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Arun Upneja

Michael C. Dalbor

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AN EXAMINATION OF CAPITAL STRUCTURE IN THE RESTAURANT INDUSTRY

Arun Upneja
Penn State University
and
Michael C. Dalbor
University of Southern Mississippi

Abstract

The purpose of this paper is to examine the capital structure decisions of restaurant firms. The paper hypothesizes that these decisions are based upon a financial “pecking order” as well as the position of the firm in the financial growth cycle. Using ratios from publicly traded restaurant firms in the U.S. and ordinary least squares regression models, the results tend to support the notion that both the pecking order and the financial growth cycle influence financing decisions. However, the results also indicate that there may be separate factors affecting long-term and short-term debt decisions made by restaurant managers.