

The International Evidence on the Pecking Order Hypothesis

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Abstract

The pecking order hypothesis is one of the leading theories that attempt to explain how capital structure choices are made. The empirical evidence has been lukewarm in its support of this hypothesis. Almost all the research has been conducted using samples of American firms. This study attempts to ascertain how well this theory applies to firms in Germany, Britain, and Japan as well as the United States. Our empirical findings find little overall support for the pecking order hypothesis for American, British, and German firms. On the other hand, the evidence is generally favorable for Japanese firms.

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