IMPACT OF DEBT FINANCING ON THE FINANCIAL PERFOMANCE OF SMEs: A CASE OF STATEVICE PVT LTD.

BY

MUSHIPE BRENDAH N

(R124451H)

GWERU

MAY 2017

FACULTY OF COMMERCE.

DEPARTMENT OF ACCOUNTING.

APPROVAL FORM.

The undersigned state that they read and recommend to the Midlands State University for acceptance a dissertation entitled, Impact of debt financing on financial performance of SMEs: A case of Statevice Pvt Ltd submitted by Mushipe Brendah N (R124451H) in partial fulfillment of the requirements of Bachelor of Commerce Accounting (Honors) Degree at Midlands State University.

……………………………………	…………………………….....
SUPERVISOR	**DATE**
……………………………………	…………………………….....
CHAIRPERSON	**DATE**
……………………………………	…………………………….....
EXTERNAL EXAMINER	**DATE**

MIDLANDS STATE UNIVERSITY

RELEASE FORM

NAME OF STUDENT : Mushipe Brendah N

DISSERTATION TITLE : Impact of debt financing on financial performance of SMEs: A case of Statevice Pvt Ltd.

DEGREE TITLE : Bachelor of Commerce in Accounting (Honors) Degree

YEAR GRANTED : 2017

Permission is thereby granted to Midlands State University to produce single copies of the dissertation and to lend or sell such copies for private, scholarly or scientific research purposes only. Rights of publication are reserved by the author and copies of this dissertation may not be reproduced without the written permission of the author.

SIGNED ……………………………………….

DATED………………………………………..

CONTACT NUMBER +263774439138

PERMANENT ADDRESS 393 Chikanga 1, Mutare.

DEDICATION.

I dedicate this project to my parents Mr. and Mrs. B Mushipe who has a deep influence on my life, thanks for giving me the best thing delightful parents can give.

ACKNOWLEDGEMENTS

This project came into being as a result of participation in an open system where a couple of individuals and the corporate world were of great assistance to me. To start off I give praise and thanks to the almighty God who presented me with the opportunity to study at MSU guiding me through up to the completion of this project. I would want to express my profound gratitude to the following individuals for their co-operation during the course of this research study. First and foremost is Mr F Mugozhi, my project supervisor, through his support and encouragement this project was a success. My gratitude also goes to Mr E Masvaike with Statevice Pvt Ltd, for reading through the dissertation, making some corrections and offering very valuable contributions. Special mention also goes to all who successfully responded to my questionnaires and interviews. Not forgetting my beautiful family who provided funds and backing up for the successful completion of this research. Moreover I want to thank those who are not mentioned here by names for making this project a success.

ABSTRACT.

This study focused on the impact of debt financing on the financial performance of SMEs. The study followed a descriptive research design using Statevice as a case study. Data was gathered through interviews and questionnaires from respondents which were selected through the purposive sampling technique. Analysis and presentation of data was done through the use of tables, pie charts and graphs. Results indicated that debt financing is associated with liquidity, agency cost, bankruptcy costs and high interest rates which have a negative impact on the performance of the entity. The study thereby recommends the use of internal sources of funds to finance business operations and adopt equity finance.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE.

INTRODUCTION.

1.0 Introduction.

This chapter contains the overview of the study, it begins by discussing the background to the study, main research problems, research objectives and research questions. It goes on to highlight the main research question, significant of the study, limitations and delimitations of the study and concludes by defining key terms used in this study.

1.1 Background to the Study

Small and medium sized enterprises are a centerpiece of the world economy. This includes most developed economies such as Europe and also developing countries such as China (Chebet 2013). According to Gang, Weilan and Dan (2012) SMEs are increasingly important in the economy of China where they contribute 99% of the registered enterprises and provide 75% of urban employment.

In Kenya, the performance of SMEs has continued to decline over the years, according to Gok (2009) virtually most SMEs had collapsed leading to the closure of some of the SMEs that were producing 40% of the Kenyan jobs. Other SMEs were auctioned due to lack of proper management of debt acquired as capital. Gok (2009) argues that SMEs still experience various difficulties in improving their financial performance since short term loans, trade credit and long term loans are not well managed. He suggested that this may be as a result of SMEs not using ideal level of debts in their day to day transactions and if this problem was not tackled it could continue to cause financial distress and business failure among SMEs.

Several researches have been done on constraints to SMEs growth in Zimbabwe. Karedza (2014) carried out a study on obstacles hindering SMEs performance in Chinhoyi and he realized that limited access to finance and high cost of finance and lack of managerial skills were dominant obstacles. A similar study was carried out in Bindura town by Mudavanhu (2011), she found out that lack of general knowledge on business management, unavailability of credit, import competition and high cost of raw materials were the major causes of SMEs failure in Bindura.

Gombarume and Mavhundutse (2014) carried out a study on challenges being faced by small to medium scale enterprises in Chitungwiza. In their research they realized that SMEs are not getting financial support from financial institutions. An unstable macroeconomic environment was hindering SMEs sector growth. Since 2008 general elections the Zimbabwean economy has been very unstable due to a number of factors among them political instability. The resulting political uncertainty resulted in financial institutions being reluctant to extend loans to SMEs. The economic environment has been characterized by shortage of hard currency. However few researches focused on the impact of debt financing hence the motive behind this study is to analyze the impact of debt finance on the financial performance of SMEs using Statevice Pvt Ltd as a case.

Statevice Pvt Ltd is a Zimbabwean company owned by Tinashe Mutarisi. It was registered in 2007. The company operates from Harare's light industrial area of Graniteside. It trades as Nash Paints. Statevice Pvt Ltd is the leading automotive and decorative paints company in Zimbabwe and a sole authorized distributor of Luxor and Glascor Products. Luxor is the international premier brand in the panel beating industry. Its key competencies include color-matching using cutting edge technology, the distribution of Luxor automotive paints, home and decorative paints.

The company finances its operations by raising its financial requirements through borrowing from the financial sector (Finance Report: 2010). According to the Financial Report (2014) one of the key challenge faced by Statevice Pvt Ltd was lack of sufficient funds to finance its operations and as a result the company relied on borrowed funds from Infrastructural Development Bank of Zimbabwe. The Finance Manager emphasized that borrowed funds from IDBZ was a cause of concern as it was affecting the profitability and the financial performance. Due to the complexity of the operations and the need to raise substantial capital requirements, the financial position of the company has been flagrantly fluctuating as evidenced by the high rise in the company's liabilities in the financial statements (Finance Report 2011). Though the company has been growing through diversification of operations**,** the high costs associated with the rise in borrowing costs are making it feasible for poor performance of the company financial commitments stance (Auditors Reports, 2013).

Berger, Ofek and Yermack (2012) argue that borrowed funds as a source of financing business operations allow the company to make large equipment purchases to facilitate growth that the company cannot afford on its own. They also stated that use of borrowed funds leaves some internally generated funds available for other activities which may need to be funded internally. However, borrowed funds bear an interest in return of borrowed amount. Smith (2012) noted that interest adds to the amount borrowed and this would be a financial burden which would have been originally planned. Baltaci and Ayaydin (2014) also state that levels of interest rates is expected to be negatively related to debt financing levels. Thus overall borrowed funds brings about financial burden to SMEs, as seen on Statevice Pvt Ltd which struggled to settle its debts.

1.2 Statement of the Problem

Small businesses are the engines for economic development both in developed as well as developing countries. Debt financing is important in enhancing a firm's growth. However debt financing causes financial problem to a firm when the debt is not properly managed. Level of debt has been growing in Statevice Pvt Ltd from 500 000 to 550 000 and 650 000 in the years 2014, 2015 and 2016 respectively. The company was suffering from high interest rates.

1.3 Objectives of the study

- To analyze challenges brought by debt financing on financial performance of Statevice Pvt Ltd.
- To review impact of different sources of finances on profitability.
- To assess the going concern of Statevice Pvt Ltd in light of level of debt.
- To establish the relationship between debt financing and other challenges that affect Statevice Pvt Ltd.

1.4 Main Research Question

This study seeks to analyze the impact of debt financing on the financial performance of SMEs. The study is focusing on how debt financing is affecting the financial performance of SMEs, using Statevice as a case.

1.4.1 Sub research questions

- What challenges have debt financing brought to Statevice Pvt Ltd?
- What are the effects of debt finance on revenues and expenses of Statevice Pvt Ltd?
- What are the implication of debt financing on the going concern of Statevice Pvt ltd**?**

- What other challenges affecting financial performance of Statevice Pvt Ltd are related to debt finance.

1.5 Significance of the Study.

To the researcher.

The study is carried out in partial fulfilment of the Bachelor of Commerce (Honors) Degree in Accounting. The research also provide a deeper understanding of debt financing through review of literature on debt financing.

To Midlands State University.

The study will add to the available literature on SMEs and will specifically focus on SME financing an area where literature is scarce. If the study is successful and findings are acceptable, it will adds to the university's library.

To Statevice Pvt Ltd.

If the recommendation are acceptable, they may be implemented by Statevice Pvt Ltd to improve the efficiency of financing option. The research would assist the managers in making financial decisions.

1.6 Assumptions.

It is the researcher's assumption that Statevice staff will cooperate in providing information needed in this research and information provided will be free from bias. The sample to be selected is assumed to be representative of Statevice staff.

1.7 Delimitation of the study

The study focuses mainly on impact of debt financing on SMEs and will not look at other challenges bedeviling SMEs. Time limit under study is from 2014 to 2016 and the study is geographically limited to Statevice head office staff and records.

1.8 Limitation of the study

- **Access to confidential information**

Some of information needed for the study was regarded highly confidential and may not be easily accessible. The study therefore will make use of questionnaires as well as interviews to corroborate information obtained from other sources.

- **Time constraint.**

  The study has to be carried in two months up to the 28th of April therefore the researcher make use of available resources by gathering data through telephones and electronic mails so as to meet the deadline.

1.9 Definition of terms.

Debt Financing.

An external source of finance where management borrow money from outside sources to finance business operations.

SME.

A lot of definitions for SME have been put forward by a number of authors mainly concentrating on factors such as number of employees, turnover levels, total net assets and capital base (Hisrich et al 2004). However for the purpose of this study a workable definition of an SME is any enterprise formal or informal with 250 or less employees.

1.10 Summary

This chapter gave a brief summary of the projected study, the introduction, background of the problem, statement of the problem, main research question, sub research questions, research objectives, significance of the study, and delimitation of the study, limitations, assumptions and definition of terms. The next chapter will focus on literature review.

CHAPTER TWO.

LITERATURE REVIEW.

2.0 Introduction.

This chapter seeks to provide further understanding of the study area by critically analyzing and review literature relevant to the research study, theoretical literature and empirical literature will be reviewed. The gap within the current literature will be exposed.

2.1 Theoretical Literature Review.

2.1.1 Debt financing vs. Equity financing.

Debt vs. equity financing is one of the most important decisions facing managers who need capital to fund their business operations. Debt and equity are the two main sources of capital available to businesses, and each offers both advantages and disadvantages. Absolutely nothing is more important to a new business than raising capital (Jefferson, 2012). The way that money is raised can have an enormous impact on the success of a business (Berger et al 2012).Debt financing takes the form of loans that must be repaid over time, usually with interest. Businesses can borrow money over the short term (less than one year) or long term (more than one year). The main sources of debt financing are banks and government agencies, such as the Small Business Administration (SBA). Debt financing offers businesses a tax advantage, because the interest paid on loans is generally deductible (Jefferson, 2012). Borrowing also limits the business's future obligation of repayment of the loan, because the lender does not receive an ownership share in the business.

