



Capital Structure Determinants: An Empirical Study of French Companies in the Wine Industry

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Abstract:

The main objective of the paper is to explain the leverage of French wine companies (410 companies) in the wine industry during the period 2000-2004. Different classical capital structure theories are reviewed (trade off theory, pecking order theory and dynamic trade off theory) in order to formulate testable propositions concerning the determinants of debt levels of the French wine companies. A number of regression models are developed to test the static theory of trade off against the pecking order theory. Our results suggest that pecking order theory seems to better explain leverage of French wine companies. We find significant differences in debt ratio between cooperatives and other legal structures. Debt ratios are also different between sub-sectors.