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IMPACT OF DEBT FINANCING ON FINANCIAL PERFORMANCE OF FIRMS: A Systematic Literature Review

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Abstract

Debt financing is a major aspect of capital structure which represents the borrowed portion of funds hoisted through external funding. Debt plays a noteworthy role in persuading the fiscal performance of any organization because it creates a continuous pressure of making interest payment along with principal amount. Present study aims to discover the efficacy of debt financing on financial performance of the organization and it's purely depends upon the findings of previous related literatures. For this purpose, Web of Science and SCOPUS database has been taken as base to collect the required information while it includes documents of all time spans available, from 1985 to 2022, in database. After gathering the data, a systematic literature review has been performed and encountered that debt indicators have a significant negative impact on indicators of financial performance. Long-term debt, total debt, debt-equity ratio has significant but negative impact on firm performance which support the upshots of 'pecking-order' theory. Short-term debt has mixed effect on performance indicators. Control variables have also been evaluated like age, size, tangibility, liquidity, corporate tax, growth opportunities etc. and discovered that size, growth and liquidity portray a positive impression while age and tangibility have negative efficacy on monetary performance of the concern. Also, the study can be used as a ground to identify the literature gap of the concept and can be used in future for further research.

Keywords: Debt financing, financial leverage, capital structure, financial performance, profitability.
JEL CLASSIFICATION CODES : G30, G32, L25.

I. Introduction

Capital structure contains two main ingredients – Equity and Debt. Equity is the owned portion of funds while debt represents borrowed section of amount. Debt is the amount which one had to pay in future along with interest and principal amount. The rate of interest is fixed in debts borrowings and legal action could be taken if the amount (principal plus interest) is not paid as per said terms and conditions. Funds could be borrowed from many sources i.e. from private financial institutions, relatives or any known person. Debt financing is considered as the foremost component of outer funding for any corporation which is in need of raising additional capital for its business (Baltac & Ayaydm, 2014). It makes the working of firm efficient but the firm is always under some pressure to repay the debt amount under certain given time period irrespective of the current market situation or profitability of the firm. Also, there is risk of decrease is value of company goodwill and assets value if it is not able to repay

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it time. But along with risk, it plays an important role in reducing the overall tax liability by providing a kind of tax shield to the company (Dalci, 2018). The topic of capital structure (combination of debt and equity) was initially highlighted by Modigilani and Miller (1958) in which a research regarding the employment of debt level was conducted. Later on, various researches carried their study on it. According to Modigilani and Miller (1958), the choice about the combination of capital structure is irrelevant and does not have any effect on corporation's value or its performance. They also said that the cost of funding remains unaffected from the selection of debt or equity. But on the contrary, Mohammad and Jaafer (2012) stated that profitability of any corporation has an unassertive but significant relationship with total debt (short-term and long-term debt). Anandasayanan and Subramaniam (2013) have also been said that corporation's debt was significantly and negatively related with its profitability. Kalash (2021) also support the theory and state a negative relationship of debt with ROA. In contrast with this, Tripathy and Shaik (2020) stated an affirmative association of leverage with profitability of BSE listed food processing companies. In words of Deb et al., (2017), debt financing has a two-way effect, positive as well as negative, on the growth level of the company.

A mixed impression of debt can be seen in related previous researches. The reason may be that there are several factors which can persuade the impression of borrowed financing. Efficacy of debt rests on several things like manifold industrial backgrounds, widespread state of affairs in an economy and different valuable macroeconomic variable (Weill, 2008). Numerous studies have been conducted so far to evaluate the efficacy of debt financing on the performance of firms. But their conclusion differs somehow. Some research depicts positive association while some reveal negative relation of debt with firm performance. This dissimilarity of result creates ambiguity about the nature of relationship between debt and monetary performance of the concern and it creates a need to explore more in this concept for the purpose of reducing ambiguity about the topic. Thus, the main aim of this study is to investigate the past published literatures in a systematic way so that one can reach at a conclusion. It provides a sort of discussion regarding the key findings of the previous studies. Results of this study can improve the understanding of the concept and provide a comprehensive view of debt variables affecting the overall fiscal health of the company. It will definitely enhance the understanding and sightedness of the researcher. It will provide an aid to understand the literature gap and identify the future scope of the study in this area.

II. Methodology

Research Strategy

This study involved a research strategy which describes a dataset from two different databases - Scopus and Web of Science. It includes a detailed analysis of the previous studies related with the field of debt financing. To organize and collect the data different keywords, "debt financing" or "capital structure" and "financial performance" was used. It represents a result of 1456 documents which consist of 1206 documents from Web of science while another 250 documents were from Scopus database. This study tried to cover all the relevant previous studies conducted so far till February 2022. It comprises a dataset of Scopus database for the period of 1985 to 2022 while a period of 31 years from 1991 to 2022 was used to grab the data from Web of Science.

