ABSTRACT

This study examined the firm-specific and macroeconomic factors affecting the capital structure decision of public listed companies in the selected ASEAN countries, namely Malaysia, Indonesia, Philippines, Thailand and Singapore. Among the independent factors examined include asset tangibility, financial flexibility, liquidity, profitability, size, GDP growth, inflation rate and interest rate while three dependent variables are used for measuring capital structure, namely short-term debt ratio, long-term debt ratio and total debt ratio. The second objective of this study is to test whether the 1997-98 ASEAN financial crisis have altered the corporate financing decision of the selected ASEAN countries. The third objective is designed to find out whether there are any significance differences in the mean capital structure between various industries of selected ASEAN countries.

The sources of data for this study are Balance sheets and Income Statements of companies over 14 years period from 1992 till 2005, which are mainly extracted from the Bloomberg. The generalized least square (GLS) regression methods had been used to run the analysis of the panel data with white heteroscedasticity-corrected variances and standard errors.

On the overall basis, the results of the study in the ASEAN countries are consistent with the predictions of theoretical studies and the results of previous empirical work. The factor that are commonly affecting the capital structure that are seen in the developed nations form past studies are the similar factors that affects the capital structure decisions of Malaysia, Indonesia, Philippines, Thailand and Singapore. In all
these countries, there are sufficient evidence of companies complying to two major
theories, static trade off theory and pecking order hypothesis. The evidence on agency
cost theory is not very clear in all these countries.

As expected, asset tangibility is positively related to long term debt ratio of all the
selected ASEAN countries. From the positive association, it is clear that collateral value
of fixed assets generally motivates companies to take long term debt and total debt in the
selected ASEAN countries. Mix results are noted for financial flexibility, liquidity and
profitability, however the results seems to dominate negative relationship with debt ratios
that indicate the evidence for pecking order hypothesis. However, financial flexibility in
Singapore and profitability in Philippines appeared positive to capital structure choice
and this shows compliance of the static trade off theory. Company size is positively
related to long term debt ratio and total debt ratio of Malaysia, Indonesia, Thailand and
Singapore while in the Philippines, it appeared insignificant. Although GDP growth,
inflation rate and interest rate affects capital structure choice, mix results are noted on
five selected countries.

This study also shows that 1997-98 financial crisis had altered the financing
decision of companies in the selected ASEAN countries as revealed by the different
results of the factors affecting capital structure decision during pre-crisis and post-crisis
period. Significant differences were found in capital structure among the different
industries of all the selected ASEAN countries.
ABSTRAK

Penyelidikan ini mengkaji faktor khusus firma dan faktor makroekonomi yang mempengaruhi keputusan struktur modal syarikat awam di kalangan Negara ASEAN yang terpilih, iaitu Malaysia, Indonesia, Filipina, Thailand dan Singapura. Di antara faktor pembolehubah bebas yang dikaji termasuk keketaraan aset, kelewesan kewangan, kecairan, keuntungan, saiz firma, pertumbuhan KDNK, kadar inflasi dan kadar faedah manakala tiga variable dependent yang digunapakai untuk mengira struktur modal adalah nisbah hutang jangka pendek, nisbah hutang jangka panjang dan nisbah jumlah hutang. Objektif kedua kajian ini adalah untuk menguji sama ada 1997-98 krisis kewangan ASEAN mempengaruhi keputusan kewangan korporat oleh negara ASEAN yang dipilih di dalam kajian ini. Objektive ketiga kajian ini adalah untuk menguji samada terdapat perbezaan ketara pada purata struktur modal di kalangan industri negara ASEAN yang terpilih.

Sumber data untuk kajian ini adalah penyata keuntungan dan penyata kira-kira untuk tempoh 14 tahun, iaitu dari 1992 hingga 2005 yang didapati daripada Bloomberg. Kaedah “Generalized Least Square” regresi digunakan untuk menganalisa data panel. Secara keseluruhannya, keputusan kajian ini adalah konsisten dengan jangkaan kajian teori dan keputusan kajian empirik yang lepas. Faktor yang mempengaruhi keputusan struktur modal untuk negara maju dari kajian yang lepas adalah faktor yang agak serupa mempengaruhi keputusan struktur modal bagi Negara ASEAN yang terpilih. Di dalam kajian ini juga, boleh disimpulkan bahawa terdapat bukti syarikat ASEAN yang terpilih
mengikuti dua teori utama, iaitu teori “static trade off” dan teori “pecking order”. Tiada
derdapat bukti yang kuku untuk syarikat ASEAN mengikuti teori “agency cost”.

