

**Research Title:** Determinants of Financial Leverage of Small Firms in Thailand

**Researcher:** Miss Kulkanya Napompech

**Institute:** Administration and Management College, King Mongkut's Institute of Technology,  
Ladkrabang

## **ABSTRACT**

In the process of running an operation, businesses must have capital, which has many sources and varying costs. In general, funds come from two main sources, which are borrowing and the owner's equity. The objective of this research is to study determinants of financial leverage of small firms in Thailand. Samples are small firms in sectors of manufacturing, construction and hotels, also having fixed assets less than 50 million Thai baht. Data used in this research are from 2007-2010 and are collected from the Department of Business Development. Multiple regression analysis is used to study Determinants of Financial Leverage. For small businesses in the manufacturing sectors, the total sample is 193. The results showed that profitability and size have negative impact on debts. Liquidity, risk and age have negative impact on debts of small businesses. For small construction enterprises, the total sample is 200. The results showed that profitability, liquidity and size have negative impact on firm debt while risk, growth, asset structure and age have a positive impact on debts. For small hotel enterprises, the total sample is 200. The results demonstrated that profitability and size have a negative impact on firm debt ratios, while risk and age have a positive impact on firm debt.

**Keywords:** financial leverage, capital structure, debt, small enterprises, small firms, construction, hotels, manufacturing, Thailand