

# THE ANALYSIS OF CAPITAL STRUCTURE IN THE TRADING COMPANIES

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**Abstract** - Specific the capital structure of trade companies. There are numerous determinants of the capital structure in trade companies. Typical are: the growth opportunity (assets and sales growth), profitability, structure of assets, business risk, tax shield, liquidity, the analysis of capital structure and technology. The capital structure of trade companies is also affected by other factors, above all factors of external nature, like specific industrial determinants (industrial leverage, industrial growth) and macroeconomic determinants (inflation, GDP growth, capital flows, tax shield). Nevertheless numerous internal and external factors affect the capital structure of companies the issue of this analysis are only specific determinants of capital structure in a function of its optimization (and improvement of overall performance of trade in Serbia). The aim of this work is thorough analysis of the capital structure determinants in trade of Serbia. The knowledge of the intensity of their positive or negative effect is very significant for trade managers concerning the establishing optimal capital structure (with efficient financial management) in a function of meeting target performance on the level of single trade company and the trade as a whole. In that we find the scientific and professional contribution of this work. The capital structure of commercial firms in Serbia is unsatisfactory. It is necessary to take appropriate measures in function of its optimization. (**JEL Classification:** F65 L81 M40)

**Keywords:** determinants, theory of capital structure, financial leverage, performance, trade in Serbia.

## I. Introduction

As widely understood, specific determinants of trading companies' capital structures are numerous. Typical examples include: opportunistic growth (asset growth, sales growth), profitability, asset structure, business risk, tax shield, liquidity, and analysis of capital structure and techniques [1]. Other factors—primarily external nature—are surely influential on the capital structure of trading companies, such as industry-specific determinants (industrial leverage, industrial growth) and macroeconomic determinants (inflation, GDP growth, capital flows, tax shield) [16], [17]. Regardless of the variety of internal and external factors affecting the capital structure of trading companies, this paper analyzes the subject of specific determinants of

the capital structure of a company, to optimize its function and thereby improve overall trade performance in Serbia.

This paper aims to thoroughly investigate the determinants of capital structure in Serbia's commercial sector. Knowing the intensity of their effect, whether positive or negative, is highly important for trade managers. Their determining of optimal capital structure (via effective financial decision-making) is used to achieve target performance at both the individual trading companies, and trade in general. This, among other things, manifests the scientific and professional contribution of this paper.

In recent years, both in theory and in practice, intensively investigating the structure of capitals of enterprises. It is quite understandable when one bears in mind that the capital structure is very important determinants of overall performance of all companies, which means trade. In terms of capital structure, among them there are some differences with regard to their nature and belonging to a particular economic sector. In this paper we explore the specifics and determinants of capital structure of trade companies, with special emphasis on Serbia.

The goal is to get as complex theoretical, methodological and empirical, in the case of Serbia, explore the specifics of the capital structure of trade companies. It should provide the basis for the efficient management of its capital structure in trading companies used to achieve the target performance. As for the capital structure of trade companies in Serbia are concerned, the results of empirical research using panel data analysis for 2008-2013. show that unsatisfactory. In the future, given that it is necessary to take appropriate measures to optimize the capital structure of trade enterprises in Serbia. The effect of this are to improve their overall performance.

In other words, in order to efficiently manage and optimize the capital structure, as a function of achieving the goal performance of the company, it is necessary to know its determinants. There are general and determinants specific to the nature of each company. This paper explores the determinants of capital structure in trading companies in Serbia. In that context internal determinants of the capital structure in trade of Serbia for the period 2008-2013 are specially researched. Their positive and negative effects are

important for optimizing the capital structure, as significant determinant, in order to achieve the targeted total performance of the trade in Serbia in the future.

