BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTANCY

THE IMPACT OF DEBT FINANCING ON THE FINANCIAL PERFORMANCE OF STATE-OWNED COMPANIES A CASE STUDY OF TELONE ZIMBABWE

BY

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A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT

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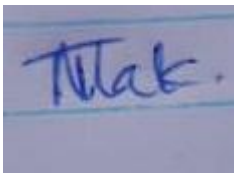
DECLARATION

I**, B201829B,** confirm that this thesis is entirely my own original work. Any consultations or external contributions that influenced this work are properly referenced and cited. To the best of my knowledge, this thesis has not been submitted, either in its entirety or in part, for any other degree program at any other university or institution.



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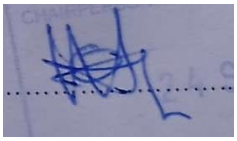
DEDICATIONS

My deepest gratitude goes to my parents**.** Their unwavering support throughout my academic journey has been instrumental. They provided both the inspiration and the financial resources that made this dissertation possible.

APPROVAL FORM

This statement confirms that the undersigned individuals supervised the dissertation titled "**The Impact of Debt Finance on the Financial Performance of State-Owned Companies: A Case Study of TelOne" by B2O1829B**. This dissertation was submitted to partially fulfill the requirements for a Bachelor of Accountancy Honors Degree at Bindura University of Science Education.



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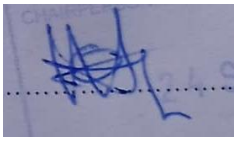

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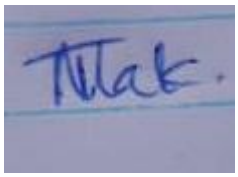
SIGNATURE  DATE 24/9/2024

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ABSTRACT

This research sought to illuminate the ways in which debt financing can impact a company's financial strength, strategies and the financial health of state-owned enterprises. TelOne Zimbabwe, Telecommunications Company not registered on the Zimbabwe Stock Exchange, served as a case study for this exploration. The research was prompted by TelOne's increasing reliance on debt financing for projects that didn't seem to translate into better financial results. To address this concern and answer research questions encompassing both quantitative and qualitative data, a hybrid research method was employed. Data was collected from both secondary sources (financial documents) and primary sources (surveys and interviews). The initial population for interviews was 35, with a final sample size of 30 participants. This research utilized software SPSS 20 to analyze the quantitative data collected. The study focused on several variables: long- and short-term debt and tangibility (all considered independent factors influencing financial performance). The dependent variable, representing the company's financial health, was return on assets (ROA). The analysis revealed a statistically significant negative correlation between debt financing and TelOne's ROA, suggesting that increasing debt levels had an adverse impact on the company's financial performance. The research results showed a statistically significant negative relationship between debt financing and TelOne's financial performance at a confidence level of 95%, with a p-value close to 4%. This suggests that the initial assumption of no link between debt and performance was excluded. Interestingly, the analysis indicated that debt financing explained a substantial portion, approximately 85%, of the variation in TelOne's financial performance. This implies an overdependence on borrowed funds. Based on these findings, the study recommends using debt financing cautiously, as its costs seem to outweigh the benefits of debt-funded projects.

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I owe a deep debt of gratitude to the Lord who has guided me throughout this journey and made it all possible.

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I am indebted to Bindura University's Accounting Department for equipping me with a strong foundation of knowledge in accounting. My deepest appreciation goes to my academic supervisor, for his unwavering support and guidance throughout this research journey. His expertise and mentorship were instrumental in the successful completion of this study.

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CHAPTER I

INTRODUCTION

1.0 Introduction

This study explores how debt financing influences the performance of Zimbabwean state-owned companies, specifically TelOne. It examines the overall connection between debt and financial health, along with the effects of various debt types.

1.1Background of the study

Debt financing is a typical way for businesses around the world to borrow funds for a variety of goals, including expansion, operations, and investment. Investigating how a company's use of debt financing impacts its financial health piqued the interest of both researchers and practitioners. Understanding how debt affects financial performance is critical for businesses to make well-versed decisions about their capital structure. According to Naiseku and Susan (2016) and Kondoyo (2013), claimed that frequent borrowing drives away investors, lowering organizational financial performance.

Debt finance entails borrowing cash that must be repaid over time, with interest. The usage of debt can have both beneficial and negative consequences for a company's financial performance. On the one hand, debt can provide leverage, allowing businesses to invest in projects with the potential to generate returns greater than the cost of borrowing. This leads to improved profits and growth. Excessive debt levels, on the other hand, can increase financial risk, resulting in increased interest expenditures, lower cash flows, and, ultimately, an impact on the organization's overall financial health.

1.1.1 Globally

Debt financing's impact on financial performance varies by country and industry, depending on factors such as regulatory framework, economic conditions, and market dynamics. In a worldwide setting, multinational firms frequently traverse multiple financial markets with varying degrees of access to debt financing choices. Understanding how debt impacts global financial performance necessitates taking into account the particular problems and opportunities that businesses encounter in different countries.

Debt financing is necessary because it provides several benefits, such as allowing companies to fund project expansion or invest in new opportunities without diluting equity ownership (Brealey et al., 2018). However, Myers and Myers (2016) discovered that entities with higher debt have lower profitability and higher earnings volatility than those with lower debt levels in a sample of USA manufacturing samples. Johnson et al. (2017) found that enterprises with greater leverage ratios had lower returns on assets in a sample of European firms.

1.1.2 African countries

Debt financing patterns and financial performance in African countries may differ from those in more developed economies. Access to credit, interest rates, the regulatory environment, and economic stability all have a significant impact on how African enterprises use debt as a source of financing. Research on African countries is critical for understanding the region's particular issues and prospects with debt finance.

Debt finance can bring both obstacles and possibilities for businesses worldwide, including in African countries. Balancing the benefits of leveraged investments against the hazards associated with high debt levels necessitates careful thinking and strategic planning. Understanding how various types of debt instruments affect financial performance is critical for improving capital structure and attaining long-term growth. According to Mwangi et al. (2015), they investigated the affiliation amongst loan capital and solvency in Kenya's manufacturing business. Their findings showed that debt financing improved a company's liquidity position and led to greater levels of production.

However, Kpodo et al. (2016) studied the impact of debt financing on solvency and efficiency in Ghanaian banks. They discovered that, while debt financing enhanced solvency, it had a detrimental impact on efficiency because of the increased operational expenses associated with debt servicing.

1.1.3 Zimbabwe

Zimbabwe has faced economic challenges over the years, including high inflation rates and currency instability. As a result, businesses in Zimbabwe often rely on debt financing to fund their operations and expansion initiatives. Debt financing can take various forms in Zimbabwe, including bank loans, corporate bonds, and trade credit. Companies in Zimbabwe may opt for debt financing to take advantage of lower interest rates compared to equity financing or to access funds quickly for growth opportunities.

The impact of financing of debt on financial performance can be both positive and negative. According to Naiseku and Susan (2016), debt financing allows companies to leverage their capital structure and potentially achieve higher returns on investment. It can also offer tax aids through deductible interest payments. Nevertheless, excessive debt levels can increase financial risk and lead to liquidity issues if companies struggle to meet their debt obligations. Burdensome debt can restrict a company's capacity to fund future expansion or weather economic hardships.

Table 1: Extracted from TelOne annual financials 2017- 2024

Description	2017	2018	2024	Change	Change
	($millions)	**($millions)**	**($millions)**	**2017-2018**	**2018-2024**
Income	157	138	114	-12%	-17%
Broadband revenue	27.9	28.7	33	3%	15%
Total Revenue	**184.9**	**166.7**	**147**	**-10%**	**-12%**
Foreign long-term debt finance	47.8	56.7	98.6	19%	74%
Local debt	29.4	27.9	25.2	-5%	-10%
Total Debt	**77.2**	**84.6**	**123.8**	**10%**	**46%**

Interest charges	12.7	25	19.3	97%	-23%
Net Income	12.9	5.9	-24.9	-54%	-522%

Source: TelOne Financial statements, 2017-2024

The preceding extracts from the 2017 to 2024 financial statements show that overall revenue decreased by 12% and 17% from 2017 to 2018 and 2018 to 2024, respectively. In addition, foreign loan finance increased by 19% between 2017 and 2024, with a considerable growth of more than 70% from 2018 to 2024. It is clear that, even though the company lowered its local debt, the interest expenditure is rising as a result of the large growth, which is far greater than the local debt. TelOne Zimbabwe's growing reliance on foreign loans to fund broadband projects may be hurting, not helping. Interest rate hikes are making these loans more expensive, and the projects themselves aren't generating enough revenue to cover the interest costs. This situation suggests that debt financing might be harming TelOne's financial health, creating an opportunity to study its impact in more detail.

1.2 Problem statement

The use of debt financing by Zimbabwean state-owned enterprises, such as TelOne, has had a negative impact on their financial performance. This has generated concerns about these companies' financial stability and ability to perform public services. Despite the fact that the company got the necessary debt funding to efficiently improve its operations and financial performance, no remarkable or significant association between debt finance and financial performance was detected between 2017 and 2024, which motivated this investigation.

1.3Research Objectives

- To investigate the factors which determine the capital structure of an organization
- To investigate the relationship between debt financing and an organization's financial risk.
- To explore the relationship between debt finance and the financial performance of state-owned companies

1.3.1 Main Study Enquiry

- To what extent does debt structure affect the financial performance of telecommunication firms?

1.3.2 Sub-research questions

- What elements determine the mix of debt and equity financing used by an organization?
- How does using debt financing affect the level of financial risk faced by a company?
- What is the association among debt finance and the financial performance of a firm

1.4. IMPORTANCE OF THE STUDY

1.4.1 Importance of the study to the researcher

This research project fulfills a requirement for the Bachelor of Accounting Honors Degree. It presents a valuable opportunity for the researcher to not only showcase their in-depth understanding of accounting principles and the research skills developed throughout their studies, but also to contribute to the field's knowledge by examining the crucial connection between a company's use of borrowed money and its profitability.

1.4.2 Importance of Study to the Organization

This research has the potential to equip TelOne with valuable insights on how debt financing influences their financial health. By analyzing the empirical data, the organization can identify strategies to manage debt levels more effectively, potentially leading to improved financial performance.

1.4.3 Importance to the University

This study aims to enhance to the prevailing body of knowledge in this area, potentially benefiting future students by providing them with additional insights

1.4.4Importance to the government

- It will deliver understandings into how to strengthen the financial well-being and sustainability of these businesses. This is important for the government because state-owned companies play a vibrant role in the economy of Zimbabwe.

- Because of global technological advancements, the telecommunications sector will soon become the lifeblood of any economy; thus, this study will help us understand the effects of debt financing on the financial performance of a telecommunications company, TelOne, which in turn will help in suggesting financial reforms for the resolutions of improving the company's operational and financial performance, thereby boosting the economy at large in the future.

