



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



The Influence of Debt Financing on Firms' Performance: A Study of Consumer Product Industry in Malaysia

Nurul Syuhada Binti Zaidi, Mohamad bin Jais, Bakri bin Abdul Karim

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v9-i9/6331>

DOI: 10.6007/IJARBSS/v9-i9/6331

Received: 02 July 2019, **Revised:** 27 July 2019, **Accepted:** 30 August 2019

Published Online: 03 September 2019

In-Text Citation: (Zaidi, Jais, & Karim, 2019)

To Cite this Article: Zaidi, N. S. B., Jais, M. bin, & Karim, B. bin A. (2019). The Influence of Debt Financing on Firms' Performance: A Study of Consumer Product Industry in Malaysia. *International Journal of Academic Research in Business and Social Sciences*, 9(9), 578–589.

Copyright: © 2019 The Author(s)

Published by Human Resource Management Academic Research Society (www.hrmars.com)

This article is published under the Creative Commons Attribution (CC BY 4.0) license. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this license may be seen at: <http://creativecommons.org/licenses/by/4.0/legalcode>

Vol.9, No.9, 2019, Pg. 578 - 589

<http://hrmars.com/index.php/pages/detail/IJARBSS>

JOURNAL HOMEPAGE

Full Terms & Conditions of access and use can be found at
<http://hrmars.com/index.php/pages/detail/publication-ethics>



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



The Influence of Debt Financing on Firms' Performance: A Study of Consumer Product Industry in Malaysia

Nurul Syuhada Binti Zaidi, Mohamad bin Jais, Bakri bin Abdul Karim

Faculty Economics and Business, University Malaysia Sarawak (UNIMAS)
Email: znsyuhada@unimas.my, jmohamad@unimas.my, akbakri@unimas.my

Abstract

This research investigates the influences of debt financing on firms' performance in the consumer product industry in Malaysia. The firms' performance is measured based on return on assets (ROA), while the independent variables examined were accounts payable (AP), short-term debt (STD), long-term debt (LTD), and firm size. The data for this research were collected from consumer product firms in Malaysia and listed by Bank Negara Malaysia. Fifteen years of data, from 2001 until 2015, were analyzed. The findings revealed a significant relationship between short term debt and long-term debt towards the performance of consumer product firms in Malaysia. However, an insignificant relationship was found between account payable and firm's size towards the performance of consumer product firms in Malaysia. Nevertheless, other factors can be considered when measuring the performance of consumer product firms in Malaysia.

Keywords: Consumer Product, Return on Asset, Firm Performance, Debt Financing, Profitability

Introduction

Debt financing is very popular nowadays not only because of its tax benefits, but also because it can attract more investors as it presents a lower risk to debtors. As choosing the right capital structure is critical, firms have become very competitive and careful when choosing their capital structure in order to survive in the challenging market and attract more investors in order to expand or grow their business. In the consumer products industry, where everything moves rapidly, firms must have a clear and strategic capital structure strategy in order to remain nimble and competitive in the rapidly evolving technologies and economic uncertainty. Therefore, it is important to study the relationship between debt financing and firm performance among companies in the consumer products industry. Previous studies on debt financing have mostly focused on companies outside of Malaysia. Empirical studies on debt financing in Malaysia are scarce, but the general findings