



**A RELATIONSHIP BETWEEN FINANCIAL FACTORS AND
PROFITABILITY OF CONSTRUCTION COMPANIES IN
MALAYSIA**

**NURATIKA BINTI ABU AMAR
2013855924**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE**

**FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SEGAMAT, JOHOR.**

JUNE 2016

ACKNOWLEDGEMENT

Foremost, I wish to count my blessings and thanked Allah S.W.T for providing me with the mental and physical faculties as well as other positive attributes notably perseverance to complete this challenging research paper. Special mention goes to my research advisor Cik Rosmah Binti Abd Ghani @ Ismail for her guidance, supervision and support. Her constructive comments and suggestions greatly assist in the successful completion of this project paper. In addition, special thanks to En. Syamsul Samsudin for his guidance and advice towards the completion of this project paper.

Last but not least, I would like to extend my appreciation to each and every one of you who have assisted in one way or another in order for me to complete this research paper. Sincere thanks to all my friends and office colleagues for their understanding, kindness and moral support during the testing time undertook to complete this assignment. Lastly, my deepest gratitude to my beloved parents for their unwavering support, invaluable assistance and sincere blessing.

Thank you.

ABSTRACT

This study attempts to examine the determinants public based construction companies' profitability in Malaysia. Many construction industry which is public listed in Malaysia has registered in Bursa Malaysia but only certain of the companies become well-known and stable. This research to find out the relationship between financial factors and profitability in the construction companies other than top public listed companies. The construction industry has changed significantly over the last two decades due to the effects of globalization, delivery system innovations, increase competition, and the application of information technology. Industry professionals know that to strive in these times they need to manage their performance more efficiently and modify their business strategies to maintain and improve profitability and increase the company value. However, traditional theory and understanding of profitability management are not flexible and powerful enough to lead construction firms to a higher performance in the rapidly changing market. It has been a widespread and crucial problem in the construction industry that profitability appears low, unreliable, and unmanageable. Thus, this study to analyse the profitability of construction companies in Malaysia. It use profitability (Dependent Variable), liquidity, leverage, firm size and growth of sales (Independent Variables). The data will use panel quarterly data from 2004 until 2014. The result shows that liquidity, leverage and growth of sales has significant relationship towards profitability of construction companies in Malaysia.

Table of Contents

TITLE PAGE.....	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT.....	v
CHAPTER 1: INTRODUCTION.....	1
1.1 Introduction.....	8
1.2 Background of Study.....	16
1.3 Problem Statements.....	16
1.4 Research Objectives	18
1.4.1 Main Research Objective.....	18
1.4.2 Specific Research Objectives.....	18
1.5 Research Questions	18
1.6 Significant of Study.....	19
1.7 Scope of study	20
1.8 Limitations of study	20
1.9 Summary	21
CHAPTER 2: LITERATURE REVIEW	22
2.1 Introduction.....	22
2.2 Literature Review on Topic	20
2.3 Literature Review on Liquidity (current ratio).....	28
2.4 Literature Review on Leverage (debt ratio).....	29
2.5 Literature Review on Company size (total asset)	33
2.6 Literature Review on Growth of sales (total sales).....	37
CHAPTER 3: RESEARCH METHODOLOGY	42
3.1 Introduction.....	42
3.2 Sample and Data	43
3.2.1 Data collection	43
3.2.1.1 Electronic Sources.....	43
3.2.2 Variables	45
3.2.2.1 Dependent Variables.....	45

A RELATIONSHIP BETWEEN FINANCIAL FACTORS AND PROFITABILITY OF CONSTRUCTION COMPANIES IN MALAYSIA

CHAPTER 1

1.1 Introduction

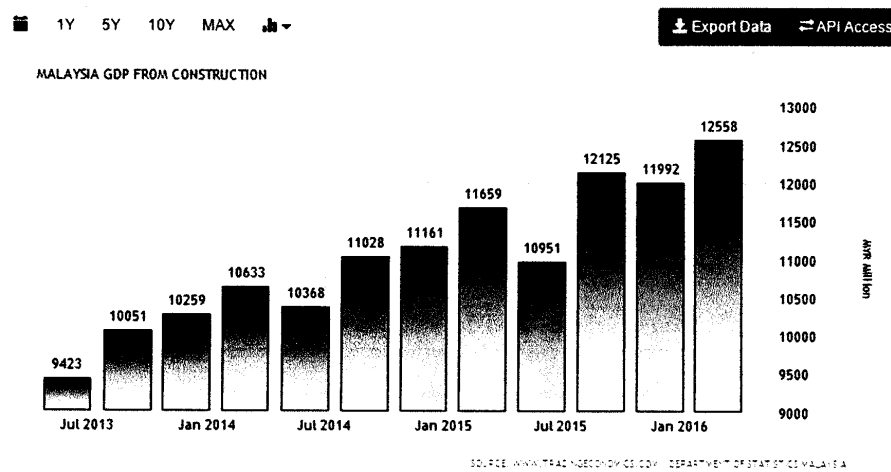


Table 1.1 GDP from construction in Malaysia

Table above shows that, the statistics of GDP from Construction in Malaysia increased to 12558 MYR Million in the first quarter of 2016 from 11992 MYR Million in the fourth quarter of 2015. GDP from Construction in Malaysia averaged 9349.48 MYR Million from 2010 until 2016, reaching an all-time high of 12558 MYR Million in the first quarter of 2016 and a record low of 6464 MYR Million in the first quarter of 2010. GDP from Construction in Malaysia is reported by the Department of Statistics Malaysia. In this research Malaysia GDP keep increasing every quarter and it show that the growth of construction companies has been expand and show it making profit to Malaysia and the companies itself. Recently, according