Faculty of Business and Management
UNIVERSITI TEKNOLOGI MARA

INDUSTRIAL TRAINING REPORT

BACHELOR IN BUSINESS ADMINISTRATION (HONS) IN FINANCE

ASFAH BIOENERGY SDN BHD

INTERNSHIP (MGT666): INDUSTRIAL TRAINING REPORT

STUDENT'S NAME	**: NUR A'IN BINTI ROSLI**
STUDENT ID NUMBER	**: 2019717977**
PROGRAM	**: RBA 242**
DATE INTERNSHIP	**: 1 MARCH 2021 – 13 AUGUST 2021**
ADVISOR	**: DR. NOR ANIS BINTI SHAFAI**

EXECUTIVE SUMMARY

Asfah BioEnergy is the place where I do industrial training for this semester.Asfah was small medium enterprise (SME) established in May 1996. The product that Asfah produce are the liquid biofuel and solid biofuel. My internship at Asfah Bioenergy Sdn Bhd lasted six months, starting on 1 March 2021 and ending on 13 August 2021. During my internship I was assigned in accounting department under Encik Faiz Ahmad Shah. I also gained a lot of experience and learned a lot of new skills during my internship. In this report also consist of my report research during my internship. The title that I have chosen for this research is Determinants of the Capital Structure: Evidence from Malaysia Food and Beverage Sector. Using a data collection of Malaysian companies, the objective of this research is to analyze the most significant factors that determine capital structure. This is to find the company uses a unique combination of finance and equity to support its overall business and development. This paper carries out a panel data analysis from 10 listed companies in Malaysia under industry food and beverage stock market. The data collected covers the years 2010 through 2019. From data acquired from Refinitiv Eikon, the author uses data analytic techniques to analyze and estimate the most significant determinants of capital structure of listed firms in Malaysia. The study was carried out to see if the selected factor had a significant relationship with capital structure. In this study it consists of four variable which is one for dependent variable and another three are for independent variable. The independent which is leverage, liquidity and effective rate variable shown that have a positive, negative and no significant relationship with the dependent variable. Finally, this is the first study to use the most recent data to investigate the most significant determinants of capital structure in Malaysia.

TABLE OF CONTENT

2.0 COMPANY'S PROFILE

2.1. Company's Name, Logo, Location, Operation Hour

      Asfah BioEnergy Sdn Bhd is the company where I am conducting the industrial training sessions this semester. Asfah BioEnergy Sdn Bhd is private sector was established in May 1996 and operating in the manufacturing business. The main business for Asfah Bioenergy is producing liquid biofuel which is biodiesel and the other business for the company is solid biofuel such as wood pellet, bamboo pallet and animal bedding.

Asfah BioEnergy Sdn Bhd Logo

      Asfah BioEnergy Sdn Bhd was placed at Lot S7, Lorong Kendi 1, Kawasan Industri MARA Seberang Perai Selatan, 14100 Simpang Ampat, Pulau Pinang, Malaysia. The main office is located at Shah Alam.

      For the operating hours for this company is on Monday to Thursday from 9:00 am until 6 pm. For the break time is given one hour which is from 1 pm until 2 pm. Friday's working hours are the same as the rest of the week, except for the rest break, which is extended by two hours from 12:45 p.m. to 2.45 p.m. The duration for working hours is 9 hours per day.

      However, during pandemic Covid-19 and the government implement the guidelines to prevent the spreading of the corona virus which is Movement Control Oder (MCO). During MCO the government implement work from home for the company which is not in essential industry. For my company, they adopt a hybrid mode of working which is they do a rotation for their worker by set up the schedule. The schedule will show who will work from office or home. Usually, we will work from home 2 weeks and another 2 weeks will work from office.

2.2. Vision, mission, objective, goals

The vision and mission statements serve as a focal point for getting everyone in line with the business and ensuring that everyone is working toward the same goal. This improves the organization's efficiency and productivity. By setting the vision and mission also indirectly can help company to archive their goals.

The vision that Asfah BioEnergy Sdn Bhd is to provide quality biofuel both in liquid and solid fuel that meet the customers' requirements through continues improvement and R&D. The company promising the quality of products to their customers.

The company mission is to provide the best possible fuel and service to our clients. Second is, promoting research and development, as well as technological innovation, with reputable and collaborating partners or research, to open new markets. The lastly is nature should be respected, and efforts should be made to protect and improve the world environment.

The main goal of the company is to promote and facilitate the use of renewable energy while simultaneously enhancing and boosting the local economy and conserving the environment. ASFAH aims to make people's lives easier while also ensuring the environment's long-term viability.

2.3. Background of Establishment

In 1996, ASFAH BioEnergy Sdn Bhd was founded. We are primarily involved in biotechnology and biomass-based fuel with the objective of maintaining mother nature as the organization's heart and mind.

Asfah Bioenergy Sdn Bhd starting export biodiesel to JAPAN since 1998. In the year of 2000 to 2004, Asfah started Bioethanol and Biodiesel Business to Japan. In 2006 and 2008, Asfah started joint marketing with Petronas MITCO to JAPAN and European Union (EU). In the year of 2010, Asfah starting Biofuel shipment to EU. In 2017 and 2018, selling liquid biofuel to Japan and set up a new branch in Simpang Ampat, Penang. In 2019 until present, Asfah Factory upgrade capacity

ASFAH is a biomass industry pioneer, producing both solid and liquid fuels. Wood pellets, mixed biomass pellets, sawdust, wood chips, palm biodiesel, biomass fuel, and ethanol fuel are all produced by ASFAH. ASFAH has over 20 years of experience in liquid biofuels such as Biodiesel and Bio Ethanol, as well as solid biofuels such Mix Biomass Pellets and wood pellets.

ASFAH is also involved in new energy and green energy research and development (R&D) utilizing Malaysian resources as well as resources from our neighbours to be exported to Europe, Japan, Korea, and China. The main goal is to support and promote renewable energy as a means of improving and promoting the local economy while also protecting the environment.

The ASFAH company is maximizing the use of natural resources by minimizing waste and increasing utilization. ASFAH aims to enhance people's lives while also improving the environment for a more sustainable future.