However, debt financing also has its disadvantages, new businesses sometimes find it difficult to make regular loan payments when they have irregular cash flow. In this way, debt financing can leave businesses vulnerable to economic downturns or interest rate hikes. Carrying too much debt is a problem because it increases the perceived risk associated with businesses, it makes business unattractive to investors and thus reducing their ability to raise additional capital in the future (Baltaci et al 2014).

Equity financing takes the form of money obtained from investors in exchange for an ownership share in the business. Such funds may come from friends and family members of the business owner, wealthy angel investors, or venture capital firms. The main advantage to equity financing is that the business is not obligated to repay the money. Instead, the investors hope to reclaim their investment out of future profits. The involvement of high-profile investors may also help increase the credibility of a new business (Jefferson, 2012).

The main disadvantage to equity financing is that the investors become part-owners of the business, and thus gain a say in business decisions. Equity investors are looking for a partner as well as an investment, or else they would be lenders (Jefferson, 2012). As ownership interests become diluted, managers face a possible loss of autonomy or control. In addition, an excessive reliance on equity financing may indicate that a business is not using its capital in the most productive manner.

Both debt and equity financing are important ways for businesses to obtain capital to fund their operations. Deciding which to use or emphasize, depends on the long-term goals of the business and the amount of control managers wish to maintain. Ideally, experts suggest that businesses use both debt and equity financing in a commercially acceptable ratio. This ratio, known as the debt-to-equity ratio, is a key factor analysts use to determine whether managers are running a business in a sensible manner. Although debt-to-equity ratios vary greatly by industry and company, a general rule of thumb holds that a reasonable ratio should fall between 1:1 and 1:2.

Some experts recommend that companies rely more heavily on equity financing during the early stages of their existence, because such businesses may find it difficult to service debt until they achieve reliable cash flow. But startup companies may have trouble attracting venture capital until they demonstrate strong profit potential. In any case, all businesses require sufficient capital in order to succeed. The most prudent course of action is to obtain capital from a variety of sources, using both debt and equity, and hire professional accountants and attorneys to assist with financial decisions.

2.1.2 Financing Options available to SMEs

This is the proper financial management, including raising suitable financing choices. It is also one of the key factor that contributes to the growth of the organization. Financing option is an act or a process or an instance of making decision on raising funds or making decisions on choices of ways of financing business operations (Vanacker, 2010). According to Jefferson (2012) financing means asking any financial institution such as banks, credit union, finance company or other person to make an agreement to lend the company money that the borrower promises to repay at some point in future. Sources of finance can be classified into two classes which are internal sources and external sources of finance, therefore management had to make some informed decisions on the source of finance to be used in financing a corporation.

2.1.3 External source of finance used by SMEs

This refers to funds that comes from outside the business that is from individuals, organizations or any financial institution that do not trade directly with the organization (Masulis, 2015). According to Oztekin and Flannery (2012) external sources means the capital arranged from outside the business unlike retained earnings which is internally generated out of the business activities for instance a loan from any financial institution, bank or building society, an overdraft from the bank, a sale of new shares through issue of shares and factoring.

Financing is necessary to help SMEs to set up and expand their operations, develop new products. According to OECD (2006) the suitable financing source remains an obstacle especially for the growth of innovative SMEs, problem known as the “SME financing gap”. There are significant number of SMEs that could use funds productively if they were available, but cannot obtain finance from the formal financial system because of the lack of track record and collateral against which to raise debt finance.

According to Laura Giurca (2010) addressing “financing gap” is important in the context of knowledge based economy in which innovative SMEs with high growth potential are key in raising productivity and in maintaining competitiveness. Laura Giurca (2010) suggests that one of the possible solutions is using financing alternatives such as trade credit to cover the SME financing gap. It is also suggested in this research that SMEs need to use a combination of financing sources, depending on the sector and the stage of the SME growth and development. A key consideration in choosing the source of new business finance will be to strike a balance between equity and debt to ensure the funding structure suits the business needs.

However Berry, Bloittz, Cassim, Kesper, Rajaratnam, and Seventer(2002) argues that SMEs do not have the option of issuing shares or debentures in the capital market due to high transaction costs associated with publicly issued debt and equity will be too expensive. Owing to SME inability to access the public debt and equity markets, SMEs tend to be heavily reliant on commercial banks as a source of debt financing (Berry et al. 2002).

2.1.4 Internal source of finance available to SMEs

According to Pour (2011) this is a way of financing a business which tend to be the cheapest form of funding business operations as it does not need to pay interests on the funds used and it enables the organization to generate the sum of money the business is hunting for mostly the larger uses of finance. Pour (2011) states that examples of internal source of finance available to SMEs includes day to day cash from sales to customers, money loaned from trade suppliers through extended credits, reduction in the amount of stock held by the business and disposal of any surplus assets no longer productivity.

2.1.5 Nature of SMEs in Zimbabwe.

Du toit and Motlatia (2011) observes that in developing countries with capital shortages and growing labor surpluses, SMEs are generally more labor intensive than larger businesses and on average generate more employment opportunity per unit of capital employed. Cook and Nixon (2010) states that notwithstanding the importance of SMEs in the economies of third world countries, the SMEs still face serious financial constraints. Ross (2005) points out that SMEs are usually self-financed as they find it difficult to meet stringent demands set by financial lenders who often demand collateral security which is not readily available.

Nyoni (2010) opined that SMEs help in employ creation, poverty alleviation and contributes significantly to the GDP of an economy. The RBZ (2007) indicates that SMEs employed 61 of the labor force in Zimbabwe. RBZ (ibid) further states that SMEs are small and argued that smallness is dangerous just like in the animal kingdom were small animals are easy prey for predators therefore SMEs are usually financially weak in developing world mainly due to lack of access to loans.

2.2 Over view of Debt Financing

Debt financing is an external source of finance where management borrow money from outside sources to finance business operation (Jefferson, 2011). Debt financing can also be defined as borrowing money and not giving up the ownership, it often comes with some strict requirements and conditions on covenants in addition to having to pay. According to Baltaci and Ayaydin (2014) debt financing is the important component of external financing for a corporate generating supplementary funds for financing its operations after formation. Debt Financing is a direct obligation that a corporation had to extend cash to someone of financial institution who has lent the firm money in the first place, thus it is a commitment that a corporation have with the financier or the leader. According to Pour (2011) debt financing can be classified into two classes that is short term debt and long term debt. Short term debt is defined as debt with an agreement between the borrower and the lender of payment in less than a year and long term debt as debt with payment agreement of more than one year.

2.2.1 Advantages and disadvantages of debt financing to SMEs

According to Lauro and Ponlawat (2011) debt financing is of much significant as it helps in budgeting, as it arrays settlements to spread over a period of time which is worthy and most important in budgeting procedures. Management makes decisions on installments to be made over a specified period or agreed duration on the terms of the agreement (Somjai, 2002). Debt financing is of significant to the management during the budgeting process, plans on the repayment of loan are made in time so as to cater for due payments (London, 2010). For SMEs debt interest costs are fully tax deductible as a business expense and in the case of long term financing, the repayment period can be extended over many years reducing the monthly expense.

Moreover the company need to get ready for presenting and pitching the idea, therefore leading to better preparations of the business in terms of business itself by elaborating a more concise business plan and getting extra know how that shall be important when presenting (London, 2010). According to Korhonen (2009) confirmed that the requirements the entity needs to address before filing to loan plus the interest rates to be paid in regular installments to the lender, hence small business has law cash flow might face difficulties to repay the debt regularly. Mostly lenders might charge penalties for the late repayment which include charging fees, taking possession of collateral, or calling the loan due early (Lauro and Ponlawat, 2011).

2.2.2 Theories of debt financing

There are two theories of debt and capital structure and these are trade off theory and the perking order theory. The trade-off theory argues that companies pick out their optimal level of debt by interchange of the debt financing against its costs. The theory states that the benefits of debt includes tax deductibility of interest expenses and reduction of agents cost of equity derived from excess free cash flows (Mateev et al, 2013). According to the trade of theory deductibility of interest permits companies to change cost of debt finance into other taxpayers. The privately ideal level of debt outstrips the level of companies would have selected in the absence of tax (Sorensen, 2015).The deductibility of interest however, serves as a defense against the corporate income tax thereby lightening the tax distortion of the level of real investments.

Pecking order postulates that firms finance their needs in a hierarchical fashion, using internal funds, debt and external equity in that sequence (Myers 2009). It implies a negative relationship between profitability and external borrowing that is if a firm is profitable it would generate enough profits, thus reducing the need to borrow; will rely more on internal funds and less on external funds

2.3 Empirical Literature Review.

2.3.1 Factors affecting debt financing.

According to Mica, Hari and Nirmala (2014) states that factors that influence debt financing are classified as follows cooperation specific factor, macroeconomic factors or country specific factors. The specific corporation factors includes profitability, corporation growth and size, profitability of bankruptcy, liquidity and non-tax shield. Factors such as business risk, access to capital markets, corporate tax rates, the composition of board of directors and finance managers gender are considered as other factors that influence debt financing (Joeveer, 2013).

Companies that are operating in the margin of safety zone are said to face reductions in expected cost of financial distress and find interest tax benefit more essential (Goyal and Frank, 2009). According to Jenson (2006) confirmed that the tax benefit and bankruptcy costs perspective predict that profitable businesses should use more of debt financing however, perception of agency cost is expected that the constrain provided by debt financing considered more valuable for profitable businesses since these businesses are prone to having stem free cash flow problems. Deesomsak, Paudyal and Pescetto (2014) argued that an inverse relation between profitability and debt financing since the pecking order theory suggest that management opt to finance business internally because the informational asymmetry between managers and outside investors.

According to Kayo and Kimura (2011) corporate size is expected to have a positive impact on the debt financing level. It was stated that larger firms are those which are more transparent and tend to have larger debt levels since they can issue greater values of debt, thus allowing them to spread borrowing cost (Byoun, 2008). Trade off theory suggested the positive relation between firms size and debt financing level, since bigger companies have been revealed to have lower bankruptcy risk and lower bankruptcy cost (Deesomsak et al: 2014). According to Frank and Goyal (2009) companies with more volatile cash flows face higher expected cost of financial distress and should use less debt. They also argued that more volatile cash flows are capable of reducing profitability of tax benefits being used, therefore higher risk may result in less debt financing under the trade off theory. Based on the above this implies that debt financing level of company's decreases with increases in earnings volatility, leading to an expected inverse relationship.

According to Ozetekin and Flannery (2012) argued that firms with more liquid assets might use them as internal source of funds as a substitute of debt, leading to a lower debt financing levels as stated in the pecking order theory. also management can manipulate liquid assets in favor of shareholders against the interest of debt holders and this manipulation increases the agency cost of debt financing and decreases debt financing levels (Deesomsak et al, 2014).Bauer (2004) argued that debt financing reduces tax payments for instance tax deduction for provisions for bad debts and depreciation are considered to be non-debt tax shield. Kouki and Said (2012) confirmed that businesses with sufficient tax credits from investments or depreciation deductions are, likely to use less debt financing. However the relationship between debt financing and non-debt tax shields should be negative as the argument is that non-debt tax shields are substitutes for debt related tax shields (Lim, 2012).

