How Do Managerial Personality Traits Influence Capital Structure? An Analysis In Micro And Small Enterprise

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Abstract:

Background: The capital structure is considered one of the most complex topics in finance, with many studies presenting evidence for large companies, to the detriment of micro and small firms. Many approaches are based on the paradigm of rationality, neglecting the influence of entrepreneurs' personality traits on the topic's decisions. Therefore, the objective is to analyze the influence of personality traits on the capital structure of micro and small companies in Rio Grande do Sul.

Materials and Methods: For this purpose, a survey was conducted with 546 entrepreneurs, and descriptive statistics, confirmatory factor analysis, and multiple regression analysis were applied.

Results: The results show that Managerial Traits have significant importance in decisions about capital structure, as the negative attitude towards debt and the lower belief in lack of control and inability to manage aspects of life influence decisions about firms' capital structure.

Conclusion: This study sheds light on the influence of managerial personality traits on the capital structure of micro and small companies. The research reveals that specific traits, such as Debt Aversion, Risk Tolerance, Optimism and Locus of Control, play a significant role in shaping the financing decisions of these enterprises. Overall, this research contributes to the growing body of knowledge on capital structure determinants for micro and small enterprises, providing policymakers and stakeholders with valuable information to support these vital components of the economy. Understanding how personality traits influence financial choices can aid in the development of targeted policies that reduce mortality rates and foster economic growth within this crucial sector.

Key Word:capital structure, micro and small enterprises, managerial personality traits.

I. Introduction

The study of capital structure is considered one of the most complex topics in finance, where several theories based on the paradigm of rationality have been developed to explain decisions regarding the mix of financing sources for organizations. The financing decision of a company is a fundamental concern in corporate finance and has attracted strong interest from various stakeholders (Shahar, Ahmad &Jaafar, 2020). However, these theories often focus on providing solutions for specific issues related to large companies, neglecting the study of micro and small firms.

In this regard, Sandhu & El-Gohary (2022) emphasize the importance of delving into research on smaller companies since, according to the authors, these organizations play a crucial role in economic growth, innovation, poverty alleviation, and employment growth worldwide. Despite the limited focus, the study of the capital structure of such companies remains highly relevant (Mac anBhaird, 2010). In Brazil, for instance, micro and small enterprises are responsible for 60% of the employed population, and according to SEBRAE (2015), they generate 27% of the Gross Domestic Product (GDP). Moreover, SEBRAE (2013) states that 57% of micro and small entrepreneurs are potential business owners, meaning they are entrepreneurs whose firms are not formally established.

Furthermore, the management of micro and small enterprises tends to be less professionalized and centered around a few individuals, who also shoulder operational responsibilities. The lack of professionalism could make the decision-making process more susceptible to the influence of personality traits, beliefs, values, and relationships, deviating from the rational paradigm that underpins traditional capital structure theories.

In psychology, the theory of personality traits is one of the main approaches to studying human personality (KASSIN, 2003). Scientists in this field focus on analyzing traits, which can be defined as habitual patterns of behavior, thought, and emotion. From this perspective, such traits are relatively stable over time, differ among individuals, and influence behavior and the decision-making process (BHUNIA & SHOME, 2023).

Based on these issues, the main objective of this study is to analyze the influence of personality traits on the capital structure of micro and small companies in the state of Rio Grande do Sul, Brazil. To achieve this goal, the following specific objectives were defined: a) Identify the capital structure of micro and small companies in Rio Grande do Sul; b) Estimate and validate the personality trait factors of the owner-manager and firm performance; and c) Analyze the influence of managerial personality traits on the capital structure. Among the personality traits to be analyzed, confidence and optimism, recognized as Managerial Personality Traits (GIDER; HACKBARTH; 2010), are included.

While many studies on capital structure have examined the exogenous determinants of decision-making (CHO, 1998), personality traits have remained largely neglected (ZELLWEGER *et al.*, 2007). However, an increasing number of research papers have reported that individuals tend to be optimistic and excessively confident (GIDER; HACKBARTH, 2010).

Therefore, understanding how entrepreneur's personality traits influence the capital structure of small businesses will provide insights for the development of public policies capable of fostering the activities of such companies. These policies may aim to reduce their mortality rate and promote economic development, given their current importance in national wealth generation.

Theoretical Framework
Definition of Micro and Small Enterprises

The classification of companies into different categories is a relevant issue for academic research and the determination of public policies, especially focused on their creation, development, and mortality rate, as various evidence points to a high mortality rate of micro and small enterprises (NUÑEZ HUERTA, 2021; ETIM *et al.*, 2022; COSTA & LISBOA, 2023).

In the international scientific literature, it is common to find studies that focus on micro and small enterprises (MSEs) due to their significant role in the economy and local development. However, the lack of consensus regarding the criteria for this classification can lead to inconsistencies in results and make it difficult to compare different studies. Therefore, it is essential to examine the most frequently used criteria in the international scientific literature to define MSEs.