## II. Literature overview

Rich is the literature devoted to general theoretical and practical analysis of capital structure factors, or to the impact of financial leverage on company performance (liquidity and profitability) [16], [8]. Due to its importance, special attention is increasingly, and in recent time, being paid to the analysis of specific determinants of capital structure and the impact of financial leverage on company performance in certain economic sectors, including trade. Nonetheless, very few specialized, particularly comprehensive works exist on the subject of specific determinants of capital structure, as well as the impact of financial leverage on the performance of trading companies (wholesale and/or retail). This issue only partially tackles the context of principle research specifics and the importance of financial strategies for trading companies [37], [11], [10], [21], [13], [20], [18], [33], [6], [32], [19], [4], [39], [34], [35], [40], [41], [42], [43], [44], [45], [46], [47], [48], [49], [50], [51]. In recent times, regarding comprehensive written works on the topic of specificity factors and the effects of capital structure on trading/commercial companies, the works of the following authors are particularly famous [6], [11], [12], [1], [2], [3], [13], [14], [15], [18]. According to our knowledge in Serbia, as well as in the world, virtually no comprehensive work exists which is devoted to the research of specific factors of capital structure and the impact of financial leverage, such as measures of financial risk, on the performance of trading companies in Serbia. This issue is only partially addressed in the works of the following authors [22], [23], [24], [25], [26], [27], [28], [29], [30], [31]. Gaps are filled in, to an extent, by this paper, which by its content and methods of treating issues aims to provide an adequate basis for a more efficient management of financial leverage, in accordance with the theory of capital structure, and overall financial position as a function of future performance improvements of trading companies in Serbia. In this, among all else, lays its scientific expertise.

## III. Hypothesis, research methodology, and empirical data

Given the importance and complexity of the issues treated in this paper, we will test the following *hypotheses* using appropriate methodology based on original empirical data for trade in Serbia during the 2008-2013 period. The hypotheses are: H1 - a positive relationship exists between leverage raids and growth; H2 - a positive relationship exists between leverage raids and size; H3 - a negative relationship exists between leverage raids and profitability; H4 - a positive relationship exists between leverage raids and asset

structure; H5 - a negative relationship exists between leverage raids and business risk; H6 - a negative relationship exists between leverage raids and amortization raids (expressed as a percentage of sales); H7 - a negative relationship exists between leverage raids and liquidity; H8 - there is significant impact on leverage raids by profitability, physical assets, size, and growth.

*Research methodology*, consequential of the aim and defined hypotheses, is based on the ratio analysis and the application of statistical analysis. Also applied, to the extent necessary according to research, is a comparative analysis of the theory of capital structure, as well as exploring the rich literature of general problems treated.

For the purpose of research for this paper, original empirical *data* for trade in Serbia during the 2008-2013 period was used; data was obtained from the Serbian Business Registers Agency. The sample includes (for each analyzed year) a large number of trading companies which are required under applicable law to submit annual financial reports to the Business Registers Agency (illustration: number of involved trading companies in 2013 is 33,341; see: Table 6).

In other words, the paper used *panel analysis data* for the period 2008 - 2013. During the research, the application of the underlying methodology of factors affecting the capital structure of trade in Serbia is covered, at the same time, a large number of trading companies, i.e. all those that are required to annually submit annual financial statements of the Agency for Business Registers Agency. Number trading companies involved in the statistical sample by years is: 2008 - 37.077, 2009 - 34.982, 2010 - 35.474, 2011 - 33.451, 2012 - 33.393, and 2013 - 33, 341 (see: Table 6). This means that the size sample (since the to cover a large number of trading companies) statistically valid.

*Limitation* is reflected in the financial statements of commercial firms in Serbia are not harmonized due to changes in international accounting regulations, European directives enter other relevant legislation. But that does not substantially affect the assessment of what the capital structure of commercial firms in Serbia.

It is according to the results of empirical research using panel data analysis for the period 2008 - 2013 was unsatisfactory. In addition to the theoretical values, special security *contributions* of this study is that it indicates that it is necessary in the future to take appropriate measures in function optimization of capital structure of commercial firms in Serbia. This will improve their overall performance. In fact, among other things, reflected scientific and professional value of this work.

