DEBT OF FAMILY FIRMS: A COMPARISON BASED ON ACCOUNTING INDICATORS

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Abstract

The financial behavior of family firms represents a field of research that has been little explored up to the present time. In this context, we wanted to contribute to understanding the problems linked to financing in family firms, and more specifically to family SMEs in Belgium, because they represent a major part of the Belgian economy. This paper uses paired samples methodology to compare the financial debt of family SMEs with that of non-family SMEs. The results show that family SMEs seem to be more indebted. Among all of the ratios tested, six indicators were statistically significant. The theory of the agency cost of debts seems to be confirmed for Belgian family SMEs.

Keywords: family firm, debt, SMEs

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1. Introduction

According to Kenyon-Rouviniez and Ward (2004), family firms play a very important role in the economy of most industrialized countries, and they represent between 50 and 90 percent of the gross domestic product of all market economies. In the private sector, family firms represent the most common type of business (Donckels & Frohlich, 1991; Cromie et al., 1995; la Porta et al., 1999; Faccio & Lang, 2002; Ifera, 2003; Morck & Yeung, 2003; Kenyon-Rouviniez & Ward, 2004). Despite this, the literature on family firms has developed in scientific research only since the Eighties (Hirigoyen, 1985; Merigot & Hirigoyen, 1987; Kalika, 1988; etc.), and more during the Nineties (Donckels & Frohlich, 1991; Friedman & Friedman, 1994; Allouche & Amann, 1995; Allouche & Amann, 2000; etc.).

The financing problem of family firms has been covered very little by researchers. Only 14% of family firm studies are focused on its financing problem (Allouche & Amann, 2000, p.4; Romano et al., 2000, p. 285). Chua & alii (2003) made a study of 190 papers on family firms that were published between 1996 and 2003. They noticed that 22% of the papers have to do with research in succession, 15% in performance, 10% in governance, 6% in advantages and 6% in conflicts. Entrepreneurship, culture, and strategy are the topics of only 5% of the papers. Finally, the internationalization of family firms represents 3% of the papers and professionalization represents only 2%.

Along these lines, we wanted to help improve knowledge about family firms while focusing on financing behavior, because family firms represent a main part of the Belgian economy (Donckels, 1989; Donckels & Aerts, 1993; Wtterwulghe let alii, 1994; Van Caillie & Denis, 1996; Colot, 2005). As some authors (Kalika, 1988; Allouche & Amann, 1995; Schulze & alii, 2003) think that it is necessary to consider the family firm as an entity different from the non-family firm, we wanted to verify if family firms were more or less indebted than non-family firms.

Different kinds of financing are possible in this context: self-financing, debt and the issuing of new shares.

In this paper, we will not study the possibility for a firm to open its capital to find financing because family firms will call upon capital opening only as a last resort. This means of financing can involve a loss of family control if the family does not take part in the operation.

Consequently we chose to speak only about the financial indebtedness of Belgian family firms. This financial indebtedness represents an alternate means of financing that makes it possible to avoid the dispersion of ownership and the loss of family control.

Must the family firm be considered as an entity different from the non-family firm? If the answer is yes, then it would be interesting to consider family firm financing behavior as a function of its characteristics. This would mean that the family character of a firm can have an influence on its

indebtedness, and consequently, it would mean that there is a difference between debt levels of family and non-family firms.

For our future argumentation, we will put forward that there is a difference between family and non-family firms and that shareholding and management characteristics of family firms have a significant influence on their indebtedness.

We will use the conclusions of three theories that can be applied to family firms. These include the theory of control, the agency costs of debt theory and the agency costs of stocks theory.

We will test our hypotheses on a sample of family firms and we will confront our results with the theory of control, the agency costs of stocks theory and the agency costs of debt theory.

These three major theoretical thrusts make it possible to explain the financing behavior of family firms. The first two lead to the conclusion that family firms are less indebted than non-family firms and the last confirms the inverse relation.

Thanks to the statistical pairing technique, we will try to determine which of these theories can answer our question.

2. Financing behavior of family firms

The characteristics of family firm management and shareholding may have an influence on the decision of how to finance them. These criteria are used to identify family firms: family ownership, the very significant family implication in the firm's management and, finally, the will to transfer it to the next generation. Consequently, a firm could be considered as a family firm if and only if the same family owns and manages it in order to safeguard it in the family inheritance. This definition is also defended by Anderson & Reeb (2003); they note that family firm shareholders are strongly affected by the long term survival of their firm. Family control and continuity (Casson, 1999) are at the heart of the family firm issue. In this respect, the theory of control seems to apply to the case of family firms.