2.4 Organizational Structure

```
                            ┌──────────┐
                            │   CEO    │
                            └──────────┘
              ┌──────────┐
              │ PA to CEO│
              └──────────┘
     ┌──────────────┬──────────────────┬──────────────────┐
┌──────────┐   ┌──────────────┐   ┌──────────────┐
│Chief     │   │Chief         │   │Chief Trading │
│Finance   │   │Operating     │   │Officer       │
│Officer   │   │Officer       │   └──────────────┘
└──────────┘   └──────────────┘
  │               ┌─────────┬──────────┐           │
┌──────────┐  ┌──────────┐ ┌──────────────┐   ┌──────────┐
│Accountant│  │Port Kelang│ │Simpang Ampat│   │ Traders  │
└──────────┘  └──────────┘ └──────────────┘   └──────────┘
  │               │            │                   │
┌──────────┐  ┌──────────┐ ┌──────────┐       ┌──────────┐
│Assistant │  │Factory   │ │Factory   │       │Operation │
└──────────┘  │Manager   │ │Manager   │       │Staffs    │
              └──────────┘ └──────────┘       └──────────┘
                  │            │
              ┌──────────┐ ┌──────────┐
              │Factory   │ │Factory   │
              │Admin     │ │Admin     │
              └──────────┘ └──────────┘
                  │            │
              ┌──────────┐ ┌──────────┐
              │Operation │ │Operation │
              │Staffs    │ │Staffs    │
              └──────────┘ └──────────┘
```
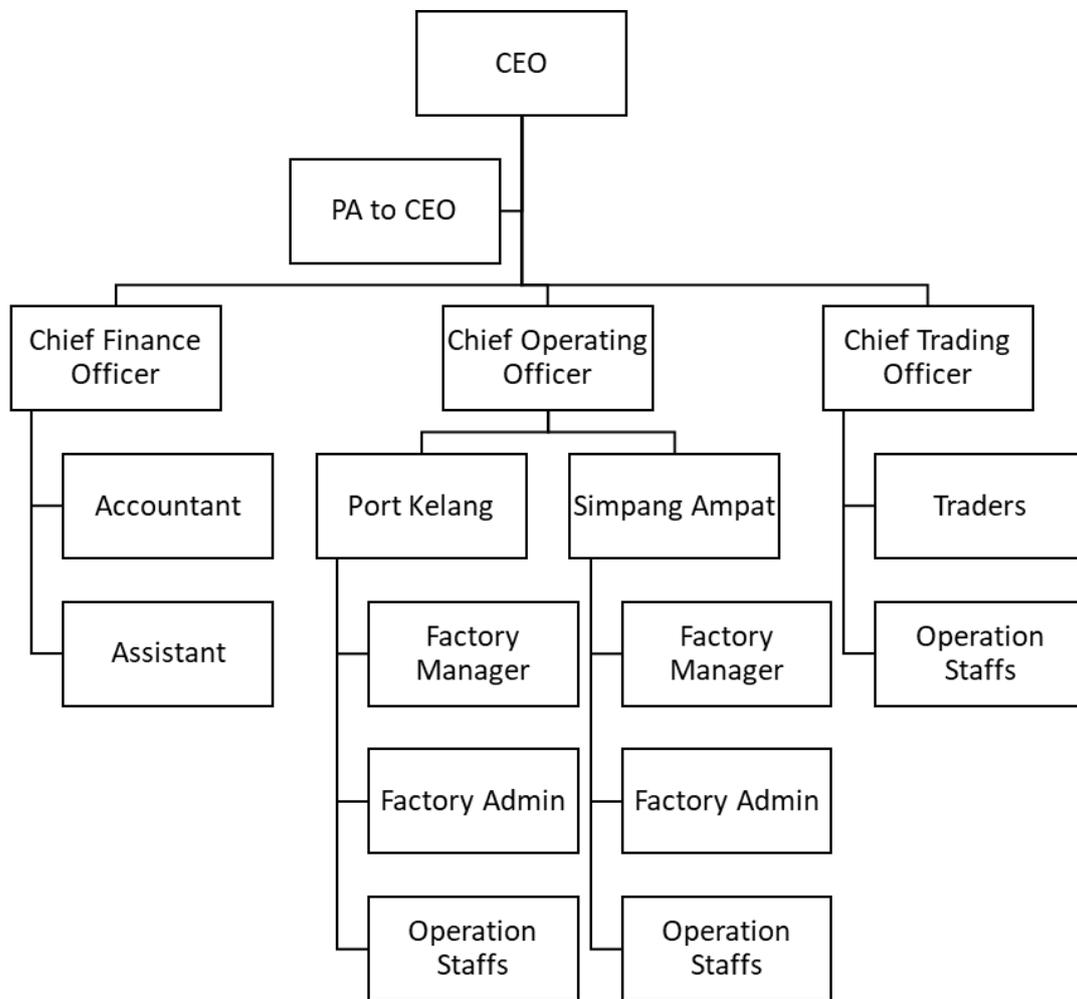
2.5. Product and Service Provided

Asfah BioEnergy Sdn Bhd offer variety of product and the product is divided by two which is liquid fuel and solid fuel. The liquid fuel consists of biodiesel and biofuel. The solid fuel consists of wood pallet, wood mix pallet and bamboo pallet.

❖ **Liquid Fuel**

➤ Biodiesel

Biodiesel is basically derived from palm oil, palm oil by palm oil products and waste. The palm oil is processed into PME using transesterification method with enhanced supercritical and Nano technology. This product is mostly used as a diesel alternative or blended with diesel to enhance the green or sustainability components of the product. It is mostly used in the transportation industry for trucks, cars, and other vehicles.

➤ Biofuel

Biofuel is a type of fuel made directly or indirectly from biomass, such as plant and animal waste. Biofuel is a more environmentally friendly fuel that is used to power generators and power plants. These wastes and by-products are converted to fuel oil using a supercritical and nanotechnology method. This product is primarily used as a heavy fuel alternative or as part of a blend with heavy fuel/diesel to boost its green or sustainability components. It is primarily used in the power and heating industries for power production, boilers, and other purposes.

❖ **Solid Fuel**

➤ Wood Pellets

Wood pellets are the most extensively used biomass fuel, and its popularity is growing worldwide as people recognize the value of clean, sustainable energy. The most popular type of pellet fuel is wood pellets, which are created from compacted sawdust. Pellets are incredibly dense and can be generated with a low moisture content (below 10%), allowing for extremely high combustion efficiency when burned. It can be used as fuel for energy generation, commercial or residential heating, and cooking.

➤ Wood Mix Pellets

Transform the pellets into black pellets or briquettes after they're made. To make these green pellets, we use a coking or torrefied technique. In various

markets, torrefied and densified biomass provides several advantages. It has a larger energy density, a more uniform composition, hydrophobic behaviour, biological activity removal, and enhanced grindability.

➢ Bamboo Pellets

Bamboo pellets are made using the same procedure as is used to manufacture wood pellets. That is, after being crushed and ground into powder, it is compressed using a compressor machine to create radii with a diameter of 6-8 mm. The dust must be prepared at the start of the pellet manufacturing process by crushing wood or other non-essential materials. The dust is crushed, then dried and compressed with a drier. These pellets are compressed and chilled to become hard and shiny.

