Abstract

By use of traditional regression analysis, this study investigates the explanatory power of several factors on the capital structure of the three biggest telecom companies in Taiwan. The study extends empirical work on capital structure through Granger causality to determine whether it is, for instance, the firm size that affects the choice of capital structure or a firm's choice of capital structure that affect its firm size. In the traditional regression analysis, confirming the pecking order model, more profitable firms have lower debt ratio. Consistent with most literatures, collateral value of tangible assets has a positive effect on debt ratio. The effect of firm size is ambiguous. Results of Granger causality between variables have different implications for the selected companies. Overall this study provides some useful information of capital structure of the telecom industry in Taiwan.

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