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Analysis of debt financing in Polish companies

Abstract

The aim of the research is to analyse various forms of debt financing used by Polish companies. Besides, issues related to corporate growth have been examined. The paper presents answers to the number of research questions and verifies the stated research hypotheses.
The conducted empirical research has confirmed to a great extent the findings of previous analyses presented in the examined literature. The relation between entity size and debt financing use has been proved. The bigger a company is, the more often debt is used, and the wider variety of debt forms the company reaches for. The connection between debt financing used for investment purposes and the stage of the company's life cycle has been shown as well. Recently. debt (mainly investment loans) has been used more frequently, especially for investments. The statement that joint-stock companies have better access to debt financing than companies with other legal forms should also be supported. Consequently, these types of firms use debt more often and choose its more complex forms. Another relation indicated in the research is the positive connection between debt use and the improvement in the general financial situation of the company within the last 3 years.

Keywords: debt financing, debt determinants, capital structure, corporate growth
JEL classification Codes: G3, G320, O16

Introduction

Capital needed to finance current business needs as well as investments can be obtained from various sources and in various forms. It can be divided based on its origin. Two main sources of capital can be distinguished here – external and internal.

External financing includes money and physical capital which can take various forms, excluding sales revenue. External financing can be further divided into external own and external borrowed capital.

External own financing depends on the legal form of a company. It can include e.g., a share, a stake, a subsidy, or other form of contribution. One of the main characteristics of this type of financing is the fact that it is generally obtained for an indefinite period. As a consequence, ownership relations are created, which means the right to participate in profits but also the obligation to cover losses in the company.

External borrowed capital can take various forms, e.g., it can be obtained in the financial or commodities markets or as a particular form of financing. Its main characteristic is the fact that it is provided to a company for a limited period, and it has to be returned on the agreed date. As a rule, interest has to be paid on the borrowed capital.

Internal financing includes obtaining funds by assets transformation or by capital accumulation. This happens mainly as a result of earned sales income. It is a conversion of a material form into a monetary form within assets circulation in a company [Ickiewicz, 2003, pp. 65–68].

The aim of this research is to verify correctness of a number of research hypotheses related to the use of debt financing by Polish companies. An analysis of use of various forms of external borrowed capital by companies has been conducted. In particular, the following forms of financing have been examined: trade credit, working capital loan, investment loan, loan,[1] bonds, operating leasing, financial leasing as well as a modern form of financing using debt – hybrid instruments.[2] The goal of the analysis is to see what kind of debt, along with the frequency and its aim, is used by particular kinds of companies, depending on their internal characteristics like size, legal form, or stage of development. Additionally, issues related to corporate growth have been examined.

In the first part of the research the literature analysis was conducted. Afterwards the author was able to define unexamined fields of debt financing analysis and to formulate the research hypotheses as well as supporting research questions.

[1] In this article loans are understood as follows: a *working capital loan* – a short-term loan provided by a bank, used for financing current business needs, e.g., liquidity difficulties; an *investment loan* – a long-term loan provided by a bank, used for financing investments; a *loan* – can be provided by a private person or an institution (also a bank) without any specific financing purpose for any period of time and can have both financial and non-financial (material) form.

[2] Hybrid instruments are not the pure form of debt financing; however, they are a combination of using debt financing and equity (e.g., *mezzanine finance* or convertible bonds) or derivatives.

The second part – empirical research – was conducted with the use of the diagnostic poll method. The tool used was a survey prepared by the author. The questionnaire was answered by experienced people working in the financial area.

The article consists of the following main parts: an introduction, a literature review summary and a description of the empirical research followed by conclusions.

1. Literature review

The topic of the choice and use of appropriate financing sources for business activity has already been analysed in the literature in different contexts. In this section a selection of various research results has been presented. The aim of the literature review is to determine the research gaps in the field of debt financing as well as to formulate research hypotheses and questions.

Modigliani and Miller [1958], in their work *The Cost of Capital, Corporation Finance and the Theory of Investment*, indicated that the average capital cost in a given group of firms should decrease along with an increase in a leverage, i.e., debt financing should be generally cheaper than financing through an increase in equity.