3.0. SWOT ANALYSIS FOR ASFAH BIOENERGY SDN BHD

A SWOT Analysis is one of the most often used methods for evaluating a company's internal and external environments, and it is part of the strategic planning process. A SWOT analysis improves strategic planning and decision-making by providing opportunities to the organization and serving as a forward-looking bridge to creating strategic options. SWOT is an acronym that stan for strength, weakness, opportunity, and threat for the company.
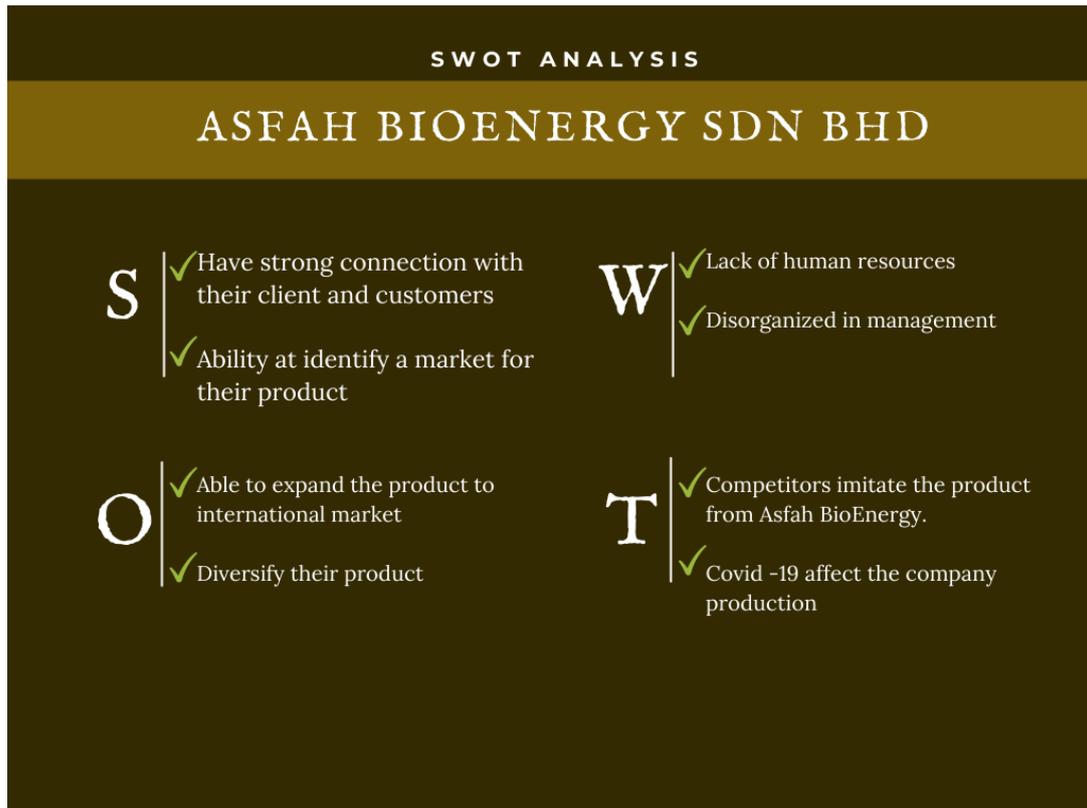
3.1 Strengths

➤ Have strong connection with their client and customers

Asfah BioEnergy Sdn Bhd classifies as small and medium -sized enterprises (SMEs). Even though the company is as SMEs company, Asfah Bioenergy able to sustain in this manufacturing industry almost 25 years. This is because this company maintains a strong relationship with their customers and clients by providing the best quality for products and service. For example, Asfah BioEnergy have a regular customer form Japan in buying their Biodiesel. This company also invest more on research and development (R&D) to improve their quality of product and service. By having a strong connection with the client and customer indirectly lead the company to

have a stable income to continue their business and able to sustain in manufacturing industry for a long time.

  ➢ Ability at identify a market for their product

  Asfah BioEnergy tend to do more on market research to market existing and new product.The company is good at finding a market to sell their product. In addition, the company is not only looking for a market in the country but also abroad. For example, the biodiesel product mostly will sell to Japan and the wood pellet will sell to US and Japan because this place is having high demand for this product. The company also sell their product through their official website.

3.2 Weaknesses

  ➢ Lack of human resources

  One of the weaknesses of Asfah BioEnergy is lack of human resources. The company only have less than 10 employees. This is because the company want to cut their cost on labour. The company do not have enough employees to run their business perfectly. This will be indirectly affecting the existing employee as this will put a workload to their staff. The management of the company also will be slightly unmanageable and will affect the company performance.

  ➢ Disorganized in management

  Due to the lack of employees, the management in the company is disorganized and causes employees to get last minute work. Indirectly it puts pressure on employees to complete the work in a short time. The jobs given last minute will also have an impact on the company such as imperfect work and will affect the quality and performance of the company.

3.4. Opportunities

  ➢ Able to expand the product to international market

  By doing more market research, the company is able to promote their product to market abord, indirectly the company will expand their export market. The market research also can help company to determine the specific country that they want to enter their product. In addition, by doing this, the company not only expend their product market but indirectly the company will generate more income from their product.

- ➢ Diversify their product

    Asfah BioEnergy more invest in Research and Development (R &D) to improve their quality of their product and at the same time they also discover new product. For example, before this Asfah BioEnergy only develop on liquid Biofuel which is biodiesel and for the past six years the company slowly develop new product which is solid fuel. In this solid fuel it consists of wood pellet and bamboo pellet. By doing R&D also give the opportunity to company to develop more product to generate more income.

3.5. Threats

- ➢ Competitors imitate the product from Asfah BioEnergy.

    Asfah BioEnergy have a several competitors for their product. The imitate occurs when the competitors' copies Asfah's product and sell the product to the market. Competitors will also sell products for which the price of the product will be slightly cheaper than the price of Asfah product. For example, the competitors imitate the solid biofuel which is wood pallet in term of size, quality, and the absorbent of the pallets. This will directly affect the sales and income for the company.

- ➢ Covid -19 affect the company production

    During the pandemic of covid -19 the production of the company must stop operating due to Malaysian movement control order (MCO). Asfah BioEnergy must stop their production almost 1 year start from March 2020 until now. This affects the company in term of sales and income for the company and almost one years the company does not generate any income. The Company also face difficulties in recovering their production as they do not have enough workers as previous workers have resigned from working at the company. The company also finds it difficult to get new workers to work for company.

4.0 TRAINING'S REFLECTION

Duration for industrial training to undergo is 24 weeks which is almost 6 months starting from 1 March 2021 until 13 August 2021 in order to fulfil Uitm's course requirements. For Asfah BioEnergy Sdn Bhd for working days and hours is from Monday to Friday and from 9 a.m. until 6 p.m. The working hours is about 9 hours per day. During MCO Asfah BioEnergy Sdn Bhd use hybrid mode which is 2 weeks will work from office and another 2 weeks will work from home.

The department that I have assigned in Asfah BioEnergy Sdh Bhd during internship training is under accounting department. At the same time, I met with Encik Faiz Ahmad Shah, my Industrial Training supervisor also as the owner of the company, to review the job scope at the accounting department and to learn how to adapt to the new working environment. I also must complete all the task that was assigned to me under accounting department. I also must attend meeting every day that involve me and other interns in the morning at 9:15 a.m with my supervisor, and in that meeting we will be given a task directly from our supervisor.