Seperti yang dijangkakan, aset keketaraan mempengaruhi nisbah hutang jangka
panjang secara positif ke atas negara-negara ASEAN yang terpilih. Keputusan yang
bercampuran diperhatikan untuk kelewesan kewangan, kecairan dan keuntungan, di mana
keputusan banyak memihak kepada hubungan secara negatif dengan struktur modal dan
ini membuktikan kewujudan “pecking order hypothesis”. Walaubagaimanapun,
kelewesan kewangan di Singapura dan keuntungan di Filipina memperlihatkan hubungan
secara langsung dengan struktur modal dan ini menunjukkan kepatuhan kepada teori
“static trade off”. Saiz firma mempengaruhi nisbah hutang jangka panjang dan nisbah
jumlah hutang Malaysia, Indonesia, Thailand dan Singapura secara langsung manakala
tiada hubungan didapati di Filipina. Walaupun faktor-faktor makroekonomi, iaitu
Pertumbuhan dalam KDNK, kadar inflasi dan kadar faedah mempengaruhi keputusan
struktur modal, keputusan yang bercampuran dilihat untuk kelima-lima negara ASEAN
yang dipilih.

Penyelidikan ini juga mendapati krisis kewangan 1997-98 mengubah keputusan
ekewangan syarikat ASEAN yang terpilih seperti mana yang dilihat daripada keputusan
yang berbeza diperolehi untuk faktor-faktor yang mempengaruhi struktur modal sebelum
krisis dan selepas krisis kewangan. Juga didapati bahawa terdapat perbezaan yang ketara
di antara struktur modal di kalangan berlainan industri bagi syarikat negara ASEAN yang
terpilih.
DEDICATION

I WOULD LIKE TO DEDICATE THIS STUDY TO:

My LATE FATHER, Mr. Kanesan a/l Govindasamy Pillai

My MOTHER, Madam. Kannammal a/p Subramaniam

My SON, Vesyal Arulsyankar a/l Shashi Kumar.

My WIFE, Nirmala a/p Periasamy

and to my GURUs and good friends.
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Very special thanks to Ganapathy, Anjenayar Rama Jayam, Shirdi Baba, Agastiar, Vivekananda and Nithyananda for their spirit, moral support and guidance throughout my difficult times. Finally, my sincere thanks my mother, brothers, sisters and friends.

Shashi Kumar Kanesan
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>v</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>vii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>viii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>ix</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>xv</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xvi</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xxiii</td>
</tr>
<tr>
<td>LIST OF APPENDICES</td>
<td>xxiv</td>
</tr>
</tbody>
</table>

## CHAPTER 1 INTRODUCTION

1.1 Background of the Research                  1
1.2 Problem Statement                           8
1.3 Research Objectives                         14
1.4 Significance of the Study                   15
1.5 Organization of the Research               16

## CHAPTER 2 INSTITUTIONAL ENVIRONMENT

2.1 Introduction                               18
2.2 Malaysia                                   19
2.3 Indonesia                                  21
2.4 Philippines                                22
2.5 Thailand                                   23
2.6 Singapore                                  24
2.7 Summary                                    25
CHAPTER 3 LITERATURE REVIEW

3.1 Introduction 26

3.2 Origin of Capital Structure 26
   3.2.1 The Naïve Theory 26
   3.2.2 Modigliani and Miller Theory or Modern Theory 28

3.3 Theory of Capital Structure 30
   3.3.1 Trade-Off Theory 30
   3.3.2 Agency Cost Theory 33
   3.3.3 Signaling Hypothesis 36
   3.3.4 Pecking Order Model 37
   3.3.5 Other Models 41
      3.3.5.1 Models Based on Product / Input and Output Market Interactions 41
      3.3.5.2 Models Based on Market Timing 44

3.4 Optimal Capital Structure 44

3.5 Capital Structure and Firm Investment 46

3.6 Determinants of Capital Structure 47
   3.6.1 In Developed Countries 47
      3.6.1.1 Capital Structure of Multinational Firms 60
      3.6.1.2 Capital Structure of Property Development Companies 62
      3.6.1.3 Capital Structure of Real Estate Companies 63
      3.6.1.4 Capital Structure of Hotels and Software Firms 64
      3.6.1.5 Capital Structure of Restaurant Business 65
      3.6.1.6 Capital Structure of Air Transportation Companies 66
      3.6.1.7 Practice of Capital Structure : Survey Method 66
      3.6.1.8 Capital Structure of Small or Private Limited Companies 70
3.6.2 In Developing Countries.  