1.4 Delimitations of study

This refers to characteristics and variables that will only be included in the research, hence defining the study period and participant type, among other things (Frandsen, 2019). The study's limitations are listed below.

- The study spans the following years, from 2017 to 2024. The researcher was interested in this period because it is when TelOne's debt level fluctuated, therefore allowing comparisons to be made.
- We focused our survey on employees in leadership, management, and professional roles.
- The research scope concentrated on investigating the link between a company's debt financing and its overall financial health within the context of TelOne Zimbabwe
- The information that was used was gathered at the head office (Runhare House) in Harare.

1.5Limitations of Study

According to Leedy (2012), limitations are those circumstances that are outside the control of the researcher. Listed below, are some of the limitations:

- Recruiting participants for this study was challenging due to potential concerns about confidentiality, we had to convince and emphasize anonymity and data security thereby allowing them to know that no one would know anything about their responses.
- The study was dependent on secondary data, much of which came from previous studies focusing on listed companies and other industries that might have been different from telecommunications.
- Time limitation posed a significant challenge, as the research had to be conducted within a time scale of at least six months, thus far less time than is usually allocated for such studies. Therefore, the researcher had to explore alternative research designs that require less time.

- The lack of funding was another challenge, as the researcher had to rely on borrowed funds from friends, relatives and personal savings to cover the costs of the study is going to require funding to meet the costs.

1.6Assumptions of the study

The study's underlying premise refers to the concepts or conditions that are acknowledged as factual, or at least credible, by students and peers who will read the study (Leedy, 2012). Below is the assumption of the study that the researcher has taken into consideration:

- Ideally, the participants in this study provided accurate and objective information
- The information presented was grounded in real-world data and practical considerations.

1.7Definitions of Key terms

This study has got four important key words derived from the research topic alongside the core research inquiry and any complementary investigative pursuits. Listed below are defined words the researcher has considered them to be key in this particular study:

Debt financing – a method companies use to acquire capital for growth by borrowing funds from external lenders. These borrowed funds must be repaid at a later date, typically with interest.

Borrowing costs- According to McKenzie (2015), the costs associated with taking out a loan such as interest charges, are considered finance costs.

Financial Performance- The capacity of an organization to leverage its resources for strategic advantage.

Financial risk- The potential for financial loss associated with borrowing transactions, as identified by Hazzi and Kilani (2013).

1.8 Chapter Summary

The introduction has effectively laid the groundwork for the impact of debt research on finance for state-owned companies (SOCs). It has established the research area and its background, highlighting the problem that motivates this study. Importantly, it justified the research by outlining its purpose, significance, and potential benefits for various institutions.

CHAPTER II

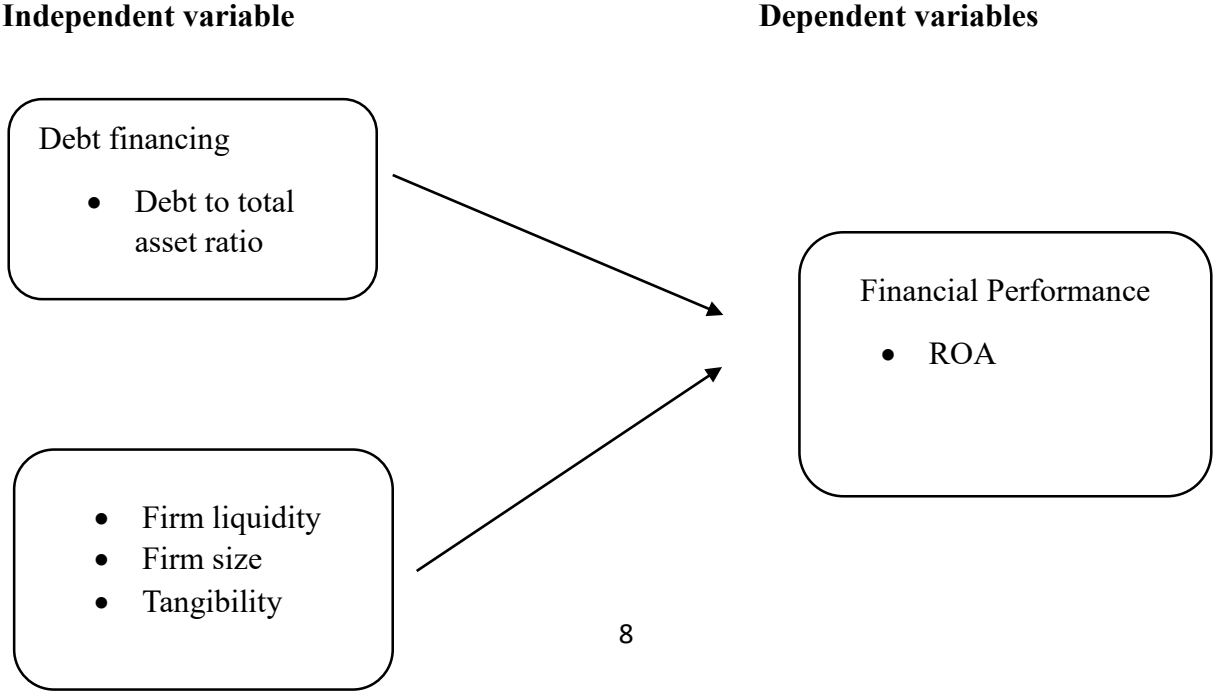
LITERATURE REVIEW

2.0 Introduction

A literature review is an unbiased, critical assessment of the body of research that is currently available and helpful in examining a certain area (Galvan & Galvan, 2017). It illustrates the discrepancy among research and contemporary inclinations and may throw light on subjects that were previously unexplored or poorly researched. This chapter will use prior research findings to give a thorough evaluation of the study's goals. In this section, gap analysis will be executed on the consequence of debt financing on financial success by carefully analyzing and reviewing both theoretical and empirical literature.

2.1Conceptual Framework

This research aims to build a framework that clarifies how factors like debt levels, company size, how easily a company can access cash (liquidity), and the physical nature of its assets (tangibility) influence a company's financial performance. In simpler terms, the study will explore how these aspects (independent variables) are linked to a company's financial success (dependent variable



Source: Adapted from Myers 2016

In essence, this framework examines the intricate link between debt financing and the financial health of state-owned companies (SOCs). It investigates the various elements that influence an organization's capital structure choices, including profitability, tax benefits, and opportunities for growth as explored by Graham, (2003) and Harris & Raviv, (1991). For SOCs specifically, government ownership may introduce additional factors beyond purely financial goals (Megginson & van Raden, 2006).

The framework then analyzes how debt financing impacts financial risk. Higher debt levels can lead to increased fixed costs, a greater chance of default, and potential conflicts between management and shareholders, all of which can threaten a company's financial stability Brealey, Myers, & Allen, (2020); Harelimana (2017).

Finally, the framework explores the connection between debt financing and the financial performance of SOCs. While moderate debt can provide a tax shield and encourage efficient resource allocation Akhtar (2016), excessive debt can lead to financial distress by limiting investment opportunities Brealey et al., (2020). This framework serves as a foundation for future research to delve deeper into how these factors interact within the context of SOCs. Specifically, future studies could explore how government ownership influences capital structure decisions, how it moderates the relationship between debt and risk, and whether there are optimal debt levels for SOCs that strike a balance between financial benefits and the risks of financial distress.

2.2Theoretical Review

This chapter serves as a springboard for the research by providing a critical analysis of existing literature on the topic (Galvan & Galvan, 2017). A literature review serves two key purposes. First, it identifies areas where current research may be lacking or outdated. Second, it highlights potential new avenues for investigation. By examining both theoretical and empirical studies on debt financing and financial performance, this chapter will conduct a thorough gap analysis. This analysis will lay the groundwork for the current study's objectives.

2.2.1Trade off Theory

While some argue that increased debt offers a tax advantage due to interest being deductible (Makanga, 2013), this isn't directly applicable to TelOne Zimbabwe. Unlike some state-owned companies that benefit from tax breaks, TelOne, as a Zimbabwean state-owned corporation, is exempt from corporate income tax under current legislation. Therefore, the potential tax benefit of debt financing is irrelevant in this case.

Some research suggests that, in an ideal economic environment, the cost of borrowing for a company with a lot of debt (leveraged company) would be balanced out by the tax benefits of that debt, making it equivalent to the cost of capital for a company with no debt (unleveraged company). This dispute is based on the idea that the tax advantage offsets the higher borrowing costs (Persson & Ridderstrom, 2014).

This financial stress includes both the direct costs of bankruptcy, like asset liquidation fees, and indirect costs like employee departures and stricter payment terms from suppliers (Awan & Amin, 2014; Mosafa & Boregowda, 2014). Makanga (2013) argues that this financial stress goes beyond just bankruptcy and can also include negative consequences like employee turnover. Additionally, Makanga (2013) suggests this debt-fueled tax reduction strategy contradicts the percking order theory, which recommends profitable companies should rely less on debt due to their lower tax burden.

2.2.2 Perking –order Theory

Jibran et al (2012) stated that Myers and Majluf (1984) theorized that the more profitable the business, the less leveraged it will be, and they explained this by pointing out that more profitable businesses can retain earnings for reinvestment, whereas less profitable organizations rely more heavily on borrowings to meet their needs. Machielsn (2013) expanded on this by claiming that both domestic and foreign debt financing are the outcome of insufficient internal funding. Companies tend to prioritize using their own money (internal funds) for financing. When they do seek external funding, they often favor debt over issuing new shares (equity) Absede, 2012). This preference for debt helps them avoid diluting ownership for existing shareholders (wealth transfer) and potential downsides associated with attracting the wrong investors (adverse selection). This

approach tries to strengthen the bond between investors and managers by favoring debt over equity as a means of funding the company's processes.

The method supports debt financing over outside equity contributions since it demonstrates management's belief in the project (Kumar et al., 2020). According to a 2020 study published in the Journal of Banking and Finance, state-owned Indian enterprises that used debt finance to invest in research and development operations outperformed those that did not (Kumar et al.). This suggests that debt financing can be helpful to state-owned enterprises when utilized wisely to fund value-creating activities. According to Abeywardhana (2017), industries that use the perking order theory makes little impact. According to the findings, small firms do not always have to follow the pecking order theory in order to enhance revenues and growth.

2.3Factors that determine capital structures of companies

It is unclear how enterprises in poor nations select their capital structure, which is a source of concern given that much study has concentrated more on wealthier countries (Chidoko 2012). Numerous factors influence the structure of capital for firms including firm largeness, profitability and firm growth. Sangeetha&Sivaratharasan (2013). According to Chidoko (2012), Chang (2014) and Nijenhius (2013), the greatest recognizable and prevalent factors that investigate how several firm-specific attributes, including size, asset tangibility, profitability, growth trajectory, non-debt tax shields, overall tax burden, and liquidity.

