BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTANCY

EVALUATING THE EFFECTIVENESS OF DEBT MANAGEMENT STRATEGIES: A CASE STUDY OF ZESA HOLDINGS.

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

SUBMITED BY

(B212057B)

BACHELOR OF ACCOUNTANCY HONOURS

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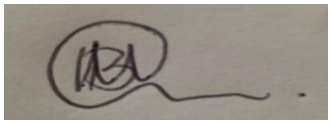

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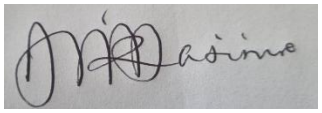

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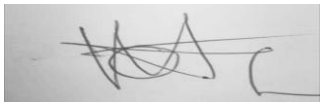

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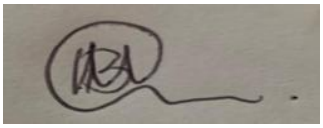

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DEDICATION

This dissertation is dedicated to my mother (Charity Matotoba), my sister (Yolanda) for their enduring moral support and the Almighty who enabled me to carry out this project successfully.

ABSTRACT

This research analyses the efficacy of debt management strategies adopted by the Zimbabwe Electricity Supply Authority (ZESA) Holdings, the leading electricity service provider in Zimbabwe that plays a significant role in the socio-economic development of the country. The proposed study responds to this urgent problem of increasing debt and debt levels which have impacted negatively on ZESA's business. Using a mixed-methods approach, including quantitative survey and qualitative interviews, this research will seek to measure current levels of debt management, determine strengths and weaknesses, and discover stakeholder's perceptions of the same.

The results highlight that ZESA has adopted various options including debt rescheduling and payment plans, continual auditing, among others, to deal with its financial liabilities. At the same time, the study also highlights the serious difficulties facing them, including limits in resources, external economic environment, and the lack of understanding on certain debt management practices among the partners. These difficulties have been demonstrated to limit the efficacy of current approaches.

The research underscores the importance of sound debt management for not only the operational sustainability of ZESA but also the need to provide reliable electricity supply which is crucial for Zimbabwe's overall economic stability. Recommendations, derived from the findings of this study, have been suggested to improve ZESA's debt management system. These suggestions are intended to enhance communication, stakeholder engagement, and utilization of financial-management best practices. Finally, this thesis provides insights towards how ZESA can address its financial crisis while at the same time promoting a sustainable energy supply for the country.

ACKNOWLEGMENT

I would like to express my heartfelt gratitude to my supervisor Mr. R. Masinire, whose expert guidance and unwavering support were invaluable throughout this research process. Your insightful feedback and encouragement helped shape this dissertation into its final form.

I extend my sincere appreciation to the management and staff at ZESA Holdings for their cooperation and willingness to share critical data, which was essential for the success of this study. Special thanks to the participants who took the time to provide valuable insights through questionnaires, enriching the research with their perspectives.

I am deeply grateful to my family, especially my mother, Charity Matotoba, and my sister, Yolanda, for their unwavering support and encouragement during this academic journey. Your belief in my abilities motivated me to persevere through challenges and remain focused on my goals.

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Lastly and most importantly, I would want to thank the Lord Almighty for helping me through this academic journey, without Him I would not have managed to complete this dissertation. I am grateful for His word that always reminded me that “I can do all things through Christ who gives me strength”.

God bless everyone that made it possible for me to complete this dissertation.

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LIST OF ACRONYMS

ZESA: Zimbabwe Electricity Supply Authority

SOE: State-Owned Enterprise

GDP: Gross Domestic Product

IMF: International Monetary Fund

KPI: Key Performance Indicator

ZPC: Zimbabwe Power Company

ZETDC: Zimbabwe Electricity Transmission and Distribution Company

ARDL: Autoregressive Distributed Lag

CHAPTER 1
INTRODUCTION

1.0. Introduction

The research background of the study and research questions are outlined in this chapter, which also serves as an overview. It also introduces the study's primary objectives, underlying presumptions, research scope, limitations, definitions of key terms, and a synopsis of the chapter as it relates to the examination of debt management techniques at Zimbabwe Electricity Supply Authority (ZESA) Holdings.

1.1. Background of the Study.

The financial viability of any company, particularly public service and utility providers, depends on efficient debt management. Debt is the result of borrowing and is characterized by a duty to pay back funds, supply commodities, or render services in accordance with a contract. It basically signifies a promise to pay back accrued debt at a later time. The primary energy provider in Zimbabwe, ZESA Holdings, is crucial to the production, transmission, and distribution of electricity, which is necessary for the country's social and economic advancement. Since its founding in 1987, ZESA has encountered substantial financial difficulties brought on its growing debt. Therefore, in order for ZESA to continue operating and meeting its obligations regarding the national energy supply, it is imperative that it execute efficient debt management techniques. In their journal article on ZESA's financial difficulties, Mlambo & Moyo (2021) noted that the company's high debt levels had become a significant problem impeding its operational effectiveness and capacity to serve the public.

One of the many I’/’/ssues facing Zimbabwe's energy sector is its long-standing reliance on outside funding, which has made ZESA's debt problem worse and restricted its ability to make the essential investments in expansions and upgrades. This financial volatility highlights the necessity for efficient debt management procedures by endangering not only ZESA's operations but also the economy as a whole. According to a 2020 World Bank research, significant investment is needed in Zimbabwe's energy sector to update infrastructure and boost efficiency. As a result, ZESA Holdings has used a number of debt management techniques meant to stabilize its financial situation and lessen its mounting debt load.

This study seeks to assess the effectiveness of the debt management strategies employed by ZESA Holdings. The research attempts to offer insightful information that could improve ZESA's debt management framework by analysing current procedures, identifying their advantages and disadvantages, and assessing how these tactics affect the organization's financial situation. Given the backdrop of economic uncertainty and limited access to capital markets, it is particularly critical to comprehend the effectiveness of these measures. The study's findings will help us better understand how ZESA can manage its mounting debt and deal with its financial difficulties while maintaining a sustainable energy supply for Zimbabwe.

1.2. Problem Statement.

ZESA Holdings is currently grappling with a continually rising debt burden, struggling to service its foreign obligations and repay its debts. This research aims to evaluate the effectiveness of existing debt management strategies to help ZESA manage its financial challenges more effectively.

1.3. Aim of the Study.

The aim of this study is to investigate the effectiveness of debt management strategies in addressing the overwhelming debt at ZESA Holdings.

1.4. Objectives.

1. To assess the current debt management strategies employed by ZESA Holdings.
2. To evaluate the effectiveness of these strategies in reducing debt levels.
3. To identify opportunities for improvement in ZESA Holdings' debt management practices.
4. To explore potential measures to mitigate the ongoing increase in borrowing by ZESA Holdings.

1.5. Research Questions.

1. What debt management practices are currently implemented by ZESA Holdings?
2. How effective are these strategies in managing and reducing debt?
3. What are stakeholders' perceptions of these debt management strategies?

1.6. Significance of the Study.

1. For the researcher: This study aims to assist the researcher in developing essential skills and knowledge pertinent to debt management concerning ZESA Holdings. It serves as part of the requirements for obtaining a Bachelor of Accountancy Honours Degree at Bindura University of Science Education.
2. For th0e organization: The research aims to help ZESA Holdings devise effective debt management strategies that will alleviate and reduce its substantial debt burden.
3. For future research: This study serves as a foundation for further research on this topic and other organizations facing similar challenges.

1.7. Assumptions.

Several assumptions were made during the research, including:
1. Respondents will be willing to participate in the study and provide unbiased information and reliable statistics to support the findings.
2. Respondents are expected to have relevant expertise and knowledge in debt management to facilitate effective research.
3. Sufficient time was allocated for the completion of the study.
4. The chosen organization will continue to operate for the foreseeable future.
4. No significant changes in the company's debt management strategies are anticipated before the study's conclusion.
5. It is assumed that the research instruments and methods employed are ethically sound.

1.8. Delimitations.

1. The study will specifically focus on the debt management strategies that ZESA Holdings has put in place to address its significant debt, such as debt restructuring, without delving into other financial management aspects.
2. Stakeholder perspectives will be limited, focusing primarily on key ZESA stakeholders, including management, finance personnel, and a select group of external stakeholders, rather than the broader stakeholder community.
3. The research will concentrate on data from the five-year period spanning 2018 to 2023, chosen to provide a contemporary assessment of ZESA's debt management strategies and their effectiveness.

1.9. Limitations.

1. There may be challenges in accessing reliable and comprehensive financial data from ZESA Holdings, which could hinder the accuracy of the study's quantitative analysis.
2. While the findings will provide insights into debt management strategies, these may not be directly applicable to other organizations due to ZESA Holdings' unique challenges.

1.10. Definitions of Terms/Abbreviations.

ZESA - Zimbabwe Electricity Supply Authority

Debt Management - The process of developing and putting into practice a debt management plan in order to obtain required funds at the most affordable price while preserving acceptable risk levels.

Efficiency - The concept of executing tasks correctly; efficiency is geared towards internal operations.

Effectiveness - The idea of doing the correct things; an outsider can assess their efficacy.

Financial Management - The systematic and efficient management of funds to achieve organizational objectives.

1.11. Summary.

The background of problem, the study's objectives, and the research questions have all been covered in this chapter. It has also outlined the importance of the study and emphasized its presumptions, restrictions, and boundaries. The chapter also provides definitions for important terminology and acronyms utilized in the study. Following chapter one, chapter two will analyse pertinent literature on the research topic and identify any gaps in the available data.

CHAPTER 2
LITERATURE REVIEW

2.0. Introduction.

Sustaining economic growth and budgetary stability requires efficient debt management. This chapter offers a thorough, theoretical, and empirical survey of the literature in the field of study. It displays a number of authors' contributions, opinions, and writings on debt management techniques by analysing and examining their efficacy for the firm under investigation, in this case ZESA Holdings. In order to produce pertinent and trustworthy research, this chapter drew on recent and contemporary literature. Although the information in this chapter is neither definitive nor comprehensive, the researcher believed that the theoretical framework and empirical data discussed fairly depicted the reality of the debt management strategies at ZESA Holdings.

2.0.1 Importance of Literature Review

Literature review is important to the research as it opens up the true meaning and relevance of what the researcher is up to. It provides the researcher with the opportunity to develop the study's theoretical framework and methodological focus. A literature review makes it simpler to determine how the issue has been studied previously or how it is being addressed globally. Additionally, the researcher will gain a better grasp of significant prior research that has been conducted as well as the gap that necessitates the research. I highlighted debt management-related concerns in this chapter, which has piqued my interest in conducting further research on the topic.

2.1. Conceptual Framework.

2.1.1 The Concept of Debt Management

According to Adams (2009:338), the Central Bank or the government's actions to affect the debt's composition are referred to as debt management. Debt management refers to the practices and strategies organizations use to handle their debt obligations effectively. Debt management also refers to the formulation and implementation of strategies to handle a firm's debt obligations effectively. It embraces policies aimed at minimizing the costs and risks associated with debt while ensuring the sustainability of operations. According to IMF (2014:5), the act of creating and carrying out a debt management plan that raises the necessary funds at the lowest feasible cost over the medium to long term while maintaining a reasonable level of risk is known as debt management, thus predicts a combination of enacted policies that

will allow for repayment of the contracted obligation or bring about its significant reduction. Effective debt management involves optimizing the capital structure, ensuring that the organization can meet its financial obligations while pursuing growth opportunities (McKinsey & Company 2019). Brealey, Myers, and Allen (2017) emphasize that an optimal debt management strategy aligns an organization's debt levels with its operational cash flows, risk profile, and investment opportunities. An organization's capacity to preserve liquidity, fulfil debt commitments, and continue operations without experiencing financial difficulties is a key indicator of how well debt management techniques are working (Allen & Gale, 2000). Debt management is essential for businesses like ZESA Holdings to preserve their financial health, fulfil their service delivery commitments, and inspire investor trust.