Petty et al. (2011) highlight at least three common points that differentiate them from others: i) they are managed by one person or a small group of individuals, in contrast to the professional management team of large companies; ii) they are funded by owner-managers who usually contribute a significant part of the organization's capital, and iii) the main decision-making functions are based on owner-managers.

In this context, El Madani (2018) comments that definitions vary considerably from one nation to another, and common criteria used include the number of employees, gross annual revenue, and total assets. Regarding the number of employees, the classification of microenterprises generally involves those with up to 10 employees, while small enterprises may have between 11 and 50 employees. Annual gross revenue varies according to the industry sector, with microenterprises having revenues of up to US$ 1 million, and small enterprises having revenues between US$ 1 million and US$ 10 million.

Another common approach is based on the total assets of companies, where microenterprises can have total assets of up to US$ 500,000, and small enterprises can have between US$ 500,000 and US$ 2 million. Additionally, some countries also adopt definition criteria based on the company's industry sector.

El Madani (2018) points out that the diversity of criteria used to classify MSEs in different countries has significant implications for formulating public policies to support entrepreneurship and economic growth. Understanding these different approaches is essential for developing effective strategies to promote the business sector and stimulate the business environment.

In Brazil, the criteria used by the Brazilian Institute of Geography and Statistics (IBGE) is gross revenue. A microenterprise is considered one that has gross revenue equal to or less than three hundred and sixty thousand reais in each calendar year, while a small enterprise has gross revenue greater than three hundred and sixty thousand reais and equal to or less than 4.8 million reais. For the trade and services sector, SEBRAE (2015) defines microenterprises as those employing up to nine workers, and small enterprises as those organizations with up to forty-nine employees. For the industrial sector, microenterprises are those with up to 19 employees, and small enterprises are organizations with up to 99 workers.

Capital Structure of Micro and Small Enterprises

Micro and small enterprises differ from larger publicly traded companies as they initially do not have access to financing their activities through public debt or issuing shares in the stock market due to their high cost (ANG, 1991). Generally, micro and small enterprises are not required to publish audited financial statements, and the quality of such information may vary (ORTIZ-MOLINA; PENAS, 2006). Moreover, many owners have incomplete information about the firm's financial situation (COLEMAN; CARSKY, 1999). As a result, other economic agents may react to information asymmetries by refusing to lend or invest resources in this type of organization. Additionally, the tax advantage of debt is negligible or non-existent for small businesses (MCCONNELL; PETTIT, 1980).

As a result, several pieces of evidence indicate that small businesses seek more ingenious ways to meet their capital needs, especially in times of uncertainty, sudden, and unplanned changes (WINBORG; LANDSTRÖM,2001; ULLAH; TAYLOR,2007;NEELY; VAN AUKEN, 2012; MANISALIGIL et al., 2023). Problems with access to external institutional financing may imply that managers seek to meet their needs by using bootstrapping, an unconventional company financing method where the organization uses a series of techniques and alternative sources of obtaining resources to support its activities (MARKS *et al.*, 2005). According to Winborg and Landström (2001), six different types of bootstrapping stand out: i) financing from the entrepreneur, friends, or family—this category includes the use of the owner's credit card, borrowing from friends and relatives, and retaining the manager's salary; ii) management of accounts payable and receivable: credit rationing for defaulters, faster receipt of sales, and charging interest on delays; iii) use of resources from other companies: equipment lending, shared equipment acquisition, joint purchasing, and bartering practices; iv) strategies for delaying payments; v) inventory efficiency, and vi) use of government subsidies.

In this context, the traditional way of measuring capital structure may not fully capture the sources of resources for microenterprises. Considering this difficulty, some authors have developed alternative ways of gathering information about the capital structure of these companies (Figure 1).

It can be observed that the first attempt to evaluate the capital structure of micro and small enterprises through self-administered questionnaires was presented by Yousuf (1997). The interviewer asked the respondent for the percentage of the total value of each financing source in the company's capital structure. This same approach was used by Fluck et al. (1998), Kutsuna and Honjo (2006), and Mac anBhaird and Lucey (2010), but with a different range of financing sources.

Figure 1 - Funding Sources, comprising the capital structure, investigated through the application of questionnaires.

