Finance, Markets and Valuation

Capital Structure, Financial Capacity and Financial Performance of Small and Medium Enterprises in the Buganda Region, Uganda

Estructura de capital, capacidad financiera y rendimiento financiero de pequeñas y medianas empresas en la region de Buganda, Uganda

Henry Mugisha[1], Job Omagwa[2], James Kilika[3]

[1]Department of Accounting and Finance, Uganda Christian University, Kampala, Uganda: email:hmugisha2@gmail.com. https://orcid.org/0000-0001-8957-8658
[2]Department of Accounting and Finance, Kenyatta University, Nairobi, Kenya. email: jobomagwa@hotmail.com. https://orcid.org/0000-002-6852-2863
[3]Department of Business Administration, Kenyatta University Nairobi, Kenya. email: jmkilika@gmail.com. https://orcid.org/0000-0001-5857-7628

JEL: Classification: G02; G11; G32

Abstract

Small and medium scale enterprises (SMEs) are drivers of economic growth in developed and emerging economies like Uganda. Although they constitute a large proportion of businesses, the SMEs' financial performance has been unstable over the years, and in extant literature this issue has been attributed to capital structure and other financing decisions. Empirical evidence indicates that more than 50% of SMEs in Uganda cease their operations within the first three years of operation, citing financial capacity issues such as inadequate liquidity. Hence, the aim of this work was to determine the mediating effect of financial capacity in the relationship between SME capital structure and financial performance. The study design was anchored in the agency, free cash flow, and stakeholder theories and the relevant data were gathered via a cross-sectional survey. A stratified sampling method was used to identify SMEs operating in the target area, and one respondent was purposively selected from every chosen SME. Although questionnaires were sent to 453 SMEs, only 423 valid questionnaires were obtained and were subjected to further analyses. Data were analyzed using descriptive statistics and multivariate analysis. The mediation test results indicate a partial but statistically significant mediation effect of financial capacity in the capital structure–financial performance relationship. We thus conclude that high levels of financial capacity strengthen the effect of capital structure on the financial performance of SMEs. Consequently, we recommend that SMEs maintain optimal levels of liquidity as well as financial solvency to optimize financial performance.

Keywords: Capital structure; Financial capacity; Financial performance

DOI: 10.46503/GTOS1775

Corresponding author
Henry Mugisha

Received: 05 SEP 2022
Revised: 13 SEP 2022
Accepted: 03 NOV 2022

Finance, Markets and Valuation
ISSN 2530-3163.

How to cite: Mugisha, H; Omagwa, J.; Kilika, J. (2022) Capital Structure, Financial Capacity and Financial Performance of Small and Medium Enterprises in the Buganda Region, Uganda. Finance, Markets and Valuation, 8(2), 37–57. DOI: https://doi.org/10.46503/GTOS1775

Abstract

Las pequeñas y medianas empresas (PYMES) son el motor del crecimiento económico en las economías desarrolladas y emergentes como Uganda. Aunque constituyen una gran proporción de empresas, los resultados financieros de las PYME han sido inestables a lo largo de los años, y en la literatura existente este problema se ha atribuido a la estructura de capital y a otras decisiones de financiación. Los datos empíricos indican que más del 50% de las PYME de Uganda cesan sus operaciones en los tres primeros años de funcionamiento, alegando problemas de capacidad financiera como la falta de liquidez. Por lo tanto, el objetivo de este trabajo era determinar el efecto mediador de la capacidad financiera en la relación entre la estructura de capital de las PYME y los resultados financieros. El diseño del estudio se basó en las teorías de la agencia, el flujo de caja libre y las partes interesadas, y los datos pertinentes se recogieron mediante una encuesta transversal. Se utilizó un método de muestreo estratificado para identificar a las PYME que operan en la zona objetivo, y se seleccionó intencionadamente un encuestado de cada PYME elegida. Aunque se enviaron cuestionarios a 453 PYMES, sólo se obtuvieron 423 cuestionarios válidos que se sometieron a análisis posteriores. Los datos se analizaron mediante estadísticas descriptivas y análisis multivariantes. Los resultados de la prueba de mediación indican un efecto de mediación parcial pero estadísticamente significativo de la capacidad financiera en la relación estructura de capital-rendimiento financiero. Por tanto, concluimos que unos niveles elevados de capacidad financiera refuerzan el efecto de la estructura de capital sobre los resultados financieros de las PYME. En consecuencia, recomendamos que las PYME mantengan niveles óptimos de liquidez, así como de solvencia financiera, para optimizar el rendimiento financiero.

Keywords: Estructura de capital, Capacidad financiera; Rendimiento financiero

1. Introduction)

According to the Organisation for Economic Cooperation and Development (2017), small and medium-scale enterprises (SMEs) are credited for stimulating inclusive economic development, creation of employment, and promotion of reduction in income disparities among world communities. The same report maintains that SMEs make up the largest proportion of business establishments globally. Despite their dominance in the business industry, SMEs continue to face financial performance challenges in emerging and developed economies alike (Nikolić et al., 2019). This has weakened their implied mandate of job creation and mobilization of government revenue. Extant research further indicates that majority of small and medium firms stagnate and eventually cease operations, citing financial capacity issues such as inadequate liquidity (Matar & Eneizan, 2018; Reeg, 2013).

The documented financial performance failure of SMEs continues to dominate the capital structure decisions debate among the various industry stakeholders (Nikolić et al., 2019). In most cases, the SMEs' financial performance failure is attributed to the growth constraints, including insufficient liquidity conditioned by lack of access to credit, as well as inadequate proprietary equity capital. For instance, extant literature indicates that SMEs lack the requisite collateralizable assets to enable them to obtain credit from formal financiers (Nikolić et al., 2015). As a result, the financial capacity of firms to offset their obligations is constrained in both short and long term. Even though optimal capital structure is considered critical in facilitating the financial performance, limited financial

capacity has also been faulted for hampering day-to-day operations and eventual growth of SMEs (Fowowe, 2017; Klonowski, 2012).

Theoretically, the financial performance of firms is explained by the relationship between the agents and the shareholders, as espoused by the agency theory. According to Jensen and Meckling (1976), managers tend to pursue self-interests instead of the profit maximization goals of the shareholders, as attainment of the shareholder goals requires managers to control self-seeking behavior. Measures to mitigate the agency conflict have been prescribed by the free cash flow theory (Jensen, 1986). The theory posits that, for firms that have excess resources relative to the amounts required for investment, debt obligations become a better way to resolve the agency conflicts linked to free cash. Jensen (1986) further argues that, since the executives are responsible for the obligations of the firm, periodic payment of interest and the principal amount limits the availability of the unapplied excess cash that would be invested in activities that are not beneficial to the shareholders.

