

FINANCIAL RATIOS AS SIGNIFICANT DETERMINANTS
OF SYSTEMATIC RISK : A STUDY ON ARAB
MALAYSIAN DEVELOPMENT BERHAD

HJH. NOR SHIRIN BT HJ. MD. MOKHTAR

UNIVERSITI KEBANGSAAN MALAYSIA

106503



106503

ABSTRAK

Kajian ini bertujuan untuk menjawab persoalan berikut; ' Adakah nisbah-nisbah kewangan bertindak sebagai penunjuk yang tepat kepada risiko sistematik (risiko pasaran) ? ' Analisa empirikal telah dibuat ke atas nisbah-nisbah kewangan Arab Malaysian Development Berhad (AMDB) sepanjang 11 tahun dari 1987 hingga 1997. Pembolehubah sandar pada beta diperolehi dari pangkalan data 'metastock' Pulangan saham harian AMDB diregrasikan dengan indeks komposit (KLCI). Beta mengukur risiko yang timbul daripada hubungan antara pulangan sesuatu saham dan pulangan daripada pasaran. Walau bagaimanapun, risiko sesebuah syarikat seharusnya ditentukan oleh penyatuan antara asas syarikat dengan ciri-ciri pasaran saham syarikat tersebut. Kajian ini dijalankan ke atas hubungan-hubungan ini bagi membantu kita supaya lebih memahami beta (risiko pasaran) dan boleh membuat ramalan-ramalan yang lebih tepat terhadap beta. 14 nisbah kewangan di dalam kajian ini mewakili nisbah cepat syarikat, nisbah pengurusan tanggungan, nisbah keuntungan dan kecekapan syarikat, nisbah perniagaan, nisbah nilai pasaran dan saiz syarikat. Di dalam menganalisa keputusan, pada mulanya nisbah kewangan ini dianalisa dengan menggunakan analisa tren untuk melihat pergerakannya sepanjang 11 tahun tersebut. Kemudian korelasi Pearson digunakan untuk menganalisa perhubungan positif atau negatif di antara pembolehubah-pembolehubah. Ketiga, regresi univariat digunakan untuk mengenal pasti pembolehubah-pembolehubah yang penting berasaskan ujian-t pada tahap 5 peratus dan 10 peratus signifikan. Akhirnya regresi multivariat digunakan untuk mengkaji pembolehubah-pembolehubah penting. Kajian mengenal pasti hanya 3 pembolehubah yang penting dari segi statistik di dalam menjelaskan variasi beta, iaitu pendapatan sesaham, nisbah ekuiti-hutang dan pulangan ke atas pemegang-pemegang saham. Oleh itu, kajian ini menekankan kegunaan nisbah-nisbah kewangan di dalam meramal beta dan seterusnya mengukur risiko. Kajian ini menyokong kajian terdahulu yang telah dibuat oleh BKS (1970), Ruland (1980) dan lain-lain. Oleh itu, nisbah kewangan (yang terpilih) bolehlah digunakan sebagai alat untuk mengukur risiko pasaran untuk kegunaan dalaman dan luaran syarikat.

CHAPTER 1

1.0 INTRODUCTION

Financial ratios analysis or known as accounting risk measures¹ are generally the first step in any financial decision-making at all levels of business organization. Financial characteristics in the financial statement could be analyzed using a suitable financial ratio to develop a predictive model. Financial ratios reflect the key relationship among financial variables and provide basic guidelines for financial planning and analysis. Ratio is used to measure the performance of the company since this financial ratio has the ability to measure the efficiency of company's activities, liquidity, profitability and leverage. This is where they are able to indicate the strengths and weaknesses of the company. It provides better information about the company's performance.

The number of ratios that can be calculated from a set of financial statement is very large. However, a user of financial ratio would only want to make use of several of these ratios for the decision-making. Several studies have been conducted in which an attempt is made to reduce the dimensionality of a variable set by developing patterns among financial ratios via factor analysis.

1.1 RATIO ANALYSIS

Ratio analysis continues to represent one of the financial world's most powerful and versatile tools. It is used in the following contexts by

- ♦ companies when evaluating the credit worthiness of their debtors;
- ♦ investors when considering the merit of alternative investments;
- ♦ banks and other lenders before granting loans;
- ♦ auditors when conducting analytical reviews of their clients;
- ♦ merger and acquisition teams when considering potential targets etc.²

A ratio analysis is an important tool to evaluate the financial condition and performance of a firm. It involves evaluating a set of financial ratios, looking at trends in those ratios, and comparing them to the average values for other companies in the industry. Management uses it to maintain efficient operational control, but it is also invaluable in analyzing a firm for potential debt or equity investment. Many researchers admitted the usefulness of financial ratios.

Financial ratios act as a tool which, after preliminary screening of questions and problems, can help the user to gain a notion of the firm's financial structure and to know what additional information has to be obtained. Ratios based on historical accounting information are often considered as yardsticks for evaluating the financial condition and performance of the firm.

¹ In this research, the terms financial ratios and accounting risk measures will be used interchangeably.

² Gardiner Marc A, *Management Accounting: Magazine for Chartered Management Accountants* Sept 95, Vol 73, Issue 8, p32

Since the late 1800s, ratio analysis has been the major tool used in the interpretation and evaluation of financial statements for investment decision making. It involves the breakdown of the examined financial reports into component parts (eg. Fixed and current assets) , which are then evaluated in relation to each other and to exogenous standards. Ratios, rates and percentages expedite the analysis by reducing the large number of items involved to a relatively small set of readily comprehended and economically meaningful indicators.. Generally speaking, four categories of ratios are especially important: profitability, liquidity, leverage and market value. In this research, only those major financial ratios on the basis of both empirical and theoretical consideration are presented.