Descrição	1	2	3	4	5	6	7	8	Descrição	1	2	3	4	5	6	7	8
Owners' savings	x	x	x	x	x	x	x	x	Credit Card Companies							x	
Personal credit card							x		Banks (on behalf of the company)	x	x	x	x	x	x	x	x
Partners' credit card							x		Corporate credit card							x	
Partners' personal loans							x		Company overdraft	x						x	
Banks on behalf of partners							x		Government loans	x	x	x	x	x	x	x	x
Spouse's personal assets							x		Venture capitalists	x	x					x	x
Family members' personal assets							x		Other company debts					x		x	
Other informal investors							x		Invoice discounting		x			x	x		
Family loans	x		x	x	x	x	x		Payroll payable								
Partners' family loans			x	x	x	x	x		Payroll to be paid								
Family loans to the company			x	x	x	x	x		Suppliers payable				x				
Loans from partners			x	x	x	x	x		Taxes and duties payable								
Employee loans to the firm		x			x	x	x	x	Private investors*					x	x		x
Loans from friends			x	x	x	x	x	x	Leasing	x			x	x			x
Government assets							x	x	Mortgage	x							
Credit unions			x	x					Government securities/Stocks		x		x	x			
Other assets							x		Advance payment from customers								
Source: Own elaboration. 1= Yousuf (1997); 2= Fluck et al. (1998); 3= Green et al. (2002); 4= Serrasqueiro (2003); 5= Migiro (2005); 6= Kutsuna and Honjo (2006); 7= Robb and Robinson (2010); 8= Mac anBhaird and Lucey (2010); * includes angel investors.																	

The instrument that measures the highest number of funding sources was created by Robb and Robinson (2010), who sought to assess the capital structure of companies through their life cycle. Despite its breadth, the tool does not consider financing alternatives such as factoring, invoice discounting, or short-term debts.

Other studies investigate the preference for different sources of financing, formally or informally established (Migiro, 2005), or the degree of importance for each of these sources (Serrasqueiro, 2003), or the main source of financing among those mentioned (Green et al., 2002). Another way to inquire about the company's capital structure is to investigate the proportion of each of the main sources of financing (YOUSUF, 1997; WAKIDA, 2011).

Influence of Personality Traits on Corporate Capital Structure

Research has reported the influence of certain personality traits, such as confidence and optimism, on financial decisions. For example, Heaton (2002) demonstrates that an optimistic manager believes that capital markets undervalue corporate bonds and would, therefore, prefer to use internally generated resources, showing a hierarchical preference among financing sources.

A derivation of the theory of personality traits is the theory of managerial traits. According to Edwin Ghiselli (1955), the bases for determining the personality traits that contribute to a manager's success are: (1) supervisory ability, (2) occupational achievement need, (3) intelligence, (4) determination, (5) self-confidence, and (6) initiative. Supervisory ability includes planning, organizing, leading, and controlling skills, which are commonly referred to as managerial functions (LUSSIER et al., 2010).

The connection between certain managerial traits and capital structure appears in some models (HEATON, 2002; HACKBARTH, 2004; MALMENDIER et al., 2007; GIDER; HACKBARTH, 2010; MARWAN & SEDEEK, 2018; SHAHDILA-SHAHAR AHMAD & JAAFAR, 2019; KEYGHOBADI, SEIF & FATHI, 2019; SHAHAR, AHMAD & JAAFAR, 2020; ADENEYE & CHU, 2020; BADHEKA & PANDYA, 2022; LIM*et al.*, 2022; MUNDI, & KAUR, 2022; MUNDI, 2023; GURDGIEV & NI, 2023). These models propose that optimistic and excessively confident managers believe that capital markets underestimate their firms' debt securities and, therefore, exhibit a certain pattern of preference regarding financing sources. On the other hand, Barros and Di Miceli da Silveira (2008) argue that optimistic and/or excessively confident managers would tend to opt for higher debt levels than they would choose if they were unbiased. Therefore, Managerial Personality Traits such as optimism, overconfidence, and risk tolerance would be among the determinants of firms' capital structure.

Regarding optimism, seen as a personality trait, research by Kluemper*et al.* (2009) suggests that it is stable over time, produces a general state of vigor and resilience, and is related to long-term dimensions of an individual's life. Marshall et al. (1992) comment that optimism reflects the anticipation of positive events and is associated with extroversion and positive emotional states. It can also be directly and positively related to individuals' sense of control (HUI et al., 2014).

The impact of optimism on decision-making is associated with experience. More experienced and specialized individuals, such as executives, tend to be more prone to optimism and overconfidence than novices. Moreover, they believe that proactive financial strategies allow them to anticipate possible opportunities and chart the best path to maximize them (KHAN et al., 2020; Al-BINALI et al., 2023). For Deeds et al. (1995), the owner's perception of the viability of the new venture (optimistic or pessimistic) can affect financing decisions. Cooper et al. (1988) add that overly optimistic owners may underestimate the challenges in managing their businesses and make inappropriate commitments for their companies.

The term confidence refers to the perception of the probability that a certain decision is correct. On the other hand, lack of confidence occurs when the declared probabilities are lower than the actual proportion of correct decisions. Conversely, overconfidence occurs when, in a series of decisions, the declared probabilities exceed the actual proportion of correct decisions (PAESE; SNEIZEK, 1991).

According to Zacharakis and Shepherd (2001), overconfidence describes the tendency to overestimate the likelihood of a set of events occurring and can be more generally associated with people's tendency to overestimate their own abilities and knowledge. In terms of capital structure decisions, confidence leads entrepreneurs to make new investments in their firms and use a higher level of external financing in their capital structure (OLIVER, 2003). Hackbarth (2008), for example, theoretically shows that overly confident individuals choose higher levels of leverage and issue new debts more frequently. Oliver (2003) found a positive and significant relationship between confidence and the degree of financial leverage.

