



UNIVERSITI TEKNOLOGI MARA

**CASH FLOW SENSITIVITY EVIDENCE IN
COMMERCIAL BANK IN MALAYSIA**

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ABSTRACT

Cash is the life-blood of a company, with the cash flow from operating activities as the artery. Companies that constantly uses cash in its activities, instead of generating cash is heading for financial distress. The cash flow can measure by the actual characteristic of a company by looking at financial variable and ratios and comparing them with expected characteristic of such a company in order to find any irregularities. A normal company is expected to have a negative Cash Flow Investment, as it should continually replace existing non-current and invest in new growth opportunities. Primary purpose of the cash flow statement is to assess a company's liquidity, solvency, viability and financial adaptability. Cash flow statement can enhance the usefulness of financial information for economic decision making. The aim of this study to investigate the sensitivity of cash flow toward financial performance of the bank. This study will conduct by using panel data and the sampling for this study is 8 commercial banks in Malaysia and will focus on from the years 2009 until the years 2017.

Keywords:

Net Cash Flow sensitivity, Commercial Bank, Internal Finance, Long Term Investment, Long Term Debt, Net Working Capital

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CHAPTER ONE

INTRODUCTION

1.1. Introduction

The purpose of this study is to give a deeper understanding regarding the cash flow that focusing on the effect the cash flow sensitivity on company. The first chapter of this paper cover the introduction of the cash flow sensitivity. Then, it will be continued with research background that studies regarding the Commercial Bank in Malaysia. Moreover, in this chapter also came out with problem statement, research question and objective, significant of the study, scope of the study and also the limitation of the study. Lastly, this chapter provides a clear definition of each variable used.

1.2. Background of Study

Cash flow is the net amount of cash that being transferred into and out of a business. Cash flow is particularly important for seasonal business, managing cash flow in this type of business is tricky, but it can be done with diligence. However, lack of the managing cash flow indicates the biggest reasons the businesses fail. In addition, it also indicates toward financial constraint of the company. According to Almeida, Campello and Weisbach (2004), financial constraint can be relating to the company prosperity to save cash out of cash inflows, which refers to as the cash flow sensitivity of cash.

According to Barth, Cram and Nelson (2001), the prediction of future cash flow sensitivity can be the one of the fundamental issue in accounting and finance that can give the value of the company's securities upon depends on their ability to generate cash flow. This is because the cash flow can be measure by the actual characteristic of a company's by looking at financial variable