In order to reduce financial risk and maintain adequate liquidity for operational requirements, organizations frequently struggle to balance their debt levels. Effective debt management has been shown to improve an organization's creditworthiness, lower borrowing costs, and eventually increase its long-term viability (Altman, 1984). An organization can fulfil its debt commitments without sacrificing development or operational effectiveness if it practices effective debt management. Since utility businesses frequently need to make large capital investments in infrastructure, which are usually financed by borrowing, good debt management is especially crucial in their case. Ineffective debt management can result in diminished ability to provide necessary services, operational inefficiencies, and financial hardship.

2.2 Debt Management Strategies

Effective debt management strategies involve both internal measures within an organization and external approaches, such as negotiating with creditors and engaging with financial markets. The following sections explore common debt management strategies that may be applied to ZESA Holdings.

2.2.1 Restructuring Debt

One of the primary and important strategies for managing debt is restructuring, which involves renegotiating terms with creditors to alleviate financial pressure. Restructuring can involve turning debt into equity, lowering interest rates, or extending loan maturities, (Brealey et al., 2017). According to Altman (1984), successful restructuring can prevent insolvency and allow organizations to stabilize their financial health. ZESA Holdings has explored various restructuring options, including extending repayment terms and refinancing current debt to obtain reduced interest rates, as highlighted in its 2022 Annual Report (ZESA Holdings, 2022).

2.2.2 Cost Control Measures

Effecting robust cost control measures is another essential strategy for managing debt. ZESA Holdings can enhance their debt servicing capabilities by reducing operational expenditures, thereby freeing up cash for repayment of debt. Kaplan and Norton (2001) accentuate that organizations that effectively manage their costs are better positioned to maintain healthy debt-to-equity ratios, which are crucial for long-term financial stability. ZESA Holdings should undertake various cost-cutting initiatives, including streamlining operations and optimizing maintenance schedules, to improve its financial position and manage its debt effectively.

2.2.3 Revenue Enhancement

In addition to cost management, enhancing revenue streams is also key to effective debt management. ZESA Holdings should pursue initiatives aimed at increasing revenue, such as improving service delivery, reducing technical losses, and implementing tariff adjustments. The Zimbabwe Energy Regulatory Authority (ZERA, 2023) emphasizes that aligning tariffs with market rates is essential for the financial viability of utility companies.

2.3 Theoretical Review

2.3.1 Theories related to debt management

There are certain theories that exist which have to do with financial distress and debt management. Debt is related to a firm's capital structure, profitability, management and sources of funds. A number of theories in relation to the study were proposed.

Keynesian Perspective

John Maynard Keynes debated that debt could arouse economic activity, particularly during economic downturns, by enabling governments to undertake countercyclical spending (Keynes, 1936). The Keynesian Principles underscore the significance of debt in stabilizing economies, provided it is management effectively and remains sustainable. This outlook supports the notion that the effectiveness of debt management lies in balancing fiscal stimulus with long tern repayment of debt.

Ricardian Equivalence

Barro (1974), extended Ricardian equivalence, positing that debt finance management spending does not influence aggregate demand since rational agents antedate future tax surges.

This theory implies that debt management effectiveness is liable on public perceptions and intergenerational equity concerns, suggesting a potential constraint on leveraging debt as a policy tool.

Debt Overhang Theory

The debt overhand hypothesis which was advanced by Krugman (1988), postulates that excessive debt levels deter investment and growth due to uncertainty over future repayments and taxation. Effective debt management, therefore, minimizes overhang effects by ensuring predictable debt repayment plans and promoting investor confidence.

Trade off Theory

The Trade-off Theory which was proposed by Myers in 1984 is one of the theories which is related to debt or financial distress. Myers stated that the potential cost of financial distress can be neutralized and balanced through employment of debt to a certain level. The Trade-off Theory states that an optimal capital structure can be attained through modification of debt and equity and this is critical in matching the cost of financial burden and tax obligation.

Modigliani-Miller theorem

The worth of a corporation will remain constant in a perfect capital market with no taxes, according to this theory, which also claims that a company's financial structure has no bearing on how it operates. Modigliani and Miller (1958) also contend that a levered firm's worth is the same as that of an unlevered firm, and their hypotheses demonstrated that there is no such thing as an ideal debt to equity ratio. The theory also made the assumption that the operating environment would be tax-free. Furthermore, the assumptions demonstrated that there is no connection between shareholder wealth and capital structure. Despite the Capital Structure Theory's persuasiveness on paper, some of its underlying assumptions were not applicable in the real world of business. This assumption turned out to be false since people cannot function in a tax-free economy. Miller's assumption is further refuted by Graham et al. (2001), who claim that an entity's capital structure is heavily influenced by the current tax rates.

Market timing theory

The market timing hypothesis describes how a company might profit from changes in stock exchange share prices. According to Baker et al. (2002), a business may offer shares to the

public when the market price of those shares is too high and may redeem them when the price is too low. This means that the business is focused on growing its capital and will benefit more from issuing shares at a higher price and spending less on repurchasing them because they will be inexpensive and undervalued. Given that it can raise money and pay its debts, this could help an organization avoid getting into debt. In contrast, Alti (2006) contends that market timing might not endure for very long and could completely deteriorate in just two years. Hovakimian (2006) argues against the Market Timing theory, claiming that it is only applicable in the short term and is not viable in the long term.

Pecking order theory

The pecking order theory was proposed by Myers in 1984 following information gathered by Donaldson in 1961. The theory suggest that organizations prioritize internally generated funds more than external funds to avoid risks associated with debt accumulation. When internal funds are sufficient, management will make use of available funds. The term Pecking Order suggests how funds are used, internal funds have to be prioritized first followed by debt issue and lastly, issue of equity capital. The theory is practical to many organizations where management usually prefer internal funds since they do not have cost to the company. When the internal funds are no longer sufficient, that's when the organization opts for external funds and borrow from external institutions.

2.3.2 Models of Debt Management

A number of models have been created in regard to debt management. According to the opinions of many authors, the models were developed based on their presumptions about the most effective method of gauging financial distress. Beaver's 1966 univariate model and Edward Altman's 1968 Multiple Discriminant Analysis model, which he later updated in 1993 and 2001, respectively, are among the models. To ascertain if a company is bankrupt or not, the Multi Variant Discriminant analysis is employed. Generally, a company with a higher z-score is considered to be better off concerning bankruptcy whilst an organization with a score less than 1.9 is considered to be at risk of bankruptcy. According to Altman in 1968 the formula is as follows:

Z-score is equal to 1.2X1, 1.4X2, 3.3X3, 0.6X4, and 1.0X5.

Where X1 is the ratio of working capital to total assets (WC/TA).

X2 = total assets divided by retained earnings (RE/TA)

X3 = EBIT/TA (earnings before interest and taxes)

Market value of equity (MVE) divided by book value of total liabilities (BVTL) is X4.
S/TA (sales/total assets) = X5

In the 1993 formula revision, a new variable, X6, representing book value/total liabilities (BV/TL), was included.
Since it can accurately anticipate corporate bankruptcy before it affects the company, the Altman Z-score model is regarded as the most potent. Altman developed the concept by classifying public companies according to their industry and capabilities. Originally, the model was created using a set of ratios that were supposed to apply to all businesses. However, Altman later suggested a revised model, one for private businesses and the other for non-manufacturing businesses.

The Autoregressive Distributed Lag (ARDL) model is used to assess public debt management strategies. The ARDL model allows for the estimate of explanatory variables that are stationary at either levels or first difference (Pesaran, Shin, & Smith, 2001). It also makes it possible to estimate the co-integration relationship using the ordinary least square (OLS) once the lag order of the model has been determined. The model can also be used to estimate the short- and long-term parameters of the models when co-integration is present (Adeleke & Awodumi, 2018). While debt refinance (DRF), debt conversion (DCV), and debt forgiveness (DF) are proxies of governmental debt management measures, the study used total debt to GDP as a proxy to assess the sustainability of the debt profile. The Bond Market evolution index (BMD), which measures the evolution of bond markets, was also taken into account in this study. The public sector bond, private sector bond, and international bond are the three bond market indicators that make up the bond markets development index. The functional linear form of the model used to determine the interactive effects between the variables is as follows:

$$TDEBT_t = f\left(DEBTCV_t, DEPTRL_t DEBTFG_t, BMD_t\right)$$

The ARDL model is further transformed into natural logarithmic, thus:

$$\Delta TDEBT_{t-1} = \alpha_0 + \beta_1 LTDEBT_{t-1} + \beta_2 LDEBTCV_{t-1} + \beta_3 DEBTRL_{t-1} + \beta_4 DEBTFG_{t-1} + \beta_5 BMD_{t-1} + \sum_{p}^{p} \beta_6 \Delta LTDEBT_{t-1} + \sum_{p}^{p} \beta_7 \Delta LDEBTCV_{t-1} + \sum_{p}^{p} \beta_8 \Delta LDEBTRL_{t-1} + \sum_{p}^{p} \beta_9 \Delta LDEBTFG_{t-1} + \sum_{p}^{p} \beta_{10} \Delta BMD_{t-1} + \varepsilon_{it}$$

Where:

LTDEBT = Log Total Debt/GDP

LDEBTCV = Log Debt Conversion

LDEBTRL = Log Debt Relief

LDEBTFG = Log Forgiveness

BMD = Bond Markets Development index

Δ = represents the first difference operator

Eiτ = Vector of the term error

a_0= Constant

β = Coefficient

t -1 = Lag of time t

Pesaran et al. (2001) assume that the regressors are either integrated of order zero or integrated of order one. If the F-statistic is smaller than the 1 bound, the null hypothesis (no co-integration) cannot be ruled out. On the other hand, if the F-statistics exceed the 1 bound, the null hypothesis is rejected.

2.4 Empirical Evidence

Depending on their intended research topic, different writers have conducted a variety of studies pertaining to growing debt and debt management, with varying outcomes. The purpose of this part is to present the previous research that has been done on growing debt and its management.

2.5 Determining early causes of continuous increase in debt

According to Khademolqorani et al. (2015), debt management is crucial for the organization, the lender, and the investor. While the investor is interested in learning about the company's debt in order to evaluate share security, the organization may need to know its financial status in order to find solutions to any issues that may occur, such as failing to meet working capital

requirements. Even with a well-predicted financial figure, the business may collapse due to external factors like fierce competition and the unpredictability of the business environment. This suggests that the order of the capital market, the number of investors, and the growth of the company are all related to the ability to accurately predict a company's debt or bankruptcy. According to Lemar W. et al. (2012), when an organization's debt keeps growing, it's important to assess whether management is to blame and whether any steps are being taken to address the issue with control. Lubomír (2002) identifies three potential early reasons of rising debt that could lead to a company's inability to fulfil its responsibilities. He noted that the ongoing increase in debt could be caused by poor management, neoclassical factors, and financial constraints.

Neoclassical reasoning arises when assets are allocated inappropriately and are typically industry-specific (Lubomir, 2002). According to the neoclassical perspective, problems like bankruptcy processes are essential for effectively allocating resources. When a business has a good asset structure but is unable to meet its working capital needs, the other explanation is financial issues rather than assets. This indicates that while the organization is short-term insolvent, it is long-term viable and capable of achieving its long-term goals.

Lastly, besides neoclassical and financial problems, an organization may be financially constraint but with poor management. This means that sufficient resources to cover up for the obligation of the organization may be available but administration is abusing the funds or are not allocating them efficiently. The statement above shows that increasing debt is not based on the point of restructuring the organization from a financial outlook only but also from a social side.

Rezende et al. (2016) argue that an entity that is on the verge of bankruptcy may choose to incorporate and avoid being labeled as such. The way an organization functions and its capacity to meet financial obligations reveal whether or not it is suffering from debilitating debt. According to Koroi et al. (2010), there are two categories of factors that contribute to debilitating debt: endogenous and exogenous. Endogenous causes occur within the company and are associated with both financial mismanagement and an ineffective funding structure. The other causes are exogenous, meaning they are outside the organization's control and include things like governmental exchange rate policy and phenomena associated with a nation's current state. Depending on its history, the impact of external influences can be

enormous, and recovery time can be lengthy because they can occasionally be a national problem, such as a price cap that is lower than the organization's manufacturing costs.

