

Online Appendix

Capital Structures of Small Family Firms in Developing Countries

Appendix A. Firm Observation by Country and Region

This table presents the composition of firm observations for each country and region in the sample. Small reports firms less than 50 employees. Medium employs 51 to 500 employees. while large firms have more than 500 employees. Private are privately held companies and listed are publicly held firms. AFR stands for the African Region. EAP symbolizes the East Asia and Pacific region. while LCR is for the Latin America and Caribbean region. MNA stands for the Middle East and North Africa region and SAR is for the South Asian region.

	Years	Total	Small	Medium	Large
<i>AFR</i>		<i>3.444</i>	<i>1.636</i>	<i>1.490</i>	<i>318</i>
Ethiopia	1999-2001	1.091	831	195	65
Malawi	2003-2004	233	98	111	24
South Africa	2000-2002	1.370	373	820	177
Tanzania	2000-2002	355	211	131	13
Zambia	1999-2001	395	123	233	39
<i>EAP</i>		<i>3487</i>	<i>1097</i>	<i>1588</i>	<i>802</i>
Cambodia	2001-2002	181	164	11	6
Indonesia	2000-2002	1.442	431	568	443
Philippines	2000-2002	1.864	502	1.009	353
<i>LCR</i>		<i>10.148</i>	<i>6.065</i>	<i>3.594</i>	<i>489</i>
Brazil	2000-2002	4.232	2.244	1.795	193
Chile	2002-2003	1.793	1.000	663	130
Ecuador	2000-2002	756	437	301	18
El Salvador	2000-2002	676	418	222	36
Guatemala	2000-2002	751	495	218	38
Guyana	2002-2003	273	229	42	2
Honduras	2000-2002	717	497	173	47
Nicaragua	2000-2002	757	618	121	18
Peru	1999-2001	193	127	59	7
<i>MNA</i>		<i>2.309</i>	<i>1.158</i>	<i>1.048</i>	<i>103</i>
Morocco	2001-2003	2.006	901	1.002	103
Oman	2000-2002	143	100	43	0
Syria	2000-2002	160	157	3	0
<i>SAR</i>		<i>8350</i>	<i>3387</i>	<i>3653</i>	<i>1310</i>
Bangladesh	1999-2001	780	246	426	108
India	1999-2001	3.868	767	2.206	895
Pakistan	1999-2001	2.764	2.094	625	45
Sri Lanka	2001-2003	938	280	396	262
Total		27.738	13.343	11.373	3.022

Appendix B. Variable Definitions

Variables	Definition	Data source
Firm level variables		
Leverage	Ratio of total liabilities to total assets	Investment Climate Survey. World Bank
Ltdebt	Ratio of long-term liabilities to total assets	Investment Climate Survey. World Bank
Stdebt	Ratio of short-term liabilities to total assets	Investment Climate Survey. World Bank
Tangibility	Ratio of fixed assets to total assets	Investment Climate Survey. World Bank
Profitability	Ratio of earnings before interest and tax divided by total assets	Investment Climate Survey. World Bank
Small	Dummy variable = 1 if the employees are less than 50	Investment Climate Survey. World Bank
Large	Dummy variable = 1 if the employees are more than 500	Investment Climate Survey. World Bank
Family	Dummy variable = 1 if the firm is owned by an owner or family	Investment Climate Survey, World Bank
Family managed	Dummy variable = 1 if the firm is managed by the owner	Investment Climate Survey, World Bank
Outside manager	Dummy variable = 1 if the firm is not managed by the owner	Investment Climate Survey, World Bank
Economic environment variables		
GDP/Cap	Log of real gross domestic product per capita of the country	World Development Indicators. World Bank
Growth rate	GDP growth rate of the country	World Development Indicators. World Bank
Inflation rate	The ratio of GDP in local currency to GDP in constant local currency.	World Development Indicators. World Bank
Interest rate	The lending interest rate of the country	World Development Indicators. World Bank
Financial environment variables		
Corruption	Index of control of corruption. scale -2.5 to 2.5. Higher values mean better governance.	Worldwide Governance Indicators. World Bank
Civil law legal system	Dummy variable = 1 if the legal origin of a country is based on the civil law.	La Porta et al. (1998)
Dbacba	Ratio of deposit money bank assets to deposit money bank assets plus central bank assets	Financial Development and Structure Dataset. World Bank
Stockmarket	Dummy variable = 1 if a country has a stock market or an active stock market.	Financial Development and Structure Dataset. World Bank
Turnover	Ratio of the value of total shares traded to market capitalization	Financial Development and Structure Dataset. World Bank

Appendix C. Industry Classification

<u>Industry</u>	<u>Number of Firms</u>
Agroindustry	503
Auto and auto components	986
Beverages	266
Chemicals and pharmaceuticals	2646
Construction	63
Electronics	1613
Food	4299
Garments	5445
Hotels and restaurants	19
IT services	526
Leather	1170
Metals and machinery	2182
Mining and quarrying	41
Non-metallic and plastic materials	1037
Other manufacturing	378
Other services	48
Other transport equipment	34
Other unclassified	27
Paper	290
Retail and wholesale trade	14
Sport goods	132
Textiles	3344
Transport	12
Wood and furniture	2626
<u>Total</u>	<u>27701</u>

Appendix D. Correlation Coefficient

Correlation	Leverage	Tangibility	Profitability	Small	Large	GDP/Cap	Growth rate	Inflation rate	Interest rate	Corruption	Civil law legal system	Dbacba	Stockmarket	Turnover
Leverage	1.000													
Tangibility	-0.232	1.000												
Profitability	-0.035	-0.019	1.000											
Small	-0.273	0.104	-0.056	1.000										
Large	0.134	-0.049	0.056	-0.337	1.000									
GDP/Cap	0.088	-0.122	0.006	0.022	-0.084	1.000								
Growth rate	0.071	-0.019	-0.020	-0.107	0.067	-0.516	1.000							
Inflation rate	-0.074	0.047	0.035	0.025	-0.004	0.038	-0.367	1.000						
Interest rate	0.001	0.016	0.082	0.042	-0.083	0.416	-0.449	0.238	1.000					
Corruption	0.135	-0.182	-0.028	-0.018	-0.049	0.693	-0.094	-0.187	0.060	1.000				
Civil law legal system	0.010	-0.053	-0.036	0.127	-0.087	0.490	-0.449	-0.153	0.279	0.211	1.000			
Dbacba	0.072	0.002	-0.049	-0.139	0.118	-0.501	0.431	-0.169	-0.692	-0.446	-0.397	1.000		
Stockmarket	0.209	-0.126	0.051	-0.212	0.072	0.327	-0.131	0.157	0.105	0.187	-0.252	0.029	1.000	
Turnover	-0.082	0.032	0.035	-0.011	0.037	-0.395	0.396	0.217	-0.259	-0.269	-0.632	0.256	0.230	1.000

Appendix E. VIF test

	VIF test
Tangibility	1.17
Profitability	1.02
GDP/Cap	4.90
Growth rate	1.81
Inflation rate	1.29
Interest rate	3.05
Corruption	5.12
Civil law legal system	2.42
Dbacba	3.94
Stockmarket	1.86
Turnover	2.56
