



**THE EFFECT OF FINANCIAL RATIO TOWARD THE PERFORMANCE OF
FINANCIAL SERVICE COMPANY OPERATED IN MALAYSIA**

**WELDHA MATTHEW
2016326655**

**BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)
FACULTY OF BUSINESS ADMINISTRATION
UNIVERSITI TEKNOLOGI MARA KOTA KINABALU
SABAH**

JUNE 2019

ACKNOWLEDGEMENT

In the beginning, I found many difficulties to start my final year project. I could not even find a suitable title or topic to be researched. While conducting the research, I faced a problem to understand some of the terms, analysis and fluently to interpret the final result. Without guidance, it almost impossible for me to complete this final year project's writes up. For these reasons, I would like to record my appreciation to some people who make of possible to complete my project paper.

First, I would like to express my deepest gratitude to God, because the blessing that been given along my practical with health, patience and strength to complete this project paper. Follow by my parents who finance and always believe in me and give a space for me to do my assignment. I also like to giving a big thank to my sister and brother in-law Datin Yasmine Jane Binti Abdullah and Datuk Haji Khan Bin Haji Mohd Akram Khan because give me an motivation and financing me all my expenses along my study and during my practical for this degree without her I couldn't be done as far here.

Next, I would like to give my deepest appreciation to Dr. Jasmine David as my supervisor for my project paper. Thank you so much for your guidance to complete this final project paper and the SPSS software apps and also give an advice how to conduct this project paper in a proper way. Include the staff in UMS Kota Kinabalu branch. Thank you for giving me a chance to use the DataStream to find the data of my research.

Lastly, big thanks to Mdm. Aimie Dinsin, Mdm. Norliza Bt Dzulkifli, Miss Syazana Mohd Azmi and Mr. Geordie Sinti as my boss during practical in Jabatan Audit Negara (Sabah). They give me permission to meet my UiTM supervisor or thing that involved with my project paper and also my friends especially Adriano George who like to share knowledge and support. I am grate to be able to complete this final year project.

TABLE OF CONTENTS

TITLE PAGE	i
DECLARATIONS OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v-vii
ABSTRACT	viii
LIST OF FIGURES	ix
LIST OF TABLES	x
LIST OF ABBREVIATIONS	xi

CHAPTER 1: INTRODUCTION

1.0 Introduction.....	1
1.1 Background of study	1-2
1.2 Problem statement.....	2-3
1.3 Research objective	3
1.4 Research questions	3-4
1.5 Scope of study.....	4
1.6 Limitation of study.....	4
1.6.1 The information of data	4
1.6.2 Data collection and analysis	4-5
1.6.3 Time management	5
1.7 Significant of study	5-6

1.8 Chapter summary	6
---------------------------	---

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction	7
------------------------	---

2.1 Trade-off theory and pecking order theory	7-8
---	-----

2.2 The relationship between risk and financial services performance.....	8
---	---

2.2.1 Relationship between current ratio and firm performance (ROA)	8-9
---	-----

2.2.2 Relationship between total debt ratio and firm performance (ROA)	9-10
--	------

2.2.3 Relationship between dividend payout ratio and firm performance (ROA).....	10-11
--	-------

2.2.4 Relationship between debt to equity ratio and firm performance (ROA).....	11
---	----

2.3 Theoretical framework	11-12
---------------------------------	-------

2.4 Hypothesis development	12-13
----------------------------------	-------

2.5 Chapter summary	13
---------------------------	----

CHAPTER 3 DATA AND METHODOLOGY

3.0 Introduction	14
------------------------	----

3.1 Data description	14
----------------------------	----

3.1.1 Return on asset	14
-----------------------------	----

3.1.2 Current ratio	14
---------------------------	----

3.1.3 Total debt ratio	14-15
------------------------------	-------

3.1.4 Dividend payout ratio	15
-----------------------------------	----

3.1.5 Debt to equity ratio.....	15
---------------------------------	----

3.2 Data sources and data collection method.....	15-17
--	-------

3.3 Measure of variables	17-19
--------------------------------	-------

3.4 Research design	19-20
---------------------------	-------

3.5 Sampling design.....	20
--------------------------	----

ABSTRACT

Every company aim to gain profit. The purpose of this study was to examine the effect of liquidity ratio, capital structure and dividend payout ratio on the performance of financial services companies operated in Malaysia. The total of sample used is 61 companies such as banking, insurance and other financial services in Malaysia during 2013 to 2017. SPSS software was used to run the regression analysis and test the Pearson Correlation to examine the significant result between financial ratio and firm performance. Result showed that current ratio, total debt ratio and debt to equity ratio has significant effect to return on asset. Meanwhile, dividend payout ratio has negative relation with return on asset. In conclusion, liquidity ratio and capital structure has significantly effect on the performance of financial service companies operated in Malaysia.

Keywords: Current ratio, Total debt ratio, Dividend payout ratio, Return on asset