2.6 Debt Management in Advanced Economies

Case Studies: United States and Eurozone

Empirical evidence from advanced economies shows that strategic debt management can stabilize public finances and reducing borrowing costs. For example, studies reveal that the U.S. Treasury's dependence on long-term bonds during the 2008 financial crisis diminished refinancing risks (Cecchetti et al., 2011). Correspondingly, the Eurozone's post-crisis debt policies demonstrated the importance of coordinated fiscal-monetary strategies (De Grauwe, 2013).

Impact of Quantitative Easing

Quantitative easing (QE) in advanced economies considerably reduced interest rates, providing governments with low-cost borrowing opportunities. Empirical studies highlight that QE supported debt management objectives by reducing debt service costs (Gagnon, 2016).

Case Study: United Kingdom (UK)

The UK has demonstrated effective debt management by emphasizing flexibility in its debt issuance program. Studies by Allen (2012) emphasize how the UK's Debt Management Office (DMO) employed a diversified portfolio approach during the 2008 financial crisis. The strategy combined short-term borrowing, inflation-linked bonds, and long-term instruments to mitigate refinancing risks. This evidence underscores the significance of adaptability in debt management policies.

Debt Restructuring in Japan

The debt-to-GDP ratio exceeded 230% in Japan 2020, yet the country avoided a debt crisis. Studies attribute this resilience to Japan's dependence on domestic investors, who hold approximately 90% of its debt (Ito, 2020). This highlights the role of debt composition in ensuring sustainability. Empirical findings suggest that domestic debt markets can buffer countries from external shocks, reducing liability to fluctuations in the exchange rate.

Sovereign Bond Issuance in the Eurozone

A study by De Grauwe and Ji (2013) examined the effectiveness of debt management in Eurozone countries during the dominant debt crisis. The researchers found that countries with strong institutions and transparent fiscal policies, such as Germany and the Netherlands, conserved lower borrowing costs. By contrast, nations with weaker governance structures, like Greece and Portugal, faced higher yields, give emphasis to the role of institutional quality in debt management.

2.6.0 Debt Management in Developing Economies

Debt Stabilization in Nigeria

Nigeria offers an illustrative case of how fiscal policies and external factors intersect in debt management. Adebiyi and Olowookere (2021) examined Nigeria's debt trajectory, noting that the government prioritized domestic borrowing to reduce exposure to foreign currency risks. Despite this strategy, volatile oil revenues accounting for over 70% of government revenue have hindered debt sustainability. This case emphasizes the significance of economic diversification alongside prudent debt management.

Zambia's Debt Crisis and Chinese Lending

Zambia's 2020 default on sovereign debt highlights the complexities of managing external debt from non-traditional lenders. Cheelo and Kaunga (2022) researched revealed that Zambia's reliance on Chinese loans, often on opaque terms, exacerbated fiscal vulnerabilities. The country's limited capacity to renegotiate these loans further demonstrates the risks of external debt dependence.

Public Debt Dynamics in India

The debt management strategy in India offers lessons for balancing growth and sustainability. Kumar et al. (2019) found that India's fiscal consolidation efforts, coupled with targeted public investments, improved debt sustainability between 2000 and 2019. However, post-pandemic borrowing significantly increased the debt-to-GDP ratio, raising concerns about medium-term fiscal risks. This case highlights the interplay between growth-oriented policies and debt management effectiveness.

Case Study: The Electricity Sector in India

The Indian electricity sector carried out a comprehensive debt restructuring program in 2016. The government initiated robust debt restructuring program that aimed at improving financial

stability. According to Rao (2022), this initiative involved renegotiating existing debts and establishing performance-based financing mechanisms. The government engaged with lenders to restructure existing loans, extending repayment periods and reducing interests as ways to renegotiation of existing debt. As a result, the sector reduced its debt burden by 30% over five years and improved operational efficiency, leading to a 15% increase in service reliability.

Case Study: Transportation in Brazil

In Brazil, the transportation sector faced severe financial challenges due to mismanagement of debt. A study by Fernandes (2021) highlighted that the implementation of a strategic debt management framework, including public-private partnerships, led to a 25% reduction in operational costs and improved service delivery metrics. The Brazilian government encouraged private investment through public-private partnerships allowing private entities to share the financial load, this reduced the dependency on public funds and improved service delivery.

Case Study: Telecommunications in South Africa

A study of South Africa's telecommunications SOEs revealed that those adopting modern debt management practices, such as hedging against currency risks, experienced less volatility in earnings. Given the volatility of the South African Rand, telecommunications state owned enterprises implemented financial instruments to hedge against currency fluctuations that could impact foreign denominated debt. Nkosi (2023) reported that effective debt management resulted in a 50% increase in investment capacity, allowing for expansion and modernization of services.

2.7 Evaluating Debt Sustainability Metrics

2.7.0 Debt-to-GDP Ratios

Debt sustainability levels are determined by empirical research. One of the most used indicators for assessing the sustainability of debt is the debt-to-GDP ratio. It acts as a standard for cross-border comparisons and calculates a nation's debt load in relation to its GDP. According to Reinhart and Rogoff (2010), a debt-to-GDP ratio of 90% is a critical limit for advanced economies, while other research has questioned this threshold (Herndon et al., 2014). Higher ratios indicate a larger risk of debt distress, primarily if economic development is weak or interest rates are high. The World Bank and the International Monetary Fund (IMF) assess sustainability using certain benchmarks, such as 70% for developed countries and 55% for

emerging ones. According to research, lowering debt levels requires a steady primary surplus (Aizenman & Marion, 2011). A high debt-to-GDP ratio indicates that a nation may find it difficult to make enough money to pay off its debt. During the Eurozone crisis, for example, Greece's debt-to-GDP ratio surpassed 180%, indicating unmanageable debt levels (Zettelmeyer et al., 2013).

However, the limitation to the debt-to-GDP ratio is that alone it does not account for the composition of debt (e.g., external vs. domestic) or the cost of borrowing. Debt finance is a risky form of finance if a firm is over reliant on it and can expose the business into a high state of leverage hence exposing the firm to risk. Additionally, because borrowing money might come with too many charges, debt financing is too expensive for a business. For instance, leveraged loans have higher interest rates, which can be costly for the business. Additionally, nations with robust capital markets and institutions may maintain greater ratios than those with less effective governance.

Case Study: Greece

The Greek debt crisis of 2010 demonstrates the consequences of unsustainable debt. Empirical analyses point Greece’s fiscal challenges to high debt-to-GDP ratios, weak institutions, and limited fiscal discipline (Zettelmeyer et al., 2013).

2.7.1 Debt Service-to-Revenue Ratio

This ratio measures the percentage of government revenues allocated to debt servicing, including interest and principal payments. The implication of this ratio is that a high debt service-to-revenue ratio indicates limited fiscal space, as more resources are directed from public services to debt repayment. A ratio exceeding 30% is a warning sign for developing countries, World Bank (2021).

Zimbabwe, for example, had a debt service-to-revenue ratio exceeding 50% in 2022, limiting its ability to invest in critical sectors like health and education (IMF, 2022). However, this ratio does not consider future revenue potential or the maturity structure of debt. Countries with growing revenues may sustain higher ratios temporarily.

2.7.2 Primary Balance-to-GDP Ratio

The fiscal balance that does not include debt interest payments is the main balance. In addition to helping to stabilize debt, a positive primary balance indicates that the government is making enough money to pay for expenses other than debt payment. Blanchard (1990), states that a country's debt is sustainable if its primary balance offsets the differential between interest rates (r) and economic growth (g), often expressed as $r - g$.

For instance, Japan has maintained high debt levels (over 240% of GDP) due to low-interest rates and a favourable $r - g$ dynamic, which reduces the effective debt burden (Poghosyan, 2012). However, this ratio assumes stable interest rates and growth projections, which may not hold during economic shocks or crises.

2.7.3 External Debt-to-Exports Ratio

The external debt-to-export ratio evaluates a country's ability to service external debt using foreign exchange earnings from exports. The International Monetary Fund contemplates a ratio above 150% as indicative of external vulnerability for low-income countries. High ratios propose difficulty in meeting external obligations, especially if export revenues are volatile (Krugman, 1988). According to the World Bank, (2021), Sub-Saharan African countries, including Zambia, have faced sustainability challenges due to high external debt-to-exports ratios exceeding 200%, exacerbated by falling commodity prices. The limitation to this ratio is that it is sensitive to external shocks, such as global demand fluctuations or exchange rate volatility, which can distort export revenues.

2.7.4 Interest Payments-to-GDP Ratio

The interest payments-to-GDP ratio measures the economic burden of servicing debt interest. It is a critical indicator of fiscal stress. Higher ratios indicate that a significant portion of GDP is used for interest payments, decreasing resources available for public investment. India's interest payments were 3% of GDP in 2021, signalling rising fiscal pressures, despite moderate debt-to-GDP levels (IMF, 2021).The Demerit if this ratio that it does not account for principal repayments or debt rollover risks, limiting its ability to assess long-term sustainability.

2.7.5 Gross Financing Needs (GFNs)

GFNs capture the total resources a government requires to meet debt repayments and finance its fiscal deficit over a specific period. The IMF sets a GFN threshold of 15% of GDP for

emerging economies. Exceeding this threshold signals rollover risks and potential liquidity crises (IMF, 2021). Argentina faced unsustainable GFNs exceeding 20% of GDP during its 2018 debt crisis, highlighting the risks of excessive short-term borrowing (Damill et al., 2020). However, this ratio is forward-looking and depends heavily on projections for fiscal deficits, interest rates, and growth, which are subject to uncertainty.

2.7.6 Public Debt Composition Metrics

The composition of public debt that is, domestic vs. external, fixed-rate vs. floating-rate, and short-term vs. long-term is crucial for evaluating debt sustainability. High levels of external debt expose countries to exchange rate risks, while a heavy reliance on short-term debt increases rollover risks. For example, (World Bank, 2022), countries like Ghana and Sri Lanka faced sustainability challenges due to high external debt exposure combined with exchange rate depreciation. However, these ratios require detailed data, which may not be available for all countries, especially those with weak reporting systems.

2.7.7 Fiscal Adjustment Indicators

Fiscal adjustment indicators measure the extent of fiscal policy changes required to stabilize or reduce the debt-to-GDP ratio. The IMF's Debt Sustainability Analysis (DSA) incorporates these indicators to recommend fiscal consolidation measures, such as expenditure cuts or revenue enhancements, for countries at risk of debt distress (IMF, 2021). Overly aggressive fiscal adjustments can harm economic growth, creating a trade-off between short-term stabilization and long-term development.

2.8 Identifying Opportunities for Improvement in ZESA Holding's Debt Management Practices

2.8.0 Governance Frameworks and Policy Reforms

Empirical studies highlight weak governance as a critical factor behind inefficient debt management in parastatals. For instance, the World Bank (2017) conducted a comparative study of State owned Enterprises in sub-Saharan Africa and South Asia, revealing that a lack of broad debt management frameworks led to unsustainable debt accumulation in countries such as Kenya, Ghana, and Pakistan. Parastatals in these regions often borrow without thorough cost-benefit analyses or oversight, leading to projects financed by unsustainable debt.

Another example is Kenya Power, which faced a debt crisis in 2020 due to excessive borrowing and mismanagement of funds. The absence of rigorous governance mechanisms allowed the enterprise to take on non-concessional loans that strained its repayment capacity. In contrast, countries that implemented strong governance reforms have demonstrated remarkable improvements.

Indonesia's reforms in the early 2000s serve as a compelling case. By creating an independent debt management office and introducing regulatory oversight for parastatals, Indonesia reduced debt servicing costs and improved financial sustainability. The reforms, as detailed by the Asian Development Bank (2021), highlighted the importance of independent regulatory bodies and debt ceilings in limitation excessive borrowing and fostering financial discipline.