Basic Criteria for Selection

For the assortment of required data, as per the objective of the study, a PRISMA flow chart was prepared (Figure 1). A PRISMA diagram can be represented as flow chart/diagram in which flux of information throughout different phases are shown. PRISMA flow chart is the most basic and essential element of systematic literature review. This study includes all previous literature related with the concept of debt financing and its impact on financial performance of firms. For this purpose, the data was collected by entering the keywords "debt financing" or "capital structure" and "financial performance". For the refinement of collected data certain filters were applied. Only articles were included for the study rationale and all other document types were abandoned (16+24 = 40). As per the field area of the study, 503 documents were rejected. The articles were collected from the field of Finance, Accounting & Economics, Econometrics, Business and Management. Only English literatures were involved and articles containing other languages were eliminated (7+3 = 10). With the aid of R software, 41 duplicates were vanished and a set of 862 documents was left over. These 862 literatures were considered for further processing of the data.

Quality Assessment

To preserve the quality of the data for review, certain purifications were applied. Selected 862 articles were examined on the root of their title and a sum of 589 articles/documents was abandoned. Remaining documents/articles were criticized on the basis of their abstract. Abstract of selected documents were checked and

found that 186 documents were irrelevant as per the study subject and hence they got rejected. For the enrichment of data, further refinement was done and selected 87 literatures were critically analyzed. From them, it was found that there were 38 documents which don't have full text accessibility and 17 found not feasible as per the objective of the study. At last 32 documents were involved in this study for systematic literature review.

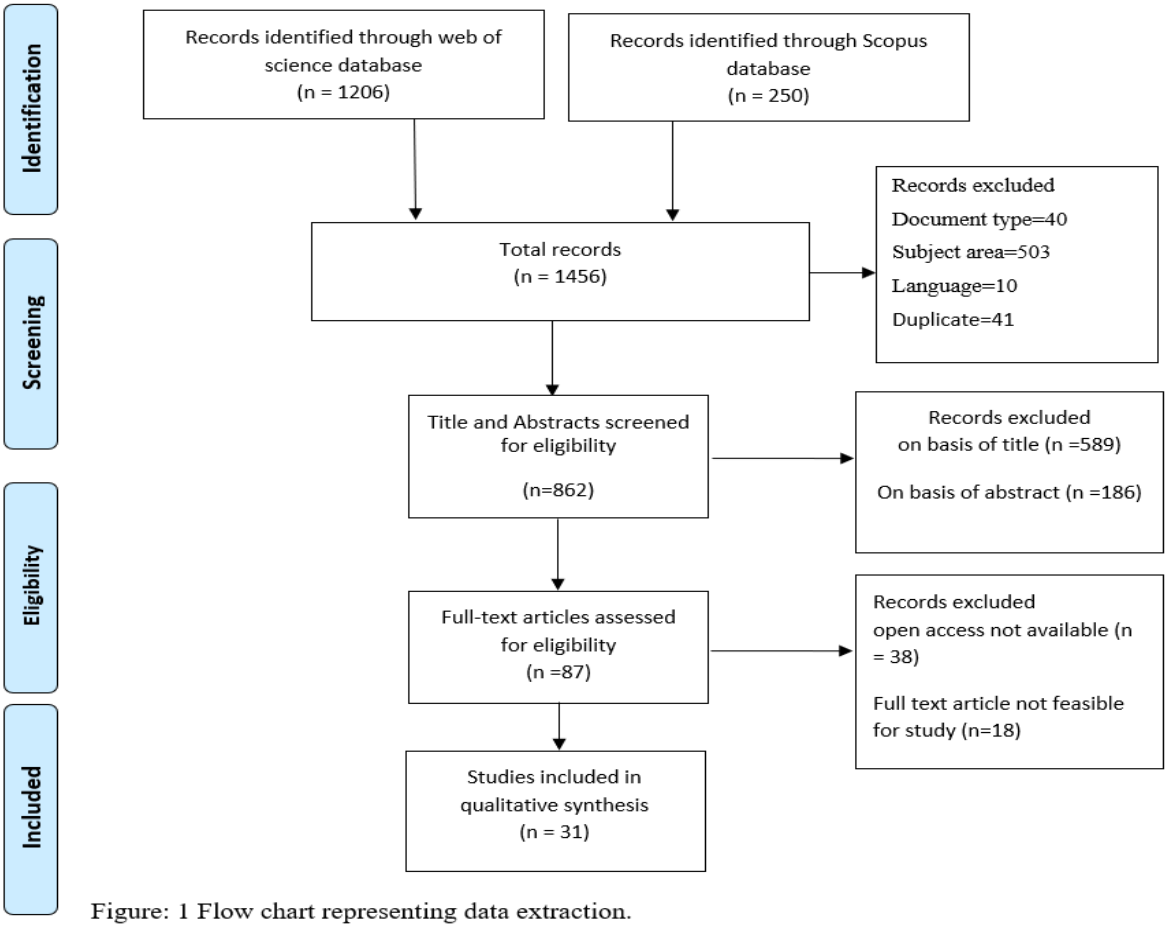

Figure: 1 Flow chart representing data extraction.

