



THE IMPACT OF FINANCIAL LEVERAGE AND FIRM SIZE ON
PROFITABILITY: EVIDENCE FROM PLANTATION
INDUSTRY LISTED IN BURSA MALAYSIA

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CHAPTER 1

INTRODUCTION

1.0 BACKGROUND OF STUDY

Every business has its own objectives. One of them is to deliver economic benefits to its owner(s) or shareholder(s). this benefit can only be provided when the business performs efficiently in its financial aspect. Usually, the company performance can be seen through its financial statements which is show the cash flow of company in a given period.

According to Dwi and Marisa (2016), by using the financial statement, owner(s) and management able to understand the company's current potential thus capable to arrange and make the right decision that need to do next. Financial statements had been used as data base for the stakeholder on which he wishes to cover the existing weaknesses of the company, maintaining the achieved position, and attempt to enhance the benefit that he wishes to enjoy. Usually, a company will bring dividend benefit to its shareholder when it produces enough profit to be distribute. Hence, profit is very important towards owners and managers. This is a reason why there is a large number of research that study about profitability and less study about financial performance parameter like solvability, activity and liquidity ratios.

This study used profitability ratios which is return on assets (ROA) that indicate the company's financial performance. Profitability is the company's capability to gain profits in a certain period. Higher profitability ratio will bring a higher profit to the company that can be generated. A company generate profit by operate and running the business that they capable of. The company need funding's to run properly in order to