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Capital Structure and Firm Performance of Technology Sector in Malaysia

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Abstract
The purpose of this study is to investigate the relationship between capital structure and firm performance of technology sector in Malaysia. The 27 public listed software companies in Bursa Malaysia are examined within the time period of 8 years from 2012 to 2019, with the total observation of 216. The data is focusing in one sub-sector of technology sector which is software sector. The study is conducted with two firm performance measures which are return on asset (ROA) and return on equity (ROE). Total debts to total assets (TDTA), long-term debt to total assets (LTDTA), and short-term debt to total assets (STDTA) are the proxies of capital structure while growth (GRO) is the control variable. Panel data regression model is used in this study and found that that long-term debt to total assets (LTDTA) and short-term debt to total assets (STDTA) have a negative significant relationship with return on equity (ROE) while total debt to total assets (TDTA) has a positive significant effect on return on equity (ROE). However, in return on assets (ROA), only short-term debt to total assets (STDTA) has a negative significant on it, while the other independent variables are insignificant. Lastly, there is a positive significant relationship between growth (GRO) and performance of a company.

Keywords: Capital Structure, Firm Performance, Malaysia, Return on Asset, Return on Equity

Introduction
Capital structure has become one of the most common topics for the allocation of resources among finance researchers. The capital structure of a company is extremely crucial with regards to the company's ability to meet the needs of its stakeholders. In addition, the firm’s capital structure can determine the growth, sustainability, and development of the company. The capital structure applies to the method in which a corporation uses a combination of equity and debt to fund its assets (Saad, 2010). Debt financing, often defined as leverage, is an issue of capital structure. There are several options usable for companies assess its financing such as preferred equity, common shares, long-term debt, short-term debt and retained earnings. Besides, companies can choose to utilize a small amount of debt financing or a large portion of debt financing as their own strategies and options (Meah, Chaudhory, and Khalil, 2020). A company would have secured debt rather than risky debt when it is impossible to avoid levered and company will issue the common stock as equity financing for a last step (Abor, 2005).