



**UNIVERSITI TEKNOLOGI MARA**

**FACTORS AFFECTING THE FINANCIAL  
PERFORMANCE OF FIVE LISTED COMPANIES AT  
KL CONSTRUCTION IN MALAYSIA**

**RAWIAH HAZWANI BINTI ROSLAN  
2019893192**

**Thesis submitted in fulfilment  
of the requirement for the degree of  
Bachelor of Business Administration  
(Investment Management)**

**Faculty of Business and Management**

**JULY 2021**

## **ABSTRACT**

With the rising trend of unexpected company failure in both global and local context, shareholders and stakeholders are becoming increasingly concerned about the financial performance of the company. The study therefore aimed to investigate the factors that affecting the financial performance of five listed companies of KL Construction in Malaysia. The study adopted an explanatory of five listed firms which have consistently been operating at KL Construction during the period of 2006 until 2020. A number of fundamental statistical techniques will be used in order to analysed data from the financial statements. Descriptive statistics (mean and standard deviation) and inferential statistics (multiple-regression) were used to analyse data. Multiple-regression was used to assess the extent of the effect of the independent variables on the dependent variable. Study findings showed that asset growth, leverage and liquidity have a significant positive effect on financial performance while dividend growth does not have significant relationship with the KLCT share price. The study provides some precursory evidence that leverage, liquidity, asset growth and dividend growth play an important role in improving company's financial performance. According to the findings, the company's businesses should expand in a regulated manner with the goal of obtaining an optimal size in order to benefit from economies of scale, which can lead to improve the financial performance.

## ACKNOWLEDGEMENT

First-of-all, Alhamdulillah praise to Allah S.W.T the almighty for providing me with a healthy condition for health and an ability to complete this research. It would have been impossible for me to finish and complete this analysis in the allotted time if it weren't for His blessings. Throughout this study, I have gained a lot of information that will be useful in the future.

Next, I would express my infinite appreciation and sincere gratitude to my research advisor, Miss Siti Nordiyana Binti Ishak for her expertise, time, inspiration and help in the completion of this research. This project will not be completed without her guidance in research methodology. Also, my appreciation for my second examiner, Puan Zaibedah Zaharum for her kindness throughout the process for preparing the research. Not forgetting the coordinator of FYP (INV667), Madam Yuslizawati Mohd Yusoff for always guiding and monitoring all the student regarding the time and important dates for the research paper. Without her, I am not able to finished the research paper on time.

For my classmates and other course-mates, a special thanks to you for your willingness to instruct, direct and provide some information needed regarding this course. Next, thanks to my parents for their encouragement, attention and affection and inspiration throughout the course of the study. I might be unable to accomplish this research without their support.

Last but not least, I would like to give myself a credit for the 100% commitment in finishing this paper. I have struggled and try my best to complete this paper as well. Without the constant determination and all of the hard work, this research paper report would not be able to finish according to the dateline required.

## **TABLE OF CONTENT**

<b>PARTICULAR</b>	<b>PAGES</b>
ABSTRACT	i
AKNOWLEDGEMENT	ii
TABLE OF CONTENT	iii
LIST OF TABLES	iv
LIST OF FIGURES	iv
<b>CHAPTER 1: INTRODUCTION</b>	
1.1 INTRODUCTION	1
1.2 RESEARCH BACKGROUND	1
1.3 PROBLEM STATEMENT	2
1.4 RESEARCH OBJECTIVE	3
1.5 RESEARCH QUESTION	4
1.6 SIGNIFICANCE OF STUDY	4
1.7 SCOPE OF STUDY	4
1.8 LIMITATION OF STUDY	5
1.9 DEFINITION OF KEY TERM	5
1.9.1 ASSET GROWTH	5
1.9.2 DIVIDEND GROWTH	5
1.9.3 LEVERAGE	5
1.9.4 LIQUIDITY	6
1.10 SUMMARY	6
<b>CHAPTER 2: LITERATURE REVIEW</b>	
2.1 INTRODUCTION	7
2.2 LITERATURE CONCEPT OF FINANCIAL PERFORMANCE	7
2.2.1 ASSET GROWTH	8
2.2.2 DIVIDEND GROWTH	8
2.2.3 LEVERAGE	9
2.2.4 LIQUIDITY	10
2.3 CONSTRUCTION SECTOR	10
2.4 THEORITICAL FRAMEWORK	11
2.5 SUMMARY	11
<b>CHAPTER 3: RESEARCH METHODOLOGY</b>	
3.1 INTRODUCTION	12
3.2 SAMPLING	12
3.3 DATA COLLECTION	12
3.4 VARIABLES	12
3.4.1 DEPENDENT VARIABLES	12
3.4.2 INDEPENDENT VARIABLES	13
3.5 RESEARCH DESIGN	14
3.5.1 PURPOSE OF THE STUDY	14
3.5.2 STUDY SETTING	14
3.5.3 UNIT OF ANALYSIS	14

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 INTRODUCTION**

In this chapter, I as a researcher will explain about the introduction of my research topic which includes the research background, problem statement, research question and research objectives, scope of the study and limitation of the study. Other than that, the definition of key terms of the factors that affecting the financial performance which include KLCT index, asset growth, dividend growth, leverage and liquidity will also be discussed in this topic.

#### **1.2 BACKGROUND STUDY**

Finance is defined as the provision of money at the time when it is required. The financial performance of the companies is a subject that has attracted a lot of attention from many researchers such as financial experts, the general publics and the management of corporate entities. In choosing the most successful firm, it has always been challenging and difficult for them because a company might have different level of profitability whether it is high or lower while also being in a poor and high liquidity and leverage. Financial performance of a company can be measured in many terms such as liquidity, asset growth, dividend growth and leverage. But several researchers still have debate on how the performance of a company should be measured and the factors that affected the financial performance of companies (Liargovas & Skandalis, 2008). A single factor cannot reflect each points of company performance and therefore the use of several variables as factors that allows better evaluation of the financial profile of the companies. It is considered one of the foremost vital objectives that management of every company endeavours to realize and without it, companies will be ceased.

Measuring performance is very important because it builds on the results, make different decisions in the unit of economic. Financial performance is very related to the economic. According to the Benjalux Sakunasingha (2006), economic units depends on financial performance indicators to survive. Financial performance measure is used as the indicators to evaluate the success of economic in achieving state strategies, objectives and critical factors (Katja Lahtinen, p. 11, 2009). In this research, construction sector plays an important role toward the economic performance since the sector contribute the most for the industry. Yet, it provides critical backwards and forward linkages to support the development of another economic sector (Abdullah, 1990). However, in terms of business survival the construction sector regularly facing high proportion of business failure compared to the other sectors (Yin, 2006). The average failure in Malaysia is higher than other country. Construction companies have been found to be highly fluctuating and to have weak financial positions. Construction sector is the most that contribute the most to the economy. The financial performance of the companies has become the issue of common concern of the stakeholder. This research will evaluate and measure the factors that