In his study, Hirigoyen (1982) highlighted a careful financial strategy of family firm managers and also an objective of continuity of the firms. These results are confirmed by Ward (1988), who shows that family firms adopt defensive strategies to avoid the loss of family control. So it is not unrealistic to think that family shareholders try to reduce the firm's global risk in order to preserve its long term survival. To do that, shareholders probably count on the bankruptcy risk not rising. An increase in financial indebtedness and thus an increase in the risk of bankruptcy might be seen by family shareholders as a loss of family control to creditors. Nevertheless, the self-financing capacity being limited, family firms must find other means of financing. Consequently, they prefer having banking debts to opening their capital (Calof, 1985; Wtterwulghe, 1998).

Family firms would tend to be more involved in debt. In this regard, Friend & Lang (1988) and Friend & Hasbrouk (1987) notice an inverse relation between ownership concentration and indebtedness level. This risk aversion is also reinforced by the will to transfer the family firm to the next generation (Friedman & Friedman, 1994). Gallo & Vilaseca (1996) also showed that family firms have a weak debt ratio that can be explained by the fear of bankruptcy or loss of control of the family firm. However, because the principal values of family firms are based on their independence and their long term survival, Ben Jemaa (2005) asserts that the level of short term banking debt would have to be lower than that of non-family firms. Notwithstanding, we believe that the short term operating indebtedness should have to be higher within family firms than non-family firms. This short term operating indebtedness represents a means of financing that is less costly or risky than short term banking debts.

According to this literature, we can propose the following hypotheses:

Hypothesis 1: the global financial debt of family firms is lower than that of non-family firms.

Hypothesis 2: the short term financial debt of family firms is lower than that of non-family firms.

Hypothesis 3: family firms have a higher level of short term operating debts than do non-family firms.

The first hypothesis refers to the Agency Theory (Jensen & Meckling, 1976), which is based on the neoclassical principle that different kinds of agents try to maximize their own interests. Nevertheless, family shareholders are strongly implicated in family firm management by reason of the weak separation between ownership and control. Consequently, the risk of agency conflicts between managers and owners is weaker if there is a strong implication of family control in the firm's management. So indebtedness cannot be retained as a means of reducing managers' opportunism. On the contrary, the private gains that are obtained by family shareholders thanks to their control of the firm's management could be reduced because of indebtedness. Indeed, indebtedness increases the risk of bankruptcy but also constrains the firm to external monitoring. This external monitoring can involve a reduction in the private gains resulting from control (Harris & Raviv, 1988). Consequently family shareholders do not have an interest in putting the firm into debt. The first hypothesis is thus confirmed by the Agency Theory because, within family firms, indebtedness does not appear as a means to reduce the potential conflicts between shareholders and managers. On the other hand, another current in literature that also comes from the Agency Theory certifies the contrary. It is based on the conflicts that can exist between shareholders and creditors. Indeed the relations between these two categories can create conflicts if the shareholders misappropriate a part of the firm's substance at the expense of creditors (Desbrières & Dumontier, 1989). This misappropriation can occur

through investments. So, imagine a non-family firm that has a very high level of debts. This level of debts comes from a loan contracted by the firm in order to finance an investment project. Suppose that firm has to pay off a sum of X thousand dollars (for X>0) at a given period t to its creditors.

Managers are supposed to have a choice between two investment projects: P1 and P2. For each of these projects, there are two possible outcomes: one pessimistic and the other optimistic.

The probability of occurrence of each outcome is 0.5. Then, flows of money from each of the two projects are presented in table 1. After the loan repayment, the balance is distributed to the shareholders.

Table 1. Flows of money

.	Pessimistic outcome	Optimistic outcome
P1	X	(X * z) with z > 1
P2	0	(X * y) with y = (1+z)

Expected flows of project P1   = 0.5 * X + 0.5 * (X * z)
                                                = 0.5 * X * [1 + z]
Expected flows of project P2   = 0.5 * (X * y)

Because y =(1+z), the expected flow of project P1 is equal to project P2. However, project P2 is more risky than project P1. The risk of each of the projects can be calculated thanks to the standard deviation. So the standard deviation of project P1 (noted $\tau(P1)$) amounts to 0.5*z while the standard deviation of project P2 (noted $\tau(P2)$) rises to 0.5*X*y. Nevertheless we suppose that y = (1+z), thus $\tau(P1) < \tau(P2)$.