The authors, after having verified their model, presented *A Correction* [Modigliani, Miller, 1963, pp. 433–443], where they stated that the leverage effect (tax benefits of debt financing) is stronger than initially. Modigliani and Miller underlined, however, that companies should not always seek maximal debt use because in a given situation use of other forms of financing, e.g., retained earnings, can be cheaper.

The above theory can be described as a frictionless market theory (perfect market theory), where costs of buying and selling securities are not taken into consideration. The theories of imperfect market, which, on the contrary, take into account costs of the transactions performed, include, among others, the trade-off theory and the pecking order theory [Chojnacka, 2019, p. 53].

The trade-off theory describes the optimal capital structure as an effect of a trade-off between the costs and benefits of borrowing (debt financing). The trade-off is considered within two relations: debt to equity and expected benefits of using debt to its risk. The firm is supposed to substitute debt for equity, or equity for debt, until the value of the firm is maximised [Chojnacka, 2019, p. 68; Myers, 1984, p. 577].

The pecking order theory says that companies follow a specified hierarchy while making the choice of the sources of financing and do not have the final (optimal) capital structure or do not strive to achieve it. Firms prefer internal finance to external one. If the latter is needed, the companies firstly use debt, then possibly hybrid securities, such as convertible bonds, and then equity as the last resort [Chojnacka, 2019, p. 75; Myers, 1984, p. 581]. A model based on this theory has, as an assumption, the fact that the management knows more about the firm's value than potential investors who assess the firm's actions rationally. A model of the

issue-invest decision shows that firms may pass up valuable investment opportunities. The model indicates that companies rely on internal sources of funds and prefer debt to equity if external financing is required [Myers, Majluf, 1984, p. 187].

Beck et al. [2008] in their paper *Financing patterns around the world: Are small firms different?* aimed to examine the influence of institutional and financial development of a country on financing patterns around the world among large and small firms. The authors indicated that small firms use external (bank) financing less frequently. As a compensation, these companies use informal financing. The authors claimed that the most effective way to improve access to external financial sources for small companies are institutional reforms of legal and financial systems, which would improve weaknesses they have faced before.

The authors of the paper *Determinants of debt: Empirical evidence on firms in the district of Santarém in Portugal* [dos Santos Morão Lourenço, Oliveira, 2017, pp. 625–643] examined theoretical determinants of debt financing in Portuguese firms in the region of Santarém. These included: size, growth, business risk, profitability, asset tangibility, and the tax shield effect not related to debt. From the mentioned factors, only growth and profitability showed a statistically significant relation with debt. In the first case, the relation was positive (growth measured as the asset increase ratio was positively correlated with debt). In the second case – increasing profitability caused a decrease in debt use. The research results showed that not all the variables confirm assumptions made in the hypotheses. However, the results are consistent with other empirical research. This means that the issue of capital structure choice and its determinants is far from the (final) solution.

In the research paper *The practice of capital structure choice in the Czech Republic: A comparative study based on the global data* [Strýčková, 2017, pp. 185–203], the author aimed to review financing methods used by companies in the Czech Republic, especially the capital structure choice, compared to global data. The most important determinant influencing the debt level choice was 'financial flexibility' defined as a debt limitation enabling to ensure more internal financial sources for potential new projects. The next important factors for the Czech firms were volatility of their earnings and cash flows. The transaction costs and fees for issuing debt were also important determinants. Two interesting points were made: tax advantages are not considered to be of great importance by capital structure choice and the fact that most of the Czech companies do not have the target debt ratio.

Duliniec [2015], while analysing capital structure theories and empirical research, indicated that no unambiguous conclusions could be drawn relating to companies' decisions on the choice of their financial sources. The author suggested that company management boards consider, above all, the current situation of the company and conditions on the financial market and do not follow the rule to optimise the capital structure, which assumes comparison of tax benefits and costs of financial difficulties related to debt. She noted that this is convergent with various theories – the theory of the hierarchy of the financing sources, the signalling theory as well as the market timing theory. These concepts explain decisions taken by companies – especially those listed on the stock exchange – as the current market price of their stock as

well as investor behaviour on the capital market have a significant influence on the choice of the financial sources they use.

