Suggested paper for the Third Nordic Post-keynesian Conference

Dear Sirs,

I would like to attend your conference and present a paper under working title “What do we know about factors determining debt structure of companies?”

Paper will include results of panel analysis of debt structure of 1618 non-financial companies from Germany, France, Italy, Great Britain, Spain, Greece, Finland and Poland during 2004-2011. First results confirm works of (Lemmon et al., 2008) and (Akhtar, 2012) on the relative importance of the unobserved permanent component of the capital structure, precisely debt to total assets ratio.

Currently, research shows that after accounting for firm fixed effects, there are no additional variables with significant explanatory power to explain capital structure. For example (Chang and Dasgupta, 2011) show that firm fixed effects contribute as much as 95 per cent of the explained variation. They also confirm the findings of Lemmon et al. (2008), who find that variables such as size, market- to-book, profitability, initial leverage, industry median, tangibility and cash flow volatility (hereafter referred to as the extant determinants of capital structure) fail to completely capture the variation in leverage ratios when firm fixed effects are considered.

(Akhtar, 2012) after analysis of panel data from 24 102 US non-financial firms found important role of business cycle on leverage. But my research on the European companies shows extraordinary stability of leverage which in total was not affected by financial crisis from 2008. On national level situation is much different. In countries like Greece or Poland firms increased their leverage when in other countries leverage was rather stable and only in Great Britain, Finland and Spain one could observe influence of the 2008 crisis on debt to assets ratio.

But analysis of data on macroeconomic level from the Eurostat shows again different picture which can’t be explained only by data discrepancies.

Keeping all that in mind I would like to discuss my results in the light of post-keynesian theory.

Bibliography:

Akhtar, S., 2012. Capital structure and business cycles. Account. Finance 52, 25–48.

Chang, X., Dasgupta, S., 2011. Monte Carlo Simulations and Capital Structure Research. Int. Rev. Finance 11, 19–55.

Lemmon, M.L., Roberts, M.R., Zender, J.F., 2008. Back to the Beginning: Persistence and the Cross-Section of Corporate Capital Structure. J. Finance 63, 1575–1608.