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EFFECT OF ENTREPRENEURIAL FINANCIAL SKILLS ON THE USE OF DEBT FINANCING AMONG SMALL AND MEDIUM ENTERPRISE IN BUNGOMA COUNTY, KENYA

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Abstract

The main purpose of this paper was to determine the effect of entrepreneurial financial risk taking and financial management skills on use of debt financing among small and medium enterprise. This study adopted an explanatory research and targeted 2053 SMEs in Bungoma Town, Kenya. The study used Cluster random sampling technique to select the SMEs where owners/managers were picked. The secondary data was obtained from previous reports as well as the internet. The primary data on the other hand was obtained from questionnaires. Descriptive statistics such as frequency distribution, percentages, means and standard deviations were calculated and data was presented in form of tables, graphs and charts. Inferential statistics was used to draw implications from the data with regard to the regression model. The study has revealed that financial management skills and entrepreneur financial risk taking has a positive influence on debt financing. It can therefore be inferred that entrepreneurs that have been doing business for a number of years have adequate skills and experience that they can make use of to avoid the problems that hinder SME access to debt financing. Entrepreneurs should encourage others to share inherent financial and business risk and keep on trying to accomplish their set goals despite the constraints that they face.

Keywords: Financial Management Skills, Entrepreneurial, Financial Risk Taking. SME

INTRODUCTION

The long-term survival of SMEs is important in the theory of sustaining entrepreneurship considering that it can lead to permanent job creation most especially in developing countries (Willemse, 2010). Entrepreneurs can do allot for the development and success of the SME's. According to Thompson (2004), in today's world of change and uncertainty there is need for the talent of entrepreneurs more than ever. The previous studies conducted on the Owner financial skills support that Owner financial skills are the important ingredient for the success of a firm like (Ferreira & Azevedo, 2007; Smith *et. al.,* 2006).

The important role of the SMEs as an engine for development could be hampered if the essential elements of their performance are not well catered for by the public and private sectors of an economy. One of the essential elements is financing. Businesses need finance for their expansion, production, innovation, growth and development (Fogel, 2001). For SMEs to survive and grow access to debt finance is critical. Debt financing can be a loan, line of debt financing, bond, or any promise to repay borrowed amounts over a certain time with a specified interest rate and other terms. Debt is accounted for as a liability of the company, and interest payments are deductible business expenses. In the event of bankruptcy or insolvency, debt holders take priority over equity holders. For a small business, debt financing has both advantages and disadvantages. On the plus side, debt can be relatively simple to secure through a bank or other financial institution and is available with a broad range of terms, allowing customization of debt to meet the specific needs. And since most debt entails regularly scheduled payments of interest and often principal as well, debt is easy to plan around. Perhaps most important, debt, unlike equity, will not dilute the ownership interest of the SMEs (Mitton, 2007).

Hisrich and Peters (2002) noted that a business owner is one who brings all kinds of resources into combinations that make their value greater than before. They argued business owners must possess the financial skills needed for withstanding the challenges that come along during the entrepreneurial process. It makes an entrepreneur able to overcome incredible obstacles like choosing variety sources of financing the business and also compensate enormously for other weaknesses. Almost without any exception, entrepreneurs live under extreme, constant pressure (when they start their business, for them to stay alive, and for them to grow). A new business requires top priority of entrepreneur's time, emotion, patience, and loyalty.

Mohd (2005) noted that entrepreneurial financial skills can influence the type of firm that will be created as well as how it will be financed. Thus, it is important to understand these entrepreneurial financial skills. Several studies have listed the personality financial skills needed to develop entrepreneurship as to include among others; need for achievement and motivation, determination, leadership, risk taking etc. Blackman (2003) asserted that individual's financial skills are attributed to his achievements which also have direct effect on the entrepreneurial firm performance. Many researchers have suggested that financial skills of entrepreneurs are relevant factors in determining the ability of the business to achieve significant levels of performance. Among the financial skills that are believed to have impacted performance are leadership, motivation, determination and communication skills (Hisrich& Peters, 2002; Shane, 2003; Johnson, 2001).

Martin and Staines (2008) found out that, lack of managerial experience, skills and personal qualities are found as the main reasons why SMEs fail. Businesses in the SME sector all over the world are more prone to failure due to the specific qualities possessed by the businesses, their owners and managers (Bannock, 2005). In Kenya, entrepreneurial ventures have a low survival rate as entrepreneurs start businesses but are unable to turn them into sustainable businesses (KIPPRA, 2008). Ngugi (2013) note that most new SMEs in Kenya do not move from the first stage (existence) of growth to other stages such as survival, success, take off and resource maturity.