Governments can draw on such examples by instituting legal frameworks that enforce fiscal discipline. Policies such as mandatory debt sustainability analyses before borrowing, the establishment of debt ceilings, and independent oversight agencies could improve debt management.

2.8.1 Risk Assessment and Contingent Liabilities

A significant issue parastatals face is their exposure to financial risks due to inadequate risk assessment mechanisms. Organizations owned by the government often borrow under government guarantees, creating contingent liabilities that increase fiscal vulnerabilities. According to the International Monetary Fund (IMF, 2019) contingent liabilities from SOEs contributed to over 30% of debt crises in Latin America between 1990 and 2015. In many cases, these liabilities were linked to poorly structured loans and inadequate project evaluations.

A remarkable positive example is Brazil, its adoption of an integrated risk management framework for SOEs resulted in significant improvements in debt sustainability. World Bank (2020) studies show that Brazil's framework quantified contingent liabilities and prioritized risks based on their likelihood and impact. This practical approach enabled the government to allocate resources effectively and reduce the likelihood of fiscal shocks.

Likewise, South Africa's electricity utility, Eskom, embraced scenario analyses to assess risks associated with market fluctuations, such as exchange rate depreciation and interest rate

volatility. These analyses helped Eskom develop strategies to mitigate financial risks, though challenges remain due to broader structural inefficiencies (PricewaterhouseCoopers (PwC, 2021).

ZESA Holdings should adopt risk assessment tools such as integrated financial risk models, scenario analyses, and stress testing to ensure it can handle external shocks. Computing contingent liabilities and incorporating them into debt strategies can significantly enhance fiscal resilience.

2.8.2 Enhancing Transparency and Accountability

Transparency deficits are an important hindrance to effective debt management in state owned enterprises. Lack of publicly available information on debt portfolios often leads to inefficiencies, corruption, and public distrust. 60% of parastatals in developing countries failed to disclose comprehensive debt data, hindering oversight and accountability (Organisation for Economic Co-operation and Development (OECD, 2020).

The Institute for Fiscal Studies (2021) noted that Ghana's requirement for parastatals to publish annual debt reports improved debt tracking and facilitated stakeholder engagement, these reforms were put in place to enhance transparency. These strategies significantly reduced the incidence of unauthorized borrowing and increased public trust in SOE operations.

Uganda's Public Finance Management Act (201), mandates parastatals to disclose debt-related information quarterly, enabling the Ministry of Finance to monitor and regulate their borrowing practices. The African Development Bank (2020), suggests that transparency framework reduced instances of mismanaged debt and enhanced public accountability.

By adopting similar transparency measures the ZESA group can empower stakeholders to be held accountable and encourage responsible borrowing. Mandatory disclosures, independent audits, and open-access debt registers are critical steps in this direction.

2.8.3 Capacity Building and Institutional Strengthening

Lack of technical expertise within the organization is a significant barrier to effective debt management. According to the African Development Bank (2018) found that 40% of parastatal

debt in sub-Saharan Africa was mismanaged due to limited staff training in financial analysis, forecasting, and debt restructuring.

In Zambia, the World Bank organized workshops for parastatals in the energy and water sectors, focusing on debt portfolio management and financial forecasting. World Bank (2019) report, show that these efforts led to a 15% reduction in non-performing loans among participating SOEs.

Vietnam, another example, partnered with the Asian Development Bank to train SOE staff in advanced debt management practices. This initiative, as noted in the Asian Development Review (2020), permitted Vietnamese parastatals to negotiate better loan terms and implement effective debt restructuring strategies.

Investing in capacity building through training programs, partnerships with international financial institutions, and knowledge-sharing platforms can equip ZESA Holdings with the tools needed to manage debt effectively.

2.8.4 Leveraging Technology and Digital Solutions

Technology offers innovative solutions to improve debt management practices in State owned enterprises like ZESA Holdings. Digital platforms can promote transparency, streamline debt tracking, and improve data management. For instance, India has adopted digital debt-tracking systems that provide real-time updates on debt portfolios in its parastatals. Ernst & Young (2021), state that these systems reduced errors in reporting and enabled more informed decision-making.

Block chain technology is another promising tool that can be used to improve debt management. In Thailand, state enterprises integrated block chain into their financial systems to enhance transparency and prevent fraud in loan agreements. According to the Thailand Development Research Institute (2020), this initiative improved stakeholder confidence and reduced administrative inefficiencies.

ZESA Holding as an organization should explore the adoption of such technologies to modernize debt management practices. Investing in digital platforms, data analytics, and block chain solutions can promote efficiency and transparency while reducing operational costs.

2.9 Sources of income to manage crippling debt

2.9.0 Internal sources of funds

According to Damodaran (2010), internal sources of financing are money that an organization raises internally through its operations. An entity's current assets are used to generate cash internally; hence, more funds will be generated if the assets are more efficient. There are numerous strategies that a firm may implement to enhance its cash flow. According to Damodaran (2010), this can be accomplished by creating and reviewing cash flow budgets, assessing and managing expenses, and reducing overall spending. An organization's ability to sustain itself through internal funding sources can also be enhanced by a thorough examination and enhancement of the company's financial policy.

Additionally, management is crucial in determining the most effective means of enhancing internal funding sources. Employee motivation is crucial for improving an organization's operations through pay increases and vacation time. Improving a company's financial situation also requires monitoring debtors and aging creditors. According to Stimpson (2011), a company can draw from three primary internal sources: retained profits, asset sales, and working capital reductions. If feasible, the company can use these to fund its short-term operations as well as some long-term financial needs. It is suggested by Watson et al. (2007) that using internal sources of funding has some benefits. Since no shares would be issued, dilution of control is avoided, in contrast to external sources of funding. This implies that management still has the final say. In contrast to external sources, where one might need to look for funding from outside sources, internal sources, like retained earnings, are easily accessible for the business.

2.9.0.1 Sale of assets

According to Stimpson et al. (2011), an organization can also raise money by selling fixed assets that are no longer in use by the company or those it plans to utilize but no longer wants to keep. The way that assets are disposed of depends on how the company want to get rid of them. Some assets are traded in, some are freed through leasing, and some are sold outright for cash. McLaney (2009) states that leasing entails the use of an asset by a third party who will only claim ownership of the asset at the conclusion of the leasing period if the owner consents to transfer ownership, whereas trading entails earning some cash plus an asset or vice versa. Furthermore, Mclaney (2009) suggests that while selling an asset can be a beneficial approach for an organization to raise the money it needs, this isn't always the case. This might be a slow

method of raising money because the organization might not have assets that are available for sale.

2.9.0.2 Management of working capital

Working capital is the foundation of a business and is necessary for its daily operations, claims Stimpson (2011). This includes paying workers, making credit payments, and purchasing stock to resell. Working capital is calculated by subtracting current obligations from current assets. Current liabilities include bank overdrafts and creditors, while current assets include cash, stock, and debtors. Below is an illustration of the formula:

Working capital=Current Assets-Current liabilities

At ZESA Group, working capital management has been a rallying cry because funding the holdings' ongoing demands has proven to be challenging. Creditors, debtors, and bank overdrafts make up the majority of the group's working capital, where current liabilities consistently exceed current assets. Debt has continued to increase as a result of the present liabilities not being paid on time. According to McLaney (2009), an organization's type and operating environment have an impact on how reliable its internal funding sources are. A company will be a dependable source of funding if it is profitable and has a large number of assets to sell.

On the other hand, Stimpson et al. (2011) contend that a company that is losing money and has no surplus assets might not be a trustworthy source of funding. This implies that a failing company might not be able to rely on its own funding sources. Utilizing internal funding sources has the advantage of not adding to an organization's liabilities because there are no expenses involved. This is consistent with the pecking order principle, which states that funding should be obtained internally before turning to outside sources.

2.9.1 External sources of finance

According to Watson et al. (2007), businesses that have limited operations and may need to finance their operations from outside sources are the ones who use external sources of finance the most. Businesses mostly employ outside funding sources for long-term initiatives and business expansion. Furthermore, Stimpson (2011) divides outside funding sources into three categories: short-, medium-, and long-term. Bank overdrafts and debt factoring are examples of short-term financing sources; hire purchase and leasing are examples of medium-term

financing sources; and long-term loans and debentures are examples of long-term financing sources.

2.9.1.0 Short-term finance

A company can obtain short-term financing from a variety of sources, including bank overdrafts, trade credit, and debt factoring, according to Block et al. (2000). Due to the fact that they are primarily recoverable and/or repayable within a year, these are regarded as short-term sources of funding.

2.9.1.1 Bank overdraft

Users can easily afford bank overdrafts, which are thought to be the most flexible source of funding. In circumstances where they want quick liquidity to meet their daily needs, businesses prefer to employ bank overdrafts (Stimpson et al., 2011). The payment of creditors and employee salaries may also be considered. The primary drawback of bank overdrafts is their exorbitant interest rates when compared to alternative funding options.

2.9.1.2 Debt Factoring

Debt factoring is the process by which a company sells its debtors to outside debt factors, who subsequently deduct a certain percentage from the total amount due to the company. The business gains money right away, but it also loses money—up to 20% of total assets held as trade receivables over time, according to McLaney (2009). Businesses typically engage in debt factoring when there is a risk that debtors won't be paid.

2.9.2 Medium-term finances

According to Chapman et al. (2011), companies utilize medium-term financing, which consists mostly of hire purchase and lease agreements as well as medium-term bank loans, when they wish to obtain more capital than what is available for short-term loans. The likelihood of financial hardship for the firm is influenced by a number of catalysts. An organization can control some of the causes through its management, but it cannot control or avoid other ones on its own. According to Thim et al. (2011), the relationship between an organization's operations and financial risk can be analyzed using two models. Since the industry sector, which also happens to be the largest client group, was forced to close, the 2008–09 financial crisis hurt the energy sector. This had a detrimental effect on ZESA assets since it caused the organization's yearly revenue to drop out quickly. According to certified financial accounts,

return on sales decreased from 2012 to 2015 as a result of the subsequent fiscal years' persistent decline in profitability ratios.

2.10 Challenges and gaps

Although institutional quality is generally seen as a key factor in effective debt management, many empirical studies often depend on broad governance indicators. This approach limits the researcher's understanding of how specific elements such as transparency, accountability and public finances affect debt outcomes (IMF, 2021).

The role of sovereign wealth funds (SWFs) in reducing debt risks is not yet fully examined. Although there aren't many comparative studies in this field, countries like Norway and the United Arab Emirates, for example, have successfully employed SWFs to stabilize their economies. Most empirical study is directed at overall public debt, often ignoring the details of sectoral borrowing. Analysing this in a more detailed manner could reveal the varying effects of different types of debt, such as infrastructure bet and other categories on fiscal sustainability.

2.11 Summary

The chapter was a review of literature where all the research objectives and questions stated in chapter one were answered and explained with other authors view. The chapter also explained theories that are related to debt management and how they can be applied in nowadays research. The researcher also learned that although various authors have carried out different studies concerning debt management, a lot of them were carried out in other countries. The research gap is what has inspired the researcher to further investigate the effectiveness of debt management in parastatals. The following chapter is an explanation of how the research was done which explains the research design, sampling, and data collection procedures.

CHAPTER 3
RESEARCH METHODOLOGY

3.0 Introduction

The research design, target population, sampling strategies, data collection methods, and data analysis procedures are all described in this chapter, which also provides an overview of the research methodology used to assess the efficacy of debt management strategies in ZESA Holdings. Finally, the chapter concludes with a discussion of the study's ethical considerations and limitations.

3.1 Research Methodology

This research was focused on the electricity distribution companies that are in Bulawayo where more information was to be obtained. The distribution of questionnaires was done in Bulawayo head offices for ZESA Holdings, ZPC, and ZETDC. The head offices, especially the parent company is where the reporting is done for the group at large. The methods used to gather data, thus questionnaires and interviews were carried out in such a way that shows a representation of the group at large.

