

# Capital-Structure Determinants of Publicly Listed Chinese Companies

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## Abstract

Using a balanced panel data set of stock market and accounting data for 650 publicly listed Chinese companies over the period of 1999-2004, we re-examine the determinants of the capital structure for publicly listed Chinese companies. In this investigation, we take into account a unique institutional structure of Chinese companies. For comparison with extant literature, we estimate static panel-data models of the firm's capital structure, but with both unobserved cross-sectional and time effects as well as industry effects. Our results show that firm size, tangibility and ownership structure are positively associated with firm's leverage ratio, while profitability, non-debt tax shields, growth and volatility are negatively related to firm's leverage ratio.

JEL classification: G32

Keywords: Capital structure; Chinese companies; Institutional structure; Trade off theory; Pecking order theory; Static panel-data regression.

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