## IV. Theoretical basis and specific dimensions of capital structure in trade

Generally speaking, under the notion of capital structure, financial leverage implies the

relationship between others' and own sources of funding (i.e., participation in the debt financing of specific types of assets (business) of the company). Financing operations of the company by borrowing certainly has advantages and disadvantages. They are shown in the Table 1.

**Table 1.** The optimal ratio: debt financing versus issue of shares

Advantages of debt financing	Disadvantages of debt financing
1. Tax relief: higher tax rate leads to higher tax relief	1. The cost of bankruptcy: greater business risk leads to higher cost
2. enhanced discipline: greater division between managers and shareholders leads to greater benefits	2. agency costs: greater division between shareholders and the creditor gives higher cost
	3. The loss of future financial flexibility: greater uncertainty regarding future financial needs gives higher cost

Source: [7]

The advantages of borrowing, as opposed to raising funds by issuing shares, include tax reliefs and stimulating managers to acquire greater discipline when making investment decisions. Disadvantages include increased expected bankruptcy costs, reduced flexibility of gaining additional financing in the future, and conflict between the shareholder and lender. Generally, if the marginal utility exceeds the marginal cost, the company must borrow. In all other cases, the company should use the issuance of its own shares [6].

Analysis of the impact of financial leverage on the performance of the trade company in this paper is based on, in principle, the theory of capital structure [5], [37], [1], [17]. Two major theories of capital structure are the Trade-off theory and the Pecking-Order theory.

Regarding the *Trade-off theory*, whose main contributors are Modigliani and Miller (1958, 1963), the following factors are influential, regarding the formation of capital structure: tax shield, the market value of the company, and the cost of capital.

On the formation of capital structure, in addition to the mentioned factors, the following are also influential, according to Jensen and Meckling (1976) and Myers (1977): cost of bankruptcy and financial trouble and agency costs, respectively.

Regarding the *Pecking-Order theory*, advocated by Myers and Majluf (1984), perception of the order of financing is as follows: internal financing, debt, and issuance of shares. In trading companies, it is determined empirically that the Pecking-Order theory is more frequently applied. This is in keeping with the character of the business, treated as special, highly significant determinants of capital structure [7], [38].

The capital structure significantly affects the financial performance of the company. The negative relationship between capital structure and financial performance indicates that agency problems lead to the fact of using more loans than necessary in the capital structure, which produces poorer performance [9], [12]. All companies, including trade companies, strive for optimal capital structure in order to achieve profit and other target goals. In principle, the optimal capital structure is realized in maximizing the value of the company with a minimization of the cost of capital. This is in accordance with the theory of static compromise, which is now the prevailing theory of capital structure. Table 2 shows the different effects of some principal internal determinants on the leverage, considering the Pecking-Order theory and Trade-off theory.

**Table 2.** Theories of capital structure and the relationship between leverage and internal determinants

Determinant	Theory	
	Pecking-Order theory	Trade-off theory
Profitability	Negative	Positive
Size	Negative	Positive
Growth	Positive	Negative
Assets (reaches towards)	Positive	Positive

Source: [2]

Observed in certain sectors of the economy, the capital structure, i. e. financial leverage is different. The capital structure is different not only in individual economic sectors, but within the same sector also - trade in our case the, i. e. in different countries, types of trade (wholesale and retail), retail chains, retail formats, their lines of business (for example, organic food sale). Among other things, these differences are caused by the specific characteristics of their business (Table 3).

**Table 3.** The capital structure for selected retail chains, 2014

Capital structure	Wal-Mart Stores Inc.	Target Corp.	Costco Wholesale Corp.
Total debt/ Total shareholders' equity	74.28	89.93	41.40
The total debt / total capital	42.62	47.35	-
Total debt / Total Assets	27.66	32.76	15.42
Long-term debt / Equity	58.43	77.76	41.40

Long-term debt / total capital	33.53	40.94	29.28
Total assets / Total shareholders' equity *	2.68	2.74	2.68

Note: Author's calculations.