2.3.2 Effectiveness of debt financing.

According to Li and Zho (2005) high debt financing cost of real economy funding in China had become a hard issue in the sense that how much the real economy are financing costs and what are the factors and how to decrease them. Taking into consideration bank credits market commercial bonds mark and informal credit market on whole debt financing system and determine the monthly weighted average interest on loans, newly issued commercial bond as well as private loans from January 2005 to December 2015.They uses multifactor test model to scrutinize the determinants of debt financing costs due to the bank credit market monopoly of capital distribution strict principles on commercial bond market and uncompetitive formal financial markets. Therefore, implementation of differential banking reform, building up inclusive financial service system and promoting bank reform (Li and Zho, 2005).

Gu (2005) carried out a study in China, they noted that there are two major option in investigation literature of debt financing cost, mostly of the domestic economy scholars confirmed that commercial investments and financing funds from financial institution such as banks has reduced the economy debt financing costs and enhanced the investments driven economic growth. However, most scholars argues that the financing option my lead to the credit enlargement and cyclical fluctuations of debt financing cost. In China most of the domestic economy scholar states that capital markets developments in reducing debt financing cost had not yet pay any significant role.

Chebet 2012 carried out a study in Kenya on the effectiveness of debt financing on productivity of SMEs. The study adopted secondary data and used a sample of 14SMEs. She examined the effects using a panel regression model and the findings indicates that trade credit positively affects financial performance.

2.3.3 Analysis of current financing options.

Xiya (2011) found that there are lots of financing option which SMEs may opt to use as business source of finance. In China the internal source financing's proportion is relatively low and the proportions of external sources of finance are usually between 80-90% much higher than internal source financing for companies with favorable undistributed profits. Whilst those companies with unfavorable retained earnings are almost entirely depend on external financing the proportionate are above 90%, thus overly SMEs in China rely on external financing (Xiya, 2011). Taking into account declining trends over the years, SMEs in China shows that asset-debt ratio are below the average level. This resulted from the longstanding sing financial system, which leads to over-indebtedness of state owned enterprises.

2.3.4 An investigation of financing options in China.

According to Lauro and Ponlawat (2011**)** most of the companies in Brazil uses personal savings and did not request any loan but associated with a partner instead as others are financed by banks, the figures for this option tuned inconclusively. In Brazil looking for choices in terms of financing option for future ventures as the first thought 30% make use of funds lend from the banks and 40% funds from government agencies (Lauro and Ponlawat, 2011). Observation and trends shows more, even personal funding and banks are chosen mostly as sources of finance, therefore as a matter of confirmation of such trends, massive 90% of them are said to prefer making use of debt financing instead of giving up shares of their companies for the future. It was confirmed that the above evidence demonstrates that 80% of the companies prefer debt financing instead of equity, thus consistent data can also be seen for the Brazilians as the prefer debt mostly.

The primarily funding option which pops up mostly in the mind of most businesses in Thailand opt for banks surprisingly even after providing information about other financial sources with their pros and cons, business are also making use of debt finances as the first option and followed by personal savings.70% of businesses in Thailand prefers debt financing as preferred to equity financing and the majority of the cases scores as difficult to obtain funds from risk investors hence there are favorable opportunity for business to act as a broker to work on behalf of investors as 70% of interviews agreed to make use of such current services available(Lauro and Ponlawat, 2011).

2.3.5 Debt financing and Profitability on SMEs.

According to Mateja et al (2014) high debt relative to equity may improves business performance as it lowers the taxable income and resolves the managerial problems. Financing a business through a debt is cheaper than equity source of finance in terms of transaction cost involved. On the other hand extraordinary debt can aggravate the company's performance due to higher debt financing cost of distress and trend of risk. Myers and Majluf (1994) argue that the businesses follows a hierarchical order of funding option, where internal financing is favored of external funding due to cost of information asymmetry amongst external investors and managers therefore, debt is distributed first, then hybrid securities and finally the new stock. To start with as stated by Myers and Majluf (1994), more profitable companies can be funded by retained earnings to a greater extent, thus lowering the requirement for external debt financing and additional leverage.

Fama and French (2012) stated that highly profitable companies with more investment usually have lower financial leverage due to higher return on investments. However Grossman and Hart

(2014) confirmed an adverse relationship between financial leverage and investments which is in line with agency cost associates of debt funding. According to Mateja at al (2014), empirical literature on the relation between firm's performance and debt financing gained prominence in recent years but still limited. A sample of firms from developing economies that the information asymmetry and agency cost falls highly in companies that borrow funds from financial institution, as they are endangered to striker observing by other lenders (Harvey, Lins, and Rope, 2014). Ghosh (2008) finds a weaker adverse effect of debt financing on the firms profitability for firms that participate in debt markets.

Damadaran (2009) holds that leverage or debt is a financing strategy designed to increase the rate of return on owner's investments by generating a greater return on borrowed funds than the cost of using the funds. The use of high levels of debt in the capital structure leads to an increase or decrease in the return on shareholders capital ROE. Debt is always desirable if a firm achieves relatively high profits as it results in higher returns to shareholders positive leverage. The use of debt is expected to enhance a firm's return on equity which is the ultimate measure of profitability. The impact of the use of debt on affirms profitability can be positive or negative. Therefore leverage would be positive if return on assets is greater than the before tax interest rate paid on debt. Negative leverage occurs when a firm generates a return on assets that is less than before tax interest on debt Damadaran 2009.

2.3.6 Effectiveness of Mezzanine Loan Funds.

According to Cable (2012) mezzanine funding is a form of debt financing which shares components of equity but ranks below senior debt. Mezzanine is a flexible product that can be made-to-order the repayment profile and risk of the corporate or transaction, whereas there is no model usually contains the three distinct elements which are cash coupon, payment in kind which increases the value of principal outstanding and is only paid at the maturity of loan and warrants or shares in the growth of the entity or profits (Cable, 2012). According to Cable (2012) mezzanine finance in UK is very low, he stated that 1% of businesses in UK uses this type of financing in 2010. The problems with this are partly behavioral, firms aware of mezzanine source of finance but lakes familiarity in applying this as debt financing where several management are seeking to provide mezzanine financing solution and in some cases struggling to raise funds (Cable, 2012).

2.3.7 Weaknesses of debt financing as a source of finance

Debt financing can be influenced by bankruptcy costs, changes in interest rates and taxation in the presents of other variables within a business since firms are likely to use debt financing when business is responding very low and having problems of insufficient funds (Deesomsak et al, 2014). The downside to debt financing is very real to anybody who has debt. Debt financing is a bet on the future ability of SMEs to pay back the loan. The company might hit hard times or the economy once again experiences a meltdown. The business might not grow as well as expected. Debt is an expense and you have to pay expenses on a regular schedule and this could put a damper on your company's ability to grow.

2.4 Summary

The chapter provided insight on work done by other authors on debt financing specifically focusing on its impact to SMEs. The chapter also shaded more light on findings by other authors on the problems of debt financing, its advantages, weaknesses and disadvantage as a source of business finance. The next chapter will focus on the research methodology used by the researcher in conducting the study.

CHAPTER THREE.

RESEARCH METHODOLOGY.

3.0 Introduction.

This section gives a brief overview of the research methodology used in this study. Suitable theoretical and empirical lessons has been drawn from similar studies. Accordingly this chapter shades knowledge on the research methods used by the researcher in gathering information. It considers the research design as well as research instruments used in gathering data. The chapter additionally explains population under study, data collection procedures, strengths and weaknesses of research strategies used, data collection methods, reliability and validity of the research instruments then the summary to finish up the section.

3.1 Research methodology.

Research approach is an arrangement and research techniques which evidences the movement from many assumptions to a detailed data collection method, investigation and understanding which can either be qualitative, quantitative or mixed (Creswell 2012). This study is carried to address the relationship objective which requires quantitative approach (for relationship testing) as well as the rest of the objectives which requires qualitative approach which leaves the mixed method as the only suitable method. Therefore mixed method is adopted for this study. It also enables triangulation of data which ensures reliability and validity of collected data. This is supported by Kumar (2011) who said data which is collected in numerical form requires quantitative approach whilst the data which is obtained by replying to open-ended questions is qualitative. Creswell (2012) supports the use of mixed method since it depends on the idea of pragmatism.

3.2 Research design

Goure (2011) articulated that research design refers to the overall plan that the researcher choose to incorporate the different components of the research in a coherent and logical way, thereby, ensuring that the research problem will be successfully addressed .Wilson and Coakes (2013) alluded that research design is the overall strategy for linking the conceptual research problems to the applicable empirical data. Bax (2013) pointed out that research design is the arrangement of circumstances for collection and examination of data in a way that aims to integrate relevance to the research problem. Abbott and Mackinney (2011) defined a research design as a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings. The researcher used the Research designs types includes exploratory research, descriptive research design.

Sandy (2013) pointed out that descriptive research intended to provide a picture of a scenario as it naturally occurs and can be used to justify current practice and make judgment and also to develop theories. Novikov and Novikov (2013) revealed that its main objective is to interpret conditions and relationships that exist. Hall (2014) articulated that it was designed to cast light on current problems through a process of data collection that enables the researcher to describe the situation effectively. Weathington et al (2012) pointed out that descriptive research describes existing facts and assist to uncover new facts. Research Instruments used by descriptive designs include, questionnaires, interviews and observation. Descriptive research incorporates both quantitative and qualitative data in order to get the answers of the topic that is being researched (Bax, 2013). It utilizes data collection and analysis techniques that produces reports relating to the measures of central tendency, correlation and variation. Descriptive research give a number of answers to problem being studied because it allows the researcher to accumulate findings from all forms of data ,for example ,case studies, personal accounts and observation (Hall ,2014)
The disadvantage of descriptive is that do not prove the research problem statistically. Bajpai (2011) pointed out that is the failure to collect confidential information is the major weakness of descriptive research, for example if interviews are being used the respondent can refuse to provide confidential information.

3.3 Targeted population

Targeted population can be defined as the number of people required by the researcher to provide sufficient information about the research (Annum, 2014). The researcher targeted on a total population of 65 individuals. According to Charturvedi (2010) population is defined as a group of individuals or respondents in a certain group on items bearing certain characteristics that forms the need for a research. The targeted population chosen comprise of admin and accounts, production department and sales and marketing department. These are people who are responsible for obligation finances in an organization and could convey productive answers for the inquiries contained in the questionnaire.

Table 3.1 Population.

Department.	**Population**
Accounts and administration	15
Sales and marketing	20
Production	30
Total	**65**

3.4 Sample and sample size.

Marsh (2010) and Creswell (2012) explain sampling as a mechanism of selecting number of people out of the research population such that their views represent the whole population. Sampling was suitable in this research population because the population had individuals with almost homogeneous features. This is supported by Kumar (2011) who stated that drawing a sample in a population with uniform characteristics can provide a reasonably good estimate. For the purpose of this study, purposive sampling was used.

Purposive sampling also known as judgmental, selective or subjective sampling is a non-probability sampling technic. The main goal of purposive sampling is to focus on particular characteristics of a population that are of interest, which will best enable you to answer your research question. Kumar (2011) supported the use of sample above 50% to collect information, considering the cost benefit analysis. Thus therefore the population of 65 was reduced by 40% to 39 to allow for maximum administration to ensure quality data.