Problem Formulation

In Kenya, the performance of SMEs has continued to decline over the years. As at (Gok, 2009) virtually most small enterprises had collapsed leading to the closure of some of the SMEs that were producing 40% of the employment in Kenya. Others SMEs were auctioned while some were merged or acquired signifying questionable financial performance. Between 2001 and 2002, the SMEs performance dropped by 56% (Kenya Economic Survey, 2003). On the other hand, industrial economists indicated that the small industries have higher bankruptcy rates and also a faster growing rate than larger industries. SMEs still experience various difficulties in improving their financial performance since short term loan, trade credit and long term loans are not well managed. This may be as a result of SMEs not using ideal debts in their day-to-day transactions and if this problem is not tackled it may continue to cause financial distress and business failure. As such, it is believed that many of these SMEs do not survive in their first years of operation and thus, do not provide their benefits to society (Persson, 2004). Thus, this paper hypothesized that:

H_{01}: *Entrepreneur financial risk taking has no significant effect on use of debt financing among small and medium enterprise.*

H_{02}: *Entrepreneur financial management skills has no significant effect on use of debt financing among small and medium enterprise.*

LITERATURE REVIEW

Agency theory

The agency theory of Jensen and Meckling (1976) was based on the conflicts between the shareholders and managers of the firm and the equity holders and debt holders. Conflicts between shareholders and managers arise because managers do not hold total residual claim thus they cannot capture the entire gain from their value-maximizing activities. On the other hand, conflict arises between debt holders and equity holders because debt contracts give equity holders an incentive to invest sub-optimally. The debt contract results in asymmetric distribution of the gains. According to Stiglitz and Weiss (1981) agency problems such as asymmetric information and moral hazards can impact on the accessibility of credit and hence the capital structure of SMEs.

The Static Trade-off Theory

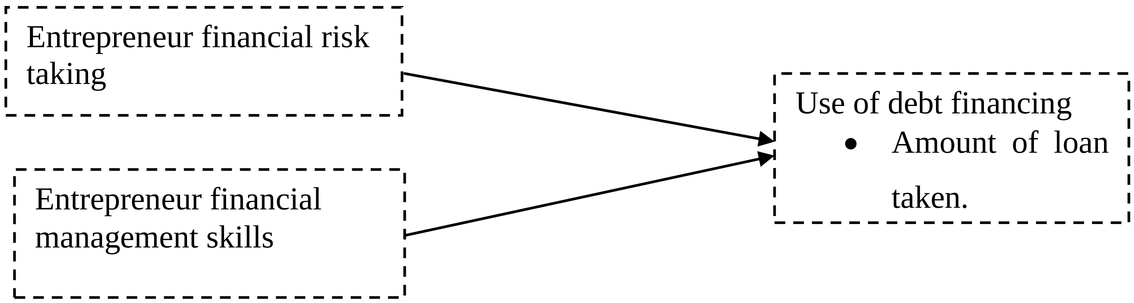
According to the trade-off theory, capital structure is determined by a trade-off between the benefits of debt and the costs of debt. The benefits and costs can be obtained in a variety of ways. The "tax-bankruptcy trade-off' perspective is that firms balance the tax benefits of debt against the deadweight costs of bankruptcy. The "agency" perspective is that debt disciplines managers and mitigates agency problems of free cash flow since debt must be repaid to avoid bankruptcy. According Stulz (1990) although debt mitigates shareholder manager conflicts, it exacerbates shareholder-debt holder conflicts. Product and factor market interactions suggest that in some firms, efficiency requires a firm's stakeholders to make significant firm-specific investments. Capital structures that make these firm-specific investments insecure will generate few such investments. Theory suggests that capital structure could either enhance or impede productive interactions among the stakeholders.

Maksimovic and Titman (1991) consider how leverage affects a firm's incentives to offer a high quality product. These perspectives differ from the tax bankruptcy in that the costs of debt are from disruption to normal business operations and thus do not depend on the arguably small direct costs of bankruptcy. In other words, the product and factor market interaction based trade-off theories can be viewed as trading of the advantages of debt with liquidation costs rather than bankruptcy costs.

