FACULTY OF BUSINESS MANAGEMENT

MGT 666

INDUSTRIAL TRAINING REPORT

ALPHA PRECISION TURNING AND ENGINEERING SDN BHD

TITLE:

DETERMINANTS OF CAPITAL STRUCTURE OF CONSTRUCTION
INDUSTRY IN MALAYSIA

NAME:

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EXECUTIVE SUMMARY

This report is prepared for the Industrial Training from Universiti Teknologi Mara Cawangan Perlis. This paper consists of my industrial training from 4th September 2023 until 16th February 2024 for 6 months at Alpha Precision Turning and Engineering Sdn Bhd, Kulim Kedah. Thank you to my supervisor, Mr. Khairil Nadzrie, my advisor Miss Rozihanim Binti Shekh Zain and my examiner Dr. Chen Jen Eem who always support and shared knowledge with me. All this effort helps me to go through my industrial training become exciting and entertaining.

I am assigned to the Human Resource Department to helps human resource officer with daily task, documentation, training and recruitment. Besides that, I keen to learn new knowledge every single day and gain experience through it to become more professionalism as I believe it will be useful for my future career.

Furthermore, this report consists the study of Determinants of Capital Structure of Construction Industry in Malaysia. In the nutshell, I have admitted that the learning and experiences in this company really leads me to have better understanding of how to adapt in new environment and to building confidence in yourself.

TABLE OF CONTENT

3.0 COMPANY PROFILE

3.1 Background, Location, Organizational Chart

Alpha Precision Turning and Engineering Sdn Bhd was establish in 1985, that focused on the CNC machining companies and became one of the Malaysia's top CNC companies. This company headquarter located at Kulim, Kedah and have more than 200 CNC equipment with additional 5 axis machining centres. Alpha Precision Turning & Engineering serves a variety of industries, including aerospace, automotive, medical, and electronics. The company has successfully served both domestic and foreign clients, establishing a reputation for dependability, precision, and timely delivery. The total headcount of this company is about 570 employees.

Alpha Precision Turning and Engineering is known for its devotion to quality. Throughout the manufacturing process, the company follows tight quality control procedures to ensure that every component meets the highest requirements. This dedication to quality has earned the organisation the trust and confidence of its customers.

In addition to precise turning, Alpha precise Turning and Engineering provides a variety of engineering services. These services include design and prototyping, custom tooling, assembly, as well as secondary processes like grinding, milling, and drilling. This broad portfolio of services enables the company to give complete solutions to its clients, from concept to final manufacturing.

Alpha Precision Turning and Engineering has established itself as a reliable partner for precision machining and engineering solutions via its commitment to quality, modern technology, and customer-centric approach. The organisation is constantly expanding its capabilities and looking for new ways to better serve its clients and maintain its position as an industry leader.

ALPHA PRECISION TURNING AND ENGINEERING SDN BHD

NAME	Alpha Precision Turning and Engineering Sdn Bhd
ADDRESS	Lot 40, Lorong Perusahaan 1, Kawasan Perindustrian Kulim, 09000 Kulim, Kedah
CEO	JOHN CHRIS LANTZ
NUMBER	04-489 1529
E-MAIL	alpha-recruitment@compartsys-alpha.com
OPERATION HOUR	8:30 a.m until 6:00 p.m

3.2 Vision, Mission, Objective, Goal

3.2.1 Vision

"A prestigious World Class Manufacturer Specializes in Providing Precision Machining Solutions"

3.2.2 Mission

"Sharpen Manufacturing Effectiveness through Continuous Improvement & Adopting 5 Core Values"

3.2.3 Values

A Accountability

L Leadership

P Professionalism

H Honesty

A Adaptability

3.2.4 Objective and Goal

About this company, this company aims to achieve Total Customer Satisfaction and fulfilling customer, interested parties and applicable statutory and regulatory requirements by being world-class in product quality, on-time delivery, cost competitiveness. Continual Improvements shall be deploved, including introducing new technologies and knowledge, to enhance effectiveness of the Quality Management System.

In side of company's quality objectives are the product quality more than 99.8%. Product Quality for Aerospace more than 99.85% and on-time delivery more than 99.8% and less internal quality reject below than 1%. The internal quality reject for Aerospace are below than 2.5%. The productivity more than RM7,000 per head for Aerospace are more than RM5,000 per head. In terms of machine utilization against target 70% to 100% for Aerospace are 60% to 100%. For automotive and aerospace products, product quality is to drive towards zero ppm and achieve 100% on time delivery.

3.3 Organizational Chart
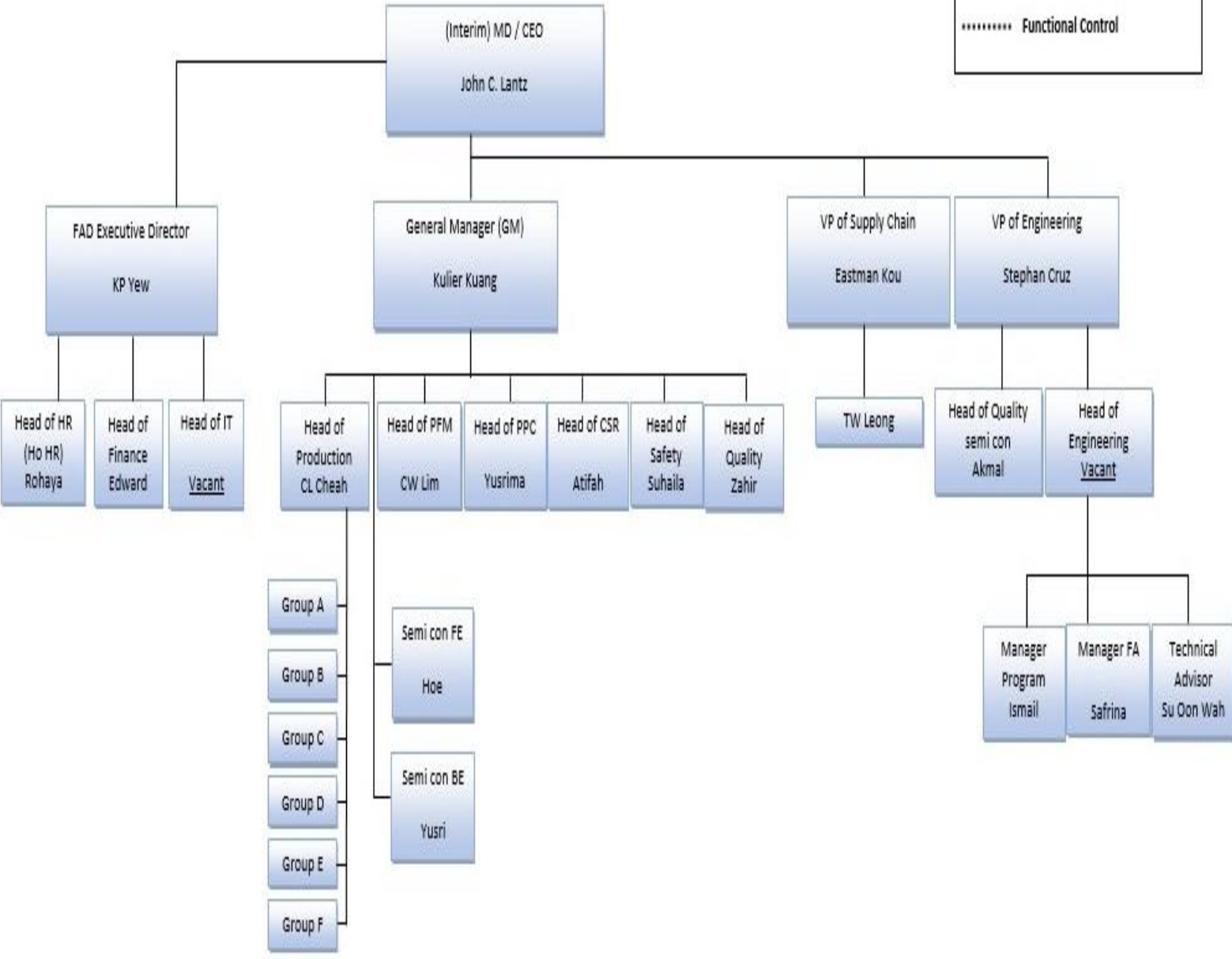
ORGANIZATIONAL CHART OF ALPHA PRECISION TURNING AND ENGINEERING SDN. BHD

3.4 Product and Services of Company

3.4.1 Product

Alpha Precision has a strong financial position and is always willing to invest in new manufacturing processes, equipment, and technologies to tackle new challenges, particularly in the automated, oil and gas, medical, textile, and aerospace industries. This company collaborate to provide precision machining solutions in component part design, modification, and innovation to increase productivity and reduce costs. Alpha Precision confident in our ability to develop to the next level of manufacturing capabilities to satisfy the diversified market needs of many industries.

