

Investigating Determining Factors of the Financial Structure in a Context of an Underdeveloped Financial Market: An Example of Cameroonian SMEs

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Abstract

This study examines the determinants of the financial structure in a context where the financial market is still embryonic. From a sample of 62 enterprises, the research carried out permit to highlight the fact that the financial structure in the small and medium size enterprises is more influenced by certain profile characteristics than others. Thus, the structure of shareholding, the size stated in terms of the number of employees and the nature of property, introduce a high discrimination between non rated enterprises and this with regards to the importance of their owned capital. Also, the importance of negative working capital and the speed of economic access explain the differences between group of enterprises from the point of view of financing equilibrium, as well as the distribution rate of the dividends and profitability which are reputed in explaining significantly the differences in the indebtedness rate as far as the SME of our sample are concerned.

Keywords: financial structure, owned capital, profile, working capital, debt rate

1. Introduction

SMEs (Small and medium sized enterprises) due to many constraints and variables including those relating to their specificities towards the theory of modern finance, and the supervisory system are unable to obtain funds that are able to meet with their expectations (Yassine, 2013). Thus, the question on the financing of the company understood as defining the proportion of debt and equity or preference for internal or external financing has always implied disputes and reflections (Desbrières & Dumontier, 1989, Harris & Raviv, 1991). In addition, the findings are not always approved by a majority of theorists and practitioners of modern finance (Colot & Croquet, 2007; Trahan & Gitman, 1995). These questions do not really have an explanatory theoretical framework that can be used here as an appropriate framework for decisions for firms (Ndoume, 2003).

If one recognizes that more than 80% of SMEs die during the first five years of their existence, and that one of the crucial reasons for this failure is probably still the problem of financing, it must also be recognized that a key factor to the success of SME is and remains the undisputed choice of a suitable financial structure, especially with Hirigoyen and Jobar (1989), it is no longer possible to make a dichotomy between financing decisions and investment choices. Reasons for the insufficiency in financing SME are not only numerous but they depend on the responsibility of enterprises and that of banks. In fact, as far as bankers are concerned, SME are too risky because of the insufficiency in owned capital and the important cost of their follow up (Fotsa, 2014). These factors do not plead in the favor of these enterprises for which banks do not always find any interest in financing them due to their lack of knowledge and experience on the work of proximity with the latter (Le Filleur, 2009). In this light, the transactional behavior of banks hampers the development of SME given that behaviors of banks are characterized by the imposition of guarantees of a tangible nature and the non renegotiation as the condition of loan, the increment of the interest rate of short termed loans and the preference for immediately profitable investments (Tioumagneng, 2012; Yassine, 2013). This is in opposition to the neoclassical financing theory of rationalization which based the decision of granting of loans by banks on the internal conditions of credit worthiness and profitability (Stiglitz & Weis, 1981). Consequently, the financial structure is partly determined by internal forces facing the monopoly of banks in terms of loans offers, internal factors and especially those related to the negotiating power of leaders permit them to control their politics of indebtedness themselves and to

undergo the opportunism of banks (Cordier & Sicsic, 1999).

In Cameroon, SME are a form of the most representative organization in the economic sphere, and the diversity of financial structures observed gives rise to the question on the rationality of the financing behavior of these firms. While the financial theory has gradually identified a whole series of internal determinants of the financing behavior of the enterprise, it also raised the importance or relevance of contextual and institutional differences. Moreover, these studies have focused, in most cases, on industrialized countries and in environments where there is a relatively efficient financial market and where financial systems are changing. Studies in this field in Africa are still non-existent or very few. It is inexorably that in this context the problem of maximizing of the value of the firm through a financing structure remains fully justified. In this sense, the search of explanatory factors of an optimum and proportional distribution between owned equity and borrowed fund still remains topical. However, several neo-classical and contemporary theories are much more built by highlighting factors that explain the financial structure and are still causing too much controversies and show inconsistencies in their adaptation to the case of SME. In fact, the classical approach of investment and financing which inspires the choice of a financing structure is developed in an accountant framework and lack a solid theoretical foundation. The theory of Miller and Modigliani since 1958 on its part is based on the concept of perfect market and depends on simplistic hypotheses. The first is difficult to be realized in a context of informational asymmetry and the second leads to a restriction of the reality of the maximization of the firm and of the double relation between the decision of financing and investment.

Moreover, if the empirical results generally observed most often seem to confirm the theoretical assumptions, only a few of them are orientated towards the test of an identified model (Rainelli-Le-Montagner, 1998). Therefore, the meaning and the sign of the impact of the determinants on the choice of a financial structure are not subject to a consensus.

From these multiple findings, one is entitled to ask himself a question like: what are the elements that at certain points, influence the choice of Cameroon SME between equity financing and/or borrowed funds, and especially in a context marked by the absence of a worthy financial market?

With regard to their specific characteristics, several questions are important for facilitating this research namely:

Are the factors affecting the choice of financial structure within Cameroonian companies related to their profile characteristics, operation or to certain levels of achievement in their performances? Which of these factors can help to explain differences in financial structure observed between these SME?

The purpose of this article is therefore based on the description of the interactions between the financial structure of a SME and elements helping to define it, or better, the analysis focused on the characteristic features of financing Cameroon SME.