In the article *Determinanty finansowania działalności przedsiębiorstw kredytem bankowym: metaanaliza* [Białek-Jaworska et al., 2015, pp. 253–298], the authors analysed the literature and sought to answer a question on the direction of the relation between financing with bank credit and return on assets, collateral, and company size. Based on the meta-analysis, the authors claimed that the influence of return on assets on the financing with bank credit depends on the connections in the capital group, scope of the activity of the examined companies (big firms), and headquarters location, which probably determines the level of the development of the capital market, availability of the financing sources, conditions of conducting business transactions, etc. When it comes to the company size, a significant influence on financing with bank credit was observed in the companies from developed countries and in the international sample. In the group of developed countries, the relation between company size and use of bank credit was bigger than in the sample consisting of various countries.

Prędkiewicz [2016] analysed how the fact of companies being innovative influences the propensity to obtain debt and the success of its acquisition. The research results revealed that innovative companies declare demand on debt (credit lines, bank credits) more often than non-innovative ones. Regarding the success of its acquisition, a negative influence was noted only in the case of applying for credit lines and overdraft facility and there was no such relation in the case of traditional bank credit. An important conclusion that can be drawn is the fact that any instruments introduced by governments supporting better availability of debt for small and medium-sized enterprises, especially innovative ones, are justified. These companies look for debt more often, however, they also have lower chances to obtain it.

Mądra-Sawicka and Kalisiak [2017] tried to verify an influence of microeconomic determinants appearing in the literature on capital structure among construction companies listed on the Warsaw Stock Exchange in the period 2013–2015. Based on the research results the authors did not confirm the hypotheses about the influence of the fixed assets to total assets ratio, profitability level and company size on companies' debt level. Only the variable describing development perspectives of companies, understood as assets increase, had a significant influence on the capital structure. The above indicates that the decisions regarding debt increase are taken in the situation of better development perspectives of a company, which can be a justification of a capital structure change.

From the above literature review it can be implied that the capital structure choice and accompanying the problem of debt financing level has been undertaken by many researchers. Unfortunately, there is no unambiguous and defined set of determinants that would answer a question on optimal financing sources of companies' activity. Since the topic is complex and dynamic, further research on various forms of financing, particularly of debt financing, is fully justified.

2. Empirical research[3]

2.1. Research methodology

The research was conducted between January and April 2020. The diagnostic poll method was used. The research tool used was a survey questionnaire prepared by the author. The survey was aimed at experienced people working in finance. The surveyed group consisted of the participants of the postgraduate studies in the area of finance conducted in SGH Warsaw School of Economics. The respondents' group included 89 people. Most of the surveys were completed in person, supplemented by the online form.

Empirical research was preceded by the literature review which confirmed the research gap in the analysis of the use of debt financing by companies. After the literature studies, which indicated that debt financing is used by companies mainly in later stages of development, the author decided to take into consideration a relationship between debt financing use and corporate growth as well. The literature review enabled the author to create a survey questionnaire and use it as a tool for the empirical research.

2.2. Characteristics of the respondents

The group of 89 participants took part in the survey. Most of them were specialists (in various financial fields, e.g., financial reporting, controlling, treasury, collections) – 29%, and accountants – 25.8%. Other groups were individuals in managerial positions (board members, directors) – 22.5%, and other (analysts, lawyers, financial controllers) – 22.7%.

The table below presents the size of the entity where the respondents worked.

Table 1. Entity size

Entity size	No. of employees	*n*	%
Micro	up to 9 people	12	13.5
Small	10–49 people	13	14.6
Medium-sized	50–249 people	25	28.1
Large	**250 and more people**	**39**	**43.8**
Total		89	100

n – no. of respondents, % – percent of respondents

Source: own compilation.

Most of the surveyed worked in large companies, employing at least 250 people. Regarding the legal form of a company, almost half of the respondents (48.3%) worked in limited

[3] Based on: Kamela [2020].

liability companies. Almost a quarter of them (23.6%) worked in a joint-stock company. The remaining 28.1% worked in other companies of various legal forms like: limited and general partnerships or private undertakings.

Table 2 presents the frequency distribution of the city size where the companies employing the respondents have their headquarters.