There are few products of ALPHA offered to its clients and customers. ALPHA has been producing aerospace component parts for avionics Since obtaining the AS9100C certification in May 2014. We offered our precision skills to Amphenol Aerospace. Automotive industry ALPHA supply automotive parts such as pinion, steering rack, and piston to ZF-TRW and Bosch. ALPHA also supply component parts for oil exploration and production to world famous Oil & Gas companies. Besides that, we also supply component parts for sand screening and artificial lift. For medical part, ALPHA making parts for orthopaedic implants, surgical equipment and devices.

4.0 TRAINING'S REFLECTION

4.1 DURATION:

DATE: 4th September 2023 – 16th February 2024

WORKING DAYS: Monday to Friday

WORKING HOURS: 8:30 a.m to 6:00 p.m.

DETAILS:

DEPARTMENT: Human Resource

4.2 ROLES, RESPONSIBILITIES & TASKS:

1. Assist in the planning of company events. Starting with the planning, assistance, and coordination of the company's event, I engage in all stages of the company's events to ensure that everything goes as planned. On the event day, I am responsible with the registration process on the early process to record attendance for lucky draw session later.

2. Support onboarding and orientation of new employees. This involve preparing offer letters, employment contracts, and other relevant documents. Additionally, I also assist with setting up employee records to ensure a smooth onboarding experience.

3. Together supporting with employee relations. This involves addressing employee inquiries and concerns, helping to maintain positive employee relations. I support the Human Resource team in conducting surveys and analyzing employee feedback to identify areas for improvements and implement necessary changes.

4. Filing documents. All departments rely heavily on filing to keep their documents organised. All documents are private and confidential, thus they must be kept carefully to ensure easy access.

5. Administration task. I will assist with various administrative tasks, including maintaining employee files, updating Human Resource databases, and generating reports. This involve ensuring accurate and up-to-date employee information. I ensuring compliance with company policies and applicable employment laws.

6. Coordinating training programs and workshops for employees. This include tasks such as scheduling training sessions and preparing training materials. Other than that, I help to track and evaluate employee training and development initiatives to assess their effectiveness and make recommendations for improvement.

4.3 GAINS:

- **Allowance -** RM 800.00 Per Month.

- **Knowledge –** During my internship in human resource department at Alpha Precision Turning and Engineering Sdn Bhd, i gained great experience in numerous facets of human resource management. I learned about the recruitment and selection process, helped onboard new employees, and how to increase employee engagement through team-building events and recognition programmes. In addition, I helped to coordinate training and development projects, managed employee relations issues, and acquired experience with administration chores including record-keeping and compliance. Overall, my internship provided me with a comprehensive understanding of human resource regulations and processes, as well as their practical implementation in a professional work setting.

- **Skills –** I become more focusing on communication, attention to detail, problem solving, adaptability, and flexibility. I acquired experience analysing resumes, conducting interviews, organising employee engagement activities, planning training programmes, managing staff relations, keeping records, and strengthening communication and organisational abilities. The internship gave me hands-on experience with many human resource functions, preparing me for a future in human resources.

5.0 INTRODUCTION

Capital structure decision is the mix of debt and equity that the firms used in its operation (Akhtar & Javed, 2012). Capital structure decisions have a significance impact on the value and performance of a business and are crucial to its financial structure. The modern theory of capital structure was developed by Modigliani and Miller (M&M)(1985). Firms encounter a series of trade-offs while determining the most suitable approach for financing their operations, specifically in choosing between debt and equity. Managers are tasked with striking a balance between these two options to establish an efficient capital structure. The cost of capital refers to the rate of return that investors want in exchange for supplying funds to a company. Debt typically incurs a lesser cost compared to equity, nevertheless, it entails the responsibility of making periodic interest payments and repaying the principle sum upon maturity. In contrast, equity does not possess a predetermined expense, but rather entails the distribution of ownership and control of the organisation among shareholders. Hence, the capital structure decision entails weighing the advantages and drawbacks of debt and equity financing in order to minimise the company's total cost of capital.

5.1 Background of study

Many academics have highlighted the significance of capital structure decisions in influencing a company's financial success (Myers, 1984; Modigliani & Miller, 1958). Nevertheless, the distinctive attributes of the construction sector, such as its project-oriented orientation, requirements for finance, and susceptibility to economic swings, necessitate particular consideration. The study conducted by Rajan and Zingales (1995) emphasises the influence of institutional factors on decisions about capital structure. Given the dynamic financial landscape and regulatory framework in Malaysia, it is crucial to examine how institutions influence the capital structure decisions of construction enterprises.

Moreover, previous research (e.g., Titman & Wessels, 1988; Harris & Raviv, 1991) has highlighted the importance of industry-specific determinants in influencing the capital structure. Due to the ever-changing nature of the construction business, comprehending the impact of industry-related factors on decisions regarding capital structure can offer significant insights for both professionals and regulators.

The pandemic resulted in elevated expenses and escalating prices for development endeavours in Malaysia. The increase in project expenses can be ascribed to supply chain distributions, escalating material costs, and the necessity to adhere to health and safety regulations (Mohamed et al., 2021).

The COVID-19 pandemic resulted in substantial setbacks and disturbances within the construction sector in Malaysia. The imposition of movement restrictions, labour shortages, disruptions in the supply chain, and the shutdown of work sites resulted in a slowdown of projects, temporary pauses, and in certain instances, total termination (Abidin et al., 2021).

The construction sector in Malaysia has played a substantial role in the country's economic progress. The construction industry in Malaysia accounted for around 3.4 percent of the country's gross domestic product (GDP) in 2022, decline from previous year around 3.6 percent in year 2021. This is due to a rise in labor and material cost increase that effect the probability of construction projects. The labor costs can impact the viability of new construction projects and lead to a decline industry's GDP contribution. The objective of this study is to examine the determinants of capital structure of construction industry in Malaysia. Understanding the factors that determine the capital structure of enterprises in this industry is vital as they aim for sustainable growth.

5.2 PROBLEM STATEMENT

The construction industry in Malaysia stands as a crucial driver of economic growth, yet there is a notable gap in understanding the determinants of capital structure specific to construction firms operating within the Malaysian context. The unique nature of the construction sector, characterized by project-based operations, distinctive financing needs, and susceptibility to economic cycles, necessitates an in-depth exploration of the factors shaping the capital structure decisions of companies in this industry.

The institutional environment in Malaysia has witnessed evolution and reform, prompting a need for updated insights into the institutional factors impacting capital structure decisions within the construction industry (Rajan & Zingales, 1995).

The firm must effectively allocate its capital resources in order to ultimately decrease its expenses by reducing its weighted average cost of capital. Majority of contractors lack adequate capital and fixed assets. They are relying on construction equipment but they should have their own equipment, because of that banks cannot secured their loans because moving assets cannot be use as something important for banks. Contractors would face additional difficulties in executing their projects in the absence of financial support from banks.

Numerous construction projects had delays, which caused a decrease in cash flows and created challenges in fulfilling debt obligations. This arrangement places the contractors in challenging circumstances and results in a diminished profit margin obtained from projects. Establishing a clearly defined framework is essential for successfully finishing a project with minimal expenses, but it presents a major difficulty for contractors in today's fiercely competitive landscape.

The primary objective of this study is to ascertain the capital structure of construction enterprises in Malaysia. We want to precisely determine the ideal amount of debt and equity that should be utilised to finance the operations of construction companies in rising countries like Malaysia. We anticipate that this study will pave the road for financial managers to make informed decisions about capital structure policies in the future. Investigating how factors such as project risk, contract structures, and industry competition influence the financing strategies of construction companies in Malaysia is essential for both academic knowledge and practical industry applications.

5.3 RESEARCH OBJECTIVE

The research objective of the study on the determinants of capital structure of construction industry in Malaysia with capital structure as the dependent variable. The independent variables are profitability, size, liquidity and assets tangibility will thoroughly examine and determine the main elements that impact inflationary patterns of construction industry in Malaysia.

- To investigate the relationship between profitability and capital structure of the construction industry in Malaysia.
- To investigate the relationship between liquidity and capital structure of the construction industry in Malaysia.

5.4 SCOPE OF STUDY

This study focused on determinants of capital structure in Malaysia's construction sector from 2018 to 2022 that include an analysis of factors affecting the financing decisions among construction companies specialise in Malaysia. This includes assessing variables such as profitability and liquidity to determine their impact on capital structure decisions during the chosen time period. The target population comprises publicly 10 listed construction companies in Malaysia, considering their secondary data on Eikon and market behaviour.

6.0 LITERATURE REVIEW

6.1 CAPITAL STRUCTURE

Myers (2016) re-examines the influential pecking order theory, asserting that companies have a preference for utilising internal funding rather than seeking external funding. The study highlights the significance of asymmetric information, indicating that companies tend to opt for debt issue when they lack sufficient internal capital. Myers emphasises the practical consequences of this theory on decisions regarding capital structure and emphasises the significance of comprehending the information environments of enterprises.

Baker et al. (2020) explores the behavioural dimensions of making decisions regarding capital structure. The study presents the notion of behavioural biases, such as overconfidence and risk aversion, impacting managerial decisions on capital structure. Recognising these behavioural elements is essential for gaining a thorough picture of how companies organise their capital.

