

Debt Capital and Financial Performance: A Study of South African Companies

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The purpose of this study is to examine how debt capitals of the listed companies operating in the wholesale and retail sector of South Africa affect their financial performance. The study used a panel data sample of 25 South African wholesale and retail sector companies to examine the impact of debt capital on the financial performance of companies over the 2011-2015 period. Fixed-effects (within) regression model was used on the accounting-based-measures of profitability and financial performance. The study confirms that debt capital, in terms of short-term debt and long-term debt, has a negative impact on the financial performance of wholesale and retail sector companies of South Africa. The findings of this research will help South African wholesalers and retailers to understand the impact of debt capital on company performances. This study will help them make decisions that will ensure profit maximization and reduction of costs associated with debt, and ultimately, maximization of shareholders' wealth. This study gives special focus to the wholesale and retail sector as it seeks to pioneer the addressing of root causes and reasons of research contradictions in this study area.

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