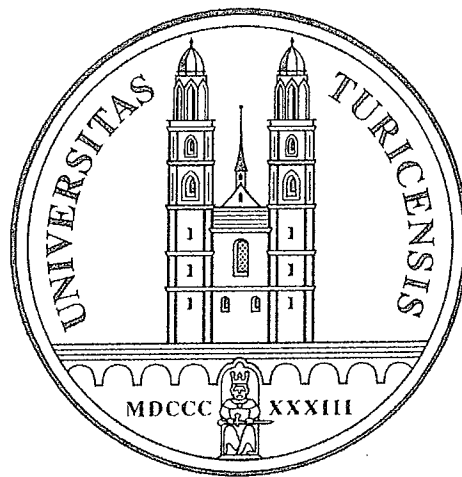


# The impact of regulation on the effects of capital structure determinants

Master Thesis



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# Abstract

The thesis analyses the impact of capital regulation on the effect of standard corporate finance determinants on leverage. The determinants examined here include size, profits, tangible assets, market-to-book ratio and dividend paying status. First, the results of a comparison between a pre-crisis and post-crisis data sample are evaluated by means of a multivariate linear regression. Results show that most of the effects of the determinants on leverage have not seen much change as in how they influence leverage, with the exception of size. In a second part, further analysis of the post-crisis data uncovers that the effects of the determinants on leverage are subject to a non-linear behavior when capital levels fall close to the regulatory minimum. As banks approach capital minimum requirements, size and market-to-book ratio strengthen while tangible assets and profits weaken their link to leverage.