If the firm chooses project P1 it will be able to fulfill its contractual obligations toward its creditors even if the pessimistic outcome occurs. Indeed, whichever outcome occurs, the firm will be able to create a sufficient expected flow to repay its debt of X thousand dollars to its creditors. On the other hand, if the firm invests in project P2, it will not be able to repay its debt in the case of a pessimistic outcome. The expected value of the debt is not more than X thousand dollars but 0.5 X thousand dollars. Thus for the firm's creditors, project P1 would have to be selected by the managers.

Nevertheless, for the firm's shareholders, it is the contrary. Indeed, if project P1 is selected, their earnings expectancy will amount to [0.5 * X * (z-1)] thousand dollars; if project P2 is selected their earnings will amount to [0.5 * X * (y-1)] thousand dollars. By replacing "y" with "(1+z)", we will show that [0.5 * X * (y-1)] is higher than [0.5 * X * (z-1)]. Consequently shareholders may find it beneficial to convince managers to choose project P2. There will thus be a misappropriation of a part of the firm's substance by shareholders.

The probability of occurrence is higher within non-family than family firms in which the interests of managers, shareholders and the family are often the same. Consequently we can imagine that creditors would lend more easily in the long term to family firms. Markin (2004) found that long term debts were higher within family than non-family firms. These conclusions complete the list of hypotheses above.

Hypothesis 4: The long term indebtedness of family firms is higher than that of non-family firms.

3. Methodology

Our main objective is to determine if Belgian family firms have a higher financial indebtedness than Belgian non-family firms. Note that the case of Belgium is marginal in terms of studies carried out on family firms.

3.1. The sample

In order to reach a large number of family firms, our study is based on SMEs, which are very often of a family nature (Donckels & Aerts, 1993; Wtterwulghe et alii., 1994; Van Gils et alii, 2004). Despite this, this kind of firm remains little studied (Van Gils et al., 2004, p. 588). Moreover, wanting to identify firms managed by the owner(s), the choice of SMEs asserted itself. Because the family character is not detectable in the financial report and financial statements of the firms, we made a survey by questionnaire. The population of this survey includes all Belgian SMEs (between 3 and 50 workers). Then, we chose our sample among Belgian SMEs created before December 31, 1990 so that the family character or lack thereof is quite impregnated in the firm. In addition, SMEs employing less than two workers were excluded. The population of this study accounted for 8917 firms for a total of 55284 jobs. Within this population, we made a simple random sample of 2000 SMEs. Our questionnaire was sent to the CEO or CFO of the firms. We sent a second questionnaire to firms from which we received no response. Our useable sample finally included 391 answered questionnaires, presenting a statistical representativeness of the Belgian SME population based on three criteria: geographical dispersion, the branch of industry, and the size (based on the number of workers).

We considered that the firm is a family business when it satisfies at least two of the following three criteria:

- a family holds at least 50% of the capital;
- a family has a decisive influence on firm strategy and succession (the majority of managers belong to the family);
- the majority of the board of directors is made up of members of a family.

This definition of family SME presents the advantage of using clear and measurable criteria, in opposition to qualitative definitions that are more subjective and arbitrary. Moreover, this definition of the family firm is in accordance with most recent studies (Floren 2002; Anderson and Reeb, 2003).

We thus observed that among the 391 firms from our sample, 318 can be regarded as family businesses (table 2).

Table 2. Family and non-family firms

Total SMEs	Family SMEs		Non-family SMEs	
391	318	81.33%	73	18.67%

The result (81.33% family SMEs) illustrates a large majority of family firms and is consistent with previous papers related to the importance of family SMEs in Belgium (Wtterwulghe et al., 1994; Jorissen et alii., 2002). This percentage is, in addition, very close to the results obtained by Astrachan and Kolenko (1994) for the United States (90%), by Reidel (1994) for Germany (80%), and by Crouzet (1995), who shows that the percentage of family SMEs in the European Union varies from 75% to 99% according to the countries.

3.2. Observations on the sample

The following tables synthesize some descriptive statistics about the sample. Note that only 385 firms were identified in Belfirst[14]. It seems necessary to make the test over several years in order to confirm or invalidate the stability of the results.

