THE IMPACT OF LIQUIDITY AND LEVERAGE TOWARDS FIRMS PROFITABILITY:
AN EVIDENCE FROM CONSTRUCTION INDUSTRY LISTED IN BURSA MALAYSIA

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ABSTRACT

The failures in the construction industry had already happened, not only in developing countries but worldwide such as Saudi Arabia. Somehow, it is not only affect the industry but can also give a threat to the economy of the country where construction companies are very closed to bankruptcy, (Ibn-Homaid and Tijani, 2015). Thus, the purpose of this study is to examine the impact of the liquidity and leverage towards the profitability of the construction industry in Malaysia. As suggested from the previous study which to use similar variables using specific sectors and by increasing the period of study, this study will be conducting the topic by focusing on the construction industry in Malaysia. The independent variables that will be used in this study such as liquidity which include current ratio (CR), quick ratio (QR) and leverage which include the debt ratio (DR) and Long Term Debt ratio (LTD). The dependent variables of this study will be the profitability ratio. The data will be collected based on the construction companies which is public listed in Bursa Malaysia within the period of eight years from year 2008 until year 2015.

keywords: Construction, liquidity, leverage, return on asset, profitability, current ratio, quick ratio, debt ratio, long-term debt.