

The Debt Maturity Structure of Japanese SMEs

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This paper examines empirically the determinants of debt maturity of small firms in Japan. The analysis is based on an unbalanced panel data set for Japanese small and medium-sized firms for the period 1996-2003. It is found that the maturity of debt is positively correlated with asset maturity, firm size and firm age. These results suggest that the maturity-matching hypothesis and signaling hypothesis are strongly supported. Firms with more growth opportunities use more short-term debt, suggesting that firms shorten the maturity of their debt to mitigate the underinvestment problem. It is also found that there is a non-monotonic relation between firms' credit worthiness and debt maturity. These results remain the same even when the simultaneity between leverage and debt maturity is considered.

Key words: Maturity of debt, Small business, Capital structure.