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SPEED OF ADJUSTMENT TOWARDS TARGET LEVERAGE IN THE ASEAN COUNTRIES

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LET'S GET TO KNOW

ABOUT

This study aims to investigate the Speed of Adjustment (SOA) towards target total debt, long-term debt and short-term debt of the Association of South East Asian Nations (ASEAN) namely Malaysia, Singapore, Indonesia and Thailand.

DESIGN/METHODOLOGY/ APPROACH

The sample of this study includes 400 public listed firms from 2007 to 2017. Analyses were done with two-step System Generalised Method of Moments (SYS-GMM).

FINDINGS/EXPECTED FINDINGS

To close half of the leverage gap, ASEAN firms need 1.87, 1.62 and 1.35 years for total debt, long-term debt and short-term debt, respectively. The results based on individual country indicated that each country has its own adjustment speed to achieve the target leverage.

ORIGINALITY/VALUE/ CONTRIBUTION

This study has produced more consistent and efficient estimator with the application of the SYS-GMM. This study showed the SOA for individual countries in ASEAN, namely Malaysia, Singapore, Indonesia and Thailand, in which it was distinctly different from previous studies findings that grouped the SOA as an aggregate value. Additionally, the study showed the SOA for the short-term debt, a variable that is often disregarded as a measurement for the firm's leverage.

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