3.3. Test used

To compare the debt between family and non-family firms, we chose to work with paired samples. This method makes it possible to avoid demographic data like size and activity sector, for example. Indeed, according to Jorissen et alii (2002), comparative studies of family and non-family firms generally do not take into account this type of variable, which can, however, skew the results highlighting differences of management practices or performance between these two types of firms. In the same way, for Westhead and Cowling (1998), studies that do not control these

variables do not make it possible to identify variations related to the family character of firms but rather related to dissimilarities due to demographic data of the sample.

To build the paired samples, it is necessary to choose criteria considered to be relevant, so as to make sure that the measured effect is due to studied variables and not to differences in the composition of samples (Thietart, 1999, p. 198). Other empirical studies using this method (Caby, 1994; Sapusek, 1998; Heldenbergh, 1999) indicate indeed that various accounting measurements of performance are sensitive to the sectorial membership and the size of the firm considered (Ooghe and Van Wymeersch,, 1990, p. 395). With regard to the choice of the criterion of size, the total asset was preferred (it is also one of the three references to the size of firms according to Belgian accounting law, with manpower and sales turnover). Comble (1994, pp. 371-272) showed that the interaction between the size and the activity makes it possible to obtain more reliable results from a comparative point of view.

The control sample will be determined by the following two criteria:

- the branch of industry;
- the size: total assets +/- 20 %

These two criteria are applied to the data of the year under review (this year will be noted year n). When several firms correspond to the profile, we retain the firm that owns the closest total assets. If no firm corresponds to the profile, we simplify the mode of selection. So the NACEBEL code (branch of industry) with three numbers was retained for 12 firms and with two numbers for 23 firms.

The two samples were compared thanks to a statistical test that compares paired observations and identifies significant results. For each ratio, we systematically withdrew the value of the control firm from the corresponding value for the family firm. The test of comparison is in fact practiced on the average of the differences between paired values: the postulation to be tested is that these differences in debt are null while the alternative postulation affirms the existence of differences. This method does not require normality in the distributions (Afnor, 1988, p. 366), which is particularly interesting insofar as many ratios are not normally distributed (Ooghe and Van Wymeersch, 1990, p. 392). The comparison test is used on the average of the differences between paired values. Thus it is recommended to eliminate the illogical differences.

In fact, an important difference could be due to an element that is independent of family firm characteristics. We use the Cochran test to eliminate these differences. For each indicator, we calculated the difference in the firm pairs (the differences named D_i). From the D_i values, we calculated the G_i values (which are the relation between the D_i^2 of each pair and the sum of the D_i^2 of all the pairs) for each indicator. We eliminated the D_i values for which the G_i was greater than 0.12.

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[14] Financial data of firms required to publish their financial report and financial statements with the National Bank of Belgium.

Table 3. Sectors of activity

Activity sector	Frequency	Percent
Industries (Nacebel: 01 ➔ 41)	69	17.92%
Building (Nacebel 45)	85	22.08%
Trade (Nacebel 50 ➔ 55)	169	43.90%
Services (Nacebel : 65 ➔ 93)	62	16.10%
Total	385	100%

Table 4. Shareholding structure

	Frequency	Percent	Cumulative Percent
100% by close family	248	64.42%	64.42%
100% by extended family	60	15.58%	80.00%
90% by extended family	11	2.86%	82.86%
50% by extended family	16	4.16%	87.01%
+ than 50% by other firms	16	4.16%	9117%
- than 50% by other firms	32	8.31%	99.48%
50% family - 50% other family	2	0.52%	100.00%
Total	385	100.00%	

Table 5. Added value

Added value (in €)	Number of firms	Percent
to 100,000	83	21.56%
Between 100,001 and 250,000	133	34.55%
Between 250,001 and 500,000	97	25.19%
Between 500,001 and 750,000	37	9.61%
Between 750,001 and 1,000,000	15	3.90%
More than 1,000,001	20	5.19%
Total	385	100%

The list of ratios in table 6 was established on the basis of the firms' financial statements.

