UNIVERSITI TEKNOLOGI MARA

THE DETERMINANTS OF FINANCIAL DISTRESS IN MALAYSIA LISTED COMPANIES

NOR HASANATUL HASANAH BINTI ARIFFIN @ ABU HASSAN
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NOR HASANATUL HASANAH BINTI ARIFFIN @ ABU HASSAN
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Thesis submitted in fulfillment
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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA, Johor Branch, Segamat Campus. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergaduate, Universiti Teknologi MARA, Johor Branch, Segamat Campus, regulating the conduct of my study and research.

Name of Student	:	Nor Hasanatul Hasanah Binti Ariffin @ Abu Hassan
Student I.D. No.	:	2014156849
Programme	:	Bachelor of Business Administration (Hons) Finance
Faculty	:	Business and Management
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Signature of Student	:	....
Date	:	21 December 2017

ABSTRACT

Each company's situation needs are different solutions to solve the problem. So, the companies should identify first the determinants of financial distress that happened among the companies because it is the one of key to solve the problem. The ability of the companies to determines of financial distress is so important to the companies and to the potential and current investors. The companies use leverage ratio to measure how much capital comes in the form of debt (loans) and also ability of a company to meet its financial obligations. In this study, to identify which of the listed company face of financial distress with look at the leverage ratio. If the long-term debt to equity ratio more than 0.5 times, the companies will classify as face financial distress and will considered to be "highly leveraged". It means most of company assets are financed through debt not equity. This study aims to serve as indicators for managers to monitor their financial position in their companies. This study use panel data. The sample of this research is 30 listed companies are randomly chosen for this study. The companies chosen must incur its long-term debt more than 0.5 times during the period of the study. The data are collected 5 years which are from 2012 to 2016 and Malaysia is a country that chosen to conduct this study. The dependent variable in this is long term debt to equity as a proxy of level financial distress. While independent variables are return on asset, current ratio, times interest earned and net working capital.

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