

Accepted Manuscript

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PII: S1566-0141(17)30446-6
DOI: [doi:10.1016/j.ememar.2017.11.001](https://doi.org/10.1016/j.ememar.2017.11.001)
Reference: EMEMAR 531

To appear in:

Received date: 30 August 2016
Revised date: 24 October 2017
Accepted date: 6 November 2017

Please cite this article as: Mona A. ElBannan , Stock market liquidity, family ownership, and capital structure choices in an emerging country. The address for the corresponding author was captured as affiliation for all authors. Please check if appropriate. Ememar(2017), doi:[10.1016/j.ememar.2017.11.001](https://doi.org/10.1016/j.ememar.2017.11.001)

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Abstract

This study examines the impact of equity liquidity and family ownership on capital structure decisions in an emerging market context. Using univariate analysis, I find a positive relationship between liquidity and leverage. Further, this study uses multivariate panel regression analysis with firm clustering, and controls for other variables. Contrary to studies on U.S. firms, I find insignificant empirical evidence that stock liquidity increases leverage for Egyptian firms. Moreover, evidence shows a significant positive relationship between family ownership and leverage. These results hold when employing the instrumental variables approach and estimating two-stage least Squares regressions to control for the endogeneity problem.

Keywords: Corporate capital structure, Emerging markets, Equity liquidity, Family ownership, Leverage.

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