2. Theoretical and Methodological Framework

This research is based on the deductive logic justified by the validation of a set of hypotheses. It is grounded on the verification and validation of a theoretical assumptions carefully constructed, based on the results of existing research in the field and in other contexts.

In general, the literature review suggests that the problem of choosing a financial structure is basically summarized in the definition of leverage or ratio between debt and equity in connection with the profile characteristics, operating business and profitability performance and growth of these latter. The assumptions used here are those which characterize the influence of these variables on the level of equity or debt of the companies concerned.

2.1 Basic Assumptions and Hypotheses

Different studies show that companies face difficulties and financial needs of nature and/or different intensities, depending on whether they are at one stage or another of their evolution. Studies of the National Fund for government contracts in France (1997) also show that the major problem of the survival of SME is related to financing, which is often associated with their age. From the empirical studies conducted by different authors, it is clear that there is a negative and statistically significant effect between firm's age and its level of financing debt (Bourdieu & Colin Sédillot, 1993; Johnson, 1997).

The company's age therefore appears as a factor likely to discriminate between Cameroonian SME, especially from the point of view of the proportion of equity in the global financial structure of these companies. In Cameroon as well as everywhere elsewhere, enterprises are financially constrained during the first five years covering their starting period. As time goes by, the profits become progressively important to supply their

self-financing and reserves and modify consequently the proportion of owned equity in connection with borrowed funds in their financing structure.

Moreover, the influence of the size of the firm on its debt level refers to extensive research. Empirical studies agree on the existence of a size effect on the financial structure. Many authors lead to a positive relationship between size (measured by turnover, the number of employees or total assets) and the use of leverage (Shuetrim et al., 1993; Bédué 1997; Gaud & Jani, 2002; Rajan & Zingales, 1995; Croquet et al., 2013) while others argue that the dosage between debt and equity depends to a large extent on the size (Dubois, 1985) or that this latter is negatively connected to the debt of very large companies (Malécot, 1982; Carpentier & Suret, 2000; Bourdieu & Sédillot, 1993; Johnson, 1997). In the same vein, Biaï et al. (1995) show that the relationship between bank loans and firm size evolves according to an inverted V shape, reflecting the fact that smaller and larger firms borrow less from banks than average firms. Following the previous authors, Scott (1976) argues that the mixing of debt and equity depends largely on size. However, Remmers et al. (1974); Fontaine and Njiokou (1996) conclude rather to a lack of a relationship between size measured by the turnover and use of leverage. Studies conducted in France reveal that, whatever the criterion and stratum of size taken, firms suffer from a lack of capital. Redis (2002) shows that large firms are more diversified than small ones and can assume greater financial risks and therefore are more leveraged than the first ones.

The influence of the industry on the financial structure has no clear theoretical justification (Bias et al., 1995). However, the industry is a first approximation of the risk of business activity (Dubois, 1985). Similarly, the importance of financing needs depends on the degree of capital intensity of the industry. Furthermore, the technical and economic features of an area are likely to influence the financial structure of firms that abounds. We can thus say that the proportion of equity held by the Cameroonian SME vary according to their industry.

In connection with the risk of default and the presence of information asymmetries, the variables measuring the importance of safeguards in companies' balance sheets (fixed assets, payroll expenses, tangible assets) are positively related to debt ratios (Dubois, 1985; Bourdieu & Colin Sédillot, 1993; Bédué, 1997; De Jong & Van Dijk, 1998). Since Cameroonian SME as others elsewhere face difficulties obtaining loans for lack of guarantees and collaterals, their access to financing is therefore limited because of the size effect which leads to some unfavorable prejudices. The diagram proposed by the supporters of the hierarchical theory of financing according to which the SME give priority first to self-financing then borrowing, can be best adapted to their mode of financing. The size is therefore presented as an indicator of financial constraints according to (Fazzari et al., 1988). Financial combination in a financing structure depends therefore on the size of the enterprise concerned.

In the last group of factors are the structure and nature of the property that rely this time on the theoretical framework of the agency, its influence on the financial structure based on the work of Jensen and Meckling (1976). Indeed, as and when ownership is dispersed, control costs, customs clearance and residual costs are rising faster than the cost of debts. It then results that, beyond a certain threshold of dispersion of capital, the company will use more lenders than new shareholders. In addition, Harris and Raviv (1988) and Stulz (1998) showed that debt is an anti-takeover measure because it affects the distribution of voting power between managers and passive investors. We can also learn from the literature review that the intensity of control has an influence on the allocation between equity and debt (Pioncelot, 1999; Njiokou & Fontaine, 1996). Indeed, firms that are controlled by a family, a group without affinity or by financial institutions, do not have the same potentials concerning the use of debt (Charreaux, 1991; Bourdieu & Colin Sédillot, 1993; Allouche & Amann 1995; Sassenou, 1996). So, can we say therefore in the case of Cameroon, that the importance of equities of a SME depends on the nature of its property on the one hand, the number of shareholders and the intensity of the control on the other hand?

Finally, the level of equities of Cameroonian SME depends on its profile characteristics (H1). Four Sub-hypothesis arises from this main hypothesis:

H_{1,1} The age or period of life influences the level of own funds in Cameroon SME.

H_{1,2} The size of the Cameroonian SME influences its level of equities.

H_{1,3} The proportion of owned capital held by the SME varies with its activity sector.

H_{1,4} The importance of equities of a SME varies, depending on the nature of the capital property.

