



UNIVERSITI TEKNOLOGI MARA

**FINANCIAL LEVERAGE AND PROFITABILITY OF
LISTED CONSTRUCTION COMPANIES IN
MALAYSIA**

SITI NAJIHAH BINTI BAKAR

Thesis submitted in fulfillment
of the requirement for the degree of
Bachelor of Business Administration
(Hons) (Finance)

Faculty of Business and Management

JULY 2017

AUTHOR'S DECLARATION

I declare that the work in this project paper 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 degree or qualification.

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


Name of Student : Siti Najihah Binti Bakar

Student I.D. NO : 2014695792

Programme : BBA (Hons) (Finance)

Faculty : Business and Management

Project Paper Title : Financial Leverage and Profitability of
Listed Construction Companies in Malaysia

Signature of student : 

Date : July 2017

ABSTRACT

This study aims to examine the financial leverage and profitability of listed construction companies in Malaysia by finding the relationship between debt ratio (DR), debt equity ratio (DER), interest coverage ratio (ICR) and long term debt ratio (LTDR). The data are collected from 2008 – 2015 and analysis using Pooled Ordinary Least Square (POLS). The final result indicated that debt ratio (DR) and debt equity ratio (DER) has negative relationship with dependent variable return on asset (ROA). Therefore interest coverage (ICR) and long term debt ratio (LTDR) has a positive relationship to return on asset (ROA). Therefore, decision of financial leverage is important because it will give an impact towards the firm profitability.

ACKNOWLEDGEMENT

First and foremost, Alhamdulillah and all praise to Allah Almighty for giving me the opportunity, strength and patience to fulfill this Academic Project requirement for the Bachelor of Business Administration (Honors) (Finance). His almost blessings have made this entire final semester research possible within the allocated timeframe.

I would like to take this opportunity to convey my utmost gratitude to my Thesis Project's advisor, Miss Tan Yan Ling for her massive inputs, guidelines and continuous support throughout the completion of this research. I would also like to express my deepest appreciation towards my second advisor, Sir Ferri bin Nasrul for his immense guidance from the very start of my research proposal culminating to the completion of this final research. In addition, my heartfelt thanks are also extended to both my loving parents, family members and classmates for their unwavering contribution and invaluable counsel in helping me steering this research to greater heights.

Last but not least, I would like to thank everyone who have supported, helped and worked together directly or indirectly in assisting me realizing this research on time, the cooperation given is well appreciated and will always be remembered. Thank you.

TABLE OF CONTENTS

AUTHOR'S DECLARATION	iii
ABSTRACT	iv
ACKNOWLEDGEMENT	v
LIST OF TABLE	x
LIST OF FIGURES	xi
LIST OF ABBREVIATIONS	xii
CHAPTER ONE INTRODUCTION	1
1.1 Background Of The Study	1
1.2 Problem Statement	7
1.3 Research Objectives	7
1.4 Research Questions	8
1.5 Significance Of The Study	9
1.6 Scope Of The Study	9
1.7 Definiton Of Term	10
1.8 Summary	11
CHAPTER TWO LITERATURE REVIEW	12
2.1 Introduction	12
2.2 Theory On Financial Leverage Towards Firm Profitability	12
2.3 Literature Review On Variables	13
2.3.1 Literature Review On Debt Ratio (DR)	13