Financial risk tolerance can be seen as a subjective attribute and is believed to have a genetic predisposition (HANNA; CHEN, 1997). Roszkowski et al. (2005) define risk tolerance as the limit a person is willing to risk for a less favorable outcome in pursuit of a more favorable outcome. Therefore, risk tolerance plays an important role in the process of economic decision-making. As a result, a person's willingness to take risks is used to predict their economic behavior (BHANDARI & KUNDU, 2014; WEQAR *et al.*, 2021). Along these lines, Marwan &Sedeek (2018) observed that managerial optimism and risk tolerance have a significant positive impact on the firm's leverage ratio, while managerial overconfidence does not significantly affect the capital structure of the company.

Mirowsky (1995) comments that the sense of control reflects the real limitations imposed by oneself as well as the creation of opportunities in individuals' lives. The basic difference in the sense of control lies in the position of the locus of control: internal or external. Individuals with a tendency to have an external locus of control have a lower sense of control, while people with an internal locus of control tend to have a higher level. However, it is worth noting that a higher level of sense of control is also associated with other personality traits.

Regarding the relationship between the sense of control and capital structure, several authors demonstrate its existence, so that the greater the external locus of control, the higher the likelihood of personal debts (TOKUNAGA, 1993;TRENT*et al.*, 2006;MEWSE*et al.*2010). Therefore, if attitude towards debt is a predictor of human behavior, as Kraus (1995) points out, it can be concluded ceteris paribus that the sense of control, under the domain of internal locus of control, could have an influence on behavior directed towards debt aversion and, consequently, on firms' capital structure.

Empirical evidence from Matthews et al. (1994), Hailu et al. (2005), Cronqvist et al. (2012), and Hoang and Otake (2014) highlights that personal leverage options are positively aligned with corporate leverage choices. Matthews *et al.* (1994) theoretically propose that entrepreneurs more prone to debt tend to have a higher proportion of debts in their company's capital structure. Hailu et al. (2005) observed that the attitude towards debt is positively correlated with financial knowledge and experience in using debt in firms' capital structure. Cronqvist*et al.* (2012) showed that personal leverage can be used to explain the level of leverage of the company. Hoang and Otake (2014) also concluded that the CEO's attitude towards debt is directly and positively associated with the use of debts in the capital structure of micro and small companies.

In summary, managerial personality traits such as optimism, confidence, risk tolerance, and sense of control can have a significant impact on firms' capital structure, influencing their preferences regarding financing sources and debt levels. These relationships have been widely explored in empirical studies, highlighting the importance of personality traits in financial decision-making and the structuring of organizations' capital. The research of Shahdila-Shahar Ahmad &Jaafar (2019), Keyghobadi, Seif&Fathi (2019), Shahar, Ahmad &Jaafar (2020), Adeneye& Chu (2020), Badheka& Pandya (2022), Lim et al. (2022), Mundi & Kaur (2022), Mundi (2023), and Gurdgiev& Ni (2023) reinforce these relationships and provide insights for understanding the role of personality traits in firms' capital structure.

II. Material And Methods

For the sample construction, a population of 606,524 micro and small businesses was considered, with a confidence level of 95% and a sampling error of 4.0%, resulting in a final sample of 546 micro and small business owners. The questionnaires were randomly distributed in an external environment, through contact with willing micro and small business owners from the Rio Grande do Sul region in Brazil. Stratified sampling was used.

As a data collection instrument, a questionnaire was used, consisting of seven blocks of questions. The first block presents demographic variables. The second block contains specific questions about the company, such as the number of employees and family members involved in the business, the time and sector of activity of the company, as well as the total assets and debts of the company and its capital structure. In the third block, optimism is assessed. In the fourth block, the sense of control is assessed, divided into internal locus of control and external locus of control. The fifth block covers questions about the attitude towards debt, the sixth about risk tolerance, and the seventh and final block inquires about respondents' financial knowledge.

To evaluate the Optimism construct, the revised Life Orientation Test by Scheier*et al.* (1994) was used. This tool was translated and validated into Portuguese by Laranjeira (2008). To measure the sense of control, the construct by Mirowsky and Ross (1991) was used, as it has a high degree of internal consistency and fewer questions (eight Likert scale questions).

The Attitude towards Debt construct was measured using the adapted and validated tool by Moura (2005), who created an attitude scale for indebtedness based on the tool developed by Lea et al. (1995). For the Risk Tolerance construct, the tool created by Droms and Strauss (2003) was used. This instrument uses six questions scaled from 1 to 5, according to the Likert format, with the aim of classifying respondents' profiles based on their total score.