Moreover, the financial problems of the company (including reduced size) must be reconciled with the characteristics of its operations. These latter have an influence on the financing needs and direct or indirect effect on the financial structure. Indeed, the rotation of the economic assets depending on whether it is fast or slow has

an impact on the capital assets in the company and on the profitability (Chakib El Fakhori, 1985). A period of high stock rotation highlights a need for additional funding that can generate discomfort and influence the financial equilibrium if an equity contribution is not made, or if desired, when there is a disproportionate use of a short-term debt. Thus, the working capital of the company varies with the speed of economic assets and/or its speed of rotation of stocks.

In addition, the duration of the intercompany trade credit can lead to significant needs of capital for SME. It then has an impact on self-financing and may explain its financial fragility. Thus, Hirigoyen (1982) highlighting the impact of intercompany credit on the cash flow capacity notes the existence of two groups of firms with different financing problems depending on the control or not of the intercompany credit: The working capital of the Cameroon SME depends on the duration of credit suppliers and customers. Moreover, the importance of the need for working capital can cause a situation of lack of equities on the one hand, due to the weakening of the cash flow that results, and on the other hand, because the coverage of this negative working capital, will prove all things being equal and therefore insufficient. The importance of this negative working capital can modify the financial structure and thus, the risk that the company faces (Malécot, 1982). It can therefore be assumed that the higher the negative working capital of a company, the more important is its working capital.

In view of the foregoing, we can retain the fundamental hypothesis that:

The importance of the working capital of the Cameroonian SME depends on its operating characteristics (H2). From this main hypothesis arises five sub-hypothesis:

H₂₋₁ The level of working capital of Cameroonian SME depends on the speed of its economic assets.

H₂₋₂ The level of working capital of Cameroonian SME vary with the speed of its rotation of stocks.

H₂₋₃ Working capital of Cameroonian SME depends on the duration of the supplier credit.

H₂₋₄ Working capital of Cameroonian SME depends on the duration of a customer credit.

H₂₋₅ The more need for negative working capital by a SME, the greater its working capital is increased.

However, it should be noted that many companies' decisions are made based on the positions of these latter towards the profitability and growth of their firms. Thus the decisions of the tax policy focused on the structure adopted by the company according to its profitability target, risk and growth.

Referring to the arguments of the theory of hierarchical financing, the most profitable companies should be characterized, all things being equal to a small debt level (Meyers, 1977). Conversely, according to the proponents of the theory of signal, banks will increase the borrowing capacity of the most profitable firms using profitability increased in the risk assessment of companies (Ross, 1977).

At the same time, the financial return being the product of economic profitability by its level of indebtedness, it therefore appears that the weight of this debt can magnify this profitability which leverage is the resultant (Dubois, 1985; Shuetrim et al., 1993; Nekhili, 1994; Sassenou & Mulkay, 1995; Bédué, 1997; Suret & Carpentier, 1999; Myers & Majluf, 1984) also postulates that the distribution policy is a signal of performance and acts in the same direction as profitability. Studies carried out in Cameroon by Mai Django and Tsapi (2013) on the determinants of the distribution of dividends and in a context of the embryonic financing market reveals that the shareholding concentration, the investment level and the total debt negatively affect the frequency of dividend distribution. On the other hand, profitability plays a key role on dividend distribution. Whatever the level of profitability of a firm, the debt is negatively correlated with the risk of activity (Leyland & Pyle, 1977).

Logically, the higher the cash flow of a company, the lower the indebtedness dependency of the latter to use debt to finance itself (Bourdieu & Colin Sédillot, 1993; Nekhili, 1994; Mulkay & Sassenou, 1995). This negative influence is also the case for profitability (Biasand et al., 1995; Rajan & Zingales, 1995; Kremp & Stöss, 2001; Gaud & Jani, 2002).

The rate of a firm growth as well as the investment opportunities impact the debt ratio of the firm because auto financing alone cannot ensure the financing of new investments. Therefore, Meyers (1977) showed that the tendency of shareholders' managers to avoid undertaking investment projects that only benefit creditors is even stronger than the growth opportunities are important. Similar results are obtained for firms experiencing significant growth (measured by the change in total assets, turnover or the investment rate) causing a strong need for financing (Carpentier & Suret, 2000; Shuetrim et al., 1993; Stöss & Kremp, 2001) although other authors note rather a negative influence on the growth rate of debt or not at all like Toy et al. (1974) and Rajan and Zingales (1995) or Gaud and Jani (2002) for growth opportunities or investments. We can deduce on the one hand, that the more the growth rate is high, the greater the debt rate and secondly, the level of investment

opportunities negatively affects the debt of Cameroonian SMEs.

The risk on activity can damage at the same time the profitability and growth of the company and tends to limit the borrowing because for a given level of debt, the risk of failure increases with the flow from the exploitation. This level of risk is moderated by the asset composition (Jensen & Meckling, 1976) and by the degree of asset specificity (Williamson, 1988) that also influences the firm leverage level. It also establishes the positive influence of tangibility of assets on the use of leverage of the firm (Shuetrim et al., 1993; Biais et al., 1995; Rajan & Zingales, 1995; Johnson, 1997; Gaud & Jani, 2002).

