

Capital financing behaviour: evidence from firms listed on the Nairobi Stock Exchange

Abstract:

This study investigates the determinants of capital structure for a sample of 22 firms listed on the Nairobi Stock Exchange during the period 1991–1999. Reduced form equations derived from the static trade-off model and the pecking order hypothesis are estimated and tested using panel data techniques. The results show that a pecking order model with an adjustment process cannot be rejected. Specifically, it is found that the main determinants of capital financing behaviour consist of information asymmetries, non-debt tax shields and local capital market infrastructure.