Conceptual framework

The overall objective of the study was to assess the effect of entrepreneurial financial skills on use of debt financing. The research reviewed the following entrepreneur financial risk taking and financial management skill on use of debt financing. To determine whether these factors affect use of debt financing, a conceptual framework was developed to assist in analyzing data. The dependent and independent variables was summarized in the conceptual framework below:

Figure 1: Conceptual framework



Empirical Review

Effect of Entrepreneur financial risk taking onUse of Debt Financing among Small and Medium Enterprise

Risk-taking is defined as the perceived probability of receiving rewards associated with the success of a situation that is required by the individual before he will subject himself to the consequences associated with failure, the alternative situation providing less reward as well as less severe consequences than the proposed situation. A high propensity to take risks is also considered to be an important characteristic of entrepreneurs. More risk adverse individuals are expected to become workers, while the less risk adverse becomes entrepreneurs.

A risk is a big part of entrepreneurship. Entrepreneurs not only risk money, they risk reputation among other factors. This is because high rates of change and high levels of risk and uncertainty are almost given; they have to tolerate risk and uncertainty (Mitton, 1984). Entrepreneurs are willing to take a risk; however, in deciding to do so, they calculate the risk carefully and thoroughly and do everything possible to get the odds in their favour. They get others to share inherent financial and business risks. Partners and investors put up money and put their reputations on the line. At times creditors are also involved, so are the customers who pay in advance and suppliers who advance credit (Miner).

Other researchers (Baron and Shane, 2004; Bolton and Thompson, 2003; Deakins and Freel, 2003; Kuratko and Hodgetts,2001; Megginson, Byrd and Megginson, 2003) argue that contemporary entrepreneurship literature should include risk-taking/tolerance as an entrepreneurial trait, although it is yet to be confirmed empirically.

On the contrary, Miner and Raju (2004); Xu and Reuf (2004) have shown doubt on the degree towhich the risk-taking propensity is being seen as an entrepreneurial characteristic.

They proposed that entrepreneurs are no longer risk tolerant, but in some instances, are even more risk avoidant, than other managers and permanent employed persons. Hisrich and Peters‟ (2002) argue that empirically "no conclusive causal relationships" has been found in regards to risk and entrepreneurs, and that the risk-taking propensity trait does not form an important part of the research on entrepreneurial financial skills. In line with the above contradictory opinions, Stewart and Roth (2001); Deamer and Earle (2004) emphasise the need for clarity and empirical facts regarding entrepreneurial risk tolerance.

Janney and Dess (2006) challenge the conventional "calculated risk taking propensity and tolerance" of entrepreneurs by reconsidering the risk-taking construct. The authors argue that high risk-taking decisions are more evident in the new venture-creation process in particular and give an account of an investigation into the perceived differences in this regard. A suggestion for alternative measures that confine this concern is moreover explored, and a conclusion is reached with respect to three dimensions of the risk construct, namely: Risk as a variance; Risk as a downside loss and bankruptcy; and Risk as an opportunity. The authors furthermore describe the body of knowledge pertaining to the operationalization of the concepts of risk drawn from the economics, finance, strategy and entrepreneurship literature in order support the constructs in an entrepreneurial context.

Effect of financial management skills on use of debt financing among small and medium enterprise

Poor financial control is rated by many researchers as a precursor to business failure. Issues occur with finance in different ways, some entrepreneurs may have trouble securing finance while other entrepreneurs may simply have trouble managing their finances. Cornwall (2005) acknowledged that the securing of inadequate capital, the misuse of capital and poor cost control are serious issues for many entrepreneurs. Poor cash flow management is amongst the most common internal causes of business failure, according to the European federation of accountants (2004).

The European Federation of Accountants (2004) also stated that among start-up businesses a frequent cause of business failure is lack of adequate and appropriate market research. Market research is required to help businesses to identify their customers and inform them of the size of the potential customer base, to determine what price customers might be prepared to pay and to suggest how demand for the product or service will change according to the price charged. Research will also inform them about their competitors and their likely reaction. Poor financial control was one of the main issues encountered by the entrepreneur (Hisrich et al. 1997). Their research also stated that sound management is the key to the success of a small business and effective managers should realize that any successful business venture requires proper financial control.

Cornwall (2005) also stated that entrepreneurs and small businesses can often suffer from issues and issues associated with financing. Timmons et al (1990) also posits that the largest investment the small business manager must make is usually inventory, yet inventory control is one of the most neglected managerial responsibilities.