In contrast, recent empirical research conducted by Li et al. (2018) and Yang and Tian (2022) have investigated the influence of macroeconomic factors on decisions about capital structure. According to Li et al. (2018), economic conditions have a substantial impact on the financing decisions made by companies, resulting in differences in leverage ratios during different economic periods. In their study, Yang and Tian (2022) examine how interest rates and inflation influence the choices of firms regarding their capital structure. They propose that firms may modify their leverage in reaction to fluctuations in key macroeconomic indicators.

Recent work on capital structure demonstrates a comprehensive approach that integrates behavioural, informational, and macroeconomic viewpoints. While several studies emphasise the inclination towards using internal funds for financing, others emphasise the impact of external factors on the decisions made by firms regarding their capital structure. The presence of this diversity highlights the intricate nature of the topic and emphasises the significance of taking into account multiple elements when examining the connection between independent variables and capital structure.

6.2 PROFITABILITY

According to Chen, J., & Chen, Y. (2017). An analysis of the profitability and capital structure of China's listed manufacturing companies. This study examines the correlation between profitability and leverage by analyzing a dataset of publicly traded manufacturing enterprises in China. The results demonstrate a clear and positive correlation between profitability and leverage, demonstrating that companies with greater profitability typically exhibit lower levels of leverage.

According to the report, profitable companies may rely less on borrowing money because they are able to produce funds from within the company. Other than that, Haron, H., & Dungga, J. (2018). An empirical study investigates the relationship between profitability and capital structure in non-financial firms in Indonesia. This study investigates the correlation between profitability and leverage in non-financial companies in Indonesia. The findings indicate a strong and statistically significant correlation, indicating that companies with more profitability tend to exhibit lower levels of leverage. The study indicates that financially successful companies may have decreased requirements for funding and rely less on external loans.

According to study by Amess, K., Banerji, S., & Lampousis, A. (2018), there is significant negative relationship between profitability and capital structure, suggesting that more profitable firms tend to have lower levels of debt. This discussion underscores the intricacy of the matter and underscores the necessity for additional research to build an agreement on the nature and importance of the correlation between profitability and capital structure.

6.3 LIQUIDITY

This study examines the correlation between liquidity and leverage by analyzing a sample of Chinese companies. The results demonstrate a negative and significance correlation between liquidity and leverage, suggesting that companies with greater liquidity tend to have higher levels of leverage. The study indicates that companies with enhanced liquidity availability are more inclined to employ debt finance to facilitate their expansion and investment endeavors.

According to Hovakimian, A., Kayhan, A., & Titman, S. (2017). Do corporate default probabilities align with the principles of the static trade-off theory? This study

investigates the correlation between liquidity and leverage through the analysis of corporate default probabilities. The findings present empirical proof of a direct correlation between liquidity and leverage, indicating that companies with greater liquidity are more inclined to utilize debt financing. The study provides empirical evidence in favor of the static trade-off theory, which posits that companies carefully weigh the advantages and drawbacks of debt when making decisions about their capital structure.

Recent literature suggests that there is a complex and varied connection between liquidity and capital structure. Although certain research indicates a positive link, others emphasise the environmental intricacies that no influence this relationship. Ongoing study is essential for enhancing our comprehension of the complex relationship between liquidity and capital structure in various financial environments.

7.0 METHODOLOGY

7.1 Introduction

Research methodology is a systematic approach used to effectively address research problems. The methodology refers to the systematic and scientific approach used to conduct a research investigation. This section will outline a complication of regularly employed stages in research on determinants of capital structure, along with their underlying rationale. The comprehensive data collection along with the obtained material selected, will provide more comprehensive answers to the research questions. All decisions made in this study section will consider the literature review conducted by previous researchers.

7.2 Data Collection

7.2.1 Data Collection Process

The time horizon for this study is five (5) years which are from 2018 – 2022. The unit analysis for this study is the public listed companies in construction sector in Malaysia, consists of 10 public companies as a sample. The number of observations for the study are 50. All the data were taken from the Refinitiv Eikon. The study employed Statistic/Data Analysis (STATA) software version 11 in analysing the data.
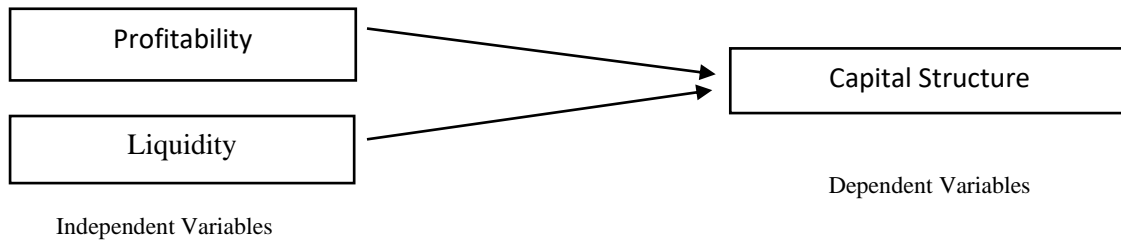
7.2.2 Variable and Measurement

This study examines the determinants of capital structure of a selected firm in Malaysia. In this study, capital structure was used as dependent variable meanwhile liquidity, profitability and leverage are the independent variables. Table 1 exhibits the measurement of the variables:

Table 1: Variable and Measurement

Variable	Proxy	Equation
Capital Structure	Debt to Equity Ratio	Total Debt/Total Equity
Liquidity	Current Ratio	Current Assets/Current Liabilities
Profitability	Return on Equity	Earning Beffore Taxes/ Average Total Assets

7.2.3 Theoretical Framework

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┌─────────────────────┐
│    Profitability    │──────────┐
└─────────────────────┘          │        ┌──────────────────────────┐
                                  └───────▶│     Capital Structure     │
┌─────────────────────┐          ┌───────▶└──────────────────────────┘
│      Liquidity      │──────────┘
└─────────────────────┘                          Dependent Variables

