

# Abstract

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## **Factors affecting capital structure: an empirical study on Egyptian SMEs**

Recently SMEs became one of the most important drivers of growth in many nations, that's why great attention should be paid to the factors that lead to the success and accomplishment of SMEs and deciding upon the optimal capital structure is crucial for SMEs success. The objective of this research is to identify the main determinants of capital structure for Egyptian Small-to-medium enterprises. Furthermore, it aims to identify the impact of nine capital structure determinants on Small-to-medium enterprises' capital structure decisions. These capital structure determinants include asset tangibility, profitability, operating risk, size, non-debt tax shield, liquidity, retention rate, agency Costs, and growth opportunities. This study is a quantitative study that uses normality test, Pearson product-moment correlation, and ordinary least square regression. The data is gathered from the annual reports prepared by Small-to-medium enterprises that are listed in the Nilex stock exchange over six years from 2009 to 2014. The research found that asset tangibility, size, non-debt tax shields, liquidity, and retention rate have significant positive impact on capital structure. However, profitability, operating risk, agency costs, and growth opportunities appeared to have no significant impact on the debt ratio. The study concludes that capital structure of Egyptian small-to-medium enterprises under study is highly influenced by a number of factors which are liquidity, asset tangibility, size, retention rate, and non-debt tax shield. That's why great attention should be devoted to these factors, as this study shows that they are considered important determinants for capital structure decisions of Egyptian small-to-medium enterprises.