Table 2. The city size where the companies employing the respondents have their headquarters

City size	*n*	%
Up to 5 thous. inhabitants	1	1.1
From 5 thous. to less than 20 thous. inhabitants	3	3.4
From 20 thous. to less than 50 thous. inhabitants	10	11.2
From 50 thous. to less than 100 thous. inhabitants	7	7.9
From 100 thous. to less than 300 thous. inhabitants	7	7.9
300 thous. inhabitants and more	**61**	**68.5**
Total	89	100

n – no. of respondents, % – percent of respondents

Source: own compilation.

In a majority of cases, the companies had their headquarters in cities where there live at least 300 thousand inhabitants.

The branches represented by the respondents include various types of services (mainly financial), industrial companies (manufacturing, processing, construction) and – to a small extent – other.

Debt financing was used by 60 of the represented companies (67.4%).

2.3. Research hypotheses and research questions

The aim of the research was to verify the correctness of the following hypotheses:

1. Bigger companies use debt financing more frequently.
2. Companies at later stages of development use debt financing more frequently.
3. The use of debt positively influences the change of the general financial condition of a company.
4. Joint-stock companies use debt financing more often and also more of its kinds, especially more sophisticated ones like bonds or hybrid instruments, than limited liability companies.

To be able to assess the above-mentioned hypotheses, the following research questions had to be answered first:

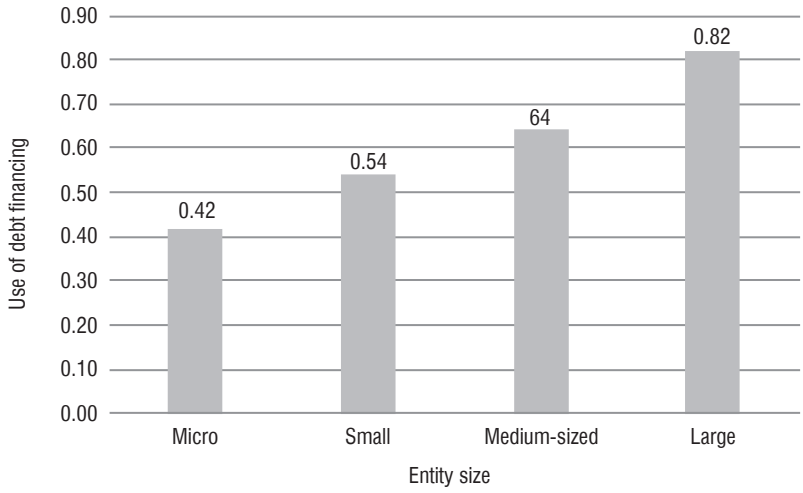
1. Is there a relationship between the entity size and the use of debt financing?
2. Is there a relationship between the entity size and the aim of the debt financing use?
3. Is there a relationship between the entity size and the frequency of use of a specific kind of debt financing?

4. Is there a relationship between the development stage of a company and the use of debt financing?
5. Is there a relationship between the development stage of a company and the aim of the debt financing use?
6. Is there a relationship between the development stage of a company and the frequency of use of a specific kind of debt financing?
7. Is there a relationship between the use of debt financing and the change in the general financial condition of the company within the last 3 years?
8. What is the relationship between the aim of the debt financing use and the change in the general financial condition of the company within the last 3 years?
9. What is the relationship between the frequency of use of a specific kind of debt financing and the change in the general financial condition of the company within the last 3 years?
10. What is the relationship between the use of debt financing and the legal form of a company?
11. What is the relationship between the aim of the debt financing use and the legal form of a company?
12. What is the relationship between the frequency of use of a specific kind of debt financing and the legal form of a company?

2.4. Research results

In the following part the answers to the research questions are presented. In figure 1 the use of debt financing has been shown depending on the entity size.

Figure 1. Use of debt financing in relation to the entity size (%)



Source: own compilation.

Based on the likelihood-ratio test, it can be said that the relationship between the entity size and the use of debt financing is statistically significant. The bigger the entity, the more often debt financing is used (Figure 1).

A statistically significant positive correlation between the entity size and the frequency of debt financing use was found but only once debt is used for investment purposes. There is no statistical significance in the above relation when debt is used for current business purposes.