     Independent Variables
```

7.3 Hypothesis

The hypothesis statement for the study on the determinants of capital structure of construction industry in Malaysia would typically involve formulating null and alternative hypotheses based on the research objectives and the relationships expected to be examined. Here is a sample of a hypothesis statement for this study:

The hypotheses are presented below:

7.3.1 Liquidity

H0: Liquidity has no significant relationship with capital structure.

H1: Liquidity has a significant relationship with capital structure.

7.3.2 Profitability

H0: Profitability has no significant relationship with capital structure.

H1: Profitability has a significant relationship with capital structure.

7.4 Econometric Model

This study involves a panel data analysis regarding the capital structure as dependant variable and liquidity and profitability as independent variable. The equation for base-model is displayed as follow:

$$DEBT_{it} = \alpha + \beta 1 SIZE_{it} + \beta 2 PROFIT_{it} + \beta 3 TANGI_{it} + \beta 4 LIQUID$$

WHERE:

DEBTit = capital structure

α + β = coefficients

SIZEit =

LIQUID = liquidity

PROFITit = profitability

7.5 Descriptive Statistics Analysis

The use of debt-to-equity ratio as a means of determining the result of our investigation. Initially, we will examine the determinant of capital structure by analysing the summary statistics of the variables during the study period of 2018 until 2022. This study focusses on the range of capital values for the 10 construction companies listed in Bursa Malaysia.

Next, we will determine the most optimal combination of predictors to choose the best model predictor in C, AIC, and AICC. The selected variables current ratio, long term debt to capital, and pretax return on assets.

Furthermore, when selecting the best suitable panel data estimator. Three potential options for analysis in this stage include pooled ordinary least squares (POLS), fixed effect (FE), and random effect (RE). The F-test, BPLM test, and Hausman test are employed to ascertain if fixed effects (FE) or random effects (RE) should be utilised in order to discover our outcome. In the F-test, when the p-value is greater than 0.05, it indicates the presence of POLS. On the other hand, when the p-value is less than 0.05, it suggests the presence of FE. In the BPLM test, the p-value is used. The number 0.05 corresponds to the level of statistical significance (POLS). The p-value is less than 0.05, indicating a rejection of the null hypothesis (RE).

Next, in order to evaluate its performance in detecting multicollinearity, heteroscedasticity, and serial correlation, the issues need to be addressed. In the case of multicollinearity, the occurrence of the multicollinearity problem is indicated when the correlation coefficient exceeds 10. If the correlation coefficient is less than 0.05, it indicates the presence of heteroskedasticity and serial correlation.

The final step involves using regression analysis to discover the variable that has a statistically significant or insignificant relationship with the dependent variable. In this study, the significance can be determined by examining the p-value, which should be less than 0.1 (*), 0.05 (**), or 0.01 (***). Subsequently, the coefficient's value is employed to ascertain both the magnitude and direction of the variable.

8.0 DATA ANALYSIS AND FINDINGS

8.1 Introduction

The proxy for the capital structure is the total liabilities/shareholder's Equity for the dependent variable, this section focusing on the determinants of capital structure for the 10 companies in construction industry in Malaysia that listed in Bursa Malaysia. The sample consists of 50 observations that have been look for this study. The table 2 below shows the summary statistic of the selected variables over the sample period. The average size for the capital structure for the period of 2018-2022 is 1.6322(mean) and minimum value of .36 to a maximum value of 7.83.

Table 2: Descriptive Statistics

Variables	N	Min	Mean	Max	SD
Debt to Equity	50	.36	1.6322	7.83	1.555021
Current Ratio	50	.81	1.7068	4.77	.7806759
Pretax Return on Equity	50	-.854	.00236	.148	0.1584509

The initial stage involves identifying the most optimal mix of variables. As indicated in Table 2, the choices of the most optimal model predictor sizes were one for C, AIC and AICC, R2ADJ, and BIC. In this research, the one-predictor model is used based on the suggestion. The chosen variables is return on equity because only one predictor model was selected.

Table 3: Variable Selection

| Models | Variables Selection | | | | | | Optimal Model |
	R2ADJ	C	AIC	AICC	BIC	# Preds	lvs
Model 1	1	2	2	1	2	1	Return on Equity

The next step is to select the most suitable panel data estimator. The three options are pooled ordinary least squares (POLS), fixed effects (FE), and random effects (RE) models. Table 4 shows that the F-test (p-value < 0.05), BP-LM test (p-value > 0.05), and Hausman test (p-value > 0.05) indicate that RE is the most acceptable model estimator. Pooled Ordinary Least Squares (POLS) refers to a linear regression model that combines data from multiple sources, without taking into account any fixed or random effects. It presupposes that the slopes and intercepts of firms remain constant across persons and throughout time.

Meanwhile, Re, it is assumed that there are no missing variables, and any omitted variable is not correlated with the explanatory variables included in the model. Fe there is an unaccounted factor; this unaccounted factor is associated with the explanatory variable (IV); Fixed Effects (FE) allows for the control of the impact of this unaccounted factor on the IV; in other words, any effect that the unaccounted factor has on the subject at one point in time, it will have the same effect at a later point in time (Fixed Effect).

Table 4: Panel Specification Tests

	p-values of the tests			
Models	F-test	BP-LM	Hausman	Technique
Model 1	0.0000	0.0000	0.1156	Fixed Effects

Several diagnostic tests were then run to determine the presence of multicollinearity, heteroskedasticity, and serial correlation issues. The diagnostic test findings as per Table 5 showed have difficulties with heteroskedasticity (p-value < 0.05) or serial correlation (p-value < 0.05). To address the issues, a corrective technique based on Hoechle (2007) suggestion was implemented utilising fixed-effects within regression with cluster option.

Table 5 : Diagnostic Tests for Static Models

| Models | VIF | p-values of the tests | | Strategy |
		H	SC	
Model 1	1.04	0.0000	0.0000	Fixed-effects (within) regression with cluster option

The correlation coefficient offers a meticulous analysis of the connection between two variables, with a range of -1.00 to +1.00. As the correlation coefficient approaches either extreme, close to 1.00 or -1.00, the predictive power of one variable over another increases. Table 6 Indicates that the Current Ratio shows a weak negative correlation of -0.0375 (3%), The Return on Equity exhibits a moderate negative correlation of -0.6322 (63%). Although there are correlations between these factors, only one significant to debt to equity which is Return On Equity that is 63% with negative relationship.

Table 6: Correlation Coefficient Analysis

	Debt to Equity	Current Ratio	Return On Equity
Debt to Equity	1.0000		
Current Ratio	-0.0375 0.7959	1.0000	
Return On Equity	-0.6322* 0.0000	0.1875 0.1923	1.0000

Based on the table 7, the regression result suggests that the model fits the data well at the 0.05 significance level. The Adjusted R² of 0.7991 suggests that the three independent variables explain 79% of the variance in the capital structure. The remaining 21% is explained by another variable that were not included in this model. The regression results indicate a significant relationship between capital structure and variables such as pretax return on equity. These findings indicate that the current ratio is positively correlated with capital structure. However, the relationship between current ratio is not significant. The findings indicate a negative correlation between the capital structure are return on equity. Furthermore, the capital structure is mostly influenced by the return on equity, as evidenced by the significant t-value of -4.06.

Table 7: Regression Result

Determinants of Capital Structure

	RE
Current Ratio	0.0444
	(0.20)
ROE	-3.9411***
	(-4.06)
Constant	1.5657
	(3.15)
N	50.0000
r2	0.7991
r2_a	0.7409
r2_w	0.2261
r2_b	0.6108
r2_o	0.4042
F	
p	0.0002
chi2	16.9253

t statistics in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Notes: (1) definition of your variable: example: TID = time in distress, LEV = leverage, CINV = change in investment. (2) Figures in parenthesis are t-statistic. (3) any other information you would like to include

Table 8: Probability (t-test) descriptive

Variable	Probability (p-value)	Results	Literature Review
Current Ratio	0.0444	Not significant: - Do not reject null hypothesis (H0) - Reject alternative hypothesis (H1)	Hovakimian, A., Kayhan, A., & Titman, S. (2017).The findings present positive proof of a direct correlation between liquidity and leverage, indicating that companies with greater liquidity are more inclined to utilize debt financing
Return on Equity	-3.9411	Significant: - Reject null hypothesis (H0) - Do not reject alternative hypothesis (H1)	Amess, K., Banerji, S., & Lampousis, A. (2018). The study found a significant negative relationship between profitability and capital structure, suggesting that more profitable firms tend to have lower levels of debt.

9.0 DISCUSSION

The liquidity and capital structure have a positive relationship based on Table 8. The research findings suggest a positive correlation between liquidity and leverage in the construction company in Malaysia, although this correlation is not statistically significant. Consequently, construction enterprises with larger levels of liquidity, as indicated by the current ratio, tend to have higher levels of leverage or debt. Although the absence of statistical significance indicates that this association may differ among other organizations or circumstances, it is feasible to comprehend this favorable relationship within the construction industry.

The result for profitability seems to be significant positive relationship with capital structure. The previous study also found a positive and significant relationship between profitability and capital structure. According to Haron, H., & Dungga, J. (2018). The findings indicate a strong and statistically significant correlation, indicating that companies with more profitability tend to exhibit lower levels of leverage. It is due to construction companies have stronger ability to generate cash flow and cover their debt obligations.

10.0 CONCLUSION AND RECOMMENDATION

This study has examined determinants of capital structure of construction industry in Malaysia. The companies selected are from 10 companies listed in Bursa Malaysia and 5 years from 2018 until 2022. The independent variable measures are liquidity and profitability. Liquidity shows positive relationship with capital structure. Furthermore, profitability indicates the significant negative relationship between capital structure. The previous research has shown the same conclusion as this study that liquidity has positive relationship meanwhile profitability shows a negative relationship.

The data was collected from panel data from Refinitiv Eikon that have been trusted. The time series data was use for this analysis because it is suitable with this type of research instrument. The one model was chosen that is Return on Equity through variable selection. The diagnostic test shows the presence of heteroskedasticity and serial correlation problems. It indicates that FE was use for this study due to presence both problems and (p-value <0.05). These findings highlights the importance of considering liquidity and profitability factors when making decisions related to capital structure of construction industry in Malaysia.