We can therefore expect that debt is negatively correlated with the risk of activity. This allows to state that:

The financial debt rate of Cameroonian SMEs is influenced by its performance history (H3). Five sub-hypothesis comes out from this main hypothesis:

H_{3,1} The indebtedness level of Cameroonian SME is influenced by their rate of profitability.

H_{3,2} The indebtedness level of Cameroonian SME is influenced by their rate of dividend distribution.

H_{3,3} The higher the growth rate, the stronger the rate of indebtedness.

H_{3,4} The level of investment opportunities negatively affects the debt of Cameroonian SME.

H_{3,5} Debt is negatively correlated with the risk of activity.

2.2 Methodology

The sampling frame and the sample, the data and analysis are the landmarks of this methodology.

2.2.1 Sample

Our study population only includes SME of the cities of Douala and Yaoundé. Several criteria exist in the literature review to define SME and most authors agree to recognize the primacy of quantitative ones. It is for this reason that we retain here the classification of Chakib (1985) which incorporates that of the Economic and Social Council of Cameroon and is as follows: Small size: 10-49 employees; Medium size: 50-150 employees; Large size: 151-250 employees. This means that the representative units of our sample are SME from the cities of Douala and Yaoundé which have a number of employees between 10 and 250. This criterion appears to be the easiest to identify in documents or to be declared by companies.

The sampling method used is non-random. However, it is difficult to conceive it in our context where there is rarely or not at all an exhaustive list of companies. Files are not always updated when they are founded. Our concern is the representativeness of units concerned hence we proceeded randomly to form a convenient sample.

Out of 102 companies surveyed, only 73 met the criteria for membership of the sample and finally 62 had been subjected to the study. It has the following characteristics:

Table 1. Sample characteristics

Criteria	Modalities	Number	Percentage
Age	0 to 4 years	9	14.5
	5 to 11 years	12	19.4
	More than 11 years	41	66.1
City	Douala	42	67.74
	Yaoundé	20	32.26
Number of employees	10 to 49 employees	30	48.4
	50 to 150 employees	25	40.3
	151 to 250 employees	7	11.3
Turnover	0 to 500 millions	12	19.4
	500 to 1 billion	24	38.7
	More than 1 billion	26	41.9
Legal form	Public limited company	30	48.4
	Private limited company	23	37.1
	Partnership, sole ownership	9	14.5
Industry	Trading	24	38.7
	Industry	26	41.9
	Service	12	19.4

Origin of the property	Family	25	40.3
	Friends without affinity group	17	27.4
	Professional group	20	32.3
Shareholder structure	1 to 4 partners	35	56.5
	5 to 8 partners	16	25.8
	More than 9 partners	11	17.7

Note. From the statistics based on our investigations.

2.2.2 Data and Analysis

The method of data collection used by the study is the questionnaire. It was administered in a kind of door to door process, facilitated by the grouping of units in industrial, port areas and shopping centers in the city of Douala. By cons, Yaoundé is characterized by a dispersion of representative units in our sample. The key questions are closed with the answers yes or no on the one hand or in the form of ranges on the other.

Assumptions made put together two types of variables, independent and dependent ones. They are diversified in nature and identified from many indicators and varied measures contained in the table below:

Table 2. Indicators and measures of variables

Variables	Nature	Indicators	Measurements
Profile characteristics	Independent or predictive variable	Age	Per bracket
		Size	Employee headcount or turnover
		Industry	Consistent with the classical distribution: Commerce, Industry, Services
		Ownership of capital	Majority shareholding by groups
		Shareholder Structure	Number of partners
		Legal form	commercial forms
Operating characteristics	Independent or predictive variable	Intensity of control	According to legal forms
		Rotation of economic assets	turnover / economic assets
		Time inventory turnover	Stocks*360/turnover
		Term credit providers	Accounts Payable* 360/Total Purchases
		Time of customer credit	Accounts Receivable* 360/turnover
Performance Characteristics	Independent or predictive variable	Importance of the negative working capital	Negative working capital / turnover
		Growth opportunities	Auto financing / Investments
		Rate of Dividend	Paid dividends / Total distributing
		Profitability	Net income / Total Assets
Financial structure	Dependent or explanatory variable	Rate of growth	Average turnover in 03 years
		Level of equities	Equity / Total Liabilities
		Working capital	Permanent capital / assets
		Rate debt	LMTD (long and medium term debts / Equity

Data are of primary nature. Indeed, three tests will be used to verify and validate the assumptions previously issued.

The Chi-squared test (X^2) is used to analyze the degree of association between variables of nominal kinds. It will firstly provide the relationship between characteristics profile, operation of the company and its financial structure, and secondly on the working capital of the sample firms.

A multivariable analysis will also be conducted using a multiple regression and a discriminant analysis. Indeed, the regression with the tests of Student and Durbin-Watson allow us to refine the analysis by establishing significant correlations between the different explanatory variables described above and the financial structure variables which are the level of equity, the Working Capital Fund and the financial debt.

Discriminant analysis in turn, highlights the most significant variables that distinguish SME experiencing

deficiency in equity to those experiencing sufficient funds, then the elements of the operation that show performances and discriminate SME depending on their attach to the debt or not.

3. Characteristics Features and Decisive Factors of the Financial Structure of Cameroonian SME

The results presented are derived from two types of analysis: a one-dimensional and the other multidimensional

3.1 A Univariable Analysis of the Characteristics of the Financial Structure of Cameroonian SME

Univariable analysis search through Chi-square tests, significant relationships between the different variables of profile characteristics, operation and performance history on the one hand and the financial structure of firms on the other one.