2.3.1 Profitability

Studies on the link between profitability and debt financing in Zimbabwe have shown mixed results Mutenheri & Munangagwa, (2015). Some research, like Chang (2014) on Chinese firms, suggests profitable companies tend to borrow more to benefit from tax advantages. It aligns with the Tradeoff Theory, which offers a positive association between profitability and debt. Similarly, other studies have found a positive correlation Hansen, (2013); Babu & Chalamu, (2014); Manrai, 2014; Nijenhius, 2013; Sherif & Elsayed, 2013). However, research within Zimbabwe, such as Chidoko's (2012) analysis of listed companies, also got a positive link. While Choi (2014) revealed a significant correlation between a company's profitability and its use of financial leverage in South Korean firms, it's unlikely to be causal in the way presented. Profitable companies are generally

considered less risky borrowers and thus more attractive to lenders, allowing them to take on more debt financing. The statement that "no company would be able to attract loans" if profitability isn't high isn't entirely accurate.

According to the peking order concept, organizations favor interior sources of funds above exterior ones. An analysis of companies listed on the Kuwait Stock Exchange (Gharaibeh, 2015) revealed a significant negative association between a company's profitability and its capital structure. Seghiescu and Vaidan (2014) discovered that profitability was also negatively correlated with capital structure in Romania. The findings indicate a negative correlation between organization's profitability and its capital structure. Other empirical studies such as those by Wahab et al. (2012) and Tomak (2013) have identified an inverse association between a firm's leverage and its profitability. The negative findings of these studies are consistent with the pecking order theory, which claims that organizations with a high profit level prefer to invest using domestically generated resources rather than borrowed capital. The researchers were unable to reach an unbiased conclusion regarding the result of profit on an organization's leverage. Aims of this is to explore the impact of profitability on debt financing in the telecommunications industry, as TelOne's profits have been declining in recent years

2.3.2 Firm size

Studies according to Babalola (2013) have consistently shown a correlation between company size and profitability. Larger entities benefit from cost advantages associated with increasing production volume and scope, which allow them to secure loans at lower interest rates. Additionally, their size is perceived as a hedge against bankruptcy, making them more attractive borrowers compared to smaller firms. This relationship between size and borrowing capacity is further supported by Serghiescu and Vaidean (2014) who created a positive correlation between company size and financial leverage. Several scholars support the notion that larger companies can utilize higher levels of leverage compared to smaller businesses (Tomak, 2013; Manrai et al, 2014). This is in range with the trade-off theory, which suggests a favourable correlation between company size and debt. Cekrezi's (2013) findings reinforce this theory, demonstrating a direct correlation exists between company size and various debt measures. However, some studies challenge this conventional wisdom. Yolanda, Soekarno (2012) and Ramli and Wahab (2014)

reported an unfavorable connection between a company's debt levels and its growth or size. Additionally, Acaravci's (2015) research in Turkey found an inverse relationship between company size and leverage, except within the fabricated metal products and equipment industry. While some research, like Ghazouani's (2013) study on Tunisian companies, suggests no significant link between firm size and capital structure, the overall evidence remains mixed. Tomak (2013) highlights the potential for larger firms to access debt financing more readily. Given the focus on a well-established large corporation in this current case study, the research will explore whether company size plays a role in shaping capital structure decisions within this specific context.

2.3.3 Tangibility

Capital structure theories emphasize the influence of a company's asset composition on its financing option (Gracias, 2013). The trade-off theory, for instance, suggests an optimistic correlation on how a firm's use of leverage influences and asset tangibility. Lenders, such as banks, tend to view tangible assets more favorably as collateral, making companies with a higher proportion of these assets more attractive borrowers. This positive relationship between tangibility and financial leverage is reinforced by research from various countries, as evidenced by the findings of Sangeethaa and Sivaraathan (2013), Zabri (2012), and Wahhab (2012). Further bolstering the theory, Gharaibeh's (2015) research on Kuwaiti listed companies identified a strong positive correlation between tangibility and leverage, calculated by the proportion of a company's assets financed by debt. Similarly, a study by Chechet et al. (2013) on Nigeria's chemical and paint sector found a satisfactory, albeit statistically insignificant, relationship between these two factors. Anjan (2013) also observed a confident association in his investigation of capital structure drivers within Sri Lanka's restaurant industry.

Agency theory, however, proposes an adverse relationship between asset materiality and leverage. This perspective is supported by Acaravci's (2013) research, which found an inverse association between these two factors. Cekrezi’s (2013) also observed a contrasting pattern, with debt exhibiting a adverse correlation with tangibility, while long-term and total debt ratios showed a positive connection. Furthermore, Serghiescu and Vaidean's (2014) study suggests that in developing economies, a company's asset tangibility might be negatively linked to its debt ratio.

This suggests that firms with a substantial holding of physical assets may not provide a strong long-term assurance of compensation for creditors if a borrower defaults. Numerous studies support the trade-off theory's prediction of a satisfactory relationship between a company's tangible assets and its debt capacity. This implies that as a company's tangible assets, such as property and equipment, increase, lenders are more likely to view them favorably as collateral, potentially allowing the company to borrow more

Harc (2015) and Koksal (2013) suggest a nuanced relationship between tangibility and debt. The research found that companies with higher levels of short-term debt and financial performance, while long-term debt displayed a positive link with both financial health and the level of tangible assets. Chidoko et al. (2012) even observed a negative association between tangibility and overall debt, which contradicted both major theories. This current study focuses on a long-established company with a high level of tangible assets. The research aims to investigate the specific relationship between this company's tangibility and its long-term debt financing decisions. Prior research examining the link between tangibility and debt financing (including both short- and long-term loans) has yielded mixed results. Based on this, the following hypothesis is proposed for this study: H1: There is a significant positive relationship between tangibility and long-term debt financing in this specific company.

2.3.4 Firm Growth

According to the peckiing order theory, firms looking to expand often realize that domestically generated funds are insufficient to meet their expansion demands, leading them to seek debt and equity financing. The studies generally suggest a favourable connection among tangible assets and debt financing (Gracias, 2013), there are exceptions. For instance, Chechet et al. (2013) found no significant relationship between leverage and tangibility in Nigeria's chemical and paint industries. Similarly, Anjan's (2013) research on Sri Lankan restaurants showed a certain association, but this may not apply universally across all industries. There's no clear consensus on how a company's growth potential affects its debt financing choices. Some theories, like the pecking order theory, suggest companies with high growth prospects might rely more on debt than internal funds. This

research aims to explore this specific relationship within the telecommunications industry in Zimbabwe. Since this industry is known for its rapid growth and dynamism, it provides a valuable case study. The study also pursues to contribute new insights in existing financial literature in the context of Zimbabwe.

2.3.5 Liquidity

Companies with strong cash flow (liquidity) exhibit a greater propensity towards lenders debt and benefit from greater ease of access to financing Pahuja & Sahi (2012). This makes sense because lenders prefer borrowers who can reliably meet their loan repayment obligations. The trade-off theory underpins this idea, suggesting a constructive connection between liquidity and debt. Companies with higher liquidity ratios signal a lower risk of default to lenders, making them more comfortable offering loans Gharaibeh (2015). Cekrezi (2013) discovered that liquidity is positively associated with long-term debt finance through multiple regression analysis. Another study by Harc and Sarliija (2012), Mansnon and Saeeed (2014) claimed that the constructive connection is attributable to the fact that businesses with high liquidity attract stakeholders since they are associated with a decreased likelihood of bankruptcy.

Several studies have explored the linking between a company's financial health and its debt choices, supporting the pecking order theory. Research by Gathogo & Ragui (2014) in Kenya, Chidoko & Hove (2012) and Mutenheri (2012) revealed an inverse association between liquidity and debt levels, suggesting companies with ample cash may be less reliant on borrowing. Cekrezi (2013) in Albania observed a similar trend for short-term debt. However, Saurabh & Sharma (2015) in India and Imtiaz et al. (2016) in Bangladesh did not find a significant influence of liquidity on capital structure decisions within their respective manufacturing and pharmaceutical sectors. Interestingly, studies in Romania (Serghiescu & Vaiden, 2014) hint at a negative association between liquidity and leverage, but haven't specifically focused on the telecommunications industry. This research aims to tie this gap by examining how liquidity impacts debt financing practices within state-owned telecommunication companies, using TelOne Zimbabwe as a case study.

2.4 Other causes of negative financial performance

While debt financing can potentially lead to negative financial performance, it's crucial to consider other contributing factors. Negative financial performance occurs when an organization experiences a decline in key metrics like sales, profits, costs, and liquidity. As Petty et al. (2017) suggest, this situation can be manifested in poor returns on assets and return on investment. Negative financial performance can stem from various factors, such as weaknesses in management capabilities, unfavorable economic conditions, and fierce market competition.

2.4.1 Inadequate management skills

For any company, but particularly for smaller businesses according to Fatoki (2014), a competent leadership team is essential for achieving success. Effective managers bring a critical skillset to the table, including making sound decisions, crafting clear plans, delegating tasks appropriately, communicating effectively, and managing their time wisely. This skillset equips them to overcome challenges and navigate the company's growth. On the other hand, weak leadership can be seen through poor corporate governance, a lack of proper financial planning, and loose internal controls.

- **Ineffective budgeting**

A budget is a financial roadmap that helps a company achieve its goals within a specific timeframe Kimunguyi & Memba (2015). Clear communication of the budget to all employees ensures everyone is aligned towards achieving these goals. Research by Onduso (2013) highlights the significant link between budgeting and a company's financial health. He found that poorly designed budgets can lead to negative financial outcomes, specifically impacting return on assets. Budgets need to be regularly updated to reflect changes in the business environment and encompass all operations to remain relevant and drive strong financial performance.

Swain and Reed (2015) argue that simply creating a budget isn't enough. Even a well-designed budget can lead to poor financial performance if not effectively implemented and managed. This highlights the importance of strong execution alongside the planning stage of budgeting.

- **Poor internal controls**

According to the Association of Chartered Certified Accountants (ACCA, 2017), internal controls are a set of procedures established by management and staff to ensure a company achieves its objectives. These controls aim to produce accurate financial statements, maintain efficient operations, and comply with relevant laws and regulations. Njeri (2013) emphasizes the crucial role of internal controls in business success, highlighting the link between effective controls and financial achievement. Ineffective internal controls, particularly those not properly communicated or lacking a dedicated internal audit function, can lead to disorganized operations (Njeri, 2013; Nyakundi, 2014). A weak internal audit function, or the absence of one altogether, can create vulnerabilities that are easily exploited (Nyakundi, 2014). The consequences of poor internal controls can be severe, potentially including financial statement fraud, asset loss, and non-compliance with regulations (Nyakundi, 2014; Rennox, 2017). While weak internal controls are a significant factor, Odhiambo et al. (2014) point out that other contributors to poor financial performance can include outdated technology and a weak management structure.