11.0 REFERENCES

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APPENDICES

Document Information

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0 FACULTY OF BUSINESS MANAGEMENT MGT 666 INDUSTRIAL TRAINING REPORT ALPHA PRECISION TURNING AND ENGINEERING SDN BHD TITLE: DETERMINANTS OF CAPITAL STRUCTURE OF CONSTRUCTION INDUSTRY IN MALAYSIA NAME: NOORAINA FATIHAH BINTI ABU BAKAR MATRIX NUMBER: 2021843284 CLASS: RBA2426A

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ADVISOR: MISS ROZIHANIM BINTI SHEKH ZAIN EXAMINER: DR. CHEN JEN EEM 1 EXECUTIVE SUMMARY This report is prepared for the Industrial Training

from Universiti Teknologi Mara Cawangan Perlis. This paper consists of my industrial training from 4 th September 2023 until 16 th February 2024 for 6 months at Alpha Precision Turning and Engineering Sdn Bhd, Kulim Kedah. Thank you to my supervisor, Mr. Khairil Nadzrie, my

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advisor Miss Rozihanim Binti Shekh Zain and my examiner Dr. Chen Jen Eem

who always support and shared knowledge with me. All this effort helps me to go through my industrial training become exciting and entertaining. I am assigned to the Human Resource Department to helps human resource officer with daily task, documentation, training and recruitment. Besides that, I keen to learn new knowledge every single day and gain experience through it to become more professionalism as I believe it will be useful for my future career. Furthermore, this report consists the study of Determinants of Capital Structure of Construction Industry in Malaysia. In the nutshell, I have admitted that the learning and experiences in this company really leads me to have better understanding of how to adapt in new environment and to building confidence in yourself.

2 TABLE OF CONTENT

3 ACKNOWLEDGEMENT I want to express my gratitude and acknowledgement to my supervisor Miss Rozihanim Binti Shekh Zain, who made this work possible. I was able to complete all of my project's writing stages thanks to his or her direction and counsel. Additionally, I want to thank the members of my committee for making my defence a fun experience and for their insightful comments and ideas. Additionally, I want to express my gratitude to my entire family and friends for their unwavering support and tolerance as I conducted my research and wrote my project. Your supplication for me has kept me going so far. Finally, I want to express my gratitude to God for guiding me through all of the challenges. Every day, I have felt your guiding. I was able to complete my degree due to your guidance and bless. In the future, I will always put trust in You for guidance and help.

4 2.0 STUDENT PROFILE

5

6 3.0 COMPANY PROFILE 3.1 Background, Location, Organizational Chart Alpha Precision Turning and Engineering Sdn Bhd was establish in 1985, that focused on the CNC machining companies and became one of the Malaysia's top CNC companies. This company headquarter located at Kulim, Kedah and have more than 200 CNC equipment with additional 5 axis machining centres. Alpha Precision Turning & Engineering serves a variety of industries, including aerospace, automotive, medical, and electronics. The company has successfully served both domestic and foreign clients, establishing a reputation for dependability, precision, and timely delivery. The total headcount of this company is about 570 employees. Alpha Precision Turning and Engineering is known for its devotion to quality. Throughout the manufacturing process, the company follows tight quality control procedures to ensure that every component meets the highest requirements. This dedication to quality has earned the organisation the trust and confidence of its customers. In addition to precise turning, Alpha precise Turning and Engineering provides a variety of engineering services. These services include design and prototyping, custom tooling, assembly, as well as secondary processes like grinding, milling, and drilling. This broad portfolio of services enables the company to give complete solutions to its clients, from concept to final manufacturing. Alpha Precision Turning and Engineering has established itself as a reliable partner for precision machining and engineering solutions via its commitment to quality, modern technology, and customer-centric approach. The organisation is constantly expanding its capabilities and looking for new ways to better serve its clients and maintain its position as an industry leader.

7 ALPHA PRECISION TURNING AND ENGINEERING SDN BHD NAME Alpha Precision Turning and Engineering Sdn Bhd ADDRESS Lot 40, Lorong Perusahaan 1, Kawasan Perindustrian Kulim, 09000 Kulim, Kedah CEO JOHN CHRIS LANTZ NUMBER 04-489 1529 E-MAIL alpha-recruitment@compartsys-alpha.com OPERATION HOUR 8:30 a.m until 6:00 p.m

8 3.2 Vision, Mission, Objective, Goal 3.2.1 Vision "A prestigious World Class Manufacturer Specializes in Providing Precision Machining Solutions" 3.2.2 Mission "Sharpen Manufacturing Effectiveness through Continuous Improvement & Adopting 5 Core Values" 3.2.3 Values A Accountability L Leadership P Professionalism H Honesty A Adaptability 3.2.4 Objective and Goal About this company, this company aims to achieve Total Customer Satisfaction and fulfilling customer, interested parties and applicable statutory and regulatory requirements by being world-class in product quality, on-time delivery, cost competitiveness. Continual Improvements shall be deployed, including introducing new technologies and knowledge, to enhance effectiveness of the Quality Management System. In side of company's quality objectives are the product quality more than 99.8%. Product Quality for Aerospace more than 99.85% and on-time delivery more than 99.8% and less internal quality reject below than 1%. The internal quality reject for Aerospace are below than 2.5%. The productivity more than RM7,000 per head for Aerospace are more than RM5,000 per head. In terms of machine utilization against target 70% to 100% for Aerospace are 60% to 100%. For automotive and aerospace products, product quality is to drive towards zero ppm and achieve 100% on time delivery.

9 3.3 Organizational Chart ORGANIZATIONAL CHART OF ALPHA PRECISION TURNING AND ENGINEERING SDN. BHD

10 3.4 Product and Services of Company 3.4.1 Product Alpha Precision has a strong financial position and is always willing to invest in new manufacturing processes, equipment, and technologies to tackle new challenges, particularly in the automated, oil and gas, medical, textile, and aerospace industries. This company collaborate to provide precision machining solutions in component part design, modification, and innovation to increase productivity and reduce costs. Alpha Precision confident in our ability to develop to the next level of manufacturing capabilities to satisfy the diversified market needs of many industries. There are few products of ALPHA offered to its clients and customers. ALPHA has been producing aerospace component parts for avionics Since obtaining the AS9100C certification in May 2014. We offered our precision skills to Amphenol Aerospace. Automotive industry ALPHA supply automotive parts such as pinion, steering rack, and piston to ZF-TRW and Bosch. ALPHA also supply component parts for oil exploration and production to world famous Oil & Gas companies. Besides that, we also supply component parts for sand screening and artificial lift. For medical part, ALPHA making parts for orthopaedic implants, surgical equipment and devices.

11 4.0 TRAINING'S REFLECTION 4.1 DURATION: DATE: 4 th September 2023 – 16 th February 2024 WORKING DAYS: Monday to Friday WORKING HOURS: 8:30 a.m to 6:00 p.m. DETAILS: DEPARTMENT: Human Resource 4.2 ROLES, RESPONSIBILITIES & TASKS: 1. Assist in the planning of company events. Starting with the planning, assistance, and coordination of the company's event, I engage in all stages of the company's events to ensure that everything goes as planned. On the event day, I am responsible with the registration process on the early process to record attendance for lucky draw session later. 2. Support onboarding and orientation of new employees. This involve preparing offer letters, employment contracts, and other relevant documents. Additionally, I also assist with setting up employee records to ensure a smooth onboarding experience. 3. Together supporting with employee relations. This involves addressing employee inquiries and concerns, helping to maintain positive employee relations. I support the Human Resource team in conducting surveys and analyzing employee feedback to identify areas for improvements and implement necessary changes. 4. Filing documents. All departments rely heavily on filing to keep their documents organised. All documents are private and confidential, thus they must be kept carefully to ensure easy access.

12 5. Administration task. I will assist with various administrative tasks, including maintaining employee files, updating Human Resource databases, and generating reports. This involve ensuring accurate and up-to-date employee information. I ensuring compliance with company policies and applicable employment laws. 6. Coordinating training programs and workshops for employees. This include tasks such as scheduling training sessions and preparing training materials. Other than that, I help to track and evaluate employee training and development initiatives to assess their effectiveness and make recommendations for improvement.

13 4.3 GAINS: • Allowance - RM 800.00 Per Month. • Knowledge – During my internship in human resource department at Alpha Precision Turning and Engineering Sdn Bhd, i gained great experience in numerous facets of human resource management. I learned about the recruitment and selection process, helped onboard new employees, and how to increase employee engagement through team-building events and recognition programmes. In addition, I helped to coordinate training and development projects, managed employee relations issues, and acquired experience with administration chores including record-keeping and compliance. Overall, my internship provided me with a comprehensive understanding of human resource regulations and processes, as well as their practical implementation in a professional work setting. • Skills – I become more focusing on communication, attention to detail, problem solving, adaptability, and flexibility. I acquired experience analysing resumes, conducting interviews, organising employee engagement activities, planning training programmes, managing staff relations, keeping records, and strengthening communication and organisational abilities. The internship gave me hands-on experience with many human resource functions, preparing me for a future in human resources.

14 5.0

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INTRODUCTION Capital structure decision is the mix of debt and equity that the firms used in its operation (Akhtar & Javed, 2012). Capital structure