3.2 Research Design

According to Cooper et al. (2003), research design is a framework and plan for how the study will be conducted in order to find answers to the research questions posed. According to Van Wyk (2013), a study design is a statement of the data requirements and the techniques that will be employed for data collecting and analysis. According to Cooper et al. (1998), research design is the framework and strategy for investigating and obtaining answers to the research question. He goes on to describe it as a tool that yields results that are thought to be truthful because they are seen to be representative of reality. Research design is intended to present dependable results that correspond to the operating environment and it is targeted ideas not testing. The research design chosen should be in line with the problem stated as well as its requirements. The National Institute for Health Research (NIHR, 2013) defines a research design as a set up for an analysis of the processes of carrying out a research. Objectives, methodology, and data analysis method are the main features of a research design which shows the link between literature and practice (Weller, 2010). There are several reasons why descriptive research was used for this study.

To evaluate the efficacy of ZESA Holdings' debt management tactics, the study used a descriptive research approach. Descriptive research is appropriate for investigating the

relationships between variables and comprehending events as they occur (Creswell, 2014). The study's combination of qualitative and quantitative methods allowed for a thorough examination of ZESA Holdings' debt management procedures and results.

3.2.0 Descriptive research

According to Van Wyk (2013), descriptive research is more structured than other forms of research and attempts to produce an accurate and legitimate depiction of the pertinent variables of the research topic. This kind of research mostly asks about things that have happened or are happening, thus it needs answers about what is happening. The primary goal of this kind of research is to gather data with little to no researcher judgment. Since the goal of this study was to assess how well ZESA Holdings' debt management tactics worked, the researcher's primary focus was on looking at debt management techniques that could be applied to stop the debt from steadily increasing. According to Wildemuth et al. (2009), data can be gathered by asking questions, which can be accomplished through interviews and surveys. In accordance with the guidelines of the research questions, I employed descriptive research to identify the causes of financial distress for the ZESA group.

3.3 Target Population and Sampling Techniques

3.3.0 Target Population

A population is, by definition, a collection of all the study elements from which a conclusion is to be made. According to Y. Tille et al. (2013, p. 19), the target population is the segment of the overall population that the researcher is aiming to gather all the necessary data from. The management and accounting personnel was the target demographic for this study, whereas the ZESA group is the population. Through interviews and interactions, a number of stakeholders, including the group's consumers, debtors, and creditors, also took part in the process.

Due to time and resource limitations, I was unable to reach the entire population; therefore, I employed the sampling approach, in which a specific percentage of the population was representative of the target demographic. The accessible population, which was constrained by time and resources, was at the ZESA headquarters, which is also home to the significant subsidiaries ZPC and ZETDC.

The target population for the study included:

1. ZESA Holdings Officials: Employees involved in financial planning, debt management, and governance, such as financial managers, auditors, and senior executives.

2. Stakeholders: External factors including policymakers, regulators, creditors, and energy sector analysts.

3.3.1 Sampling Techniques

Participants with knowledge and experience in debt management at ZESA Holdings were chosen through the use of a purposive sample technique. This strategy made sure that important informants who may offer pertinent insights were included. Purposive sampling, sometimes referred to as non-probability sampling, is a qualitative research technique in which participants are specifically chosen based on attributes that support the study's goals. When researchers want to learn more about a specific occurrence or subject, this approach is especially helpful. According to Robinson (2014), purposive sampling involves the intentional selection of informants who can provide rich and relevant information about the specific theme or concept being studied. By concentrating on people who have specific information or experience relevant to the research subject, this method enables researchers to increase the depth of understanding. Schutt (2006) emphasizes that purposive sampling is not about achieving a representative sample but rather about selecting subjects who can provide the most pertinent information. This iterative process often involves identifying themes and indicators through observation and reflection, which is akin to grounded theory methodologies.

3.3.2 Sample Size

The sample comprised:

- 40 ZESA Holdings Officials: Including members of the finance and operations departments.

3.4 Data Collection Methods

The data sources were used in order to fully satisfy the research's aims, primary data were thus used. Based on the researcher's intended knowledge of the research, all of these sources were consulted.

3.4.0 Primary Data Collection

This is the data source, and information will be gathered from the original source using surveys and interviews. Cooper et al. (2003) state that the data gathered is unprocessed and may require

analysis prior to publication. It is interpreted data that hasn't been altered or manipulated by outside parties, thus it maintains its uniqueness. Data collection was carried out at the source, which is where the information was produced. Numerous respondents received questionnaires, and they answered both closed-ended and open-ended questions. Direct interviews with the relevant parties were used to gather primary data. At most, interviews were required when the researcher felt it was essential to conduct one and the respondents were unable to respond to questionnaires.

3.4.1 Instruments used in data collection

Primary data was collected through:

1. **Structured Questionnaires:**

   Distributed to ZESA employees and stakeholders to gather quantitative data on debt management strategies and outcomes. To guarantee uniformity and facilitate analysis, the surveys contained both closed-ended and Likert-scale questions (Bryman, 2016).

3.4.2 Data Collection Tools

3.4.2.1 Questionnaire

a survey intended to evaluate the results and application of debt management techniques. Several participants were given a set of self-structured questions, and they shared their thoughts on the questions. These inquiries were made in light of the first chapter's research questions. Respondents are guided with a questionnaire regarding the necessary information. A questionnaire is a crucial research instrument that helps collect data to achieve the study's goals, claim Saunders et al. (2004). Participants find it easier to complete a well-designed questionnaire, and they are crucial because they are used for documentation. To account for downcast, a pre-test was conducted on the questionnaires, which reduced issues on the final version.

The participants were given both closed-ended and open-ended questionnaires in order to fulfill the goals of this exploration. In contrast to closed-ended questionnaires, which only ask participants to select yes or no, open-ended questions allowed individuals to respond freely and merely provided guidance on how to do so. Thomas (2001) asserts that open-ended queries are undefined and facilitate the acquisition of additional information. However, because the participants might not be aware of the requirements, some of the information obtained might not be pertinent (McGrath, 2009).

Participants are provided instructions on how to respond to the questions in closed-ended questionnaires. Respondents were well aware of the requirements, which improved quick feedback and saved the researcher time. Based on the responses they believed were appropriate, participants were invited to fill in the blanks. Closed-ended questions might be Likert scale or multiple choice. Participants in a multiple-choice test must indicate if the response is "A," "B," "C," or "D." Respondents are asked to rank the responses according to how much they agree with each other using a Likert scale, which was named by Renis Likert. Participants will be instructed to react as indicated below using a Likert scale, which is utilized as a tangibility assessment. To allow for valuation of the collected data each and every statement will be given a numerical value, according to NPR College of Engineering (2013).

Use the following scale to show if you agree or disagree
Strongly agree
Agree
Neither agree nor disagree
Strongly Disagree
Disagree

3.5 Data Analysis Procedures

3.5.0 Quantitative Data Analysis

Descriptive and inferential statistics were used to analyze quantitative data from questionnaires. Means, frequencies, and percentages were calculated using programs like Excel and SPSS. The association between debt management tactics and financial performance metrics such debt service coverage, liquidity, and profitability was investigated using regression analysis.

3.5.1 Qualitative Data Analysis

Qualitative data from interviews were analysed thematically. Transcripts were coded to identify recurring themes such as governance, political interference, and operational inefficiencies. Thematic analysis ensured a detailed understanding of contextual factors influencing debt management at ZESA Holdings (Braun & Clarke, 2006).

3.5.2 Integration of Findings

The study integrated quantitative and qualitative findings to provide a holistic evaluation of ZESA's debt management strategies. For instance, quantitative insights on debt levels were contextualized with qualitative data on operational challenges and governance issues.

3.6 Presentation and analysis of data

Clough (2002) states that data analysis entails transforming primary or unprocessed data such that anyone who plans to utilize it in the future may understand it with ease. The data collected was presented and interpreted by the researcher using Microsoft Excel. Depending on the kind of data being displayed, tables, pie charts, and graphs were employed. Since the study combined qualitative and quantitative elements, I employed both descriptive and numerical analysis. A tabular breakdown of the techniques employed and the researcher's implementation of them can be seen below.

Table 3.0, Research methods and how they were implemented

Research element	**Interpretation**
Research design	Descriptive case study
Research philosophy	Positive and critical realistics
Target population	All stakeholders involved in the operations
Sampling procedures	Purposive or judgmental
Sampling techniques	A mixture of probability and nonprobability
Gathered data	Qualitative and quantitative
Instruments for collecting data	Interviews and questionnaire

Research element and their interpretations

3.7 Ethics considerations

3.7.0 Consent that is informed

Before giving their agreement, participants were made aware of the study's goals, parameters, and importance. They were guaranteed the freedom to leave at any time and without consequence.

3.7.1 Confidentiality

Data collected from participants was treated as confidential. Identifiable information was anonymized to protect the privacy of individuals and the organization.

3.7.2 Integrity and Objectivity

The researcher ensured that data collection, analysis, and reporting were conducted objectively and free from bias. Before the study started, ethical approval was acquired from the appropriate institutional review board.

3.8 Limitations of the Study

3.8.0 Access to Data

Securing access to detailed financial information from ZESA Holdings posed challenges due to confidentiality concerns. This limitation was mitigated by supplementing primary data with publicly available secondary sources.

3.8.1 Generalizability

The findings of the study may not be fully generalizable to other SOEs due to the unique political and economic context of Zimbabwe. However, the insights provide valuable lessons for similar organizations in developing economies.

3.8.2 Time Constraints

Due to the study's time constraints, the scope of data gathering and analysis was constrained. A longitudinal strategy could be used in future studies to expand on these findings.

3.9 Conclusion

The research technique used to assess the efficacy of ZESA Holdings' debt management solutions was described in this chapter. To guarantee thorough analysis, the study combined quantitative and qualitative data using a mixed-methods approach. The results and analysis of the data gathered, with an emphasis on the use and results of ZESA's debt management measures, will be presented in the upcoming chapter.

CHAPTER 4
DATAPRESENTATION, INTERPRETATION AND ANALYSIS

4.1 Introduction

The gathered data must be analysed, examined, and presented in order for the study to be finished correctly. This is essential to guarantee that the study questions and objectives are formulated and addressed appropriately. This chapter provides empirical support for the data collected using the technique described in chapter 3. Questionnaires in a variety of formats were used for this.

4.2 Rate of responses

4.2.1 Questionnaire

Table 4.1

Questionnaires administered	Returned	Percentage %
50	48	96%

Ninety-six percent (48) of the forty questionnaires that were given to respondents were filled out, while the remaining four percent (2 questions) were left unfinished. Two of the 48 questionnaires were not used since they were not used, while the remaining 48 questionnaires, or 96% of the total, were used to analyse the data. Data were interpreted and analysed using 48 questionnaires for this investigation. Questionnaires were used to verify that participants were in agreement on a certain problem by comparing their responses to a given question. It is implied that the data presented has been subjected to quantitative analysis. Because of the unequal distribution of male and female employment rates within the group, men predominated among the participants.

4.3 Demographics

This section will describe the demographics, including the number of respondents, their qualifications, gender, and the various groups that took part. Although it was mostly dominated by staff and management from the parent firm (ZESA Holdings), the researcher included participants from companies and various divisions to ensure balance among respondents. This is due to the fact that all of the group's operational data is centralized in the head office.

4.3.1 Category of respondents

The respondents used were from different companies to ensure reliability and validity of data although the majority were from the parent company as shown below.

Table 4.2 Category of respondents for the questionnaires

Company	**No of participants**	**Male**	**Female**
ZESA Holdings	**29**	**16**	**13**
ZEDTC	**12**	**5**	**7**
ZP	**7**	**2**	**5**
Total	**48**	**23**	**25**

Source: Primary

4.3.2 Gender

Table 4.3 Gender of the participants.

Sex	**Frequency**	**Percentage**
Male	23	48%
Female	25	52%
Total	48	100%

Source: Primary

As shown above, the participants were dominated by male because which is based on the fact that there are more male employees than their female counterparts.

Qualifications of respondents.