For data analysis, descriptive statistics, confirmatory factor analysis, and multiple linear regression analysis were used. Confirmatory factor analysis was performed to validate the studied constructs, analyzing various adjustment indices to assess whether the model fits the sample data (BYRNE, 2013). However, there is no consensus in the literature on acceptable values for these indices. According to Hooper *et al.* (2008), a good-fitting model has a non-significant chi-square at the 5% level, or the chi-square/degrees of freedom ratio should be less than five. For the Comparative Fit Index (CFI), Goodness Fit Index (GFI), Normed Fit Index (NFI), and Tucker-Lewis Index (TLI) indices, values greater than 0.95 were used, and for the Root Mean Square Residual (RMSR) and Root Mean Square Error of Approximation (RMSEA), values lower than 0.05 and 0.08, respectively, were used.

To verify the reliability of the constructs, the reliability index and Cronbach's Alpha coefficient were used as measures. The construct is considered reliable when both reliability indices reach values equal to or greater than 0.6 (HAIR et al., 2010). From the validated models, five constructs were formed: Optimism, Internal Locus of Control, External Locus of Control, Attitude towards Debt, and Risk Tolerance. For each construct's development, standardized coefficients identified for each variable in the validated models were used. Thus, the impact of each question in the formation of each construct was weighted by the sum of the variables multiplied by their respective weights.

Multiple regression analysis was applied to verify the influence of the generated constructs, size, age, and sector on the indebtedness of companies. For the sector, a binary dummy variable was created, with 1 indicating that the company is in the industrial sector and 0 indicating otherwise. The size was measured by the natural logarithm of the number of employees, and age is the number of years the company has been active. To identify the normality of the residuals, the Kolmogorov-Smirnov test (KS) was performed, under the null hypothesis that the distribution of the tested series is normal, and the aim is to accept this hypothesis, which occurs when the significance value is greater than 0.05 (CORRAR, PAULO, DIAS FILHO, 2009). Autocorrelation was measured by the Durbin-Watson test (values close to 2 represent no correlation). The multicollinearity of the variables was checked using the Variance Inflation Factor (VIF), with acceptable multicollinearity being between 1 and 10. Homoscedasticity was measured using the Pesaran-Pesarán test, according to Corrar, Paulo, and Dias (2009), developed to verify if the variance of the residue remains constant (sig. > 0.05).

III. Result

Table 1 presents the results regarding the socioeconomic profile of the respondents.

Table 1 - Socioeconomic profile of the interviewees

Variable	Frequency	Proportion
Gender		
Male	340	62.27%
Female	206	37.73%
Marital Status		
Married	282	51.65%
Single	084	15.38%
Separated	047	08.61%
Common-law	119	21.79%
Widowed	014	02.56%
Education		
Elementary	099	18.13%
High School	319	58.42%
Higher Education	101	18.50%
Postgraduate	027	04.95%
Type of Graduation		
Business Administration*	041	32.03%
Other Courses	087	67.97%
Age		
From 18 to 25	031	05.68%
From 26 to 30	058	10.62%
From 31 to 35	081	14.84%
From 36 to 40	085	15.57%
From 41 to 45	060	10.99%
From 46 to 50	090	16.48%
From 51 to 55	072	13.19%
Above 55	069	12.64%

Source: Research data.

The respondents' profile is predominantly composed of men (62.27%) aged up to 45 years (57.69%), married (51.65%), and with a high school education (58.42%). The age ranges from 18 to 72 years, with a mean and median of 42.48 and 43.00 years, respectively. Although the majority reported having completed high

school, 23.44% have graduated or have a postgraduate degree, and 32.03% have a background in Business Administration. Table 2 presents questions about family involvement in the business.

Table 2 - Family involvement in the business

Variable	Frequency	Proportion
Family Business?		
Yes	294	53.85%
No	252	46.15%
Number of family members active in the business		
None	267	48.90%
1	044	08.06%
2	115	21.06%
3	072	13.19%
4	028	05.13%
Above4	020	03.66%

Source: Research data.

It is observed that 53.85% state that their business is family-owned, while 252 say that their enterprise is not. On the other hand, 267 state that no family members are active in the firm, indicating that, for some entrepreneurs, the perception of a family business is not associated with the employment of relatives in the firm. The characteristics of the businesses are presented in Table 3.

Table 3 - General characteristics of the business

Variable	Frequency	Proportion
Years of operation of the company		
Up to 3	081	14.84%
From 3 to 6	079	14.47%
From 7 to 9	082	15.02%
From 10 to 12	088	16.12%
From 13 to 15	074	13.55%
From 16 to 18	045	8.24%
Above	097	17.77%
Industry		
Retail	332	60.81%
Services	178	32.60%
Manufacturing	031	05.68%
Construction	005	00.92%
Number of employees employed full-time		
None	093	17.03%
From 1 to 3	264	48.35%
From 4 to 6	119	21.79%
From 7 to 9	037	06.78%
From 10 to 12	019	03.48%
From 13 to 15	007	01.83%
Acima de 15	007	00.73%
Age of the firm, in years		
Childhood (0-2)	081	14.84%
Adolescence (3-4)	052	09.52%
Middle Age (5-24)	383	70.15%
Old Age (25 or more)	030	05.49%

Source: Research data.

