

The Moderating Role of Firm Size in Financing Policies of Non-Public Firms in the EU

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Abstract : This study explores the moderating role of firm size in shaping the financing policies of non-public firms across 12 European Union countries. The analysis targets private companies, offering new insights into an often-overlooked segment of the economy. Utilising a multi-country dataset spanning two decades (2000–2020), the research investigates how firm size interacts with key determinants of capital structure, including profitability, liquidity, asset tangibility, and risk, to influence debt composition and financing strategies. It incorporates a detailed analysis of different debt maturities, encompassing both short- and long-term debt structures. The findings indicate variations in financing patterns among small, medium, and large enterprises. Small firms are found to rely more heavily on short-term debt due to constrained access to long-term financing, whereas larger firms benefit from more diverse funding sources and lower perceived risk from creditors. Beyond its direct effects, firm size is shown to play a considerable indirect role by moderating the strength and direction of primary capital structure determinants. This approach highlights firm size not only as a primary determinant of capital structure but also as a secondary factor influencing financial decision-making. Employing advanced panel data modelling, the study emphasizes the importance of firm size in shaping financing strategies and the complex interactions between capital structure determinants. The findings provide insights into the financial behaviour of private firms and offer practical implications for improving access to capital and promoting financial stability across firm sizes.

Keywords : capital structure, panel data modelling, firm size effect, private companies

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