

**UNIVERSITI TEKNOLOGI MARA**

**THE INFLUENCE OF BOARD  
CHARACTERISTICS ON THE  
CAPITAL STRUCTURE OF TOP  
100 MALAYSIAN PUBLIC LISTED  
COMPANIES**

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## **ABSTRACT**

The board characteristics are one of the mechanisms in enhancing corporate governance. These characteristics are also considered as major corporate controls. Malaysian Code of Corporate Governance (MCCG) acts as a guideline for the public listed companies to follow even though the recommendations were not necessary to be complied. Prior studies provide mixed result on the relationship between board characteristics and firm's capital structure. Thus, the aim of this study is to examine the influences of board characteristics on the capital structure of selected Malaysian public listed companies. In this study, board characteristics are comprised of board leadership structure, board committee, board size, board meeting and board composition. Data were collected within a period of past 5 years from 2012 to 2016 with a total sample data of 175 that was taken from companies' annual report. The level of capital structure was measured using debt ratio since most of the prior researchers used debt ratio to determine the relationship between board characteristics and firm's capital structure. Multicollinearity regression test was used to test the relationship of both variables. The result showed that board committee and board composition has a significant and positive relationship with firm's capital structure. On the other hand, board leadership and board size are negatively related to the firm's capital structure. Board meeting is also not significantly related with firm's leverage. Overall, this study indicates that board characteristics has no significant effect on the firm's capital structure as there are also other factors that plays an important roles in affecting the firm's capital structure.

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# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

This chapter gives an overview of the inputs in this study which is “The Influence of Board Characteristics on The Capital Structure of Top 100 Malaysian Public Listed Companies”. This chapter consists of a few sections that provide more knowledge regarding the research title. It includes study background, problem statement, research objectives, research questions, scope of study, significant of study and the definition of terms and concepts. The background study focused on how the board characteristics influence the capital structure of public listed companies (PLCs) in Malaysia. The problem statement explains further on the issues arises related to this topics. Research objectives and research questions helps the study in determining the objectives of this research which leads to few questions to be answers. The scope of study refers to the scope that this study will be focused on. The significant of this study explain the potential benefits and its overall impact of the research. Lastly, the definition of terms and concepts further explained the terms use throughout this proposal.

### **1.2 BACKGROUND OF STUDY**

Board of directors or also known as BOD refers to a group of individuals that are elected to act as representatives of the shareholders. They are responsible to establish corporate management related policies and to make decision on major company issues. BOD is needed in every company whether it is a private or public listed company. Generally, board makes decision on behalf of shareholders. As the years passed, BOD duties have shifted from the main fiduciary duty towards the company to monitoring the financial wellbeing of the corporation. This is to promote the success of the company in order to benefit all of its members. A good financial