Likewise Hynes and Richardson, (2007) posits that planning is essential and cited research which identified a link between planning and small business failure, stating that those businesses who had prepared business and strategic plans were less likely to fail. While many entrepreneurs make it over the initial “entrepreneurial start-up hump”, success does not guarantee long-term prosperity, (Zimmerer& Scarborough, 1998). Zimmerer and Scarborough, (1998) continued that this inability to make the entrepreneurial transition, from a startup entrepreneur to a business manager can lead to issues. Zimmerer& Scarborough also state that after the initial start-up, growth usually requires a radically different style of management. Growth requires entrepreneurs to delegate authority and to relinquish hands-on control of daily operations something that many entrepreneurs simply cannot accomplish.

Likewise Hanushek&Woessmann, (2008) stated entrepreneurs are often good at starting businesses, but poor and running them and many entrepreneurs believe that they have an obligation to run their businesses and become great managers. Hanushek & Woessmann, (2008) concluded that while many entrepreneurs are successful at starting up a business they are not as skilled at running or managing a business. The European Federation of Accountants (2004) stated that as most small businesses are established by one entrepreneur or, or a small group of them, who have an idea for creating a specific product or providing a particular service.

These entrepreneurs may not have skills and experience in areas such as business planning, financial reporting, marketing, customer relations and financial management. Suffering from one or many of the issues previously outlined may lead to business failure, an issue which is obvious in the small business and enterprise world. It’s widely perceived that throughout the world small businesses have a high rate of failure. European Federation of Accountants, (2004) reported that the U.S Small Business Administration had noted that fifty percent of small businesses fail in the first year and ninety-five percent fail within the first five years

The literature above has demonstrated how entrepreneurs’ financial skills affect debt financing of an SME. However, previous studies (Sambu, 2012; Odwori at al., 2013; Smith, Okhomina & Mosly, 2006; Ferreira & Azevedo, 2007; Smith et. al., 2006) on entrepreneurs’ financial skills and SME growth have considered entrepreneurial financial skills in relation to firm with little attention on how entrepreneurial financial skills affect debt financing (Brockhaus, 1980:

McClelland, 1965; Llewellyn& Wilson, 2003: Beugelsdijk, 2007) hence the study research gap. Therefore, this study was to try to fill the above gap by identifying how the aforementioned financial skills affect debt financing ofSME in Bungoma County.

RESEARCH METHOD

This study adopted an explanatory research. This design is best for investigating effect of entrepreneurial financial skills on use of debt financing among SME. The population of study comprised of registered SMEs who are owners/managers in Bungoma County. According to Bungoma County records there are 10252 registered SMEs, (Company Registrar, 2013). Out of these 2053 SMEs are in Bungoma Town.

The study targeted only SMEs within seven sectors, namely; financial services, Retail, Telecommunication, Agriculture, Hospitality, Professional services and Workshop services. Taro Yamane (1973) sample size formula was used to select a sample size of 335 SMEs. The study used Cluster and random sampling technique to select the SMEs where owners/managers were picked.

Questionnaires were used to obtain the primary data required for the project, which were self-administered by the researcher in the field. Cronbach's alpha was used to determine reliability which indicated values of 0.722 and 8.301 for both independent variables. Descriptive methods were employed and Inferential statistics was used to draw implications from the data with regard to the regression model.

EMPIRICAL RESULTS AND DISCUSSION

Entrepreneur Financial Risk Taking

Results from table 1 revealed respondents' ratings on entrepreneur financial risk taking; the highest mean reported was 4.5 while the least being 3.14. Respondents in the study reported to have preference for high risk projects (means of 4.09) and that they calculate risks (mean=4.27). They are also able to encourage others to share inherent financial and business risks (mean=4.29).Moreover, they maximize the chances in a given opportunity (mean=4.47), have high achievement needs (mean=4.42) and they keep on trying to accomplish what they want despite the challenges they encounter (mean=4.36).On a positive note, the respondents get important people to help them accomplish their goals (mean = 4.15).Further, the respondents have a tendency to follow competitors (mean = 3.63).However, they carefully analyze the situation before acting (mean = 4.33).Similarly, the respondents prefer the tried and tested (mean = 3.61) though they do not let other firms assume the risk of innovation before acting (mean = 3.14). The overall mean was 4.06.

