

# THE EVALUATION OF THE CAPITAL STRUCTURE AND THE MARKET VALUE OF THE PROPERTY DEVELOPMENT INDUSTRY

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## ABSTRACT

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This research identifies the relationship between capital structure and firm's market value of the Property Development Industry in Malaysia. The assessment of the relationship can be either direct (positive) or inverse (negative).

Researcher had used two analysis methods in analyzing the data. They are regression & coefficient of correlation analysis and chi-square analysis. Both of these methods are used to determine whether there is relationship between the capital structure and the firm's market value. The result from the regression analysis indicates that there is no relationship between the capital structure (or debt ratio) and the firm's market value. Six out of the eight companies from the sample in Property Development Industry show a weak relationship between debt ratio and market value so in conclusion, researcher concludes that there is no relationship between capital structure and market value. This results are further supported by MM Proposition I & II (without tax), MM Proposition III with tax to which capital structure and market value are irrelevant.

This result provides guidance to the finance managers, investors and stakeholders of the company in assessing the relationship between the capital structure and market in the Property Development Industry. No matter how the finance manager put his/her effort in constructing a well-defined structure of debt and equity, the value of the firm still remain unchanged. The reason is that market value is affected by other factors.