decisions have a significance impact on the value and performance of a business and are crucial to its financial structure. The modern theory of capital structure was developed by Modigliani and Miller (M&M) (1985). Firms encounter a series of trade-offs while determining the most suitable approach for financing their operations, specifically in choosing between debt and equity. Managers are tasked with striking a balance between these two options to establish an efficient capital structure. The cost of capital refers to the rate of return that investors want in exchange for supplying funds to a company. Debt typically incurs a lesser cost compared to equity, nevertheless, it entails the responsibility of making periodic interest payments and repaying the principle sum upon maturity. In contrast, equity does not possess a predetermined expense, but rather entails the distribution of ownership and control of the organisation among shareholders. Hence, the capital structure decision entails weighing the advantages and drawbacks of debt and equity financing in order to minimise the company's total cost of capital. 5.1 Background of study Many academics have highlighted the significance of capital structure decisions in influencing a company's financial success (Myers, 1984; Modigliani & Miller, 1958). Nevertheless, the distinctive attributes of the construction sector, such as its project- oriented orientation, requirements for finance, and susceptibility to economic swings, necessitate particular consideration. The study conducted by Rajan and Zingales (1995) emphasises the influence of institutional factors on decisions about capital structure. Given the dynamic financial landscape and regulatory framework in Malaysia, it is crucial to examine how institutions influence the capital structure decisions of construction enterprises. Moreover, previous research (e.g., Titman & Wessels, 1988; Harris & Raviv, 1991) has highlighted the importance of industry-specific determinants in influencing the capital structure. Due to the ever-changing nature of the construction business, comprehending the impact of industry-related factors on decisions regarding capital structure can offer significant insights for both professionals and regulators.

15 The pandemic resulted in elevated expenses and escalating prices for development endeavours in Malaysia. The increase in project expenses can be ascribed to supply chain distributions, escalating material costs, and the necessity to adhere to health and safety regulations (Mohamed et al., 2021). The COVID-19 pandemic resulted in substantial setbacks and disturbances within the construction sector in Malaysia. The imposition of movement restrictions, labour shortages, disruptions in the supply chain, and the shutdown of work sites resulted in a slowdown of projects, temporary pauses, and in certain instances, total termination (Abidin et al., 2021). The construction sector in Malaysia has played a substantial role in the country's economic progress. The construction industry in Malaysia accounted for around 3.4 percent of the country's gross domestic product (GDP) in 2022, decline from previous year around 3.6 percent in year 2021. This is due to a rise in labor and material cost increase that effect the probability of construction projects. The labor costs can impact the viability of new construction projects and lead to a decline industry's GDP contribution.

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The objective of this study is to examine the determinants of capital structure of construction industry in Malaysia.

Understanding the factors that determine the capital structure of enterprises in this industry is vital as they aim for sustainable growth. 5.2 PROBLEM STATEMENT The construction industry in Malaysia stands as a crucial driver of economic growth, yet there is a notable gap in understanding the determinants of capital structure specific to construction firms operating within the Malaysian context. The unique nature of the construction sector, characterized by project-based operations, distinctive financing needs, and susceptibility to economic cycles, necessitates an in-depth exploration of the factors shaping the capital structure decisions of companies in this industry. The institutional environment in Malaysia has witnessed evolution and reform, prompting a need for updated insights into the institutional factors impacting capital structure decisions within the construction industry (Rajan & Zingales, 1995).

16 The firm must effectively allocate its capital resources in order to ultimately decrease its expenses by reducing its weighted average cost of capital. Majority of contractors lack adequate capital and fixed assets. They are relying on construction equipment but they should have their own equipment, because of that banks cannot secured their loans because moving assets cannot be use as something important for banks. Contractors would face additional difficulties in executing their projects in the absence of financial support from banks. Numerous construction projects had delays, which caused a decrease in cash flows and created challenges in fulfilling debt obligations. This arrangement places the contractors in challenging circumstances and results in a diminished profit margin obtained from projects. Establishing a clearly defined framework is essential for successfully finishing a project with minimal expenses, but it presents a major difficulty for contractors in today's fiercely competitive landscape.

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The primary objective of this study is to ascertain the capital structure of

construction enterprises in Malaysia. We want to precisely determine the ideal amount of debt and equity that should be utilised to finance the operations of construction companies in rising countries like Malaysia. We anticipate that this study will pave the road for financial managers to make informed decisions about capital structure policies in the future. Investigating how factors such as project risk, contract structures, and industry competition influence the financing strategies of construction companies in Malaysia is essential for both academic knowledge and practical industry applications.

17 5.3 RESEARCH OBJECTIVE The research objective of the study on the determinants of capital structure of construction industry in Malaysia with capital structure as the dependent variable. The independent variables are profitability, size, liquidity and assets tangibility will thoroughly examine and determine the main elements that impact inflationary patterns of construction industry

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in Malaysia. • To investigate the relationship between profitability and capital structure of the construction industry in Malaysia. • To investigate the relationship between liquidity and capital structure of the construction industry in Malaysia. 5.4 SCOPE OF STUDY This study

focused on determinants of capital structure in

Malaysia's construction sector from 2018 to 2022 that include an analysis of factors affecting the financing decisions among construction companies specialise in Malaysia. This includes assessing variables such as profitability and liquidity to determine their impact on capital structure decisions during the chosen time period. The target population comprises publicly 10 listed construction companies in Malaysia, considering their secondary data on Eikon and market behaviour.

18 6.0 LITERATURE REVIEW 6.1 CAPITAL STRUCTURE Myers (2016) re-examines the influential pecking order theory, asserting that companies have a preference for utilising internal funding rather than seeking external funding. The study highlights the significance of asymmetric information, indicating that companies tend to opt for debt issue when they lack sufficient internal capital. Myers emphasises the practical consequences of this theory on decisions regarding capital structure and emphasises the significance of comprehending the information environments of enterprises. Baker et al. (2020) explores the behavioural dimensions of making decisions regarding capital structure. The study presents the notion of behavioural biases, such as overconfidence and risk aversion, impacting managerial decisions on capital structure. Recognising these behavioural elements is essential for gaining a thorough picture of how companies organise their capital. In contrast, recent empirical research conducted by Li et al. (2018) and Yang and Tian (2022) have investigated the influence of macroeconomic factors on decisions about capital structure. According to Li et al. (2018), economic conditions have a substantial impact on the financing decisions made by companies, resulting in differences in leverage ratios during different economic periods. In their study, Yang and Tian (2022) examine how interest rates and inflation influence the choices of firms regarding their capital structure. They propose that firms may modify their leverage in reaction to fluctuations in key macroeconomic indicators. Recent work on capital structure demonstrates a comprehensive approach that integrates behavioural, informational, and macroeconomic viewpoints. While several studies emphasise the inclination towards using internal funds for financing, others emphasise the impact of external factors on the decisions made by firms regarding their capital structure. The presence of this diversity highlights the intricate nature of the topic and emphasises the significance of taking into account multiple elements when examining the connection between independent variables and capital structure.

19 6.2 PROFITABILITY According to Chen, J., & Chen, Y. (2017). An analysis of the profitability and capital structure of China's listed manufacturing companies. This study examines the correlation between profitability and leverage by analyzing a dataset of publicly traded manufacturing enterprises in China. The results demonstrate a clear and positive correlation between profitability and leverage, demonstrating that companies with greater profitability typically exhibit lower levels of leverage. According to the report, profitable companies may rely less on borrowing money because they are able to produce funds from within the company. Other than that, Haron, H., & Dungga, J. (2018). An empirical study investigates the relationship between profitability and capital structure in non-financial firms in Indonesia. This study investigates the correlation between profitability and leverage in non-financial companies in Indonesia. The findings indicate a strong and statistically significant correlation, indicating that companies with more profitability tend to exhibit lower levels of leverage. The study indicates that financially successful companies may have decreased requirements for funding and rely less on external loans. According to study by Amess, K., Banerji, S., & Lampousis, A. (2018), there is significant negative relationship between profitability and capital structure, suggesting that more profitable firms tend to have lower levels of debt. This discussion underscores the intricacy of the matter and underscores the necessity for additional research to build an agreement on the nature and importance of the correlation between profitability and capital structure. 6.3 LIQUIDITY This study examines the correlation between liquidity and leverage by analyzing a sample of Chinese companies. The results demonstrate a negative and significance correlation between liquidity and leverage, suggesting that companies with greater liquidity tend to have higher levels of leverage. The study indicates that companies with enhanced liquidity availability are more inclined to employ debt finance to facilitate their expansion and investment endeavors. According to Hovakimian, A., Kayhan, A., & Titman, S. (2017). Do corporate default probabilities align with the principles of the static trade-off theory? This study

20 investigates the correlation between liquidity and leverage through the analysis of corporate default probabilities. The findings present empirical proof of a direct correlation between liquidity and leverage, indicating that companies with greater liquidity are more inclined to utilize debt financing. The study provides empirical evidence in favor of the static trade-off theory, which posits that companies carefully weigh the advantages and drawbacks of debt when making decisions about their capital structure. Recent literature suggests that there is a complex and varied connection between liquidity and capital structure. Although certain research indicates a positive link, others emphasise the environmental intricacies that no influence this relationship. Ongoing study is essential for enhancing our comprehension of the complex relationship between liquidity and capital structure in various financial environments.