3.1.1 The Relationship between Level of Capital and the Firm's Profile

Table 3. Results of chi-square Level of capital * profile characteristics

Profile Characteristic	Df	Chi-square	Phi	Coefficient of contingency (C)	Significance
Age	1	4.585	-0.272	0.262	0.032**
Size (effective number)	1	4.623	0.273	0.263	0.032**
Size (Turnover or sales)	1	0.006	0.009	0.009	0.941
Industry	2	4.472	0.269	0.259	0.107
Ownership of capital	2	8.610	0.373	0.349	0.014**
Shareholder structure	1	22.808	0.611	0.522	0.000**
Control intensity (Legal form)	2	3.862	0.249	0.241	0.147

Note. ** Significant value (SPSS output version 12.0).

The results of khi-square in this first case revealed at 5% significant value a link between age and average intensity (negative), size (measured by the number of employees), the ownership of capital and the shareholder structure, and the level of capital held by the Cameroonian SME. On the contrary, there is no connection between the size (measured by sales), the intensity of control and the industry (not significant), and the same level of equity. These results are consistent with those obtained in other contexts, namely, that of French listed companies (Redis, 2004) and Moroccan SME (Shakib, 1985) at least for the age, size and industry.

3.1.2 The Impact of Operating Characteristics on the Financial Structure of SME

The different crosses made reveal the following relationships:

Table 4. Chi-Square results-capital fund * operating characteristics

Operating Characteristics	Df	Chi-square	Phi	Contingence Coefficient (C)	Significance
Rotation of economic assets	2	12.205	0.444	0.406	0.002**
Inventory Turnover	2	0.97	0.127	0.126	0.607
Term supplier credit	2	5.984	0.311	0.297	0.050**
Duration of customer credit	2	1.631	0.162	0.160	0.442
Importance of NWC (Negative working capital)	2	13.654	0.469	0.425	0.001**

Note. **Significant value (SPSS output version 12.0).

The test results in this second case establish a significant link between the capital and the rotation of economic assets on the one hand, and the importance of the operating working capital on the other hand. However, it does not conclude on a significant relationship between the capital and the rate of inventory turnover on the one hand and duration of customer credit on the other hand. Nevertheless, it has very little significance on the duration of supplier credit. These results do not support arguments with Redis (2004) and those of other authors like Dubois (1985) who used the same indicators in the French context and made the existence of the credit provider a means of financing for companies and the opportunities they have, whether to invest funds obtained by rapidly trading financial assets or to invest in fixed assets. This explains on their part, a negative correlation between capital guarantees and debt rate.

3.1.3 Duality of Financial Debt Rate-Performance History of SME

Table 5. Chi-square results rate of financial debt * performance history

Performance Characteristics	Df	Chi-square	Phi	Contingence Coefficient (C)	Significance
Investment Opportunities	1	3.119	-0.224	0.219	0.077
Rate of Dividend Distribution	1	12.917	-0.456	0.415	0.001**
Profitability	1	5.175	-0.289	0.278	0.023**
Rate of growth	1	0.524	0.092	0.092	0.469
Degree of default risk	1	1.281	0.144	0.144	0.258

Note. ** Significant value (SPSS output version 12.0).

It results from this third case of crossover that there exists a significant and highly significant link between profitability, rate of dividend distribution on the one hand and the level of debt on the other one respectively. On the contrary, the test leads to an irrelevant relationship between investment opportunities and debt levels, and a lack of connection with the growth rate and default risk. These predictions are similar to those made by Redis (1984) on French companies, but contradictory to the respective relationships between growth rate, default risk and debt of Cameroonian SME.

At this level of study, the financial structure was analyzed on a one-dimensional angle. The various combination tests made led to a number of significant relationships that confirmed or refuted our hypothesis. But we must recognize that the choice of capital structure is a multidimensional problem which is necessary for further research of the determinants.

3.2 A Multivariate Analysis of the Determinants of the Financial Structure of Cameroonian SMEs

It implements a multiple regression analysis on the one hand and on the other one by discrimination.

3.2.1 A Comprehensive Explanation by Elimination: A Multiple Regression Analysis

Three models are built for this purpose corresponding to each of the measures of the dependent variable (financial structure), which are: the level of capital, working capital and the rate of financial debt. The method consisted of introducing step-by-step the different explanatory variables and retain only those that improve the percentage of contribution.

The explanatory model of the level of capital covers (Equities):

Table 6. Summary of equities regression and profile characteristics

Model	Introduced variable	R	R ²	Variation of R ²	F	Significance	t	Significance	B	Durbin-watson
1	Shareholder Structure	0.595	0.354	0.354	32.903	0.000	5.736	0.000	0.531	
2	Shareholder Structure	0.618	0.464	0.110	25.555	0.000	6.549	0.000	0.560	DWcal= 2,208 above value=1,77
	Size (numbers of employees)						3.480	0.001	0.297	
3	Shareholder Structure	0.719	0.517	0.052	20,660	0.000	6.668	0.000	0.547	
	Size (number of employees)						3.577	0.001	0.293	
	Ownership of capital						-2.509	0.015	-0.121	
	Theoretical values				2.17		2.00			

Note. SPSS output version 12.0.