It is evident that 60.44% of the companies are up to 12 years old, with an average age of 11.05 years. Regarding the industry, the majority (93.41%) operates in the retail or services sector, which is higher than the national average (85.98%) and the average for the state of Rio Grande do Sul (81.92%), according to IBGE (2023). Regarding the number of employees working full-time, most (65.38%) have up to three employees, while 17.03% have no employees.

To characterize the capital structure of the firms, the entrepreneurs were asked about the financial amounts related to the total assets and total debts (Table 4).

Table 4- Financial amounts related to assets, debts, and capital structure

Variable	Frequency	Proportion
Total assets (in R$)		
Up to 30.000,00	070	12.82%
From 30.000,01 to 60.000,00	094	17.22%
From 60.000,01 to 90.000,00	074	13.55%
From 90.000,01 to 120.000,00	056	10.26%
From 120.000,01 to 150.000,00	045	08.24%
From 150.000,01 to 180.000,00	038	06.96%
From 180.000,01 to 210.000,00	073	13.37%
Above210.000,00	096	17.58%
Total debts (in R$)		
Até 30.000,00	417	76.37%
From 30.000,01 to 60.000,00	060	10.99%
From 60.000,01 to 90.000,00	031	05.68%
From 90.000,01 to 120.000,00	008	01.47%
From 120.000,01 to 150.000,00	004	00.73%
From 150.000,01 to 180.000,00	007	01.28%
From 180.000,01 to 210.000,00	009	01.65%
Above210.000,00	010	01.83%
Firm's capital structure (as % of total assets)		
From 0% até 10%	150	27.47%
From 11% até 20%	172	31.50%
From 21% até 30%	096	17.58%
From 31% até 40%	054	09.89%
From 41% até 50%	038	06.96%
From 51% até 60%	007	01.28%
From 61% até 70%	004	00.73%
Above70%	025	04.59%

Source: Research data.

It is observed that 53.85% have up to R$ 120,000.00 in assets, while 76.37% have up to R$ 30,000.00 in debts. Moreover, 58.97% have up to 20% of total indebtedness, indicating some aversion to debt among the participating owner-managers. Likewise, the capital structure (measured by total indebtedness) ranges from 0.50% to 342.85%, with an average indebtedness of 25.22% of total assets. It is also worth noting that out of the 546 companies, 15 (2.74%) have indebtedness exceeding 100% of their assets. Table 5 shows the descriptive statistics of the capital structure of the analyzed firms.

Table 5 - Descriptive statistics of the firm's capital structure

Variable	Total assets[a]	Total debts[a]	Capital structure[b]
Minimum	10,000	5,000	0.50%
Maximum	5,000,000	1,176,686	342.86%
Mean	215,705	35,919	25.23%
Median	105,000	10,000	18.00%
Mode	65,000	5,000	15.00%
σ[c]	444,154	82,537	34.17%
Skewness	6.59	9.3	5.67
Kurtosis	56.79	114.65	42.8

[a]Total assets and total debts described in Brazilian Reais (R$).[b]Capital structure measured as the ratio between total debts and total assets. [c]Standard Deviation. Source: Research data.

The total assets of the companies vary between ten thousand and five million Brazilian Reais (R$), with an average total assets value of R$ 215,705, and 25 companies (4.57%) have assets exceeding R$ 1 million. On the other hand, the total debt volume ranges from less than R$ 5,000.00 to R$ 1,176,686.00, with an average debt value of R$ 35,918.84. Notably, the median is relatively low (R$ 10,000.00), indicating that some entrepreneurs exhibit a certain aversion to debt.

After examining the entrepreneurs' profiles and their respective businesses, Construct Validity was conducted through Confirmatory Factor Analysis (CFA) using Maximum Likelihood estimation. Tables 6 and 7 present the estimated coefficients and fit indices for the initial and final models.

Table 6 - Fit indices for the constructs: initial models

Fit Indices Initial Models	Optimism	Internal Locus of Control	External Locus of Control	Attitude Towards Debt	Risk Tolerance
Chi-square (value0029	44.582	32.229	17.829	173.007	82.919
Chi-square (probability)	p = 0.000	p = 0.000	p = 0.000	p = 0.000	p = 0.000
Degrees of Freedom	9.000	2.000	2.000	27.000	9.000
Chi-square/ Degrees of Freedom	4.953	16.115	8.915	6.408	9.213
GFI	0.971	0.906	0.91	0.926	0.952
CFI	0.946	0.911	0.918	0.757	0.871
NFI	0.934	0.906	0.91	0.729	0.859
TLI	0.911	0.732	0.754	0.677	0.786
RMSR	0.041	0.047	0.037	0.087	0.055
RMSEA	0.085	0.167	0.121	0.1	0.123
Reliability	0.810	0.726	0.629	0.732	0.73
Cronbach's Alpha	0.701	0.654	0.672	0.627	0.711

Source: Research data.

