

**THE DETERMINANTS OF CAPITAL STRUCTURE:  
ANALYSIS OF REAL ESTATE INVESTMENT TRUST (REITs)  
AND PROPERTIES COMPANIES LISTED IN BURSA  
MALAYSIA**

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## ABSTRAK

Struktur modal merujuk kepada bagaimana sesuatu perusahaan atau perbadanan membiayai assetnya sama ada melalui gabungan beberapa ekuiti, hutang atau sekuriti hibrid. Ianya terdiri daripada hutang jangka masa panjang, saham keutamaan dan nilai bersih. Ia juga dapat ditentukan dengan mengambil berapa banyak setiap jenis pembiayaan kewangan setiap syarikat atau perbadanan yang memegang peratusan bagi setiap jenis pembiayaan kewangan. Kebanyakan syarikat atau perbadanan mendapat dana melalui ekuiti atau hutang. Kajian ini di lakukan bagi mengenal pasti penentu struktur modal bagi syarikat perlaburan hartanah (REITs) dan syarikat hartanah yang telah disenaraikan di papan utama Bursa Malaysia. Dengan menggunakan teori trade off dan teori pecking order sebagai teori latar dan asas, 54 syarikat telah di analisis. Data telah di kumpulkan selama 10 tahun bermula dari tahun 2001 – 2010. Leveraj telah digunakan sebagai pemboleh ubah bersandar manakala peluang pertumbuhan, keuntungan, saiz syarikat, keketaraan, kecairan dan ketidaktentuan sebagai pemboleh ubah tidak bersandar. Berdasarkan kajian dan analisis yang dijalankan, didapati bahawa keuntungan, saiz syarikat, keketaraan, ketidaktentuan syarikat dan kecairan merupakan penentu struktur modal bagi leveraj bagi syarikat perlaburan hartanah di Malaysia. Ia membuktikan bahawa syarikat yang kurang menguntungkan, besar, lebih ketara, kurang menentu dan kurang kecairan menghadapi tahap leveraj yang tinggi.

**Katakunci:** Struktur Modal, Leveraj, Amanah Perlaburan Hartanah

## ABSTRACT

Capital structure refers to the way a corporation finance its assets through some combination of equity, debt or hybrid securities. It is primarily comprises of long term debt, preferred stock and net worth. It also can be quantified by taking how much of each type of financing a company holds as a percentage of all its financing. Most of the companies raise funds by equity or debt. This study was set out to focus on the determinants of capital structure for the properties and real estate investment trust (REITs) companies that listed in the Bursa Malaysia. By using trade off and pecking order theories as theoretical background, 54 sample firms were analyzed. The data was collected for a 10 year time period (2001 – 2010). Leverage was used as dependent variable and six market variables were used as independent variable for the analysis; growth opportunities, profitability, size of the firm, tangibility, volatility and liquidity. Result of multiple linear regression found that, profitability, size of the firm, tangibility, volatility and liquidity were determinants of capital structure of Real Estate Investment Trust (REITs) in Malaysia. It appears that less profitable, larger, more tangible, less volatile and less liquid firms are more likely to have higher leverage level.

**Keywords:** Capital Structure, Leverage, Real Estate Investment Trust (REITs)

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## LIST OF ABBREVIATIONS

Real Estate Investment Trust	REITs
Listed Property Trust	LPTs
Security Commissions	SC
Permodalan Nasional Berhad	PNB
CapitaMalls Malaysia Trust	CMMT
Trade Off Model	TOM
Pecking Order Theory	POT
Ordinary Least Square	OLS
Statistical Package of Science Social	SPSS
Growth Opportunities	GROW
Profitability	PROF
Size of the Firm	SIZE
Tangibility	TANG
Liquidity	LIQ
Volatility	VOL
Variance Influence Factors	VIF

## **CHAPTER 1: INTRODUCTION**

### **1.1 HISTORY OF REAL ESTATE INVESTMENT TRUST (REITs)**

Real estate investment trust (REITs) is one of the investment funds that designed to invest in several of real estate properties. It seems like a stock or bond mutual fund but for real estate investment trust, the money provided by the investors is invested in any of the property trusts. Real estate investment trust (REITs) in Malaysia is at an infant stage but nowadays the involvement and interest of investors towards REITS show an increase due to encouraging government incentives and revised in Securities Commission Guideline 2005.

#### **1.1.1 Development of listed property trusts in Malaysia**

Before year 2005, real estate investment trusts in Malaysia known as Listed Property Trust (LPT). The regulatory framework for listed property trust (LPT) in Malaysia was approved by the Central Bank of Malaysia in 1986, with the principal legislation governing their establishment and operation being the Companies Act 1965 and the Securities Industry Act 1983. Specific Securities Commission

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