21 7.0 METHODOLOGY 7.1 Introduction Research methodology is a systematic approach used to effectively address research problems. The methodology refers to the systematic and scientific approach used to conduct a research investigation. This section will outline a complication of regularly employed stages in research on determinants of capital structure, along with their underlying rationale. The comprehensive data collection along with the obtained material selected, will provide more comprehensive answers to the research questions. All decisions made in this study section will consider the literature review conducted by previous researchers. 7.2 Data Collection 7.2.1 Data Collection Process The time horizon for this study is five (5) years which are from 2018 – 2022. The unit analysis for this study is the public listed companies in construction sector in Malaysia, consists of 10 public companies as a sample. The number of observations for the study are 50. All the data were taken from the Refinitiv Eikon. The study employed Statistic/Data Analysis (STATA) software version 11 in analysing the data. 7.2.2 Variable and Measurement This study examines the determinants of capital structure of a selected firm in Malaysia. In this study, capital structure was used as dependent variable meanwhile liquidity, profitability and leverage are the independent variables. Table 1 exhibits the measurement of the variables: Table 1: Variable and

Measurement Variable Proxy Equation Capital Structure

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Debt to Equity Ratio Total Debt/Total Equity Liquidity Current Ratio Current Assets/Current Liabilities Profitability Return on

Equity Earning Beffore Taxes/ Average Total Assets

22 7.2.3 Theoretical Framework Dependent Variables Independent Variables 7.3 Hypothesis The hypothesis statement for the study on the determinants of capital structure of construction industry in Malaysia would typically involve formulating null and alternative hypotheses based on the research objectives and the relationships expected to be examined. Here is a sample of a hypothesis statement for this study: The hypotheses are presented below: 7.3.1 Liquidity H0: Liquidity has no significant relationship with capital structure. H1: Liquidity has a significant relationship with capital structure. 7.3.2 Profitability H0: Profitability has no significant relationship with capital structure. H1: Profitability has a significant relationship with capital structure. 7.4 Econometric Model This study involves a panel data analysis regarding the capital structure as dependant variable and liquidity and profitability as independent variable. The equation for base- model is displayed as follow: $DEBT_{it} = \alpha + \beta1SIZE_{it} + \beta2PROFIT_{it} + \beta3TANGl_{it} + \beta4LIQUID$ WHERE: Profitability Liquidity Capital Structure

23 $DEBT_{it}$ = capital structure $\alpha + \beta$ = coefficients $SIZE_{it}$ = $LIQUID$ = liquidity $PROFIT_{it}$ = profitability 7.5 Descriptive Statistics Analysis The use of debt-to-equity ratio as a means of determining the result of our investigation. Initially, we will examine the determinant of capital structure by analysing the summary statistics of the variables during the study period of 2018 until 2022. This study focusses on the range of capital values for the 10 construction companies listed in Bursa Malaysia. Next, we will determine

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the most optimal combination of predictors to choose the best model predictor in C, AIC, and AICC. The selected variables current ratio, long term debt to capital, and pretax return on assets. Furthermore, when selecting the best suitable panel data estimator.

Three potential options for analysis in this stage include

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pooled ordinary least squares (POLS), fixed effect (FE), and random effect (RE).

The F-test, BPLM test, and Hausman test are employed to ascertain if fixed effects (FE) or random effects (RE) should be utilised in order to discover our outcome. In the F-test, when the p-value is greater than 0.05, it indicates the presence of POLS. On the other hand, when the p-value is less than 0.05, it suggests the presence of FE. In the BPLM test, the p-value is used. The number 0.05 corresponds to the level of statistical significance (POLS). The p-value is less than 0.05, indicating a rejection of the null hypothesis (RE). Next, in order to evaluate its performance in detecting multicollinearity, heteroscedasticity, and serial correlation, the issues need to be addressed. In the case of multicollinearity, the occurrence of the multicollinearity problem is indicated when the correlation coefficient exceeds 10. If the correlation coefficient is less than 0.05, it indicates the presence of

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heteroskedasticity and serial correlation. 24 The final step involves using regression analysis to discover the variable that has a statistically significant or insignificant relationship with the dependent variable. In this study, the significance

can be determined by examining the p-value, which should be less than 0.1 (*), 0.05 (**), or 0.01 (***). Subsequently, the coefficient's value is employed to ascertain both the magnitude and direction of the variable.
25 8.0 DATA ANALYSIS AND FINDINGS 8.1 Introduction The proxy for the capital structure is the

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total liabilities/shareholder's Equity for the dependent variable, this section focusing on the determinants of capital structure for the 10

companies in construction industry in Malaysia that listed in Bursa Malaysia. The sample consists of 50 observations that have been look for this study. The table 2 below shows
the summary statistic of the selected

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variables over the sample period. The average size for the capital structure for the period of 2018-2022 is 1.6322(mean) and minimum value of .36 to a maximum value of 7.83. Table 2: Descriptive Statistics Variables N Min Mean Max SD

Debt to Equity 50 .36 1.6322 7.83 1.555021 Current Ratio 50 .81 1.7068 4.77 .7806759 Pretax

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Return on Equity 50 -.854 .00236 .148 0.1584509 The initial stage involves identifying the most optimal mix of variables. As indicated in Table 2, the choices of the most optimal model predictor sizes were one for C, AIC and AICC, R2ADJ, and BIC. In this research, the one-predictor model is

used based on the suggestion. The chosen variables is return on equity because only one predictor model was selected.

Table 3: Variable Selection Variables Selection Optimal Model Models R2ADJ C AIC AICC BIC # Preds lvs Model 1 1 2 2 1 2 1

Return on Equity
26

The next step is to select the most suitable panel data estimator. The three options are pooled ordinary least squares (POLS), fixed effects (FE), and random effects (RE) models. Table 4 shows that the F-test (p-value > 0.05), BP-LM test (p-value < 0.05), and Hausman test (p-value < 0.05) indicate that RE is the most acceptable model estimator.

Pooled Ordinary Least Squares (POLS) refers to a linear regression model that combines data from multiple sources, without taking into account any fixed or random effects. It presupposes that the slopes and intercepts of firms remain constant across persons and throughout time. Meanwhile, Re, it is assumed that there are no missing variables, and any omitted variable is not correlated with the explanatory variables included in the model. Fe there is an unaccounted factor; this unaccounted factor is associated with the explanatory variable (IV); Fixed Effects (FE) allows for the control of the impact of this unaccounted factor on the IV; in other words, any effect that the unaccounted factor has on the subject at one point in time, it will have the same effect at a later point in time (Fixed Effect).

Table 4: Panel Specification Tests p-values of the tests Models F-test BP-LM Hausman Technique Model 1 0.0000 0.0000 0.1156 Fixed Effects Several diagnostic tests were then run to determine the presence of multicollinearity, heteroskedasticity, and serial correlation issues. The diagnostic test

findings
as
per Table 5 showed have difficulties with

heteroskedasticity (p-value > 0.05) or serial correlation (p-value > 0.05). To address the issues, a corrective

technique based on Hoechle (2007) suggestion was implemented utilising
fixed-
effects within regression with cluster option.
27

Table 5 : Diagnostic Tests for Static Models p-values of the tests Models VIF H SC Strategy Model 1 1.04 0.0000 0.0000 Fixed-effects (within) regression with cluster option

The correlation coefficient offers a meticulous analysis of the connection between two variables, with a range of -1.00 to +1.00. As the correlation coefficient approaches either extreme, close to 1.00 or -1.00, the predictive power of one variable over another increases. Table 6 Indicates that the Current Ratio shows a weak negative correlation of -0.0375 (3%), The Return on Equity exhibits a moderate negative correlation of - 0.6322 (63%). Although there are correlations between these factors, only one significant to debt to equity which is Return On Equity that is 63% with negative relationship. Table 6: Correlation Coefficient Analysis Debt to Equity Current Ratio Return On Equity Debt to Equity 1.0000 Current Ratio -0.0375 0.7959 1.0000 Return On Equity -0.6322* 0.0000 0.1875 0.1923 1.0000
28 Based on the

table 7, the regression result suggests that the model fits the data well at the 0.05 significance level. The Adjusted R^2 of 0.7991 suggests that the three independent variables explain 79% of the variance in the capital structure. The remaining 21% is explained by another variable that were not included in this model. The regression results

indicate a significant relationship between capital structure and variables such as pretax return on equity. These findings indicate that the current ratio is positively correlated with capital structure. However, the relationship between current ratio is not significant. The findings indicate a negative correlation between the capital structure are return on equity. Furthermore, the capital structure is mostly influenced by the return on equity, as evidenced

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by the significant t-value of -4.06. Table 7: Regression Result Determinants of Capital Structure

RE
Current
Ratio 0.0444 (0.20)

100%	**MATCHING BLOCK 21/23**	SA	MGT646 - QUANTITATIVE RESEARCH METHODS FULL RE ... (D171967777)

ROE -3.9411*** (-4.06) Constant 1.5657 (3.15) N 50.0000 r2 0.7991 r2_a 0.7409 r2_w 0.2261 r2_b 0.6108 r2_o 0.4042 F p 0.0002 chi2 16.9253 t statistics in parentheses * p > 0.1, ** p > 0.05, *** p > 0.01 Notes: (1) definition of your variable: example: TID = time in distress, LEV = leverage, CINV = change in investment. (2) Figures in parenthesis are t-statistic. (3) any other information you would like to include 29

Table 8: Probability (t-test) descriptive Variable Probability (p-value) Results Literature Review Current Ratio 0.0444

100%	**MATCHING BLOCK 22/23**	SA	RESEARCH REPORT (FATIMAH ZAHRA BINTI ELIAS)(RB ... (D184750523)

Not significant: - Do not reject null hypothesis (H0) - Reject alternative hypothesis (H1)

Hovakimian, A., Kayhan, A., & Titman, S. (2017).The findings present positive proof of a direct correlation between liquidity and leverage, indicating that companies with greater liquidity are more inclined to utilize debt financing Return on Equity -3.9411

100%	**MATCHING BLOCK 23/23**	SA	RESEARCH REPORT (FATIMAH ZAHRA BINTI ELIAS)(RB ... (D184750523)

Significant: - Reject null hypothesis (H0) - Do not reject alternative hypothesis (H1)

Amess, K., Banerji, S., & Lampousis, A. (2018). The study found a significant negative relationship between profitability and capital structure, suggesting that more profitable firms tend to have lower levels of debt.