3.6.3 Firm Specific Factors  
  3.6.3.1 Asset Tangibility  
  3.6.3.2 Financial Flexibility  
  3.6.3.3 Liquidity  
  3.6.3.4 Profitability  
  3.6.3.5 Firm Size  
  3.6.3.6 Effective Tax Rate  
  3.6.3.7 Growth  
  3.6.3.8 Non debt Tax Shields  
  3.6.3.9 Growth Opportunity  
  3.6.3.10 Asset and Equity market liquidity  
  3.6.3.11 Financial Distress  
  3.6.3.12 Free Cash Flows  
  3.6.3.13 Leadership Structure and Ownership  
  3.6.3.14 Age of the Firm  
  3.6.3.15 Industry Class  

3.6.4 Institutional and Macroeconomic Factors  
  3.6.4.1 GDP Growth  
  3.6.4.2 Inflation Rate  
  3.6.4.3 Base Lending Rate or Interest Rate  
  3.6.4.4 Legal System and Corruption  
  3.6.4.5 Stock Return  

3.7 Limitations of Past Research  

3.8 Summary
# CHAPTER 6  CONCLUSIONS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1 Overview of the Study</td>
<td>309</td>
</tr>
<tr>
<td>6.2 Summary of Research Study and Theoretical Implication</td>
<td>310</td>
</tr>
<tr>
<td>6.3 Conclusion</td>
<td>327</td>
</tr>
<tr>
<td>6.4 Limitations of the Study</td>
<td>332</td>
</tr>
<tr>
<td>6.5 Directions for Future Research</td>
<td>333</td>
</tr>
</tbody>
</table>

# BIBLIOGRAPHY

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPENDIX (A-F)</td>
<td>354</td>
</tr>
</tbody>
</table>
LIST OF ABBREVIATIONS

ANOVA = Analysis of Variance
ASEAN = Association of South East Asian Nation
ATANG = Asset Tangibility
CS = Capital Structure
CON = Constructions
D.F = Degree of Freedom
EHO = Education, Health and Others
FLEX = Financial Flexibility
GDP = Gross Domestic Product
GLS = Generalized Least Squares
HR = Hotels and Restaurants
INF = Inflation Rate
INT = Interest Rate
LIQ = Liquidity
LTD = Long-Term Debt
MM = Modigliani and Miller
NS = Non-Significant
PROF = Profitability
STD = Short-Term Debt
TC = Transport and Communication
TD = Total Debt
VIF = Variance Inflation Factors
WR = Warehouse and Retail Trade
LIST OF TABLES