Capital structure refers to a combination of various proportions of debt (e.g., short-term debt, long-term debt) and owner(s)' funds a firm uses to finance its operations and acquire assets (Brigham & Ehrhardt, 2013). SMEs, as well as large firms, are often faced with a dilemma regarding the amount of debt and equity they should adopt in financing their operations in the attempt to optimize performance. However, debt remains the major source of financing for SMEs regardless of the accessibility problem. Abbasi et al. (2017) argue that, in addition to the availability of debt facilities, the approval requirements for obtaining equity finance from the stock exchange markets are an obstacle for SMEs. Consequently, debt continues to be the most available source of financing for SMEs that usually borrow from non-formal lending institutions (Wahba, 2013). Obtaining financing from informal lenders is both theoretically and practically acceptable from the formal lenders' point of view due to the perceived high risk associated with SME borrowers (Githaiga & Kabiru, 2015).

SMEs in Uganda represent business establishments that generate an annual sales revenue ranging between 10 and 99 million UGX, and employing 5 to 49 full-time employees for small firms, and 100 to 360 million UGX and employing 50 to 100 employees for medium enterprises (Uganda Investment Authority, 2016).

According to Competitive Industries and Innovation Program (2016), the formal financial sector had been reluctant to extend credit to SMEs, citing issues of a dysfunctional credit market characterized by incomplete or absent financial information about the SMEs. The World Bank Enterprise Survey (2013) further indicates that lack of access to credit remains the greatest obstacle for SMEs in Uganda. Accordingly, Ugandan SMEs primarily rely on informal sources of finance characterized by stringent conditions for loan accessibility. Indeed, Eton et al. (2017) observed that the major sources of SME financing include personal savings, retained profits, contributions from business partners or shareholders (for limited companies), and loans from friends and relatives, as well as trade credit from suppliers, money lenders, and to a lesser extent formal financial institutions (especially for the medium-scale firms).

In view of the foregoing, the study aimed at investigating the mediating effect of financial capacity in the relationship between capital structure and financial performance of SMEs in Buganda region, Uganda. Capital structure is measured by the level of short-term debt, long-term debt and equity capital, while financial capacity is represented by liquidity and solvency. Financial performance is measured by return on assets. The study provides evidence that financial capacity has a partial and significant effect in the relationship between capital structure and financial performance of SMEs in Buganda region.

Financial performance is a key factor influencing the sustainability and long-term survival of SMEs because financial growth is a critical source of financing for recurrent operations as well as long-term investments (Mirza & Javed, 2013; Musah & Kong, 2019). To deliver inclusive sustainable economic development, SMEs must make appropriate financing decisions as they pursue financial sustainability necessary for sustained economic growth (Organisation for Economic Cooperation and Development, 2017; World Trade Organisation, 2016).

Thus, when their financial performance declines, SMEs cannot sustain growth necessary for the achievement of their broader economic development mandate (Nikolić et al., 2019). For instance, a World Bank report on Uganda (2017) indicated that 69% of SMEs in the Kampala metropolitan area generate less than 10 million Uganda shillings annually in net income, rendering them too unprofitable for tax and business growth purposes. Evidence provided by Uganda Investment Authority (2018) further indicates that, 70% of the businesses do not survive until their 3rd year of establishment, making a sharp decline compared to 50% reported by Walter et al. (2004) only 14 years earlier. The Competitive Industries and Innovation Program (2016) attributes this issue to a decline in credit growth from 60% in 2013 to less than 10% in 2016 for the major sectors of the economy. As credit growth is a reflection of profitability in an economy, it inevitably affects the SME sector. However, the extent to which the poor performance trend is linked to the capital structure of SMEs remains an empirically unresolved challenge.

In the extant literature, financial performance challenges are typically linked to capital structure decisions. However, most empirical research has focused on the direct effects, with little regard to the effects of the mediating variables in the capital structure−financial performance relationship. Helm and Antje (2012) argue that, due to the failure to include mediation factors, business research models continue to generate not only contradictory results but also results that do not address the practical realities of business practice. Empirical evidence further indicates that financial capacity represented by liquidity and solvency is critical to the performance of small and medium-sized firms (Fowowe, 2017). Still, while literature about the direct effect of capital structure on financial performance abounds, there is paucity of empirical studies to support the mediating effect of financial capacity in the capital structure−financial performance relationship, especially those conducted in the emerging economy contexts such as Uganda.

Further, findings reported in extant literature on the relationship between capital structure and financial performance are inconsistent (Abor, 2005; Khan, 2012). For instance, Harash et al. (2014) and Cheruyot and Ntoiti (2015) established that both short-term and long-term debt reduced financial performance measured by return on assets. Wahba (2013) and Eton et al. (2017) similarly reported a positive relationship between debt and return on assets as a proxy of financial performance. In an earlier study, however, Ebaid (2009) found no significant impact of short-term or long-term debt on financial performance measured by return on equity and gross profit margin. According to Helm and Antje (2012), these inconsistencies are mainly driven by methodological concerns including failure to consider mediation effects in the relationship.

Although it is possible to collect data on the mediating variables, this is rarely done in empirical finance studies, especially those focusing on SMEs. Mohammad and Navida-Reza (2016) assert that without identifying the hidden variables such as mediating factors in finance research, the resultant models will not be capable of addressing actual business problems. It is thus evident that the empirical as well as

contextual gaps exist in pertinent literature, motivating the present study. In particular, the aim of this work is to close the knowledge gap related to the mediating effect of financial capacity in the relationship between capital structure and financial performance of SMEs.

Therefore, the objective of the study was to determine the mediating effect of financial capacity in the relationship between capital structure and financial performance of SMEs in the Buganda region, Uganda.

2. Literature Review and Hypothesis Development

This study is anchored on theoretical propositions as well as findings of previous research as discussed in this section. The section concludes with a study hypothesis arising from the literature reviewed.

2.1 Theoretical Review

Scientific research relies on theories advanced in the identified field of study to explain and predict phenomena to permit generalizations (Rengasamy, 2016). Theories are furthermore used as a basis for supporting intellectual arguments but can also be used to question external extant knowledge within limits of critical bounding conventions (Tavallaei & Talib, 2010). Accordingly, this paper is anchored on the agency and free cashflow theories.

2.1.1 The agency theory

The agency theory developed by Jensen and Meckling (1976) pertains to the relationship between the equity holders and the managing executives of a corporate body. This theory explains the way firms shape relationships in which the principal decides on what the agent ought to do, supposedly in the best interest of the principal. Its key assumption is that rational individuals act in self-interest. Citing Jensen and Meckling (1976), Huang et al. (2016) posit that, according to the agency theory, executives are self-oriented in defining the goals of an entity which deviates from the expectations of the equity holders. The authors further argue that, if the self-seeking behavior of the executives is not controlled, they are more likely to invest in negative net income projects in contravention of the wealth maximization goal of the equity holders.

