

**CAPITAL STRUCTURE EFFECT ON FIRMS  
PERFORMANCE: FOCUSING ON CONSUMERS AND  
INDUSTRIALS SECTORS OF MALAYSIAN FIRMS**



**BAHAGIAN PENYELIDIKAN JARINGAN**

**INDUSTRI DAN ALUMNI**

**UITM JOHOR**

**BY:**

**ZURAI DAH AHMAD**

**NORHASNIZA MOHD HASAN ABDULLAH**

**SHASHAZRINA ROSLAN**

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Prof. Madya Ahmad Nawawi bin Haji Yaakob  
Timbalan Rektor PJIA UiTM Johor  
Bahagian Penyelidikan Jaringan Industri  
UiTM Johor

Tuan,

**LAPORAN AKHIR PENYELIDIKAN “CAPITAL STRUCTURE EFFECT ON FIRMS PERFORMANCE: FOCUSING ON CONSUMERS AND INDUSTRIALS SECTORS OF MALAYSIAN FIRMS”.**

Perkara di atas dengan segala hormatnya adalah dirujuk.

Bersama-sama ini disertakan satu naskah Laporan Akhir Penyelidikan bertajuk “Capital Structure Effect on Firms Performance: Focusing on Consumers and Industrials Sectors of Malaysian Firms” dan salinan ‘softcopy’ oleh kumpulan Penyelidik dari Fakulti Pengurusan Perniagaan.

Di samping itu, kami sertakan juga borang perakuan penghasilan penyelidikan bagi tujuan pengesahan ke dalam perkhidmatan bagi tindakan pihak tuan selanjutnya.

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Ketua

Projek Penyelidikan

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# **CAPITAL STRUCTURE EFFECT ON FIRMS PERFORMANCE: FOCUSING ON CONSUMERS AND INDUSTRIALS SECTORS OF MALAYSIAN FIRMS**

## **ABSTRACT**

This study seeks to investigate the impact of capital structure on firm performance by analyzing the relationship between operating performance of Malaysian firms, measured by return on asset (ROA) and return on equity (ROE) with short-term debt (STD), long-term debt (LTD) and total debt (TD). ). Four variables found by most literature to have an influence on firm operating performance, namely, size, asset grow, sales grow and efficiency, are used as control variables. This study covers two major sectors in Malaysian equity market which are the consumers and industrials sectors. 58 firms were identified as the sample firms and their financial data from the year 2005 through 2010 are used as observations for this study, resulting in a total numbers of observations of 358. A series of regression analysis were executed for each model, where either one of the capital structure proxies is included in each analysis. Lag values for the proxies were also used to replace the non lag values in order to ensure that any extended effect of capital structure on firm performance is also examined. The study finds that only short term debt and total debt has significant relationship with ROA while ROE has significant on the overall debt level. The analysis with lagged values shows that non of lagged values for total debt, short term debt and long term debt has significant relationship with performance. The study therefore concludes that capital structure has an effect on operating performance of Malaysian firms for two major sectors.

**Keywords:** operating performance, capital structure, debt