

## THE DETERMINANTS OF CAPITAL STRUCTURE: EMPIRICAL EVIDENCE FROM KUWAIT

Ahmad Mohammad Obeid Gharaibeh

Assistant Professor, Dept. of Banking and Finance, Ahlia University  
KINGDOM OF BAHRAIN

### ABSTRACT

The main purpose of this study is to examine the determinants of capital structure of a firm. Capital structure is encapsulated by total liabilities to total assets. The study provides further empirical evidence of the capital structure theories pertaining to developing countries by examining the impact of certain measures on the decision to finance the firm. The panel data used was obtained from financial statements and annual reports of the study sample comprised of 49 industrial and service firms out of the 215 companies listed in the Kuwait stock exchange. The investigation was performed using 6 years data for the period from 2009 to 2013. Multiple regressions represented by ordinary least squares (OLS) were used to examine the factors determining the capital structure. The results of the cross-sectional OLS regression show that growth opportunity, firms' age, liquidity, profitability, size, tangibility, and industry type have statistically significant relationship with firm's leverage. Dividends policy and ownership structure of the firm, however, were found to have negative but statistically insignificant relationships with capital structure. Accordingly, the findings of the study reveal that firm's age, growth opportunities, liquidity, profitability, firm's size, tangibility, and type of industry are determinants of capital structure of firms listed in Kuwaiti stock exchange (KSE). Dividends policy and ownership structure, however, are revealed to be non-determinants of capital structure.

**Keywords:** capital structure, multiple regression, OLS, total liabilities to total assets, growth opportunity, firm's age, liquidity, profitability, size, tangibility, industry type, dividends policy, ownership structure.