

Legal System and Market Timing Effect on Capital Structure: An International Experience

ABSTRACT

The thesis is composed of two essays. The first one is somehow a pilot study about market timing effect on the capital structure outside the U.S., or under Asian-pacific setting. The second one is a more comprehensive study, which takes into account the transaction cost, information asymmetric, speed of adjustment and other population arguments about the market timing effect. The number of countries in our sample also increases from eleven Asian-pacific countries to forty countries all over the world.

To summarize our findings, the thesis finds that market timing exists, in general, outside the U.S. market, and it has significant impact on firms' capital structure. Several factors are identified to have significant impacts on the marginal effect of the market timing on capital structure. The effects are not only economic significant but also statistical robust to different model specifications.

The thesis contributes to the capital structure literature in several ways. Our study fills the gap in the literature that we explicitly test the market timing effect in forty markets around the world, including both developed and less-developed countries. In addition, we also examine the impacts of market development and information asymmetry on the market timing effect of capital structure, and document results that are largely consistent with the international corporate governance literature and market timing literature. To the best of our knowledge, no former study has conducted tests on the related topic.