3.5 Data sources

The researcher used data collected from both secondary and primary data sources. Secondary data sources includes data already in existence and it consist of diaries , mass media products, letters, official statistics, state reports and publications, historical information and as well as web information. Secondary data is data that have already been gathered and readily available for other sources and mostly such data are cheaper and more quickly accessible than primary sources. As part of this research secondary data used consist of real time gross settlements, payments documents for value paid to ZIMRA, remittance advice forms, creditor’s invoices, minutes of meetings conducted during the period of study and managements reports as well as annual financial reports.

Secondary data sources was advantageous in the sense that they saved effort and less expenses, they were economical, make primary data more specific and relevant, time saving, and helps develop understanding of the problem as well as basics for comparison on the data collected by the researcher. However with secondary data sources there was high probability of the used data being outdated and the accuracy of secondary data not known. The appropriate data not being available for the research as secondary data source were not sufficient. Both primary and secondary data source was used for the purpose of the research, thus triangulation due to weaknesses of secondary source of data.

Primary data was also used. These are documents that contains original data on the topic or contains first-hand information. Primary sources of data are works created by an individual who directly experienced an event or at the time of an event. Primary sources of data includes case studies, life stories, observation, ethnographic research, photographs, art works films, interviews, questionnaires, longitudinal studies as well as speeches. On this research the researcher gathered data directly from the respondents through the use of interviews and questionnaires.

With primary data source key elements of the research area was addressed, the data used were more reliable and recent, best fit to the area of study and primary data enables easier understanding of the data. However primary sources of data are disadvantageous in the sense that research may require a number of resources and thus time consuming for instance materials and human resources required in huge quantities in gathering of data as well as conducting the survey.

3.6 Research instruments.

According to Annum (2015), reliability and validity of the research is influenced by the relevance and appropriateness of the research instruments. Therefore, it is essential that the research instruments employed in the research are specifically related to the objectives and aims thus will finally produce results that are contemporary to the objectives and aim. The study mainly focused on two research instruments in conducting the study which are questionnaires and interviews.

Questionnaires are instruments used for data collection and are mostly employed when conducting a normative survey (Annum, 2015). Annum (2015) also defined questionnaires as documents that are prepared systematically and contain deliberately designed questions for research informants with the main objective of gathering information. Questionnaires can be classified into two categories which are structured and unstructured questionnaires. Structured questionnaires can also be known as closed questionnaires and they ultimately entail the respondents to respond dichotomous question that typically require no or yes answer. Unstructured questionnaires are alternatively termed open ended form questionnaires requires the free responds from the respondents and expects the responds to be in respondents own words and express their own opinion or views from laid down set questions. The researcher used the unstructured questionnaire on this research. Questionnaires used by the researcher had limited effects to the validity and reliability of data. Also questionnaires were more practical method of research and they indicate huge quantities of information from the larger number of individuals in a relative shorter time with a cost saving manner. However questionnaires provide inadequate information in respects to some information sources for instance variations in behavior and emotions.

3.6.1 The Likert scale

Vanerk (2012) defined Likert Scale as total responses for total Likert items which are normally presented in a predefined visual format such as horizontal bars that presents a sample scale. The Likert item in a typical Likert scale represents statement that the respondent required to evaluate. However, Lamarca (2011) said that a Likert scale can be defined as a psychometric measure of beliefs, view and arrogances of the research population. The values of each chosen option are totaled up and form a score line for each respondents when reporting on the Likert Scale. For this research the researcher designed the questionnaires through the use of a five point Likert Scale ranging from 1-5. For the purpose of this research the researcher included five choices which are strongly disagree, disagree, not sure, agree, strongly agree as illustrated by the table below.

Table 3.2 shows the likert scale

strongly disagree	Disagree	not sure	agree	strongly agree
1	2	3	4	5

Source Adapted from Fink (1995)

According to Lamarca(2011) advantages of the Likert Scale are that Likert scale can be easily understandable as it is universal or survey collection, responses are subjective to computation of numerical data and can be easily quantifiable, answering of questions is very easy since the Likert Scale does not force individuals to take a particular stand on a topic, responses given in a Likert scale accommodate undecided or neutral feelings of respondents and lastly Likert Scale can be sent via internet, emails or delivered in person. The Likert Scale is less expensive data collection method, quick and efficient. The major disadvantage of a Likert Scale is that the population attitudes are assumed to exit in a single dimensional continuum within five to seven option of choices whilst in reality the population attitudes practically exist in a multidimensional continuum with variety of choices greater than seven as given by the Likert Scale.

Apart from questionnaires the researcher also used interview as a research instruments and the researcher used the interview guide which consists of open ended questions which followed a guide to cover the research questions. An interview defined as an interaction within which oral questions are posed by the interviewer to provoke responses from the interviewee (Annum, 2015). Personal interview enables the researcher to obtain adequate understanding of responses and interprets correctly (Comm and Hammesley, 2006). According to Annum (2015) interviews are in different forms which includes unstructured interviews, non-directive interviews, and structured interviews as well as focus interview. The researcher had the room to elaborate and clarify questions openly to the interviewees during the research and analyze the findings from the research.

Interviews gives room to interviewee feel, see and test the results. Also interviews permitted the interviewee to identify the population targeted that was more relevant to a certain area of research. Interviews also gave room to the interviewee to ask for clarification on matters that had not been understood. Moreover visual aids were used by the interviewer to elaborate the question. However interviews were expensive per interview and mostly true of home interviews where cost and travel time are the major influences to the researcher.

3.7 Data reliability and validity.

Data reliability refers to the extent to which the interviews and questionnaire used to collect data being able to consistently produce the same findings on more than one repeated trials (Miller 2010 and Francis 2011). The instruments which were used were tested for reliability using the parallel form test which was adopted from Kumar (2011) and they proved to be reliable. Reliability was archived through the use of consistent wording of the questions and consistent interviewer's mood. This is supported by Kumar (2011) who says, instruments can produce same findings if the researcher maintains consistent in wording and mood.

Validity is the extent to which the interviews and questionnaires used to gather data measure what they purport to measure (Armstrong and Taylor 2014). The instruments were valid because the questions which were asked had a link with the objectives of the study. This is supported by Kumar (2011) who states that validity can be tested by testing the link between questions asked and the objectives of the study. Also the instruments passed the validity test which was done through the assessment of one instrument by another instrument. This is also supported by Kumar 2011 who says validity of an instrument can be determined by testing it against another instrument.

Sandy (2013) asserts that triangulation' is a process of verification that increases validity of data by incorporating several opinion and methods. It involves comparison of data collected and observing areas where it agrees or contradicts Data triangulation is simple to implement in conjunction with research instruments such as questionnaires and interviews as these will facilitate for the comparison (Hall ,2014). Data triangulation validates data and research by cross verifying the same information. To enhance reliability and validity of data the researcher eliminated bias and ambiguity of data through use both questionnaires and interviews. The researcher effectively refine the questions on the questionnaire to make the clear and easy to comprehend. The researcher verified findings from questionnaires and findings from interviews, to ensure that the data is reliable and valid.

3.8 Data presentation and analysis.

Tables and graphs are going to be used by the researcher to present and analyze quantitative data reviewing raw data and corresponding percentage of responses. Also descriptive, revelatory and clarified text are to be employed in outlining and presenting qualitative data in line with the gathered information. Numerical data is going to be shown using graphs and clear pictures of various results to be displayed effectively using pie charts thus, purports to be an aid in data analysis. Data gathered through interviews will be used to supplement data collected by questionnaires.

3.9 Ethical consideration.

For the purpose of this research, all academic sources used during the study are to be referenced. The researcher does not use fictitious titles to access any privacy and the research results are to be used for academic purposes only. The researcher assured the respondents on the confidentiality of data acquired and the researcher will uphold professionalism and integrity during the whole study. Moreover before gathering data the researcher sought for authorization from management to carry out the research.

3.8 Summary

This chapter focused on the method that was followed to carry out the research. It includes, the design, approach, instruments and data sources. The next chapter will focus on presentation of data as well as an analysis using tables, line and bar graphs, and charts.

CHAPTER FOUR.

DATA PRESANTATION AND ANALYSIS.

4.0 Introduction.

The chapter focused on data presentation and analysis. The study used the tables, charts and other various demographic presentation with the aid of excel spread sheet to present data. The descriptive statistics were used in analyzing the research outcomes. The appendix section consist of the research questionnaire for this research project.

4.1 Response rate.

Saunders and Lewis (2012) defined the response as the rate at which respondents delivered information to the researcher on their opinions concerning questions answered. The higher the response rate shows that the findings reflects the population and more reliable.

For the purpose of this research questionnaires and interviews were used as research instruments. The researcher delivered 39 questionnaires to the management, sales and production departments of Statevice Pvt Ltd in evaluating the effectiveness of the debt financing option to the company as a whole. Table 4.1 illustrates responses from questionnaires. The study interviewed 3 respondents each from the three departments.

Table 4.1 Questionnaire Response Rate.

	TARGETED POPULATION	**SAMPLE**	**QUESTIONNAIRES RETURNED**	**PERCENTAGE RESPONSE %**
Total	65	39	28	72

Source: Primary Data

As illustrated on table 4.1, the researcher administered 39 questionnaires to the respondents and 28 questionnaires were returned thereby yielding 72% response rate. The researcher managed to conduct sampling on the selected sample size of 60% over the targeted population of 65 individuals. Saunders and Lewis (2012) pinpointed that 50% response rate is good, 60% and above considered better and 70% is regarded ideal therefore in this study 72% response rate was achieved which is ideal. The researcher was able to get a higher response rate due to the familiarization she had with the employees since she once worked there.

4.2 Analysis of questionnaire responses.

4.2.1 Demography of respondents.

The questionnaire required the respondents to indicate their gender. The questionnaires were issued to both male and female staff of Statevice Pvt Ltd and the results of the questionnaires responses are tabulated below.

Table 4.2 Questionnaire responses categorized by gender.

GENDER	ADMIN AND ACCOUNTS	PRODUCTION	SALES	TOTAL	PERCENTAGE %
MALE	4	7	4	15	54
FEMALE	4	3	6	13	46
TOTAL	8	10	10	28	100

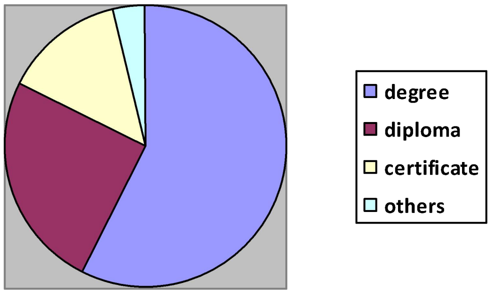
Source: Primary data

Gender is critical in the analysis of data as one have to get view both from males and females. Table 4.2 shows that of the returned questionnaires from the sample, 15/28 (54%) of the respondents were male and 13/28(46%) female who were responded from all the three departments.

4.2.2 Educational qualification of respondents.

It was important to consider the academic qualifications of the respondents as findings tends to be valid and more reliable if data collected from qualified respondents. The questionnaires requires the respondents of Statevice Pvt Ltd to indicate their professional qualifications under the bio data of respondents. The researcher grouped the professional qualifications into 4 categories which are Degree, Diploma and Higher Certificate and Others. Fig 4.1 analysis the respondents qualifications.