For the Optimism construct, satisfactory values were found for the chi-square/degrees of freedom ratio (with a maximum value of five), the GFI index (above 0.95), the RMSR (below 0.05), and Cronbach's Alpha (above 0.6). However, inadequate values were observed for the NFI, CFI, and TLI indices, which did not reach the minimum value of 0.95, and the RMSEA index, which exceeded the established minimum standard in this study (0.08). Similarly to Optimism, all other constructs, Internal Locus of Control, External Locus of Control, Attitude Towards Debt, and Risk Tolerance, were also inadequate in their initial models.

Adjustments were made to each construct to achieve adequate levels during the validation process. The criteria used for adjustments included removing non-significant variables from the model, excluding coefficients with values below 0.5, indications of modification indices from the AMOS software, and adding correlations. Based on these measures, the constructs were validated, as all of them reached satisfactory values for the chi-square/degrees of freedom ratio, GFI, NFI, CFI, and TLI indices, as well as RMSEA and RMSR. The values of Cronbach's Alpha and reliability, both above 0.6, were considered appropriate (Table 7).

Table 7 - Fit indices for the constructs: final models

Fit Indices Initial Models	Optimism	Internal Locus of Control	External Locus of Control	Attitude Towards Debt	Risk Tolerance
Chi-square (value0029	23.811	4.233	4.195	25.215	22.089
Chi-square (probability)	p = 0.002	p = 0.000	p = 0.000	p = 0.012	p = 0.000
Degrees of Freedom	8.000	1.000	1.000	92.000	7.000
Chi-square/ Degrees of Freedom	2.976	4.233	4.195	1.361	3.156
GFI	0.985	0.988	0.994	0.974	0.987
CFI	0.976	0.99	0.973	0.986	0.974
NFI	0.965	0.988	0.969	0.951	0.963
TLI	0.955	0.953	0.953	0.979	0.954
RMSR	0.028	0.018	0.021	0.042	0.029
RMSEA	0.060	0.077	0.079	0.026	0.063
Reliability	0.810	0.726	0.629	0.701	0.730
Cronbach's Alpha	0.701	0.654	0.672	0.680	0.711

Source: Research data.

Optimism is formed by six variables, with three related to the expectation that something good will happen and the remaining three related to the expectation that something bad will happen (When facing difficulties, I think everything will work out: 0.430; If something can go wrong with me, it surely will: 0.440; I am always optimistic about my future: 0.530; In general, I do not expect things to go well for me: 0.680; I do not expect good things to happen to me: 0.720; In general, I expect more good things to happen than bad things: 0.65).

The Internal Locus of Control consists of four variables related to respondents' perception of their responsibility for what happens to them (I am responsible for my own successes: 0.430; I can achieve anything I set my mind to: 0.330; I am responsible for my failures: 0.910; My failures are the results of mistakes I made: 0.550).

For the External Locus of Control, the variables are related to respondents' perception of not being responsible for things that happen to them (There is no point in planning too much because if something good is meant to happen, it will happen: 0.560; The really good things that happen to me are the result of a lot of luck: 0.710; Most of the time, my problems are due to bad events: 0.320; I have little control over the bad things that happen to me: 0.360).

The Attitude Towards Debt has six variables related to the understanding respondents have about debts (I think it's normal for people to get into debt to pay for things: 0.420; It is important to know how to control household expenses: 0.610; I know exactly how much I owe in stores, credit cards, or banks: 0.650; It is better to save money first and only then spend it: 0.490; I prefer to buy on installments rather than wait until I have enough money to pay in cash: 0.200; I prefer to pay in installments even if the total cost is higher: 0.370). As higher averages indicate lower attitudes towards debt in the construct's study, and the agreement of the remaining questions indicates an aversion to debt, this construct was named Debt Aversion.

Finally, the Risk Tolerance construct addresses issues related to returns, investments, and the associated risks (One of my main investment objectives is to achieve a high long-term return that will allow my capital to grow faster than the inflation rate: 0.480; I would like an investment that provides me with an opportunity to defer payment of capital gains tax for some years: 0.360; I do not insist on a high level of short-term return for my investments: 0.410; I would tolerate sharp variations in the return of my investments to obtain a potentially higher return than would normally be expected from more stable investments: 0.760; I would risk a short-term return loss for the possibility of a higher rate of return in the future: 0.730; I am financially capable of accepting a low level of liquidity in my investments: 0.470).

Based on the validated models, the constructs of Optimism, Internal Locus of Control, External Locus of Control, Debt Aversion, and Risk Tolerance were formed. The coefficients identified for each of the variables were used in the elaboration. In this way, the impact of each variable in the formation of the constructs was weighted at 100%, and the factors were then formed with the sum of the variables multiplied by their respective weights. Subsequently, their descriptive statistics were calculated (Table 8).

