

UNIVERSITI TEKNOLOGI MARA

**AN EMPIRICAL STUDY ON THE
DETERMINANTS OF CAPITAL
STRUCTURE OF
SARAWAK-BASED LISTED
COMPANIES**

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of the requirements for the degree of
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AUTHOR'S DECLARATION

I declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This dissertation has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter serves as the introduction of the study on determinants of capital structure of Sarawak-based listed companies. Essentially, this chapter introduces the study of capital structure and quotes extant literatures to arrive at the basis to determine the variables of this study. This chapter also demonstrates the research objectives and with that the research questions that relates to the objectives of the study. A paragraph is also devoted to the description of the problem statement that leads to the selection of this study. Going forward, this chapter briefly discusses the scope of the study as a more detail write up is put forward in Chapter 3 specifically on methodology. This chapter also highlights the significance of this study. Finally, the last section of this chapter discusses the structure and organization of this study.

The study of capital structure bears significance because financial decisions are made by managers in accordance to their available source of financing and capital structure. This source may be derived, generated or attributed to internal factors or characteristics or external factor i.e. from macroeconomic conditions or country specific factors. The decision making process with regards to the financing choice of a company have substantial significance in the company's future successful development. This capital structure, the main element of this study, can therefore be influenced by several internal and external factors and these factors are what they call the "determinants of capital structure". Internal factors and their impact can be managed by a company but macroeconomic factors are beyond the control of the managers. However both types of determinants have significant influence on the corporate capital structure. Hence, the knowledge about the level, direction, significance and power of the impact of capital structure support companies to make effective decisions on capital structure for the purpose of financial stability and sustainable growth (Mokhovaa and Zinecker, 2013).