

Does the optimal capital structure reduce agency cost and asset specificity?

In general, we find that neither can be ignored, and that the optimal capital structure minimizes agency cost and asset specificity considerations. A key finding is that the conditions most favorable for reducing transaction costs due to asset specificity are the same as those for reducing the agency costs of debt.

Do agency costs and asset specificity factors influence capital structure?

We find that the firm uses both debt and equity, and the optimal capital structure of the firm minimizes the sum of agency costs and costs arising from asset specificity. In addition, we demonstrate that special cases do exist where either agency cost or asset specificity factors dominate.

Do agency costs affect capital structure?

The effects of agency costs on the capital structure are examined by Jensen and Meckling (1976). Jensen and Meckling explain that as an owner/manager dilutes his ownership by issuing outside equity, he may be induced to pursue greater non-pecuniary benefits because he can share the cost with the new owners.

What are the agency costs of debt?

The agency costs of debt stem from the owner/manager's incentive to reallocate wealth from bondholders to himself (and by proxy, other outside shareholders). Jensen and Meckling (1976) explain that in the case of debt finance, the owner/manager will be induced to pursue high risk-high return projects.

What is the capital structure of a firm at time t ?

The capital structure of the firm at time t is represented by the debt-equity mix: $(1) \text{th } (t) = [D_0 + D(t)] - [E_0 + E(t)]$ where D_0 and E_0 are the initial (exogenous) stocks of debt and equity, respectively. The stock of debt finance is $D(t)$, and $E(t)$ represents the stock of equity finance.

Are agency cost considerations supported by the data?

Agency cost considerations are also supported by the data as the null hypothesis $\alpha_1 \leq 1$ can not be rejected at conventional significance levels. 5. Conclusion In this paper, we present a dynamic model of a firm's financing policy where debt, equity, or some combination is used to finance an ongoing investment project.

This study adds to the extant literature by providing new evidence on the non-linear relationship between leverage and FP and the moderating and mediating roles of ...

Capital structure is measured by debt to asset ratio and long term debt to asset ratio. Corporate governance mechanism is measured by managerial ownership and board of ...

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Dr Baduge said by introducing technology that achieves super-insulated, full-containment features, the proposed storage method will greatly reduce capital storage costs, "boil-off" gas costs and the risk and cost of LH2 ...

the agency costs from the firm's increasing asset risk once the debt is in place. The model's results indicate that agency costs are small relative to tax benefits; however, creditor ...

"Agency capitalism" aptly describes a capital market structure in which agents as record owners hold equity ownership of a large share of the economic base on behalf of ...

The agency conflict between shareholders and creditors has been acknowledged as a critical determinant for corporate capital structure decisions (Jensen and Meckling 1976; ...

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Selected agency projects will leverage nearly \$1.6 billion in combined federal funding and private capital to deploy energy conservation and clean energy technologies like solar photovoltaic systems, wind, geothermal, ...

Commentary. Environment Agency owned and maintained high consequence asset condition for quarter one is 92.2% at target condition. This is a reduction (of 0.4%) from 92.6% at the end of quarter 4.

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This paper utilizes agency theory as a platform to build upon and determine how operational risk was an issue within the banking industry and the impact it presented to the ...

2 Bloomberg New Energy Finance (BNEF), "1H 2024 Energy Storage Market Outlook" (2024), excludes other battery technologies other than lithium-ion and sodium-ion batteries as well as non-battery technologies such as thermal storage, gravity-based storage and mechanical storage. NCA, NMC and LFP

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Gore Street Capital and ITOCHU Corporation have been selected by the Tokyo Metropolitan Government (TMG) to manage Japan's first fund dedicated to grid-scale energy storage. The two firms have been jointly selected as the managers of TMG's energy creation and energy storage promotion fund following a competitive process held in April 2023.

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SROA Capital is a vertically integrated private equity real estate and technology platform that has an established track record of providing risk adjusted returns to its partners through its focused strategy of investing in self storage on behalf ...

Agency costs can be categorised into two main types: Lost returns due to directors following objectives that fail to align with those of shareholders (e.g. personal objectives such ...

Energy storage technologies can provide a range of services to help integrate solar and wind, from storing electricity for use in evenings, to providing grid-stability services. Wider deployment and the commercialisation of new battery ...

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In this paper, we develop a model of the capital structure of the firm in an imperfect capital market setting due to agency costs and asset specificity considerations stressed by ...

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Human capital (referred to as Agency capital in this study) has been identified in the Integrated Reporting (IR) framework as one of the five non-financial capitals that are ...

The Higher Tier Capital Grants is open for applications all year from 2 January 2025. ... the Rural Payments Agency (RPA) ... including permanent caravan sites and areas used for permanent storage;

Energy Storage Beyond batteries The deep decarbonisation of grids heavily reliant on renewables requires long-duration energy storage , ...

We analyze the optimal design of capital structure in agency relationships. When a risk-averse principal controls the agent's capital structure, she awards a larger equity

This spreadsheet has capital costs for all transit agencies and modes dating from 1992 through 2018. Click image to download a four-page PDF of this policy brief. Capital funds are generally spent on things that last for ...

Technology costs for battery storage continue to drop quickly, largely owing to the rapid scale-up of battery manufacturing for electric vehicles, stimulating deployment in the power sector. ... In December 2022, the ...

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