In Table 3 the values of Spearman's rank correlation coefficient r between the entity size and the frequency of use of a specific kind of debt financing are presented. The statistically significant correlations are marked in bold.

Table 3. Correlations between the entity size and the frequency of use of a specific kind of debt

Kind of debt financing	Entity size
Trade credit	**0.229***
Working capital loan	**0.257***
Investment loan	**0.455****
Loan	0.016
Bonds	**0.362****
Operating leasing	0.186
Financial leasing	0.197
Hybrid instruments	**0.252***

* $p < 0.05$; ** $p < 0.01$

Source: own material.

Statistically significant positive correlations were noted between the entity size and the frequency of use of trade credit, working capital loan, investment loan, bonds, and hybrid instruments. The bigger the company, the more frequently it uses the above-mentioned kinds of debt financing.

In Table 4 the frequency distribution of the use of debt financing is shown in relation to the development stage of a company.

Based on the on the likelihood-ratio test, no statistically significant relation was confirmed between the development stage of a company and the use of debt financing.

Having analysed the values of Spearman's rank correlation coefficient r, a statistically significant positive correlation was stated between the development stage of a company and the debt financing use for investment purposes. There is no significant relation between the development stage and the debt financing use for current business needs.

In Table 5 the values of Spearman's rank correlation coefficient r are presented, showing a relationship between the development stage of a company and the frequency of use of a specific kind of debt financing. Statistically significant correlations are marked in bold.

Table 4. Use of debt financing in relation to the development stage of a company

Development stage of a company[4]	*n*	%
Stage 1: Beginning, start	3	42.9
Stage 2: Expansion	4	66.7
Stage 3: Rapid growth	3	42.9
Stage 4: Stable growth	36	72.0
Stage 5: Maturity	14	73.7
Total	60	67.4

n – no. of respondents, % – percent of respondents

Source: own compilation.

Table 5. Correlations between the development stage of a company and the frequency of use of a specific kind of debt financing

Kind of debt financing	Development stage of a company
Trade credit	0.205
Working capital loan	0.207
Investment loan	**0.242***
Loan	0.025
Bonds	0.142
Operating leasing	0.131
Financial leasing	0.193
Hybrid instruments	0.079

* $p < 0.05$; ** $p < 0.01$

Source: own material.

Only one statistically significant positive correlation was noted – between the development stage of a company and the frequency of use of an investment loan. The later the development stage of a company, the more often it uses an investment loan.

In Figure 2 the frequency distribution of debt financing use was presented in relation to the change in the general financial condition of the company within the last 3 years.

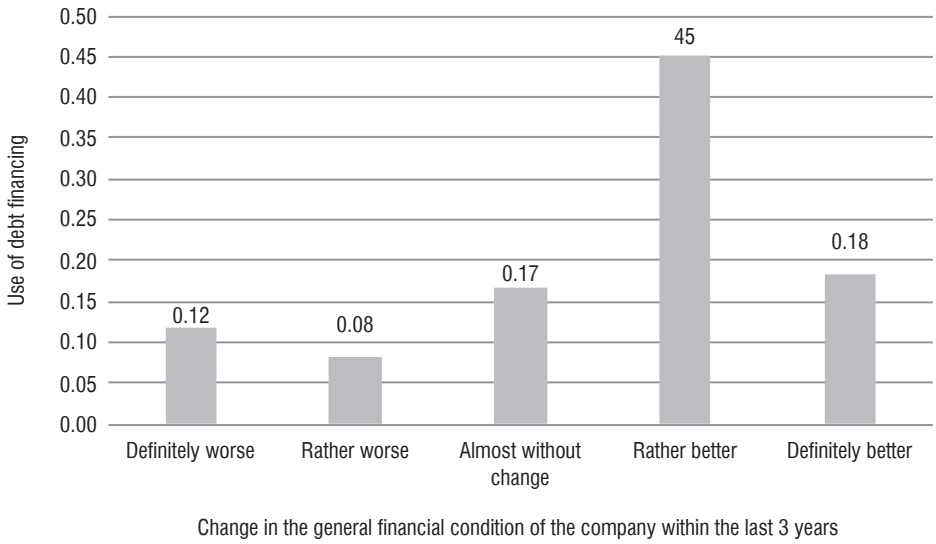
Based on the likelihood-ratio test, a statistically significant relation was found between the change in the general financial condition of the company within the last 3 years and the use of debt financing. Debt financing was used most frequently by companies whose financial situation has changed rather for better.

