right investment strategy to overcome the inflation rate for the individuals which identified as the primary reason for investing. With this, the investment strategy should be focused to invest in small range of stocks for the portfolio to induce greater control and return from the investment.

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