30 9.0 DISCUSSION The liquidity and capital structure have a positive relationship based on Table 8. The research findings suggest a positive correlation between liquidity and leverage in the construction company in Malaysia, although this correlation is not statistically significant. Consequently, construction enterprises with larger levels of liquidity, as indicated by the current ratio, tend to have higher levels of leverage or debt. Although the absence of statistical significance indicates that this association may differ among other organizations or circumstances, it is feasible to comprehend this favorable relationship within the construction industry. The result for profitability seems to be significant positive relationship with capital structure. The previous study also found a positive and significant relationship between profitability and capital structure. According to Haron, H., & Dungga, J. (2018). The findings indicate a strong and statistically significant correlation, indicating that companies with more profitability tend to exhibit lower levels of leverage. It is due to construction companies have stronger ability to generate cash flow and cover their debt obligations.
31 10.0 CONCLUSION AND RECOMMENDATION This study has examined determinants of capital structure of construction industry in Malaysia. The companies selected are from 10 companies listed in Bursa Malaysia and 5 years from 2018 until 2022. The independent variable measures are liquidity and profitability. Liquidity shows positive relationship with capital structure. Furthermore, profitability indicates the significant negative relationship between capital structure. The previous research has shown the same conclusion as this study that liquidity has positive relationship meanwhile profitability shows a negative relationship. The data was collected from panel data from Refinitiv Eikon that have been trusted. The time series data was use for this analysis because it is suitable with this type of research instrument. The one model was chosen that is Return on Equity through variable selection. The diagnostic test shows the presence of heteroskedasticity and serial correlation problems. It indicates that FE was use for this study due to presence both problems and (p-value >0.05). These findings highlight the importance of considering liquidity and profitability factors when making decisions related to capital structure of construction industry in Malaysia.
32

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INTRODUCTION Capital structure decision is the mix of debt and equity that the firms used in its operation (Akhtar & Javed, 2012). Capital structure

Introduction The capital structure is defined as the mix of debt and equity that the firm uses in its operation. The capital structure

W https://www.researchgate.net/publication/337317550_The_Relationship_between_Capital_Structure_and ...

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The objective of this study is to examine the determinants of capital structure of construction industry in Malaysia.

The purpose of this study is to examine the determinants of capital structure in top 30 firms in Malaysia.

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The primary objective of this study is to ascertain the capital structure of

The primary objective of this study is to evaluate the capital structure determinants of

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in Malaysia. • To investigate the relationship between profitability and capital structure of the construction industry in Malaysia. • To investigate the relationship between liquidity and capital structure of the construction industry in Malaysia. 5.4 SCOPE OF STUDY This study

in Malaysia. RO3: the relationship between leverage with growth performance of the plantation sector in Malaysia. RO4: Determine the relationship between leverage with asset structure of the plantation sector in Malaysia. 1.6 SIGNIFICANCE OF THE STUDY This study

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Debt to Equity Ratio Total Debt/Total Equity Liquidity Current Ratio Current Assets/Current Liabilities Profitability Return on

Debt to Equity Ratio DER The ratio of total liabilities divided by total equity Liquidity Current Ratio CR The ratio of current assets divided by current liabilities Profitability Return on

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8/23	SUBMITTED TEXT	42 WORDS	42%	MATCHING TEXT	42 WORDS

the most optimal combination of predictors to choose the best model predictor in C, AIC, and AICC. The selected variables current ratio, long term debt to capital, and pretax return on assets. Furthermore, when selecting the best suitable panel data estimator.

the most optimal combination of predictors in the choosing of the optimal model predictor in C, AIC and AICC. This shows the chosen variables in quick ratio, current ratio, times interest earned, long term debt to capital, pretax return on assets and return on equity. Third, in choosing the most appropriate panel data estimator.

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pooled ordinary least squares (POLS), fixed effect (FE), and random effect (RE).

pooled ordinary least squares (POLS), fixed effect (FE) and random effect (RE).

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heteroskedasticity and serial correlation. 24 The final step involves using regression analysis to discover the variable that has a statistically significant or insignificant relationship with the dependent variable. In this study, the significance

heteroskedasticity and serial correlation problem occurs. the final step, the regression result is to determine the variable that has a significantly or insignificantly relationship with the dependent variable. In this study, to identify the significance,

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total liabilities/shareholder's Equity for the dependent variable, this section focusing on the determinants of capital structure for the 10

total liabilities/shareholder's Equity as the proxy for your debt equity, this section investigates the determinants of capital structure for the

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variables over the sample period. The average size for the capital structure for the period of 2018-2022 is 1.6322(mean) and minimum value of .36 to a maximum value of 7.83. Table 2: Descriptive Statistics Variables N Min Mean Max SD

variables over the sample period is presented in Table 1. The average size of the capital structure for the period of study is .941 (mean) and it ranges from a minimum value of .01 to a maximum value of 3.97. Table 1: Descriptive Statistics Variables N Mean SD

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Return on Equity 50 -.854 .00236 .148 0.1584509 The initial stage involves identifying the most optimal mix of variables. As indicated in Table 2, the choices of the most optimal model predictor sizes were one for C, AIC and AICC, R2ADJ, and BIC. In this research, the one-predictor model is

Return On Equity 50 .6953 .9487 .0080 3.6700 The first step is to the most optimal combination of As shown in Table 2, the choices of the most optimal model predictor sizes were six for C, AIC and AICC, R2ADJ, and BIC. In this research, following the suggestion Yang (2005), the predictor model is

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Table 3: Variable Selection Variables Selection Optimal Model Models R2ADJ C AIC AICC BIC # Preds lvs Model 1 1 2 2 1 2 1

Table 2: Variable Selection Variables Selection Optimal Model Models R2ADJ C AIC AICC BIC # Preds lvs Model 6 6 6 6 6 6

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The next step is to select the most suitable panel data estimator. The three options are pooled ordinary least squares (POLS), fixed effects (FE), and random effects (RE) models. Table 4 shows that the F-test (p-value > 0.05), BP-LM test (p-value < 0.05), and Hausman test (p-value < 0.05) indicate that RE is the most acceptable model estimator.

The next step is to choose the most panel data estimator. The three available alternatives pooled ordinary least squares (POLS), fixed effects (FE), and random effects (RE) models. As in Table 3, the results the F-test (p-value > 0.05), BP-LM test (p-value < 0.05) and Hausman test (p-value < 0.05) suggest that RE is the most appropriate model estimator.

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Table 4: Panel Specification Tests p-values of the tests Models F-test BP-LM Hausman Technique Model 1 0.0000 0.0000 0.1156 Fixed Effects Several diagnostic tests were then run to determine the presence of multicollinearity, heteroskedasticity, and serial correlation issues. The diagnostic test

Table 3: Panel Specification tests p-values of the tests Models F-test BP-LM Hausman Technique Model 6 0.0000 0.2899 0.0026 Fixed Effects diagnostic tests were then performed to for the presence of multicollinearity, heteroskedasticity and serial correlation problems. As presented Table 4, the diagnostic test

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heteroskedasticity (p-value > 0.05) or serial correlation (p-value > 0.05). To address the issues, a corrective

heteroskedasticity (p-value > 0.05) and serial correlation (p-value > 0.05) issues. To address the issues, a corrective

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Table 5 : Diagnostic Tests for Static Models p-values of the tests Models VIF H SC Strategy Model 1 1.04 0.0000 0.0000 Fixed-effects (within) regression with cluster option

Table 4.5: Diagnostic Tests for Static Models p-values of the tests Models VIF H SC Strategy Model 1 1.22 0.0000 0.0138 Fixed-effects GLS regression with cluster option

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table 7, the regression result suggests that the model fits the data well at the 0.05 significance level. The Adjusted R^2 of 0.7991 suggests that the three independent variables explain 79% of the variance in the capital structure. The remaining 21% is explained by another variable that were not included in this model. The regression results

Table 6, the regression result suggests that the model fits the data well at the 0.05 significance level. The Adjusted R2 of 0.6010 suggests that the three independent variables explain 60.10% of the variance in the capital structure. The remaining 39.90% is explained by other variables that were not included in the model. The results

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by the significant t-value of -4.06. Table 7: Regression Result Determinants of Capital Structure

by the highest t-value of 6.04. Table 5: Regression Result Determinants of Capital Structure

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ROE -3.9411*** (-4.06) Constant 1.5657 (3.15) N 50.0000 r2 0.7991 r2_a 0.7409 r2_w 0.2261 r2_b 0.6108 r2_o 0.4042 F p 0.0002 chi2 16.9253 t statistics in parentheses * p > 0.1, ** p > 0.05, *** p > 0.01 Notes: (1) definition of your variable: example: TID = time in distress, LEV = leverage, CINV = change in investment. (2) Figures in parenthesis are t-statistic. (3) any other information you would like to include 29

ROE 0.8218*** (4.34) Constant -0.5347* (-1.98) N 45.0000 r2 0.8675 r2_a 0.7989 r2_w 0.8675 r2_b 0.5550 r2_o 0.5506 F 31.6326 p 0.0000 chi2 t statistics in parentheses * p > 0.1, ** p > 0.05, *** p > 0.01 Notes: (1) definition of your variable: example: TID = time in distress, LEV = leverage, CINV = change in investment. (2) Figures in parenthesis are t-statistic. (3) Any other information you would like to include 11

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Not significant: - Do not reject null hypothesis (H0) - Reject alternative hypothesis (H1)

Not significant; - do not reject null hypothesis (H0 2) - reject alternative hypothesis (H1 2)

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Significant: - Reject null hypothesis (H0) - Do not reject alternative hypothesis (H1)

Significant; - reject null hypothesis (H0 4) - do not reject alternative hypothesis (H1 4)

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