



**PECKING ORDER THEORY : EVIDENCE FROM
CONSTRUCTION COMPANIES IN MALAYSIA
(2010-2014)**

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ABSTRACT

Capital structure decision is very important for every companies and firms to ensure credit is not a threat to them, instead act as a boosting factor for the company growth and survival. Companies commonly refer to the two competing theory, the pecking order theory and the trade –off theory in determining their optimal capital structure. The comparative study is to find evidence of the application of the pecking order theory in construction companies in Malaysia listed in Bursa Saham Kuala Lumpur Malaysia (BSKL). This study examines the Pecking Order Theory: Construction companies in Malaysia listed in the Bursa Malaysia market during a five years period from 2010 to 2014. It is to compare whether constructions company in Malaysia apply a pecking order theory or not. The data was collected from OSIRIS and income statement and balance sheet taken from annual reports with total numbers of 35 companies for observation. The dependent variable used is debt ratio and expressed by total debt divided by total assets while independent variables are (1) profitability, (2) asset tangibility, (3) size and (4) growth. Using Data Analysis and Statistical Software (STATA), the results show that the profitability, asset tangibility and growth opportunity of the construction companies Malaysia is significant negatively relations to debt ratio while firm size positively significant in relations to total debt. The result of the study suggest that there are two variables which is profitability and asset tangibility align with pecking order theory while the rest of two variables is not align with pecking order theory and more to trade off theory.