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THE DETERMINANTS OF CAPITAL STRUCTURE

FOR FINANCIALLY DISTRESSED LISTED COMPANIES IN MALAYSIA

BY

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Universiti Utara Malaysia

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ABSTRACT

This study aims to examine the relationship between the determinants of capital structure and the financially distressed listed companies in Malaysia. There are 23 companies classified as financially distressed companies or fall under PN17 category included in this study and the data have been collected from journals articles, internet resources, and websites while for financial information annual reports of financially distressed companies were gathered from Bursa Malaysia. Descriptive analysis and multiple regression analysis used to explain the relationship between profitability, tangibility, growth, firm's size, and intangibility of assets towards capital structure of financially distressed companies in Malaysia. The result shows that the capital structure of financially distressed companies in Malaysia have significant relationship with profitability, tangibility and firm's size, while insignificant relationship with growth and intangibility of assets.

Keywords: Capital Structure, Financial Distress, Profitability, Tangibility, Growth, Firm's Size, Intangibility of Assets, Malaysia

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ABSTRAK

Objektif utama kajian ini dijalankan adalah untuk menganalisis hubungan antara penentu struktur modal dan syarikat-syarikat yang mengalami masalah kewangan yang disenaraikan di Pasaran Utama Bursa Malaysia. Terdapat 23 syarikat yang disenaraikan sebagai syarikat mengalami masalah kewangan atau dikategorikan di bawah kategori PN17 dalam kajian ini dan data telah dikumpulkan daripada artikel, sumber internet dan laman web sementera laporan tahunan syarikat yang mengalami masalah kewangan telah dikumpul dari Bursa Malaysia. Selain itu, keadah analisis deskriptif dan model regresi berganda digunakan untuk menganalisis hubungan antara keuntungan, aset ketara, pertumbuhan, saiz firma serta aset tak ketara dan syarikat-syarikat yang mengalami masalah kewangan di Malaysia. Di samping itu, hasil kajian ini menunjukkan bahawa struktur modal syarikat-syarikat yang mengalami masalah kewangan di Malaysia mempunyai hubungan yang signifikan dengan keuntungan, aset ketara dan saiz firma sementera hubungan tidak signifikan dengan pertumbuhan dan aset tak ketara

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Kata Kunci: Struktur Modal, Masalah Kewangan, Keuntungan, Keketaraan, Pertumbuhan, Saiz Firma, Aset Tidak Keketaraan, Malaysia

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CHAPTER 1: INTRODUCTIONS

1.0 Introduction to the Study

An organization can achieve the most optimum capital financial structure according the percentage of equity and debt in order to support the firm's daily operation. Thus, this research explained the relationship between determinants of capital structure and the financially distressed listed companies in Malaysia. This chapter discusses about the background of the study, problems statements, research objectives, research questions, significance of the study, scope of the study, definition of key terms and about the organization of the thesis.

1.1 Background of Study

The research or study on bankruptcy or financial distress is vital issue in finance area especially for corporate companies. Bankruptcy is legal process that involved an organization, a person or business that not able to pay the debts. Moreover, financial distress is a situation where firms or company face difficulties to make profits in order to meet their financial obligation. There could be several reasons for an organization to face bankruptcy but the most common ones are high fixed cost, illiquid assets, no proper debt management, insufficient accounting practices, and cumulative losses.

In 2009 Malaysia shows negative result in the economic growth due to the world financial crisis (Damodaran, 2012). Almost all the countries faced negative growth in 2009. Nevertheless, due to strong economic fundamentals Malaysia started to recovered efficiently by 2010. Malaysia started to grow strongly especially in economic wise before the Asian financial crisis take place in 1997. A lot of Malaysia companies were restructured after impacted by financial crisis and many companies have declared as bankruptcy.

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