Findings reported in the empirical finance literature also indicate that, while the shareholders are motivated by maximization of their wealth through profit reinvestment, the managers are interested in maximizing their welfare by applying any excess resources into non-profit making activities at the expense of the shareholder wealth maximization goal. Yahya et al. (2016) argue that the principal–agent collision of interest leads to the agency conflict, which fundamentally undermines the achievement of the strategic financial performance growth goal of a business. Panda and Leepsa (2017) similarly indicate that reducing the agency conflict involves increasing investment capital through debt to limit the excess resources available to the managers. The authors justify this view by noting that, because the managers have the responsibility of servicing the debt, they will be obligated to apply the excess resources to the payment of interest and principal, thereby working in the interest of the shareholders.

Although this argument holds for limited companies, most SMEs operate informally, with key decisions made by owner-managers. Accordingly, financial capacity,

rather than managerial behavior, is their greatest investment challenge. Nonetheless, the agency theory is still pertinent for the current investigation because it justifies the role of short- and long-term debt in resolving the agency problem in growth-oriented SMEs. Empirical evidence indicates that incorporation of debt in the capital structure controls the underinvestment problem by managers (Yahya et al., 2016).

2.1.2 Free cash flow theory

Free cash flow refers to the cash resources over and above the amount needed to finance approved investment activities considered to possess a positive net present value (Zurigat et al., 2014). The free cash flow theory was proposed by Jensen (1986), who argued that, for firms that are more likely to have high amounts of excess funds but without apparent investment opportunities, debt becomes an efficient way of resolving the agency costs associated with free cash flow. The author supported this assertion by the fact that debt generates an obligation for payment of interest and part of the principal at regular intervals, which is the responsibility of the managers (Jensen, 1986). Accordingly, because of the obligation the managers have to the creditors, the free cash flow becomes unavailable for investment in resource-wasting projects thereby effectively mitigating the agency problem and forcing firms to perform in the interest of shareholders.

Hau (2017) studied the free cash flow and performance of Vietnamese listed firms and reported a positive association between free cash flow and company performance in all sectors covered by the study. However, the relationship was different for companies with poor investment opportunities. This finding concurs with Jensen's (1986) view that businesses with high amounts of free cash flow but with low levels of investment opportunities will provide the managers with a leeway to apply the excess funds to projects not beneficial to the shareholders, leading to poor firm performance.

2.2 Empirical review

2.2.1 Capital structure and financial performance

Firms' choice of financing options has been linked to their financial performance, as measured by various components of capital structure (short-term debt, long-term debt, and equity capital). Short-term debt is commended for availing liquidity in times of financial crises, as well as mitigating the agency conflict between the managers and the equity holders. For instance, several authors have reported a positive relationship between short-term debt ratio and return on equity on financial performance (Abor, 2005; Adesina et al., 2015). On the other hand, others have indicated that short-term debt does not enhance financial performance of SMEs. For instance, in their study on the agency theory of capital structure and firm performance in India, Dawar (2014) noted a negative relationship between short-term debt and financial performance using a return on assets and return on equity as proxies for financial performance, while Ebaid (2009) and Chadha and Sharma (2015) reported weak or nonexistent impact. A negative capital structure−financial performance link has been established in many other studies (Akeem et al., 2014; Khan, 2012; Nassar, 2016).

In extant research, however, long-term debt is linked to a number of benefits for SMEs, including controlling the managerial discretion as well as the positive impact on financial performance attributed to the associated debt interest and tax shield benefits (Badar & Saeed, 2013; Korzh, 2015; Wahba, 2013). Furthermore, long-term

debt is commended for improving the productive capacity of the firm by availing resources for investment in long-term projects. According to Zoghi (2017), increased productivity provides a cushion against risk rollover vulnerability, which is common in SMEs. Conversely, Asare and Angmor (2015) and Admassu (2016) argued that excessive long-term debt could result in distortions in the risk preferences of the shareholders, while limiting debt accessibility due to the increased cost of debt, which could impact negatively on the financial performance of SMEs.

Other authors that have explored various financing options available to SMEs have indicated that equity capital forms the most reliable source of SME funding. They justify this assertion with the fact that equity capital is collateral free, facilitates long-term investments, and attracts no covenants with those who provide it (Divakaran et al., 2014; Pettit & Singer, 1985). However, the findings related to the link between equity capital and financial performance are inconsistent. For instance, while Cheruyot and Ntoiti (2015) as well as Nasimi (2016) established a negative and significant relationship between equity and firm performance, Taani (2013), Vatavua (2015), as well as Muturi and Njeru (2019) reported a significant and positive association with all the identified measures of financial performance.

2.2.2 Mediating effect of financial capacity and Financial Performance

The ability of business organizations to stay afloat during economic downturns is dependent on their capacity to offset their short-as well as long-term obligations. Studies show that firms' inability to settle their obligations as and when they fall due exposes them to the risk of restructuring as well as bankruptcy, which could hurt their equity value. Kajananthan and Velnampy (2014) and Srbinoska (2018) maintain that the performance of a firm is directly but also indirectly linked to its financial capacity. Accordingly, financial capacity was proxied by liquidity and solvency in the present study in the attempt to explain its mediation role in the relationship between capital structure and financial performance of SMEs, as this is a common approach in related studies (Hau, 2017).

In their study about the mediating effect of leverage in the link between ownership concentration and firm financial performance, Noghondari and Noghondari (2017) assessed the mediating effect of leverage on firm performance. The authors obtained relevant data from a census of publicly traded companies in Tehran. Their multiple regression analysis results indicated a full mediation effect of financial leverage in the ownership concentration−business performance relationship of the listed business entities in Tehran. However, the authors focused on long-term debt and ignored the contribution of short-term debt in the effect of leverage in the capital structure−financial performance relationship.

Ibrahim et al. (2015) studied the mediating role of cash management in the association between capital structure and liquidity of SMEs in Jameta, Adamawa state in Nigeria. Their objective was to elucidate the mediating influence of cash management in the relationship between capital structure and liquidity by analyzing the responses provided by 366 survey respondents. Their findings indicated a partial mediation effect of cash management in the link between capital structure and liquidity. However, as the study was conducted in a small geographical location, its findings cannot be generalized beyond this specific setting. This issue is addressed in the present study by focusing on a large region in the central part of Uganda.