Table 4.4 qualifications of the participants

Qualification	**Male**	**Female**	**Total**
Diploma	7	3	10
Degree	26	3	29
Masters	5	1	6
PHD	3		3
Total	**41**	**7**	**48**

Source: Primary

4.4 Findings and analysis of data

Primary sources were used to collect data, drawing from both quantitative and qualitative sources. The researcher was able to obtain the necessary data for assessing the efficacy of debt management techniques thanks to the tools and techniques used.

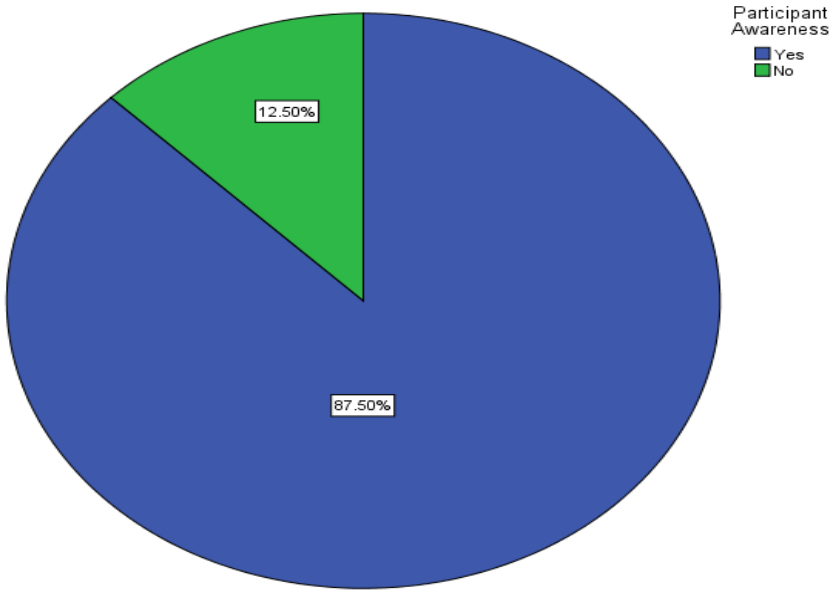
4.4.1 Determining whether debt management strategies are effective or not

The following questions aims at providing data on the effectiveness of debt management strategies the respondents from participants will be used to give an overall decision.

4.4.1.1 Are you aware of the debt management strategies implemented by ZESA Holdings?

This question required the participant to assess their knowledge or awareness of specific financial strategies used by ZESA Holdings to manage its debt. When responding, participants were supposed to indicate whether they are familiar with these strategies. Participants were supposed to tick “Yes” or “No”.

Figure 4.1, Response to the awareness of debt management strategies implemented by ZESA holdings.



Source: Primary

From the collected data the participants indicated a significant awareness of debt management strategies implemented in the organization. With 87.50% of respondents aware of these strategies, it suggests that ZESA Holdings has effectively communicated its debt management practices.

Conversely, the 12.50% of participants who are not aware highlights a potential area for improvement. This discrepancy could indicate that while most employees are informed, a notable minority may benefit from increased communication or training regarding these strategies.

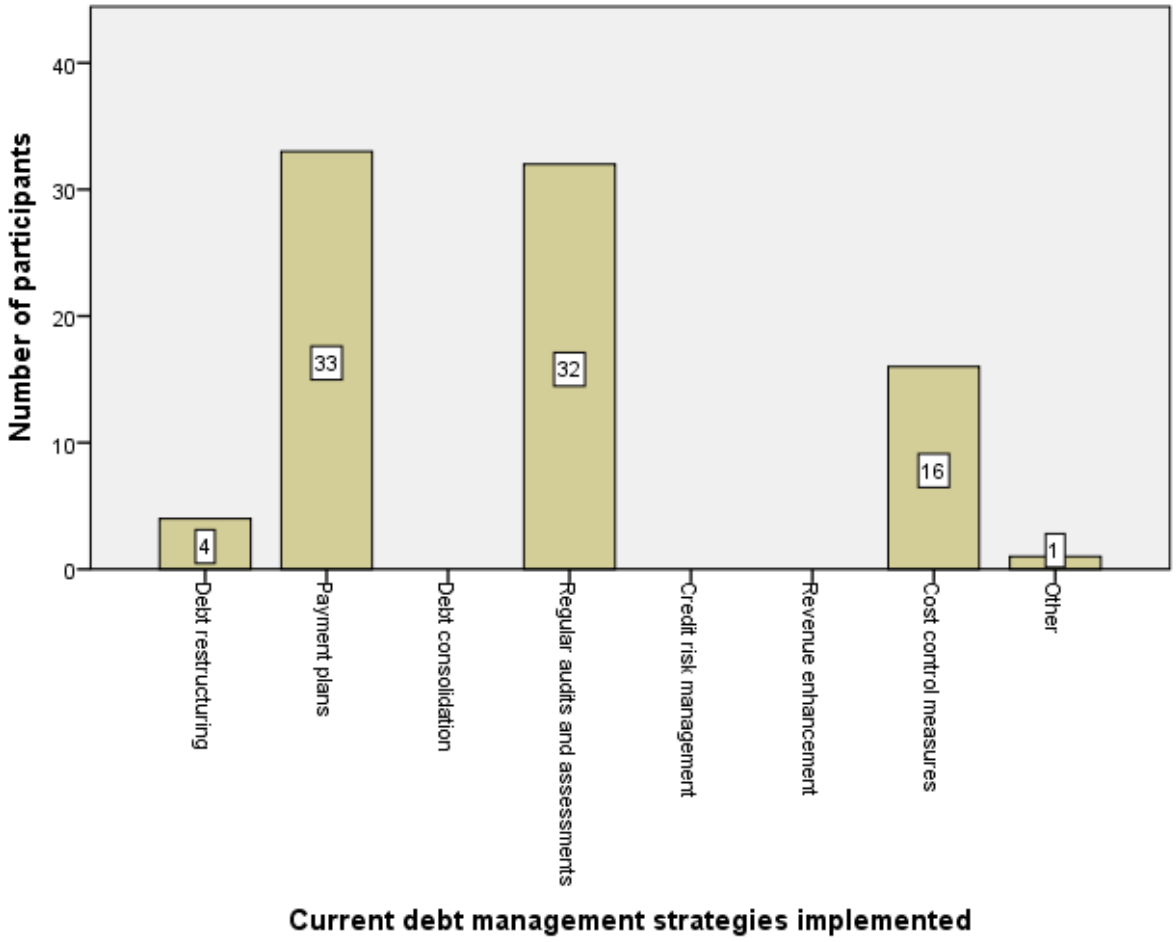
Overall, the high level of awareness reflects positively on ZESA Holdings' efforts, but addressing the needs of the less informed group could further enhance overall understanding and engagement with the debt management strategies.

4.4.1.2 What specific debt management strategies does ZESA Holdings currently implement?

This question required participants to show whether there are specific debt management strategies that are currently being implemented by the holding to curb crippling debt. The

strategies included debt restructuring, payment plans, regular audits and assessments, credit risk management, revenue enhancement and cost control measures. Participants were supposed to tick where they agreed and leave where they did not agree and if there were other strategies that were not included on the questionnaire they were supposed to specify. The responds from the participants were presented using the graph below.

Figure 4.2, Specific debt management strategies does ZESA Holdings currently implement



Source: Primary

Debt Restructuring.

The results above show that 8.3% percent of the participants agreed that the company uses debt structuring as a strategy for debt management. One participant disagreed with the assertion that this strategy has never been effective because most lenders refuse to negotiate more reasonable terms, and six of the forty-four participants did not respond to that question. The main aim for debt restructuring is to alleviate financial distress for ZESA Holdings when struggling to meet

their debt obligations. Analysis of the findings show that the response given show that the company uses debt restructuring to maintain financial stability, reducing the risk of defaults and bankruptcies, (Luna, A. A., & Taboada, J. (2019)).

Payment Plans.

Majority of the participants were in agreement that the company makes use of payment plans as a measure to curb increase in debt. This means only 68.75% were in agreement to this, 31.25% of the participants left this section unanswered. This means that ZESA Holding's management made this type of debt management strategy to a significant number of its employment. Payment plans as a financial strategy helps ZESA Holdings in playing off unsecured debts through structured repayment schedules. Engaging with creditors and agreeing to a payment can help organizations to gain control and take charge of their debt as well as achieve progress towards debt freedom, (Dave Ramsey, 2003). Ramsey encourages using debt snowball method to pay off the smallest debts as this will provide quick wins and motivation to continue the debt repayment journey.

Debt Consolidation.

This statement got zero percent response, were some participants explained that they have not heard of this type of debt management strategy being implemented of mentioned by the management. Response from the participants shows that the company mighty have failed to implement this debt management strategy. Debt consolidation may have a positive impact on the management of debt in the organization by addressing and modifying multiple debt obligations into a single credit facility, often has more favourable terms such as lower interest rate and longer repayment periods. This often improves cash flow management and strengthens the organization's credit profile. Ross, S.A. et al. (2008) explains that debt consolidation can improve the organization's financial flexibility and reduces the risk of default by improving debt servicing capacity.

Regular Audits and assessments.

According to the data collected, 32 participants agreed that ZESA Holdings uses regular audits and assessment to curb increase in debt and to manage the organization' debt. Response from the participants shows that the company has successfully made use of regular audits to manage its debt as auditing improves financial oversight, enhancing the organization's ability to

manage its capital structure effectively, including debt management by providing financial information that is accurate, (Pandey, I.M. 2010).

Credit Risk management.

This statement from the responses got zero percent, with respondents showing that they had little knowing pertaining to this type of debt management. This response shows that ZESA Holdings might not have implemented this strategy as a way to manage the increasing debt. Credit risk management identifies and mitigates the risk of borrower default and helps the organization to protect its cash flows, maintain liquidity as well as meeting its own debt obligation on time. Where there is emphasis on good credit risk management there is improvement on the organisation's ability to meet its financial obligation and maintain a sound capital structure, (Van Horne, J.C. and Wachoiwcz, J.M. (2008)).

Revenue enhancement.

The results from the research evidenced that zero percent of the participants agreed that revenue enhancement was used at ZESA Holding. Revenue enhancement has a positive impact on the management of debt in the organization, which strengthens the company's ability to meet its debt obligations on time, (Brigham, E.F. and Ehnrhardt, M.C. (2011)). Brigham, E.F. and Ehnrhardt, M.C explain that improving revenues enhances the company's overall financial health and its creditworthiness making it easier to negotiate better borrowing terms or refinancing existing debt.

Cost Control.

Sixteen participants agreed to cost control being a debt management strategy being implemented at ZESA Holding. This shows only 33.3% of the respondents were aware that ZESA Holding implemented this strategy to manage its financial distress. Cost control has an important role on the management of debt in a company as it reduces unnecessary expenses and frees up more cash flow to service debt obligations. Drury, C (2008) explains that effective cost control leads to improved cash flow as well as profitability which in turn strengthens an organisation's ability to manage and repay its debt.

Other methods used by ZESA Holdings

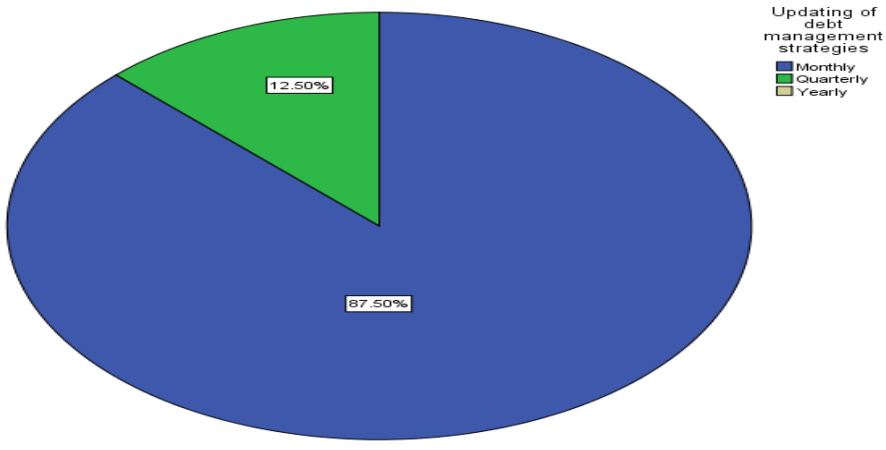
One participants stated a strategy that had not been mentioned on the questionnaire. The debt management strategy that was mentioned by the respondent was Conversion to prepayment

meters. Prepayment meters allow customers to pay for electricity in advance which reduces the risk of non-payment and bad debts. This improves the company's cash flow and minimizes revenue losses from unpaid bills. From prepayments the organization can manage its own debt and potentially reducing its need for borrowing. Pikon, K. (2006) supports the view that prepayment systems help improve revenue collection and reducing debt levels in electricity utilities.

