

ABSTRACT

Whether the capital structure of a firm should have some effect on the financial performance of small and medium enterprises is a matter for empirical determination. The objective of this study was to determine the effect of capital structure on the financial performance of SMEs in Thika sub-county, Kenya. The study was conducted on 40 SMEs which were in operation for the five years 2009 to 2013, using multiple linear regression. The findings were that there was no significant effect of capital structure, asset turnover and asset tangibility on the financial performance of SMEs in Thika sub-county, Kenya. Therefore it is recommended that additional research be conducted in order to determine the major factors that influence financial performance of SMEs. This would enable these firms control these factors in order to ensure that profitability is maximised.