Table 1. Entrepreneur Financial Risk taking

	Mean	Std. Deviation
I have preference for high risk projects	4.09	0.989
I calculate risks	4.27	0.816
I am able to encourage others to share inherent financial and business risks	4.29	0.773
I maximize the chances in a given opportunity	4.47	0.676
I have high achievement needs	4.42	0.78
When something gets in the way of what I'm trying to do, I keep on trying to accomplish what I want	4.36	0.718
I get important people to help me accomplish my goals	4.15	0.935
I have a tendency to follow competitors	3.63	1.129
I carefully analyze the situation before acting	4.33	0.78
I prefer the tried and tested	3.61	1.15
I let other firms assume the risk of innovation before adapting	3.14	1.375
Entrepreneur Financial Risk Taking	**4.06**	**0.49048**

Financial Management Skills

As evidenced in table 2, the SME owners have the ability to design, install, maintain and use financial controls (mean = 4.56).Also, they have familiarity with sources and vehicles of short- and long-term financing (mean = 4.55) and the ability to decide how best to acquire funds for startup and growth (mean = 4.53).Moreover, they have the ability to forecast the need for funds and to prepare budgets (mean = 4.48) and familiarity with accounting and control systems needed to manage (mean = 4.44).In addition, there is familiarity with sources and vehicles of short- and long-term financing (mean = 4.38) as well as the ability to decide how best to acquire funds for startup and growth (mean = 4.33).Besides, they have the ability to design, install, maintain, use financial controls (mean = 4.3) and the ability to set up a project cost control system, analyze over- head/contribution/absorption, prepare profit and loss and balance sheets, and manage a bookkeeper (mean = 4.29).There is therefore familiarity with accounting and control systems needed to manage (mean = 4.26). Additionally, the SME owners have the ability to forecast the need for funds and to prepare budgets (mean = 4.01). The overall mean for entrepreneurial financial management skills was recorded to be 4.36 rating the SME owners/managers to be well versed with financial management skills.

Table 2. Financial Management Skills

	Mean	Std. Deviation
Ability to decide how best to acquire funds for startup and growth;	4.53	0.616
Ability to forecast the need for funds and to prepare budgets;	4.01	1.003
Familiarity with sources and vehicles of short- and long-term financing.	4.55	0.605
Ability to design, install, maintain, use financial controls;	4.56	0.665
Familiarity with accounting and control systems needed to manage;	4.44	0.747
Ability to decide how best to acquire funds for startup and growth;	4.33	0.898
Ability to forecast the need for funds and to prepare budgets;	4.48	0.733
Familiarity with sources and vehicles of short- and long-term financing.	4.38	0.807
Ability to design, install, maintain, use financial controls;	4.3	0.83
Familiarity with accounting and control systems needed to manage;	4.26	0.978
Ability to set up a project cost control system, analyze over- head/contribution/absorption, prepare profit and loss and balance sheets, and manage a bookkeeper.	4.29	0.903
Financial Management Skills	4.3637	0.46115

Debt financing

This section of the analysis put into account debt financing. The results are as presented in table 3. It is evident that the respondents prefer using short term loans to finance their SME operations (mean = 4.11). They also prefer using long term loans to finance their SME operations (mean = 4.27) and trade credit in their SME operations (mean = 3.92).On the whole, findings on debt financing summed up to a mean of 3.7299.

Table 3. Debt Financing

	Mean	Std. Deviation
I prefer using short term loans to finance my SME operations	4.11	1.156
I prefer using long term loans to finance my SME operations	4.27	0.822
I prefer using trade credit in my SME operations	3.92	1.193
Debt financing	**3.7299**	**0.64643**

Correlations Results

Results from table 4 shows that entrepreneur financial risk taking skills was correlated with debt financing as evident of (Pearson correlation of 0.252 significant at 0.01). This implies that entrepreneur financial risk taking skills had positive linear relation on debt financing. Entrepreneur financial management skills was correlated to debt financing (Pearson correlation = -0.255) is significant at 0.05 level of confidence.

Table 4. Correlation Results

	Debt financing	Entrepreneur financial risk taking skills	Entrepreneur financial management skills
Debt financing	1		
Entrepreneur financial risk taking skills	.252**	1	
Entrepreneur financial management skills	-0.255	0.154*	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Hypotheses Testing

The study findings from Table 5 reported that R squared (coefficient of determination) SMEs recorded values of 0.374 that is 37.4% amount of variation in debt financing that is accounted for by variation in the predictor variables (entrepreneur financial risk taking and entrepreneur financial management skills). ANOVA (f test) was used to test the goodness of fit. From Table 4.10, F ratio was recorded to be 17.571 with a p value of 0.000, implying that f ratio is statistically significant. If F ratio is statistically significant it implies that the null hypothesis H0: b =0 is rejected. Hence we infer that the models are fit in predicting debt financing.

