

# What Determined the Debt Maturity Decisions of Australian Firms Prior to the Global Financial Crisis?

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## Abstract

We examine the factors that have influenced the debt maturity decisions of Australian firms prior to the Global Financial Crisis (GFC). Despite being more sensitive to banking crises, Australian firms have survived the GFC relatively well. We explore how the factors that traditionally influence corporate debt maturity policy affect the maturity policy of firms in a market that is so highly sensitive to banking crises. We also describe a new ‘default risk’ model that clearly links maturity with leverage. We find support for this relationship using a variety of estimation methodologies that account for different endogeneity and error assumptions. Interestingly we find no support for the asset-matching principle, which is often cited as the most common determinant of maturity policy.

*Key words:* Debt Maturity, Capital Structure, Global Financial Crisis.

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