Source: www.marketwatc.com (accessed 15/10/2014 10:34 AM)

## V. General characteristics of capital structure of trade in Serbia

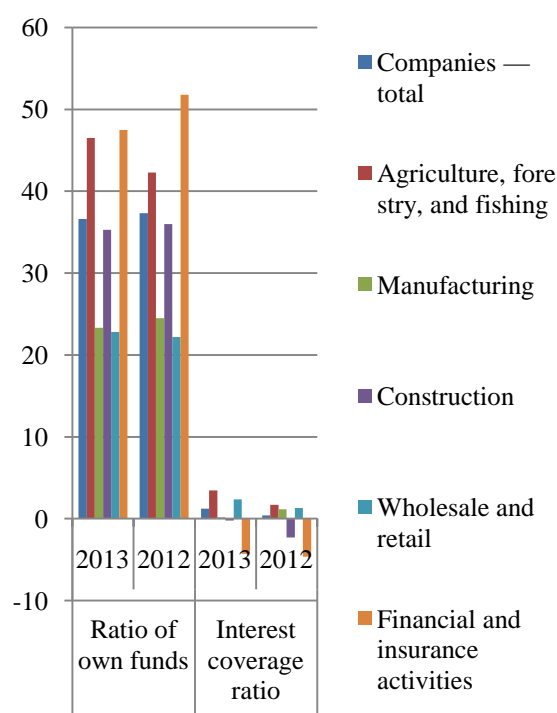
Before we turn to the analysis of the determinants of capital structure of trade in Serbia, we will shortly look at their general characteristics. Table 4 and Figure 1 show the ratio of own funds and interest coverage ratio for the economy as a whole and by selective economic sectors, including trade, in 2012 and 2013.

**Table 4.** The ratio of own funds and interest coverage ratio in Serbian trade, 2012 and 2013

	Ratio of own funds		Interest coverage ratio	
	2013	2012	2013	2012
Companies — total	36.6	37.3	1.21	0.39
Agriculture, forestry, and fishing	46.5	42.3	3.46	1.69
Manufacturing	23.3	24.5	0.18	1.14
Construction	35.3	36.0	-0.22	-2.31
Wholesale and retail	22.8	22.2	2.34	1.30
Financial and insurance activities	47.5	51.8	-4.30	-4.66

Note: The ratio of own funds/resources - share of equity in total capital, whose extent is dictated by the needs of financing fixed assets and the effects of financial leverage. Interest coverage ratio - the ratio of net results and the interest paid from one side, as well as the other.

Source: The Serbian Business Registers Agency



**Figure 1.** Ratio of own funds and interest coverage ratio for the economy as a whole and by selective economic sectors, including trade, in 2012 and 2013.

Source: Prepared according to data from Table 4

The data in Table 4 clearly shows that in 2013, the lowest share in the total capital of their own went towards trade in relation to the economy as a whole, as well as other observed sectors. In other words, it is highly indebted. This is indicated by the interest coverage ratio. This appropriately reflects on its overall performance.

## VI. Calculating dependent and independent variables

Table 5 shows the calculation of dependent and independent variables used in this work in general, and in particular, the statistical analysis of the determinants of capital structure of trade in Serbia.

