

UNIVERSITI TEKNOLOGI MARA

TECHNICAL REPORT

**A STUDY ON THE RELATIONSHIP BETWEEN FAMILY
OWNERSHIP FIRM AND KMV-MERTON'S PROBABILITY OF
DEFAULT USING LOGISTIC REGRESSION MODEL**

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IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

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ABSTRACT

The study aims to identify the relationship between family ownership firms and default risk. Hence, we use KMV Merton's probability of default to calculate the default risk and logistic regression analysis to identify the relationship of both family ownership firms and non-family ownership firms. This study utilizes the Malaysian public listed firm's data for 10 years, involving 116 from family ownership firms and 82 from non-family ownership firms. The results show that the type of ownership does not significantly affect the firm's default risk. However, family ownership is found to be positively related to the default risk of the firms. Furthermore, this study also aims to compare a default risk between family ownership firms and non-family ownership firms using a statistical chart in SPSS analysis tools. The comparison shows that family ownership firms have slightly higher default risk than a non-family ownership firms in which this result supports a previous study by D'Este and Carabelli (2022), where the author stated that a firm that is managed by a family member would lead the firms to have high default risk. However, our result might be biased since the data for the default firm is inadequate due to many unavailable data that need to be removed in this study. Thus, as a recommendation for future research, the data collected for default firms of family ownership firms and non-family ownership firms should be balanced to obtain better results.