Review of Monetary and Financial Studies, Vol.37, March 2015

DEBT STRUCTURE AND CAPITAL STRUCTURE: BASED ON BANK DEBT RENEGOTIATION

By SHINTARO TOMITA, NAOSHI IKEDA, and YUKITAMI TSUJI

《SUMMARY》

This paper proposes a model that determines optimal capital and debt structure when a firm uses two types of debt; bank debt and bonds. Their difference lies in whether a firm can renegotiate with a creditor or not. Renegotiation with a bank seems to be easy because bonds are dispersedly held by many bondholders. So we assume that interest payments to the bank debt can be reduced by the renegotiation when the firm goes worse. Benefit of the renegotiation makes the bank debt more favorable. However, since the bank debt accompanies its additional costs, taking account of these trade-off, the firm decides optimal composition of equity, bank debt, and bonds.