

# THE MODERATING EFFECT OF THE PANDEMIC ON CAPITAL STRUCTURE AND FIRM PERFORMANCE IN MALAYSIA

Siti Nabilah Mohd Shaari\* and Nik Nurul Aswani Nik Kamarudin

Faculty of Accountancy, Universiti Teknologi MARA, Tapah, Perak, Malaysia

## ABSTRACT

This study aimed to examine the impact of capital structure on firm performance during the COVID-19 pandemic and its moderating effect on the relationship between capital structure and firm performance using a fixed-effect balanced panel data approach. The sample included all Malaysian public firms listed on the Main Market of Bursa Malaysia from 2018 to 2021. The study made a distinction between the prediction of results for long-term debts and total debts, considering the unique situation of the COVID-19 pandemic. The results showed that while total debts negatively affected firm performance, long-term debts, however, affected firm performance positively due to the higher liquidity position offered by them. This study also found evidence that the COVID-19 pandemic significantly reduced the adverse impact of debt on firm performance, most likely due to the societal and monetary aid offered by the Malaysian government throughout the pandemic.

**Keywords:** COVID-19, Capital Structure, Firm Performance, Moderating Effect, Recession.

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\* Corresponding author: Siti Nabilah Mohd Shaari; Faculty of Accountancy, Universiti Teknologi MARA, Perak Branch, Tapah Campus, 35400, Tapah Road, Perak, Malaysia; Email: sitin256@uitm.edu.my