Fig 4.1 Educational qualification of respondents.



Source: Primary Data

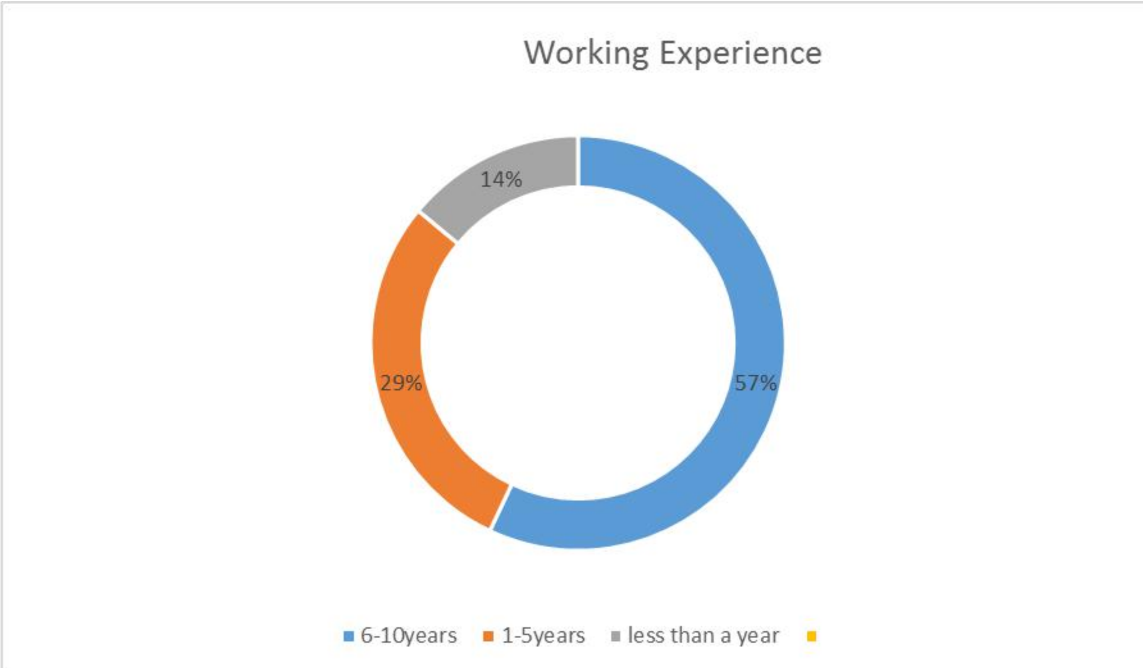
As illustrated in fig 4.1 above 58% (16/28) of the respondents are those with degrees of different disciplines, 25% are holders of diplomas, 14% (4/28) are holders of certificates and the other 4% (1/28) is a holder of a professional course CIS. The reliability of findings is represented by data gathered from the qualified personnel.

The respondents managed to answer the administered questions without any complications and the responses can be trusted on as respondents could understand thus as a result of the majority of the respondents are adequately conversant about debt financing, competent and well equipped with the information. The researcher therefore found that debt financing implies to be more effectively administered where the staff have the ability to comprehend the structure and purposes of debt financing.

4.2.3 Working Experience in Statevice Pvt Ltd

It is imperative to consider the duration of experience in analyzing findings. Data gathered from respondents who have longer working experience will be more reliable and valid as they will be familiar with the organization. The questionnaire allows the respondents to indicate their working experience at Statevice Pvt Ltd. The doughnut chart in Fig 4.2 shows the responses.

Fig 4.2 Working experience analysis of respondents at Statevice Pvt Ltd.



Source: Primary Data

The above fig 4.2 doughnut chart shows the working experience of the respondents from the sample. From the responses 57% (16/28) of the respondents had 6-10 years of working experience at Statevice Pvt Ltd. This also means that the respondents with long working experience tend to provide reliable and valid data. According to Bumpass and Tamaki (2015) respondents that have more working experience on the same department are those with more understanding of the organizational structure and have adequate knowledge about relevant activities in the company. 29% (8/28) of the returned questionnaires are between 1- 5 years working experience, 14% (4/28) of the respondents were less than a year working experience in their respective fields and the majority being accounting officers involved in making financial decisions.

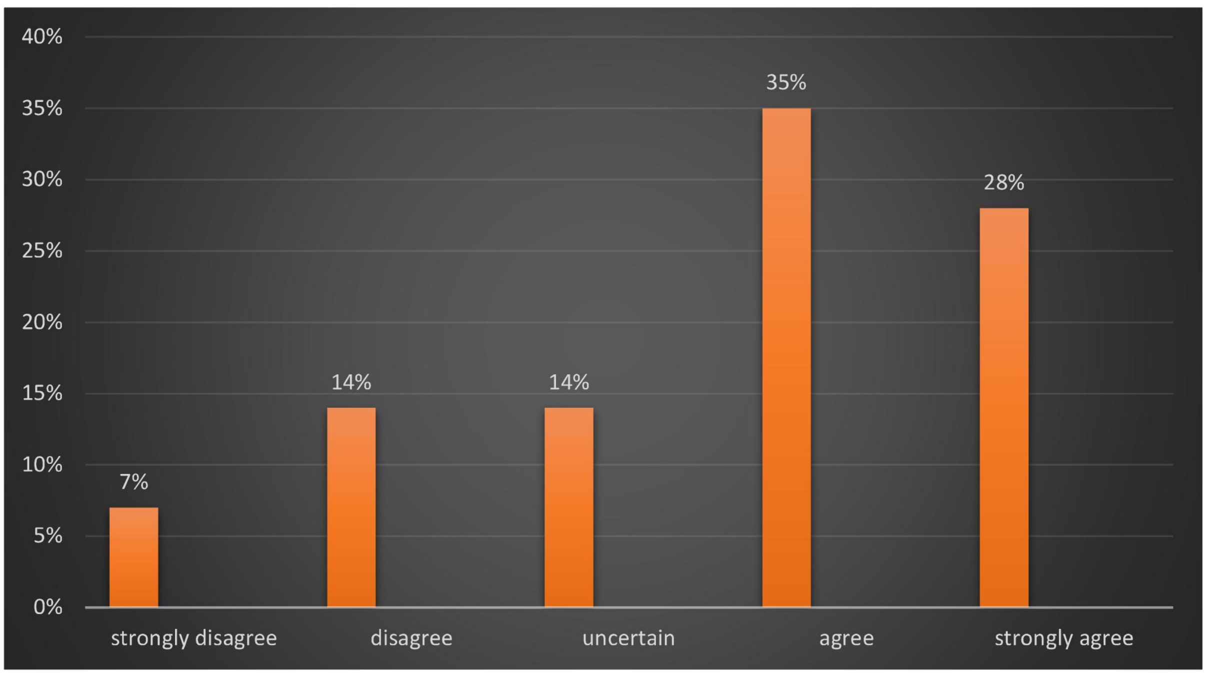
In examining the outcomes, the longer the working experience of the respondents in a business the more familiar they are with the debt financing source and the requirements of the source. The study therefore found that the highest response rate characterized with individuals which are between 6-10 years working experience hence relevant and reliable information obtained to the maximum. With the 57% of the sample having at least 6-10 years working experience thus reliability and validity the findings was guaranteed through ability of the respondents to address the period.

4.3 Data presentation and analysis.

4.3.1 Impact of debt financing on business operations.

In assessing debt financing option respondents required to produce their opinion on how they view debt funds in providing funds for the organization as a whole for instance in funding day to day activities within the entity. Response rates are illustrated below in fig 4.3

Fig 4.3 Impact of debt financing on business operations.



Source: Primary Data

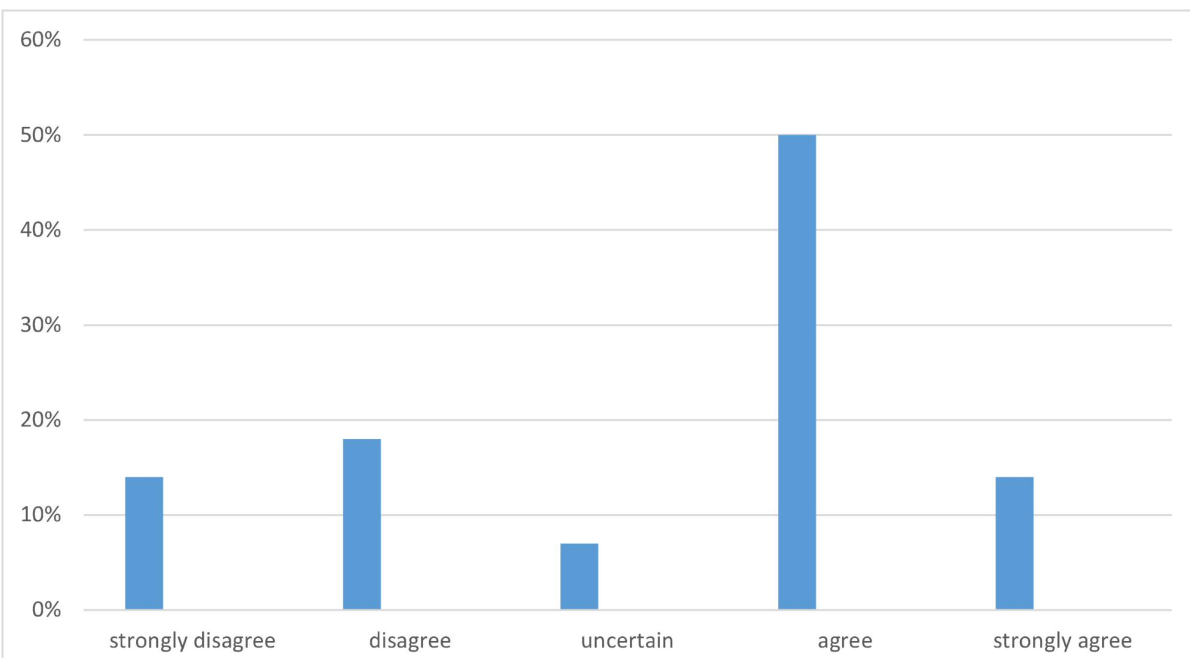
The above chart shows the responses from the returned questionnaires out of the sample. Fig 4.3 shows that the respondents agreed that debt financing does not provide sufficient funds for all of the activities in the organization with the response rate of 35% (10/28). Also some of the respondents strongly agree with the statement that debt financing does not provide sufficient funds for all business operations with the response rate of 28% (8/28). However, not all respondents agreed with the statements 14% (4/28) of the responses state to be not sure on whether debt financing provide sufficient funds for business activities as well as 14%(4/28) of the responses disagree that debt funding does not provide sufficient funds for the organizations activities. Moreover, out of the returned questionnaires 7% (2/28) response rate strongly disagree that debt funding does not provide adequate funds for the organization.

From the sample respondents the researcher found that the majority responses supported that debt does not provide sufficient funds for the organization as a whole despite some were not sure and these maybe those who are not participants of financial decisions. The results are in line with Dube 2013 who advocated that debt financing does not provide sufficient funds of SMEs.

4.3.2 Debt financing and penalties.

The thrust on this statement was to determine the challenges that resulted from the adoption of debt financing at Statevice Pvt Ltd. The responses to this are shown by means of a bar graph in fig 4.4 below.

