

## SMALL AND MICRO ENTERPRISE OWNERS' CHARACTERISTICS AND THEIR IMPACT ON CAPITAL STRUCTURE

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### ABSTRACT

Small and Medium Enterprises (SMEs) use different sources of financing some of them emerging to be a challenge to the performance of the SME since most SME owners lack necessary knowledge on which sources of finance to enhance financial performance, one of the essential elements is financing. Businesses need finance for their expansion, production, innovation, growth and development. For SMEs to survive and grow, access to debt finance is critical. Owners' characteristic is an important determinant of finance options among SME. The aim of this study was to determine the SME owners' characteristics and their impact on capital structure adopted. The research analyzed the effect of SME owners' self efficacy on capital structure, SME owners' Overconfidence on capital structure and the effect SME owners' social network on capital structure. The study was informed by Human capital theory. Explanatory research design was adopted and the target was 295 SMEs which are registered as companies within Thika town in Kenya. Stratified random sampling technique was used to select a sample size of 170 SMEs. Secondary data was collected from financial records of SMEs and structured questionnaires were used to collect primary data. Descriptive statistics specifically mean and standard deviation, and inferential statistics such as Pearson correlation coefficient and multiple regression model were used in data analysis. The study findings provide insight on the best components of capital structure that SMEs can employ to improve their financial performance.

**Keywords:** Self Efficacy, Overconfidence, social network and Capital Structure.