**Table 5.** Calculating the dependent and independent variables

Variable	Formula
<i>Dependent variable</i>	
Y Ratio of debt (leverage)	Total liabilities / total assets
<i>Independent variable</i>	
X <sub>1</sub> Current liquidity	Current assets / current liabilities

X <sub>2</sub> Accelerated liquidity	Current assets - Inventories / Current liabilities
X <sub>3</sub> Yield of operating income	Net profit / Operating revenues
X <sub>4</sub> Return on assets	Net income / Total assets
X <sub>5</sub> Asset growth	Total Assets ( t ) - Total Assets ( t - 1 ) / Total Assets ( t - 1 )
X <sub>6</sub> Asset structure	Fixed assets / Total assets
X <sub>7</sub> Company growth – percent change in operating income	Operating income ( t ) - Operating income ( t - 1 ) / Operating income ( t - 1 )
X <sub>8</sub> Company size	Log 10 –operating income
X <sub>9</sub> Business risk	Standard deviation of annual net profit for 6 years / Average annual net profit for 6 years
X <sub>10</sub> Gross operating surplus – amortization (in percentages) of operating income	Gross operating surplus – amortization / Operating income
X <sub>11</sub> Asset turnover	Operating income / Assets
X <sub>12</sub> Return on equity capital	Operating income / Equity capital

Note: Calculations based on author's research through literature

Methodologically speaking, financial leverage can be expressed in many ways. Typical methods include: short-term leverage = short-term debt / total assets; long-term leverage = long-term debt / total assets; total leverage = total debt / total assets.

In the context of the strategic profit model, based on the *DuPont analysis*, financial leverage is displayed as: financial leverage = total assets / total shareholders' equity. This method of expressing financial leverage is exclusively adopted by trading companies, within the strategic profit model, which is widely used as an instrument of financial leverage.

In trading companies due to specific their very nature to express the capital structure mainly used the ratio between assets and capital (assets / equity), as an indicator of financial indebtedness, i.e. financial leverage. This also because it is an indicator of financial debt component so. *strategic profit model* that is based on the principles of DuPont analysis. The method and in this paper. In other words, the capital structure of trade enterprises is expressed through the ratio between assets and capital (assets / equity).

Table 6 and Figure 2 include summarized baseline variables, determined as shown in Table 5, for the purpose of statistical analysis of the determinants of

capital structure of trade in Serbia for the 2008-2013 period. The given variables also indicate the general performance characteristics of trade in Serbia. Thus, for example, financial indebtedness in the reporting period increased annually, except for 2012. It is high in relation to trade in countries with developed market economies and "industrial standards". Liquidity is also satisfactory in comparison to golden banking rules (2 : 1), particularly in 2013. Profitability explored through the prism of return on operating revenues is unsatisfactory (i.e., in the reporting period, it declined annually due to low purchasing power of buyers/consumers). Low purchasing power, combined with high unemployment and other unfavorable general conditions of production, is significantly reflected in other measures of performance, in the negative sense.

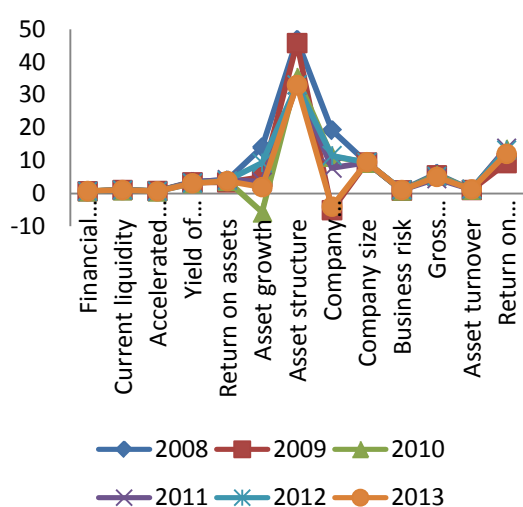
**Table 6.** Determinants of capital structure of trade in Serbia, 2008 – 2013