Based on the values of Spearman's rank correlation coefficient r, no statistically significant correlation was found between the change in the general financial condition of the company

[4] Development stages of a company are understood as follows [Damodaran, 2017, p. 1407]:
Stage 1: Beginning, start – development of the investment concept and establishment of the competitive advantage;
Stage 2: Expansion – implementation of the investment concept and high return on investment;
Stage 3: Rapid growth – establishment of the competitive advantages to protect high return on investment;
Stage 4: Stable growth – maintenance of the competitive advantages and decrease in the return rate on investment;
Stage 5: Maturity, decline – lack of competitive advantage and low return on investment.

within the last 3 years and the aim of debt financing use – both for investment as well as current business purposes.

Figure 2. Use of debt financing in relation to the change in the general financial condition of the company within the last 3 years (%)



Source: own material.

In Table 6 the values of Spearman's rank correlation coefficient r are presented. They show a relation between the change in the general financial condition of the company within the last 3 years and the frequency of use of a specific kind of debt financing.

Table 6. Correlations between the change in the general financial condition of the company and frequency of use of a specific kind of debt financing

Kind of debt financing	Change in the general financial condition
Trade credit	0.059
Working capital loan	–0.076
Investment loan	–0.055
Loan	0.134
Bonds	0.099
Operating leasing	0.158
Financial leasing	0.004
Hybrid instruments	0.032

* $p < 0.05$; ** $p < 0.01$

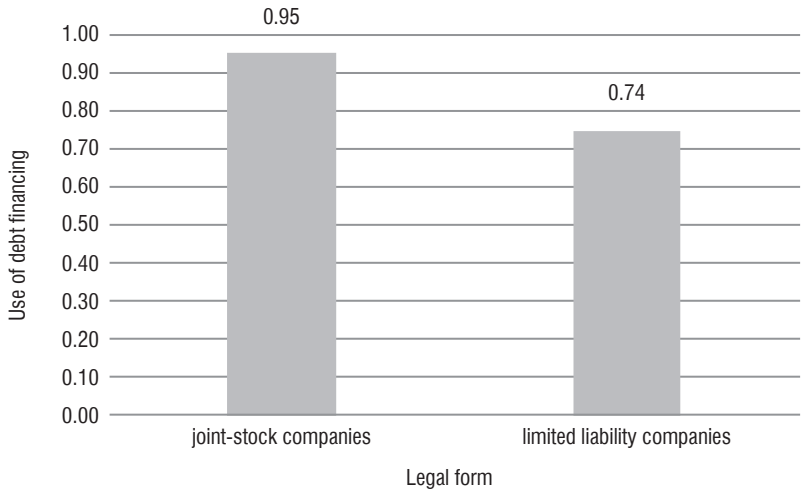
Source: own material.

No statistically significant correlation was noted for any kind of debt financing and change in the general financial condition.

Last 3 research questions were answered based on the analysis and comparison of two biggest groups of represented companies – joint-stock companies and limited liability companies.

Debt financing was used by 20 joint-stock companies (95.2%) and 32 limited liability companies (74.4%). Based on the on likelihood-ratio test it can be said that the relation between the legal form of a company and the use of debt financing is statistically significant. Debt financing was used more often by joint-stock companies than limited liability companies (Figure 3).

Figure 3. Debt financing use in joint-stock companies and limited liability companies (%)



Source: own material.

In table 7 mean values of the frequency use of debt financing for investment as well as current business purposes are shown in both joint-stock companies as well as limited liability companies. Values of the U Mann-Whitney test have been added, too.