Shahwan (2018) investigated the mediating effect of financing and investment decisions on the impact of capital structure on corporate performance in Jordan. For this

purpose, the author analyzed data provided in the financial reports of the banks listed on the Amman Stock Exchange during the 2002−2017 period. The regression results indicated a partial mediation effect for both financing and investment decisions in the relationship. As in such models the mediating variables should be highly correlated with the independent variable, while the two must not be similar (Mackinnon et al., 2007), in the present study, focus is given to the financing decisions that are in effect the components of capital structure (debt and/or equity). Thus, mediating variables are clearly distinguished from the independent variables.

Nazir et al. (2010) studied the role played by dividend policy in determining the changes in stock prices in Pakistan by analyzing the data pertaining to 73 firms quoted on the Karachi Stock Exchange spanning the 2003−2008 period. The panel data regression analysis using both fixed and random effects models indicated a full mediating effect of the dividend policy in the relationship between stock price volatility and dividend yield as well as dividend payout ratio.

Angeles et al. (2019) investigated microfinancing as a mediator in the relationship between access to finance and microenterprise success focusing on the microbusinesses in the Philippines. The authors adopted a causal research design using a quantitative approach, and analyzed data pertaining to 582 microbusinesses that was sourced from a public database. The mediation analysis indicated that microfinance had a full mediation effect in the association between access to finance and microenterprise growth. However, the mediating variable was generalized even though microfinance exists in various forms with divergent options of services (Brau & Woller, 2004). These drawbacks are mitigated in the present study by conceptualizing the mediating variable (financial capacity) in such a way that its major components (liquidity and solvency) could be identified and their contribution to the relationship demonstrated.

In light of the evidence presented above, it is apparent that the available findings regarding both direct and mediated relationship between capital structure and financial performance remain inconclusive. Additionally, extant literature indicates that the financial capacity of a firm is a critical driver of its financial performance (Fonseka et al., 2014). While literature focusing on the direct link between capital structure and financial performance abounds, studies explaining the mediating effect of financial capacity represented by liquidity and solvency are still relatively rare. Accordingly, the following hypothesis is tested in the present study:

H_0: Financial capacity does not have a significant mediation effect in the relationship between capital structure and financial performance of small and medium-scale enterprises in the Buganda region, Uganda.

3. Methodology and Data

3.1 Research Design

The research design describes how an investigation aimed at answering research questions is to be carried out (Saunders et al., 2012). The present study was based on a descriptive cross-sectional research design because its aim was to test relationships between variables representing the phenomenon of interest using data related to a specific sample and point in time, as suggested by Creswell (2014).

3.2 Study Context, Population, and Sample

The present study focused on SMEs in the Buganda region, Uganda. This investigation focused on SMEs because they contribute 20% to the Ugandan GDP but have 50% failure rate (Abaho et al., 2017). The choice of the Buganda region was informed by several factors, including large concentration of registered SMEs (59.2% of all SMEs operating in the country), convenient accessibility of the study area, and relatively better infrastructure relative to other regions of Uganda. The 2014−2019 period was chosen, as it coincided with a particularly unfavorable business environment for most SMEs in Uganda, as reflected by the country's global rating of 166/189 and high business failure rate.

Moreover, the study sample was drawn from 133,454 SMEs operating within the Kampala metropolitan area, representing 61.1% of the SMEs in the Buganda region (Ministry of Trade, Industry, and Cooperatives, 2015). Sampling was conducted at two levels. Stratified sampling approach was applied in selecting SMEs, from which one respondent was chosen using the purposive approach. In accordance with the strategy proposed by Yamane (1967), a sample size of 399 was determined. However, as 12% non-response rate was established at the pre-test stage of the questionnaire, as suggested by Mac Kenzie (2005), the final sample size was increased to 453 (Mellahi & Harris, 2016), in accordance with the calculation presented below:

$$\text{Final sample size} = \frac{\text{calculated sample size}}{1-\text{expected nonresponse rate}} = \frac{399}{1-0.12} = 453 \text{ respondents}$$

However, only 423 valid questionnaires were returned, therefore represented the final sample retained for analysis.

3.3 Data Collection and Analysis

The data for this study was obtained via a survey. For this purpose, a questionnaire was developed, requiring responses on a 5-point Likert scale to facilitate quantification of participants' views as suggested by Kwiecinski (2017 and Tomaskova (2009). Data was subjected to descriptive analysis using means, percentages, and standard deviations, as well as multiple regression analysis.

3.4 Empirical Model: Mediation Effect of Financial Capacity

The mediation effect was estimated using financial capacity as a mediator variable proxied by liquidity and solvency, as proposed by Baron and Kenny (1986). In addition, other firm-level factors were controlled for by adopting the five-step mediation procedure following the work of Mathieu and Taylor (2006), cited in Noghondari and Noghondari (2017).

In the first step, the dependent variable "Financial performance" (FP) measured by ROA was regressed on the control variables (years in business, workforce size, type of ownership, and business sector of firm) without considering the independent variable in order to determine the pure impact of control variables on the dependent variable.

$$FP = \beta_0 + \beta_1 (Yr) + \beta_2(Size) + \beta_3(Own) + \beta_4(Sector) + \varepsilon \ldots\ldots\ldots\ldots\ldots\text{Model 1}$$

Where:
FP = Financial performance
Yr = Years in business

Size = Workforce size
Own =Type of business ownership (1 = Sole; 2 = Partnership; 3 = Limited)
Sector = Business sector (1 = Services; 2 = Manufacturing; 3 = Agribusiness; 4 = Other)
β_0 = A constant
β_1, β_2, β_3, β_4 = Regression coefficients
ε = Error term

In the second step, the independent variable (capital structure) was added into Model 1 to capture the direct effect of capital structure on financial performance.

$$FP = \beta_0 + \beta_1(Yr) + \beta_2(Size) + \beta_3(Own) + \beta_4(Sector) + \beta_5(CS) + \varepsilon \ldots\ldots\ldots\ldots\text{Model 2}$$

Where CS = capital structure
The rest of the abbreviations are as defined in model 1 above

In the third and fourth model, the dependent variable was the mediating variable (Financial capacity) measured by liquidity and solvency. The third model examines the impact of control variables on financial capacity excluding the independent variable of capital structure.

$$FC = \beta_0 + \beta_1(Yr) + \beta_2(Size) + \beta_3(Own) + \beta_4(Sector) + \varepsilon \ldots\ldots\ldots\ldots\text{Model 3}$$

