

CHANGES IN CAPITAL STRUCTURE OVER TIME

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Abstract:

We address our paper to the subject of capital structure decision (equity and debt relation). We found that there are no one explanation of designing capital structure. We think that profitability and investment decision are the most common factors affecting capital structure. We try to find out how the profitability, investment and capital structure changes over time (pre-, crisis, and post-crisis) for Polish companies. We expected to find the decrease in profitability, investment and debt usage in crisis time in relation to pre-crisis time, and increase in profitability, investment and debt usage in post crisis time in relation to crisis time.

We analysed the basic ratios describing profitability, investment and capital structure for all companies of the whole economy but also for all listed companies over the period 2004-2016. For more thorough analysis we employed U Mann-Whitney tests for difference in means to identify if capital structure (and other) ratios are significantly different from each other during the three periods namely 'pre-crisis to crisis', 'crisis to post-crisis', and 'pre-crisis to post-crisis'.

We found out that Polish companies during crisis time decreased profitability, investment and level of debt and kept this low level in post-crisis time not regaining high level from the pre-crisis time.

Keywords: capital structure, profitability, investment, crisis time