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## Natural resources and capital structure

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### Highlights

- Firms operating in resource extraction industries have less debt than other non-financial firms.
- Non-resource firms in resource-dependent countries have lower leverage ratios than their counterparts in other countries.
- A firm's location in a resource-dependent country is an overlooked country-specific determinant of the firm's capital structure.

### Abstract

This paper examines the effect of natural resources on the capital structure of firms. Using an extensive dataset of listed firms in 70 countries, we show that firms operating in resource extraction industries have less debt than other non-financial firms. Moreover, non-resource firms in resource-dependent countries are found to be less indebted than their counterparts in other countries. The results suggest that the very fact of a firm's location in a resource-dependent country is an overlooked country-specific determinant of the firm's capital structure and that financial institutions in resource-dependent countries may play a role in exacerbating a nation's resource curse.

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