2.4.2 Poor corporate governance

The Organization for Economic Co-operation and Development (OECD, 2015) defines good corporate governance as a robust legal and regulatory framework that stakeholders can trust when engaging with a company. It establishes the mechanisms for directing and controlling the organization. The board plays a serious role in guaranteeing good governance, and shareholders appoint them along with auditors to oversee compliance. Research by Musoko (2013) on Zimbabwean companies highlights the detrimental effects of poor corporate governance on both businesses and the broader economy. This stems from directors failing to adhere to sound practices, leading to a lack of direction for lower-level staff and ultimately impacting performance. Aldayeen (2017) further emphasizes the negative consequences of weak governance on financial performance. It can demotivate employees and create opportunities for unethical systems. Zaharia and Zahria (2012) add that poor governance can lead to increased costs of resources, lower returns on equity, and a decline in overall value, all contributing to poor financial performance.

Al-Sahafi (2015) presents a contrasting perspective, suggesting that several factors moderate the relationship between corporate governance and a firm's financial well-being with the specific aspects of governance being examined. In his study, separating the CEO and Chairman positions did not show a connection to return on assets or return on equity. Similarly, Shahwaan (2015)

claims for a limited influence of corporate governance on financial performance, prompting the exploration of other factors that might contribute to a decline in financial health. Darweesh's (2015) research adds to this viewpoint by finding no significant association between board committees, ownership structure, and profitability, suggesting a potentially minimal impact of these specific governance elements on a company's financial performance.

2.4.3 Level of competition

Intense competition arises when there are many companies vying for market share and limited barriers to entry. This constant struggle forces businesses to adapt and innovate Yahaya etal, (2015). Studies have shown a undesirable interplay amongst market competitiveness and a firm's financial health Yahaya et al. (2015) suggest that competition can drive up costs as businesses invest in better service delivery and differentiation strategies. Phiri (2017) further summits the challenges met by small and medium-sized enterprises (SMEs) in competitive environments. Limited financial resources can constrain their ability to invest in competitiveness, while established larger firms with stronger brand loyalty may capture a larger market share, ultimately impacting SME revenue and financial performance.

Mutsago (2017) offers a contrasting viewpoint, arguing that competitive environment can stimulate strategies that enhance a company's financial health when effective ambitious strategies are implemented. Stein (2013) aligns with this perspective, suggesting that new entrants in a market can spur innovation among established firms, potentially leading to increased market share and profitability.

2.4.4 Economic conditions

According to Vlachvei and Notta (2014), challenging prevailing economic climate encompass periods of market-related downturn characterized by high unemployment rates, a decline in discretionary spending by consumers, contracting market sizes for businesses, rising inflation, and increasing interest rates. These factors typically lead to a decline in profits and overall financial performance for most companies. Mhlanga (2016) illustrates this with the case of Zimbabwe's economic downturn, which resulted in low demand for goods and services, high unemployment, limited financial resources for businesses, and a heavily regulated business environment. Similarly, Gray (2016) highlights how unfavorable economic conditions can lead to when interest rates are

elevated, more expensive from a business perspective to borrow money and increasing their overall expenses. This usually translates into a significant number of business closures, suggesting a severe decline in financial performance. Research by Alimi and Ajosin (2014) supports this notion, as they observed a substantial decrease in growth rates for businesses operating in a deteriorating economy.

However, some researchers offer contrasting perspectives. Umaru et al. (2013) propose that inflation, often seen as a negative factor, can potentially stimulate economic productivity as businesses strive to capitalize on higher prices. Waleed et al. (2016) add another layer of nuance by highlighting that high liquidity in banks, which might be associated with challenging economic conditions, can lead to lower interest margins and potentially reduced profitability for the banks themselves. These viewpoints suggest that the impact of difficult economic conditions on corporate financial performance may be more complex than initially presented.

While prior research has extensively examined factors affecting financial performance, it has primarily focused on large corporations, with limited attention to local firms. This study aims to address this gap by investigating the specific factors contributing to poor financial performance among SMEs in Zimbabwe, with a particular focus on businesses beyond the banking sector.

2.5 Impact of debt finance on financial risk

Several studies support a positive correlation between the influence of financing by debt on a firm's solvency. A study from Sri Lanka analyses data from 2006 to 2015 finding a strong link between the two factors, particularly within the hotel industry (Guranthna, 2016). Hackbath et al (2013) observed a high positive association between solvency risk and a company's capital structure, which reflects its use of debt financing. Schwartzkopf (2012) suggests a potential explanation for this connection. He found a positive association in Germany following the economic downturn, where many companies relied heavily on debt financing to stay afloat. Research from China (Zhang, 2013) reinforces this concept, indicating that the continued use of borrowed funds increases financial risk. Fang (2016) adds another layer of understanding by highlighting the intuitive link: as debt levels rise, so does the likelihood of default, placing a company in a more precarious financial position.

While numerous studies point to a positive correlation between financial leverage and financial risk, some research suggests a more nuanced relationship. Fu etal. (2012) discovered a surprisingly robust negative association between financial risk and both a company's debt structure and its current ratio, a measure of liquidity. Muchlis (2013) observed a similar negative connection between financial risk (or credit risk) and capital structure in a study of 20 banks from 2006 to 2010. They argue that other factors beyond debt levels, such as business-specific risks and broader systemic risks, can also influence financial risk, potentially explaining the negative association they observed. Additionally, Halov et al. (2012) could not get any statistically important link between financial leverage and risk in their investigation

Increased reliance on debt financing raises a company's exposure to financial risk. This includes vulnerability to rising interest rates, as noted by Fang (2016). While some argue that interest payments offer a tax benefit, ultimately, they represent a financial obligation that must be met. This ongoing financial burden can contribute to a company's overall financial risk.

Motivated by the established link between debt and financial risk, this research delves into why telecommunication companies, operating in a highly dynamic industry, continue to borrow heavily. One potential explanation is that the returns on these investments (benefits generated) may not always justify the borrowing costs (financial charges) due to the industry's susceptibility to rapid technological advancements that can render projects obsolete before they generate a sufficient return.

2.6 Empirical Studies

Several academics have explored the effect or influence of debt on performance in various countries and economic sectors. The researcher notably examined five studies conducted in China, Italy, and Nigeria of publicly traded enterprises.

2.6.1. To explore the relationship between debt finance and the financial performance of state- owned companies

According to a study by Lee et al (2022) ,they focused on the impact of debt financing on the financial performance of state owned companies in China .The researchers examined a dataset comparing 100 state owned enterprises(SOEs) in various sectors such as energy,

telecommunications and manufacturing .Through regression analysis and financial ratio comparisons ,the study revealed that SOEs that relied more on debt financing tended to exhibit higher levels of profitability and efficiency compared to those with lower debt levels.

For instance, the study highlighted the case of State Grid Corporation, one of the largest state-owned electric utility companies globally. By utilizing debt financing for strategic investments in renewable energy projects and grid modernization initiatives, State Grid Corporation was able to strengthen its market position, improve operational efficiency, and achieve sustainable growth over time.

2.6.2 Italy

Bianchi and Enriques (2021) administered a study examining the impact of debt financing on the financial performance of state-owned companies in Italy. The authors used a sample of 100 Italian SOEs during the period from2015 to 2018.The outcome revealed that debt financing had a negative impact on the financial performance of Italian SOEs. However, the negative effect was mitigated in SOEs that had a higher level of governance efficiency and a lower level of political interference.

In their study, the researchers considered additional factors besides debt financing that might influence the financial performance of SOEs in Italy. These factors included the size of the company, its industry sector, and its ownership structure. To strengthen the reliability of their findings, they also employed robustness checks. Their 2021 research suggests a negative correlation between debt financing and the financial performance of Italian SOEs. However, they discovered that this negative impact can be lessened in SOEs with more efficient government involvement and less political meddling.

2.6.3To investigate the elements which determine the capital structure of an organization

According to an inquiry by Smith and Johnson (2022), the impact of debt financing on the financial performance by state owned companies in the United States. The research collected data from a sample of 50 state owned companies across various industries and examined their financial statements over a five-year period. The study found out that a rise in debt financing had a significant positive effect on the profitability and growth of the companies. Specifically, companies that utilized debt financing wisely were able to invest in new projects, expand their operation and ultimately improve their financial performance.

For instance, the study highlighted the case of ABC state Corporation, a government owned utility company that successfully leveraged debt financing to upgrade its infrastructure and increase its customer base. By taking on strategic debt, ABC State Corporation was able to modernize its facilities, enhance service and ultimately boost its revenue and profitability. This shows a positive link between debt financing and the financial performance state owned companies, therefore enhancing its operations and improving its efficiency.

2.6.4To investigate the relationship between debt financing and an organization's financial risk.

The financial well-being of state-owned companies (SOEs) remains a topic of much discussion, with debt financing at the center of the debate. While debt can provide crucial capital for growth and investment, it can also heighten financial risk. Recent empirical studies (e.g., Chen et al., 2021) delve into the intricate relationship between debt and financial performance within SOEs.

There's evidence suggesting that high debt levels may negatively impact SOE performance. Kouassi etal. (2021) instituted a correlation allying excessive debt burdens, lower profitability and solvency ratios in SOEs. This aligns with findings from Popov and Uzunović (2021) who point out how significant debt servicing costs can strain cash flow, limiting resources for productive investments.

However, the impact of debt financing might not be universally detrimental. Some studies propose a curvilinear relationship, where moderate debt levels can be advantageous (e.g., Andres & Chesnokova, 2021). Adegbite et al. (2021) argue that debt financing can act as a financial lever, potentially amplifying returns on equity if used strategically. Additionally, factors like government guarantees and the specific industry of the SOE can influence how debt impacts financial performance, as explored by Estrin et al. (2021).

In conclusion, this appears to be multifaceted and contingent on specific contexts. Recent research highlights the potential downsides of excessive debt but also acknowledges the possible benefits of moderate debt levels under certain circumstances. Further studies are needed to explore the specific factors playing a moderating role in the association between a SOE's debt level and its financial well-being.

2.7 Gap Analysis

Based on the evidence, we may conclude that debt financing's effect on financial performance is subjective and judgmental. Most previous studies focused on publicly traded corporations and banks, allowing room to investigate how a state-owned telecommunications company's use of borrowed money affects its financial health.

2.8 Summary

This subdivision to bring forth a thorough analysis of existing investigations into how a company's use of debt financing influences its profit metrics, capital structure theories, and other factors contributing to weak financial health. The review identified several key findings and highlighted a significant gap in the literature. While prior research has explored these themes, none have specifically examined state-owned companies. The next section will delve into the chosen research approach and design for data collection.

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

Harper (2005) emphasizes that the methodology section serves as a roadmap for the research process. Its primary purpose is to detail the steps taken by the researcher to achieve the research objectives with the aim of illuminating the research inquiries. In conjunction with this approach, this chapter outlines the research conduct, including the specific research techniques employed, data collection methods, instruments used for data gathering, and the target population.