Table 8 - Descriptive Statistics of Factors

Construct	Mean	Median	Standard Deviation
Optimism	3.947	4.004	0.673
Internal Locus of Control	3.831	3.900	0.665
External Locus of Control	2.543	2.472	0.668
Debt Aversion	3.581	3.453	0.715
Risk Tolerance	2.983	3.000	0.624

Source: Authors' elaboration.

Optimism and Internal Locus of Control achieved a medium to high level, showing that the sample has some confidence and feels responsible for what happens in their lives. Debt Aversion had an intermediate value, indicating that respondents may have a tendency to get into debt.

To verify the influence of constructs and variables related to companies on their level of indebtedness, a multiple linear regression was performed. The model was estimated using the Ordinary Least Squares (OLS) test with the Enter method (Table 9).

Table 9 - Results of the multiple linear regression estimated for the indebtedness of companies

Variables	Standardized Coefficients	t-Test		VIF
	Beta	Value	Sig.	
Constant		4.318	0.000	
Optimism	0.053	1.226	0.221	1.325
Internal Locus of Control	-0.029	-0.710	0.478	1.199
External Locus of Control	0.111	2.636	0.009	1.244
Debt Aversion	-0.142	-3.437	0.001	1.190
Risk Tolerance	0.014	0.369	0.712	1.065
Company Size	-0.445	-11.284	0.000	1.088
Company Age	-0.009	-0.220	0.826	1.073
Dummy Industry	0.014	0.365	0.715	1.070

Source: Authors' elaboration.

Only three variables were significant for the model. In the first estimation attempt, it was observed that the errors were homoscedastic, indicating that the model was consistent with the assumption of homoscedasticity. The final model, with three independent variables, has an adjusted R^2 of 0.221, showing that the independent variables explain 22.10% of the model together. The F-test was significant (value 20.350 and sig. 0.000), indicating that at least one of the independent variables has an influence on the dependent variable.

Regarding the assumptions, it was observed that there is no serial autocorrelation, as the value of the Durbin Watson test (2.009) was close to two; the model does not have multicollinearity problems, as the VIFs reached values close to one. The model's residuals have a normal distribution, as the Kolmogorov-Smirnov test was not significant (1.305 and sig. 0.066).

The coefficients indicate that External Locus of Control has a positive influence on the company's indebtedness, while Debt Aversion and company size have a negative influence. This suggests that managers who attach greater importance to chance (related to External Locus of Control) may be associated with higher corporate indebtedness, while larger companies and more debt-averse managers are related to lower levels of indebtedness.

The results are consistent with studies found in the literature. Regarding External Locus of Control, the higher it is, the higher the probability of personal debts (TOKUNAGA, 1993; TRENT et al., 2006; MEWSE et al., 2010). For Debt Aversion, entrepreneurs more inclined to debt tend to use higher proportions of debt in the capital structure of their companies (MATTHEWS et al., 1994; CRONQVIST et al., 2012; HOANG, OTAKE, 2014). Studies on firm size show that higher levels of indebtedness are found in smaller companies (DASKALAKIS, PSILLAKIB, 2008; NEWMAN *et al.,* 2012).

IV. Conclusion

Micro and small businesses have become increasingly important in the current economic system, as they are the main employers and have relative representation in the country's Gross Domestic Product. Among the main obstacles to studying the capital structure in these organizations is the difficulty of accessing information since most of these types of organizations are not required to disclose and audit their accounting information.

This research verifies the influence of Managerial Personality Traits on the firm's capital structure. The basic assumption is that such traits, underlying behavior, are relatively stable over time and determine individuals' actions, thus influencing long-term financial decisions of firms. It is observed that Debt Aversion has a negative influence on firm indebtedness, preferring the use of internally generated resources over external resources. Conversely, it is observed that the Sense of Control, from the perspective of External Locus of Control, tends to have a positive influence on firm indebtedness, thus influencing the use of external resources and leverage. As for traditionally studied determinants, notably related to firm performance, it is observed that the larger the company and the more advanced it is in its development stage, the lower the use of debts.

Thus, individuals with more aversion to debts and a lower external locus of control tend to be more inclined to use internally generated resources. The assumption is that negative attitudes towards debt and the lower belief in lack of control and inability to manage individuals' lives influence decisions regarding the capital structure of the investigated firms, thus promoting the use of internally generated resources in the organization.

The main contribution of this work lies in the evidence that using the behavioral dimension of owner-managers can assist in evaluating the firm's capital structure. This extends, therefore, the approach of traditional theories so that personality traits can address some important gaps in the study of financial decisions of companies, especially regarding the mix of financing sources for micro and small enterprises.

However, the study's contributions are subject to some limitations, both methodological and sample-related. Regarding the sample, the results cannot be generalized since the capital structure of micro and small enterprises was investigated only in the State of Rio Grande do Sul, and it is necessary to expand the sample to better develop the subject on a Brazilian or international scale. As for the methodological aspect, it is possible to mention the choice of variables based on existing literature, thus providing the possibility of incorporating other variables.

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