In accounting department, the first thing that I have learn is QuickBooks software. The QuickBooks is an accounting software that have been created and market by Intuit. QuickBooks products are primarily aimed at small and medium-sized businesses, and they include on-premises accounting software as well as cloud-based accounting software that accepts company payments, manages, and pays invoices, and handles payroll. My first task that I have assigned is to learn how to use and handle the QuickBooks account. I have learned how to create and customize invoice and payment voucher for the company, key in bank statement, key in petty cash, and account update for every month and review the monthly account in QuickBooks. I must determine the transaction's category and description one by one, ensuring that the amount is in the correct category and equal to the financial transaction's original data. Mostly the task will be given at the end of every week. In QuickBooks I also learn how the company organized their account perfectly without make any mistake.

The next task that I have assigned by my supervisor is to fill the documentation and transaction based on the file that given. I completed my work of filing documents that are generally kept for future reference. First before filling I must make a label for the file. I will print and stick the label at the file that provided. My job entails checking documents that are printed or received by the company, then sorting them according to the correct file. After sorting the file, I was instructed to stick the receipt such as petty cash on the A4 before filing to avoid the loss of data. After finishing the filing, I will store the file at the

cabinet provided, and I will arrange the file according to it place to ensure the staff can easily access the file whenever they need it.

Besides that, after filling the documentation, I was required to digitize the account for company. Digitize account is the process of converting the information into digital. First thing that I do before digitizing the account, I have to learn how to use the scanning from printer. After that, I will scan the document one by one according to the month and I will save the file on the company computer, and I also have to upload it at company's cloud. The purpose of digitize account is to prevent the account to loss and as a backup documentation for accounting.

Another task that I was assigned to email and call for the payment from customer. This task is to remind the customer to make a payment for the company before the due date that have been set. In addition, I not only doing the accounting work, but I also assigned work that out of my field such as doing a leaflet for the company, design the packaging of hand sanitizer, design on packing for pet bedding and set appointment for meeting with client. By doing the work that out of my field, it taught me how to be a multitask person.

Throughout my internship in Asfah BioEnergy Sdn Bhd, the benefit that I got from that company is the company provided the allowance RM 300 per month for the intern. The amount that given by the company is enough to support myself during time internship. Even though Asfah BioEnergy Sdn Bhd is considered as SMEs company, but the company is willing to give the allowance for their intern. Indirectly, the intern will become more motivated to do their job.

In term of knowledge, I gained a lot of skill such as improved my soft skill and technical skills related to my job. For the soft skill, the company taught how to be more confident in communicating with customer or our client. I also learn how to handle the call or email and how to respond properly to the customer or client. During internship also I improved more on critical thinking such as who to handle the problem properly without causing an unexpected event.

In term of technical skill, the skill that I have gained during internship is I learn how to use the QuickBooks software. Basically, my company use a QuickBooks for their accounting. In QuickBooks it easy to track the transaction of the business and help the company manage their finances more properly. By learning this software, it helps me to become more detailed, organized, and efficient in key in the data for the company.

During my internship at Asfah BioEnergy Sdn Bhd, I received a great deal of knowledge and experience in the field of working. I was only exposed to theoretical topics at university, but when I started the internship program, I was exposed to something new, something that was different from what I had learned at university, and experience is the learning process.

5.0 INDUSTRY ANALYSIS

Determinants Of Capital Structure: Evidence from Malaysia Food and Beverage Sector

5.1 INTRODUCTION

One of the most important concerns in corporate finance is capital structure. It is a significant corporate policy that deals with a firm's activities, debts, and equity, and is an optimal combination of long-term debt and equity. (Brounen et al., 2006; Vo, 2017). The important for management to understand the "method" and "how" the business's value will increase or decrease in response to company and country characteristics, as well as the proper capital structure decision.(Saif-Alyousfi et al., 2020). Based on the previous research that have been conducted in Malaysia (Saif-Alyousfi et al., 2020) , (Sakti et al., 2017) and (Ghasemi & Hisyam Ab Razak, 2016) , Saudi Arabia (Khan et al., 2021), India (Chadha & Sharma, 2015), Vietnam (Vo, 2017), Iran (Alipour et al., 2015) Sub Saharan Africa (Chipeta & Deressa, 2016),Australia (Li & Stathis, 2017) , and has found there are positive and negative relationships between dependent and independent variables. The study is the first to use the most recent data to examine the most relevant determinants of the capital structure of top ten companies with the highest market capitalization in the food and beverage industry in Malaysia. Furthermore, this study also demonstrates that the same variables have an impact on the capital structure of a company's output in relation to the business growth opportunities. Therefore, the purpose of this paper is to examine the most important factors influencing capital structure using a data set of Malaysian companies.

5.2 LITERATURE REVIEW

There are several empirical researches on the elements that determine capital structure. Theories of capital structure have caught the interest of researchers in developing countries such as UK, USA, and Germany. From the previous study, we discover that some researcher such as (Alipour et al., 2015) ,(Panda & Nanda, 2020) , (Chadha & Sharma, 2015)(Chipeta & Deressa, 2016),(Khan et al., 2021) have been explored the theory of capital structure in Iran, India , Saudi Arabia and also other develop countries. Based on data availability, the following variables of capital structure are evaluated in this paper: liquidity (LIQUID), leverage (LEV) and effective tax rate (TAX). The sample for this paper consists of top 10 companies with the highest market capitalization operating in Malaysia and listed in Bursa Malaysia from 2010 to 2019 in the food and beverage industry.

5.2.1 Capital Structure

Capital Structure is use as a dependent variable in this paper. The capital structure is the combination of debt and equity used by a company to finance the overall operations and growth. When evaluating the capital structure, the balance of short- and long-term debt is taken into consideration. The debt-financed sector has a more aggressive financial structure, which exposes investors to greater risk. In the empirical studies, there are numerous capital structure measurements. Total debts, instead of liabilities to total assets, are a better indicator of financial leverage, according to Rajan and Zingales (1995), since they provide a stronger indication of whether the company is at risk of defaulting soon and provide a more accurate image of previous financing. From the previous research mainly used either book debt ratios or market debt ratios as a proxy for the capital structure (Chadha & Sharma, 2015),(Alipour et al., 2015) and (Saif-Alyousfi et al., 2020). In this research, we use debt to equity as a proxy. The debt-to-equity (D/E) ratio is computed by dividing a company's total liabilities by its shareholder equity. It is used to determine a company's financial leverage.

