

# **CAPITAL STRUCTURE OF MALAYSIAN LISTED COMPANIES**

**A dissertation submitted to the Faculty of Finance and Banking in partial  
fulfillment of the requirements for the degree  
Master of Science (Finance);  
Universiti Utara Malaysia**

**by**

**Wan Mursyidah Binti Wan Ismail**

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## ABSTRAK

Kajian ini dijalankan untuk mengenal pasti faktor-faktor penentu penstrukturan modal syarikat-syarikat Malaysia, hubungan di antara keuntungan, saiz, peluang pertumbuhan, penstrukturan aset dan cukai terlindung tanpa hutang (*non-debt tax shields*) dengan leveraj dan untuk melihat sama ada syarikat-syarikat Malaysia mengikut teori *pecking order* dalam membuat keputusan berkaitan penstrukturan modal. Dapatan kajian menunjukkan keuntungan, cukai terlindung tanpa hutang (*non-debt tax shields*) dan saiz adalah signifikan dalam menentukan faktor-faktor penstrukturan modal. Keuntungan daripada syarikat-syarikat Malaysia memberikan keputusan yang signifikan dan konsisten dengan teori *pecking order*. Peluang pertumbuhan dan penstrukturan aset tidak signifikan.

## **ABSTRACT**

This study was attempted to identify the determinants of Malaysian companies' capital structure, the relationship between profitability, size, growth opportunities, assets structure and non-debt tax shields with the leverage and to see whether Malaysian companies followed the pecking order theory in making a decision concerning the capital structure. The findings showed that profitability, non-debt tax shields and size were significant in determining the capital structure. Profit of Malaysian companies gave a significant result and this was consistent with the pecking order theory. Growth opportunities and assets structure were not significant.

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## **LIST OF ABBREVIATIONS**

PN4	Practice Note 4
PROF	Profitability
SZ	Size
GROWTA	Growth Opportunities
TANG	Assets Structure
NDTS	Non-debt Tax Shields
OLS	Ordinary Least Squares

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Chapter Overview**

This chapter introduced the general idea of the study especially on the Malaysia capital market. Specifically, this study looks into the capital structure of the Malaysian listed companies. According to Mazhar (1991), capital structure was a mode in which the assets of the companies were financed and they represented the entire capital and liability side of the balance sheet. Capital structure referred to the composition of the long term source of finance in firm. Meanwhile, Capobianco *et al.* (2004) defined it as strategic decision that involved choosing between the third party and shareholders' capital. The decision was important as it involved the possible changes to capital cost and the risk perceived by the parties involved with the company. Therefore, it was concluded that the capital structure pertaining to a decision in choosing between different types of financing such as equity or debt.

This chapter was divided into four sections as follows; Section 1.2 gave an overview of the Malaysian capital market, Section 1.3 explained the problem statement, Section 1.4 described the research objectives, Section 1.5 explained the significant of the study, Section 1.6 explained the scope of the

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