

Capital Structure and Board Characteristics: The Case for Turkish Non-Financial Firms

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Abstract:

The purpose of this study is to examine the capital structure decisions of publicly listed non-financial firms in Turkey. Besides their financial statements, we also utilize a data set that is hand-collected from annual reports of the firms in our sample. This data set includes the size of the board of directors, the number of women in the board and the number of independent members in the board for each firm. Our sample consists of 258 non-financial firms and covers the period 2009-2019. Adopting the generalized method of moments framework, we study whether these board characteristics have any impact on capital structure. We control for various firm-level factors such as profitability, tangibility, liquidity, growth opportunities, non-debt tax shields and firm size. We find that firms with bigger as well as more independent boards borrow less. We also find that leverage ratios are persistent and very high adjustment costs are present, which means it is very costly for firms to readjust their leverage ratios.

Keywords: capital structure, leverage ratio, board of directors, board characteristics, generalized method of moments

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