5.2.2 Liquidity

Liquidity refers to the ability to convert an asset or security into cash without influencing its market value. In other words, liquidity refers to the ease with which an asset can be purchased or sold on the market. Cash is commonly known as the most liquid asset because it can be converted into other assets quickly and easily. From the previous study, Liquidity ratios, it is often believed, may have a mixed impact on capital structure decisions (Vo, 2017). According to the trade of theory, firms should obtain sufficient liquidity by taking on debt to satisfy their obligations, and this theory requires a positive relationship between liquidity and debt ratios/capital structure.(Alipour et al., 2015). Myers and Rajan (1998) further this study have negative relationship by arguing that when agency costs of liquidity are high, outside

creditors limit the amount of debt financing accessible to the company. We used the current ratio in this study to see if there is a significant relationship between liquidity and capital structure, and if it has an impact on the capital structure of listed companies Malaysia. Therefore, in our research there is negative relationship between liquidity and capital structure.

5.2.3 Leverage

Leverage is one of the techniques use of debt rather than new equity in the purchase of assets which is the purpose is to make a profit after taxes that exceeds the cost of borrowing. Researchers in the previous study mostly used LTD/TA as a proxy for leverage. According to (Chipeta & Deressa, 2016), total long-term debt ratios are highest for firms in the bottom quartile, and the overall debt ratio steadily declines as we move towards the top quartile. The downtrend occurs because the top quartile consists of countries with relatively developed stock markets. In our research we use LTD/TC as our proxy. According to (Chipeta & Deressa, 2016) The reliance on long-term debt is a notable finding from this investigation. Firms in countries with strong legal systems are more likely to use long-term debt; the long-term debt ratio rises from 6.6 percent in weak legal systems to 11.9 percent in strong legal systems. Furthermore, in this study there is positive relationship between leverage and capital structure

5.2.4. Effective tax rate

The effective tax rate is the percentage of their income paid by an individual or company. The effective tax rate for corporations is calculated by dividing the tax expense by the company's earnings before taxes. Individuals' effective tax rate is calculated by dividing their tax expense by their taxable income. When a company's effective corporation tax rate is high, it may be necessary or beneficial to take on more debt in order to maximize the loan interest tax deduction (Alipour et al., 2015). Due to the tax deductibility of interest payments, Modigliani and Miller (1963) concluded that companies would prefer debt to other financing resources. As a result, our findings show that the relationship between effective rate and capital structure is not statistically significant.

5.3 RESEARCH METHODOLOGY

The aim of this research is to investigate the determinants of capital structure in Malaysia. For this study, we used top 10 companies with highest market capitalization under food and beverage industry. These 10 companies are listed on Bursa Malaysia, and the data acquired ranges from 2010 to 2019, based on the data available for each company. As a result, liquidity, leverage, and effective tax rate are used as a hypothesis in this study.

The date was collected using the panel data, where the sources of this data are from the company financial statement using Refinitive Eikon. This technique is the most powerful research tool and is appropriate for this analysis since it integrates cross-sectional and time series data, allowing for possible short-term dynamics changes. Furthermore, our data is drawn from a balanced panel of 10 organizations over a ten-year period. The sample period was chosen from 2010 to 2019 based on the availability of data and the aim of maintaining a consistent time frame for comparison. For data analysis, Stata software have been used to analyses the finding and the run the data using regression method

For a comparison of results with previous studies, this study uses the definition of variables from the literature. This study used capital structure as a dependent variable and for the independent variable we used liquidity leverage and effective rate. Table 1 summarizes the method for computing variables, while Figure 1 shows the theoretical framework for this research.

Variables	Description	Symbol
Dependent Variable		
Capital structure	Ratio of total debt to total assets	CS
Independent Variables		
Liquidity	The ratio of current assets to current liabilities	LIQUID
Leverage	Percentage long term debt to capital	LEV
Effective tax rate	The average tax paid by businesses as a percentage of the profits earned	TAX

Table 1: Variable description and data sources

The equation for the final econometrical model is run as follows in order to achieve the analysis' objectives.

$$CS_{it} = \alpha + \beta1LIQUID_{it} + \beta2LEV_{it} + \beta3TAX_{it} + \varepsilon_{it}$$

Where: CS_{it} = Capital structure of company i at time t

$\beta1LIQUID_{it}$ = Liquidity of company i at time t

$\beta2LEV_{it}$ = Leverage of company i at time t

$\beta3TAX_{it}$ = Tax of company i at time t

ε_{it} = Error term of company i at time t

α = Intercept

$\beta1$ to $\beta5$ = Estimated coefficients of the independent variables

Figure 1: Theoretical framework
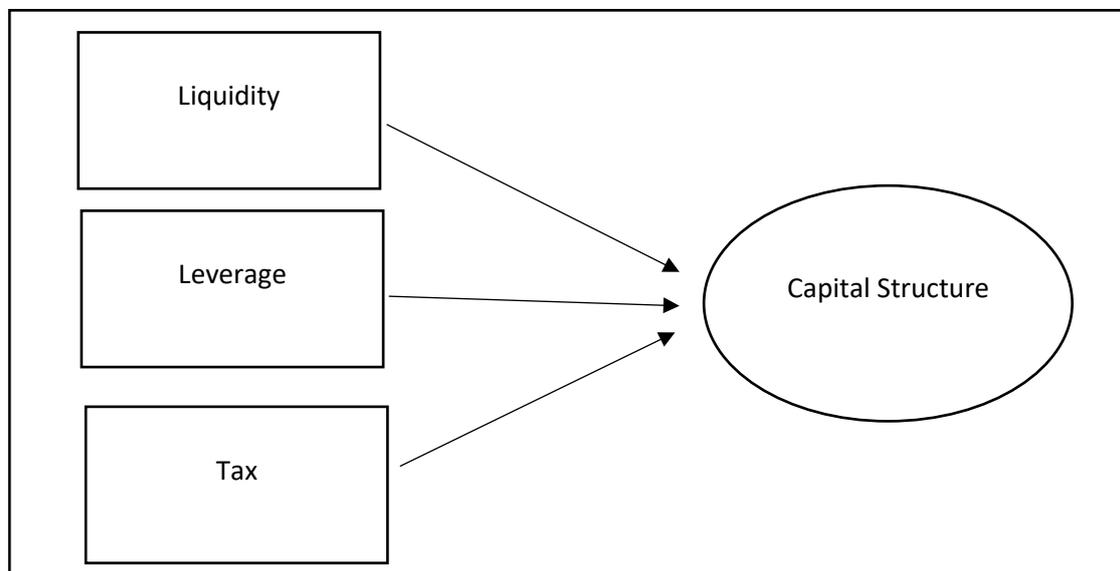
5.4. FINDINGS

Using the debt to equity as the proxy for capital structure, this section investigates the determinants of capital structure for top 10 companies with the highest market capitalization under food and beverage industry.

Table 1 provide a summary of the descriptive statistics of all variables for the top 10 companies for a period of ten years from years 2010- 2019 with the total 100 observation. The average size of the capital structure for the period of study is 0.49 (mean) and it ranges from a minimum value of 0 to a maximum value of 2.87.