Hypothesis 1 postulates that entrepreneur financial risk taking skills has no effect on the use of debt financing. From Table 5,entrepreneur financial risk taking skills recorded β_1= 0.591, the parameter was significant as reported by its *p* value (0.024) which is less than 0.05 (level of significance), hence we reject null hypothesis and conclude that entrepreneur financial risk taking skills had a positive effect on the use of debt financing. This implies that increasing entrepreneur financial risk taking skills with one unit will increase the use of debt financing with 0.591. Consistently, Seibert and Hills (2005) argue that entrepreneur financial risk taking is one of the main financial skill of entrepreneurial leaders that contributes to improved debt financing. As well, Hisrich and Peters (2002) argue that risk-taking propensity trait of an entrepreneur is important in the use of debt financing.

Hypothesis 3 postulates that entrepreneur financial management skills has no effects on the use of debt financing. Study findings reports that entrepreneur financial management skills indicated coefficient estimates of β_3= 0.923 which was significant in predicating debt financing, as reported by *p* value of 0.000 which is less than 0.05 hence we reject null hypothesis that entrepreneur financial management skills has no positive effects on debt financing. This suggests that entrepreneur financial management skills will increase the use of debt financing. The standard error of the parameters gives us an indication of how much the point estimate is likely to vary from the corresponding population parameter. This means that entrepreneur financial management skills has a negative and significant effect on debt financing. As opposed to the study findings, Cornwall (2005) acknowledged that lack of financial management skills is the source of inadequate capital, the misuse of capital and poor cost control. This is also the case with Hisrich et al. (1997) who note that entrepreneur financial management skills is the source of proper financial control and overall sound management of the SME. Similarly, Hanushek & Woessmann, (2008) posit that lack of financial management skills is the sole reason why many entrepreneurs are successful at starting up a business but are unable to run or manage the business.

Table 5. Regression Results

R Square	0.374	Adjusted R2		0.353	
ANOVA(F)	17.571				
Sig.	0.000				
	B	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	-6.714	1.411		-4.757	0.000
Entrepreneur financial risk taking skills	0.591	0.26	0.159	2.273	0.024
Entrepreneur financial experience	0.558	0.252	0.164	2.217	0.028
Entrepreneur financial management skills	0.923	0.191	0.353	4.833	0.000
Entrepreneur financial literacy skill	1.162	0.234	0.363	4.957	0.000

CONCLUSION AND RECOMMENDATIONS

In conclusion, entrepreneur financial risk taking has a positive and significant effect on the use of debt financing. This means that whenever entrepreneurs calculate the risks before undertaking them, they are likely to get the odds in the favor. Besides, chances of maximizing a given opportunity are dependent on the way entrepreneurs share inherent financial and business risk and the way they handle the challenges they encounter.

Prior studies present limited empirical results of the relationship between entrepreneur financial management skills and the use of debt financing by SMEs. The study has however revealed that whenever entrepreneurs have sufficient financial management skills, there will be an effective use of debt financing. The study has therefore added new knowledge into the already existing body of literature in regards to the influence of entrepreneur financial management skills on the use of debt financing among SMEs. This means that entrepreneurs can only efficiently run their business if they have the necessary financial management skills.

In light of the findings of the study, it is important for entrepreneurs to calculate risks before venturing in high risk projects in order to maximize returns. Entrepreneurs should also encourage others to share inherent financial and business risk and keep on trying to accomplish their set goals despite the constraints that they encounter. Also, in order to effectively utilize debt financing, it is important for entrepreneurs to carefully analyze the situation before following competitors. In so doing, there will be high achievement together with effective use of debt financing which will result in improved SME performance.

The study is indicative of a positive and significant effect of entrepreneur financial management skills on the use of debt financing. It is therefore important for entrepreneurs to have skills and experience in areas such as business planning, financial reporting, marketing, customer relations and financial management. They should also be familiar with sources and vehicles of short and long term financing and how to effectively acquire funds for startup and growth. This study is not without limitations. For instance, the generalizability of this study's findings may be limited to SMEs within Bungoma County. Thus, future research should attempt to gather information from SMEs in the North-rift region to establish if the results of the study hold. Also, it would be interesting if future study could generate the scenario of debt financing among listed firms in Nairobi Securities Exchange. Secondly, the respondents of this study are SME owners. It is possible that the pattern of debt financing may be different for large firms than it is for SMEs. Future studies should therefore allow for generalizations regarding this subject and needs to cover firms in different sizes and sectors. Finally, future scholars need to work more in depth, studying the factors that lead to debt financing by firms of different industries.

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