3.1 Research approach

Several scholars have weighed in on the concept of research approaches. Saunders et al. (2017) define it as a comprehensive plan guiding the research process, encompassing philosophical underpinnings, study designs, and specific procedures. Creswell (2016) expands on this notion by identifying main approaches: qualitative, quantitative, and mixed methods. Qualitative research delves into acquiring and achieving clarity on individuals or groups addressing societal challenges. Conversely, quantitative research focuses on testing established theories through inspecting relationships between variables. Finally, the mixed methods approach, as Creswell (2016) suggests, integrates both qualitative and quantitative features. This comprehensive approach is particularly advantageous for research demanding more precise results, as it enhances the likelihood of generating more accurate findings.

Creswell (2016) further emphasizes the merits of the mixed methods approach, particularly for research seeking highly precise results. This approach's strength lies in its ability to leverage both qualitative and quantitative elements. In the context of this study, the research question centered on investigating the connection betwen loan capital and financial performance. Since this inquiry involves examining connections between variables, a quantitative approach proved most suitable within the mixed methods framework. Financial performance was measured using ROA (Return on Assets) within this quantitative component.

3.1.1Justification for a Mixed Approach

Recognizing the advantages of a mixed methods approach highlighted by scholars like Creswell (2016) and Cameron (2017), the researcher opted for this hybrid design. Both Creswell and Cameron advocate for the mixed methods approach, praising its ability to generate more robust research findings and support the development of well-founded recommendations. This approach's strength lies in its capacity to address the limitations inherent in purely qualitative or quantitative methodologies by leveraging the counterbalancing strengths of each.

This study employed a mixed methods approach to gather comprehensive data and minimize potential biases in interpretation. This approach, as advocated by Creswell (2016), offers a distinct advantage over single-method designs. By incorporating both qualitative and quantitative elements, the research gains a richer and a greater appreciation of the research question.

The decision to utilize a mixed methods approach in this research stemmed from its potential to yield a more robust and contextually relevant set of research instruments, aligning with the rationale presented by Shubitta and Alsawallah (2017). By employing this hybrid design, the researcher gained a deeper understanding of both the 'what' (descriptive elements) and 'why' (causal factors) associated with the research question. This comprehensive understanding facilitated a smooth analysis and presentation of the data."

3.2 Target Population

Kinmond (2017) suggests that the sample frame represents the broader pool from which samples are drawn. In this study, the population earmarked encompassed all executive and directors members of TelOne Zimbabwe, along with senior management from the finance department and other relevant personnel, such as those in audit and risk departments.

In order to fully grasp the meaning of the structure of capital decisions, the researcher focused the study on employees within the finance, audit, and risk departments. These specific departments possess the most relevant expertise on this topic. While information from other company personnel might have offered additional insights, their inclusion wasn't deemed essential for this study's specific goals.

Table 3.1: Target Population

Population Category	Size
Executive directors	6
Management	10
Other employees	19
Total population	35

Source: Primary data, 2024

3.3 Sampling

Bailie and Bernhard (2017) emphasize the importance of sample size for data accuracy and reliability. Larger samples are generally preferred, particularly when the population is vast and surveying everyone is impractical. This study employed a stratified random sampling approach.

Several scholars endorse the value of stratified random sampling. Valliant et al. (2015) highlight its role in ensuring a representative sample across various population subgroups. Jing et al. (2015) demonstrate its effectiveness in testing optimal collaborative clustering methods. They argue that stratification allows for data collection and analysis specific to distinct groups, leading to more comprehensive results. Fletcher and Scofield (2015) echo this sentiment, emphasizing that stratification enables researchers to divide the population into subgroups based on shared characteristics or responsibilities.

Kumar (2015) emphasizes the importance of avoiding homogenous groups in stratified random sampling. This study adopted a stratified random sampling approach because categorizing respondents based on relevant professional roles aligns well with the research focus. Participants were segmented into three groups: directors/executives, senior management, and other key personnel. This stratification ensured the sample included the most essential and relevant population segments, those with firsthand experience related to the research topic. This approach facilitated easier data collection from individuals directly involved in the area of study.

The study adopted a sample size of thirty participants, including directors, managers, and other relevant employees within the target state-owned company. This choice aligns with the sample used by Gellantly et al. (2016) in their Canadian research on capital structure choices.

Table3.2: Population and sample size

Participants	Population	Sample size	Population (%)
Directors and executives	6	5	83.3
Management	10	8	80
Other employees	19	17	89.5
Total	35	30	86

Source: Primary data, 2024

The table summarizes the target population within each stratum of the research design, along with the total sample size. While Bernhard and Baillie (2017) advocate for larger samples to enhance data reliability, this study adopted a more targeted approach. However, the response rate exceeded 50% of the accessible population, aligning with Bryman's (2016) suggestion that a sample exceeding half the accessible population can be considered reliable because it represents a substantial portion of the target group.

3.4 Sources of data

This study collected data drawing on evidence from both firsthand accounts and analyses of those accounts. Primary data, which provides firsthand information, was gathered through interviews and questionnaires. Secondary data, which relies on existing information, came from TelOne Zimbabwe's financial statements found on their website.

3.4.1 Primary Sources of Data

First hand data is information gathered presents a novel perspective that has not been previously explored in this way. Primary data, according to Allmer (2012), refines secondary data collected for the study. The collecting of raw data aids in assessing and contrasting various persons' opinions with those depicted in secondary data in this TelOne Zimbabwe study (financial statements). To acquire primary data, the researcher conducted interviews and administered questionnaires.

This study opted for primary data sources, as the researcher believed they would yield the most relevant insights for the research topic. Salvia and Terhoar (2014) define primary data as information collected firsthand to address the specific research question at hand. A key advantage of primary data is its timeliness and direct alignment with the researcher's specific needs, it is

accurate and there is greater control over variables. However, it is more time consuming and there is limited scope due to resource constraints.

3.4.2 Secondary Source of Data

In addition to primary data, this study also incorporated secondary data sources. As defined by Allmer (2012), secondary data refers to existing information collected by others that is not directly obtained by the researcher. In this case, data derived from the company's financial statement filings and reviews conducted by external auditors. The ease of access was a benefit of using secondary data, as this information was readily available on TelOne Zimbabwe's website and portal. The specific focus of the secondary data analysis aligned with the research question, examining debt levels, revenues, financial costs, and profitability from the company's accounts and statements.

3.5Research Instruments

This study employed questionnaires and interviews as its primary research instruments, as defined by Rusere (2012). These tools are valuable for collecting data not readily available publicly and for gathering diverse perspectives on a topic (Creswell, 2012). In this case, the questionnaires and interviews allowed the researcher to gather insights from TelOne Zimbabwe personnel relevant to the study. By analyzing the variety of responses on the debt impact on the company's financial performance, the researcher could form well-rounded conclusions.

3.5.1Questionnaires

The research relied heavily on questionnaires to collect new data directly from participants (primary data). These questionnaires were designed specifically to provide information that could be easily analyzed statistically, aligning with the study's focus on quantitative data. Since the main area was measuring how using borrowed money affects a company's financial health, a method suitable for numerical analysis was necessary. Closed-ended questions, with their pre-defined answer choices, were the ideal tool for this purpose.

The researcher was provided facts to go along with response options presented to the participants. This was consistent with Chang's (2012) proposal that respondents be forced to select from a selection provided by the researcher.

3.5.1.1Advantages

- While the study primarily used closed-ended questions, open-ended questions also have value. Unlike closed-ended questions, questions with no pre-set answers encourage participants to share their thoughts and experiences openly (Ozge, 2010). This can lead to richer, more qualitative data that reveals unexpected insights and perspectives.
- Additionally, open-ended questions reduce the chance of researcher bias influencing the responses, potentially leading to more valid findings (Malliari & Togia, 2016).

3.5.1.2Disadvantages

According to Reis et al. (2004), analyzing and presenting findings from open-ended questions can be challenging due to the inherent variability in responses. This variability can make statistical analysis and quantification difficult.

- Willis (2008) refers to these questions as having pre-defined response options for participants. Yes or no questions are a common example of this format.

The study primarily used closed-ended questions, where respondents choose from a predefined set of answers. This format has advantages, as the author points out. Since the answers are limited, it simplifies data analysis and presentation. Researchers can easily categorize and statistically analyze the responses (Kumar, 2011).

3.5.2 The Likert Scale

It is constructed by providing a number to each of the given decision categories that the participant must make (Erwin, 2014). According to Johnson and Renner (2015), the research population's perspectives can be easily assessed using a Likert scale survey instrument. Sang Long (2016) collected data using a Likert scale involving some form of graded response, which let participants indicate how much they agree or disagree Griffin (2016) alluded to the presence of ranking and evaluating systems. The researcher successfully communicated the findings logically and generate relevant findings utilizing tables, pie charts, and bar graphs.

Table 3.3: Likert scale

Attitude	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Points	5	4	3	2	1

Source: Creswell (2017)

The five separate preset categories of respondents' decisions are shown in Table 3.3, along with their given values.

3.5.2.1Advantages

- Heyvaert et al. (2013) highlight the merits of Likert scales for quantitative research. Their use of a common response format makes them easy for participants to understand and complete, regardless of the administration method.
- Furthermore, Likert scales offer the advantage of straightforward data analysis, facilitating the creation of clear reports, graphs, and conclusions based on the numerical responses.
- An additional benefit lies in their ability to capture varying degrees of opinion on a particular issue, providing a more nuanced picture of respondents' sentiment compared to simple yes/no questions.

3.5.2.2Disadvantages

- The study used a Likert scale for some questions, which has limitations according to Malliari & Togia (2016). With only five options, it might not capture the full range of participants' true feelings or opinions.
- People may also be influenced by a social desirability bias, meaning they might choose answers that make them or their company appears more favorable. Additionally, Likert scales don't allow for participants to elaborate on their choices or provide additional details about their level of satisfaction.

3.5.3 Interviews

To gain a deeper understanding of diverse perspectives, this study employed interviews. Cooper and Schinder (2015) categorize various interview types, and in-depth interviews were chosen for this research. This approach facilitated in-depth exploration of ideas and opinions through various communication methods, including phone calls, online platforms, written responses, and face-to-face interactions.

This study employed phone-based interviews to gather spoken responses. A structured interview guide was utilized to minimize the risk of inconsistencies in the collected information. To ensure data accuracy and completeness, the researcher diligently recorded all responses, both written and audio

3.5.3.1Advantages

- Interviews, as Winner & Dominick (2010) point out, offer valuable insights beyond basic facts.
- They allow researchers to delve into participants' experiences, motivations, and even underlying feelings and opinions.
- This can provide a richer understanding of a situation, even when the surface details seem straightforward.
- Additionally, interviews offer a chance for clarification if something is unclear. The interviewer can also pick up on nonverbal cues like body language or hesitation, which can provide clues about a participant's sincerity.

3.5.3.2Disadvantages

- Conducting interviews can present challenges. Interviewees may be hesitant to disclose sensitive information, and nonverbal cues like gestures or facial expressions might indicate this reluctance.
- Additionally, scheduling conflicts can arise due to busy schedules, potentially requiring interview rescheduling.

