

## **Analysis of Dependence of Capital Efficiency on Company Size: Evidence from CEE Countries**

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### **Abstract**

Large businesses have certain inherent advantages over smaller companies. Larger companies enjoy the benefits associated with economies of scale and higher penetration into the market and thus experience higher return on their capital. Stronger negotiating power provides larger companies with a competitive advantage in attractive capital and more favorable financial conditions. This research examines the effect of firm size on capital efficiency based on the analysis of companies in Central and Eastern Europe over the period from 2007 to 2014.

The size of firms in the study is measured as annual market capitalization and ranges from the largest to small ones. Capital efficiency is measured as return on equity (ROE), return on assets (ROA), return on capital employed (ROCE) and cash flow return on investment (CFROI). Descriptive statistics, correlation analysis and regression analysis were carried out in relation to the objectives of the study. Findings from descriptive statistics indicated that large CEE companies have more equity in their capital structure than small ones that rely mostly on debt financing. Correlation analysis revealed the presence of weak positive relationship between ROA and ROCE and company size. However, regression results suggest that for companies located in Central and Eastern Europe firm size does not provide information in explaining capital efficiency.

**Keywords:** Capital Efficiency, Company Size, Financial Performance Measures, Capital Structure