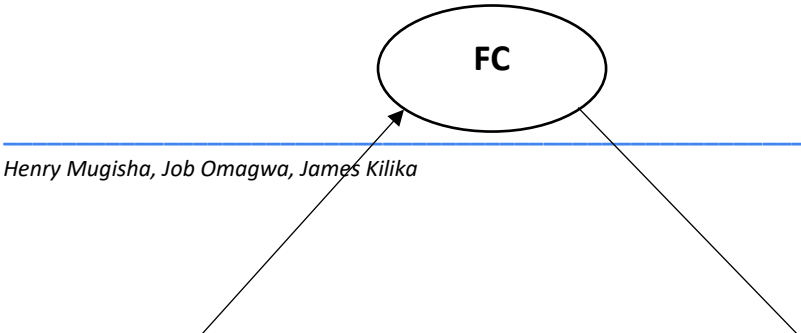
Where: FC = Financial Capacity
The fourth model examines the impact of control variables and the independent variable (Capital structure) on financial capacity. Model 4 is represented by path a in the mediation effect framework below.

$$FC = \beta_0 + \beta_1(Yr) + \beta_2(Size) + \beta_3(Own) + \beta_4(Sector) + \beta_5(CS) + \varepsilon \ldots. \text{ Model 4}$$

Where: FC = Financial Capacity
The rest of the abbreviations are as defined in model 1 above

In step five, the dependent variable (Financial performance) was regressed on the independent variable (Capital structure) along with the mediating variable (Financial capacity), as well as the control variables, to determine whether capital structure predicts financial performance. Model 5 shows the mediation effect of financial capacity (path c') as well as the impact of financial capacity (path b) on financial performance. The full mediation effect would exist if the effect of capital structure on financial performance—while controlling for the mediator and other control variables—would decrease to zero. However, if the relationship between capital structure and financial performance would significantly deviate from zero, a partial mediation effect would be considered to exist (Baron & Kenny, 1986), cited in Mehmetoglu (2018). Figure 1 depicts the mediation effect requirements.

$$FP = \beta_0 + \beta_1 (Yr) + \beta_2(Size) + \beta_3(Own) + \beta_4(Sector) + \beta_5(CS) + \beta_6(FC) + \varepsilon \ldots. \text{ Model 5}$$



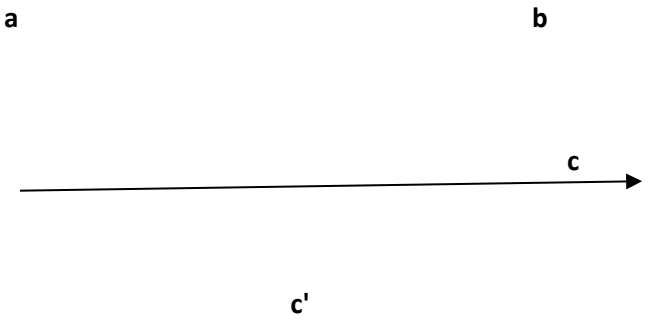


Figure 1. Mediation effect framework.
Source: Modified from Andrew and Hayes (2009).

Where:
CS = capital structure
FC = Financial capacity
FP = Financial performance

Whether the outcome of the mediation analysis is partial or complete mediation depends on whether path **c** representing the direct effect between the variables is statistically significant (indicating partial mediation) or not (indicating complete mediation) (Hayes, 2009; Mathieu & Taylor, 2006), cited in Noghondari and Noghondari (2017).

4. Results and Discussion

4.1 Characteristics of the Small and Medium Enterprises

The characteristics of the enterprises that participated in the study are presented in Table 1.

Table 1. Sample distribution by ownership structure and business sector of the SMEs

Ownership structure	Freq.	Percent
Sole proprietorship	73	17.3
Partnership	110	26.0
Private limited company	240	56.7
Sector of business operation		
Services	156	36.9
Manufacturing	177	41.8
Agribusiness	80	18.9
Other	10	2.4

Source: Survey data, 2019

As can be seen from Table 1, majority of the SMEs that participated in the study were private limited companies, followed by partnership businesses and sole proprietorships. Based on the sector of operation, majority of SMEs were in the manufacturing sector, followed by the services sector.

According to the World Bank Group (2013), the sole proprietorship businesses formed the majority (65%) of the micro, small and medium scale enterprises in Uganda, while partnership businesses and limited companies contributed by 23.7% and 11%, respectively. These differences are attributed to the focus on SMEs operating in the Buganda region of Uganda in this study, while the World Bank study also included micro and large enterprises and extended to the entire country.

4.2 Descriptive Analysis

4.2.1 Descriptive results for short-term debt, long-term debt, and financial capacity

This section presents the descriptive analysis for the capital structure variable (STD, LTD, and equity capital) as well as the mediating variable (financial capacity) represented by liquidity and solvency. The descriptive statistics are obtained from the computed additive indices that capture participants' questionnaire responses. The results are presented in Table 2.

Table 2. Descriptive Analysis of the variables

Variable		Mean	Std Dev.	Median	Max	Min
Capital structure	STD	16.3	7.5	15	35	7
	LTD	14.5	5.7	14	29	6
	Equity	17.2	4.3	17	29	6
	Overall (capital structure)	48.0	15.6	44	88	22
Financial capacity	Liquidity	26.0	4.7	26	35	7
	Solvency	16.1	4.6	17	25	5
	Overall (financial capacity)	42.1	8.0	43	60	12
Financial performance	Return on Assets	21.7	4.4	22	30	6

Source: Survey data, 2019

From Table 2, it is evident that, on average, the respondents agreed with the statements about capital structure, financial capacity, and performance of SMEs. Moreover, on average, the SMEs in focus of this study had adequate short-term resources (liquidity) to offset day-to-day obligations and were profitable in terms of return on assets.

4.2.2 Hypothesis testing: Mediating effect of financial capacity

For testing the hypothesis guiding this study, the five-step procedure described by Noghondari and Noghondari (2017) was adopted. The aim was to determine if the previously established mediation results will persist after controlling for firm-specific characteristics. The results are presented in Table 3.

