



UNIVERSITI TEKNOLOGI MARA

**FIRMS INDEBTEDNESS: A
PANEL DATA ANALYSIS**

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ABSTRACT

Construction sector can be said as the key development of the countries, due to the main roles of this sector which is as main contributor towards the national income of the country. The changing in the construction environment is also influenced by many factors. The main factor is about the cost that incurred by the firm in this sector, it also will lead them suffer the greater level of debt. Therefore, the purpose of this research is to analyse the determinants of level indebtedness among the Listed Construction Firm in Bursa Malaysia during the period 2004 until 2016. The variables used in this study are firm performance, firm size, liquidity, firm growth, reputation as the factors that affect the level indebtedness among the construction firms. In addition the financial development in Malaysia is one factor that expected will give effect on the level of indebtedness firms. This study uses panel data analysis to determine the factors that affecting the level of indebtedness. The result of FE model shows that firm performance and firm size have positive relationship with the debt ratio, while liquidity, annual growth, financial development and firm age have negative relationship with debt ratio.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

The study on the indebtedness becomes an issue that is often to be discussed either in Malaysia or other countries. Debt is used as an alternative of making a large purchase or any payment to be made to others. The firm that are heavily in debt actually are not healthy. Therefore, the debt sometimes can be said to be helpful and sometimes can be a burden. It depends on the creditor about how they manage their financial to avoid any difficulties because of failed to meet their obligations. Malaysia actually is one of the listed country that have higher debt other than Japan, Italy, Greece, Portugal , Ireland, United States , Singapore, Belgium, Iceland and France.

The Malaysia's debt shows growing trend from year to year. The purposes of debt in Malaysia are used as a method to obtain fund to fulfil any kind of necessity especially for the development in Malaysia. There are many efforts have been taken to ensure that Malaysia becomes one of the developing countries. However it swallows up the huge expenditure and cost that lead Malaysia have high amount of debt. Nowadays in the era of globalization, Malaysia incurred many cost that relate with the effort to develop the country. The data by Ministry of Finance shows the Malaysia federal debt are kept increasing from 2010 which is RM407,102 million to 2016 which is RM643,599 million. It shows that the percentage of GDP kept increasing from year to year which are 49.6% in 2010 to 52.2% in 2016. Besides that, from the data obtain in Malaysia Informative Data Centre (MysSIDC) shows the external debt of Malaysia also kept increasing and from 2001 until 2011. In 2000, Malaysia have the total of amount debt is RM161,045 million while the amount of external debt in 2011 rise up to RM257,632 million.