



UNIVERSITI TEKNOLOGI MARA

**DEBT RATIO EFFECT:
EVIDENCE FROM MALAYSIA
TELECOMMUNICATION COMPANIES**

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ABSTRACT

Telecommunications industry is one of the most active industries in the world as it has changed the economy and give changes in a lot of people. While debt ratio is one of the important measurement in any company that run a business. As the debt ratio helps in playing a role as a part of company's assets which are financed by a debt. This research paper aims to determine the effect of debt ratio: evidence from Malaysia telecommunication companies by examine the past performance of the selected company listed in Bursa Malaysia. All the information of the companies are obtained from their annual report which the data are gathered from DataStream database subscribed by UiTM covering from the year 2006 until 2015. The method used to evaluate the company's debt ratio effect are using a panel data. All the data sets for this study comes from the secondary data collection. This research will further explained the factors that have become the main effect by most researchers as the debt ratio effect. They are company size, profitability, asset tangibility, growth opportunity and liquidity. Relationship between the debt ratio and all the five elements of the debt ratio effect will be investigate whether they will have a positive and significant relationships or not.

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TABLE OF CONTENTS

	Page
TITLE PAGE	ii
AUTHOR'S DECLARATION	iii
ABSTRACT	iv
ACKNOWLEDGEMENT	v
LIST OF TABLES	ix
LIST OF FIGURES	ix
LIST OF SYMBOLS	x
LIST OF ABBREVIATIONS	xi
CHAPTER 1: INTRODUCTION	1
1.1 Overview of Malaysia Telecommunication Companies	1
1.2 Background of Study	3
1.3 Problem Statement	4
1.4 Research Question	5
1.5 Research Objective	6
1.6 Significance of Study	6
1.6.1 Researcher	6
1.6.2 Telecommunication Industry	7
1.6.3 Future Researcher	7
1.7 Scope of Study	7
1.8 Limitation of Study	9
1.8.1 Time Constraint	9
1.8.2 Availability of Data	9
1.8.3 Financial Constraint	9
1.8.4 Lack of Experiences	10
1.9 Definition Of Terms	10
1.10 Summary	12

CHAPTER 1

INTRODUCTION

In the first section of this chapter will discuss about the overview of Malaysia telecommunication industry. While in the next section the researcher will explain about the background of the study, problem statement, research objective, research question, significant of the study, scope of the study and also the limitation of the study.

1.1 OVERVIEW OF MALAYSIA TELECOMMUNICATION COMPANIES

Malaysia telecommunication industry has grown tremendously over these past year. There are a massive progression in their usage among the Malaysian users. Almost the standard for every people to have the mobile services as they use it for a daily purpose. Due to this, the target for each Malaysia telecommunication company providers is to compete among each other in order to attract as much subscribers and be the best telco providers in Malaysia. All these activities in the telecommunication sector was started in the year 1983 when the government allowed private participation in supplying terminal equipment that eventually set the stage for more advance telecommunications markets like radio paging and later on, mobile cellular.

By the year 1987, the operation of first telecommunication company in Malaysia which formerly known as Telecommunications Department Malaysia or Jabatan Telekomunikasi Malaysia (JTM) was transferred to Syarikat Telekom Malaysia Berhad (STM). The company later on has become a public listed company in 1991 as well as change their name to Telekom Malaysia Berhad. The government retained a majority shareholding in Telekom Malaysia Berhad to ensure that Telekom Malaysia's important operational decisions are consistent with government policy (Hon, Boon, & Lee, 2013). During the