

The Firm Specific Determinants of Corporate Debt Maturity: A Study of Malaysian Firms

By Amirali Moeini

Abstract

The study investigates the empirical determinants of debt maturity structure, using a panel data set of non-financial Malaysian firms. The results, which are based on 1300 firm-year observations for 260 Malaysian firms in the period 2005-2009, generally support the role of agency cost of debt and asymmetric information as major determinants of debt maturity choice of firms in Malaysia. The results of the study lend considerable support to the notion that size, asset maturity, and leverage have significant positive effects in extending the maturity of debt employed by Malaysian firms. The findings also reveal that firm quality and liquidity risk exert a negative impact on debt maturity. Growth has the predicted effect on debt maturity; however, results are insignificant which shows the underinvestment problem is resolved by bank monitoring and reducing leverage instead of reducing debt maturity. The empirical analysis provides no evidence of the impact of effective tax rate on debt maturity in the Malaysian context. In total, the findings of the study are consistent with those that have been conducted in developed countries such as the United States, Germany, France, and the United Kingdom.

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