

ABSTRACT

This study focuses on investigating the effect of business cycle to the firm leverage of Thai listed companies from year 2005 to 2014. The total liability to total asset is used to reflect the leverage level. The expansion period is used as proxy for business cycles. In addition, the examination of financial constraint, financial unconstraint, and industry specific effect are also included in this study. In expansion phase, the result exhibits the significant negative effect to the leverage. Hence, the leverage level is lower in expansion phase of business cycles. Furthermore, the result suggests a negative relationship between leverage and 1-period lagged financial unconstraint indicating that the firm without financial constraints will use less debt. The 1-period lagged financial constraint does not have significant effect to the leverage level. The firm with financial constraint will not have different leverage level with other firms. The result also indicates the positive relationship between leverage and financial industry reflecting higher leverage usage in financial industry.