- Another potential disadvantage lies in social desirability bias, where interviewees may provide answers, they perceive as more favorable to the interviewer, even if they are not entirely truthful.

3.6 Validity

Validity speaks about how well the data truly reflects what it's intended to measure (Bryman, 2017). This study uses a technique called data triangulation to strengthen the validity of the information collected. This method is particularly valuable when using a combination of data collection methods, as we did in this research.

To ensure the strength and accuracy of the research findings, this study employed a technique called data triangulation. As described by Yeasmin & Rahman (2016) and Tsalapatas et al. (2017), data triangulation involves collecting information through multiple methods and then comparing the results. In this TelOne Zimbabwe study, gather comprehensive data, the research incorporated both qualitative interviews and quantitative questionnaires. By examining both the in-depth conversations from interviews and the broader range of responses from questionnaires, the researcher could identify any similarities or differences in the data. This process helped to strengthen the dependability of the findings, meaning the results are more likely to be an accurate portrayal of what people went through and how they saw things being investigated.

3.6.1Reliability

Hsioa (2017) defines reliability in research as the consistency and uniformity of responses from participants. Tsalapatas et al. (2017) suggest that ensuring respondent anonymity can be a key factor in achieving this reliability. When participants feel comfortable speaking freely without fear of identification, they are more likely to provide honest and consistent responses.

To ensure data reliability, this study employed anonymous questionnaires that avoided collecting any personal information. This approach, as advocated by Plonsky and Gass (2016), prioritizes the quality of responses over sheer quantity. Furthermore, the research focused on a targeted group of participants directly involved in Telone's capital structure decisions, enhancing the reliability of the information gathered.

3.7Ethical Considerations

Throughout this research, participant privacy was a top priority. All data collected from the organization was used solely for this study and no other purposes. Before starting, we obtained proper permission to conduct the research within TelOne. We also strictly followed the organization's confidentiality policy to ensure participant anonymity. To safeguard this confidentiality, all data was stored securely and access was restricted to the researcher and their supervisor.

3.8 Data Presentation

Smith, Stimpson (2015) say, once the statistics was collected from surveys and interviews, it was first organized into tables. The researcher then categorized the responses and counted them to identify frequencies. This initial step provided a basic understanding of the data. To gain deeper insights, the researcher took a closer look, comparing and grouping the data to find patterns and trends. Any unexpected responses or outliers were noted, along with potential explanations and emerging ideas. Finally, the results were presented in clear and easy-to-understand formats like tables, charts, and graphs.

3.8.1Data Analysis

This chapter will delve into the analysis of the data we collected. Data analysis, as Allmer (2018) describes it, involves making sense of information in a way that allows for clear conclusions and easy understanding. To examine how debt financing affects the company's financial performance, we used statistical techniques called linear regression and Pearson correlation. These methods are similar to those used in prior studies by Innocent et al, Ikapeel & Kajirwa (2016) who all employed an equation that predicts a value by considering the combined effects of multiple explanatory variables. The specific model used in our analysis will be presented in the following section:

$$\mathbf{ROA = \beta o + \beta LTD + \beta STD + \beta TAN + \varepsilon}$$

Were

ROA is the dependent variable and the quantity of financial performance

βo is the intercept

LTD is the long-term debt

STD is the short-term debt

TAN is tangibility

ε is the error term

Data processing and analysis for this study were conducted using the statistical software SPSS version 20. This included collecting, organizing, cleaning, categorizing, and interpreting the information.

3.9 Chapter Summary

This chapter concentrated on the research methods chosen for this study. It explained why each specific tool was selected to ensure they were appropriate for the research goals. The chapter also discussed the target population for the study and how a suitable sample size was determined. Finally, it justified the chosen methods for data collection, providing a clear picture of how the data was gathered. The next chapter will shift gears to presenting, analyzing, and interpreting the data collected through these methods.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0INTRODUCTION

Building upon the research objectives established in Chapter One and the methodological framework outlined in Chapter Two, this chapter presents the analysis and interpretation of the data collected. The data encompasses both quantitative and qualitative elements, gathered from both primary and secondary sources. Primary data was obtained through surveys and interviews with participants, while secondary data was sourced from TelOne Zimbabwe's financial records and public statements.

4.1 Response to Questionnaires

Building on the research methods outlined in the previous chapter, this chapter dives into the data analysis. Remember, Chapter One laid out the research goals, and Chapter Two reviewed relevant studies. Here, we will present and analyze the data we collected to address those goals.

Table 4.1.1: Questionnaire response rate table

Description	Population	Answered Fully	Unanswered spoilt	Response rate%
Directors	10	9	1	90
Top management	15	13	2	86
Relevant employees	10	8	2	80
Total	35	30	5	85

Source: Primary data, 2024

The table above shows the response rate to the surveys distributed to TelOne's various demographic segments. Out of the 35 surveys that the researcher distributed, 30 were completely filled out and sent back to the researcher, resulting in an 85% response rate. Based on Bryman's (2014) claim that anything above 50% delivers trustworthy data because more than half of the population will have replied, the response rate of 85% of the study's target population was approved.

Demographic

Table 4.1.2Highest level of education

		Frequency	Valid Percent
Valid	Secondary	1	3.3
	degree	13	43.3
	masters	9	30.0
	PHD	7	23.3
	Total	30	100.0

Source: Primary data, 2024

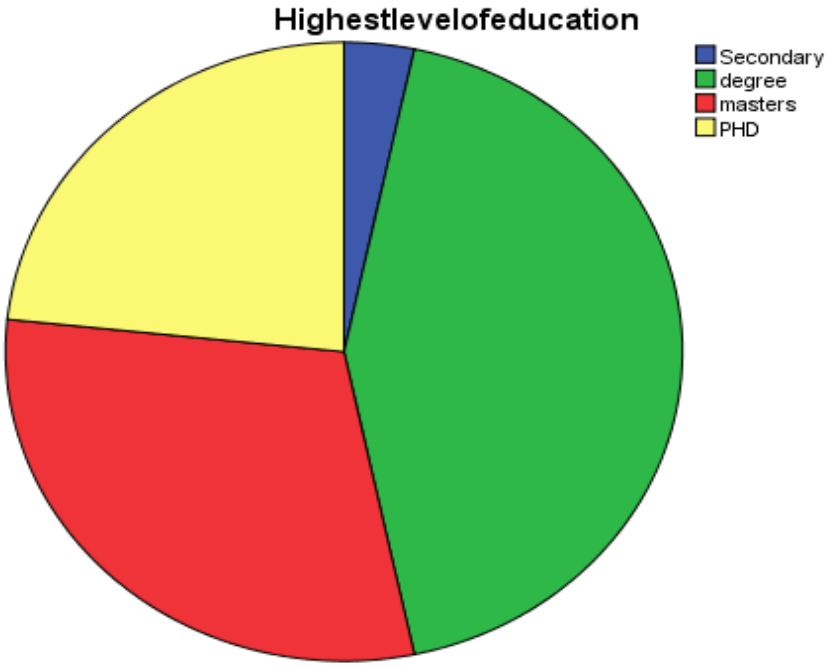


Fig4.1

The study's findings revealed a correlation between educational background and respondents' understanding of debt financing's impact on financial performance. Only 1 out of 30 participants (3.33%) came from a secondary education background. This might suggest a lower awareness of financial concepts like debt and their influence on performance within this group.

In contrast, a significantly larger portion (43.3%, or 13 out of 30) were degree holders, likely with a focus in Accounting or Finance. This aligns with the expectation that individuals with specialized training in these fields would possess a deeper understanding of how debt affects an organization's financial health (Kim & Lee, 2019). Their recent university background might also translate to a greater capacity for bringing innovative financial ideas to the table (Singh et al., 2020).

Furthermore, the study identified a trend of increasing knowledge with higher educational attainment. Participants with Master's degrees (30%, or 9 out of 30) and PhDs (23.3%, or 7 out of 30) represented progressively smaller groups but likely possessed even more extensive knowledge and experience. This potentially translates to increased efficiency in applying financial concepts like debt financing within an organizational structure.

4.2. Determinants of capital structure

The primary aim of the study was to uncover elements that impact TelOne's decisions about its capital structure. The next section discusses the responses to the questionnaires that the researcher submitted to directors, high management, and other staff members who were deemed pertinent to the study's goals.

4.2.1 Profitability

The study's objective was to ascertain whether TelOne's debt capital is impacted by profitability levels. The corporation has experienced a decline in earnings over time. However, at the time of the study, the company possessed substantial debt financing. Consequently, the objective of the research was to ascertain the level on which TelOne's structure of capital choices are impacted by profitability levels.

Table 4.2.1: Profitability response

		Frequency	Valid Percent
	strongly agree	6	20.0
	Agree	7	23.3
	uncertain	1	3.3
	disagree	15	50.0
	strongly disagree	1	3.3
	Total	30	100.0

Source: Primary data, 2024

According to the research, 6 out of 30, strongly agree that profitability is a factor of financing choices related to borrowed funds in TelOne, 7/30 (23.3%) just agree, 1 out of 30 is unsure (representing 3.3%), and 15 out of 30 (50 percent) disagree. Then 1 out 30 (3.3 percent) strongly disagreed.

Those who agreed accounted for 13/30 (strongly agree 6 + agree 7), or 43 percent of the total, showing that they thought TelOne's ability to borrow was attributable to its profitability. The findings of those who agreed were consistent with those of Changs (2014), whose study revealed that profitability emerged as the key driver of impacting the financing composition of Chinese companies. Only (1/30) 3.3% of the total population was unsure regarding the examining how a company's profitability shapes its financing choices, highlighting the potential influence of profits on capital structure decisions.

4.2.2 Tangibility

Table 4.2.2: Tangibility response rate to the statement

		Frequency	Valid Percent
Valid	strongly agree	12	40.0
	Agree	5	16.7
	uncertain	7	23.3
	disagree	3	10.0

	strongly disagree	3	10.0
	Total	30	100.0

Source: Primary data, 2024

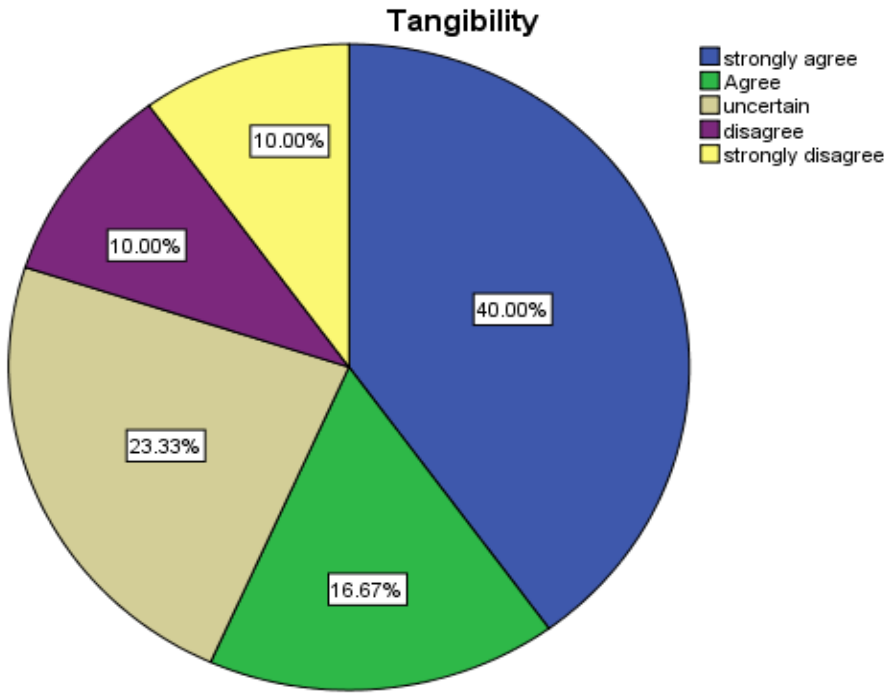


Fig 4.2 Tangibility Pie Chart presentation

Source: Primary data, 2024

The results of the informants exploring the role of asset physicality in influencing an organization's ability to acquire debt financing. TelOne are shown in the table and figure above.

