UNIVERSITI TEKNOLOGI MARA

FINANCIAL PERFORMANCE OF MALAYSIAN COMPANIES LISTED IN TOP 2016 FORBES GLOBAL 2000

AMMAR FAIZ BIN ZAINOL

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ABSTRACT

The purpose of this paper is to examine the impact of financial ratios on the financial performance of Malaysian companies listed in top 2016 Forbes Global 2000. These companies are those who still maintained their position among best 2000's companies around the world. This paper would like to analyze their performance throughout any financial crisis faced by many sectors. A panel data has been used and secondary data has been analyzed to estimating the relationship between financial ratios and firm's financial performance. This paper will use company's net income as the dependent variable. While liquidity ratio, leverage ratio, profitability ratio, marketable ratio, and activity ratio act as independent variables. Current ratio (CR) represent the liquidity ratio, debt ratio (DR) represent the leverage ratio, net profit margin (NPM) represent the profitability ratio, total asset turnover (TATO) represent the activity ratio, and earning per share (EPS) represent the marketable ratio. The data was collected from 4 Malaysian companies listed in top 2016 Forbes Global 2000 as their industries representatives. All information involved was derived from company's website, online journal, and Thompson Datastream. This paper will run all the data collected from 2000-2016 (17 years, 68 observations). In addition, econometric tests are employed to supervise the relationship of the variables involved. Data collecting and analyzing have been worked out by using the intelligent data software called Eviews. Moreover, the findings of the impact of the financial ratio which are CR, TATO, DR, NPM, and EPS have a positive relationship on the company's performance.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This study is focusing on the specific theory which can be used to solving the general problem occurs in the organization. The finding of research might be examined for the past few decades but the situation and economic trend at that time might be different from current and future events. Thus, any researchers need to re-examine to suit the situation. So, this chapter will discuss the overview and background of the study, problem statement of the study, research questions, research objectives, significant of study, the scope of the study, limitations of the study, and definition of terms.

Background of study will explain the reason of the topic selection and the micro and macroeconomic factors related to the study. In the simple word, there will be some flashback about the related previous study to explain the general theory that might be used for past study and also the relevance of the theory to our current situation. Thus, both dependent and independent variables could be involved in this chapter because these variables are the "theory" to finding the solution. So the dependent variable for this study is the revenue (net income) and the independent variables are the financial ratios analysis consist of liquidity, activity, leverage, profitability, and marketable ratio.

A problem statement does not mean something is seriously wrong, sometimes it is just another effort to improve the theory to coop with the current and future situation. Simply said that problem occurs when the actual finding not going through like the desired result. It needs to be narrow down from the general or broad problem to the more specific problem. So we can trace the suitable solution for the problem. This could help