

**STUDY OF CAPITAL STRUCTURE AND OWNERSHIP
CONCENTRATION ON THE AGENCY COSTS OF FIRMS LISTED
UNDER THE SHARIAH-COMPLIANT SECURITIES
(1998 - 2006)**

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

**FACULTY OF BUSINESS MANAGEMENT
UNIVERSITY TECHNOLOGY MARA\
JOHORE**

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DECLARATION OF ORIGINAL WORK

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITY TECHNOLOGY MARA
JOHORE**

I, **ATHIRAH NOR BINTI MUSTAFA**, I/C NO. 840206-14-5662, hereby declare that:

- this work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees,
- this project paper is the result of my independent work and investigation, except where otherwise stated, and
- all verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____

Date: _____

LETTER OF SUBMISSION

October 6th, 2007

The Programme Coordinator
Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
University Technology MARA
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Johor.

Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled "STUDY OF CAPITAL STRUCTURE AND OWNERSHIP CONCENTRATION ON THE AGENCY COSTS OF FIRMS LISTED UNDER THE SHARIAH-COMPLIANT SECURITIES" to fulfill the requirement as needed by the Faculty of Business Management, University Technology MARA.

Enclosed here with is the research paper for your perusal.

Thank you for your guidance and support.

Yours sincerely,

ATHIRAH NOR BINTI MUSTAFA

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Bachelor of Business Administration (Hons) Finance

ACKNOWLEDGEMENT

Alhamdulillah. In the name of Allah S.W.T. Most Gracious, Most Merciful.

All praises to the almighty Allah S.W.T., the most merciful and benevolent, for giving me the strength and patience in completing this project paper with the title "STUDY OF CAPITAL STRUCTURE AND OWNERSHIP CONCENTRATION ON THE AGENCY COSTS OF FIRMS LISTED UNDER THE SHARIAH-COMPLIANT SECURITIES".

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ABSTRACT

This paper measures the relationship between capital structure, ownership concentration and agency costs. Therefore, the aim of this study is to examine whether capital structure and ownership concentration have significant influence on a firm's agency costs. A sample size of 126 Shariah-compliant securities will be chosen in this study for the period of nine years that is from 1998 to 2006. The data collected will be measured using multiple regression model. Agency costs exist when there is a conflict of interest between the shareholders and the managers. They will have different goals towards the organization and they have different attitudes towards risks. Agency costs will be measured using the asset turnover ratio and return on equity ratio. There are two main expected findings. (i) It is expected that a firm with a high debt level will decrease its agency costs, and (ii) there is a positive relationship between the largest shareholder concentration and the agency costs.