

DETERMINANTS OF CAPITAL STRUCTURE AMONG SHARIAH COMPLIANT CONSUMER PRODUCT & SERVICES AND HEALTHCARE FIRMS LISTED

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Background: Finance is defined as the provision of money when it is required. Every business, large, medium, or small, requires funding to operate and fulfill its goals. Indeed, finance is so important nowadays that it is accurately referred to as an enterprise's lifeblood. No firm can realistically achieve its goals without proper funding. Financial management is defined as a management activity that is strongly involved with the planning and control of a company's financial resources. The primary goal is to identify multiple sources of funding for the firm so that it can continue to run successfully, besides focusing on profit maximization and return on investment (ROI). Financial management requires the use of experts to come up with strategies, make arrangements, and oversee all of the company's financial dealings in order to determine the best way to finance the business and ensure the company's financial health and progress.

Purpose: Malaysia LEAP Market Economy This study conducted research using shariah-compliant securities in The Leading Entrepreneur Accelerator Platform or known as LEAP Market. LEAP market was established primarily to assist SMEs in obtaining additional funding. They are the group that makes up the majority of the economy, after all. Most of the time, financial institutions provide over 95% of the capital they need to raise. Only 4% or less was secured by SME borrowing through the capital market. The LEAP Market wishes to expand this choice precisely for this reason. Mirza et al (2019) was used to determine whether debt financing is the best capital structure for businesses to use to finance their operations, and the findings revealed that some businesses use debt as a source of money in their capital structure because leverage is much more beneficial for the firms in operating the business because debt funding is easier to obtain than equity. The usage of debt over equity in the capital structure of a company is common, this includes the shariah compliant company. As a result, the chosen shariah-compliant securities that will be conducted in this study is under the Consumer Products and Services and Healthcare Sectors of the LEAP market

Methodology: The model can be expressed in the following way: $Y = \beta_0 + \beta_1X^1 + \beta_2X^2 + \beta_3X^3 + \beta_4X + \beta_5X + \beta_6$ Based on our research, the formula can be translated as: $Y = \text{Debt Ratio}$ $\beta_0 = Y \text{ intercept}$ $\beta_1X^1 = \text{Firm Size}$ $\beta_2X^2 = \text{Profitability}$ $\beta_3X^3 = \text{Growth Opportunity}$ $\beta_4X = \text{Non-Debt Tax Shield}$ $\beta_5X = \text{Liquidity}$ $\beta_6 = \text{Error of Prediction}$

Finding: Random Effect Model Coefficient Coefficient Value ? LDEBT -3.5440 (0.0007) *** ? LDEBT LSIZE 3.0134 (0.0035) *** ? LDEBT LPROF -0.4465 (0.6565) ? LDEBT LGROW 1.6886 (0.0955) * ? LDEBT LNDTS 3.6531 (0.0005) *** ? LDEBT LIQD 5.0581 (0.0000) *** Notes: *** Significant at the 1% level, ** Significant at the 5% level, * Significant at the 10% level

Limitation: Question of what factors influence the capital structure of Malaysian shariah-compliant healthcare and consumer products and services industry firms listed on the LEAP Market of Bursa Malaysia. I have meticulously analysed data from all companies' annual reports listed in LEAP Market to shed light on whether there is a relationship between firm size, profitability, growth opportunity, non-tax debt shield and liquidity towards debt in Islamic capital structure. I analysis reveals significant findings between all the variables, illuminating the specific key area available for future improvements. While these findings offer valuable insights, they also prompt further exploration. Therefore, I proceed to craft crucial recommendations that address the knowledge gaps, potential areas for improvement, and practical applications. These recommendations serve as a roadmap for future endeavours, paving the way for even more refined and impactful research in this critical field.

Originality: Debt ratio and its determinants have been widely discussed in financial literature and are considered the most motivating topics in capital structure. Shariah-compliant businesses still needed capital in the form of debt and equity issuances, even though they are prohibited from having riba, or interest, in their operations.

Keywords: Islamic Capital Structure, Trade-off Theory, Pecking Order Theory, Agency Cost Theory