

**SCHOOL OF BUSINESS & MANAGEMENT
UNIVERSITI TEKNOLOGI MARA**

**THE RELATIONSHIP BETWEEN FINANCIAL LEVERAGE
AND THE VALUE OF A FIRM FOR INDUSTRIAL COMPANIES
LISTED ON THE KLSE MAIN BOARD**

BY:

**AHMAD MIZANI BIN AB RAHMAN
97282156**

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LETTER OF TRANSMITTAL

Bachelor of Business Administration
Faculty of Business and Administration
Universiti Teknologi MARA
23000 Dungun
Terengganu Darul Iman

Cik Jolin Norshyme Hashim
Project Paper (FIN 650) Advisor
Universiti Teknologi MARA
Terengganu Darul Iman

Cik,

Submission of Project Paper FIN 650

With reference to the above matter, I am student of BBA Finance (Part 5) would like to hand out my project paper entitled “The Relationship between Financial Leverage and the Value of a Firm for Industrial Companies listed on the KLSE Main Board”.

I hope that with this submission of the project paper would fulfill the requirement and the purpose of the project paper (FIN 650) subject.

Yours truly,

Ahmad Mizani bin Ab. Rahman

(I.D No: 97282156)

ABSTRACT

The theory of capital structure and its impact on the value of a firm is perhaps one of the most influential yet controversial, in finance. Since its introduction in 1958 by Modiglianni and Miller, which assumed that in a perfect capital market, capital structure decisions are irrelevant to the value of firm, there had been various pros and cons views put forward by other researcher, especially in the practical use of the theory.

The purpose of this study is to see whether there is a relationship between financial leverage and the value of a firm of Industrial companies of the Kuala Lumpur Stock Exchange (KLSE), before the Financial and Economic crisis. The samples of this study are taken from 106 public companies, listed on the Industrial Product of the Main board of the KLSE. The Simple Regression analysis is used to analyze the published, audited, accounting data of the firms between 1993-1997.

The result of this study indicates that to some extent, there are relationship between capital structure and the value of a firm. In summary, it can be said that even though the utilization of debt financing is high for the sample under study, financial leverage on its own can not increase the value of Malaysia public listed companies.

TABLE OF CONTENTS

	Page
Letter of Transmittal	iii
Acknowledgements	iv
Abstract	v
List of Tables	vi
List of Abbreviations	vii
CHAPTER ONE : INTRODUCTION	
1.0 Overview	1
1.1 Background	3
1.2 The Issue	4
1.2.1 Malaysian Economy: A Glance	5
1.3 The Objective of The Study	7
1.4 The Organization of The Study	8
CHAPTER TWO : LITERATURE REVIEW	
2.0 Background	9
2.1 Capital Structure and The Value of A Firm	11
2.1.1 Evidence on Relationship	12
2.1.2 Evidence on No Relationship	18
2.1.3 Local Evidence	21
CHAPTER THREE : DATA AND METHODOLOGY	
3.0 Sample Design	24
3.1 The Setting	25
3.2 Variables Definition	27
3.3 Variables Measurement	29
3.4 Statistical Test	31
3.5 The Hypothesis	35

CHAPTER FOUR : DATA ANALYSIS AND RESULT

4.0	Introduction	36
4.1	Regression Analysis	37

CHAPTER FIVE : CONCLUSIONS AND LIMITATIONS

5.0	Conclusions	49
5.1	Limitations	52
5.2	Future Research Directions	53

Bibliography.	55
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Appendices.

A1
A2
A3
A4

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