The Evaluation of The Financial Performance of
The Public Business Sector Companies in The
Light of Policies of Debt Finance – A Proposed
Model

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The financial leverage and the capital structure are considered as one the most vital subject in the area of financial management, financial decision considered as the most important decision the firm should take, this decision increased in importance in public business sector due the difficulty to increase its capital.

The financial leverage is the use of the debt finance with fixed cost to finance the investment to get a return exceeds these costs and leads to profit to the owners, the financial leverage is measured as the ratio between total banks debts to total assets.

Increasing depending on loans may lead to increasing financial risk that may face the borrowing firm, new theories in financial management regarding the bankruptcy costs and agency costs make the borrowing process more difficult to depend on as a basic financial resource and depending on external debt may lead to decrease the firm value.

**Increased depending on debts leads to disturbance in firm operation especially when:**

a) Reduced effectiveness of capital and owners equity as a financial recourses
b) The interest rate on the debts is higher than return rate of investments
c) The financial risks is higher than firm's operation risks.

So the use of financial leverage should do economically to maximize the return rate of the used debts and in the same time its costs and give the firm the ability to pay the debt itself.
References

(A) Book:-
( B ) Periodicals:


(C ) Internet:-


