



اَوْنِيُورَسِيْتِي تِيكْنُولُوجِي مَارَا  
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**DETERMINANTS OF CORPORATE BORROWING: A STUDY  
ON MALAYSIAN LISTED COMPANIES**

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***“In The Name Of Allah, the Merciful, the Most Beneficent”***

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## ABSTRACT

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*Financing decisions are the most things that firm should make in order to ensure firms can operate consistently and make profit for the firm. Corporate managers have to decide whether using internal sources or making a borrowing from financial institution in order to finance firm's operation. Corporate managers make strategic decision in wide range of issues, from mergers and acquisition to research and development and anticipated in all decision making. Among the most important decisions that managers make are those involving the firm's financing and capital structure. Financing decisions are the most things that firm should make in order to ensure firms can operate consistently and make profit for the firm. Corporate managers have to decide whether using internal sources or making a borrowing from financial institution in order to finance firm's operation. The question of how to finance the firm represents a fundamental financial decision which should support and consistent with the long term strategy of the firm.*

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## **1.0 GENERAL INTRODUCTION**

### **1.1 INTRODUCTION AND BACKGROUND TO THE STUDY**

Corporate governance systems differ widely across countries. There has been considerable debate, on which system works the best in improving firm performance (Mayer, 1990; Singh, 1995; Shleifer and Vishny, 1997). Much of this debate has been based on empirical evidence drawn from advanced market economies. There have been relatively few studies that have examined the implications of corporate governance systems in emerging economies. Yet the existence of weak legal institutions and lax enforcement mechanisms in many emerging economies make these economies particularly relevant as case studies from a corporate governance perspective. The issue is do the standard predictions on the strategic implications of capital structure developed from modern theories of asymmetric information and agency costs find support in an emerging economy context? If they do not, what are the main institutional differences between advanced and emerging economies that may lead to the observed differences in results, and how may these differences matter for policy? One important aspect of corporate governance in an emerging economy context is corporate financing structure.

Although economic sociologists and organizational researchers have become increasingly bold in terms of the firm strategies they have studied, there are some issues that are assumed to remain the purview of economists, and have therefore attracted little attention. One of these issues involves the ways in which firms