THE RELATIONSHIP BETWEEN FIRM SPECIFIC CHARACTERISTICS AND CAPITAL STRUCTURE: A CASE OF CONSUMER PRODUCT COMPANIES IN MALAYSIA

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ABSTRACT

For many years, the optimal capital structure of a firm has been debated since Modigliani and Miller first propositions in late 1950s. A number of theories were developed by the researchers. Capital structure is indeed very important for a firm because it determines the firm financing decision making. As if wrong decision were made, it may cause bankruptcy to the firm. In this case, financial manager play big role as that person must be very wise in taking action and futuristic. Therefore, the aim of this paper is to determine the relationship between firm specific characteristics and capital structure in case of Consumer Product Companies in Malaysia. Data were collected from 129 consumer product companies listed in the Bursa Malaysia as latest by April, 2017 for data range starting from year 2010 until 2014. The dependent variable in this study is Debt Ratio (DR) and the independent variables are Profitability (PROF), Tangibility (TANG), Liquidity (LIQ), Operating Leverage (OL) and Cash Flow (CF). This study is using Panel Data Regression Analysis.

Keywords: Capital Structure, Debt Ratio, Profitability, Tangibility, Liquidity, Operating Leverage, Cash Flow