The introduction of explanatory variables of the company's profile improves the percentage of explanation of the variation in the level of equities from 35.4 to 51.7% in step 3. There is a strong correlation of about 71.9% (R value) between the variables. From this adjustment, it appears that the shareholder structure, the size of the firm measured by number of employees and capital ownership terms contribute respectively 35.4%, 11% and 5.2% to the variation of the level of capital.

The model is statistically satisfactory, since the theoretical values of F and T are lower than those calculated and a significant probability of zero and less than 0.05 in all three steps of the model. The Durbin-Watson test shows that there is no self-correlation between the model's errors ($D_{wcal} = 2.208 > 1,77$). So, the shareholder structure, the size measured in terms of enrolment and ownership of capital constitute profile variables which are susceptible to influence the financial structure of Cameroonian SME. The Chi-square test permit to validate sub-hypothesis H_{1-1} , while the regression analysis confirms those of sub-hypothesis H_{1-2} and H_{1-4} , but rejects that of sub-hypothesis H_{1-3} .

This multiple regression models at step 3 can be written as follows:

$$Y = 0,293X1 - 0,121X2 + 0,546X3 + \epsilon \quad (1)$$

where:

$Y =$ Level of equities, $X1 =$ Shareholder structure, $X2 =$ Size (number of employees), $X3 =$ ownership of capital, $\epsilon =$ the error term.

The regression model of the working capital (WC)

Tableau 7. Summary of working capital regression and profile characteristics

Model	Introduced variable	R	R ²	Variation of R ²	F	Significance	t	Significance	B	Durbin-watson
1	Speed of economic assets	0.440	0.194	0.194	14.426	0.00	-3.798	0.000	-0.832	
2	Speed of economic assets	0.559	0.312	0.119	13.409	0.00	-3.432	0.001	-0.712	DWcal=1.996 above value=1.77
	Importance of NWC						-3.191	0.002	-0.614	
	Theoretical values				2,37					

Note. SPSS output version 12.0.

Through the same process, we note that the share of the working capital explained by the operating characteristics is quite low (31.2%), the rate of economic assets contributing to 19.4% against 11.9% for the importance of the negative working capital. Despite a good correlation ($R = 0.559 > 0.5$), an analysis of variance shows that the adjustment is not of good quality because the working capital is only very little explained by the said variables ($R^2 = 0.312 < 0.5$). The Fisher-Snedecor test however shows that the model is globally significant and that of T-student allows us to see that the variables are also significant. There is no error and self-correlation between their terms. In this way, the importance of the working capital of Cameroonian SME depends on the speed of economic access and the importance of negative working capital. The Chi-square test validate sub-hypothesis H_{2-3} , while the regression analysis confirms those of sub-hypothesis H_{2-1} and H_{2-5} but rejects those of sub-hypothesis H_{2-2} and H_{2-4} .

This implies the regression models below at step 2

$$Y = -0,712 X1 - 0,614 X2 + \epsilon$$

Where: $Y =$ working capital, $X1 =$ Speed of economic assets, $X2 =$ Importance of NWC, $\epsilon =$ the error term

The regression model of financial debt.

Tableau 8. Summary of financial debts and growth characteristics

Model	Introduced variable	R	R ²	Variation of R ²	F	Significance	t	Significance	B	Durbin-watson
1	Rate of dividend distribution	0.456	0.208	0.208	15.790	0.00	-3.974	0.000	-0.482	DWcal= 2.061 above value= 1.77
2	Rate of dividend distribution						-3.815	0.000	0.53	
	Profitability	0.516	0.265	0.057	10.627	0.00	-2.129	0.037	-0.123	

Note. SPSS output version 12.0.

The regression results highlight the fact that the history of performance explains very weakly the variations of the rate of financial debt (26.5% of explained variance) of the sampled firms. Although the model is statistically very significant, the T Student's test led to reject several variables and only the rate of dividend distribution (20.8%) and profitability (5.7%) are significant. These results have already been obtained for the French case by Redis (2004) and Morocco by Chakib (1985). It emerges from this that the level of financial indebtedness of Cameroonian SME is influenced at the same time by the rate of distribution of dividends and by its profitability. The results of the Chi-square test and those from the regression analysis confirm the validation of the sub-hypothesis H₃₋₁ and H₃₋₂, while those of sub-hypothesis H₃₋₃, H₃₋₄ and H₃₋₁ are rejected.

So, the equation model can be written as follow:

$$Y = -0,453 X1 - 0,123 X2 + \epsilon$$

Where: Y= Financial debt, X1= Rate of dividend distribution, X2= Profitability, ϵ = the error term.

3.2.2 A Classification Test Based on the Most Significant Variables: A Discriminant Analysis

From a partition, we distinguish three cases according to our assumptions. First, we look at the profile elements that distinguish SME experiencing a deficiency in capital cover from those experiencing sufficient funds, secondly, the operating elements that make the operation more aware or not of the minimum financial equilibrium and at last in order to detect a history of performance that discriminates SME according to the great importance they attach to financial debt or not. The discriminant analysis conducted through a step by step statistics produced the following results:

Discrimination in terms of adequacy or not of capital cover:

It appears from Wilks' Lambda test and from the summary of discriminant functions (Table 9) that only variables such as the share holder structure, and in the least measure the size and the ownership capital, are subject to discrimination between enterprises in situation of insufficiency and sufficiency of funds.

