

CAPITAL STRUCTURE OF PROPERTY COMPANIES IN MALAYSIA

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ABSTRACT

Researcher studies why property companies under the same industry and macro-environment have different capital structure. Researcher examines the property companies' D/E ratio in relation with their operating variables as to find out whether and how these variables affect the company capital structure.

The results obtained show that tangible fixed assets are positively correlated with the D/E ratio, growth in sales and earnings are negatively correlated with the D/E ratio and the size and total assets utilization have no relation with the companies' D/E ratio.

Researcher also studies whether there is a significant different in the property companies' D/E ratio before and during the economic recession. The result suggests that there is no significant difference. This in turn, also suggesting property companies in Malaysia are generally not subjected to high threat of bankruptcy.

Through the interviews, researcher finds that some of the factors that are affecting the capital structure of the property companies are similar to those affecting other industry. In addition, factors that are related particularly to property companies and are affecting the capital structure of the property companies are further determined. This included the type and size of the project being undertaken and the intention of holding a project.