

UNIVERSITI TEKNOLOGI MARA

**THE DETERMINANTS OF CAPITAL
STRUCTURE ON PLANTATION SECTOR IN
MALAYSIA**

**SITI HAZMAH BINTI TINDU
(2017662672)**

BBA BUSINESS ADMINISTRATION

JANUARY 2020

ACKNOWLEDGEMENT

Firstly, praise to Allah S.W.T for giving me the strength to get through all the challenges in completing this project paper. Next, I would like to thank to the Universiti Teknologi MARA for affording me the opportunity to complete my study. I would also express my sincere gratitude to Madam Flicia Rimin as my advisor for her continuous support, patience, motivation and immerse knowledge towards my project paper. I would not have completed my final year project without the support and knowledge from my advisor.

Furthermore, a lot of thanks to my classmate and other course mate for helping me direct and indirectly in term of giving any idea or guidance in completing my project paper. Without the idea and guidance from my course mate especially my classmate, I may not able to complete my project paper.

Finally, a very special gratitude's to both of my parents for their endless support, encouragement and advice throughout completing this project paper.

TABLE OF CONTENTS

DECLARATION OF ORIGINAL WORK.....	iii
LETTER OF SUBMISSION	iv
ACKNOWLEDGEMENT	v
LIST OF FIGURES	viii
LIST OF ABBREVIATIONS.....	ix
ABSTRACT.....	x
CHAPTER ONE.....	1
INTRODUCTION	1
1.0 Background of the study	1
1.1 Problem Statement.....	3
1.2 Objectives	5
1.3 Definition of Terms.....	5
1.4 Significant of studies.....	6
1.5 The Comparison of the Study	6
1.6 The Scope and Limitation of the Study	7
1.7 Organization of Dissertation	8
1.8 Summary	9
CHAPTER TWO	11
LITERATURE REVIEW	11
2.1 Introduction.....	11
2.2 Theoretical Framework.....	11
2.3 Empirical Evidence.....	13
2.4 Conceptual Framework.....	17
2.5 Hypotheses Development	17
2.6 Summary	18
CHAPTER THREE	20
DATA AND METHODOLOGY.....	20
3.1 Introduction.....	20
3.2 Data Collection	20
3.3 Empirical Model	21
3.4 Estimation Procedure.....	22
3.5 Research Flow.....	29

3.6	Summary	30
CHAPTER FOUR.....		31
RESEARCH FINDINGS		31
4.0	Introduction.....	31
4.1	Descriptive Statistics.....	31
4.2	Unit Root Test.....	32
4.3	Breusch Pagan Lagrangian Multiplier Test (BPLM).....	33
4.4	Hausman Test.....	34
4.5	Diagnostic Testing	34
4.6	Pearson Correlation.....	36
4.7	Multiple Linear Regressions	37
4.8	Result of hypotheses testing.....	40
4.9	Summary	41
CHAPTER 5		43
CONCLUSION AND RECOMMENDATION.....		43
5.0	Introduction.....	43
5.1	Conclusions.....	43
5.2	Recommendation	44
REFERENCES		45
APPENDICES		48

ABSTRACT

The purpose of this study is to analyze the factors affecting the capital structure of a business in the plantation sector in Malaysia. The factors that influence the level of debt in this study are profitability, asset tangibility, firm size and liquidity. The data was taken from 44 plantation companies listed in Bursa Malaysia. Nonetheless, after the filtration process, only 26 companies from the plantation sector in Malaysia have been chosen for the duration 2010-2018. This study uses panel data and the regression model is focused on Pearson Correlation and Multiple Linear Regression. The subject variable of this analysis is the capital structure that is calculated by the debt ratio. The independent variables of this analysis are profitability, asset tangibility, firm size and liquidity. There are two theories used in this study that are pecking order theory and trade off theory. The findings of this study indicate that the firm size has a positive relationship to the debt ratio. Nonetheless, profitability, asset tangibility and liquidity have a negative impact on the debt ratio.

KEYWORDS: capital structure, debt ratio, profitability, asset tangibility, firm size, liquidity, plantation sector, panel data, Pearson correlation, multiple linear regressions.