

FACTORS AFFECTING THE DEBT USAGE OF MANUFACTURING COMPANIES CASE OF ALBANIA

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ABSTRACT

During the recent years, there has been a growing interest in identifying the factors influencing debt financing within companies. Based on the materials found in companies part of the manufacturing sector, there are examined main factors that affect the degree of debt utilization within different corporations. Debt financing is mainly focused towards short-term liquidity needs. The manufacturing sector mostly needs debt financing in its starting phase of the business because of the technologies it has to incorporate and the modern equipments it needs to have to carry out the company's mission. Difficulties in finding sources of funding have been presented as a problem that accompanies Albanian companies. Since we already have consolidated businesses, funding sources are not only necessary in starting a business, they are also very important in the growth of an entity as well as in financing long-term projects or investments. It is very important to identify the main factors that affect the debt usage. Debt utilization rate is based on a thorough analysis in order to have more benefits from this way of financing than to pay more for the sources of funds. This paper will address the factors that influence the rate of usage of borrowed funds in Albanian companies which are part of the manufacturing sector. Factors influencing the choice of debt financing remain defined despite the various theoretical literatures. There are a number of general factors that have an impact on all entities regardless of the sector they belong to, then depending on the sector we have the most influential great and decisive ones.

Keywords: Capital structure, debt level, leverage ratio, manufacturing companies.