Data Extraction

To fulfil the requirements of this study, 31 articles, out of the bunch of 862 articles have been selected after applying certain refinements. The final draft of the dataset consists certain features which can be categorised as follows:

- The data has been taken from two authentic sources of published documents which is Web of Science and SCOPUS database.
- Only English language has been considered at the time of selecting final data.
- Whole time span available in database has been considered to opt the data. Web of Science implicate data from 1991-2022 and SCOPUS wrap the period from 1985-2022.
- Data has been taken from the subject area of Business, Management & Accounting, Economic, Econometrics and Finance, Business Finance and Business Management.

III. Results

Table 3.1 Literature Classification

Sr. No.	Authors	Objectives	Research Methodology	Major Findings		
				Positive Impact	Negative Impact	Others
1	Phillips & Sipahioglu (2004)	To demonstrate the relationship of capital structure with performance of 43 hotel companies operating in United Kingdom under UK Stock exchange.	Data were collected during the month of june/july in 2000. Kruskal Wallis test were applied. Debt-to-assets ratio and capital gearing ratios were portrayed as independent factors whereas ROA and ROE as dependent ones.			As per the results of Kruskal Wallis test, there's no significant linkage between DAR & ROA, ROE. Also, no association was found in Capital Gearing Ratio with ROA, ROE.
2	Abor, (2007)	To investigate the association between debt policy and financial performance of 160 and 200 SMEs situated respectively at Ghana and South Africa during the year 1998-2003.	Panel data was collected and analysed with the use of GLS technique. Gross profit margin, Tobin's Q and ROA were represented as indicators of financial performance while STD, LTD and TD were used as Debt ratios. Size and growth represented as control factors during the study.	LTD positively linked with gross profit margin. Size and Growth of sales also have positive relationship with GPM. STD with ROA of South African firms. Tobin's Q with STD in context of South African firms.	STD with gross profit margin has significant and negative association. TD to capital ratio reflects a negative linkage with GPM. ROA found negative association with LTD, STD and TD of Ghana firms. Tobin's Q with TD and LTD in context of South Africa.	Sales growth has no significant association with ROA and STD.
3	Dawar, (2014)	To examine the efficacy of capital structure on financial performance of 78 firms quoted at BSE 100 during the period 2003-2012. Banking and non-banking financial corporations were	Gathered data was analysed with the assistance of panel data regression model. Fixed and random effect model were also performed to examine the data. LTD & STD were taken as independent factors while ROA & ROE as dependent ones. Size and age of the	Firm size positively influences the ROA and ROE factor of financial performance. Tangibility and liquidity have significantly positive association with ROA and ROE.	Both STD and LTD have significantly negative impression on ROA as well as ROE of the firms. Firm age has negative impression on ROA and ROE of the firm.	Growth rate of sales found to have no significant association with ROA or ROE of the listed firms. Overall results were in contrast with the postulation of agency theory.