Table 5.1  Distribution by Industries  
Table 5.2  Distribution by Industries and Specific Weights  
Table 5.3  Evolution of Capital Structure in Malaysia  
Table 5.4  Evolution of Capital Structure in Indonesia  
Table 5.5  Evolution of Capital Structure in the Philippines  
Table 5.6  Evolution of Capital Structure in Thailand  
Table 5.7  Evolution of Capital Structure in Singapore  
Table 5.8  Descriptive Statistics : Malaysia  
Table 5.9  Descriptive Statistics : Indonesia  
Table 5.10 Descriptive Statistics : Philippines  
Table 5.11 Descriptive Statistics : Thailand  
Table 5.12 Descriptive Statistics : Singapore  
Table 5.13 Average Capital Structure by Countries  
Table 5.14 Collinearity Statistics (VIF ) among the Independent Variables of Selected ASEAN Countries
Table 5.15  Malaysia : Regression Results of Short-Term Debt Ratio  178
Table 5.16  Malaysia : Regression Results of Long-Term Debt Ratio  180
Table 5.17  Malaysia : Regression Results of Total Debt Ratio  182
Table 5.18  Indonesia : Regression Results of Short-Term Debt Ratio  185
Table 5.19  Indonesia : Regression Results of Long-Term Debt Ratio  187
Table 5.20  Indonesia : Regression Results of Total Debt Ratio  189
Table 5.21  Philippines : Regression Results of Short-Term Debt Ratio  192
Table 5.22  Philippines : Regression Results of Long-Term Debt Ratio  194
Table 5.23  Philippines : Regression Results of Total Debt Ratio  196
Table 5.24  Thailand  : Regression Results of Short-Term Debt Ratio  199
Table 5.25  Thailand  : Regression Results of Long-Term Debt Ratio  201
Table 5.26  Thailand  : Regression Results of Total Debt Ratio  203
Table 5.27  Singapore : Regression Results of Short-Term Debt Ratio  206
Table 5.28  Singapore : Regression Results of Long-Term Debt Ratio  208
Table 5.29  Singapore : Regression Results of Total Debt Ratio  210
Table 5.30  Malaysia  : Regression Results of Short-Term Debt Ratio  214
during Pre-crisis Period
Table 5.31  Malaysia  : Regression Results of Short-Term Debt Ratio  216
during Post-crisis Period
Table 5.32  Malaysia  : Regression Results of Long-Term Debt Ratio  218
during Pre-crisis Period
<table>
<thead>
<tr>
<th>Table</th>
<th>Country</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.33</td>
<td>Malaysia</td>
<td>Regression Results of Long-Term Debt Ratio during Post-crisis Period</td>
<td>220</td>
</tr>
<tr>
<td>5.34</td>
<td>Malaysia</td>
<td>Regression Results of Total Debt Ratio during Pre-crisis Period</td>
<td>222</td>
</tr>
<tr>
<td>5.35</td>
<td>Malaysia</td>
<td>Regression Results of Total Debt Ratio during Post-crisis Period</td>
<td>224</td>
</tr>
<tr>
<td>5.36</td>
<td>Indonesia</td>
<td>Regression Results of Short-Term Debt Ratio during Pre-crisis Period</td>
<td>227</td>
</tr>
<tr>
<td>5.37</td>
<td>Indonesia</td>
<td>Regression Results of Short-Term Debt Ratio during Post-crisis Period</td>
<td>229</td>
</tr>
<tr>
<td>5.38</td>
<td>Indonesia</td>
<td>Regression Results of Long-Term Debt Ratio during Pre-crisis Period</td>
<td>231</td>
</tr>
<tr>
<td>5.39</td>
<td>Indonesia</td>
<td>Regression Results of Long-Term Debt Ratio during Post-crisis Period</td>
<td>233</td>
</tr>
<tr>
<td>5.40</td>
<td>Indonesia</td>
<td>Regression Results of Total Debt Ratio during Pre-crisis Period</td>
<td>234</td>
</tr>
<tr>
<td>5.41</td>
<td>Indonesia</td>
<td>Regression Results of Total Debt Ratio during Post-crisis Period</td>
<td>236</td>
</tr>
<tr>
<td>5.42</td>
<td>Philippines</td>
<td>Regression Results of Short-Term Debt Ratio during Pre-crisis Period</td>
<td>239</td>
</tr>
</tbody>
</table>
Table 5.43 Philippines : Regression Results of Short-Term Debt Ratio during Post-crisis Period

Table 5.44 Philippines : Regression Results of Long-Term Debt Ratio during Pre-crisis Period

Table 5.45 Philippines : Regression Results of Long-Term Debt Ratio during Post-crisis Period

Table 5.46 Philippines : Regression Results of Total Debt Ratio during Pre-crisis Period

Table 5.47 Philippines : Regression Results of Total debt Ratio during Post-crisis Period

Table 5.48 Thailand : Regression Results of Short-Term Debt Ratio during Pre-crisis Period

Table 5.49 Thailand : Regression Results of Short-Term Debt Ratio during Post-crisis Period

Table 5.50 Thailand : Regression Results of Long-Term Debt Ratio during Pre-crisis Period

Table 5.51 Thailand : Regression Results of Long-Term Debt Ratio during Post-crisis Period

Table 5.52 Thailand : Regression Results of Total Debt Ratio during Pre-crisis Period
Table 5.53 Thailand : Regression Results of Total Debt Ratio during Post-crisis Period

