

**UNIVERSITI TEKNOLOGI MARA**

**CASH HOLDINGS, LEVERAGE, OWNERSHIP  
CONCENTRATION AND BOARD  
INDEPENDENCE: EVIDENCE FROM MALAYSIA**

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Dissertation submitted in partial fulfillment of the requirements for the  
degree of  
**Master of Accountancy**

**Faculty of Accountancy**

**November 2007**

## Candidate's Declaration

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non academic institution for any other degree or qualification.

In the event that my thesis found to violate the conditions mentioned above, I voluntarily waive the right of conferment of my degree and agree to be subjected to the disciplinary rules and regulations of Universiti Teknologi MARA.

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## **ABSTRACT**

The study aims to investigate the relationship between cash holdings and leverage of Malaysian companies. The main objective of this study is to investigate the relationship between cash holdings and leverage in the context of Malaysian firms. The present study also attempts to compare the cash holdings between companies that having low level of ownership concentration and high level of board independence (good corporate governance) and companies that having high level of ownership concentration and low level of board independence (poor corporate governance). Leverage, cash flow variability, liquidity, growth, size and capital expenditure are used as corporate cash holdings determinants. The final sample of the study consists of 276 companies with 875 observations from six main industries on the Main Board of Bursa Malaysia over a period of four years (2002 to 2005). Linear regression analysis was used to test the relationship between cash holdings and leverage.

The results show that there are significant negative relationships between cash holdings and leverage with or without control variables. In addition, this study also found that the companies that have poor corporate governance hold a high level of cash compared to companies that practice good corporate governance. Overall it can be concluded; leverage acts as a substitute of cash holdings and play important part of cash management policies.

## **ACKNOWLEDGEMENTS**

### **In the name of Allah, Most Gracious, Most Merciful**

First and foremost, thanks to Allah the Almighty who gave me the strength and will to complete this thesis. I would like to take this opportunity to express my appreciation to many individuals who have support me in completing the research.

First of all, I would like to thank my supervisor, Assoc. Prof. Dr. Pok Wee Ching for her patience and excellent supervision in guiding me and made this work possible. With her valuable comments and guidance, I found encouragement and motivation to complete this research paper.

Special thanks to Prof. Dr. Ibrahim Kamal Abdul Rahman, Dean, Faculty of Accountancy, and Assoc. Prof. Dr. Faizah Darus, Master of Accountancy Coordinator, for their continuous support and encouragement. My appreciation also goes to all my lecturers whose valuable teaching and assistance has guided me to possess the necessary knowledge in this field during my study in Universiti Teknologi MARA (UiTM). Not forgotten, I would like to thank all my course mates for their continuous support and assistance in sharing ideas as well as their willingness to be a good listener.

Last but not least; I would like to convey my greatest appreciation to my family especially my beloved father, Borhanuddin bin Ali and my mother, Kalthom Khalil for their love, continuous support and encouragement in me. May Allah bless us here after.

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