		excluded from the list for the study purposes.	firm, growth rate, tangibility and liquidity were considered as control variables in the study.			
4	Davydov (2016)	To investigate the impact of bank and public debt financing on financial and market performance of 700 publicly quoted organisations operating in BRIC during the year 2003-2012.	Univariate test was conducted and data was analysed with the help of fixed effect regression model. ROA and Tobin's Q were taken as dependent factors whereas bank debt as independent one. Firm size, growth, liquidity & interest coverage as control variables.	Bank debt (debt to assets ratio) positively enhances ROA. Liquidity with Tobin's Q. Firm size, growth, interest coverage found positive association with ROA.	Bank debt negatively linked with Tobin's Q. Firm size, growth and interest coverage found negative with Tobin's Q. Liquidity with ROA.	The study indicates that overall result of bank debt financing is positively linked with the performance of the firms.
5	Khasawneh & Dasouqi, (2017)	To investigate the influence of debt financing and nationality of sales on financial performance and systematic risk of Jordanian industrial and service sector companies quoted at Amman Stock Exchange during the year 2005-2013.	Panel data technique was used with multiple regression model and fixed & random effect models. ROA and ROE as dependent factors whereas debt to total assets as independent variable. Firm's size, GDP and tangibility as explanatory variables. Beta was referred as dependent variable to measure the systematic risk element.	GDP on ROA and ROE. Debt financing (DA) has positive and significant association with beta factor of measuring systematic risk.	Debt financing, tangibility and firm size on ROA and ROE.	After considering sales nationality, DA has no significant influence on systematic risk of domestic service sector firms.
6	Ahmed & Afza, (2019)	To examine the rapport, in presence of competitive intensity, between capital structure and performance of non-financial enterprises of Pakistan Stock Exchange listed during 2006-2013.	Fixed effect regression and random effect models were used with OLS technique. ROA with ROE & Tobin's Q were taken as dependent variables and STD, LTD and TD as independent ones. Competitive intensity as moderating variable whereas, size, growth, age	TDR, SDR and LDR on Tobin's Q. Size, growth risk associated, liquidity and age on ROA, ROE and Tobin's Q.	TDR, LDR and SDR on ROA, ROE.	Study depicted that competitive intensity negatively and moderately affects the association between financial structure and performance of firms.

			of firm, risk and liquidity as control factors.			
7	Forte & Tavares, (2019)	To find out the link between debt and performance of 48,840 manufacturing organisations of 9 European countries working during the period of 2008-2013.	Multiple regression with fixed effect model was applied. Dependent variables- ROA & ROE. Independent variables- STD, LTD, TD. Control variables- Growth opportunities & size.	STD, LTD and TD have positive impression on ROA and ROE. Growth on ROA & ROE.	Size has negative impression on ROA and ROE of the firm.	Study also represents that macro-economic variables (GDP and inflation rate) have identifiable influence on firm performance.
8	Hoang et al., (2019)	To identify and analyse the factors influencing the financial performance of 269 firms listed under Vietnam Stock Exchange during the period of 2010-2016.	Quantile regression with OLS were used to analyse the data while gauging the impact of capital structure (leverage), size of firm, growth, current ratio, fixed assets investment and receivables management on performance of firms. ROA, ROE and ROS taken as financial indicators.	Firm size positively related with ROA and ROE of the concern. Growth also have positive association with ROA and ROE.	Capital structure (leverage) has negative influence on ROS, ROA &ROE. Firm size with ROS has negative association. Fixed asset investment on ROA and ROS.	Current ratios and Receivable management have no significant linkage with ROS.
9	Mardones & Cuneo, (2019)	To analyse the impact of capital structure via leverage, growth, size , liquidity, tangibility and ownership structure on financial performance of 4,715 companies over a period of 15 years from 2000-2015.	Panel data were used with the help of multiple regression model. ROE, ROA and Tobin's Q represented as financial performance indicators while Short-term Debt and Long-term Debt were used as leverage. Growth, tangibility, size, liquidity were also involved.	Growth and size are positively linked with ROA, ROE and Tobin's Q. STD on ROA. Both STD and LTD have positive link with ROE of the concern. Ownership structure with Tobin's Q.	STD on Tobin's Q. Impact of LTD on Tobin's Q and ROA. Ownership structure with ROA and ROE.	Liquidity portrays insignificant association with ROA, ROE and Tobin's Q.
10	Mehmood et al., (2019)	To identify the association of corporate diversification,	Fixed effect and GMM method were used. ROA, ROE and Tobin’s Q were applied as dependent	Product diversification with ROE and Tobin’s Q . Geographic	Geographic diversification on Tobin’s Q. DPS on Tobin’s Q. Capital	PD insignificant influence on ROA. GD has insignificant impact on ROE. DPS insignificant on ROE. Investment Policy on both ROA and ROE. Audit quality on