	2008	2009	2010	2011	2012	2013
Number of companies	37,077	34,982	35,474	33,451	33,393	33,341
Financial leverage	0,616	0,631	0,708	0,686	0,622	0,683
Current liquidity	1,037	1,004	1,003	1,006	1,017	0,995
Accelerated liquidity	0,682	0,677	0,669	0,662	0,661	0,661
Yield of operating income	3,59	3,30	3,23	3,40	3,09	3,10
Return on assets	4,04	3,36	3,87	4,25	3,94	3,72
Asset growth	14,10	5,03	-5,73	3,47	9,30	1,93
Asset structure	46,75	45,74	35,37	33,02	33,05	33,02
Company growth - percent change in operating income	19,29	-5,13	11,23	7,73	11,47	-4,05
Company size	9,373	9,350	9,397	9,429	9,429	9,476
Business risk	0,992	0,866	0,942	1,070	1,084	1,044
Gross operating surplus - amortization (in	6,029	5,467	5,570	4,474	5,175	5,020

percentage s) of operating income						
Asset turnover	1,1 25	1,0 16	1,1 99	1,2 49	1,2 73	1,2 22
Return on equity capital	10, 66	9,2 3	13, 53	13, 78	13, 15	12, 02

Note: Author's calculations

Source: Business Registers Agency and Statistical Yearbook of Serbia



**Figure 2.** Determinants of capital structure of trade in Serbia

Source: Generated using data from Table 6

### VII. Statistical analysis of determinants of capital structure of trade in Serbia

Table 7 shows the descriptive statistics of analyzed performance indicators (i.e., determinants of capital structure of trade in Serbia during the 2008-2013 period).

**Table 7.** Descriptive Statistics (analyzed determinants of capital structure on trade in Serbia, 2008 – 2013 )

	N	Mini mu m	Max imu m	Me an	Std. Devia tion
Financial leverage	6	,62	,71	,65 77	,0392 4
Current liquidity	6	1,00	1,04	1,0 103	,0148 5

Accelerated liquidity	6	,66	,68	,66 87	,0090 5
Yield of operating income	6	3,09	3,59	3,2 850	,1906 6
Return on assets	6	3,36	4,25	3,8 633	,3034 9
Asset growth	6	- 5,73	14,1 0	4,6 833	6,746 82
Asset structure	6	33,0 2	46,7 5	37, 825 0	6,592 52
Company growth - percent change in operating income	6	- 5,13	19,2 9	6,7 567	9,574 29
Company size	6	9,35	9,48	9,4 090	,0451 9
Business risk	6	,87	1,08	,99 97	,0839 9
Gross operating surplus - amortization (in percentages) of operating income	6	4,47	6,03	5,2 892	,5306 3
Asset turnover	6	1,02	1,27	1,1 807	,0953 4
Return on equity capital	6	9,23	13,7 8	12, 061 7	1,804 32
Valid N (list wise)	6				

Note: Author's calculations aided by statistical program SPSS

In the given period, as demonstrated by the results of descriptive statistics, average values of some indicators include: financial leverage 0.65; current liquidity 1.01; yield of business income 3.28; company growth — percent change in business income 6.75; company size 9.40. Their values, in principle, are worse than they are in countries with developed market economies and “industrial standards”. This was influenced by unfavorable general conditions of production, high banking costs, unfavorable exchange rates, and low purchasing power of the population as a consumer.

Table 8 shows the correlation analysis of determinants on the capital structure of trade in Serbia.

**Table 8.** Correlation relationship between determinants and financial leverage on trade in Serbia, 2008 – 2013

	Financial leverage Pearson Correlation	Sig. (2-tailed)	N
Financial leverage	1		6
Current liquidity	-,707	,116	6
Accelerated liquidity	-,491	,323	6
Return on business income	-,277	,596	6
Return on assets	,185	,726	6
Asset growth	-,902*	,014	6
Asset structure	-,614	,195	6
Company growth - percent change in operating income	-,210	,690	6
Company size	,453	,366	6
Business risk	,066	,901	6
Gross operating surplus - amortization (in percentages) of operating income	-,454	,366	6
Equity turnover	,392	,443	6
Return on equity capital	,612	,197	6

\*. Correlation is significant at the 0.05 level (2-tailed).

