

Capital structure decisions: evidence from large capitalised companies in Malaysia

Abstract

This study aimed to determine the factors influencing the capital structure decisions in Malaysia using the companies listed on the FTSE Bursa Malaysia Top 100 Index. The objectives of this study were achieved by examining the relationship between leverage (dependent variable) and four determinants identified as independent variables, which included profitability, tangibility, liquidity and firm size. Data of 69 firms which covered the period from 2007 to 2011 were evaluated using the panel data analysis with total observations of 345 firm-years. By applying the fixed effects regression model, results showed that profitability, tangibility and liquidity had significant negative relationship with leverage while firm size is positively related with leverage. Moreover, results also revealed that profitability was the most influential factor of the capital structure in Malaysia. The findings of this study were consistent with several previous studies as well as the theoretical background of capital structure determinants. These results also may represent the unique characteristics of capital structure of firms in Malaysia.