Table 1: Descriptive Statistics

Variables	N	Mean	SD	Min	Max
CS	100	0.49	0.57	0	2.87
LIQUID	100	1.60	0.62	0.65	3.28
LEV	100	0.08	0.09	0	0.34
TAX	100	0.22	0.09	-0.19	0.5

Notes: All the explanatory variables are Capital structure (CS), Liquidity (LIQUID), Leverage (LEV) and Effective tax rate (TAX).

The next step is to choose the most appropriate panel data estimator. The three available alternatives are pooled ordinary least squares (POLS), fixed effects (FE), and random effects (RE) models. As presented in Table 2, the results of the F-test ($p\text{-value} < 0.05$), BP-LM test ($p\text{-value} < 0.05$) and Hausman test ($p\text{-value} > 0.05$) suggest that RE is the most appropriate model estimator.

Table 2: Panel Specification tests

| Models | p-values of the tests | | | |
	F-test	BP-LM	Hausman	Technique
Model 1	0.0000	0.0000	0.8313	RE

Various diagnostic tests were then performed to check for the presence of multicollinearity, heteroskedasticity and serial correlation problems. As presented in Table 3, the diagnostic test results indicated the presence of heteroskedasticity ($p\text{-value} < 0.05$) and serial correlation ($p\text{-value} < 0.05$) problems. To rectify the problems, following the suggestion by Hoechle (2007), remedial procedure has been carried out by using random effect GLS regression with cluster option.

Table 3: Diagnostic Tests for Static Models

| Models | p-values of the tests | | | Strategy |
	VIF	H	SC	
Model 1	1.01	0.0000	0.0016	Random-effects GLS regression with cluster option

As shown in Table 4, the regression result suggests that the model fits the data well at the 0.05 significance level. The Adjusted R^2 of 0.18 suggests that the three independent variables explain 18% of the variance in your capital structure. The remaining 82% is explained by other variables that were not included in the model. The results of the regression also suggest that liquidity and have a statistically significant relationship with capital structure. Tax do not appear to be significantly related to your capital structure. In addition to that, leverage seems to have the greatest influence on the level of capital structure, which is explained by the highest t-value of 2.14.

Table 4: Determinants of Capital Structure for industry food and beverage

	Random Effect
LIQUID	-0.2717**
	(-2.30)
LEV	2.1385***
	(3.31)
TAX	0.5425
	(1.05)
Constant	0.6346***
	(3.10)
N	100.0000
r2	0.1888
p	0.0000
chi2	30.4558

Notes: t statistics in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

(1) Definition of your variable: CS= Capital Structure, LEV=Leverage, LIQUID=Liquidity, TAX=Effective Tax Rate. (2) Figures in parenthesis are t-statistic.

6.0. DISCUSSION

The figures in Table 4 show the impact of liquidity and capital structure. The capital structure appears to be negatively related to the current ratio of the liquidity variable. Based on the previous study, the theory of pecking order, free cash flow and trade of theory There must be a negative relationship between liquidity and capital structure, because firms with sufficient liquidity have less requirements for external funding and borrowing, according to these theories (Alipour et al., 2015). Myers and Rajan (1998) further to this negative relationship by arguing that when agency costs of liquidity are high, outside creditors limit the amount of debt financing accessible to the company. Furthermore, several works have stated that liquidity ratios and debt ratios have a negative relationship (Eriotis et al., 2007; Sheikh and Wang, 2011). The reason for Malaysia's negative liquidity relationship is that firms prefer to finance acquisitions with liquid assets rather than increasing external debt.

In addition, in this study show that capital structure is positively and significantly related to the leverage coefficient. According to a recent study by (Chipeta & Deressa, 2016) leverage is negative because high-growth companies who are having trouble paying off their debts may have to give up resources and investment opportunities due to the capital structure. This is because they are afraid that the funds would be used to regain creditors' status, equity investors will refuse to spend any more of their money. As a result, in order to offset their investment risks, these investors require higher returns. Therefore, growing businesses with intangible assets avoid issuing loans to minimize the negative impact of investment issues. All things considered, this suggests that businesses should increase their long-term debt levels, resulting in a strong capital structure. Furthermore, companies can only collect debt if internal sources are insufficient to meet their financial needs. As a result, companies with a higher capital structure will have a higher level of debt, indicating that leverage and capital structure have a positive relationship.

The current research reveals an interesting finding in capital structure. According to the findings, there is no statistically significant relationship between effective rate and capital structure. The effective rate was found to have a significant positive relationship between the capital structure and the effective rate in previous studies by (Alipour et al., 2015)and (Panda & Nanda, 2020)However, Antoniou et al. (2008) found a negative relationship between effective tax rates and debt ratios, claiming that the impact of this rate on capital structure is dependent on each country's tax policies. Furthermore, both Karadeniz et al. (2009) and Sogorb-Mira and How (2005) found a negative relationship between effective tax rates and debt ratios. However according to Huang and Song (2006), there is no relationship between

the effective tax rate and the amount of debt in the capital structure. As a result, the sources of our data sample in our research study are Malaysian companies and each country has its own tax rate, which varies depending on the country. This can be one of the factors that the data show there is not significant in effective rate and capital structure.

The limitation of our study is that we used top 10 with highest market capitalization companies in Malaysia. This is also the main source of data for our study. The focus of our study is to investigate the determination of capital structure on companies in Malaysia based on top 10 companies highest market capitalization. In our study, the finding shows that it has different impact on capital structure based on top 10 companies highest market capitalization companies. The newness of study is we use the top 10 companies highest market capitalization firm for the sample data.

7.0 RECOMMENDATION

The liquidity shows a negative significant relationship between capital structure. It explains that companies have enough liquidity and have less requirement for borrowing and external financing. It is good for the companies to have sufficient amount of liquidity for their company. The companies must manage and maintain their liquidity to avoid borrowing more debt financing in future.

Leverage is an indicator for financial measures that analyses how much capital comes from debt (loans) and evaluates a company's ability to meet its financial obligations. The result show that positive and significant relationship with the capital structure. The companies are use more debt in financing their capital structure. The companies must well manage their debt in raising the capital structure to avoid the difficulty in paying back the debt. The companies also can normalize to use equity financing rather than leverage financing to avoid the risk of unable to repay debt.

Effective tax rate is the tax that imposed to company. In this study, there is no significant between effective rate and capital structure. A company that has high effective tax rate have benefit from taking up more debt to maximize the tax deduction of the debt interest. The companies are suggested to take debt for their financing, but they must manage their debt well to avoid from unable to pay their debt.

8.0 CONCLUSION

This paper has examined the determinants of capital structure for 10 listed companies in Bursa Malaysia with top 10 highest market capitalization based on the food and beverage industry. The results show that only one variable which is leverage, appears to have a positive relationship with the capital structure. Liquidity, on the other hand, appears to have a negative relationship, whereas tax has no significant relationship with capital structure. There have been multiple studies on capital structure, but none on capital structure in Malaysian firms that are related to financing. As a result, this paper examines the determinants capital structure of top 10 companies with highest market capitalization companies listed on Bursa Malaysia from 2010 to 2019. It examines the capital structure based on tax, liquidity, and leverage.

