



**THE DETERMINANTS OF FINANCIAL LEVERAGE OF BANKING SECTORS
IN MALAYSIA**

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TABLE OF CONTENTS

TITLE PAGE.....	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS.....	v-viii
LIST OF FIGURES	ix
LIST OF DIAGRAMS.....	ix
LIST OF TABLES	x
LIST OF ABBREVIATION	xi
ABSTRACT.....	xii

CHAPTER 1 INTRODUCTION

1.0 BACKGROUND OF STUDY	1-4
1.1 BACKGROUND OF COMPANY	5-7
1.2 PROBLEM STATEMENT	8-10
1.3 RESEARCH OBJECTIVE	11
1.4 RESEARCH QUESTIONS	12
1.5 SIGNIFICANCE OF STUDY	13-14
1.6 SCOPE OF STUDY	15
1.7 LIMITATIONS OF THE STUDY	15
1.8 DEFINITION OF TERM	16-17
1.9 THE STRUCTURE OF PAPER OR THESIS	18

CHAPTER 2 LITERATURE REVIEW

2.0 INTRODUCTION	19
2.1 THEORY RELATED TO RESEARCH	19-21
2.1.1 MM PROPOSITION	
2.1.2 PECKING ORDER THEORY	
2.1.3 TRADE- OFF THEORY	
2.2 LITERATURE ON DEPENDENT VARIABLE	22-23
2.3 LITERATURE ON INDEPENDENT VARIABLE	24-30
2.3.1 RESEARCH ON THE PROFITABILITY TOWARDS FINANCIAL LEVERAGE	
2.3.2 RESEARCH ON THE FIRM'S SIZE TOWARDS FINANCIAL LEVERAGE	
2.3.3 RESEARCH ON THE EARNINGS VOLATILITY TOWARDS FINANCIAL LEVERAGE	
2.3.4 RESEARCH ON THE FIRM'S GROWTH TOWARDS FINANCIAL LEVERAGE	
2.4 CONCLUSION	31

ABSTRACT

The objective of the study is to investigate the determinants of financial leverage of banking sectors in Malaysia. The investigation is focus on the firm-specific factors such as profitability (PF), firm's size (FZ), earnings volatility (EVOL) and firm's growth (GRW) that influence the financial leverage decisions of banking sectors. Financial leverage is used as a proxy to measure the capital structure of the company. The analysis is performed by using panel data model, fixed effects model for six bankung sectors during the period of 1998 to 2017. The results of thid study indicate the determinants that have positive impact on capital structure are profitability, firm's size and earnings volatility. In contrast, the determinants that give negative impact on capital structure is firm's growth. The value of R-squared is 0.673494 which indicates 67.35 percent of capital structure variation can be explained by all variation of independent variables that include in this study which are profitability, firm;s size, earnings volatility and firm's growth while remaining 32.65 percent explained by other factors that are omitted in the model.

Keywords: Financial leverage, profitability, firm;s size, earnings volatility, firm's growth.