OPTIMAL CAPITAL STRUCTURE MODELLING: EVIDENCE FROM EMERGING CAPITAL MARKETS

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Abstract

The paper presents the results of optimal capital structure range analysis which appears in case of significant recapitalization costs. The review of existing studies is complemented be the study conducted on a sample of large BRICS companies for 2002-2010 years. Results of the study demonstrate the presence of an optimal capital structure range for companies from emerging capital markets. The key determinants of the upper and lower boundaries of the range of optimal capital structure are return on equity, growth opportunities, assets structure and firm size. Managers of BRICS companies adjust capital structure asymmetrically, reaching different indicators of capital structure in cases of upper or lower boundaries breakthrough.

Keywords: capital structure, dynamic trade-off theory, emerging capital markets, optimal capital structure, recapitalization costs

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