DETERMINANTS OF CAPITAL STRUCTURE AND
THE EFFECTS TOWARDS DEBT RATIO OF
LISTED CONSTRUCTION COMPANIES IN
MALAYSIA

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JOHOR

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DETERMINANTS OF CAPITAL STRUCTURE AND THE EFFECTS TOWARDS DEBT RATIO OF LISTED CONSTRUCTION COMPANIES IN MALAYSIA

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Submitted in Partial Fulfilment of the Requirement for the Bachelor of Business Administration (Hons) Finance

FACULTY OF BUSINESS MANAGEMENT
UITM, JOHOR

7 DECEMBER 2014
DECLARATION OF ORIGINAL WORK

BACHELOR OF BUSINESS ADMINISTRATION
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FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
JOHOR

“DECLARATION OF ORIGINAL WORK”

Anis Nabillah binti Rozwan Affandi I/C number 911107-14-5478

Hereby, I declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.

- This project paper is the result of my independent work and investigation, except where otherwise stated.

- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: ____________________ Date: ________________
LETTER OF SUBMISSION

7th December 2014

Mr. Syamsyul Bin Samsudin
School of Business and Management
UITM Johor, Segamat, Johor
Box 527, 85000 Segamat
Johor, Malaysia.

Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “Determinants of Capital Structure and the Effects towards Debt Ratio of Listed Construction Companies in Malaysia” to fulfil the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,

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(ANIS NABILAH BINTI ROZWAN AFFANDI)
Bachelor of Business Management (Hons) Finance
ABSTRACT

Construction companies are in an undeniable state that they could not survive and continue their daily operations without sufficient level of the working capital. This indicates that in today’s financial management, achieving the best capital structure for each firm is very crucial. The construction industry also facing lack of capital problem to some extent thus contribute to higher failure rate of construction companies. This paper intends to determine the factors of the contribution to the capital structure of construction firms listed in the Bursa Malaysia market. The data ranges from 2000 to 2013 on a yearly basis. The sample data were derived from financial statements of eight construction companies listed in Bursa Malaysia market with a number of observations totalling 104. Debt ratio is the dependent variable and expressed by formula; total liabilities divided by total assets. The independent variables are profitability, size of company, growth opportunity and liquidity. The results show that the profitability of the construction companies is significant negatively relations to debt ratio while size of company, growth opportunity and liquidity are insignificant in relations to total debt by using panel data method. This indicated that lower profit is the results obtained from using more debt for construction companies. The results also suggest that the companies are depending more on debt financing as to equity financing for expansion and growth.