



The impact of the subprime crisis on the determinants of firm's capital structure

Badran (Moustapha Badran)

University of Montpellier – Montpellier research in economics (MRE)

Abstract

In this paper, based upon a dataset of 2,780 non-financial firms in France, we explore the evolution of firms' capital structure and its determinants during the subprime crisis period (2008-09) and its aftermath (2010-19). Our results highlight that the pecking order theory (POT) explains the financing behavior for both listed and unlisted firms during the crisis period (2008-2009). While the trade-off theory (TOT) has the upper hand over the pecking order theory (POT) and explains the financing behavior for both listed and unlisted firms during subprime post-crisis period (2010-2019). Moreover, our results generalize a significant corporate deleveraging for unlisted firms only during crisis and post-crisis periods. While we find no significant evidence on firm's deleveraging for listed ones. Finally, we note that both the demand side factors, and the supply side factors affect listed and unlisted' leverage ratios and have an impact on their capital structure.

Keywords: corporate leverage ratio, financial theories, private-unlisted firms, public-listed firms, source of funding