Note: Author's calculations aided by statistical program SPSS

As shown by the results of the correlation analysis, there is variation regarding the impact of individual analyzed determinants on the financial leverage of trade in Serbia. Some have positive impacts, while others have negative impacts. Significant, negative impacts on financial leverage are caused by determinants including current liquidity and the growth and structure of assets. Yield of equity capital is a positive determinant. Other determinants—positive or

negative, less or more—minimally impact financial leverage. Based on the correlation coefficient of asset growth and structure, the increasing use of modern technology in trades in Serbia has a significant impact on financial leverage, as seen in countries with developed market economies. It will significantly improve the overall performance of trade in Serbia, in the future [36]. The situation is similar to the application of the concept of sustainable development [35].

Based on the correlation analysis, consequently the nature of the relationship between leverage and determinants, it can be concluded that certain tested hypotheses are confirmed (H2, H3, H7), while others are rejected (H1, H4, H5, H6).

With the regression analysis (i.e., linear regression equation), the impact of each individual, analyzed determinant on the capital structure of trade in Serbia is investigated. This is expressed in the general formula:

$$Y_{it} = \alpha_i + \beta X_{it} + \mu_{it}$$

where:  $Y_{it}$  = independent variable,  $i$  = unit (1,2,3 ... N),  $t$  = time (1,2,3 ... T);  $\alpha_i$  = coefficient (dependent variable of each unit);  $\beta$  = coefficient (independent variable);  $X_{it}$  = independent variable;  $\mu_{it}$  = error.

Table 9 shows the descriptive statistics of selective determinants of capital structure of trade in Serbia.

**Table 9.** Descriptive Statistics (selective determinants of capital structure of trade in Serbia, 2008 – 2013 )

	Mean	Std. Deviation	N
Financial leverage	,6577	,03924	6
Current liquidity	1,0103	,01485	6
Yield of operating income	3,2850	,19066	6
Company size - percent change in operating income	6,7567	9,57429	6
Company size	9,4090	,04519	6

Note: Author's calculations aided by statistical program SPSS

Displayed average values of selective determinants of capital structure for trades in Serbia are, as mentioned, lower compared to the same values of trade in countries with a developed market economy

and “industrial standards”. This was certainly a contribution of poorer general economic conditions.

Table 10 shows the correlation matrix of selective determinants of capital structure for trades in Serbia.

**Table 10.** Correlation matrix of selective determinants of capital structure for trades in Serbia, 2008 – 2013

		Financial leverage	Current liquidity	Yield of operating income	Company growth - percentage change in operating income	Company size
Pearson Correlation	Financial leverage	1,000	-,07	-,277	-,210	,453
	Current liquidity	-,07	1,000	,669	,801	-,441
	Yield of operating income	-,277	,669	1,000	,503	-,585
	Company growth -	-,210	,801	,503	1,000	-,191

	percent change in operating income					
	Company size	,453	-,441	-,585	-,191	1,000
Sig. (1-tailed)	Financial leverage	.	,058	,298	,345	,183
	Current liquidity	,058	.	,073	,028	,191
	Yield of operating income	,298	,073	.	,155	,111
	Company growth - percentage change in operating income	,345	,028	,155	.	,358
	Company size	,183	,191	,111	,358	.



	e					
N	Financial leverage	6	6	6	6	6
	Current liquidity	6	6	6	6	6
	Yield of operating income	6	6	6	6	6
	Company growth - percent change in operating income	6	6	6	6	6
	Company size	6	6	6	6	6

*Note:* Author's calculations aided by statistical program SPSS

Results of the correlation analysis show that current liquidity has a significantly negative impact on financial leverage of trade in Serbia. Operating income yield and company growth — percent change in business income negatively, yet slightly, affects financial leverage. Company size positively and moderately impacts financial leverage.

Table 11, the results of the regression model for selective determinants of capital structure of trades in Serbia are shown.

