

**UNIVERSITI TEKNOLOGI MARA,  
JOHOR BRANCH, SEGAMAT,  
JOHOR**

**THE RELATIONSHIP OF FACTOR  
THAT INFLUENCING THE  
FINANCIAL LEVERAGE:  
MANUFACTURING INDUSTRIES**

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Thesis submitted in fulfillment  
of the requirements for the degree of  
**Bachelor of Business Administration (Hons)**  
**(Investment Management)**

**Faculty of Business Administration**

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## LETTER OF SUBMISSION

21<sup>st</sup> December 2017


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Dear Madam,  
SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “The Relationship of Factor that Influencing the Financial Leverage: Manufacturing Industries” to fulfil the requirement as needed by the Faculty of Business and Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,

  
.....

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## AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA, Johor Branch, Segamat Campus. It is original and is the results 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 degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA Johor, regulating the conduct of my study and research.


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## **ABSTRACT**

A poor management from the manufacturer may translate into the risky on the issuing debt of the firm. According to Goel, Chadha, & Sharma (2015), which insights on the interrelation between operation management and financial management and their impact on the firm's performance of the leverage. The company can increase their external financing to fund their future project if they have low business risk requirement. The decision for many companies to source for external debt relies on the capacity of the company. Credit default has been an arising issues tangling in the companies. Singh, Sharma, & Mathur (2012) stated that the small business firm will face difficulties in demonstrating their capacity not only to repay a loan but also to provide a collateral. This study aims to examine how selected factors influenced the financial leverage in manufacturing industry. This study enrolled the panel data which include the period of study from year 2012 to 2016 which comprises of 10 firms listed on the Bursa Malaysia. The dependent variables involve in this study is the financial leverage and considering the debt to capital ratio as the leverage variables. The profitability, tangibility, non-debt tax shield and liquidity are used to study the relationship influencing the dependent variables in the manufacturing industry which is evidence in Malaysia. This study is conducted by applying Pooled OLS regression through E-views. The findings from this paper show that the tangibility, non-debt tax shield and liquidity variables have a negative relationship on the financial leverage. However, the profitability shows a positive relationship on the financial leverage.

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