		capital structure, investment policy and dividend policy on financial performance of 520 manufacturing enterprises operating in India, Pakistan, Bangladesh and Sri Lanka during the year 2004-2017.	factors. Debt to assets, DPS, investment policy, product diversification, geographic diversification as independent ones. Size of firm, Age, Board size, Audit quality and Growth as control factors.	diversification on ROA. DPS on ROA. DA has positive influence on Tobin's Q. Audit quality on Tobin's Q. Firm growth on ROA, ROE, Tobin's Q. Firm size on Tobin's Q.	Structure (DA) on ROA & ROE. Investment Policy on Tobin's Q. Firm age on ROA, ROE & Tobin's Q. Firm size on ROA.	ROA & ROE. Board size On ROA, ROE & Tobin's Q. Firm size on ROE.
11	Mishra & Dasgupta, (2019)	To find out the cross effect of financial leverage on monetary performance of 400 financial service firms operating in emerging economies in year 1990-2016.	Multiple regression model with 2SLS technique were employed. TDTA and TDCE presented as financial leverage ratios. ROA & ROE as firm performance measures. Size, liquidity & growth as control variables.	Growth on ROA &ROE. Size & growth positively affects TDTA and TDCE.	TDTA and TDCE on both ROA and ROE. Size on ROA &ROE. ROA, ROE & liquidity negatively influence TDTA & TDCE.	Leverage and firm performance depicts a negative association in gauging cross impact of them on each other.
12	Pandey & Sahu, (2019)	To examine the association between debt financing and financial performance, along with considering agency cost, of 91 manufacturing corporations quoted at BSE 200 in India during 2009-2016.	Multiple regression with fixed and random effect model were executed. TDTE as independent variable whereas ROE (profitability ratio), G&AE (General & administrative exp.), AUR (Assets Utilisation Ratio) dependent ones. Liquidity, firm size & age as control factors.	TDTE positively linked with G&GE. Firm age and liquidity with G&GE. Firm age with AUR.	TDTE significantly negative effect on ROE. Firm age and size negatively linked with ROE. Firm size with G&GE. Firm size and liquidity with AUR.	TDTE found insignificant associated with AUR. Liquidity with ROE.
13	Pham & Nguyen, (2019)	To empirically investigate the relationship of debt financing and financial performance of 300 companies quoted at Vietnam Stock	Panel data regression methods were adopted for the analysis. Fixed effect and random effect techniques were used with GMM (Generalised Method of Moments). Debt financing (DE) and board	ID positively affects the ROA and ROE factors. Board size, firm size and SO positively influence the ROA and ROE factors.	Debt financing (DER) have significantly negative impression on both factors ROA and ROE.	Board independence factor helps in trimming down the overall adverse efficacy of debt financing on financial performance.

		exchange in 2013-2017. All financial sector firms were excluded from the study to recognise the moderating duty of board independence on their relationship.	independence (ID) were taken as independent variables while ROA and ROE as dependent ones. Board size, size of company, ownership structure (SO) as control factors.			
14	Sakr & Bedeir, (2019)	To examine and analyse the influence of capital structure on performance of 62 firms pertaining from the sector of non-financial firms quoted at Egyptian Stock Exchange over the period of 14 years from 2003-2016.	Correlation and regression analysis was performed and VIF (Variance Inflation Factor) results were computed. ROA and ROE was used as dependent factors while short-term debt to total assets (STD), long-term debt to total assets (LTD) and total debt to total assets (TD) were portrayed as independent variables.	TD and LTD found to be positive associated with ROE.	STD negatively affects the ROE of the firm. While ROA found to be negatively related with TD, STD and LTD.	The study reveals that capital structure decisions found to be significant relation with financial performance of non-financial firms.
15	Ali & Faisal, (2020)	To explore the growth and development level of petrochemicals enterprises operating in Saudi Arabia during 2004-2016 via gauging the influence of capital structure on profitability and financial performance of the firms.	Financial ratios were computed. Financial ratio variability & financial ratios sensitivity test was employed by using chain based index numbers. Debt-Equity ratio was used as independent variable. Whereas GPR (Gross Profit Ratio), ROA, ROE & Current ratio as dependent ones.	LDER positively affect ROE. SDER positively affects GPR.	LDER negatively influence GPR, CR and highly negative relation with ROA. ROA, ROE and CR were negatively influenced by SDER.	Sensitivity test portrayed a negative impression of overall DER on profitability and development of petrochemicals corporations.
16	Dinh & Pham, (2020)	To explore the impact of capital structure on financial performance of 30	OLS with multiple regression model were used. ROE as dependent variable. LR, DR, Equity to Asset	DR, Long-term assets to Total Assets, Size, Growth, Fixed asset to Equity Ratio,		All variables found to be positively associated with Return on Equity of the firm.

