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The Moderating Effect of Government Ownership on the Relationship between Cash Flow and Firm's Performance for Construction Industry in Malaysia

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Abstract

This study attempts to measure the circumference of the cash utilization activities from operations activity, investment activity, and financing activity towards firms' performance of the construction industry in Malaysia by using Government Ownership as the moderating variable. This study essentially using a secondary data that obtain from the annual report for the year 2014 to 2018. The data of the cash flow variable and firms' performance was originally keep recorded in a monetary value whilst data for Government Ownership was obtained through a content analysis. The findings revealed that there is negative relationship with Net Cash Flow towards the Return on Assets. The results demonstrated that the Net Cash Flow in Operating activity is the most influenced by Government Ownership. The Net Cash Flow in Investing activity is significantly affected, while the Net Cash Flow in Financing is the least affected by Government Ownership. In other words, although the government has an authority to influence the economic activity in the market, the government interfere in their capital structure does not effectively affect the firms' performance of construction sector in Malaysia.

Key words

Cash Flow, Net Cash Flow in Operating, Net Cash Flow in Investing, Net Cash Flow in Financing, Return on Assets, Government Ownership

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1. Introduction

Construction firms become a more challenging field caused by the high potential of project failure compare to the other industries (Shahhosseini *et al.*, 2017). The outcome of this deficiency is the convergence of various variables in the management and financial factors. The cash flow needed to be managed efficiently due to the cycles of growth and capital investment of the company. In other words, the cash flow state of the business is a representation of the performance of the project. The management team must control and structure its cash flow strategically to ensure that all the infrastructure projects are financed and running smoothly until the finishing. The company would be entirely dependent on external financing, which directly puts the company at risk of fluctuating interest rates. Stable cash flow represents the financial flexibility of the firm, which allows it to continue its operation and to achieve higher profitability while enabling firms to diversify their investments. The construction industry is beginning to destabilise in 2014. Developers had to plan strategic budgeting by buying raw materials when there was an affordable offer to remain in the competition for a period of time. But there is a high tendency of delayed