

# The Determinants of Capital Structure: Evidence from Taiwan Lodging Companies

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## ABSTRACT

This study uses a dynamic panel data model to examine empirically how some financial factors affect the capital structure of Taiwan lodging companies. The quarterly data on Taiwan Economic Journal databank (TEJ) run from year 2000 to 2011. After deleting missing data the effective sample covers 8 companies and 384 observations in the study. With debt ratio being the explained variable, the key financial variables consist of profitability, firm size, tangibility, growth opportunities, effective tax rates, non-debt tax shields. The empirical results are as follows. Profitability has a significantly negative influence on debt ratio whereas growth opportunities are significantly and positively related to debt ratio, which thus confirms the argument of the pecking order theory. On the other hand, effective tax rates affect positively debt ratio, which is consistent with the trade-off theory.

Keywords : Dynamic panel data model、 capital structure、 Pecking Order Theory、 Static Trade-off Theory

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