		pharmaceuticals corporations quoted at Vietnam Stock Exchange during the period of 2015-2019.	Ratio, Long-term assets to Total assets ratio were represented as independent variables. Size, growth and fixed asset to equity represented as control variables.	Leverage Ratio, Long-term assets ratio, Debt-to-assets ratio with ROE.		
17	Hu et al., (2020)	To recognise the association of ownership structure with optimum capital structure and further investigate the association between capital structure and performance of 599 corporations listed at Chinese stock Exchange during the period of 2007 to 2016.	Partial correlation and Panel Smooth Transition Regression models were interpolated. ROE taken as dependent factor, DAR and QSD (top 10 shareholders to total shareholders ratio) as independent variables. Total assets, CR, Receivables Turnover ratio (RTR) and Increment in revenue (IROBR) as control variables.	QSD and IROBR depicted positive behaviour with ROE.	DAR, current ratio, RTR and total assets portrayed negative linkage with ROE.	DAR depicts a non-linear association between DAR and performance of Chinese firms. The influence of ownership structure on performance depends upon the DAR of that firm.
18	Mohammad & Bujang, (2020)	To empirically examine and investigate the efficacy of capital structure on financial performance of 108 firms, which incorporates 41 from construction, 30 from finance and 37 from plantation, of Bursa Malaysia from the year 2011 to 2015.	Panel regression model with fixed and random effect models were used in the study. STD, LTD and total debt were categorised as independent variables whereas ROA ROE as dependent factors.	LTD with ROE in construction sector. TD positively linked with ROE in Finance sector. In plantation, STD with ROA and ROE & TD with ROA.	In construction sector, LTD, STD and TD depicted negative linkage with ROA and STD with ROE only. In finance sector, TD is negative with ROA. In plantation, LTD depicts negative association with ROE.	In construction, TD positively associate but found insignificant with ROE.
19	NGO et al., (2020)	To demonstrate the impression of debt on profitability performance of 118 corporations quoted	GMM econometrics model were applied. Dependent variable- EBIT on Total sales. Independent variable – Total debt ratio. Control	Size and opportunities for growth positively influence the EBIT to total sales variable.	DR on EBIT to total sales.	Taxes & tangibilityhave negative & insignificant association with profitability measure.

		at Vietnam Stock Exchange in between 2009-2017.	variables- size, tangibility, tax and growth rate.			
20	Ramli et al., (2020)	To investigate the effect of leverage as indirect or mediating variable on financial performance of 398 Malaysian companies quoted at Bursa stock exchange in Shariah Compliant Companies from 2000-2018.	Use of PLS-SEM model and taking firm size, tangibility of assets, opportunity for growth as main variables while leverage as mediating variable. Financial performance measured with the help of ROA, ROE, ROIC.	Growth Opportunities (Tobin's Q) has positive linkage with LTD of listed firms. Leverage (LTD) on financial performance (ROA, ROA and ROIC).	Firm size and asset tangibility has negative association with firm leverage (LTD). But firm size has positive relation with Financial performance of firms.	Leverage has mediating influence on asset tangibility, size of firm, Tobin's Q and firm performance.
21	Sreenu, (2020)	To find out the rapport between firm leverage and performance of 150 SMEs operating in India, Singapore, Thailand and Malaysia during the year 2005-2016.	GLS technique was employed. Independent variables- firm size, growth, age, liquidity, interest rate, debt financing, equity financing, flexibility. Dependent variable – Total debt (long and short term).	Tangibility, liquidity and equity financing in all four countries. Flexibility with TD in Thailand only. Profitability with TD in India and Thailand. Firm size in Malaysia & Thailand. Growth in all except India. Debt financing in all except Thailand.	Flexibility have negative association with TD in India, Malaysia & Singapore. Profitability with TD in Singapore & Malaysia and firm size in India & Singapore.	
22	Tripathy & Shaik, (2020)	To investigate the relationship between leverage of 56 food processing companies and their financial performance quoted at BSE during 2000-2018.	OLS technique was used with association of fixed effect and random effect models. Debt to equity ratio represented as independent variable while EBIT to sales (operating profit) taken as dependent attribute. Size of firm, tangibility, growth of GDP, liquidity as control variables.	Leverage of firms, growth rate of GDP, liquidity and tangibility shows positive relation with performance of firms.		Maximum variables found to have positive influence on performance of firms.