Table 3. Regression analysis results for mediation effects of financial capacity

	Model 1	Model 2	Model 3	Model 4	Model 5
VARIABLES	**ROA**	**ROA**	**FC**	**FC**	**ROA**
Years in business	-0.0256	-0.0292	0.0562	0.0584	-0.0527***
	-0.0234	-0.023	-0.0386	-0.0388	-0.0163
Workforce size	0.0292***	0.0333***	0.0652***	0.0627***	0.00815
	-0.0102	-0.01	-0.0191	-0.0196	-0.00662
Ownership Type (Base: Sole ownership)					
Partnership	0.022	0.892	3.677***	3.155**	-0.376
	-0.672	-0.793	-1.256	-1.371	-0.597
Private Limited	1.446**	1.117*	4.157***	4.355***	-0.634
	-0.6	-0.603	-1.104	-1.143	-0.475
Business Sector					

(Base: Services)					
Manufacturing	-0.397	-0.304	-0.205	-0.261	-0.199
	-0.49	-0.484	-0.845	-0.851	-0.334
Agribusiness	-1.151**	-1.191**	-1.933*	-1.909*	-0.424
	-0.585	-0.591	-1.074	-1.065	-0.41
Other	-3.075	-3.843*	-11.06***	-10.60***	0.417
	-2.135	-2.075	-2.529	-2.569	-2.105
Capital structure		-0.0486**		0.0292	-0.0603***
		-0.0192		-0.035	-0.0136
Financial capacity					0.402***
					-0.0217
Constant	20.99***	23.23***	37.08***	35.74***	8.865***
	-0.612	-1.051	-1.213	-1.999	-1.126
Observations	423	423	423	423	423
R-squared	0.069	0.085	0.151	0.153	0.525

Notes: *** p < 0.01, ** p < 0.05, * p < 0.1; Robust standard errors are given in parentheses

Source: Survey data, 2019

From the Model 1 results reported in Table 3, it is evident that there is a positive and significant relationship ($p < 0.01$, $\beta = 0.0292$) between the control variable "Firm size" represented by number of employees and the dependent variable "Financial performance" represented by return on assets. Model 2 results further indicate that there is a significant negative relationship ($\beta = -0.0486$, $p < 0.05$) between capital structure and financial performance of SMEs. Therefore, path **c** is significant.

Model 3 pertains to the relationship between the mediator variable "Financial capacity" and the control variable "Firm size" measured by workforce size. Accordingly, the results show that firm size—measured by number of employees, ownership type, and business sector—is significantly related to financial capacity. In addition, the results of Model 4 indicate that the relationship between capital structure and financial capacity is not significant ($\beta = 0.0292$, $p < 0.05$). Therefore, path a is not significant.

According to the results yielded by Model 5, the independent variable "Capital structure" reveals a negative and statistically significant relationship with financial performance ($\beta = -0.0603$, $p < 0.01$). Therefore, path c' is significant. However, Model 5 results also indicate that the relationship between the mediator variable "Financial capacity" and the dependent variable "Financial performance" is significant ($\beta = 0.402$, $p < 0.05$). Therefore, path b is significant. The fact that path c is significant implies that financial capacity is a partial mediator of the relationship between capital structure and financial performance. Accordingly, the hypothesis that financial capacity does not have a significant mediation effect in the relationship between capital structure and financial performance is rejected.

This finding is consistent with that reported in other studies. For instance, Noghondari and Noghondari (2017) recorded a full mediation effect of financial leverage between ownership and firm performance. Further, Angeles et al. (2019) demonstrated a full mediation effect of microfinancing between access to funds and microenterprise growth. Moreover, the current study results indicate a positive relationship between financial capacity (liquidity and solvency) and financial performance, in line with the free

cash flow theory put forth by Jensen (1986). This theory postulates that, for firms with excess unapplied funds, debt would discourage managers from investing in wasteful and non-profitable projects because of the debt repayment obligation upon them. Accordingly, the managers would be obliged to avoid resource-wasting projects and invest in profitable ventures to realize enough liquidity to offset the debt obligations, leading to better performance.

5. Conclusions and Implications

The present study contributes to the finance literature in a number of ways. From the empirical perspective, its main value stems from documenting the mediation effect in the capital structure−financial performance relationship in SMEs. Previous studies have largely focused on a direct relationship, resulting in a limited knowledge on the influence of non-firm characteristics in the capital structure−financial performance relationship. Moreover, the findings obtained in this study have theoretical implications, as they confirm the utility of specific theories in empirical research in the SME context. For instance, the fact that fewer SMEs indicated debt (short-term and long-term) as the preferred financing option relative to equity capital confirms the propositions of the pecking order theory. Moreover, the finding that financial capacity significantly affects the relationship between capital structure and financial performance is consistent with the postulations of the free cash flow theory. Finally, the present study contributes to practice by documenting the effect of the mediating variable in the capital structure−financial performance relationship, thus providing an important foundation for accurate capital structure decisions in small and medium scale enterprises.

According to the responses obtained in the survey, the hypothesis that was tested as a part of the present study was rejected, as financial capacity (as measured by liquidity and financial solvency) has a partial and significant mediation effect in the relationship between capital structure and financial performance of SMEs. This finding demonstrates that the variations in financial performance are explained by the influence of financial capacity on the capital structure−financial performance relationship. Therefore, the financial performance of SMEs would can be improved by maintaining optimal levels of liquidity and financial solvency.

As a way practical implication, the study recommends that operators of SMEs should consider the effect of mediator factors while deciding the financing mix to optimize the performance of their firms. Finally, the current study was not devoid of limitations. Worth noting, was the inadequacy of financial data necessitated reliance on the data obtained through questionnaires. Being a cross sectional study, it was also difficult to establish performance trends of SMEs over a reasonably longer period. Accordingly, future studies should focus on time series data to explain the mediating effect of financial capacity in the link between capital structure and financial performance.

References

Abaho, E., Aarakit, S., Ntayi, J., & Kisubi, M. (2017). Firm capabilities, entrepreneurial competency and performance of Ugandan SMEs. Business Management Review, VOL(ISSUE), 105−125. https://www.researchgate.net/publication/318542547

Abbasi, W. A., Wang, Z., & Abbasi, D. A. (2017). Potential sources of financing for small and medium enterprises (SMEs) and role of government in supporting SMEs. Journal of Small Business and Entrepreneurship Development, 5(2), 39−47. https://doi.org/10.15640/jsbed.v5n2a4

Abor, J. (2005). The effect of capital structure on profitability: An empirical analysis of listed firms in Ghana. The Journal of Risk Finance, 6(5), 438−445. https://doi.org/10.1108/15265940510633505

Adesina, J. B., Nwidobie, B. M., & Adesina, O. O. (2015). Capital structure and financial performance. International Journal of Business and Social Research, 5(2), 21−31. http://thejournalofbusiness.org/index.php/site/article/view/710/499

Admassu, N. A. (2016). The impact of capital structure choiceon firm's financial performance: Evidence from manufacturing PLCs in Tigrai region, Ethiopia. Journal of Finance and Accounting, 7(15), 31−38. https://core.ac.uk/download/pdf/234695664.pdf

Akeem, L. B., Terer, K, E., Kiyanjui, M. W., & Kayonde, A. M. (2014). Effects of capital structure and firm performance: Empirical study of manufacturing companies in Nigeria. Journal of Finance and Investment Analysis, 3(4), 39−59. https://EconPapers.repec.org/RePEc:spt:fininv:v:3:y:2014:i:4:f:3_4_4

