

UNIVERSITI TEKNOLOGI MARA

**CAPITAL STRUCTURE DETERMINANTS ON LISTED PROPERTY COMPANIES IN
MALAYSIA**

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ABSTRACT

An important concern in financial decision making is to determine the optimal level of capital structure. This is because a smart choice on capital structure can maximize the firm's profit and shareholder's value. Capital structure is one of the financing decisions for a company to maximize shareholder's value. A good management of capital structure will increase value to the company and poor management will result badly of capital structure to the company. This study is an attempt to examine the capital structure of properties companies in this rapid growth economy. Explicitly, this study will investigate the determinants of capital structure on properties listed companies in Malaysia which is comparatively still new and under-explored. This study is attempts to determine the relationship between the leverage ratio and its determinants and identify which theory, between Pecking Order Theory (POT) and Trade-off Theory (TOT), explain the financing behaviour of the property companies listed in Bursa Malaysia. The leverage ratio includes Short Term Debt Ratio (STDR), Long Term Debt Ratio (LTDR) and Total Debt Ratio (TDR). The determinants include size (SIZE), profitability (PROF), growth (GROWTH), tangibility (TANG), liquidity (LIQ), business risk (BR) and non-debt tax shields (NDTS). Total of 71 property listed companies were taken as the samples of this study. The period of this study is form 2009 to 2013. This study found that there are positive relationship with firm size, growth opportunity and tangibility determinants but negative relationship with profitability, growth, liquidity, business risk and non-tax shields determinants. This study is significant to the academia, finance manager, finance controller and managing directors the benchmark for the manager for making a good decision.

Keywords: Determinants of capital structure, property companies, leverage ratio

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