

**CAUSES OF FINANCIAL DISTRESS: THE CASE  
OF SYARIAH COMPLIANT COMPANIES**

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**Submitted in Partial Fulfillment  
of the Requirement for the  
Bachelor of Business Administration  
(Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT  
UITM, JOHOR**

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## DECLARATION OF ORIGINAL WORK



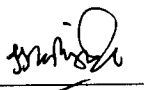
**BACHELOR OF BUSINESS ADMINISTRATION  
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### **“DECLARATION OF ORIGINAL WORK”**

I, Marliyana bt Mohtar, (I/C Number: 831015-04-5584)

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees
- This project paper is the result of my independent work and investigation, except where otherwise stated
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: 

Date: 11<sup>th</sup> MAY 2007

## **LETTER OF SUBMISSION**

4<sup>th</sup> May 2007

The Programme Coordinator  
Bachelor of Business Administration (Hons) Finance  
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Universiti Teknologi MARA  
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Johor.

Dear Sir,

### **SUBMISSION OF PROJECT PAPER**

Attached is the project paper titled "CAUSES OF FINANCIAL DISTRESS: THE CASE OF SYARIAH COMPLIANT COMPANIES" to fulfill the requirement as needed by the Faculty of Business Management, University Teknologi MARA

Thank you

Yours sincerely



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Wassalam.

## **ABSTRACT**

Financial distress, in general term used to indicate a condition when promises to creditors of a company are broken or honored with difficulty. Sometimes financial distress can lead to bankruptcy. Based on previous study, Amy Kam (2005) state that financial distress in China is caused by poor operating, not by leverage. So, this paper examines the causes of financial distress in Malaysia. Samples of 98 distressed firms are taken in this study. In order to locate firms in financial distress, firstly we need to analyze all the listed Syariah compliant firms of Main and Second Board of Bursa Malaysia over the period of 2000 to 2002. A firm is identified as having suffered from financial distress when the interest cover is less than 1. From the sample of 98 distressed firms, method of Logistic Regression is employed in this study to examine the causes of financial distress. The expected finding of this study, financial distress is caused by poor operating, not by leverage.