UNIVERSITI TEKNOLOGI MARA

THE PERFORMANCE OF CAPITAL STRUCTURE ON SHARIAH-COMPLIANT FIRMS IN MALAYSIA

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ABSTRACT

This research aims to provide information on the capital structure performance of Malaysian shariah-compliant technology companies listed on Bursa Malaysia. From 2010 through 2020, these studies used Eviews software to analyze secondary data. According to the random effect results, profitability, expansion potential, firm size, tangibility, business risk, and GDP growth are the determinants that significantly impact leverage for trading firms in the Malaysian market. Furthermore, researchers expected that shariah-compliant enterprises' power positively correlates with profitability, business size, tangibility, and GDP growth. However, there is no correlation between growth prospects and company risk when it comes to the power of shariah-compliant businesses.

Keywords: Business Risk, Firm Size, GDP Growth, Growth Opportunities, Leverage, Profitability, Tangibility

LIST OF CONTENTS

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

The capital structure is a combination of debts, equity, and hybrid securities used to expand and accomplish strategic goals through investing operations and assets. Therefore, financial managers must devise an optimal capital structure that incorporates the appropriate mix of debt, equity, internal and external financial resources from various sources (Mazhar & Nasr, 2010). As a result, businesses can achieve their long-term economic growth goals while lowering their weighted average cost of capital with the correct capital structure.

A capital structure that maximizes market value while reducing capital costs. The optimal capital structure is for stock prices and deals to rise. This study looks at the relationship between leverage, profitability, and risk, as well as a set of explanatory variables, to add to the body of knowledge concerning capital structure decision dynamics. For example, (Brendea, 2014) looked at how profitability, growth potential, asset tangibility, and business size affected leverage.

The capital structure describes the relationship between various long-term financing options, such as debentures, preference share capital, and equity capital, including reserves and excess. Every organization's asset financing is a significant issue, and in most circumstances, a balanced blend of debt and equity capital should be used (DR.N.Deepa, 2012). The financial structure is influenced by a variety of internal (micro) and external (macro) factors. Micro variables, or the characteristics of a single organization, also impact a company's capital structure (Baral, 2004).