23	Ayange et al., (2021)	To analyse the effect of capital structure on financial performance of 15 24Nigerian Stock Exchange quoted firms during 1999-2018.	Panel data with random and fixed effect model were used. Firm size as control variable while ROA ROE and Tobin's Q as dependent variables. LD/TA, SD/TA, TD/TA and Debt-Equity Ratio as independent variables.	LDTA, SDTA & TDTA with ROE. Firm size also positively affects ROE. Tobin's Q with SDTA, LDTA, DER.	DE ratio with ROE. Tobin's Q negatively affects TDTA. LDTA, TDTA and DER with ROA.	Study suggests the use of short-term debt in place of long-term debt to avoid undue burden.
25	Das et al., (2021)	To analyse the influence of financial leverage on performance of 165 non-financial sectors quoted firms functioning in Bangladesh during the period of 10 years from 2007-2016.	Quantile regression with GMM method was applied. Dependent variables- ROA and ROE. Independent variables- LTL, TL, tangibility, size of firm, inventory to assets & operating expenses to sales ratio.	Firm size on both ROA as well as on ROE. Operating expenses to sales ratio on both ROA & ROE. TL on ROE (insignificant). LTL on ROA (insignificant).	TL on ROA. LTL on ROE. Tangibility insignificantly negative on ROA & ROE.	IA insignificantly positive on ROE while negative on ROA. Performance indicators were highly influenced by Leverage factors.
26	Jian et al., (2021)	To diagnose the efficacy of capital structure on financial performance of 39 agricultural organisations quoted at Chinese stock exchange during the year 2013-2019.	Panel data was gathered and evaluated with the aid of fixed effect and random effect models of multiple regression techniques. Dependent variables involved return on assets and return on equity while independent ones represented with STD, LTD and TD of the firms. Size, growth rate of sales, GDP of the country, liquidity, tangibility taken as control variables during the study.	Size of the firm and sales growth has a positive impression on ROA and ROE.	STD has a negative impression on ROA and ROE. Total leverage also reflects a negative but significant impression on both variables of financial performance (ROA, ROE).	LTD showed a negative impression but also represents an insignificant association with ROA and ROE at 5% level of significance. GDP, liquidity and tangibility of firm have no significant association with ROA or ROE. Study also reveals that debt of privately-owned firms has stronger influence on financial performance as compared to state-owned companies.
27	Kalash, (2021)	To reconnoitred the rapport of financial leverage with monetary	Ordinary least square with fixed and random effect technique were interpolated. DTA as independent, ROA	Firm size, sales growth, investment opportunity and	DTA negatively affect ROA and ROE of the firms. Tangibility on ROA and ROE.	Presence of high level of financial distress risk in leveraged organisations revealed more negative influence on their financial performance.

		performance, pondering the impact level of financial distress risk on their relationship, of 200 non-financial nature organisations quoted on Istanbul Stock Exchange for a period of 10 years from 2009-2019.	and ROE as dependent variables whereas size of firm, growth of sales, tangibility, liquidity and investment opportunities as control variables. Z score model was used to portray the financial distress risk.	liquidity on ROA & ROE.		
28	Mathur & Mathur, (2021)	To investigate the association between capital structure and financial performance of 500 BSE quoted pharmaceutical corporations during the year 2000-2018. Also identify the moderating job of competitive intensity in their relationship structure.	Balanced Panel Data was collected from CMIE Prowess Database and analysis was performed with the aid of fixed effect and random effect models. Also ordinary least square method was used to recognise the relationship pattern between the variables. STD, LTD and total debt ratios were categorised as indicators of capital structure. ROA, Tobin's Q and ROE as dependent factors. Growth, age of firm, size & risk, liquidity and R&D as control variables.	Tobin's Q with LTD, STD, total debt ratio, R&D. Growth and liquidity on ROA, ROE and Tobin's Q.	R&D with ROA and ROE. LTD, STD and total debt with ROA and ROE. Risk, Age and size with ROA and ROE.	High level of product competitive intensity has a positive influence on ROA and ROE factors of listed firms.
29	Stoiljković et al., (2021)	To identify and examine the efficacy of different levels of debt on financial performance of 150 SMEs operated in Autonomous Province	ANOVA and descriptive statistics were used to analyse the data. Leverage was discriminated in three levels, low, moderate and high. ROA, ROE and NPM (Net Profit Margin) were portrayed as dependent factors.		NPM has a significant and inverse association with leverage levels of the firms.	Three levels of leverage have no significant difference on ROA ROE or of the firm.

		of Vojvodina in Republic of Serbia.				
30	Thi & Phung, (2021)	To explore the influence of capital structure, quality of governance and working capital on financial performance of 2000 SMEs operating in Taiwan from the period 1995-2018.	Panel data was gathered from TEJ and multiple regression model was applied for the analysis. ROA and ROE were used as dependent factors whereas debt ratio, cash conversation cycle, size of board, cash dividend distribution and firm size as independent variables.	Size of firm positively affects the financial performance as measured by ROA and ROE. Cash dividend distribution also found to have positive impression on ROA and ROE of the firm.	DA ratio significantly and negatively affects the ROA and ROE of the firm. CCC of the firms also negatively affects the ROA and ROE factors. For measuring governance quality, board size was used and seen that it has negative impact on ROA and ROE factor.	
32	Boshnak, (2022)	To find out the efficacy of capital structure on fiscal performance of 70 non-financial quoted firms at Saudi Stock Exchange during the years 2016-2020.	GMM approach has been employed for the analysis. STD, LTD, TD and debt to equity as an independent indicator whereas ROA, ROE and Tobin's Q as dependent ones. Firm's size, its age, growth level of sales, liquidity and tangibility as control variables.	Sales growth, size of firms and its age is positively associated with ROA, ROE and Tobin's Q.	LTD, STD, TD & DTE negatively relates with ROA, ROE and Tobin's Q of the firm.	Tangibility and Liquidity found to have a missed impression on firm performance.
33	Das et al., (2022)	To identify the impression of leverage on performance of quoted 165 Joint Stock Companies of Bangladesh over the years of 2007-2016.	Dynamic panel approach with GMM and System GMM has been employed. Leverage is used as independent variable while ROA and ROE as dependent ones.		Leverage is negatively linked with both ROA and ROE of the firms.	

