



UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF CORPORATE
CASH HOLDINGS OF PUBLIC
LISTED COMPANIES IN MALAYSIA**

NUR NABILAH BINTI SUKRY

Thesis submitted in fulfilment of the requirements for
the degree of

**Bachelor of Business Administration
(Hons) Finance**

Faculty of Business and Management

July 2017

ABSTRACT

The purpose of this paper is to understand the motives behind the levels of cash holdings and the theory that may be able to explain why these firms hold so much cash. Annual financial data and stock prices of 34 firms from different sectors on the Bursa Malaysia are collected for the period 2010-2015. The variables used in this study are growth opportunities, firm size, cash flow volatility and leverage for independent variables; and cash holdings for dependent variable. In the “Malaysian Business” magazine, lists the cash holdings of individual Malaysian listed companies which amount to billions of ringgits. This indicates that there are huge levels of cash in Malaysian firms, but whether these figures are optimal for the firms is not known. The large cash holdings of these firms naturally bring to the fore the question of why the firms hold these large hoards of cash when cash is a non-interest/return generating asset.

ACKNOWLEDGEMENT

Firstly I wish to thank ALLAH S.W.T, the Most Gracious and the Most Merciful for giving me strength on successfully completing this project paper. All the praises and thanks to Him for giving me the times, wills, guidance and strengths during the period of this project. This project paper will not successfully complete without cooperation from many parties. They have contributes a lots in preparing this project paper. I am thankful to many people who provide me the kind assistance or had contributed immensely to the success completion of this project paper in due time.

I wish to express my sincere gratefulness and gratitude to Madam Zaibedah binti Zaharum who act as my advisor. Special thanks dedicated to my fellow classmates and friends for their helps, concerns, morals and materials support.

I would like to grab this opportunity to express my deepest appreciation for those who had contributed a great deal towards the completion of this project paper. I have learnt much about this subject. I wish to extend my appreciation to my family, especially to my parent for their moral support in completion this project paper. In conclusion, I am grateful to ALLAH S.W.T for his guidance and the continuous good health and wealth which without His blessed I might have not complete this project paper. Thank you.

TABLE OF CONTENTS

AUTHOR'S DECLARATION	i
ABSTRACT	ii
ACKNOWLEDGEMENT	iii
LIST OF TABLES	vii
LIST OF FIGURES	viii
LIST OF ABBREVIATIONS/ NOMENCLATURE	ix
CHAPTER 1: INTRODUCTION	1
1.1 Introduction	1
1.2 Background Of Study	1
1.3 Problem Statement	3
1.4 Research Questions	4
1.5 Research Objectives	5
1.6 Scope Of Study	6
1.7 Significant Of Study	6
1.8 Limitation Of Study	7
1.9 Definition Of Term	7
1.9.1 Cash Holdings	7
1.9.2 Growth Opportunities	7
1.9.3 Leverage	8
1.9.4 Cash Flow	8
1.10 Summary	8
CHAPTER 2: LITERATURE REVIEW	9
2.1 Introduction	9
2.2 Literature Review On Cash Holding	9
2.3 Literature Review On Growth Opportunities And Cash Holdings	11
2.4 Literature Review On Firm Size And Cash Holdings	12
2.5 Literature Review On Leverage And Cash Holdings	14
2.6 Literature Review On Cash Flow Volatility And Cash Holdings	15

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

In this chapter will discuss about the background of the study, problem statement, research questions, research objectives, significant of the stud, and scope of the study. This research is focus on the determinant of corporate cash holdings of public listed companies in Malaysia.

1.2 BACKGROUND OF STUDY

Cash are defined as some form of currency used for the exchange of goods or services. A manager hold some part of firm's assets like money and liquidity assets with the end goal of reinvestment in physical assets, circulation to the shareholder and investors and also keep some portion inside the organizations (Almeida et al, 2002). Organizations hold a some portion amount of money, in the Keynesian theory of the money demand, for different intentions, for example, precautionary, speculative, and transactional (Isshaq and Bokpin, 2009). Transaction motive explain that money which is held for ordinary exchanges to pay for merchandise or administrations, that is, money is held for everyday operation to make routine instalments and payment. Precaution motive state that money held for securities reasons, that is, money are held for unexpected event. From speculation perspective, organizations hold money to take benefits of any deal purchases that may emerge (Besley and Brigham, 2005).

The corporate cash holding pattern usually are explained by three theories, which are trade-off model, pecking order theory, free cash flow theory, agency theory.

According to the Trade-Off model, firms set their ideal level of cash holding by weighting the minimal expenses and minor advantages of holding money. The principle benefits related with corporate cash holding include decrease out the probability of financial distress, prioritize the optimal investment policy even when financial constraints are met, and its commitment to limit the expenses of raising