



**DETERMINANTS OF CAPITAL STRUCTURE:
TELECOMMUNICATION COMPANIES
(AN EMPIRICAL, COINTEGRATION AND GRANGER CAUSALITY APPROACH)**

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

"In the name of Allah, the most gracious and the merciful"

Alhamdulillah, in the name of Allah S.W.T the most gracious and most merciful lord, and his messenger, Prophet Muhammad P.B.U.H.

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ABSTRACT

This project paper was attempted to examine the relationship between leverage which was the dependent variable with profitability, growth and asset structure which were the independent variables. The first objective of the study was to determine whether there was a relationship between dependent variable and independent variables. The second objective is to determine which independent variables will influence dependent variable. The third objective is to determine whether the past activities will affect the present activities. Researcher also tried to find out whether the dependent variable can be treated as independent variable which is the fourth objective. Data had been collected from financial statement of telecommunications companies through website and internal sources from year 1998 until 2008. The method of the research was based on OLS (ordinary least square). The descriptive data was meant to measure the minimum and the maximum level of the variables could be and the mean value indicate the average value of the variables. The unit root test was meant to ensure that the data is stationary at certain level that it should be either at the level or at the first difference. The stationarity of the data was very important in order to ensure it fulfill the characteristics of the time series data. Thus, in this analysis the data past the unit root test. Furthermore, the researcher had run vector autoregressive analysis in order to know number of observations that took into consideration which based on the number of the lag. The sample involved was 33 but only 31 observations were taken into consideration. Furthermore, Johansen cointegration analysis was done in order to prove the long run relationship.

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