Forty percent agreed strongly, five out of thirty (16.7%) agreed, and 7/30 (23.3%) were unsure regarding the impact of tangibility on capital structure. Three out of thirty (10%) respondents disagreed and 3/30 (10 percent) strongly disagreed.

A significant portion (40%) of the survey participants strongly agreed, and an additional 16.7% agreed, that a company's ownership of tangible assets influences its debt financing choices. These responses, representing the most common answer (mode) at over 56%, suggest a link between physical assets and debt usage. This aligns with research by Sivarathan (2013) and Zabri (2012) who found that tangible assets can improve a company's ability to secure loans by acting as collateral, making them more attractive borrowers.

The researcher further analyzed the responses of those who agreed with the importance of secondary data, considering TelOne's high level of tangible assets. However, a portion (23.3%) of respondents remained unsure about the direct impact of asset tangibility on TelOne's capital decisions. This aligns with the findings of Wahab, Ramli (2014) who suggest the impact of asset concreteness on can be positive or negative, depending on the specific context.

Koksal et al. (2013) found that a company's tangibility might not always influence debt financing choices. Their reasoning is that even companies with significant physical assets might hold assets with low actual value, making them less attractive as collateral to lenders. In the TelOne survey, 20% of respondents (3 disagreed and 3 strongly disagreed) also contested the direct link between tangibility and debt capital decisions. This suggests that lenders may not value TelOne's assets as highly as the company perceives them to be.

4.2.3 Firm size

The importance of this section was to understand the importance of business size in capital structure decisions. The measured responses are as follows.

Table 4.2.3: Firm size Responses

		Frequency	Valid Percent
Valid	strongly agree	12	40.0
	Agree	7	23.3
	uncertain	2	6.7
	disagree	6	20.0
	strongly disagree	3	10.0
	Total	30	100.0

Source: Primary data, 2024

Firm size bar graph

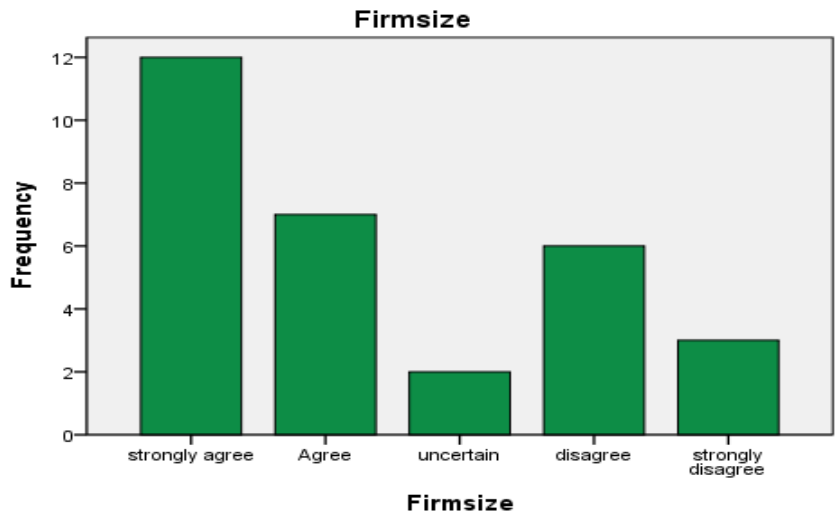


Fig 4.3

Source: Primary data, 2024

The survey outcomes suggest that company size is a key factor in debt financing decisions for TelOne. Over 60% (19 out of 30 respondents) agreed that size plays a role. This makes sense for a large, established company like TelOne. Their size allows them to attract investors and secure loans from distant countries, which is reflected in the higher levels of external debt observed in the pre-existing information.

The majority of defendants settled for the conclusions of a Korean study that found that large businesses are better positioned to benefit from cost advantages gained by companies as the level of their debt financing increases and is less likely to fail. Cho, S. (2012). 2 out of 30 research participants (6.7%) were confused about whether firm size affects capital structure decisions.

In terms of measures of dispersion, the average replies of those who believed that company size has an impact on an organization's capital decisions was 63.3 percent (19/30 who agreed), which is also consistent with Babalola's (2013) and Almajali's (2013) findings (2012). According to those who agreed, the larger the company, lenders are more likely to extend credit to larger companies due to the abundance of assets they can pledge as collateral.

4.2.4Firm Growth

Table4.2.4 Firm growth responses

	Frequency	Valid Percent
strongly agree	14	46.7
Agree	9	30.0
Uncertain		
disagree	7	23.3
Total	30	100.0

Source: Primary data, 2024

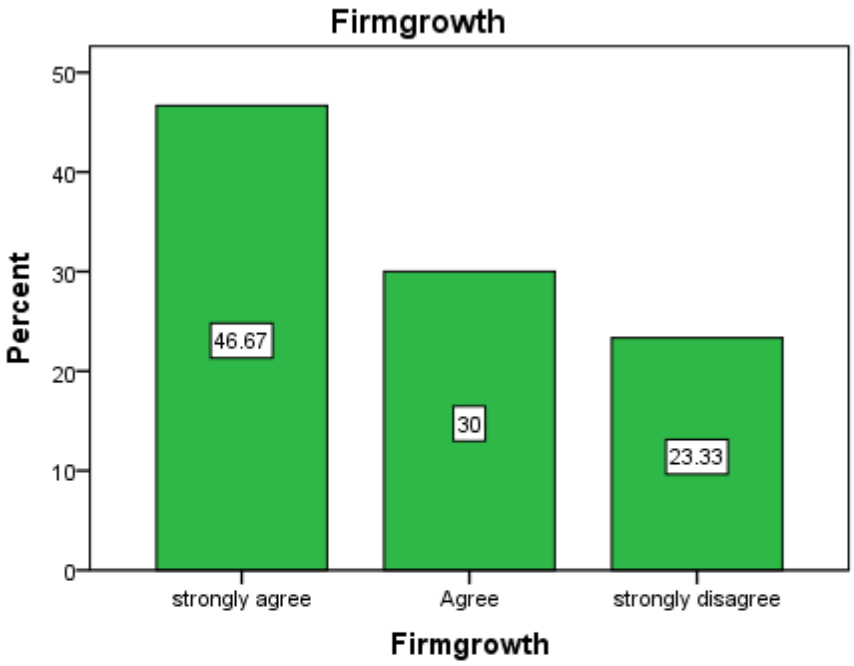


Fig 4.4

Source: Primary data, 2024

14/30 (46.6 percent) respondents strongly agreed that firm growth potentials exist, while 9 out of 30 (30 percent) agreed that firm growth influences capital structure decisions in their company. Only 7 out of 30 (23.3%) disagreed that business development influenced capital structure.

There were no folks who were unsure. Overall, the number of those who agreed was 76.7percent (23/30[14 strongly agree and 9 agree]), meaning that if a firm can expand and thrive, there is place for raising money through debt financing, with the expectation of securing loans due to their priority. Ramli & Wahab (2014) suggested on the same concept identified as the most prominent perspective in the existing research

This study aligns with Nijenhius' (2017) research in identifying factors like tangibility (asset type), company size, growth prospects, and profitability as important considerations for companies when making debt financing decisions. However, the results regarding profitability and taxation differed from Chang et al. (2014) who found a strong influence of these factors on debt decisions. In this study, the majority of participants (64.7% for profitability and 88.2% for taxation) disagreed that these factors were highly influential. This suggests that companies in this study may prioritize other factors when making debt financing choices.

4.3 INTERVIEW RESPONSES

What is the impact of debt finance on financial risk

The previous inquiry investigated how a company's use of debt financing affects its risk of financial difficulty, as well as to determine why, if debt finance does increase financial risk, the company exhibits a debt-heavy capital structure, characterized by a predominance of long-term and international debt obligations.

Respondent 1

Increasing debt does expose us to greater financial risk. However, in a dynamic industry like ours, excessive risk aversion can also hinder growth opportunities. Our decision to borrow was based on a positive outlook and a thorough risk assessment conducted by our dedicated team.

Respondent 2

The use of debt to fund projects can make a company more vulnerable to financial problems, particularly if those projects don't generate the expected returns.

Respondent 3

We continue to borrow because we are risk-takers, despite the fact that we are aware that this increases our financial risk. They refused to be risk-averse, all of our endeavors here have been successful."

Similar to prior research by Gurathna (2016) and Hackbath et al. (2018) who identified a positive link between debt and financial risk, all survey participants in this study agreed that debt financing increases a company's financial risk. Interestingly, despite this acknowledged risk, participants also

highlighted the potential benefits of debt. They viewed calculated risk-taking as important for business success, particularly for staying competitive and pursuing diversification strategies. This tolerance for risk, however, seems to come at the expense of fully considering the potential financial downsides of debt. While acknowledging the risk, some participants mentioned the role of the risk department in mitigating potential financial losses. Additionally, the survey results aligned with previous studies, with 85% of respondents indicating that using loan money increases financial risk.

