

**DEBT ISSUANCES, CAPITAL STRUCTURE CHANGES AND STOCK
RETURN PERFORMANCE**

By

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ABSTRAK

Pembiayaan secara hutang merupakan sumber pembiayaan korporat utama dalam negara membangun termasuk Malaysia. Walaubagaimanapun, pengetahuan tentang kekayaan yang dihasilkan daripada keputusan pembiayaan hutang untuk pemilik syarikat dan sumber penghasilan kekayaan ini adalah amat sedikit dan tidak jelas. Kekurangan literatur lebih ketara bagi pasaran membangun yang pasaran hutangnya terdiri daripada sekuriti hutang Islam dan sekuriti hutang konvensional. Sebagai tindakbalas kepada jurang pengetahuan ini, kajian ini dijalankan untuk mengkaji prestasi jangka pendek dan jangka panjang pulangan saham pengisu hutang dan juga penentu kepada prestasi ini. Sampel kajian terhad kepada pengisuan dalam tempoh Januari 2001 hingga Oktober 2009, di mana sampel terdiri daripada 136 pengisu bons bagi prestasi jangka pendek, 165 pengisu bons bagi prestasi satu tahun, 145 pengisu bons bagi prestasi 2 tahun dan 126 pengisu bons bagi prestasi tiga tahun. Menggunakan kaedah kajian peristiwa, kajian ini mendapati bahawa syarikat yang mengisu bons mengalami peningkatan dalam kekayaan pemilik yang signifikan di sekitar masa pengumuman. Dalam meneliti prestasi jangka panjang, kajian ini menggunakan 'value weighted average of cumulative abnormal return' dan 'buy and hold abnormal return' bagi portfolio pengisu bons dan juga 'Intercept of Fama-French three factor model'. Kesignifikanan 'buy and hold abnormal return' diuji menggunakan 'bootstrapped skewness adjusted t-statistics', 'heteroscedasticity and serial correlation consistent t-statistics'. Keputusan kajian menunjukkan bahawa pengisuan bons memberi kesan yang signifikan kepada kekayaan pemilik dalam tempoh tiga tahun selepas pengisuan. Di kalangan penentu-penentu yang signifikan kepada peningkatan kekayaan pemilik ini, perubahan struktur modal, peluang pertumbuhan dan konsentrasi pemilikan didapati mempengaruhi prestasi jangka panjang secara positif. Kesan peluang pertumbuhan dan konsentrasi pemilikan dimoderasikan oleh perubahan struktur modal. Beberapa pembolehubah hanya mempengaruhi prestasi jangka panjang apabila terdapat perubahan dalam struktur modal. Pembolehubah-pembolehubah ini adalah pemilihan bons Islam, penjimatan cukai akibat hutang dan aliran tunai bebas yang mempengaruhi secara negatif, dan saiz yang mempengaruhi secara positif. Secara kesuruhannya, kajian ini memperolehi bukti yang menunjukkan aplikasi separa 'trade-off theory' dan 'agency cost theory' dalam menerangkan mengenai penghasilan kekayaan pemilik melalui keputusan pembiayaan di Malaysia. Kajian ini juga mencadangkan agar syarikat yang besar dan yang mempunyai konsentrasi pemilikan yang tinggi mengisu hutang untuk memenuhi keperluan kewangan mereka. Syarikat yang besar boleh menikmati manfaat-manfaat pengisuan hutang, seperti penjimatan cukai berkaitan faedah, tanpa menghadapi 'financial distress cost' yang tinggi, manakala syarikat dengan konsentrasi pemilikan yang tinggi yang mengisu hutang boleh membendung kawalan ke atas syarikat dan mengelak penggunaan aliran tunai untuk kepentingan diri.

[Keywords: kewangan korporat, struktur modal, kajian peristiwa, *agency theory*, *trade-off theory*]

ABSTRACT

Debt financing is a major source of corporate financing in many emerging countries including Malaysia. However, the knowledge on shareholders wealth created from debt financing decision and sources of the wealth creation is scant and inconclusive. The scarcity of literature is more noticeable in emerging market environment and market where Islamic debt securities coexist with conventional debt securities. In response to this knowledge gap, this study attempts to examine the short and long run stock return performance of debt security issuers as well as the determinants of the long run stock return performance. Samples of 136, 165, 145, and 126 bond issues during January 2001 to October 2009 are used for analyzing short run announcement effects, as well as one, two, and three year performance, respectively. Using event study method, this study finds that the shareholders of bond-issuing firms experience significantly positive wealth creation around the announcement of the issues. Value weighted average of cumulative abnormal return and buy and hold abnormal return of the portfolio of debt issuers as well as the intercept of Fama-French three factor model is used for estimating the long run performance. The significance of buy and hold return is tested by implementing bootstrapped skewness adjusted, and heteroscedasticity and serial correlation consistent t-statistics. Results show that the shareholders of bond issuing firms experience significant long run performance in three-year period after the issue. Among the significant determinants, capital structure change, growth opportunity, and ownership concentration influence long run performance positively. The effects of growth opportunity and ownership concentration are significantly moderated by capital structure changes. Some variables only affect the long run performance when the debt issuance is associated with capital structure change. Among them, choice of Islamic debt, debt tax shield, and free cash flow which influence the long run performance negatively, while firm size influences positively. As a whole, this study finds evidence for partial applicability of trade off and agency costs theory in explaining long run wealth creation by the debt financing decision in Malaysia. The results of this study indicate that large companies and high ownership concentration companies should issue debts for meeting their financial requirement. Large companies can enjoy the benefits of issuing debts, such as interest tax saving, without facing severe financial distress costs, while high ownership concentration companies that issue debts can retain control on the companies' activities and overcome usage of free cash flows for private benefits.

[Keywords: corporate finance, capital structure, event study, agency theory, trade-off theory]

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Shareholders wealth maximization is the ultimate goal of all corporate financial decisions. Financing decision, which involves the timing and choice of equity and debt issuances, is one of the main financial decisions. Even though the main contribution to firm value and shareholders wealth creation comes from investment decisions, market imperfections, such as taxes, transactions costs and asymmetric information, are argued to result the financing decisions to have additional effect on shareholders wealth. This study attempts to investigate the stockholders' wealth performance following debt issuances in the context of some idiosyncrasies of Malaysian capital market.

In the next section, background knowledge on the topic under study is presented. Section 1.3 then raises the research issues that justify execution of this doctoral study followed by the list of research questions in Section 1.4 and research objectives in Section 1.5. Section 1.6 is used to present the significance of this study. Lastly, section 1.7 concludes this chapter by discussing the overall organization of the thesis.

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