Table 6. Definition of indicators

Indicators	Accounting code
Total debt ratio	(l16l+l17/49l) / (<10/15>)
Total financial debt ratio	(l1704l+l43l+l42l) / (<10/15>)
Financial independence ratio	(<10/15>) / (l16l+l17/49l)
Long term debt ratio	(l16l+l17l) / (<10/15>)
Long term financial debt ratio	(l1704l) / (<10/15>)
Long term financial independence ratio	(<10/15>) / (l16l+l17l)
Coverage of long term debt by cash flow	(l70/67l-l67/70l+l630l+<631/4>+<635/7>+l6501l+<651>+l6560l-l6561l+l660l+l661l+<662>+l663l+l680l-l760l-l761l-l762l-l780l-l9125l) / (l16l+l17l)
Short term financial debt ratio	(l43l+l42l) / (<10/15>)
Short term operating debt ratio	(l42/48l-l43l) / (<10/15>)
Self-financing quote	(l13l+l140l-l141l) / (l10/49l)
Current ratio	(l29/58l-l29l) / (l42/48l+l492/3l)

4. Results and discussion

Table 7. Paired samples test

						T	df	Sig. (2-tailed)
	Differences between paired firms							
	Mean	Standard deviation	Sandard mean error	Confidence interval 95% of difference				
				Lower	Upper			
Total financial debt ratio n	1.42136	9.85072	1.21254	-1.00025	3.84297	1.172	65	.245
Total financial debt ratio n-1	-.11591	5.68482	.69975	-1.51341	1.8159	-.166	65	.869
Total financial debt ratio n-2	.27031	2.78341	.34524	-.41939	.96000	.783	64	.437
Total financial debt ratio n-3	.32984	3.21319	.40165	-.47279	1.13247	.821	63	.415
Financial independence ratio n	-.27115	1.17161	.16247	-.59733	.05502	-1.669	51	.101
Financial independence ratio n-1	-.01321	1.20360	.16533	-.34496	.31855	-.080	52	.937
Financial independence ratio n-2	-.35182	1.12349	.15149	-.65554	-.04810	-2.322	54	.024
Financial independence ratio n-3	-.31000	1.01042	.13502	-.58059	-.03941	-2.296	55	.026
Long term debt ratio n	-.88000	4.15698	.63393	-2.15933	.39933	-1.388	42	.172
Long term debt ratio n-1	-.15660	2.43193	.35473	-.87064	.55745	-.441	46	.661
Long term debt ratio n-2	.20409	1.90994	.28793	-.37658	.78477	.709	43	.482
Long term debt ratio n-3	.20383	2.07277	.30234	-.40476	.81242	.674	46	.504
Long term financial debt ratio n	.76409	7.78501	.95827	-1.14970	2.67789	.797	65	.428
Long term financial debt ratio n-1	-.37212	5.05911	.62273	-1.61581	.87156	-.598	65	.552
Long term financial debt ratio n-2	.25538	2.04713	.25391	-.25187	.76264	1.006	64	.318
Long term financial debt ratio n-3	.57585	2.64096	.32757	-.07855	1.23024	1.758	64	.084
Long term financial independence ratio n	.78556	30.27619	4.51331	-8.31042	9.88153	.174	44	.863
Long term financial independence ratio n-1	1.75000	22.96067	3.34916	-4.99150	8.49150	.523	46	.604
Long term financial independence ratio n-2	-.50047	12.18486	1.85817	-4.25041	3.24948	-.269	42	.789
Long term financial independence ratio n-3	-.07936	6.80282	.99229	-2.07675	1.91802	-.080	46	.937
Coverage of long term debt by cash flow n	15.70543	178.99668	26.39162	-37.45002	68.86089	.595	45	.555
Coverage of long term debt by cash flow n-1	61.75826	197.20054	29.07563	3.19693	120.31959	2.124	45	.039
Coverage of long term debt by cash flow n-2	14.79128	198.58066	28.96597	-43.51419	73.09674	.511	46	.612
Coverage of long term debt by cash flow n-3	26.94320	193.73911	27.39885	-28.11685	82.00325	.983	49	.330
Short term financial debt ratio n	.47092	2.22479	.27595	-.08035	1.02220	1.707	64	.093
Short term financial debt ratio n-1	.25697	1.42287	.17514	-.09282	.60676	1.467	65	.147
Short term financial debt ratio n-2	.01545	1.16129	.14294	-.27003	.30093	.108	65	.914
Short term financial debt ratio n-3	-.07246	1.29805	.16100	-.39410	.24918	-.450	64	.654
Short term operating debt ratio n	-1.02415	7.55045	.93652	-2.89506	.84676	-1.094	64	.278
Short term operating debt ratio n-1	.70576	7.25200	.89266	-1.07701	2.48852	.791	65	.432
Short term operating debt ratio n-2	-.35500	5.06206	.62310	-1.59941	.88941	-.570	65	.571
Short term operating debt ratio n-3	.14953	4.17434	.52179	-.89319	1.19225	.287	63	.775
Current ratio n	.14154	1.92720	.23904	-.33600	.61908	.592	64	.556
Current ratio n-1	.24016	1.69919	.21240	-.18429	.66460	1.131	63	.262
Current ratio n-2	.17508	1.63739	.20309	-.23065	.58080	.862	64	.392
Current ratio n-3	-.13833	1.67023	.20559	-.54893	.27226	-.673	65	.503

