Determinants of Debt Maturity Structures of a Firm: Evidence from Selected African Countries

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Abstract

The aim of this study is to investigate how firm- and industry-specific characteristics and macroeconomic and institutional factors influence a firm's debt maturity structure decisions across nine African countries. We consider a sample of 986 non-financial firms over a period of 10 years (1999-2008). We specify a range of panel data models that link firm-, industry-, and country-characteristics with debt maturity and apply a battery of econometric procedures to estimate the relationship between the variables. We document that: (i) no one theory dominantly explains debt maturity decisions of firms within our sample countries; (ii) the effects of "conventional" firm-specific characteristics on debt maturity are broadly consistent with mainstream debt maturity structure theory and empirical findings in similar studies; (iii) there is inter-industry heterogeneity in debt maturity structure of firms in our sample; (iv) there is cross-country variation in debt maturity structure in our sample countries; (v) a country's income group, in addition to its direct impact, indirectly influences debt maturity structure by enhancing or mitigating the impact of firm-specific factors on debt maturity structure; and (vi) while shareholder and creditor rights protection, stock market size and size of overall economy positively influence debt maturity, economic growth, taxation and relative size of banking sector have a negative influence.

JEL: G1, G15, G2, G20, G3, G32, G34

Key words: debt maturity structure, institutions, macroeconomic conditions, Africa

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