For this study, the 10 largest listed companies in Malaysia were used as sample data, together with financial variables such as tax, liquidity, and leverage. Consider conducting research on economic variables such as capital structure, long-term debt market value, or short-term debt market value in future.

Overall, I found this internship to be beneficial. I have learned new things, improved my skills, and met a lot of new people. Several of my learning objectives were met, while some were not due to unforeseen circumstances. In addition, it is a not only gained a good experience during internship but indirectly I also got insight in professional practice. I also improved in my soft skill and technical skills and be more confident in handling a job given. Moreover, internship also taught me how to adapt into new environment and prepare myself into the future job.

Finally, the internship also allowed me to discover my strengths and weaknesses. This helped me in determining the skills and knowledge I need to improve in the coming years. In the future, I would like to be able to present and express myself with more confidence. Moreover, in the next five years I see myself as a person who gained more experience, knowledge and be an expert and successful in this field of job. I also hope I will get the job that I love and passion in future.

9.0 REFERANCES

Alipour, M., Mohammadi, M. F. S., & Derakhshan, H. (2015). Determinants of capital structure: An empirical study of firms in Iran. *International Journal of Law and Management*, *57*(1), 53–83. https://doi.org/10.1108/IJLMA-01-2013-0004

Chadha, S., & Sharma, A. K. (2015). Determinants of capital structure: an empirical evaluation from India. *Journal of Advances in Management Research*, *12*(1), 3–14. https://doi.org/10.1108/JAMR-08-2014-0051

Chipeta, C., & Deressa, C. (2016). Firm and country specific determinants of capital structure in Sub Saharan Africa. *International Journal of Emerging Markets*, *11*(4), 649–673. https://doi.org/10.1108/IJoEM-04-2015-0082

Ghasemi, M., & Hisyam Ab Razak, N. (2016). The Impact of Liquidity on the Capital Structure: Evidence from Malaysia. *International Journal of Economics and Finance*, *8*(10), 130. https://doi.org/10.5539/ijef.v8n10p130

Khan, S., Bashir, U., & Islam, M. S. (2021). Determinants of capital structure of banks: evidence from the Kingdom of Saudi Arabia. *International Journal of Islamic and Middle Eastern Finance and Management*, *14*(2), 268–285. https://doi.org/10.1108/IMEFM-04-2019-0135

Li, H., & Stathis, P. (2017). Determinants of capital structure in Australia: an analysis of important factors. *Managerial Finance*, *43*(8), 881–897. https://doi.org/10.1108/MF-02-2017-0030

Panda, A. K., & Nanda, S. (2020). Determinants of capital structure; a sector-level analysis for Indian manufacturing firms. *International Journal of Productivity and Performance Management*, *69*(5), 1033–1060. https://doi.org/10.1108/IJPPM-12-2018-0451

Saif-Alyousfi, A. Y. H., Md-Rus, R., Taufil-Mohd, K. N., Mohd Taib, H., & Shahar, H. K. (2020). Determinants of capital structure: evidence from Malaysian firms. *Asia-Pacific Journal of Business Administration*, *12*(3–4), 283–326. https://doi.org/10.1108/APJBA-09-2019-0202

Sakti, M. R. P., Tareq, M. A., Saiti, B., & Akhtar, T. (2017). Capital structure of Islamic banks: a critical review of theoretical and empirical research. *Qualitative Research in Financial Markets*, *9*(3), 292–308. https://doi.org/10.1108/QRFM-01-2017-0007

Vo, X. V. (2017). Determinants of capital structure in emerging markets: Evidence from Vietnam. *Research in International Business and Finance*, *40*, 105–113. https://doi.org/10.1016/j.ribaf.2016.12.001

10.0 APPENDICES

Figure 1: Factory of Asfah BioEnergy Sdn Bhd
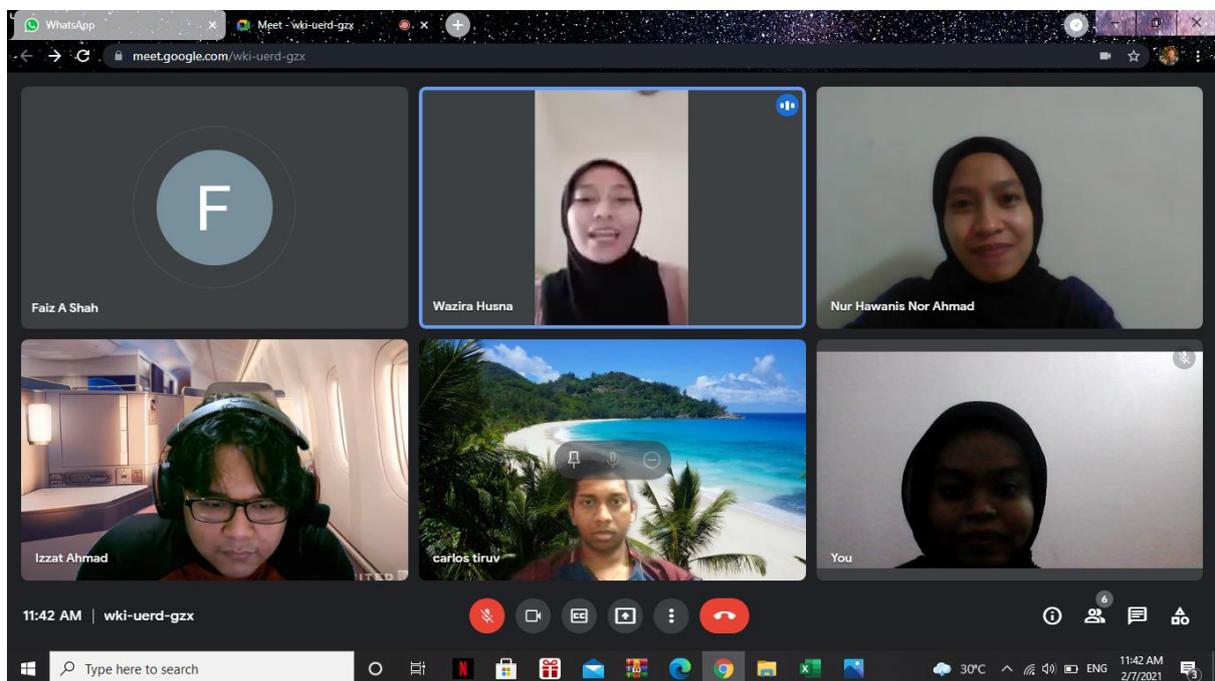
Figure 2: Virtual meeting with supervisor