Table 7. Mean values of the frequency use of debt financing for investment and current business purposes in joint-stock companies and limited liability companies

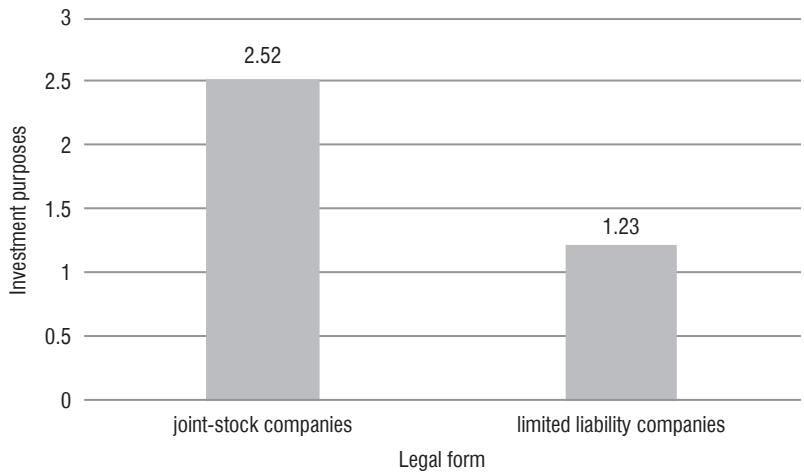
	Joint-stock companies		Limited liability companies			
Purpose of financing	*M*	*SD*	*M*	*SD*	*U*	*p*
Current business needs	2.00	1.48	1.72	1.56	403.00	0.475
Investment	**2.52**	**1.47**	**1.23**	**1.43**	**244.50**	**0.002**

M – mean value; *SD* – standard deviation; *U* – value of U Mann-Whitney test; *p* – statistical significance

Source: own material.

A statistically significant difference was observed in the frequency of debt financing use for investment purposes. Higher mean value of frequency was found in the case of joint-stock companies (Figure 4).

Figure 4. Mean values of the frequency use of debt financing for investment purposes in joint-stock companies and limited liability companies



Source: own material.

In table 8 mean values of the frequency use of specific kinds of debt financing are presented for joint-stock companies and limited liability companies. Values of the U Mann-Whitney test have been added, too.

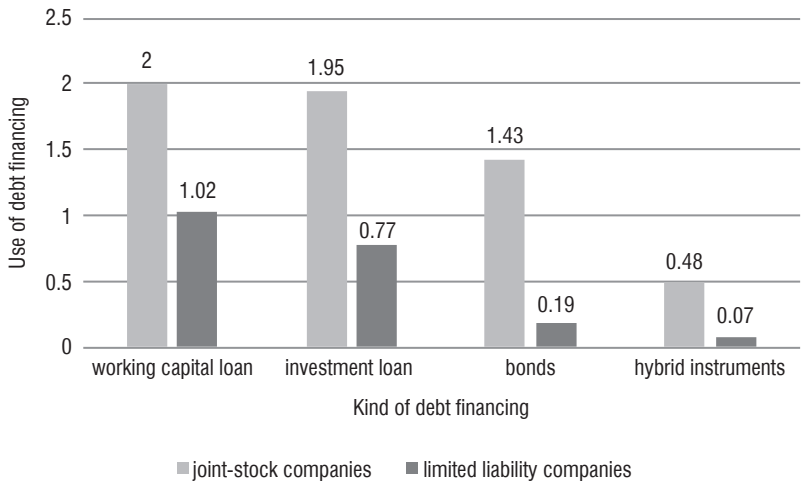
Table 8. Mean values of the frequency use of specific kinds of debt financing in joint-stock companies and limited liability companies

	Joint-stock companies		Limited liability companies			
Kind of debt financing	*M*	*SD*	*M*	*SD*	*U*	*p*
Trade credit	1.67	1.65	0.91	1.44	335.00	0.060
Working capital loan	**2.00**	**1.61**	**1.02**	**1.52**	**307.50**	**0.025**
Investment loan	**1.95**	**1.60**	**0.77**	**1.19**	**267.00**	**0.004**
Loan	0.95	1.24	0.95	1.43	439.50	0.845
Bonds	**1.43**	**1.43**	**0.19**	**0.63**	**227.50**	**0.001**
Operating leasing	1.71	1.49	1.16	1.46	358.50	0.157
Financial leasing	1.38	1.56	1.09	1.27	414.50	0.572
Hybrid instruments	**0.48**	**1.08**	**0.07**	**0.46**	**376.50**	**0.021**

M – mean value; *SD* – standard deviation; *U* – value of U Mann-Whitney test; *p* – statistical significance
Source: own material.