4.4.1.3 How often are these debt management practices viewed or updated?

This question was meant to identify how often the debt management strategies implemented at ZESA Holdings are reviewed or updated. Debt management strategies should be improved or reviewed on a regular basis and from the data collected we can see that ZESA Holdings has been diligently updating its strategies more often as depicted in the diagram below, with 87.50% of the respondents showing that these strategies are reviewed monthly. 12.50% of the participants chose the quarterly basis review. Regular review is of importance at it ensures feasibility and effectiveness as interest rate can fluctuate impacting debt management plans. Susan W. McCarthy emphasizes the necessity of continuous assessment of debt management plans or strategies in maintaining financial goals thereby underscoring the dynamic nature of effective debt management.

Figure 4.3, Response to "How often are these debt management practices viewed or updated"

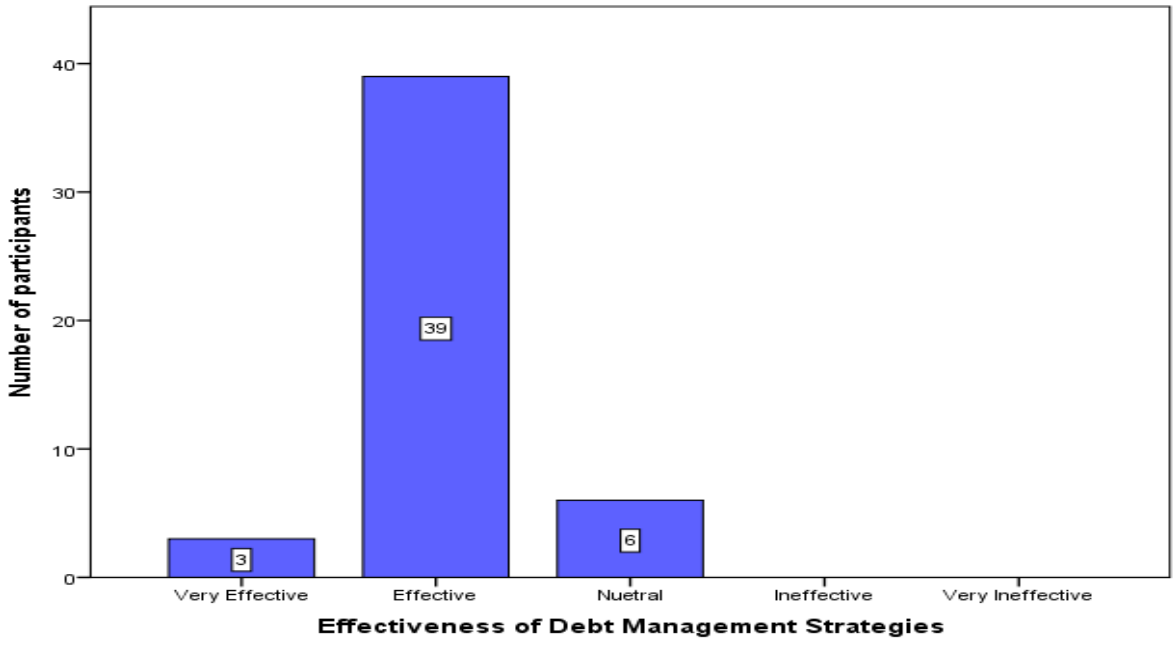


Source: Primary

4.4.1.4 How effective do you believe the current debt management strategies are in reducing ZESA Holdings' debt levels?

This question was aimed at assessing the respondents' perception of the effectiveness of existing debt management strategies. From the diagram below, three participants (6.25%) agreed that the strategies being currently implemented at ZESA Holdings were very effective. Majority of the respondents agreed to the strategies being effective these being 39 participants (81.25%), this implies that the perception is positive and the current practices are successfully helping to reduce debt levels. This high effectiveness rating can serve as a foundation for further development of existing strategies, potentially leading to enhanced practices based on what is currently being implemented. Six (12.50%) participants' responses were neutral, meaning they were neither in agreement of the strategies being effective nor ineffective.

Figure 4.4, Response to "How effective do you believe the current debt management strategies are in reducing ZESA Holdings' debt levels?"



Source: Primary

4.4.1.5 What metrics or indicators does ZESA Holdings use to measure the effectiveness of its debt management strategies?

This question aimed at finding out the specific metrics or indicators used at ZESA Holdings relies on to assess the success of their debt management strategies. The respondents were given three options to choose from, which were debt-to-equity ratio, cash flow analysis and payment default rates. As depicted by Figure 4.5, thirty participants agreed to the use of cash flow analysis and eighteen agreed to the payment default rates indicator. The zero percent response on debt-to-equity ratio indicates this ZESA Holdings' management may have put little effort on addressing this indicator with its employees. Debt-to-equity-ratio measures the organization's financial leverage and it is of importance as it assess risk, good indicator for financial health as well as useful in investment decisions (John R. Mills and Jeanne H. Yamamura (1998)).

Cash flow analysis includes the examination of inflows and outflows of cash in the organization, providing insights into its liquidity and operational efficiency. Cash flow analysis as an indicator for measuring the effectiveness of debt management strategies is to assess the organization's operational viability. John R. Mills and Jeanne H. Yamamura (1998), highlight that cash flow ratios, such as operational cash flows (OCF) and free cash flows (FCF), are essential for assessing whether a company can sustain its operations as well as manage its debt effectively.

Payment default rates has several significances which may include credit risk evaluation. High rates may show underlying issues in an organization's debt management practices and may signal potential financial distress, (Abualrob and Maswadeh 2020). Understanding default rates allows organizations to refine its debt portfolio effectively and debt management strategies, (Gholampoor and Asasi 2024).

Figure 4.5, Response to "What metrics or indicators does ZESA Holdings use to measure the effectiveness of its debt management strategies?

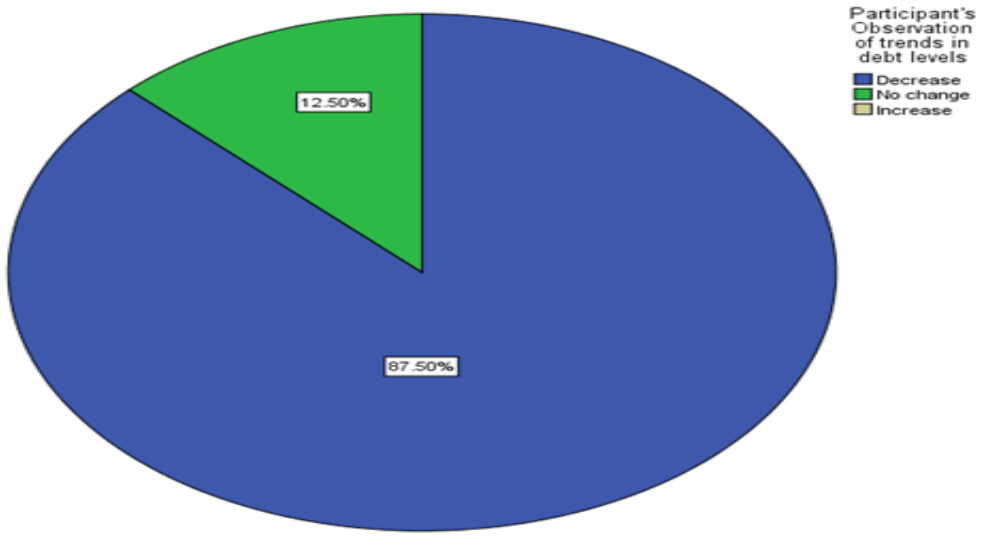
Source: Primary

4.4.1.6 Have you observed any trends in debt levels since the implementation of these strategies?

The purpose of this inquiry was to evaluate the effects of ZESA Holding's current debt management techniques. It was meant to find out if there was a noticeable effect on debt levels over time as we as identify specific trends, such as increase or decrease in debt which could indicate the effectiveness or ineffectiveness of the strategies. The responses from the participants indicated a high percentage agreeing that there has been a decrease in the debt levels. 87.12% of the respondents were in favour with the decrease, 12.50% participants indicated that there was no change in the debt levels since the implementation of the current debt management strategies at ZESA Holdings and there has 0% response on the increase trend. From Figure 4.6 below we can detect that the strategies being implemented at ZESA Holdings to manage debt are effective as a greater population of the respondents show that there has been a decrease in the debt level trend. A reduction in debt levels enhances greater financial sustainability, reducing vulnerabilities in the financial system (IMF Blog 2024).

A decrease in debt levels can lead to improved fiscal sustainability, lower interest rates as well as increased investor confidence. These advantages underscore the importance of effective debt management strategies in facilitating that the existing debt is cleared and taken care of, (Jorda and Nechio 2022).

Figure 4.6, Response to "Have you observed any trends in debt levels since the implementation of these strategies?"



Source: Primary

4.4.1.7 What challenges do you think ZESA Holdings faces in implementing its debt management strategies?

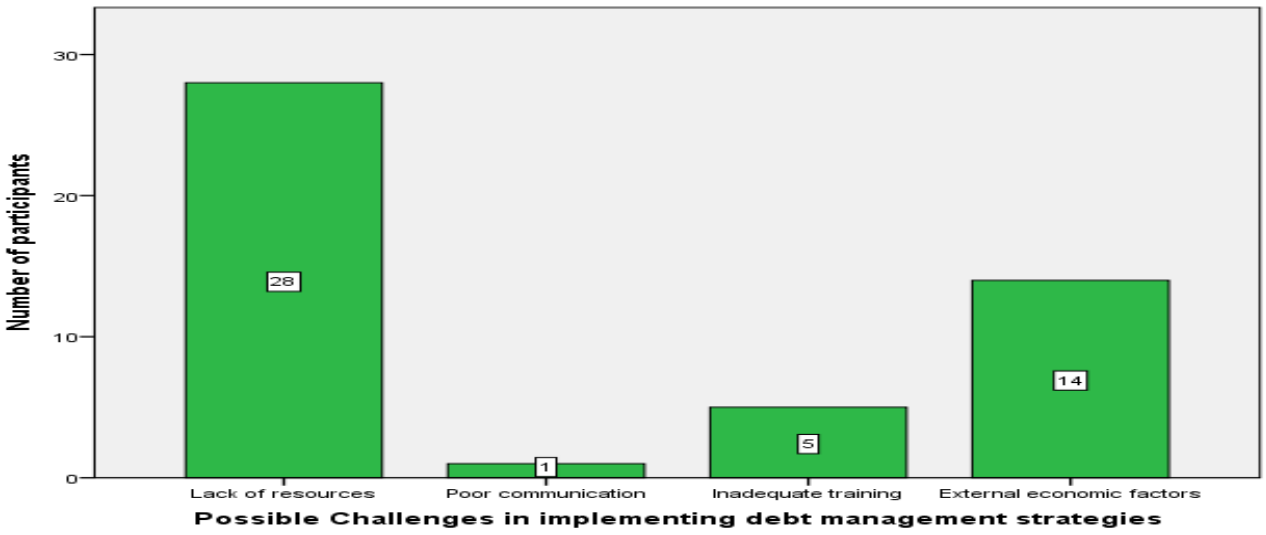
This section is a presentation and analysis of the response given by the participants concerning challenges that are faced by ZESA Holdings in implementing debt management strategies. The key findings as shown in Figure 4.7 below were as follows 28 participants indicating it as a significant barrier. This suggests that insufficient financial, human, or technological resources are a major impediment to effective debt management. Various studies have pointed out resource constraints as a critical challenge in the public sector. For example, research by the World Bank (2004) highlights that adequate resources are essential for implementing effective fiscal policies. Insufficient funding can lead to poor debt management, resulting in increased borrowing costs and financial distress.

