

【長崎大学経済学部ディスカッション・ペーパー・シリーズ】

DISCUSSION PAPER SERIES

Faculty of Economics, Nagasaki University

No.2013-08(Oct. 2013)

Financing decisions and asymmetry in target behavior

Masayo Shikimi (Associate Professor, Faculty of Economics, Nagasaki University)

Abstract

This study investigates whether firms make their financing decisions to rebalance their capital structures toward a target when they have financial deficit or surplus. Using a Japanese listed firms data from 1976-2008, it is found that the probability of adjustments is higher when the deviation from the target is larger. Target behavior of financing shows asymmetries between firms with financial surplus and financial deficit. Above-target leveraged firms with large financial deficits issue debt and move away from the target, while below-target leveraged firms with financial surplus retire debt, suggesting transaction costs and financial flexibility also affect firms' rebalancing behavior.

Keywords: Capital structure, Debt capacity, Transaction costs