Legend: the mean corresponds to the mean difference, for each ratio, between family and control firms. *t* corresponds to the t of Student ; *df* corresponds to the degree of freedom ; *Sig* corresponds to the test's significance

The results show that family firms seem to be more involved in debt than their non-family counterparts in the majority of cases. Amongst all the indicators, six of them are statistically significant. Consequently we cannot generalize our conclusions to the population of all Belgian firms. Our conclusions will concern only our sample (which is a representative sample of the population).

The results presented in table 7 show that, on average, Belgian family firms have a total financial debt ratio higher than that of non-family firms. This observation seems to contradict the first hypothesis. Furthermore, this result can be strengthened by the result obtained for the financial independence ratio. This ratio shows that family firms are less independent than non-family firms. The results obtained are statistically significant to a degree of 10%. The conclusions can therefore be generalized to the Belgian population of firms. Their self financing capacity being reached, those firms have to prefer to be in debt rather than to create new shares. The

issuing of shares can create a shareholding dilution and increase the risk of the loss of family control.

The results obtained for the short term financial debt ratio also show that family firms have a proportion of short term financial debt higher than that of non-family firms. This observation also contradicts the second hypothesis.

The results on the long term debt ratio, the long term financial independence ratio and the short term operating debt ratio are not statistically significant. We note that there are two positive differences and two negative differences between family and non-family firms. Because of the ambiguous results obtained for the "short term operating debt ratio", we cannot confirm or invalidate hypothesis 3 (that family firms have more short term operating debt than non-family firms).

On the other hand, our fourth hypothesis can be confirmed: long term financial debt would seem higher within family firms than within non-family firms. The results obtained for the year n-3 are statistically significant to a degree of 10%. Consequently, our conclusion can be generalized to Belgian SMEs.

The cash flows of family SMEs seem to be higher than those of non-family firms. Thus, it would mean that, all things being equal, family firms are better able to cover their financial charges than non-family firms. This observation could explain why family firms have a higher level of long term financial debt than non-family firms (the coverage of long term debt by cash flow being better than that of non-family firms). This result is also confirmed by the current ratio. Indeed family firms have a better current ratio than non-family firms. This would seem to confirm that family firms are able to carry out their financial engagements.

5. Conclusions and development tracks

According to the results in table 7, Belgian family SMEs seem to be more involved in debt than non-family firms. The results also show that the managers of family firms choose careful global financial strategies for fear of losing family control. The managers will prefer self financing to indebtedness and indebtedness to the issuing of new shares.

The issuing of new shares is the last alternative because it can induce shareholding dilution and increase the loss of family control. Consequently an arbitrage exists between the increase in the risk of default (in relation with a higher level of leverage) and the increase in the risk of losing family control.

The statistically significant results of this study seem to confirm this point of view. Managers of family firms will be involved in debt rather than issue new shares when their self financing capacity is reached. The principal motivation within family firms seems to be the maintaining of family control.

Consequently, the two first hypotheses cannot be validated. So the total financial debts are not lower within family than within non-family firms (hypothesis 1 not confirmed) and the short term financial debts are not lower within family than within non-family firms. In regard to the third hypothesis, we cannot draw a conclusion because the results presented in table 7 are not consistent.

On the other hand, we can validate the fourth hypothesis: the long term financial debt of family firms is higher than that of non-family firms. These results confirm the conclusions of the agency costs of debt theory. According to this theory, family firms would obtain long term financial credits more easily than their non-family counterparts thanks to their strategy and their long term vision.

In conclusion, the debt of Belgian family SMEs seems to be higher than that of non-family firms. Among all of the debt ratios tested, six indicators were statistically significant.

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