Andrew, F. Hayes (2009) Beyond Baron and Kenny: Statistical Mediation Analysis in the New Millennium, Communication Monographs, 76:4, 408-420, DOI: 10.1080/03637750903310360

Angeles, I. T., Calara, M. S. P., & de Guzman, A. B. (2019). The mediating effect of micro-financing on access to finance and growth of microenterprises: Evidence from the Philippines. Journal of Global Entrepreneurship Research, 9(1), 24−END PAGE. https://link.springer.com/article/10.1186/s40497-019-0150-x

Asare, C., & Angmor, P. L. (2015). Effect of debt financing on profitability of SMEs in Accra Metropolis. Adrri Journal of Arts and Social Sciences, 13(2), 1−11. http://www.journals.adrri.com

Badar, R., & Saeed, A. (2013). Impact of capital structure on firm performance: Empirical evidence from the sugar sector of Pakistan. European Journal of Business and Management, 5(5), 78−86. Corpus ID: 167119694

Brau, J. C., & Woller, G. M. (2004). Microfinance: A comprehensive review of the existing literature. Journal of Entrepreneurial Finance, Pepperdine University, Graziadio School of Business and Management, 9(1), 1−28.

Brigham, E. F., & Ehrhardt, M. C. (2013). Financial management: Theory & practice. Cengage Learning. https://www.cengagebrain.co.uk/shop/isbn/9781305632295

Chadha, S., & Sharma, A. K. (2015). Capital structure and firm performance: Empirical evidence from India. Vision, 19(4), 296−302. https://doi.org/10.1177/0972262915610852

Cheruyot, R., & Ntoiti, J. (2015). Effect of capital structure on financial performance of listed commercial banks in Kenya. A case study of Kenya Commercial Bank Limited. The strategic Journal of Business and Change Management, 2(2), 751−781. https://strategicjournals.com/index.php/journal/article/view/147

Creswell, J. W. (2014). Research Design: Qualitative, Quantitative and Mixed Methods Approaches (4 ed.). SAGE Publications Inc.

Dawar, V. (2014). Agency theory, capital structure and firm performance: Some Indian evidence. Journal of Managerial Finance, 40(12), 1190−1206. http://www.emeraldinsight.com/10.1108/MF-10-2013-0... RePEc&WT.mc_id=RePEc

Divakaran, S., McGinnis, P. J., & Shariff, M. (2014). Private equity and venture capital in SMEs in developing countries: The role for technical assistance. The World Bank. WPS6827.

Ebaid, I. E. S. (2009). The mpact of capital-structure choice on firm performance: Empirical evidence from Egypt. The Journal of Risk Finance, 10(5), 477−487. http://www.emeraldinsight.com/10.1108/152659409110... ePEc&WT.mc_id=RePEc

Eton, M., Mwosi, F., Mutesigensi, D., & Ebong, C. D. (2017). Credit financing and performance of SMEs in Lira municipality. Research Journal of Finance and Accounting, 8(8), 121−127.

Fonseka, M. M., Tian, G. L., & Li, L. C. (2014). Impact of financial capability on firms' competitiveness and sustainability. Chinese Management Studies, 8(4), 593−END PAGE. https://doi.org/10.1108/CMS-09-2011-0066

Fowowe, B. (2017). Access to finance and firm performance: Evidence from African countries. Review of Development Finance, 7(1), 6−17. https://doi.org/10.1016/j.rdf.2017.01.006

Harash, E., Al-Timimi, S., & Alsaadi, J. (2014). Effects of financing on performance on small and medium scale enterprises (SMEs). IPASJ International Journal of Management, 2(10), 6−12.

Hau, L. L. (2017). Free cash flow and firm performance: Evidence from sectoral levels for Vietnamese listed firms. International Journal of Advaced Engineering, Management and Science, 3(4), 296−300. https://doi.org/10.24001/ijaems.3.4.2

Hayes, A. F. (2009). Beyond Baron and Kenny: Statistical mediation analysis in the new millennium. Communication Monographs, 76(4), 408−420.

Helm, R., & Antje, M. (2012). Analysis and evaluation of moderator effects in regression models: State of art alternatives and empirical examples. Review of Managerial Science, 6(4), 307−332. https://doi.org/10.1007/s11846-010-0057-y

Huang, W., Boateng, A., & Newman, A. (2016). Capital structure of Chinese listed SMEs: An agency theory perspective. Small Business Economics, 47(2), 535−550. https://link.springer.com/article/10.1007/s11187-016-9729-6

Ibrahim, D., Umar, M. S., & Hammawa, D. D. (2015). Mediating effects of cash management in the relationship between capital structure and liquidity. International Journal of Economics and Financial Issues, 5(4), 995−1000. https://EconPapers.repec.org/RePEc:eco:journ1:2015-04-19

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behaviour, agency costs and ownership structure. Journal of Financial Economics, 3(1), 305−360. https://doi.org/10.1016/0304-405X(76)90026-X

Kajananthan, R., & Velnampy, T. (2014). Liquidity, solvency and profitability analysis using cash flow ratios and traditional ratios: The telecommunications sector in Sri Lanka. Research Journal of Finance and Accounting, 5(23), 163−170. https://www.iiste.org/Journals/index.php/RJFA/article/view/18769

Khan, A. G. (2012). The relationship of capital structure decisions with firm performance: A study of the engineering sector in Pakistan. International Journal of Accounting and Financial Reporting, VOL(ISSUE), 245−262. https://doi.org/10.5296/ijafr.v2i1.1825

Klonowski, D. (2012), Liquidity gaps in financing the SME sector in an emerging market: Evidence from Poland. International Journal of Emerging Markets, 7(3), 335−355. https://doi.org/10.1108/17468801211237072

Kwiecinski, D. (2017). measures of competitive intensity − Analysis based on literature review. Journal of Management and Business Administration. Central Europe, 25(1), 53−77. https://doi.org/10.7206/jmba.ce.2450-7814.189

Mac Kenzie, R. (2005). Assessing and minimizing the impact of non-response on survey Estimates. In EDITORS (Eds.), Analysis of Key Issues and Main Findings, OECD Taskforce on Improvement of Response Rate and Minimisation of Respondent Load (pp. 14−15). PUBLISHER. https://www.oecd.org/sdd/leading-indicators/35634012.pdf

Matar, A., & Eneizan, B. M. (2018). Determinants of financial performance in the industrial firms: Evidence from Jordan. Asian Journal of Agricultural Extension, Economics & Sociology, VOL(ISSUE), 1−10. https://doi.org/10.9734/AJAEES/2018/37476

Mathieu, J. E., & Taylor, S. R. (2006). Clarifying conditions and decision points for mediational type inferences in organizational behavior. Journal of Organizational Behavior: The International Journal of Industrial, Occupational and Organizational Psychology and Behavior, 27(8), 1031−1056. https://doi.org/10.1002/job.406