Figure 3: Project for Hand Sanitizer 2021
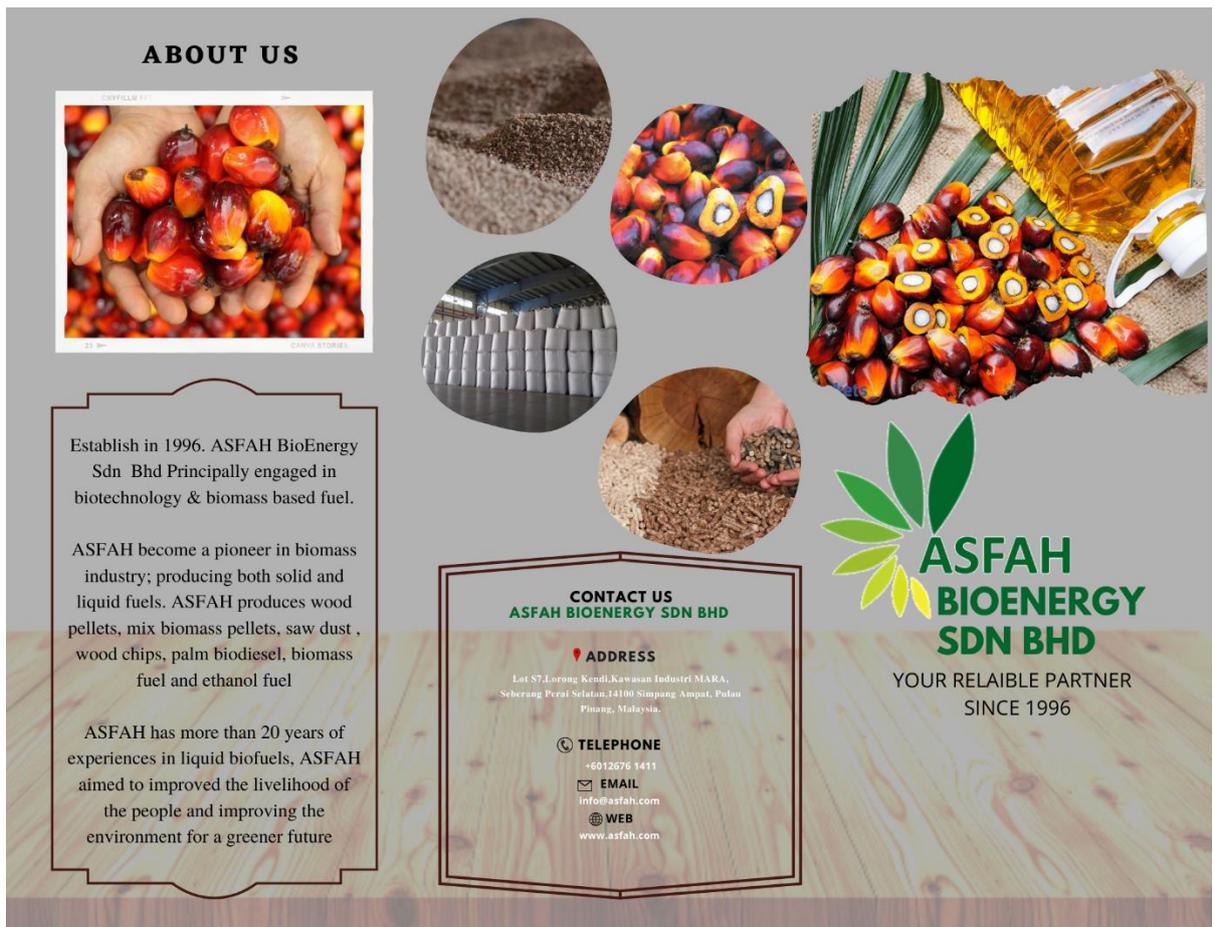
Figure 4: Design for Asfah BioEnergy pamphlet
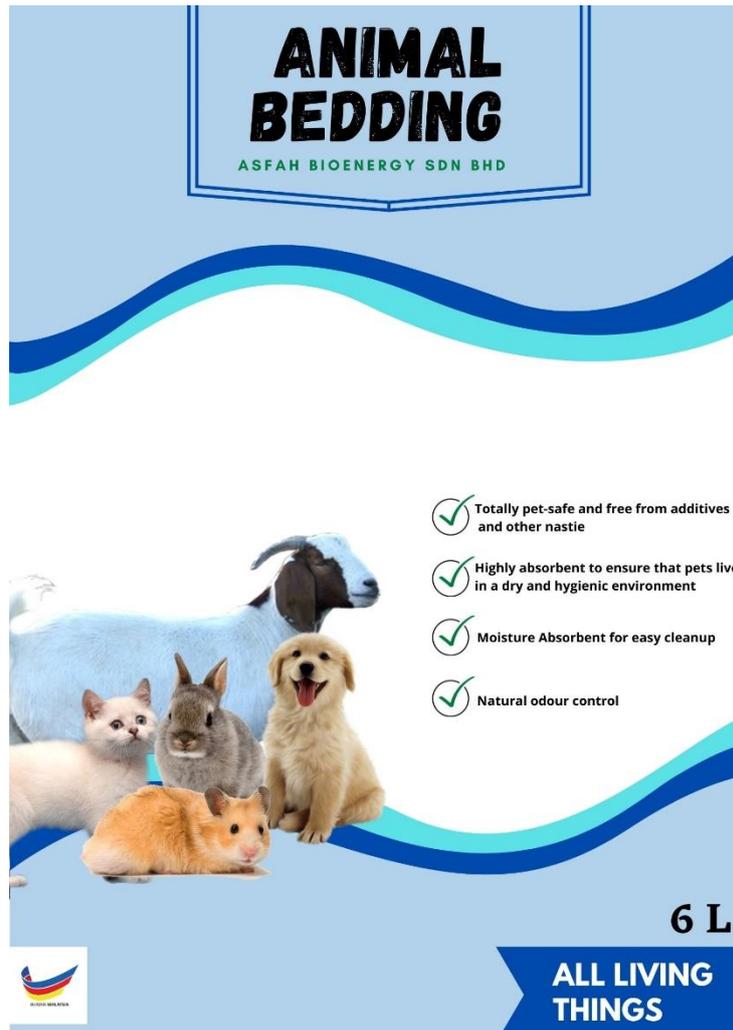
Figure 5: Design for animal bedding

MGT 666

17%	13%	11%	%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

1   ijurjournal.weebly.com
Internet Source   **5%**

2   www.emeraldinsight.com
Internet Source   **4%**

3   Abdulazeez Y.H. Saif-Alyousfi, Rohani Md-Rus, Kamarun Nisham Taufil-Mohd, Hasniza Mohd Taib, Hanita Kadir Shahar. "Determinants of capital structure: evidence from Malaysian firms", Asia-Pacific Journal of Business Administration, 2020
Publication   **2%**

4   archive.org
Internet Source   **1%**

5   journal.sbm.itb.ac.id
Internet Source   **<1%**

6   www.stoxx.com
Internet Source   **<1%**

7   Yukti Bajaj, Smita Kashiramka, Shveta Singh. "Capital structure dynamics: China and India   **<1%**