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Capital Structure in the Chilean Corporate Sector: Revisiting the Stylized Facts

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Abstract:

The purpose of this paper is to analyze the traditional drivers of the capital structure, in addition to others particularities of the Chilean corporate sector. Using panel data methodology, this study examines the potential drivers of the capital structure in a sample of 157 Chilean firms. To do that, this study also includes variables not commonly used in the literature (e.g. ownership concentration, business groups affiliation, and dividends), distinctive elements of the Chilean corporate sector. Our results show a positive effect of firm size and ownership concentration on firms leverage; as well as a negative effect of the pay-out policy, growth opportunities, non-debt tax shields, and profitability on the leverage. Some expected relationships in the Anglo-Saxon context are also curiously observed in Chile. Nevertheless, there are some relations that are not in line with the current literature such as the negative relationship between asset tangibility and leverage. Finally, firms´ affiliation to economic groups allows them to take advantage of internal capital markets, increasing leverage. This suggests that some of the insights from the current theoretical bodies are not portable across countries, and consequently, much remains to be done in order to understand the impact of different institutional features on capital structure choices.
Emerging markets provide a challenge to existing models that need to be reformulated to accommodate the characteristics of these markets. This study contributes in this direction by taking into consideration the particularities of an emerging Latin American Economy.

Key words: Capital structure, debt, panel data, Chilean firms, business groups.

JEL Classification: G32.