Table 5.54 Singapore : Regression Results of Short-Term Debt Ratio during Pre-crisis Period

Table 5.55 Singapore : Regression Results of Short-Term Debt Ratio during Post-crisis Period

Table 5.56 Singapore : Regression Results of Long-Term Debt Ratio during Pre-crisis Period

Table 5.57 Singapore : Regression Results of Long-Term Debt Ratio during Post-crisis Period

Table 5.58 Singapore : Regression Results of Total Debt Ratio during Pre-crisis Period

Table 5.59 Singapore : Regression Results of Total Debt Ratio during Post-crisis Period

Table 5.60 Malaysia : Analysis of Variance for the Mean Differences among the Industries : Short-Term Debt Ratios

Table 5.61 Malaysia : Analysis of Variance for the Mean Differences among the Industries : Long-Term Debt Ratios

Table 5.62 Malaysia : Analysis of Variance for the Mean Differences among the Industries : Total Debt Ratios
Table 5.63 Indonesia : Analysis of Variance for the Mean Differences among the Industries : Short-Term Debt Ratios

Table 5.64 Indonesia : Analysis of Variance for the Mean Differences among the Industries : Long-Term Debt Ratios

Table 5.65 Indonesia : Analysis of Variance for the Mean Differences among the Industries : Total Debt Ratios

Table 5.66 Philippines : Analysis of Variance for the Mean Differences among the Industries : Short-Term Debt Ratios

Table 5.67 Philippines : Analysis of Variance for the Mean Differences among the Industries : Long-Term Debt Ratios

Table 5.68 Philippines : Analysis of Variance for the Mean Differences among the Industries : Total Debt Ratios

Table 5.69 Thailand : Analysis of Variance for the Mean Differences among the Industries : Short-Term Debt Ratios

Table 5.70 Thailand : Analysis of Variance for the Mean Differences among the Industries : Long-Term Debt Ratios

Table 5.71 Thailand : Analysis of Variance for the Mean Differences among the Industries : Total Debt Ratios

Table 5.72 Singapore : Analysis of Variance for the Mean Differences among the Industries : Short-Term Debt Ratios
Table 5.73 Singapore : Analysis of Variance for the Mean Differences among the Industries : Long-Term Debt Ratios

Table 5.74 Singapore : Analysis of Variance for the Mean Differences among the Industries : Total Debt Ratios

Table 6.1 Malaysia : Summary of Results

Table 6.2 Indonesia : Summary of Results

Table 6.3 Philippines : Summary of Results

Table 6.4 Thailand : Summary of Results

Table 6.5 Singapore : Summary of Results
### LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 5.1</td>
<td>Evolution of Capital Structure : Malaysia</td>
<td>159</td>
</tr>
<tr>
<td>Figure 5.2</td>
<td>Evolution of Capital Structure : Indonesia</td>
<td>161</td>
</tr>
<tr>
<td>Figure 5.3</td>
<td>Evolution of Capital Structure : Philippines</td>
<td>163</td>
</tr>
<tr>
<td>Figure 5.4</td>
<td>Evolution of Capital Structure : Thailand</td>
<td>165</td>
</tr>
<tr>
<td>Figure 5.5</td>
<td>Evolution of Capital Structure : Singapore</td>
<td>167</td>
</tr>
<tr>
<td>Figure 5.6</td>
<td>Average Capital Structure by Countries (1992 – 2005)</td>
<td>174</td>
</tr>
</tbody>
</table>
LIST OF APPENDICES

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. SAMPLE LIST OF COMPANIES OF MALAYSIA</td>
<td>354</td>
</tr>
<tr>
<td>B. SAMPLE LIST OF COMPANIES OF INDONESIA</td>
<td>360</td>
</tr>
<tr>
<td>C. SAMPLE LIST OF COMPANIES OF PHILIPPINES</td>
<td>364</td>
</tr>
<tr>
<td>D. SAMPLE LIST OF COMPANIES OF THAILAND</td>
<td>366</td>
</tr>
<tr>
<td>E. SAMPLE LIST OF COMPANIES OF SINGAPORE</td>
<td>371</td>
</tr>
<tr>
<td>F. UNIT ROOT TEST RESULTS</td>
<td>374</td>
</tr>
</tbody>
</table>