Table 9. Summary of canonical discriminant functions of profile variables

Variables explicatives	Matrix of structure	Fisher discriminant function	
		Insufficiency of Equities	Sufficiency of Equities
Shareholder Structure	0,716	-8.907E-02	5.413
Size (employee numbers)	0.275	1.009	3.956
Ownership of capital	-0.273	1.848	0.634
Turnover	0.191		
Legal form	0.114		
Activity domain	-0.068		
Age	0.045		
Constant	/	-2.037	-3.931

Note. SPSS output version 12.0.

According to this summary table, only the shareholder structure, the size and ownership of capital can introduce discrimination between sufficiency and insufficiency of equities. The coefficient of the Fisher discriminant function indicates that firms in situation of insufficiency of equities are more influenced by their size and the ownership of their capital, whereas those in situation of sufficiency are highly influenced by the shareholder

structure and their size.

The final ranking table indicates that 90.3% of the original observations are correctly classified, which reflect the quality of the selected criteria (see appendix).

Discrimination in terms of compliance or not of-financial equilibrium. The table presents the results of the Fisher discriminant function:

Table 10. Summary of canonical discriminant functions variables financial equilibrium

Explanatory variables	Matrix structure	Fisher discriminant Function	
		Non-respect of the financial equilibrium	Respect of the financial equilibrium
Importance of NWC (Negative working capital)	0.741	2.768	2.744
Duration of customer credit	0.316		
Speed of rotation of economic assets	0.680	4.613	3.667
Duration of customer credit	-0.036		
Inventory turnover	-0.032		
Constant		-3.811	-3.160

It is clear from this table that the importance of NWC (Negative working capital) and the speed of rotation of economic assets are the two most significant variables that explain the differences between business groups. The discriminant function shows that a third group has been formed, but did not have any signification because the Wilks Lambda value is too high. The classification results show that in adopting these conclusions we notice that 74.2% of the original observations have been highly ranked in their respective groups as indicated by the results (in appendix).

Discrimination with respect to privilege for financial debt:

In the latter case of discrimination, the rate of dividend distribution and the rate of return of the company explain most significantly differences in financial debt ratio of SMEs in our sample as indicated by the results of following table.

Table 11. Summary of canonical discriminant functions of the importance of debt

Explanatory variables	Matrix structure	Fisher discriminante Function	
		Little importance	Great importance
Distribution rate	0.865	2.7701	0.256
Profitability	0.503	1.078	3.395
Growth rate	-0.237		
Investment opportunities	0.69		
Degree of risk	0.003		
Constant		-1.822	-0.764

In this case, the rate of dividend distributed and profitability are reputed to explain significantly differences of financial debt rate of SME of our sample.

The coefficients of Fisher discrimination function highlight the fact that SME which attach little importance to the financial debt are guided largely by the rate of dividend distribution, then their profitability, while those that attach great importance to the financial debt are almost always by their rate of return.

As in the previous case, the reclassification is performed at 74.2%.

4. Conclusion and Discussion

Overall, the univariable analysis allowed us to initially establish that the age, the nature of ownership, shareholding structure, size of the workforce are the characteristic profiles of Cameroonian SME that may influence the level of capital, the intensity of control and the activity sector having no impact on the latter. These results confirm those of Ziane (2004) who suggests that the life span representative of informational capital of

the company on the market of debt pushes it to have resort to debt than on self-financing of Dubois (1985) and Charreaux (1991) who attribute the privilege of self-financing in order to guarantee the independence of SME which are predominantly linked to the family. Also, the financial position of a firm can be explained better by the structure of its accounts belonging to a specific sector. On the contrary, the more shareholding is diffused, the more firms use debts to solve the problems of conflict. This can be demonstrated by the almost absence of control costs in the Cameroonian environment. Indeed, SME do not lend or lend little to the opening of the capital and are mostly one-person companies (SARL and PLCs) thus distorting the data on intensity control and definition of legislative bodies although OHADA took care to specify the different levels of control.

However, contrary to the agency's theory, there is a positive relationship between the level of owned capital and ownership structure, because the more ownership is diffuse, the more Cameroonian SME use owned funds. Everything suggests that these entities are far from suffering control costs due to a large number of shareholders, which is contrary to Jensen and Meckling proposals.

Therefore, working capital depends mainly on the speed of economic assets and on the importance of negative working capital. These results have also been obtained already by Chakib (1985) in Moroccan SME, by Malécot (1982) in the process of failure of SME. However, the importance of credit supplier in the decision of the resorting or not to owned capital is logical, given the importance that many of them give to credit between companies.

Moreover, the rate of dividend distribution, and the rates of return are the antecedent variables of performance that negatively affect on the financial indebtedness of these companies and enable their behavior to be qualified as pecking order (Myers & Majluf, 1984). These results reinforce the positions of the pecking order theory (the more a company pays, the more it borrows) and precludes to considerations of the theory of signal that expresses that the rate of return and distribution are signals sent to lenders that increase the borrowing capacity of their clients.

These first analyses allow us to draw conclusions on the verification of assumptions made above. In a second step, the integration of multivariable analysis deepened relations already highlighted and corrected errors in the predictions.