Fig 4.4 Debt financing and penalties.



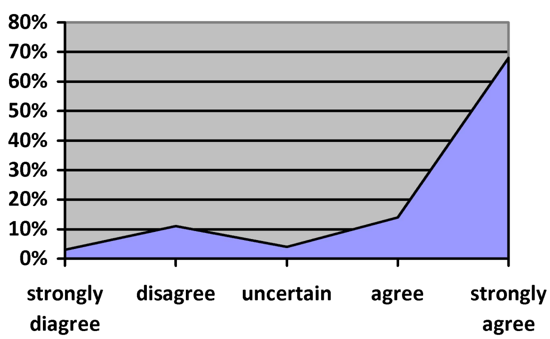
Source: Primary Data

As illustrated on the bar graph, 50% (14/28) response rate agreed that debt financing is disadvantageous as a result of penalties due to failure to meet deadlines, 14% (4/28) of the respondents strongly agreed that debt financing associated with penalties due to failure to meet deadlines, 7%(2/28) response rate were uncertain that debt financing is associated with penalties in the event of failure to meet deadlines for installments. Moreover, amongst the returned questionnaires from the sample 18%(5/28) response rate disagree that penalties associated with debt financing such as on failure to pay installments at an agreed date as well as 14%(4/28) of the respondents strongly agree that debt financing is of disadvantageous as penalties are exposed to Statevice Pvt Ltd when failing to meet deadlines for the payments of the installments. Mudavanhu 2011 discouraged debt financing on SMEs as she discovered that a lot of SMEs were suffering from high penalty costs after failing to meet repayment deadlines which was worsening their survival.

4.3.3 Debt financing and expenses

The responses to this are shown on fig 4.5 below.

Fig 4.5 Debt financing and expenses.



The above bar graph indicates that the use of debt financing increases expenses and 14% (4/28) response rate agreed, the highest response rate of 68% (19/28) strongly agree that debt financing increases costs through borrowing cost, 4%(1/28) were uncertain that debt financing increases cost,11% (3/28) response rate disagree that debt financing increases cost through borrowing cost and 3% response rate strongly disagree that costs associated with debt financing increases cost through borrowing costs. According to Dube (2013) interest charged by financial institutions are too high and it will not enable firms to borrow adequate amount of required finance.

4.3.4 Generated profits used for repayment of debt or investment.

In aligning the debt financing repayment from the profits generated by Statevice Pvt Ltd, the respondents were required to indicate their views on this question instead of using future profits to grow the business will be allocated to repayments of debts. The responses to this question illustrated in table 4.3 below.

Table 4.3 Use of profit for repayment of debts or investment.

	Agree	Strongly agree	uncertain	Disagree	Strongly disagree	total
Frequency	10	12	0	6	0	28
Percentage %	36	43	0	21	0	100

Source: Primary Data

In table 4.3 36% 10/28) of the respondents agreed that instead of using the future generated profits to grow the business will be allocated to repayment of debts of Statevice Pvt Ltd. Also 43% (12/28) response rate strongly agreed that instead of using future profits to grow business will be allocated to debt repayments and 0% (0/28) response rate were not sure if future profits are used to repay debts or not. From the findings 21% (6/28) of the respondents disagreed that instead of using the future profits to grow business will be allocated to repayments of debts and the 0% (0/28) response rate strongly disagreed to that also. The researcher therefore found that debt financing leads to future generated profits being used to pay outstanding debts of Statevice Pvt Ltd thus debts generates expenses to the organization that need to be settled.

4.3.5 Impact of debt charges on company property and assets.

On this question respondents were required to indicate their own understanding on that failure to pay debts exposes the company’s assets to the lenders. An analysis of the responses shown in table 4.4

Table 4.4 Impact of debt charges on company assets.

	AGREE	STRONGLY AGREE	NOT SURE	DISAGREE	STRONGLY DISAGREE	TOTAL
FREQUENCY	19	6	2	1	0	28
PERCENTAGE (%)	68	21	7	4	0	100

Source: Primary Data

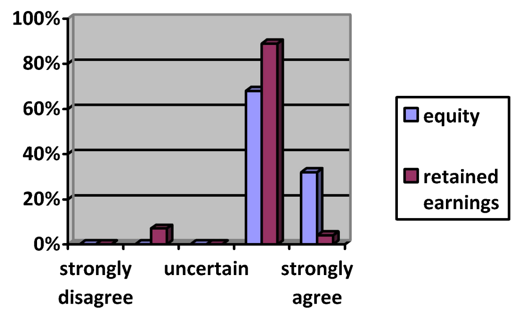
Table 4.4 shows that 68% (19/28) of the respondents agreed that in the event that Statevice Pvt Ltd failing to pay outstanding debts will company's assets will be exposed to the lenders. 21% (6/28) response rate strongly agreed that failure to pay debts charges exposes the company's assets to the lenders. However, 7% (2/28) were not sure if failure to pay out debts exposes the assets of Statevice Pvt Ltd to the lenders, another certain percentage of 4% (1/28) disagreed failure to pay out debts exposes the entities assets to the lenders and 0% (0/28) of the respondents strongly disagreed to that also.

The study therefore found that 90% of the respondents were agreed that failing to pay the outstanding debt results in the company's assets exposed to the lenders and the 10% were disagreed to that also.

4.3.6 Sources of finance available to Statevice Pvt Ltd.

On this respondents were required to air their views on the best source of finance Statevice Pvt Ltd can use.

Fig 4.6 Sources of finance available to Statevice Pvt Ltd.



Source: Primary data

4.3.6.1Equity Finance

From fig 4.6 68% (19/28) response rate agreed that equity financing is the best source of finance Statevice Pvt Ltd can use and the other 32% (9/28) of the respondents strongly agreed that equity finance is the best source of finance to fund Statevice Pvt Ltd. However, 0% (0/28) were not sure, 0% (0/28) disagree and 0% (0/28) strongly disagreed that equity finance is the best source to finance Statevice Pvt Ltd. Kira (2013) concurred that external financing is more costly to SMEs which leads them to rely on internal sources of finance to finance their investments because of the asymmetry information and agency cost in place that cement their financing constrains. The researcher therefore found that the overall percentage of 100% of the respondents were agreeing that equity will be the best source of finance for Statevice Pvt Ltd.

4.3.6.2 Retained earnings

Fig 4.6 shows that mode response rate 89% (25/28) of the respondents agreed that retained earnings is the best source of finance for Statevice Pvt Ltd. Also the 4% (1/28) of the respondents strongly agreed that retained earnings is the best source of finance. However, 0% (0/28) were not sure, 7% (2/28) of the respondents disagreed that retained earnings can be the best source of finance to Statevice Pvt Ltd and lastly 0% (0/28) of the respondents strongly disagree to that also.

From the responses the study found out that the highest population from the sample were supporting by agreeing and strongly agreeing that retained earnings is the best source of finance for Statevice Pvt Ltd with a large percentage of 93%. On the other hand 7% of the respondents disagreed to that.

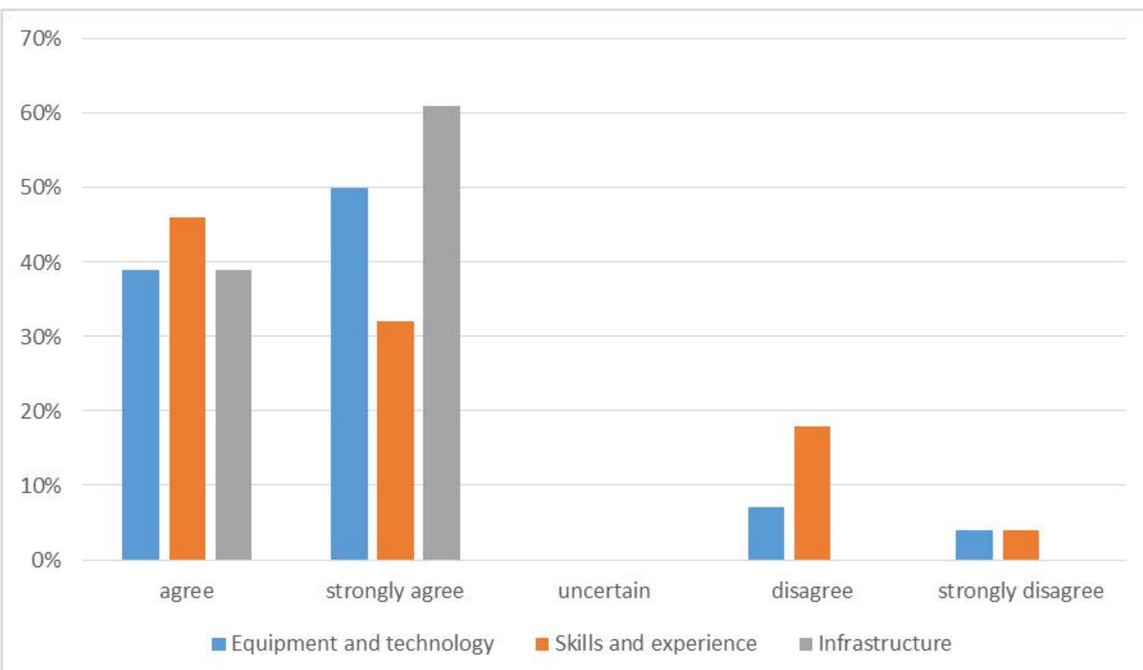
4.3.7 Other challenges other than debt being faced by Statevice Pvt Ltd.

Table 4.5 Responses on other challenges Statevice Pvt Ltd is facing.

	Agree	Strongly agree	uncertain	disagree	Strongly disagree
Equipment and technology	11	14	0	2	1
Skills knowledge and experience	13	9	0	5	1
Basic Infrastructure	11	17	0	0	0

Source primary data

Fig 4.7 Other challenges other than debt financing encountered.



Source primary data

4.3.7.1 Lack of equipment and technology.

From figure 4.7 above 14 out of 28 (50%) strongly agree, 11 out of 28 (39%) agreed, 0 out of 28 (0%) were neutral, 2 out of 28 (7%) disagreed and 1 out of 28 (4%) strongly disagreed that the entity is lacking equipment and technology. It means that 89% agreed that Statevice Pvt Ltd is lacking equipment and technology which is being caused by lack of funds. This is in line with Dumbu (2014) who supports that entities without funds will have challenges in acquiring new technology and equipment. 11% disagreed which means that the entity is not lacking technology and equipment which is caused by lack of funds and concurs with the view by Yan (2010) who says availability of cash and the existence of other problems are two different things which need to be addressed simultaneously.

Overall, the mode of the data is 89% which means that Statevice Pvt Ltd is lacking equipment and new technology which is supported by (Dumbu 2014) who postulates that lack of funding results in lack of adequate equipment and technology.

4.3.7.2 Lack of skills and experience.

From figure 4.7 above 9 out of 28 (32%) strongly agreed, 13 out of 28 (46%) agreed, 0 out of 28 (0%) were neutral, 5 out of 28 (18%) disagreed and 1 out of 28 (4%) strongly disagreed that the entity lacks adequate experience, skills and technology. This shows that 78% agreed which means Statevice Pvt Ltd is lacking skills and experience which is being caused by lack of funds. This coincides with (Quartey and Abor 2010) who postulates that SMEs that struggles to raise funds to finance operations are by no means out of other challenges that affects SMEs, they will always be having these problems. 22% disagreed which means that the entity is not lacking necessary skills and experience which is caused by lack of funds which also is in line with the view by Yan (2010) who says availability of cash and the existence of other problems are two different things which need to be addressed simultaneously.

