



**THE IMPACT OF LEVERAGE ON PROFITABILITY IN MALAYSIAN
MANUFACTURING INDUSTRY**

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ABSTRACT

The main objective of the study is to investigate the impact of leverage on profitability specifically on manufacturing industry in Malaysia. A panel data of 50 manufacturing company listed in Bursa Malaysia and the data collected from Thompson Reuters that cover period of 5 years from 2014 to 2018 have been used in the study. The dependent variable of the study known as Return on Equity (ROE) which is based on DuPont Model while the independent variables were Debt-to-Equity Ratio (DE), Debt-to-EBITDA Ratio (DTE) and Times Interest Earned Ratio (TIE). The variables were analyze through the Pearson's Correlation Coefficient Test and Multiple Regression Test by using software of STATA12. Result demonstrate that only Times Interest Earned Ratio (TIE) had a significant effect toward DuPont Model of Return on Equity (ROE) while Debt-to-Equity Ratio (DE) and Debt-to-EBITDA Ratio (DTE) have an insignificant effect towards the dependent variables. Hence, in order maximize firm profitability, manufacturing industry in Malaysia recommend to use a suitable portion of debt and equity in order to funding their resources.