

UNIVERSITI TEKNOLOGI MARA

THE DETERMINANTS OF CAPITAL STRUCTURE DECISION IN MALAYSIA :
PRE AND POST GLOBAL FINANCIAL CRISIS PERIOD

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ABSTRACT

The capital structure remains as an important issue in the financial management field. The capital structure is separation between debt and equity choices as main financing options in business management. However, the 2007/2008 global financial crisis shows the essential of capital structure in business operation since the Great Depression of 1930s. Therefore, the aim of this dissertation is to enhance capital structure literature by examining the determinants of capital structure decisions and the impact of the 2007/2008 global financial crisis towards Malaysia public listed companies. The sample used 272 public listed companies in Bursa Malaysia covers ten years observations period from 2003 until 2012. This dissertation prefer specific factors to determine the capital structure which shows most significance in the literature such as profitability, firm size, asset tangibility, growth opportunity, non-debt tax shields and liquidity. By using a leverage ratio as a proxy to capital structure decisions and using ordinary least square multiple regression estimation model, the result shows that firm size has a positively significant relationship with leverage ratio, while asset tangibility and liquidity has a negative correlation with leverage. The finding also shows that Malaysia public listed companies used less debt as their main options for financing decisions. The results remain same even after take into consideration the global financial crisis, pre crisis (2004-2006) and post crisis (2009-2012) except the changes of significant level on non-debt tax shields variables.

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