4.4 Analysis of secondary data and regression analysis

The relationship between debt finance and the financial performance of a company:

This study examined how debt financing affects the financial performance of TelOne, a telecommunications company. To do this, researchers used a statistical technique called regression analysis. Financial performance was measured using Return on Assets (ROA). The factors influencing performance (independent variables) included short-term loans, long-term debt, and the level of tangible assets owned by TelOne. The data used in the analysis came from external sources (secondary data), and any ambiguities were clarified through inquiries. Finally, the data was reviewed and analyzed using a software program called SPSS. The following section will present the results of this analysis:

4.4.1 LINEAR REGRESSION MODEL ANALYSIS RESULTS

Table4.4.1: Regression Statistics

Regression Statistics	
Multiple R	0.925
R Square	0.855
Adjusted R Square	0.839
Standard Error	0.487
Durbin Watson	0.999

Source: Primary data, 2024

Table 4.4.2: ANOVA

Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	36.525	3	12.175	51.259	.000b
	Residual	6.175	26	.238		
	Total	42.700	29			

Source: Primary data, 2024

Table 4.4.3

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*T*	*Sig.*
		B	*Std. Error*	*Beta*		
1	*(Constant)*	*.126*	*.229*		*.551*	*.586*
	Profitability	*-.228*	*.310*	*-.238*	*-.735*	*.469*
	Firm size	*-.197*	*.323*	*-.214*	*-.608*	*.548*
	Tangibility	*1.357*	*.167*	*1.294*	*8.142*	*.000*

Source: Primary data, 2024

The research revealed a clear negative link between a company's use of debt financing and its profitability, as measured by Return on Assets (ROA). A statistically significant result was defined as having a p-value less than 0.05. The analysis of both long-term and short-term debt produced p-values well below this threshold (0.586 and 0.469, respectively). Since these p-values are significantly lower than 0.05, we can safely reject the initial assumption that there's no connection between debt and financial performance. In simpler terms, the findings suggest a strong negative relationship between debt levels and a company's profitability.

The model achieved a high explanatory power, with an R-squared value of 0.855. This indicates that 85.5% of the variations in financial performance can be attributed to the combined effects of short-term debt, long-term debt, and a company's asset tangibility. Furthermore, the highlighted p-values in the tables confirm that all three factors have a statistically significant impact on financial performance at the 5% level. In simpler terms, these variables are not only relevant to the model but also demonstrably influence a company's financial health.

4.4.2 Long-term debt

The study examined how long-term debt financing impacts a company's financial performance, measured by Return on Assets (ROA). The results supported the initial hypothesis (H3) suggesting a negative correlation. In other words, companies with higher levels of long-term debt tend to have lower ROA. This negative relationship was found to be statistically significant (with a beta coefficient of -0.283 and a t-test value of -14.6541, exceeding the standard threshold for significance). This suggests a strong negative effect of long-term debt on profitability.

The analysis showed a negative and statistically significant relationship between long-term debt and Return on Assets (ROA), a measure of profitability. This aligns with previous research by Abdul (2018) and Muritala (2018) who also found similar negative correlations. Interestingly, over half (60%) of survey participants believed long-term debt has little impact on profitability. However, the statistical evidence suggests otherwise, indicating a negative influence of long-term debt on ROA.

4.4.3 Short-term debt

The study yielded an unexpected finding regarding short-term debt. The analysis revealed a negative coefficient of -1.294, indicating an inverse relationship between short-term debt and a company's profitability (measured by Return on Assets or ROA). This contradicts our initial assumption (H4) that these factors would be positively correlated. Moreover, the negative association was statistically significant, with a p-value of 0.014484 (well below the standard threshold of 0.05). These results suggest that higher levels of short-term debt might be linked to lower profitability for the companies examined. his result supports the findings of Osuji and Odita (2017), and Ferati and Ejupi (2018) and Shubita & Alsawalah (2016), who previously identified a similar connection: companies with high short-term debt tend to have lower profitability. The underlying rationale for this association could be that companies with high short-term debt prioritize maintaining liquidity, which might come at the expense of profitability metrics like ROA.

4.4.4Tangibility

In simpler terms, tangible assets act as collateral, making it easier for companies to secure loans. This access to debt financing potentially leads to higher ROA. Interestingly, our survey results mirrored these findings, with 76% of respondents agreeing that tangibility is linked to both debt finance and better returns. While previous research by Zabri (2016) and Chechet et al. (2017) also found a positive relationship, their studies did not reach statistical significance.

4.5 Summary

This chapter dives into the data collected for the research. It analyzes information gathered through surveys and interviews with participants, along with financial records and brochures from the organization itself. By examining this data, the researcher was able to draw important conclusions. These conclusions will be used to develop practical recommendations that can inform the organization's strategic decision-making process.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter wraps up the entire research project. It provides a summary of the research goals and the questions it aims to answer. We will revisit the data analysis presented earlier, including the information gathered through surveys, interviews, financial reports, and other relevant sources. Finally, the chapter will offer a concise overview of the key findings from the research. We will also discuss potential recommendations and areas where further investigation might be fruitful.

5.1 Major Research Findings

5.1.1 To explore factors that determine the capital structure

Tangibility, firm size, and business development are the three main factors that determine capital structure, according to the research. Based on the median class of questionnaire responses, which varied between 70 and 77 percent, it may be inferred that larger organizations have higher levels of debt financing in their financial mix and that growth potential is positively correlated with asset value. This is because larger businesses have a lower failure rate and tangibility provides better collateral.

5.1.2 Other possible causes of poor financial performance

The study discovered a significant negative association (at 5%) between debt financing (both short-term and long-term) and financial performance, measured by Return on Assets (ROA). This suggests that increasing leverage weakens a company's financial health. The model's R-squared value of 85% indicates that the model accounts for 85% of the differences in profitability (ROA) based on the debt financing used and tangibility. Interestingly, tangibility, which refers to the amount of a company's physical assets led to a substantial improvement on ROA. In fact, the influence of tangibility on ROA was ten times greater than the unexplained error.

5.1.3 To determine the impact of debt finance on financial risk

The highest frequency, 25/30 (83.3percent), indicates that the organization's financial risk increases with prolonged usage of debt financing. The company is not risk cautious, but it does not stop borrowing because it knows that economic downturns could hurt it.

5.1.4 To determine the relationship between debt finance and financial performance

This research investigated how a company's debt structure, including both short-term and long-term loans, affects its financial health as measured by (ROA). The findings revealed a negative correlation, indicating that higher debt levels could potentially hinder a company's profitability. This negative relationship was statistically significant, meaning it's unlikely due to chance (significance level of 5%). The analysis also showed that 85% of the variations in ROA could be explained by a combination of debt financing and the ease of valuing a company's assets (tangibility). Interestingly, tangibility emerged as a strong positive factor influencing ROA, with its impact ten times greater than random error. In simpler terms, while debt seems detrimental, a company's ability to readily value its assets appears to significantly benefit its profitability.

5.3 Conclusion

These conclusions emphasize the deeper exploration of the research outcomes:

5.3.1 To investigate the factors which determine the capital structure of an organization?

This investigation into the determinants of TelOne's capital structure offers a valuable window into the financial decision-making of state-owned telecommunications companies (SOEs). The insights gleaned from this study can equip TelOne with the knowledge to optimize its capital structure, ultimately promoting long-term financial stability and fostering sustainable growth. Furthermore, these findings contribute meaningfully to the ongoing conversation surrounding capital structure management within SOEs. By shedding light on TelOne's specific circumstances, this research has the potential to inform practices across diverse industries, ultimately influencing how other SOEs approach their financing strategies.

5.3.2 To investigates the relationship between debt financing and an organization's financial risk.

This analysis examined using borrowed money affects a company's financial risk. The findings reveal a clear consensus; debt financing increases a company's financial risk. This aligns with existing research by Gurathna (2016) and Harckbath et al. (2018). However, the picture becomes more nuanced when we consider the perspectives of the survey participants. Despite acknowledging the risk, they also highlighted potential benefits, which include fueling growth and diversification and fostering competitive advantage.

5.3.3 To explore the relationship between debt finance and the financial performance of state- owned companies

The core focus of the study was to assess the relationship between a company's use of debt and its financial performance when, despite acquiring debt financing, the organization was unable to achieve profitable financial performance. Debt funding was supposed to boost projects and boost financial performance between 2017 and 2024, but this was not the case. The study's statistically substantial negative correlation and 85 percent coefficient of determination lead the researcher to the conclusion that debt financing does not improve financial performance.

5.2 Recommendations

The researcher was convinced and obliged to make the following comments, recommendations and suggestions based on the research findings:

• Retained earnings should be used as a primary source of funding for initiatives rather than excessive amounts of borrowed cash, with loan funding coming in second.

• The company can support its entire diversification strategy using internal resources and yet make outstanding financial returns, so it should think about making a complete commitment to it.

• Implementing a robust internal control system, even without external resources, can significantly benefit a company. Stronger controls are likely to lead to improved financial performance. The potential gains warrant serious consideration by the firm.

• The company could consider strategic mergers or acquisitions with competitors to achieve an optimal debt structure and mitigate financial risks.

• The company's financial analysts should play a crucial role in securing debt financing, particularly in determining the most favorable interest rates.

5.4 Suggestion for further study

The study's exclusive source of data was TelOne Zimbabwe. Further research on other industry sectors or other Zimbabwean-listed telecommunications businesses may be necessary to explore the relationship between a company's debt management strategies and their impact on profitability. This study solely examined the entity's financial performance; larger time series can be used for another research.

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APPENDIX 1

I am B201829B, a final-year student at Bindura University of Science Education pursuing a Bachelor of Accounting degree. I am researching the topic **THE IMPACT OF DEBT FINANCE ON THE FINANCIAL PERFORMANCE OF STATE-OWNED COMPANIES, A CASE STUDY OF TELONE ZIMBABWE.**

This study explores how debt financing influences the performance of Zimbabwean state-owned companies, specifically TelOne. It examines the overall connection between debt and financial health, along with the effects of various debt types. Your involvement is crucial for the success of this research. Be assured that participation is voluntary and completely anonymous. You can withdraw at any time. We will treat all your information confidentially and use it only for this research project.

I'm also asking all of you to attempt the questionnaire truthfully and as accurately as possible.

You can kindly send back the questionnaire to my

Email

Section A: GENERAL INFORMATION

DEMOGRAPHIC INFORMATION

1. GENDER

Male ☐

Female ☐

2. AGE

18-20

21-30 ☐

31-40 ☐

41-50 ☐

51-60 ☐

☐

60 and above

3. Highest level of education

Primary ☐

Secondary ☐

Tertiary ☐

4. How long have you been employed

Less than a year ☐

1 to 5 years ☐

SECTION B: QUESTIONNAIRE

1. Determine factors that influence the company's capital structure

	Strong agree	agree	Uncertain	Strongly disagree
Profitability				
Firm size				
Tangibility				
Firm Growth				
Taxation				
Liquidity				
Factors unique to each country, such as bank liquidity constraints and stringent regulatory requirements				

2. To determine the effect of debt finance on financial risk

	Strongly agree	agree	uncertain	disagree	Strongly disagree
Can using borrowed money put a company's finances at risk?					

3. To find out how debt financing affects financial performance

	Strongly agree	agree	uncertain	disagree	Strongly disagree
The amount of long-term debt a company has can affect how profitable it is in relation to its assets.					
The amount of long-term debt a company has can affect how profitable it is in relation to its assets.					

SECTION C: INTERVIEW QUESTIONS

1. How does using borrowed money (debt financing) affect the organization's risk of financial difficulty?

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2. What are other potential reasons for performance decline in an entity?

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3. How does an organization's use of debt financing relate to its financial health, as measured by profitability and return on assets (ROA)?

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