

Contents

I. Introduction	1
II. Literature Review	4
2.1 <i>Static Trade-off Theory</i>	4
2.2 <i>Pecking Order Theory</i>	6
2.3 <i>Market Timing Theory</i>	8
III. Data and Methodology	9
3.1 <i>Data Sources and Sample</i>	9
3.2 <i>Variables Definition</i>	10
3.3 <i>Methodology</i>	14
3.4 <i>Hypotheses</i>	16
IV. Empirical Results	22
4.1 <i>Descriptive Statistics</i>	22
4.2 <i>Partially Adjustment Speeds Under Different Estimation Methods</i>	26
4.3 <i>Pecking Order and Market Timing Factors Effects</i>	30
4.4 <i>Cross Country Differences</i>	36
V. Conclusion	41
5.1 <i>Results</i>	44
5.2 <i>Limitation and Further Research</i>	45
References	47
Appendix	50

Table Contents

Figure 1. The Optimal Capital Structure.....	4
Table 1. Previous Empirical Results of Adjustment Speed.....	6
Table 2. Testable Hypotheses.....	20
Table 3. The Coverage Ratio in Each Country.....	23
Table 4. Observations Distribution.....	23
Table 5. Country-Level Factors among the World.....	24
Table 6. Means of Firm-Level Factors (in the period 1995-2004).....	26
Table 7. Alternative Estimation Methods.....	29
Table 8. Pecking Order and Market Timing Explanations of Debt Ratio.....	32
Table 9. Pearson Correlation between Speed Reduction and Pecking Order Coefficient.....	36
Table 10. Wilcoxon Rank Sum Test and T Test.....	37
Table 11. Pearson Correlation between Adjustment Speed and Country-Level Factors.....	39
Table 12. Adjustment Speed Analysis by Multiple Regressions.....	41
Table A.1 Pearson Correlation Matrix of Firm-Level Factors.....	50
Table A.2 Pearson Correlations Matrix of Country-Level Factors.....	51
Table A.3 Estimation Results.....	52