INFORMATION PAGE ABOUT THESIS

Thesis title: DETERMINANTS OF DEBT MATURITY STRUCTURE: QUANTILE REGRESSION AND OAXACA – BLINDER DECOMPOSITION APPROACHES

Major: Finance – Banking   Major code: 62.34.02.01

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1. THESIS SUMMARY

The main objective of the thesis is to test the impact of determinants on debt maturity structure of listed firms in developing countries in ASEAN. The secondary objective is to test the impact of debt maturity structure on firm performance.

First, the thesis verifies the impact of explanatory variables on average (hypothesis group 1) and at short- and long-debt maturity structures (hypothesis groups 2.1 and 2.2). The hypothesis group 1 results show evidence of support for liquidity risk, maturity matching, agency costs, taxes and signals that on average affect corporate debt maturity structure.

The results of the quantile regression for the sample of all firms suggest that the general trend is that enterprises are reluctant to borrow short-term when there are high ratios of short-term debt and tend to cut down on long-term debt when there is much long-term debt. However, the results are not strong because some variables are not statistically significant or do not match expectations of hypotheses 2.1 and 2.2. This may be due to the fact that the whole research sample includes firms with are highly financially constrained, which are less able to access capital, so they tend to be more passive. Indeed, the regression results for each group of enterprises (based on levels of financial constraint) show that, thanks to easier access to capital, firms with less financial constraint are more proactive in choosing debt maturity structure, and have more appropriate behaviors in line with hypotheses 2.1 and 2.2 compared to firms with more financial constraint.

Previous studies have not shown in detail which factors are more important in determining debt maturity structure. In this thesis, the level of importance of each factor is determined by % of the contribution to the explanation of the difference in the average debt maturity structure between two groups of firms of different levels of financial constraint. The total difference is subdivided into explained and unexplained differences. Oaxaca - Blinder

decomposition shows the differences in the average values of debt ratio and firm size (explained difference) result in enterprises with lower financial constraint having higher debt maturity structure. The unexplained difference is mainly due to the fact that firms have different levels of interest in matching asset and debt maturities, reducing liquidity risk from using debt, signaling, market timing and tax purpose. Thanks to the detailed quantification which pinpoints which factors are important, the managers of businesses or agencies can direct more efforts to correct the situations.

Finally, the dissertation examined the impact of debt maturity structure on firm performance for 2 reasons. First, to showcase the systematic approach in assessing the factors affecting debt maturity structure. Second, to fill the gap of the research of the impact of debt maturity structure on firm performance. The results suggest that when debt maturity structure is below a certain threshold (median of the sample), more long-term debt helps to improve the efficiency of enterprises, implying that firms with low debt maturity structure have higher liquidity risk, so long-term debt is needed to handle this risk. However, over a certain threshold (median of the sample), the increase of long-term debt is not conducive to business efficiency, implying that too much long-term debt will lead to a higher cost of agency and thus a negative impact on firm performance.

2. CONTRIBUTIONS OF THE THESIS

Firstly, the thesis is the first research debt maturity structure that does not rely on the assumption that determinants have the same impact regardless of the quantile of debt maturity structure in developing countries. The results show that firms have different concerns about liquidity risk and agency costs with different debt maturity structures, so the impact of variables changes.

Secondly, compared to firms with low level of financial constraint, enterprises with high level of financial constraint have a lot of difficulties in accessing long-term debt when possessing high levels of short-term debt, and at the same time have higher agency costs when possessing high levels of long-term debt. Another contribution of the thesis is the detailed quantification of the contribution of the factors (calculated in %), thereby aiding firms in identifying the most important factors in accessing long-term debt. This is also the first study to apply the Oaxaca - Blinder decomposition method in the field of debt maturity structure in particular and the capital structure in general.

Finally, the dissertation fills the research gap on nonlinear effects of debt maturity structure on firm performance.

3. APPLICATIONS / APPLICABILITY IN PRACTICE AND DIRECTIONS FOR FUTURE STUDIES

This thesis provides practical implications for different stakeholders which are governmental agencies and firm managers. The thesis also provides hints for further studies such as factors related to corporate governance, including ownership structure, independent and internal auditing, CEO characteristics (age, gender, experience), in order to assess whether these factors also have different impact on debt maturity structure at long and short debt maturity structures. Further studies may also use additional measures to represent financial constraints instead of just firm size as in this research.

Academic supervisor   **PhD student**

Confirmation of educational institution

Principal