



**THE DETERMINANTS OF CAPITAL STRUCTURE OF INDUSTRIAL PRODUCT SECTOR IN
MALAYSIA**

SHAHAMIRUL IRWAN BIN SAIDIN

2010483374

**BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT UNIVERSITI TEKNOLOGI MARA
TERENGGANU**

JANUARY 2013

ACKNOWLEDGMENT

Praised is to Allah S.W.T, the most Beneficent and the most Merciful, for His blessing in enabling me to undertake this project paper.

First of all, i would like to take this opportunity to special thanks my appreciation and gratitude to my helpful advisor, Puan Salwani Binti Affandi for her valuable guidance and advise as well as suggestion given throughout the preparation and undertaking of this study. Not forget to Puan Bahyah Binti Ishak as my second examiner for her support to complete this study.

I am greatly indebted to each and every respondent who assists me in providing with valuable information and help me to complete this research. Also, to whom that has guidance me in every single day duty and provided outstanding support.

Lastly, a special acknowledgement goes to UiTM, for giving the opportunity for me to pursue the study in BBA (Hons.) in Finance. Also, I would like to thankful any individual or people in the making this project paper, directly or indirectly. Thank you.

TABLE OF CONTENT

CONTENT	PAGE
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v - viii
LIST OF TABLES	ix
ABSTRACT	x
Chapter 1: INTRODUCTION	
1.0 Introduction	1 - 2
1.1 Background of Industrial Product Sector	3
1.2 Problem Statement	4
1.3 Research Question	5
1.4 Objective of Study	5
1.5 Significant of Study	6
1.6 Limitation of Study	7
1.7 Operational Definition	8

Chapter 2: LITERATURE REVIEW

2.0	Overview of Capital Structure	9 - 10
2.1	Dependent Variable	
	2.1.1 Debt Ratio	11 - 12
2.2	Independent Variable	
	2.2.1 Profitability	13 - 14
	2.2.2 Size of Firm	15 - 16
	2.2.3 Tangibility	17 - 18
	2.2.4 Liquidity	19

Chapter 3: RESEARCH METHODOLOGY

3.0	Introduction	20
3.1	Theoretical Framework	20 - 21
3.2	Variable Descriptive	22
3.3	Hypothesis	23 - 24
3.4	Method of Data Collection	25
3.5	Data of Analysis	25
3.6	Panel Data Analysis	25
3.7	Panel Data Approach	26
3.8	Regression Analysis	26
3.9	Pooled Regression	26
	3.9.1 Pooled Ordinary Least Square (POLS)	27 - 28

ABSTRACT

This study was attempted to identify the determinants capital structure of Industrial Product Sector in Malaysia. The dependent variable in this study is debt ratio while profitability, size of firm, tangibility and liquidity represent the independent variable for this study. All data is collected from DataStream version 5.0 and it's contain data from 104 companies for 10years (2002 – 2011). All the data also recorded based on yearly basis. Other than that, this study was being tested using Ordinary Least Square Regression (OLS), Random Effect (Breusch Pagan Test), Fixed Effect (Hausman Fixed Test) and Random Effect Generalized Lease Square Regression (GLS) to analyze all the data. The finding shows that profitability is not significant with debt ratio but other variable which is size of firm, tangibility and liquidity is show a significant with debt ratio.

Key words: debt ratio, profitability, size of firm, tangibility and liquidity