Bank-specific Determinants of Capital Structure: New Evidence from Japan

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This paper is the first empirical research on the determinants of capital structure of Japanese banks. Using the unbalanced panel financial data of all the Japanese banks from 2000 to 2017, we estimated a fixed effects model to examine the effects of possible factors on banks' capital ratios: Ratio of capital to assets (Equity Ratio), Regulatory capital adequacy ratio (Cap Ratio), and Tier1 Ratio.

Focusing on the different business models between subsamples, we analyze whether the determinants of capital structure are different among subsamples. By dividing the full-sample into four subsamples; "International banks before the Global Financial Crisis," "Domestic banks before the GFC," "International banks after the GFC," and "Domestic banks after the GFC"; we compare their estimation results.

The results and our analyses show that the determinants are different among banks and eras even in one country: we do not get any determinants which can significantly and commonly explain all the four subsamples.

Previous researches, such as Gropp and Heider (2010) and Kinai(2018), show that the determinants of capital structure are different among countries or continents, or between EU countries and US, and points out these differences are probably caused by difference in business models due to their difference in cultural and historical backgrounds. This paper contributes to this literature by showing the difference among banks even in one country.

We provide new evidences which show that determinants of banks capital structure vary and change in accordance with difference in business models among banks. However, for more detailed investigation, we need to improve the estimation models, data sets and so on, which leave for future research.