AGENCY THEORY, CAPITAL STRUCTURE AND FIRM'S PERFORMANCE: EVIDENCE FROM SOME SELECTED SHARIAH INDEX COMPANIES IN MALAYSIA

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TABLE OF CONTENT

CONTENT	Page
TITLE PAGE	**i**
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENTS	iv
LIST OF FIGURES	**vii**
LIST OF TABLES	viii
LIST OF ABBREVIATIONS	ix
ABSTRACT	x
CHAPTER ONE	
1.0 Chapter Overview	1
1.1 Background of Study	1
1.2 Background of Company	3
1.3 Problem Statement	9
1.4 Research Objective	12
1.4.1 General Objective	12
1.4.2 Specific Objective	12
1.5 Significant of Study	13
1.5.1 To the Body of Knowledge	13
1.5.2 To the Investors	13
1.5.3 To Policymakers	13
1.5.4 To Companies	13
1.6 Scope & Limitation of Study	15
1.6.1 Time Frame	15
1.6.2 Lack of Availability of Access to Literature Needed	15
1.6.3 Accuracy of Data	16
1.7 Concluding Remark	16
CHAPTER 2	
2.0 Chapter Overview	17
2.1 Agency Theory	17
2.2 Dependent Variable	18
2.3 Independent Variable	19
2.3.1 Leverage	19
2.3.2 Firm’s size	20
2.3.3 Asset Structure	21

2.3.4 Growth 22
2.4 Concluding Remark 23
CHAPTER THREE
3.0 Chapter Overview 24
3.1 Sources of Literature 24
3.2 Data Collection 25
3.2.1 Secondary Data 25
3.2.2 Panel Data 25
3.3 Research Design 26
3.3.1 Purpose of Study 26
3.3.2 Types of Investigation 26
3.4 Data Analysis 27
3.5 Theoretical Framework 30-31
3.6 Hypothesis Statement 32
3.6.1 Relationship between ROA 32
3.6.2 Relationship between ROE 32
3.7 Concluding Remark 33
CHAPTER 4 34
4.0 Chapter Overview 34
4.1 Data of Research 34
4.2 Analysis 35-28
4.3 Regression Results 39-41
4.4 Discussion Finding 43-43
4.5 Concluding Remark 45
CHAPTER 5
5.0 Chapter Overview 46
5.1 Conclusion 46-47
5.3 Recommendation 49-49
5.4 Concluding Remark 51
REFERENCES 52-52
APPENDICES 54

ABSTRACT

Capital structure typically tells that it is a distribution of debt and equity to finance the overall operation and growth of a company. Meanwhile, agency theory describes the relationship between business principals and their agents. It also resolves the issues that arise among them. The relationship is usually between the shareholders that act as principals and the manager which act as agents. The objective of this study is to investigate the several factors affecting capital structure due to agency theory evidence from public listed Shariah index companies in Malaysia. This study uses panel regression analysis to conduct the results. In other way, the data collected is to measure the relationships or to establish the difference between groups. It is also the matter of testing the variables if it is causing another variable to change. As for this study, the researcher is going to test how does the leverage (TDR and TDER), size, growth and asset structure can make changes among themselves. It ensures that data collected related to the objectives of the study and that data analysis generated results that answered the research questions. Both ROA and ROE model determine that TDR and is the most significant variable with negative relationship respectively.