



UNIVERSITI TEKNOLOGI MARA

**THE DETERMINANTS OF CAPITAL
STRUCTURE FOR LISTED
PROPERTY FIRMS IN MALAYSIA**

**ADIB HAZIQ BIN JAMIL
2015140581**

**BBA (Hons) Business Administration
Finance**

December 2017

ABSTRACT

Property industry is differ from other industries in term of capital structure selection. This is because the real estate has unique features that made them interesting to study. The lack of the study, the uniqueness of the property market regulation and market condition and the failure of the financial management is a factor that make the researchers to conduct this study. This aims of this paper is to investigate the factor that affect the selection of the right capital structure for property firms in Malaysia. This study will focus on 20 property firms that are listed in Bursa Malaysia. The dependent variable is leverage that will be measure by debt ratio. There are four independent variables in this study which is firm size, asset tangibility, profitability and growth opportunity. The data from the sample of 20 property firm are pooled for 5 years which is from 2012-2016. The data will be relied on the financial statement of the property firms. Then, the number of observation for this study is 100. This research will use quantitative secondary data which is panel data and multiple regression model is use to interpret by the ordinary least squares (OLS) as the technique to determine the relationship between the dependent and independent variables.

ACKNOWLEDGEMENT

Firstly, I would like to express my deepest gratitude to Allah S.W.T for surrounding me with great people to guide and nurture me and made this research paper possible. It also gives me great pleasure in acknowledging the support and guidance of my thesis main advisor, Shahira Binti Haji Abdul Jabar and my thesis co-advisor, Suzana Hassan. Without her support, this research would not be coordinated in the right way.

I would also like to say thanks to my previous lecturers which have taught in my Finance course. Without their teachings and knowledge being shared, it would be impossible to conduct this research.

I would also like to express my greatest appreciation to my family members and friends for expressing their opinions and support for this research. I am truly indebted to them as they are truly very supportive throughout this research paper.

TABLE OF CONTENT

	Page
AUTHOR'S DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v
LIST OF TABLES,	viii
LIST OF FIGURES	ix
LIST OF SYMBOLS	x
LIST OF ABBREVIATIONS	xi
CHAPTER ONE INTRODUCTION	1
1.1 Introduction	1
1.2 Research Background	1
1.3 Problem Statement	2
1.4 Research Questions	3
1.5 Research Objectives	3
1.6 Significance of the Study	4
1.7 Scope of the Study	4
1.8 Limitation of the Study	5
1.9 Definition of Terms	6
1.10 Summary	6
CHAPTER TWO LITERATURE REVIEW	7
2.1 Introduction	7
2.2 Theories of Capital Structure	7
2.3 Literature of Capital Structure on Property Sector	9
2.4 Leverage (Debt ratio)	10
2.5 Firm Size	10
2.6 Asset Tangibility	12
2.7 Profitability	13

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Chapter one is the introduction part of this study. In this chapter, the background of the study, problem statement, objective of the study, research questions and the scope of the study will be explained by the researchers. This chapter is known as important part because it can provide an overview of the whole studies.

1.2 Research Background

The most debated and unsettled issue regarding the relationship between capital structure and firm value never have the completion in the corporate finance over the past 50 years. The firm value actually derived from the financing behaviour of the company itself and the importance of the capital structure make the determinant of the capital structure also play an important issue to settle corporate environment today. Before going further in this study, it is important to understand the definition of the capital structure.

According to Kerrigan (2014), the concept of the capital structure is known as the way of the firm finance their operation and investment activities whether by using the debt or form of equity or by using both which is equity and debt. The main purpose of the capital structure is to select the best financing method that are suitable for business organization and can maximize the firm wealth. To maximize the firm value, the firm management need to play its roles during select the debt to equity. Based on the Feng et al (2007), when the management of company make a wrong choice for their capital structure, it can lead the firm to bankruptcy and financial distress.

To compare with other industries, property firm have a unique characteristic in terms of choosing their capital structure. This because the property firm more asset collateral and make them easy to deal with larger amount of debt and tend to have higher leverage ratio. According to Singh (2002), the real estate firm have channel for their fund raising which is Real Estate Investment Trusts (REITs) that make them