14 participants cited the external economic factor challenge, such as inflation, currency volatility, and global market fluctuation on debt management strategies. Hemming et al. (2006) emphasized that external shocks, such as global economic downturns, can severely affect countries' debt sustainability. This finding in the diagram reflects the broader understanding that effective debt management must consider external economic variables.

One participant indicated that communication issues may not be perceived as significant compared to other factors. While only one participant identified this as a challenge, previous studies suggest that communication is vital for successful policy implementation. Effective communication among stakeholders facilitates better understanding and cooperation in executing financial strategies, (Kettl (2000)).

Five participants identified this as a challenge, indicating that staff members' insufficient expertise may make it more difficult to apply debt management techniques. Research by UNDP (2014) indicates that training and capacity building are crucial for enhancing public officials' competencies in financial management. The low number of participants citing this challenge may suggest that it is less recognized but still critical in ensuring the successful implementation of debt management strategies.

Figure 4.7, Response to "What challenges do you think ZESA Holdings faces in implementing its debt management strategies?"



Source: Primary

4.4.1.8 What are the key concerns of stakeholders regarding these debt management practices?

Participants were asked to discuss their opinions and worries about the debt management techniques used by ZESA Holdings in response to this question. Although each participant's responses were different, the researcher made an effort to compile them into a single, universally understood statement.

1. Participants pointed out that their major concerns were mainly on the economic environment, in particular exchange rate changes and the multi-currency situation in Zimbabwe. Fluctuations in exchange rates can severely affect the cost of servicing foreign debt and the overall fiscal health of a country. For Zimbabwe, which has experienced hyperinflation and a volatile currency environment, these changes can lead to unpredictable financial obligations. Previous research has shown that unstable exchange rates can hinder economic planning and increase the risk of default on debt obligations (Hemming et al., 2006).

The adoption of multiple currencies in Zimbabwe, particularly following the hyperinflation crisis, has created complexities in financial management. This situation can lead to difficulties in measuring economic performance and financial reporting. Research indicates that multi-currency systems can complicate monetary policy implementation and reduce the effectiveness of fiscal policies (World Bank, 2004). Studies have consistently highlighted the importance of a stable economic environment for effective debt management. For instance, the OECD (2016) emphasizes that external economic factors, including exchange rates, significantly influence countries' ability to manage debt sustainably. The multi-currency framework in Zimbabwe has been analyzed in various studies, which suggest that such systems can create discrepancies in financial reporting and complicate economic policy (Bahl & Martinez-Vazquez, 2008). Participants' concerns reflect the broader challenges identified in the literature regarding the management of multiple currencies.

4.4.1.9 In your opinion, how could ZESA Holdings improve its debt management strategies?

This question seek to identify the views of the participants on their opinions on how ZESA can improve its debt management strategies. The opinions given by the participants were mostly

inclined to most of them giving the view that ZESA should ensure 100% installation of prepaid meters to ensure that all its creditors pay up and those resources are then channelled to the repayment of debt that the organization has with external parties.

Other participants had the view that stablishing key performance indicators (KPIs) to monitor the effectiveness of debt management strategies. Regular evaluations can inform adjustments and improvements to practices. KPIs help organizations make informed strategic decisions. He asserts that by defining clear indicators, organizations can better assess their progress toward financial goals, including effective debt management (Parmenter 2015).

4.4.1.10 Any additional comments or insights regarding debt management at ZESA Holdings?

Majority of the participants left this question blank. Few individuals answered this question citing that there is need to increase communication and training across the companies that are in ZESA group of companies on how to implement the debt management strategies.

4.5 Chapter summary

The major source of the data utilized in this chapter was primary data, which was presented, interpreted, and analysed. In order to analyse, evaluate, and compare the collected data, secondary data was also used. I've completed the data analysis and presentation, and I'm now on to the fifth and final chapter. The information acquired in this chapter will be utilized to make inferences and offer suggestions to the business and other interested parties.

CHAPTER 5
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Chapter introduction

This chapter, which cuts out chapter summaries and concentrates on the goal of the investigation, is actually a synopsis of the researcher's motivations for doing the study as well as its methodology. This chapter will also include recommendations and closing thoughts. The results will be used to present the recommendations and conclusion which will also helpfully serve to make a decision by the possible users especially ZESA group on how to tackle the issues that this project has pointed out.

5.2 Summary of findings.

The purpose of the study was to evaluate how customer behavior is affected by corporate social responsibility. The researcher employed survey and exploratory research methodologies, which included the use of questionnaires, to assess the impact of debt management measures. The fact that the majority of organizations are in financial difficulties and have seen a significant increase in debt served as the impetus for the study. The purpose of the study was to analyze and appraise ZESA Holdings' debt management effectiveness.

The study underscores the value of sound debt management in sustaining fiscal stability and growth. It outlines several tactics used by ZESA, including restructuring of debts, payment schedules, and independent audits. But comments from contributors suggest that, even while recognizing these tactics, many continue to worry about limited resources, bad preparation, and exogenous economic issues from inflation to exchange rate volatility.

The research also revealed that there is also the inter-play of factors that can equally contribute to the debt management strategies being effective. These factors include economic factors playing a vital role in ensuring that the strategies being implemented are effective. The main results indicate a worsening approach with 81.25% agreement from the sample that the tools used in managing debt at current levels are effective. Nevertheless, resource constraints were identified as an important barrier by 28 participants, and external economic factors were cited by 14. The lack of knowledge of particular tools, including credit risk management and revenue enhancement, also indicate room for improvement.

5.3 Conclusions

This research highlights the critical need of employing an effective debt management policy to ZESA Holdings as it operate in a tough economic environment. With recognition of some success in existing tactics, clear challenges remain, such as resource constraints, multi-currency issues and external economic pressures.

The importance of strong oversight and governance is clear, since mismanagement could magnify financial distress. If ZESA Holdings follows the proposed measures above i.e. improving communication, introduction of KPIs, training and seeking alternative funding, it can improve on its debt management.

Such efficiency gains are crucial not only for ZESA's financial viability, but also for Zimbabwe's economic well-being, as the availability of a reliable power supply is an important driver for the country's economic growth and social transformation. The knowledge derived from this research will also form the bedrock for extending the study of debt management in Zimbabwe and other financially challenged institutions in developing economies.

5.4 Recommendations

It is advised that all parties involved in the group's activities participate, work, and implement efficient debt management procedures at the ZESA group of enterprises in light of the aforementioned conclusions. Although the corporation is eager to undertake expansion initiatives that will increase local electricity production, special attention needs to be paid to the funding sources. This entails applying for superior funding sources that offer substantial sums of money at reasonable interest rates. It is advised that the group implement restructuring plans and make sure that superfluous expenses be eliminated in order to generate additional revenue to reduce debilitating debt.

Improve stakeholder confidence and encourage stakeholders to participate in identifying options and formulating recommendations by regularly informing stakeholders on debt management practices and actively involving stakeholders in decision-making processes.

ZESA Holdings should consider KPIs to check if your debt management policy is effective. Regular assessments will ‘screen’ for strengths and weaknesses allowing for early intervention.

Offer ongoing training for staff engaged in debt management to improve their skill and knowledge base. By time-boxing strategies, you will be better able to execute them and a culture of accountability will be encouraged. Workshops to educate stakeholders on how to use the available resources will help both the entity in reduced expenses of providing more electricity and customers in getting sufficient electricity.

Explore various funding sources such as domestic and international loans, bonds and public-private partnerships. Cross-subsidy can also reduce the exposure to risk associated with single-source funding.

Set up sound risk management system, enhance early-warning system for financial risks, particularly exchange rate risks and external economic impact.
Introduce measures to enhance service delivery, minimize technical losses, and reforming of tariff to make it reflective of market price which will enhance revenue and have the potential for debt servicing.

ZESA should do regular assessments of its financial health, which includes regular cash flows analysis and evaluating how sustainably its borrowing and paying back without affecting operations.

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An Evaluation on The Effectiveness of State-Owned Holding Companies (SOH) In Improving the Performance of State-Owned Enterprises (SOEs): A Case Study of The Mining Sector in Indonesia Florentinus Suryo Susilo1, Wihana Kirana Jaya2, The late Riza Noer Arfani3 and Agus Joko Pitoyo4

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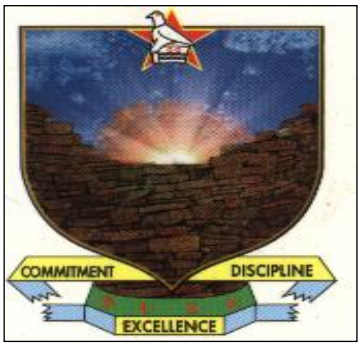
APPENDIX 1

Bindura University of Science Education

P Bag 2010

Bindura



ZESA group of companies

Cnr Fife Street and 10th Avenue

Bulawayo

To the respondent

I am a student at Bindura University of Science Education studying Bachelor of Accountancy Honours. I am carrying out research titled **"Evaluating the effectiveness of debt management strategies: A case study of ZESA Holdings"**

The following is a questionnaire with a variety of questions meant to meet certain objectives hence you are being requested to contribute to the study by answering the following questions.

All the answers that you will provide will be used for academic purpose only.

The research findings will also be availed to if you want them.

Your cooperation is greatly appreciated.

Yours Faithfully

Belinda Matotoba (B212057B)

Questionnaire

DEMOGRAPHIC INFORMATION

Position held in organization	
Nationality	
Years of experience	

LEVEL OF EDUCATION (please tick where applicable)

Diploma	
Degree	
Masters	
PhD	
Other(mention)	

AGE GROUP (please tick where applicable)

18-25	
26-35	
36-45	
46-55	
56+	

SEX (please tick)

Male	
Female	

SECTION 1

PLEASE TICK WHERE YOU AGREE

Current Debt Management Strategies

1. Are you aware of the debt management strategies implemented by ZESA Holdings?

YES	
NO	

2. What specific debt management strategies does ZESA Holdings currently implement?

(Please tick all that apply)

Debt restructuring	
Payment plans	

Debt consolidation	
Regular audits and assessments	
Credit risk management	
Revenue enhancement	
Cost control measures	

Other (please specify): _____

3. How often are these debt management practices reviewed or updated?

Monthly	
Quarterly	
Annually	

SECTION 2:

Effectiveness of Debt Management Strategies

1. How effective do you believe the current debt management strategies are in reducing ZESA Holdings' debt levels?

Very Effective	
Effective	
Neutral	
Ineffective	
Very Ineffective	

2. What metrics or indicators does ZESA Holdings use to measure the effectiveness of its debt management strategies?

(Please tick all that apply)

Debt-to-equity ratio	
Cash flow analysis	
Payment default rates	

Other (please specify): _____

_____

_____

3. Have you observed any trends in debt levels since the implementation of these strategies?

Decrease	
No Change	
Increase	

If applicable please explain:_____

_____

_____

_____

_____

SECTION 3:

Stakeholders' Perceptions

1. What challenges do you think ZESA Holdings faces in implementing its debt management strategies? (Select all that apply)

Lack of resources	
Poor communication	
Inadequate training	
External economic factors	

2. What are the key concerns of stakeholders regarding these debt management practices?

* (Please specify): _____

_____

_____

_____

_____

_____

3. In your opinion, how could ZESA Holdings improve its debt management strategies? (Please provide suggestions): _____

_____

_____

_____

4. Any additional comments or insights regarding debt management at ZESA Holdings? (Please specify): _____

_____

_____

_____

_____

_____

_____

_____

THANK YOU FOR PARTICIPATING IN THIS QUESTIONNAIRE, GOD BLESS YOU!!