An Analysis of the Capital Structure Determinants and Financing Behaviour of New Zealand Firms

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Abstract

This thesis investigates the determinants of the capital structure of New Zealand firms and the financing behavior of these firms. The first essay in the thesis examines the relationship between the capital structure of firms and their product markets. Results suggest that New Zealand firms use debt to compete more aggressively in their product markets, even though this strategy comes at a cost of lower relative-to-industry profitability. A possible explanation for this behaviour is the more competitive trading environment that, due to market deregulation, has developed in New Zealand over the last 25 years. The second essay in the thesis looks at the capital structure choices made by New Zealand firms, why these firms choose particular capital structures and how their structures change over time. It presents evidence of consistent trends in the financing policies of firms, and in the factors that influence those policies. The final essay in the thesis examines factors that determine how quickly New Zealand firms adjust toward target capital structures. The main findings are that speeds of adjustment vary across New Zealand industries, New Zealand firms adjust towards a target debt ratio more quickly when the firms are experiencing a financial deficit, and firms’ financing policies influence adjustment speed.
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Note

The first essay in the thesis has been accepted for publication and is reproduced in its accepted form in Chapter 2.


The final publication is available at [www.springerlink.com](http://www.springerlink.com).
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