



UNIVERSITI TEKNOLOGI MARA

THE DETERMINANTS OF FIRM' BANKRUPTCY

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ABSTRACT

Purpose – The aim of this study is to identify the determinants of firm' bankruptcy in term of the solvency of the company, the profitability, the liquidity, the efficiency and the market performance for the company to survive – why it can declare as bankruptcy.

Methodology – Use the credit assessment methodology in order to look the company's ability in their general debt and creditworthiness of an organization. Use the Altman's model to measure the statistical and numerical of data collected from the factors of firm' bankruptcy to see more how the solvency, the profitability, the liquidity, the efficiency and the market performance of the company are affected.

Findings – The research indicates that the market performance decline for the company, the solvency, the profitability, the liquidity and the efficiency of the company has a relationship on the determinants of firm' bankruptcy where it will give a positive effects on that company totally.

Research limitations – A limitations of this study is the data is very limited because bankruptcy is a sensitive subject for touted to outsiders. Then, we do not know the accuracy of the data because to get a true data usually we believe from the subscribe system. Next, the lack of information from previous study also give a little difficulties in this research because the past studies are important to support my ideas and can be as evidence.

Practical Implications – For companies practitioners, they will see that where the company going to be with the results obtained and will know the bankruptcy risk in future because they can predict the situation by looking the differences between the value of indicators at successful companies and at unhealthy companies.

Originality / Value – Financial literacy are important to help the parties who are responsible in particular for finding a way out and not to be a bankrupt one. Nowadays, too many companies who have a problem, lead them to the bankruptcy – why this is happening. The theory can explains how these factor affect the firm' bankruptcy and what are the major factor that led to this situation – the result will unravel all the question that cross in people's mind.

Paper Type – Research Paper

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

In this study, the researcher will peel off the background of study, problem statement, research question, research objective, significance of study, scope of study, the limitation of study and also the summary of the study. This research focuses on the reasons of firm' bankruptcy occurs. In the background of study, it will talk about the dependant variable and the independent variables. Dependant variable in this research is firm' bankruptcy and the independent variables are the solvency of the company, the profitability, the liquidity, the efficiency and the market performance for the company. This study will unravel some of the problem that led to the bankruptcy especially among corporation. It will try to find more issues of bankruptcies that occur among firm either big or small. The research question in this study will ask the question related to the dependant and independent variables. There are two categorised, firstly is main research question where it is most important question to be answered that related with dependant variable and secondly are specific research question where it plays role as a supportive question that related with independent variables.

Research objectives also divided into two part. Firstly, the main objective and secondly are specific research objective. The significance of study in this research notify that the researcher will gain more knowledge and information that can be applied in futures, give a benefit to the futures researchers where it help them to increase the understanding about the related topic and the firm may also use this study to help them gain some ideas and concept of financial. The scope of study discuss about all the questions about the bankruptcy from broadening to narrowing topic areas. This is important since this situation it is not noticed by several parties. There are also have several limitation in this study where the data and the information of company around the world are very limited to obtain and how far the accuracy of data available. Last but not least, the summary of study will be summarize all the information that will be presented at the end of the chapter.