Independent study title	EXPLORING THE CAPITAL STRUCTURE AND FIRM PERFORMANCE RELATIONSHIP IN THAI SMES: A PERSPECTIVE ACROSS BANKRUPTCY LEVELS
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ABSTRACT

This study examines the relationship between capital structure and firm performance among Thai small and medium-sized enterprises (SMEs) listed on the Market for Alternative Investment (MAI), with particular emphasis on the moderating role of bankruptcy risk. Using an unbalanced panel dataset of 796 firm-year observations from 2012 to 2024, panel regression analysis is employed to examine whether bankruptcy risk influences the relationship between financial leverage and firm performance. Firm performance is measured using both Return on Assets (ROA) and Tobin's Q, while bankruptcy risk is classified using the Altman Z"-Score model.

The results indicate that financial leverage is generally associated with lower firm performance. The moderation analysis shows that low bankruptcy risk positively moderates the relationship between leverage and firm performance, suggesting that financially healthy firms are better able to mitigate the adverse effects of leverage. In contrast, no significant moderating effect is observed for high bankruptcy risk in the full-sample analysis. However, the industry-level analysis reveals that the influence of bankruptcy risk varies across industries, highlighting the importance of industry-specific characteristics in explaining the leverage–performance relationship.

Overall, the findings suggest that the effect of financial leverage depends not only on firms' financial condition but also on the industry in which they operate. This study contributes to the capital structure literature by incorporating bankruptcy risk into the leverage–performance framework and provides additional evidence from Thai listed SMEs in an emerging market context.