



THE RELATIONSHIP BETWEEN CAPITAL STRUCTURE
AND FIRM PERFORMANCE : MANUFACTURING
COMPANIES EVIDENCE IN MALAYSIA

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ABSTRACT

Capital structure choice is an important decision for a firm. It is important not only from a return maximization point of view but also the decisions has a great impact on a firm's ability to successfully operate in a competitive environment. The ability of companies to carry out their stakeholders needs is highly related to the capital structure. Capital Structure defined as the combination of equity, debt and hybrid securities (Saad,2010). This study investigates the relationship of capital structure and firm performance of manufacturing companies which are listed in Bursa Malaysia from 2013 to 2017. The results shows that debt ratio is negatively with all the firm performance measures which are NP (-0.334*), ROE (-0.453**) and EPS (-0.178) except GP (0.096). GP is positively weak relationship between debt ratio. Meanwhile, Debt Equity Ratio is negatively impact with the NP (-0.013) and positively with all the firm performance GP (0.388**), EPS(0.192) and ROE (0.001). as for ROE also shows the postively weak relationship towards debt equity ratio (Capital Structure).

KEYWORDS: *Capital Structure, Firm Performance, Relationship*