It appears from the Fisher and Wilks' Lambda validation tests that the ownership structure, the size of the company measured in quantity, capital ownership, the speed of economic assets, the importance of negative working capital, the rates of profitability and dividend distribution are the most significant determinants of financial structure of Cameroonian SME. The first three profile characteristics allow for a clear classification between Cameroonian SME according to their level of capital. Thus, those companies in a situation of insufficient funds will be influenced by their size and capital ownership, while those living in sufficiency undergo an extensive influence of their ownership structure and size. The speed of economic assets, the importance of working capital may also explain the differences between SME that meet the minimum or non-financial balance, as well as the rate of dividend distribution and profitability remain the two variables that explain the differences in financial debt rate between Cameroonian SME.

Table 12. Summary of the results of validation of hypotheses

Key assumptions	Sub- hypotheses	Verification
The level of equity in the Cameroonian SME depends on its profile characteristics	The age or period of life of the SME influences the level its own funds	Verified
	The size of the Cameroonian SMEs positively influences the level of capital cover	
	Size measured in terms of quantity	Verified
	Size measured in terms of turnover	Rejected
	The proportion of capital cover held by the company varies with its activity sector	Rejected
	The importance of capital cover of a SME varies depending on the nature of the property on the one hand, the number of shareholders and the control intensity on the other hand	Verified Rejected
The debt rate of the Cameroonian SME is influenced by its performance history	The indebtedness level of Cameroonian SMEs is negatively influenced by their rate of profitability on the one hand dividend distribution on the other	Verified Verified
	The higher the growth rate, the stronger the rate of indebtedness	Rejected
	The level of investment opportunities negatively affects the debt of Cameroonian SMEs	Rejected

	Debt is negatively correlated with the risk of activity	Rejected
	The level of working capital of the company varies with the speed of rotation economic assets and / or speed of rotation of stocks	verified
		Rejected
The importance of working capital of Cameroonian SME depends on its operating characteristics	working capital of Cameroonian SMEs depends on the duration of the supplier credit and customer credit	Verified
		Rejected
	The more need for working capital by a company, the greater its working capital is increased	Verified

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Appendix

ANOVA^d

Model		sum of Square	df	Mean square	F	Signification
1	Régression	4,370	1	4,370	32,903	,000 ^a
	Résidu	7,969	60	,133		
	Total	12,339	61			
2	Régression	5,727	2	2,863	25,551	,000 ^b
	Résidu	6,612	59	,112		
	Total	12,339	61			
3	Régression	6,374	3	2,125	20,660	,000 ^c
	Résidu	5,965	58	,103		
	Total	12,339	61			

Note. ^a Predicted values: (constants), shareholder structure; ^b Predicted values: (constants), shareholder structure, Size (number of employees); ^c Predicted values:(constants), shareholder structure, Size (number of employees), capital ownership; ^dIndependent variable: importance of Equities (Equities/Total debt).

ANOVA^c

Model		sum of Square	df	Mean square	F	Signification
1	Régression	9,129	1	9,129	14,426	,000 ^a
	Résidu	37,968	60	,633		
	Total	47,097	61			
2	Régression	14,718	2	7,359	13,409	,000 ^b
	Résidu	32,379	59	,549		
	Total	47,097	61			

Note. ^a Predicted values: (constants), speed of economics assets; ^b Predicted values: (constants), speed of economics assets, importance of negative working capital; ^cIndependent variable: Working capital.

ANOVA^c

Model		sum of Square	df	Mean square	F	Signification
1	Régression	3,065	1	3,065	15,790	,000a
	Résidu	11,645	60	,194		
	Total	14,710	61			
2	Régression	3,896	2	1,948	10,627	,000 ^b
	Résidu	10,814	59	,183		
	Total	14,710	61			

Note. ^a Predicted values: (constants), Rate of dividend distribution.

^b Predicted values: (constants), Rate of dividend distribution, profitability.

^c Independent variable: Financial debt rate.

Table 1. Results of reclassification^a

IMPORTANCE OF EQUITIES

	Classe(s) d'affectation prévue (s)		Total
	Insufficiency of capital cover	Sufficiency of capital cover	
Importance of equities cover (Equities/Total debt)			
Original Quantity Insufficiency Of capital cover	17	0	17
Sufficiency of Cover capital	6	39	45
%Insufficiency Of capital cover	100.0	0	100.0
Sufficiency of Cover capital	13.3	86.7	100.0

Note. 90.3% of original observations classified correctly.

Table 2. Results of reclassification^a

FINANCIAL DEBT

Financial debt rate	Class(es) of scheduled assignment (s)		
	Low rate of financial debt	Medium to high rate of financial debts	Total
Original Quantity Low rate of financial debt	27	11	38
Medium to High rate Of financial debt	5	19	24
% Low rate of financial Debt	71.1	28.9	100.0
Medium to high rate Of financial debt	20.8	79.2	100.0

Note. 74.2 original observations classified correctly.

Table 3. Results of reclassification^a Respect of financial equilibrium

Working capital	Class(es) of scheduled assignment (s)			Total
	Non respect of Financial equilibrium	Respect of Financial equilibrium	2	
Original Quantity non respect of the minimum financial equilibrium	35	5	2	42
Respect of the minimum Financial equilibrium 2	2	1	10	4
% non-respect of the minimum financial equilibrium	83.5	11.9	4.8	100.0
Respect of the minimum Financial equilibrium 2	50.0	25.0	62.5	100.0

Note. a. 74.2 original observations classified correctly.

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