

The Determinants of Capital Structure in Zimbabwe during the Multicurrency Regime

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Abstract

Recent research has focused on the influence of institutional environment on capital structure decisions of firms, therefore this study examined capital structure choices of Zimbabwean listed firms during the multicurrency regime. Using a balanced panel of 43 companies listed on the Zimbabwe Stock Exchange, this study first examined whether the debt ratios of these firms significantly changed over the period 2010-2013. The results from the one-way repeated measures ANOVA show that the mean debt ratio did not significantly change over the four years. The second objective was to determine factors influencing capital structure choices of these firms under a multicurrency regime and the results show that profitability, tangibility and firm size were significant factors but had different signs from those previously reported under different regimes. Therefore, the current study provides evidence to suggest that the determinants of capital structure may change in response to the institutional environment.

Keywords: Capital structure, Debt ratios, Multicurrency regime, Zimbabwe