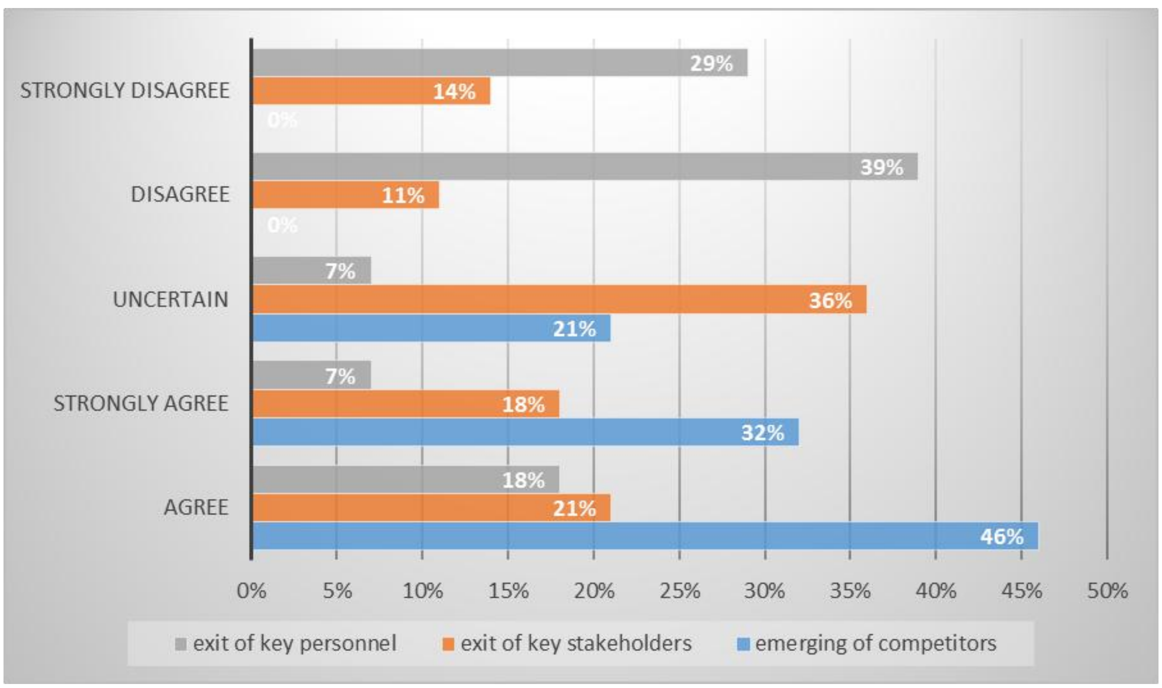
Overall, the mode of the data is 78% which means that Statevice Pvt Ltd is lacking necessary skills and experience due to lack of funding which is supported by (Quartey and Abor 2010) who postulates that entities fails to address other challenges due to lack of funds.

4.3.7.3 Lack of basic infrastructure.

From figure 4.7 above 17 out of 28 (61%) strongly agree, 11 out of 28 (39%) agreed, 0 out of 28 (0%) were neutral, 0 out of 28 (0%) disagreed and 0 out of 28 (0%) strongly disagreed that the entity if lacking basic infrastructure. It means that 100% agreed, which means that Statevice Pvt Ltd is lacking basic infrastructure which is being caused by lack of funds. This is in line with (Quartey and Abor 2010) who stipulated that it is difficulty to address other challenges that affects SMEs if the entity have got cash challenges. Overall, the mode of the data is 100% which means that Statevice Pvt Ltd is lacking basic infrastructure which is in line with (Dumbu 2014) who postulates that lack of funding results in lack of basic infrastructure.

4.3.8 Opinions on going concern indicators.

Fig 4.8 Indicators of going concern.



Source Primary data

4.3.8.1 Emerging of successful competitors.

From fig 4.8, 13 out of 28 (46%) agreed, 9 out of 28 (32%) strongly agreed, 6 out of 28 (21%) were uncertain, 0 out of 28 (0%) disagreed and 0 out of 28 (0%) strongly disagreed that the emerging competitors would be successful. This means that 78% of the respondents agreed that the emerging competitors are likely to be successful and affects the going concern of the entity which is in line with (ISA-570) which states that the emerging of highly successful competitors, is an indication of going concern problems 21% were uncertain which means they were not able to judge whether the emerging competitors would be successful and affects the going concern of the entity which is also stated in (ISA-570) that human judgmental has to be applied as the indications are not conclusive and materiality has to be considered.

Overall, the mode of the data is 78% which means that the going concern concept of Statevice Pvt Ltd is under threat which is supported by ISA-570 which states that the emerging of highly successful competitors, is an indication of going concern problems

4.3.8.2 Exit of key stakeholders.

In fig 4.8, 6 out of 28 (21%) agreed, 5 out of 28 (18%) strongly agreed, 10 out of 28 (36%) were uncertain, 3 out of 28 (11%) disagreed and 4 out of 28 (14%) strongly disagreed that the entity is losing key stakeholders. This means that 39% agreed that the entity is losing key stakeholders because of debt financing which is in line with (security and exchange commission of Pakistan) which says that the key area to consider when assessing the going concern for small entities include the risk that banks, government and other creditors may pull out to assist the entity financially. 36% were neutral which means they were not familiar with the pulling out of stakeholders probably because they were not working hand in hand with major stakeholders. 25% disagreed which means that the entity is not losing major key stakeholders and still considered as a going concern which is stated in (ISA-570) that stability of major stakeholder is an indication that the entity have no going concern problems. Overall, the mode of the data is 38% which means that the going concern concept of Statevice Pvt Ltd is under threat which is supported by ISA-570 which states that entities with going concern problems are indicated by pulling out of major stakeholders.

4.3.8.3 Exit of key personnel without replacement.

The graph shows that 5 out of 28 (18%) agreed, 2 out of 28 (7%) agreed, 2 out of 28 (7%) were uncertain, 11 out of 28 (39%) disagreed and 8 out of 28 (29%) strongly disagreed that the entity is losing key personnel without replacement. This shows that 25% agreed which means that the entity has going concern problems as stated by (ISA-570) which stake that the going concern problems are indicated by lose of key personnel without replacement. 7% were not familiar about the question. 68% disagreed that the entity is losing key personnel without replacement which means that the entity has no going concern problems which is supported by ISA-570 which states that entities with no going concern problems retains the key personnel. Overall, the mode of the data is 68% which means that the going concern concept of Statevice Pvt Ltd is still viable which is supported by ISA-570 which states that entities with no going concern problems are indicated by stability of major stakeholders such as creditors, suppliers and customers.

4.4 Analysis of interviews.

The study used the thematic approach in analyzing interview responses.

4.4.1 Challenges brought by debt financing.

The respondents stated that the debt financing increases expenditure of Statevice Pvt Ltd through borrowing cost which reduces the profits of the organization. They also state that debts consists of agency cost, bankruptcy cost and interest charges to be settled. Smith (2012) pinpointed that debt financing bears an interest in return to the borrowed money and the interest is to be settled together with the borrowed amount and this would be a financial burden to the organization. Deesomsak et al (2014) confirmed that debt financing can be influenced by variables in interest rates such as bankrupt cost charges and taxes.

The respondents also stated that debt finance results in Statevice Pvt Ltd being lazy in supporting other activities with internal funds but only to rely on debt financing even less amounts. The respondents further stated that debt funds are not generating profits on their own and the management end up digging up into other fund to repay the debt and its interests when it is due. Holmes and Kent (1991) stated that debt financing lies its control on the assets and thus demands collateral security, in the event of Statevice failed to comply assets are taken.

They also pointed out that debt is influenced by poor management of debt within Statevice Pvt Ltd and this in the long run will contribute to high liquidity risk. The respondent also states that debt financing under Statevice Pvt Ltd are not used for the intended projects in which they can repay back the amount borrowed without extending to other funds.

4.4.2 Sources of finance available to the firm

The majority of the respondents were stating that equity financing and retained earnings are best sources of finance. The respondents also stated that internal sources are the best sources for Statevice Pvt Ltd**.**

Respondents mentioned out that besides debt financing the firm also raise its working capital from retained earnings and equity financing. They stated out that however the retained earnings will be far much below budgeted working capital and thus what triggers the firm to rely on borrowed funds. Finance department is facing challenges in raising other funds to fund business operations. Some of the projects are being cancelled as they lack funds and this results in losing potential clients in the long run.

4.4.3 Measures to enhance the effectiveness of debt financing.

Respondents argued that management of Statevice Pvt Ltd has to take into consideration the concept of proper debt management. The respondent further stated that the establishment and executing of policies and procedures in order to achieve debt risks and debt cost objectives. The respondent also stated that management of debt enhances the reduction of borrowing cost for any borrowed moneys. This also supported by Caprio and Levine (2002) argued that good debt managements enhances the growth of an entity and also the monetary status of the organization could be more vibrant.

They also stated that the management of Statevice Pvt Ltd has to put in place strong internal controls concerning borrowed funds. The respondents went on stated that internal controls such as authorization of funds to be used and supervision of projects financed by borrowed funds has to be effectively taken. According to the Government Audit Standards (2010) stated that auditing the effectiveness of the debt and the efficiency of debt managements that is examining the link between resources or inputs and the specific objectives achieved in debt management activities.

Morestill, the respondents mentioned out that the effectiveness of debt financing can be enhanced by option for the long term debt finances rather than short term debt financing. The respondent further pinpointed that with long term debt can manage to spread risk and spread up the installments over a period.

4.4.4 Debt financing and going concern.

The respondents pointed out the issue of emergence of highly successive competitors on the market as a threat to the firms gong concern. The sales manager stated that the firm is now losing its some of its key customers to its rivals and key providers also were being lost.

4.5 Summary

The chapter focused on presentation, interpretation and analysis of data gathered through interviews and questionnaires. Response rate were presented in form of bar graphs, pie charts and tables. The next chapter will present summary of chapters, conclusions and recommendations.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS.

5.0 Introduction.

The previous chapter covered data presentation and data analysis. This chapter gives an overall summary of the research project, conclusions drawn from the findings as well as possible recommendations based on the findings of the results from the responses given by the respondents as well as from secondary data sources.

5.1 Executive summaries.

Chapter one drew the background to the study, the problem statement which conveyed out the need to carry the study, research objectives from which research questions were drawn in attacking the research problem together with delimitations and limitations and significance of the study to the researcher, the academic institution (Midlands State University) as well as Statevice Pvt Ltd.

Chapter two deliberated literature review related to the area of research. In conducting the research, the researcher used books, journals, government publications as well as internet sources. Literature review and empirical evidence aided the researcher to identify research gaps and highlighted the need to conduct the research.

Chapter three outlined the research methodology and the research design that were employed in the gathering of research data. Research instruments that were used in conducting this research include questionnaires and interviews as well as secondary sources of data.

Chapter four focused on data presentation, data analysis as well as interpretation of the analyzed data. In presenting the research findings the research used tables, graphs and charts, research findings analyzed responses given by respondents and these were expressed in percentage form so as to fully describe the responses. The research findings were also documented.

