FINANCIAL FLOWS, FINANCIAL STABILITY AND MANAGING THE CAPITAL STRUCTURE IN EMERGING COUNTRY

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Abstract: New financial flows and the development of fin-tech are making up different rules of managing the structural of company's capital. The globalization brings new views and acting of managers for using financial sources and rise of the company. So, capital structure is linked with financial market development, market conditions, availability of debt, type of industry sector as the control of managers. Capital structure is linked with company's success. Measuring the profitability of the company is not enough due to the fact that there are cases where profitable company does bankrupt. That is the reason in this paper to analyze the financing performance and successful managing of the financial (capital) structure in Macedonia. The companies (the sample in the survey) are divided on companies which have opened bankruptcy proceeding in 2021 and companies which haven't opened bankruptcy proceeding in 2021. The analysis of the survey is done by Chi-square test, T-test and Levene's test for equality of variances.
Keywords: Capital Structure, Debt, Equity Ratio, Chi-square test, T-test, Levene's test.

1. INTRODUCTION

Small and medium enterprise uses different type of financing source. The financial structure is mix of short-term and long-term sources. These sources are used for financing company's activities. In this way, the company formulates the way of financing the entire assets, so it has to have a certain amount of equity. Regarding this is very important managing the policy of capital structure taking into account the fact that capital structure includes management of own and borrowed long-term capital. When the company makes decisions about capital structure, it has to have also good management for investment, dividend policy and managing successful business strategy in the time of competitions.
New financial flows and the development of fin-tech are making up different rules of managing the structural of company's capital. The globalization brings new views and acting of managers for using financial sources and rise of the company. So, capital structure is linked with financial market development, market conditions, availability of debt, type of industry sector as the control of managers.
Capital structure in SMEs has different patterns for financial sources. The fact is that SMEs have limited options for financial sources available, thus making decisions by owner/managers in SMEs is different compared with large companies. Managers have the crucial role about making capital stricture policy. The success of this policy depends from managerial characteristic, debt, legal form, financial conditions and market. The financial preferences and managing of the company will depend from development of financial market. This affects the level of indebtedness and financing cost. Also, Cook (2001) concluded that level of country's development will be evident in a capital structure of SME – higher level of long term assets, higher share of family and friend's money, difficult access to finance and lower net working capital and liquidity ratios.

2. LITERATURE REVIEW

Theories about capital structure were created in the time of domination of large companies. But after that period, the focus was on small and medium enterprises and its number were growing up very fast. So, researchers began to investigate how SMEs conduct the policy of capital structure according their limited source for financing.
For example, Walker and Petty (1978) analyze the difference between financial management in SMEs and big companies. Hamilton and Fox (1998) investigate that agency costs are not so big for making capital structure decisions in small and medium enterprises. This research is upgraded by Norton (1991), measuring the effect of asymmetric information on capital structure decisions in SMEs.
Belak (2015) analyze the optimal capital structure of the company. He concludes that optimum is the purpose of procedures that will led the company to catch the most effective economic position of the assets and capital structure. This author also underlines that in his opinion, the share of total liabilities to total assets should not be higher than 50%. Carpenter and Petersen (2002) analyze the impact of financing sources on company's growth and development. They said that it is very difficult for small companies to obtain external sources of financing at acceptable conditions for the owner/manager of the company, so they used internal sources like loans from owner, long-term provisions, retained earnings. Beck and Demirguc-Kunt (2006) analyze the link between SMEs and

Table 2 indicates that relations between capital structure and open bankruptcy proceeding and relation between financial structure and open bankruptcy proceeding, are statistically significant.
The analysis of the survey continues with T-test and Levene's test for equality of variances.

Table 3. T-test and Levene's test for equality of variances.

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig.(2-tailed)	Mean difference	Std.Error difference	95% Confidence Interval of the Difference	
									Lower	Upper
Financial Structur	EVA[a]	8.158	0.005	-1.28	80	0.161	-159.67	178.28	-624.01	113.39
	EVNA[b]			-0.83	18	0.349	-159.67	268.26	-819.76	300.22
Capital Structur	EVA[a]	1.63	0.18	0.63	80	0.36	0.63	1.00	-1.15	2.61
	EVNA[b]			0.49	25	0.46	0.63	1.25	-1.70	3.16

Source: Author's calculation
[a]EVA – Equal Variances Assumed
[b]EVNA – Equal Variances Not Assumed

According T-test for Equality of Means and Levene's Test for Equality of Variances applied in Table 3 could be seen that between equity ratios of SMEs which belong to manufacturing or retail/wholesale business activities , there is statistically significant difference. Also, between LTD to Equity ratio of SME, there is no significant difference.

5. CONCLUSION

Capital structure is linked with company's success. Measuring the profitability of the company is not enough due to the fact that there are cases where profitable company does bankrupt. That is the reason in this paper to analyze the financing performance and successful managing of the financial (capital) structure.
Managing the policy of capital structure takes into account the fact that capital structure includes management of own and borrowed long-term capital.
From the values obtain in applied tests, could be concluded that financial and capital structure of the SME are significantly associated with the opening of bankruptcy proceedings. These kinds of SMEs are associated with high levels of debt and low capitals level. SME which has continuous business activity uses own resource for financing and it is more of the half of their assets value. Also this was confirmed from the above tests that there is statistically significant difference regarding financial and capital structure.
Having successful capital structure policy means that owner/manager of the SME must have to intensify the purpose – achieving optimal investments. Owners/managers of the SMEs have to use strategic management in ensuring continuous business activities, upgrading the value of the SME thus increasing the competitiveness. Also, very crucial thing is using different kind of financial sources but in the same adequate of the size and business activity of the company, as the market condition where company acts.

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