

## **DETERMINANTS OF CAPITAL STRUCTURE IN FINANCIAL INSTITUTIONS: EVIDENCE FROM SELECTED MICRO FINANCE INSTITUTIONS OF ETHIOPIA**

*Kanbiro Orkaido Deyganto*

*Research Scholar, Department of Accounting and Finance, College of Business and Economics, Dilla University, Ethiopia*

### **ABSTRACT**

*This study was focused on MFIs specific determinants of capital structure of selected micro finance institutions in Ethiopia. To this end, the researcher employed quantitative research approach with explanatory research design where the effect caused by the independent variable on the dependent variable is observed through random effect model regression analysis. Thus, the result of regression analysis showed that out those variables like growth, profitability, firm size, age, and asset tangibility have positive and statistically significant effect on leverage ratio. Whereas, profitability has statistically significant and negative effect on capital structure or leverage ratio. Based on the findings of the study, the researcher concluded that the firm specific determinants of capital structure of micro finance institutions in Ethiopia were growth, profitability, firm size, age, and asset tangibility. So it is better for MFIs in Ethiopia to work on the aforementioned variables in order to have optimum capital structure to provide diversified financial service for public.*

**KEYWORDS:** *Capital Structure, Determinants, Microfinance Institutions, Random Effect Model*

---

### **Article History**

**Received: 01 Jun 2021 | Revised: 03 Jun 2021 | Accepted: 05 Jun 2021**

---