



**A STUDY ON DETERMINANTS OF CAPITAL
STRUCTURE OF INDUSTRIAL SECTOR IN
MALAYSIA**

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TABLE OF CONTENTS

CONTENT	PAGE
ACKNOWLEDGEMENT	IV
LIST OF TABLES AND FIGURE	V
ABSTRACT	VI
CHAPTER ONE: INTRODUCTION	
1.0: Introduction	1
1.1: Background f study	1-4
1.2: Background of industrial sector	4-7
1.3: Problem Statement	7-9
1.4: Research Objective	9
1.5: Scope of Study	9-11
1.6: Significant of Study	11-12
1.7: Limitation of Study	12-13
CHAPTER TWO: LITERATURE REVIEW	
2.0: Introduction	14
2.1: Theory of capital structure	14-17
2.1: Relationship between profitability and leverage	18-21
2.2: Relationship between liquidity and leverage	21-22
2.3: Relationship between growth opportunities and leverage	23-25
2.4: Relationship between firm size and leverage	25-29

CHAPTER THREE: RESEARCH METHODOLOGY AND DESIGN

3.0: Introduction	30
3.1: Data and methodology	30-32
3.2: Theoretical Framework	32-33
3.2.1: Dependent variables	33
3.2.2: Independent variables	34
3.2.2.1: Liquidity	34
3.2.2.2: Profitability	34-35
3.2.2.3: Growth opportunities	35
3.2.2.4: Firm size	36
3.3: Hypotheses	36-37
3.4: Data analysis and administration	37
3.4.1. Generalized Least Squares	37-38
3.4.2. Test of normality	38
3.4.3. Test of multicollinearity	39
3.4.4. Descriptive Statistics	39
3.4.5. Test of correlation	39-40

CHAPTER FOUR: FINDING AND DATA ANALYSIS

4.0: Introduction	41
4.1: Descriptive statistics	41-43
4.2: Spearman's correlation test	43-46
4.3: Multiple Regression Results	46-47
4.4: Hausman Fixed Test	47-48

ABSTRACT

Employing the panel data analysis, the researcher examines the determinants of capital structure of industrial sector in Malaysia. The objective of this research is to indicate the relationship between each company variables and leverages of the companies in industrial sector in Malaysia, to examine the effect of each company variables towards leverage and lastly to propose recommendation accordance to regression results. For this study, albeit all 307 companies under industrial product sector that had public listed in Bursa Malaysia (Main market) are becoming the total population of the study, only thirty-two (32) companies are selected as the sample size. In addition to that, this sample size is gathered within time frame of 8 years which is from 2002 until 2009. Total numbers of observation that will be used in this study are 256 (8 annual reports in the context of each 32 companies). In addition to that, the researcher only focus on leverage as dependent variable and several determinants of capital structure which include liquidity, profitability, growth opportunities and leverage. All data collected from annual report will be regress using panel data regression analysis. From the empirical results, fixed effect regression analysis (one way estimation) the researcher had found out that in overall all firm characteristics which include liquidity, profitability, growth opportunities and firm size are strongly significant due to the p-value. Lastly, the researcher had found that liquidity and profitability are strongly significant and have negative relationship with leverage. Meanwhile, firm size is found to be significant and positively related with the leverage. However, the growth opportunities are found to be insignificant by the researcher and this is supported by the previous scholar.