Mehmetoglu, M. (2018). medsem: a Stata package for statistical mediation analysis. International Journal Computational Economics and Econometrics, 8(1), 63–78. https://EconPapers.repec.org/RePEc:ids:ijcome:v:8:y:2018:i:1:p:63-78

Mellahi, K., & Harris, L. C. (2016). Response rates in business and management research: An overview of current practice and suggestions for future direction. British Journal of Management, 27, 426−437. https://onlinelibrary.wiley.com/doi/full/10.1111/1467-8551.12154

Mirza, S. A., & Javed, A. (2013). Determinants of financial performance of a firm: Case of Pakistani stock market. Journal of Economics and International Finance, 5(2), 43−52. https://doi.org/10.5897/JEIF12.043

Mohammad, N., & Navida-Reza, N. (2016). Conceptual analysis of the moderator and mediator variables in business research. Procedia Economics and Finance, 36, 540−554. http://creativecommons.org/licenses/by-nc-nd/4.0/

Musah, M., & Kong, Y. (2019). The association between capital structure and the financial performance of non-financial firms listed on the Ghana Stock Exchange (GSE). International Journal of Research in Social Sciences, 9(5), 92−123. https://www.researchgate.net/publication/333056467

Muturi, W., & Njeru, A. (2019). Effect of equity finance on financial performance of small and medium enterprises in Kenya. International Journal of Business and Social Science, 10(5), PAGES. https://doi.org/10.30845/ijbss. v10n5p7

Nasimi, A. N. (2016). Effect of capital structure on firm profitability: Empirical evidence from UK. Global Journal of Management and Business Research, 16(4), 9−20. https://journalofbusiness.org/index.php/GJMBR/article/view/2396

Nassar, S. (2016). The impact of capital structure on financial performance of the firm: Evidence from Borsa Istanbul. Journal of Business and Financial Affairs, 5(2), 67−73. http://dx.doi.org/10.4172/2167-0234.100017

Nazir, M. S., Nawaz, M. M., Anwar, W., & Ahmed, F. (2010). Determinants of stock price volatility in Karachi stock exchange: The mediating role of corporate dividend policy. International Research Journal of Finance and Economics, 55(55), 100−107. https://lahore.comsats.edu.pk/Papers/Abstracts/146-8588087891919227058.pdf

Nikolić, N., Jovanović, I., Nikolić, Đ., Mihajlović, I., & Schulte, P. (2019). Investigation of the factors influencing SME failure as a function of its prevention and fast recovery after failure. Entrepreneurship Research Journal, 9(3), 1−21.

Nikolić, N., Dhamo, Z., Schulte, P., & Mihajlović, I. (2015, May). An analysis of factors affecting failure of SMEs. Proceedings of the International Conference on Strategic management, XI Students Symposium on Strategic Management, PAGES. http://ssrn.com/abstract=2718962

Noghondari, A. T., & Noghondari, T. A. (2017). The mediation effect of financial leverage on the relationship between ownership concetration and financial corporate performance. Iranian Journal of Management Studies, 10(3), 697−714. https://doi.org/10.22059/ijms.2017.230026.672597

Organisation for Economic Cooperation and Development (2017). Enhancing the Contributions of SMEs in a Globalised and Digitalised Economy. OECD Publishing. https://www.oecd.org/industry/C-MIN-2017-8-EN.pdf

Panda, B., & Leepsa, N. M. (2017). Agency theory: Review of theory and evidence on problems and perspectives. Indian Journal of Corporate Governance, 10(1), 74−95.

Pettit, R. R., & Singer, R. F. (1985). Small business finance: a research agenda. Financial management, VOL(ISSUE), 47−60. https://www.jstor.org/stable/3665059

Reeg, C. (2013). Micro, small and medium enterprise upgrading in low-and middle-income countries: A literature review. Discussion Paper No. 15/2013. https://www.die-gdi.de/uploads/media/DP_15.2013.pdf

Saunders, M. N., Lewis, P., & Thornhill, A. (2012). Research Methods for Business Students. Financial Times Press. https://doi.org/10.1.1.475.7307&rep=rep1&type=pdf

Shahwan, Y. (2018). The mediating effect of investment decisions and financing decisions on the influence of capital structure against corporate performance: Evidence from Jordanian listed commercial banks. Academy of Accounting and Financial Studies Journal, 22(6), 1−20.

Srbinoska, D. S. (2018). Liquidity and profitability analysis of non-financial entities listed on the Macedonian Stock Exchange. Business and Management Horizons, 6(2), 34−46. https://doi.org/10.5296/bmh.v6i2.13723

Taani, K. (2013). The relationship between capital structure and firm's performance: Evidence from Jordan. Journal of Finance and Accounting, 2(11), 542−546. https://doi.org/j.jfa.20130103.11

Tavallaei, M., & Talib, M. A. (2010). A general perspective on role of theory in qualitative research. *Journal of International Social Research*, *3*(11).

Tomaskova, I. E. (2009). The current methods of measurement of market orientation. European Research Studies, 12(3), 136−150. https://www.ersj.eu/repec/ers/papers/09_3_p10.pdf

Vatavua, S. (2015). The impact of capital structure on financial performance in Romanian listed companies. Procedia Economics and Finance, 32, 1314−1322. https://doi.org/10.1016/S2212-5671(15)01508-7

Wahba, H. (2013). Debt and financial performance of SMEs: The missing role of debt maturity structure. Corporate Ownership & Control, 10(3), 266−277. http://www.virtusinterpress.org/IMG/pdf/10-22495_cocv10i3c3art2.pdf

Yahya, F., Ali, S. A., & Ghazali, Z. (2016). The relevance of agency conflicts in small and medium enterprises. International Journal of Advanced and Applied Sciences, 3(7), 41−45. http://dx.doi.org/10.21833/ijaas.2016.07.007

Yamane, T. (1967). Statistics: An introductory analysis. Harper & Row, New York, Evanston & London and John Weatherhill, Inc., Tokyo. https://www.gbv.de/dms/zbw/252560191.pdf

Zoghi, F. S. (2017). Risk management practices and SMEs: An empirical study on Turkish SMEs. International Journal of Trade, Economics and Finance, 8(2), 123−127. http://dx.doi.org/10.18178/ijtef.2017.8.2.550

Zurigat, Z., Sartawi, I. I., & Aleassa, H. (2014). Empirical investigation of free cash flow hypothesis: Evidence from Jordanian capital market. International Business Research, 7(3), 137−148. http://dx.doi.org/10.5539/ibr.v7n3p137