UNIVERSITI TEKNOLOGI MARA

THE INFLUENCE OF LIQUIDITY ON PERFORMANCE AND FINANCIAL EQUILIBRIUM DURING THE COVID-19 PANDEMIC: THE PERSPECTIVE OF PROPERTY INDUSTRY IN MALAYSIA

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ABSTRACT

The COVID-19 pandemic has a profound impact on the economy, not only in Malaysia but also throughout the world and has created a lot of uncertainty and obstacles in the property industry. With widespread unemployment, salary cuts, business failures, and job uncertainty, it's understandable that many individuals are hesitant to make the biggest commitment of their lives buying a home. It also has contributed to a decline in the number of home seekers and sellers. During the various phases of the movement control order (MCO), processes like completing documentation and progress payments were put on hold as banks scaled down operations during the period. Further, it can be expected that developers and builders will not be able to complete their projects or developments within the stipulated time frame as supply chains have been interrupted. This study intends to see whether the liquidity indicators significantly influenced the financial equilibrium of companies listed on the Bursa Malaysia by using recent data from 2010 to 2020. The dependent variable in this study is Return on Asset while the independent variables are Current Ratio, Quick Ratio and Debt to Equity Ratio. The study used panel data and data used in this study is secondary data. The result in this study showed that debt to equity ratio have positive significant impact to the return on asset. While the other variables which is quick ratio and current ratio has the insignificant impact towards return on asset.

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INTRODUCTION

1.1 Introduction

The COVID-19 pandemic, which started in late December 2019 in Wuhan, China, has gradually spread across the world. With second and third waves assaulting multiple nations, many have moved towards endemicity rather than fattening of curves. Moreover, every country follows the lockdown procedures as a means of preventing measures and Malaysia has also adopted the same. It seems both the private and the public sector are messed up due to this virus. The fact is unavoidable that the effect of novel coronavirus will have a significant effect on the country, economy, and society. The increasing threat of novel coronavirus is a public health crisis and hampers the macroeconomics as a whole. It has also cut off the supply chain of the business

In terms of definition and measurement, performance is a challenging notion to grasp. Firm performance can be divided into two categories: financial performance and nonfinancial performance. Researchers in the field of strategic management have proposed a number of models for analysing financial performance. Financial performance is a subjective evaluation of a company's ability to employ assets from its principal method of operation to create revenue. The phrase is also used to describe a firm's overall financial health during a certain time period. Financial performance is frequently expressed in terms of sales, turnover, employment, or stock price growth. Conversely, non-financial performance measurement identifies shortcomings in those aspects of a company's operations that can have an impact on the long-term strategic success of the organisation. Non-financial performance measurements include things like market share, efficiency, and leadership, among other things.

Financial liquidity refers to the ability of a company's assets to be easily and quickly sold for cash at a low cost and price impact. Financial liquidity may have an impact on determining the price and marketing strategy for the property. Financial leverage, on the other hand, denotes how companies used the proportion of debt and preferred equity to finance the company's existing assets. Essentially, financial leverage is used by businesses to gain a higher return on fixed-charge funds rather than their cost. When there is a high degree of financial leverage, interest payments appear, as a result, the profit after tax or earnings per share decreases.