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FACTORS AFFECTING CAPITAL STRUCTURE: EVIDENCE FROM MALAYSIA TRADING SERVICE SECTOR

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ABSTRACT

Trading services sector has become one of the main key drivers for the global economy development. It is the fastest growing sector in the world Gross Domestic Product (GDP), where the sector itself has collectively accounted for about two third of the world services trade. The service sector is an vital part in the economy development. This is because, based on statistics on development of service sector in others country such as Australia in 2007, there are 85 per cent of all business are conducts using the service sector, and keep increase by 86 per cent in 2009 for all jobs, the workers employed in using service sector. This result shows the firms are able to manage their capital structure effectively. Capital structure is one of the most important financial decisions in business financing strategy. Capital structure of a company is defined as the particular combination of debt and equity that is used to fund its business activities. Therefore, this paper aim to study the factors that affecting the capital structure of trading services sector in Malaysia. This study examines the capital structure practices of the listed trading service sector in Malaysia for a period from year 2008 to 2017. This study expects that variables which are firm size and tangibility of asset will have significant positive relationship with leverage. While the profitability expected to have negative influence on the level of leverage of trading services sector in Malaysia.

Keywords: Leverage, profitability, firm size, tangibility of asset.

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