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The Relationship Between Borrowing Rate and Profitability: An Econometric Analysis of Microdata

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ABSTRACT

According to Minsky, excessive and unprofitable debt of investors upon providing of stability in economy causes disruptions in finance market. Disruptions in the finance market causing the emergence of financial instability and also affecting the general economy are among expected results. Accordingly, Minsky Financial Instability Hypothesis analyzes the effect of debt structure upon the economic stability in a capitalist system. Therefore, it was aimed to research the relationships between debt structure and profitability of the firms considering the sectors within the context of Istanbul Stock Exchange (BIST) manufacturing industry within the scope of Minsky Financial Instability Hypothesis. In this study, variables which return on assets, return on equity, net profit margin, leverage ratio, short term debt ratio, current ratio, average collection period, inventory cycle time, economic instability and financial instability is studied.

KEYWORDS Minsky Financial Instability Hypothesis; profits and debts for firms