5.2 Major findings.

In the manner to determine whether the current financing option adopted by Statevice Pvt Ltd is effective thexresearcher segmented the research into five objective which are motive for advantages, adaption, strategies, and measures to curb for the effects and essential factors underpinning the success of debt financing.

Challenges brought by debt financing to Statevice Pvt Ltd.

Findings drawn from this objective includes some of the following; instead of using future profits to grow the company is allocating a portion of profits to repay the debt. However in the work of insufficient funds under scrutiny and criticism as one of the major driver of risk leveraging and financial instability. Even though the debt financing is providing funds toxthe entity debt may still have not effectively attained well in terms of profitability of bankruptcy. It had been noted that debt financing had higher probability of bankruptcy cost. Kayo and Kimura (2011) concurred that higher probability of bankruptcy implies high bankruptcy cost hence the trade-off theory predicts a negative relationship between probability of bankruptcy and debt financing. From thexresearch debt financing is associated with liquidity, agency cost, bankruptcy cost and high interest rate. Conclusively, from the research it can also be noted that the disadvantages of debt financing negatively influence the performance of the entity

Impact of different sources of finance on profitability.

The researcher found out that debtxfinancing is accompanied by a lot of agency cost which reduces profitability of the organization. Debt as a financing option increases expenses through borrowing costs. It was noted that debt financing have an adversely negative relationship with profitability. Equity financing and Retained Earnings are therefore the best sources of finance Statevice Pvt Ltd can adopt.

Going concern of Statevice Pvt Ltd.

22 out of 28(79%) agreed that the entity might face strong competition from competitors that are emerging which was explained by the sales manager that the company is currently losing many customers to its rivals. 11 out of 22 (39%) agreed that the entity is losing key stakeholders due to the effects of debt financing and was supported by the production manager who says the entity is failing to get quality raw materials from big customers due to its bad

reputation. 19 out of 28 (68%) disagreed that the entity is losing key personnel without replacement. This is supported by the accountant manager who says even though the entity is having cash challenges, at the end of the day salaries are paid though delayed but the entity cannot be compared to other entities which are failing at all.

Relationship between debt financing and other challenges.

24 out of 28 (86%) agreed that the entity lacks equipment and technology because of debt financing which was supported by the production manager who said they are lacking new equipment and technologies. 20 out of 28 (71%) agreed that the entity is lacking necessary skills and experience due to high expenses incurred duexto debt financing. 25 out of 28 (89%) agreed that thexentity lacks basic infrastructure because of debt financing. The sales manager explained that the entity is failing to advertise and make promotions due to debt financing. A correlation coefficient of +0.865 was obtained between debt financing and other challenges that affects SMEs.

5.3 Recommendations.

- The study recommends that Statevice Pvt Ltd to go extra mile on promoting debt management procedures. The staff of Statevice Pvt Ltd to be trained and educated on managing borrowed fund. Chen (2013) pinpointed that controls and measures has to be put in place by the entity in controlling borrowed fund so as to cater for the effectiveness of debt funds. Cost such as agency cost, bankruptcyxcost other cost associated with borrowed funds. Dang (2013) said that proper management of borrowed funds is vital as it enable the reduction of cost and the misuse of borrowed funds.
- The study further recommended Statevice Pvt Ltd to continuously develop and implement sound relevant internal controls regarding borrowed fund to cub for the risks associated with debt. The use of electronic controls such that interest on borrowed funds are calculated in the system and installments to be settled concerning borrowed funds are scheduled accordingly. Frank and Goyal (2009) stated that debt it should be expected that corporations with volatile equity shares are those which are very risk and these may suffer from the debt financing. In other words Statevice Pvt Ltd should develop strong systems to curb for the associated risks.

- The study also recommends Statevice Pvt Ltd to make use of internal sources of funds to finance business operations. Internal sources of funds includes retained, fixed liabilities and non-current assets into investments said to be appropriate sources of funds. Luo (2011) confirmed that internal sources of finance has features of being original, autonomous, low cost, risk resist and for capital information of thexentity and it is essential for survival and development of entities.
- Statevice Pvt Ltd should adopt equity financing as a source of business finance to finance business operations. Hofstrand (2013) argued that equity financing may establish different classes of stock to control voting right among shareholders therefore can be another form of finance which can improve the financial stability and the company profitability.
- Statevice Pvt Ltd should consider issuing of shares to raise capital. This proved to be a better way of raising funds of Statevice Pvt Ltd. Bravo (2009) said that companies that are leverage will be at risk of bankruptcy if they are unable to pay debt as well as failing to find some lenders in the future.

5.4 Conclusions.

This study has been successful in that it outlined the main areas concern as well as recommended strategies to curb the ineffectiveness of debt financing. This was also because of the questionnaires issues, there was a 72% response rate whereby all respondents in the research was successful in that it enabled the drawing of findings from the research objectives. The findings from this research fulfilled the objectives of the research and all the objectives have been answered. Conclusively Statevice Pvt Ltd current financingxoption is not effective in accomplishing and enhancing the performance of Statevice Pvt Ltd.

5.5 Chapter Summary.

The chapter gives a brief of the whole project and provides recommendations over financing option and conclusion thereafter was provided.

REFERENCE LIST.

Abbott, M.L. & Mackinney, L. (2012) **Understanding and applying research design**. New Jersey: John &sons.

Abor, J. (2005). **The Effect of Capital Structure on Profit in Journal of Risk Finance**. Vol 6 no 1 pp. 438-445.

Alzomaia, T.S.F. (2014). ***Capital Structure Determinants of Publicly Listed Companies in Saudi* Arabia**, *International Journal of Business & Finance Research (IJBFR)*, 8 (2), pp. 53-67.

Annum, G. (2014) **Research Instruments for Data Collection.**

Acharya, Viral V, Almeida H, Ippolito F, and Ander Perez, (2014) ***Credit lines as Monitored liquidity insurance: Theory and evidence***, Journal of Financial Economics.

Baltacı, N. & Ayaydın, H. (2014). **Firm, Country and Macroeconomic Determinants of Capital Structure: Evidence from Turkish Banking Sector**, *EMAJ: Emerging Markets Journal*, 3 (3), pp. 47-58.

Bax 2013

Berger, P.G., Ofek, E. & Yermack, D.L. (2012). **Managerial entrenchment and capital structure decisions,** *The Journal of Finance*, 52 (4), pp. 1411-1438.

Berry

Cable 2012

Charturvedi, K. (2010) **Sampling Methods, Social Research Methods.**

Creswell (2012) **Research design and methodology available**: http://www.uir.unisa.ac.za (accessed on 14 March 2017).

Damadaran, A. (2009). **Applied Corporate Finance**. New York. Johnwitey and sons Inc.

Deesomsak, R., Paudyal, K. & Pescetto, G. (2014). **The determinants of capital structure: evidence from the Asia Pacific region**, *Journal of Multinational Financial Management*, 14 (4–5), pp. 387-405.

Fama, E. and K. French. (2012) "***Testing Trade-Off and Pecking Order Predictions About***

***Dividends and Debt**,"* Review of Financial Studies, Vol. 15 No.1.

Frank, M.Z. & Goyal, V.K. (2009). **Capital structure decisions: which factors are reliably important**? *Financial Management*, 38 (1), pp. 1-37.

Gang, F., Weilan, F. and Dan, L. (2012). **Empirical Study in Financial Risk Factors**. Sichuan Agricultural University

Gombarume, F.B. and Mavhundutse, S. (2014). **Challenges faced by Small to Medium Enterprises A case of Chitungwiza, Zimbabwe**, Greener Journal of Business and Management Studies, 4(4), 103-107.

Gok, G. (2009). **Economic exposure and debt financing choice, *Journal of Multinational Financial Management*,** 11 (1), pp. 39-58.

Goure, J.P. (2011) Optics research instrument. New Jersey: John &sons.

Joeveer, K. (2013). **Firm, country and macroeconomic determinants of capital structure**: **Evidence from transition economies,** *Journal of Comparative Economics*, 41, pp. 294-308.

Jefferson, S (2012) "**When *raisin funds start up face the debt vs equity Question***" Pacifide Business news.

Kayo, E.K. & Kimura, H. (2011). **Hierarchical determinants of capital structure**, *Journal of Banking & Finance*, 35 (2), pp. 358-371.

Kouki, M. & Said, H.B. (2012). **Capital Structure Determinants: New Evidence from French Panel Data**, *International Journal of Business & Management*, 7 (1).

Korhonen, M. (2019). **A Market-Based Measure of Credit Portfolio Quality and Banks' Performance during the Subprime Crisis**, *Management Science*, 58 (8), pp. 1423-1437.

Kumar, M., (2010) **Research methodology**. Austria: Pearson education.

Laura, G. 2010. **Factoring finance Alternative for SME**, University of Craiova, Romania.

Lauro, T.C. and Ponlawat (2011). **Determinants of Capital Structure Empirical Evidence from Financial Services Listed Firms in China**, *International Journal of Economics & Finance*, 4 (3).

London, S. (2010) **Types of research design,** Sage Journals online.

Lamarca. (2011) psychology wordpress.com (accessed 16/03/2017 11.30).

Mateev, M., Poutziouris, P. & Ivanov, K. (2013). ***On the determinants of SME capital structure in Central and Eastern Europe***: A dynamic panel analysis, *Research in International Business and Finance*, 27 (1), pp. 28-51

Mateja, M., Pautzisun. P. and Konstantin. I. (2013) ***International Business and Finance*** American University. Blagoegrad Bulgeria.

Mica, M. and Nirmla, S. (2014). ***Debt and Taxes, the Journal of Finance***, 32 (2), pp. 261-275.

Mudavanhu, V. (2011**). Determinants of Small to Medium Enterprises failure in Zimbabwe a case of Bindura**, International Journal of Economics, 2(5), pp82-89.

Myers, S.C. (2009). **The capital structure puzzle**, *The journal of finance*, 39 (3), pp. 574-592.

Musulis, F. (2015) ***European Corporate Governance Institute financial research Network***.

Nyoni, S. (2010). **Small, Micro and Medium Enterprises, Policy Strategy Framework**, Harare; Jongwe Printers.

OECD 2006. The SME Financing Gap; OECD Publishing.

Oztekin, O. & Flannery, M.J. (2012). ***Institutional determinants of capital structure adjustment speeds***, *Journal of Financial Economics*, 103 (1), pp. 88-112. University of Southwales, Australia School of Business.

Rajasekar, S., Philaminathan, P and Chinnathambi (2013) ***Research Methodology online Journal*** **of Psychology.**

Sandy, A. (2013) **Instruments for research** .New York: Oreilly Media Inc.

Saunders, R. (2012) **Research methodology, 8Th Edition** .Delhi: Eastern Economy.

Smith, G.P. (2012). **Capital Structure Determinants for Tax-Exempt Organizations: Evidence from the UK,** *Financial Accountability & Management*, 28 (2), pp. 143-163.

Vanerk, M. (2012) **National Journal of Accounting and Taxation**

Wyk, B, V. (2010) **Research Design and Methods,** University of the Western Cape, South Africa.

Xiya, Y. (2011) **Study in the financing methods of China's listed companies, school of economics and management,** North China Electric Power University, Beijing China.

Statevice Pvt Ltd Annual financial Statements

Statevice Pvt Ltd Company Hand book 2015

Statevice Pvt Ltd Finance Report 2015