



**THE DETERMINANTS OF FIRM INVESTMENT:  
THE CASE OF LISTED MALAYSIAN FINANCIAL  
FIRMS**

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## ABSTRACT

In the last couple of decades, the choices between leverage and equity in financing a firm operation have been extensively examined in finance literature. However, there were limited numbers of studies on the impact of leverage on firm's investment. In corporate finance, the central issue of investment of a firm is the impact of financial leverage of that firm. This study attempts to find out the impact of financial leverage and another three indicators on investment made by public listed financial firms in Malaysia. The dependent variable for the project paper is firm investment by using the ratio of firm's net capital expenditures to its net fixed assets at the beginning of the year. Meanwhile, the independent variables are leverages, cash flow, Tobin's Q, and sales value. Leverage is calculated by the ratio of total liabilities to the book value of total assets. Cash flow represents operational cash flow of the firm and is calculated as ratio of net income and depreciation to total assets. Tobin's Q is used as the proxy for growth opportunities of any firm and it is calculated by using the market value of the firm's total assets divided by the firm's book value of total assets. Sale is measured as net sales deflated by net fixed assets. Sample period chosen was from 1994 until 2014 which is 21 years. The sample data were collected from *DataStream* on public listed companies under Finance sector in Bursa Malaysia. There are 38 companies listed in Main Market under Finance sector but only 7 financial companies were chosen for this study. The study estimates panel data regression model of Ordinary Least Squares (OLS)/ Common Effect Model, Fixed Effect Model, and Random Effect Model.

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## **CHAPTER 1: INTRODUCTION**

### **1.1 Introduction**

In this first chapter will be discussed on the background of study, problem statements, research questions and objectives, scope, significant and limitations of the study, definition of terms, and summary for the chapter. Based on the research title, the researcher would focus on the determinant of firm investment made by financial firms' in Malaysia.

In the background study and as mentioned above, this research will discuss on dependent and independent variables. The dependent variable in this study is investment of financial firms in Malaysia. Meanwhile the independent variables are financial leverage, cash flow, Tobin's Q, and sales. Further in this chapter, the researcher will discuss about the question related to the theoretical framework in this final year research project.

There will be two (2) types of research questions and objectives which are main and specific. The main research question and objective is related to the dependent variable that is the most important or basic research in this research. On the other hand, the specific research questions and objectives are the supporting details to the main research question and objective.