



UNIVERSITI TEKNOLOGI MARA

**THE DETERMINANTS OF FINANCING
SOURCES FOR RESEARCH AND
DEVELOPMENT INVESTMENT IN
MALAYSIAN LISTED COMPANIES**

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TABLE OF CONTENTS

	Page
TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF ABBREVIATIONS	xi
ABSTRACT	xii
CHAPTER ONE: INTRODUCTION	
1.1 Introduction	1 - 4
1.2 Research Background	
1.2.1 Overview of ACE Market in Bursa Malaysia	4
1.2.2 The Effect of Global Financial Crisis (GFC) in 2008	4 - 5
1.2.3 Overview of Research and Development (R&D) in Malaysia	5 - 7
1.2.4 Financing of Research and Development Activities	7 - 9
1.3 Problem Statement	9 - 10
1.4 Research Objectives	
1.4.1 General Objective	10
1.4.2 Specific Objectives	10 - 11
1.5 Definition and Terms of Variables	11 - 12
1.6 The Comparison Between This Study and Other Studies	12 - 13
1.7 Significance of Study	
1.7.1 Practical Contributions	13 - 14
1.7.2 Academic Contributions	14
1.8 Scope of Study	14
1.9 Limitation of Study	14 - 15
1.10 Organization of The Study	15
1.11 Chapter Summary	16

CHAPTER TWO: LITERATURE REVIEW

2.1	Introduction	17
2.2	Theories	
2.2.1	Pecking Order Theory	17 - 18
2.2.2	Investment Theory	18 - 19
2.2.3	Modigliani and Miller Theory	19
2.3	Empirical Evidence	
2.3.1	The Differences Between R&D Investment and Capital Investment	19 - 21
2.3.2	The Relationship Between Financial Constraints and R&D Investment	21 - 22
2.3.3	The Relationship Between Internal Financing and R&D Investment	22 - 24
2.3.4	The Relationship Between External Financing and R&D Investment	24 - 25
2.3.4.1	The Relationship Between Debt Financing and R&D Investment	25 - 27
2.3.4.2	The Relationship Between Equity Financing and R&D Investment	27 - 28
2.3.5	The Relationship Between Size and R&D Investment	28 - 29
2.3.6	The Relationship Between Tangibility and R&D Investment	29 - 30
2.3.7	The Relationship Between Profitability and R&D Investment	30
2.4	Conceptual Framework	30 - 31
2.5	Hypothesis Development	31 - 32
2.6	Chapter Summary	32 - 33

CHAPTER THREE: RESEARCH METHODOLOGY

3.1	Introduction	34
3.2	Data	34 - 35
3.2.1	Population	35
3.2.2	Sample	35 - 36
3.2.3	Variables, Proxies and Method of Computation	36 - 37

ABSTRACT

This study aims to investigate the relationship between different financing sources and the research and development investment of companies that are listed under ACE Market of Bursa Malaysia. The investigation is carried out based on panel data for a sample of 26 Malaysian listed companies under ACE Market. The period of study is taken for eight years starting from 2011 to 2018, which is after the global financial crisis that was believed to give negative impact for company to finance their research and development activities. This study chose research and development intensity (R&D over sales) as a proxy for research and development (R&D) investment. Financing decision is one of the important areas in financial management in order to increase shareholders' wealth. Firms can use either debt or equity capital to finance their assets. Therefore, this study analyse three types of financing sources which include internal financing ratio, debt ratio and equity financing ratio as the independent variables. This study also includes a set of control variables that commonly employed in the empirical literature as determinants of research and development investments which are the size, tangibility and return on assets. The results indicate that internal financing ratio, debt ratio, and equity financing ratio have a positive and significant relationship with research and development intensity. Size and tangibility are negatively correlated with research and development intensity but the relationship is insignificant. Return on assets has a positive relationship with the research and development intensity but the relationship is not significant as well.

Keywords: Financing Sources, R&D, Internally-generated funds, Debt, Equity Capital, Size, Tangibility, Return on assets, ACE Market, Global Financial Crisis