Statistically significant differences were observed in the frequency of use of working capital loan, investment loan, bonds, and hybrid instruments. These kinds of debt financing were used more often by joint-stock companies than limited liability companies (Figure 5).

Figure 5. Statistically significant differences in the frequency of use of various kinds of debt financing between joint-stock companies and limited liability companies



Source: own material.

Summary

Current business activity as well as investments can be financed with the use of various sources. External capital is one of the most important and frequently used ways of financing.

The conducted literature analysis confirmed that there are still research gaps and there are no unambiguous answers to many problems in the area of debt financing use and its determinants. This means further research of debt financing is fully justified and needed.

Based on the literature review, the following can be said. The use of debt financing by companies increases with their size. The later the development stage of a company, the more frequently it uses debt. Smaller companies have difficulties in obtaining debt financing. It also often happens that firms, while choosing financial sources, rather assess the current internal situation and do not follow the capital structure optimisation rule.

The aim of this research was an analysis of the use of various forms of debt by firms in Poland. This enabled to assess a number of research hypotheses and to answer supporting questions. After the conducted literature review, owing to an interesting relation between debt financing and company growth, the author decided to verify the mentioned connection as well.

The empirical research was carried out with the use of the diagnostic poll method. It was conducted among experienced professionals, mainly dealing with finance in their work. The respondents answered the questions included in the questionnaire prepared by the author. They assessed debt financing use, characteristics of various debt forms and issues related to company growth. While responding, the surveyed were supposed to use information about the company they worked for.

Having analysed the answers to the research questions, the statistically significant conclusions can be drawn:

- the bigger the entity was, the more frequently it used debt,
- a positive correlation was found between the entity size and the frequency of debt use for investment purposes,
- positive relations were observed between the entity size and the frequency of use of trade credit, working capital loan, investment loan, bonds and hybrid instruments; the bigger the company, the more frequently it uses the above-mentioned forms of debt,
- a positive correlation was observed between the development stage of a company and the frequency of debt use for investment purposes,
- a relation between the development stage of a company and the frequency of investment loan use was observed; the later the development stage, the more frequent use of investment loan,
- a relation between the change in the general financial condition of the company within the last 3 years and debt use was found; companies whose financial situation changed rather for better used debt financing most often,
- it was stated that the relation between the legal form of a company and debt financing use is statistically significant; debt was used more frequently by joint-stock companies than limited liability companies,
- a difference in frequency of debt use for investment purposes noted; a higher average frequency was observed among joint-stock companies,
- a difference in frequency of working capital loan, investment loan, bonds and hybrid instruments use was found; these kinds of debt were used more often by joint-stock companies than limited liability companies.

To sum up, it can be said that the conducted empirical research confirmed to a great extent conclusions from the literature and earlier research review. It means that the research hypotheses can generally be verified positively. The first one is fully confirmed – a relation between the entity size and debt financing use was noted. The bigger the company, the more frequently it uses debt and the bigger the diversification is regarding its kinds. Regarding the second hypothesis, a link between the development stage of a company and debt financing use was observed but only for investment purposes. The later the stage, the more often debt is used for investment purposes and the most frequent instrument in this case is an investment loan. The third hypothesis was also confirmed – a positive correlation between the debt use and change in the general financial condition of the company within the last 3 years was noticed as well. The statement that joint-stock companies have better access to debt financing, compared to limited liability companies, and use it more frequently with greater differentiation of its kinds should also be supported.

As a recommendation for the future research in terms of debt financing use it seems to be justified to point out particularly a limited access to debt financing among small enterprises. Additionally, it can be observed that companies which are in later stages of development and

engage more in investment undertakings use complex, more sophisticated debt financing forms to a very small extent. It can mean that these forms are less known, difficult to obtain or too expensive. Since debt has a positive influence on improvement in the general financial situation of a company, it can be said that debt plays an important role in business activity financing. The above conclusions suggest that there is still room for further research on debt financing use among companies and its influence on their (financial) situation.

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Compact publications

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