**Table 11.** Results of the regression model for selective determinants of capital structure of trades in Serbia, 2008 – 2013

Independent Variable	Dependent Variable: Financial leverage			
	Unstandardized Coefficients	Std. Error	t	Sig.
(Constant)	3,628	2,473	1,467	,381
Current liquidity	-4,610	,990	-4,656	,135
Yield of operating income	,103	,057	1,803	,322
Company growth - percent change in business income	,004	,001	2,981	,206
Company size	,141	,208	,675	,622
Weighted statistics				
R Square	,966			
Adjusted R Square	,829			
F	,829			
Sig.	,274			
Durbin-Watson	2,200			

*Note:* Author's calculations aided by statistical program SPSS

The regression model results demonstrate that individual selective determinants do not significantly impact the capital structure of trade in Serbia (Sig. > 0.05). They collectively, as evidenced by the multiple regression coefficient, agree that the coefficient of

determination significantly affects (of 83%) the capital structure of trade in Serbia. In view of these results, the conclusion of the regression model is to confirm the eighth hypothesis, H8. In the given regression model, there is no autocorrelation of independent residuals (Durbin-Watson test is within standard test limits). In addition to tested determinants that have influence of the capital structure of trade in Serbia, there are other determinants. In order to efficiently manage capital structure (i.e., optimization) to achieve the target performance of the company, it is imperative to know its determinants. General and specific determinants exist for each company, depending on various factors such as the very nature of its business, as in the case of commercial chains.

### VIII. Conclusion

Based on the above empirical research (i.e., trade in Serbia), this conclusion serves to summarize the important general and obtained statistical results. This particularly suggests that the shown average value of all (including selective) analyzed determinants of capital structure of trade in Serbia is lower than the same value of trade in countries with developed market economies and "industrial standards". This was certainly a contribution of poorer general economic conditions.

Logically, the influence of certain analyzed determinants on the financial leverage of trade in Serbia varies. Some results are positive, while others are negative. Significant, negative impacts on financial leverage arise from determinants such as current liquidity and the growth and structure of assets. Positive determinants include yield of equity capital. Other determinants, whether positive or negative, minimally or moderately impact financial leverage. Judging by the correlation coefficient of asset growth and structure, the increasing application of modern technologies in trade, in Serbia, results in a significant impact on financial leverage.

Attained results of the regression model show that individual selective determinants—including current liquidity, yield of operating income, company growth, and company size—insignificantly impact capital structure of trade in Serbia (Sig. > 0.05). Collectively, however, they significantly affect the capital structure of trade in Serbia, as evidenced by the multiple regression coefficient and the agreed determination coefficient. In the shown regression model (i.e., trade in Serbia), there is no autocorrelation of independent residuals (Durbin-Watson test is within standard test limits). On the capital structure of trade in Serbia, additional pre-analyzed and other determinants have a significant impact, as shown by the value of the respective test.

For the future of trade in Serbia, in the context of analysis and improving performance in a broader sense, focused attention should be given to sustainable growth models, modeled on the countries with

developed market economies [ 35]. They are among the important factors of cost reduction, thereby increasing profits, thus should become increasingly applied in trades in Serbia, in the future.

Generally speaking, there is great significance for modern technology as a performance improvement technique of commercial chains [36]. Its use in Serbia is currently unsatisfactory, in comparison to countries with developed market economies, but there are hopes for increased use in the future. This will satisfactorily affect the positive effects of financial leverage on the performance of commercial chains in Serbia.

To finally conclude, this paper investigates the determinants of capital structure in the service business, i.e. in trading companies, as in the matter of Serbia. In that context, special consideration is given to the internal determinants of the capital structure of trade in Serbia for the 2008-2013 period. Recognizing positive and negative effects and significant determinants is important for the optimization of capital structure, in order to achieve the overall target performance of future trade in Serbia.

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