Descriptive Analysis

Articles over the years:

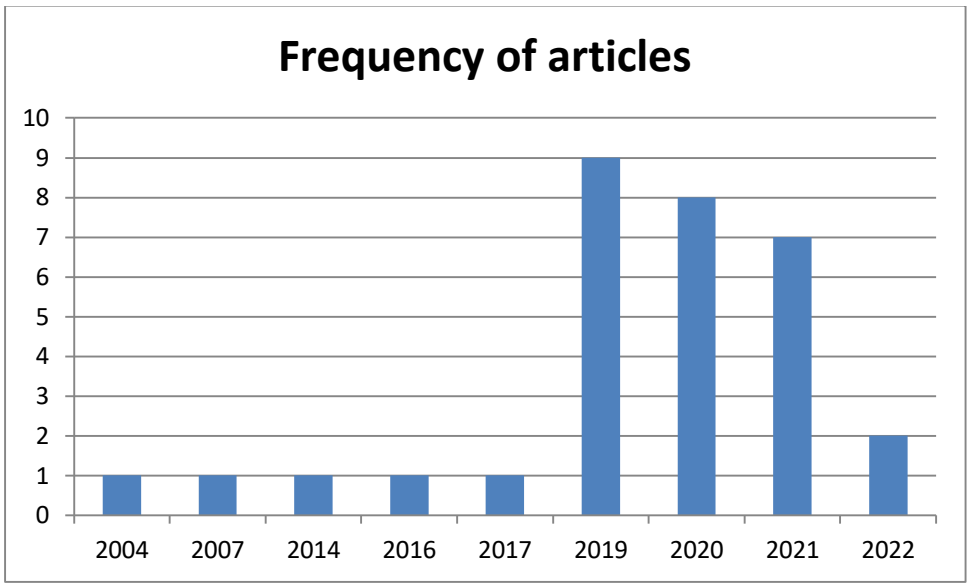

Figure 2. Year-wise bifurcation of articles included in the study.

As per data characterized in figure 2, it is evident that highest numbers of articles, related with our study topic, were produced in 2019.

IV. Findings & Discussion

The main motive of the study is to explore & analyze the impact of debt financing, on financial performance of organizations. To fulfill this purpose, previously published articles were considered for theoretical and empirical review. These reviews were conducted in a systematic way and on that basis, it's concluded that debt has a significant influence on financial performance of enterprises. To gauge the proportion of debt, different leverage ratios were occupied by different authors like debt to equity, debt to capital employed, debt to assets, capital gearing ratio etc. Majority of study depicts the proportion of debt in three ways, short-term debt, long-term debt and total debt. Capital Gearing Ratio and Debt-equity ratio are other ways of representing debt proportion of financial structure. To gauge the financial performance of firms, different financial ratios were computed. Some authors preferred to use ROA, some used ROE while many used both ROA and ROE as performance indicators. Apart from this, Tobin's Q, GPM, Interest Coverage Ratio and ROIC were the foremost indicators used in past studies so far. In this study, profitability has been taken as a proxy indicator for demonstrating ROA, ROE, GPM, and Tobin's Q etc. There are some control variables which portrays a significant task in influencing the pattern of organisational monetary performance, like age of firm, tangibility of assets, size of firm, liquidity position, growth of sales, investment opportunities, GDP of country, corporate tax, interest rate etc.

Long-term Debt. The final outcomes of mainstream studies are not in line with popular agency cost theory bestowed by Jensen and Meckling in their article in 1976. The present study depicts negative impression of long-term debt on profitability of the concern which is in line with many studies like Abor (2007) – Ghana & South Africa, Dawar (2014) – India, Ahmed and Afza (2019) – Pakistan, Mardones and Cuneo (2019), Ali and Faisal (2020) – Saudi Arabia. But Forte and Tavares (2019) – Europe, Dinh and Pham (2020) – Vietnam and Ayange et. Al. (2021) – Nigeria showed positive link of LTD with profitability of firms. Das et. Al. (2021) – Bangladesh, Jian Xu et.s al. (2021) – China found no relevant association between debt and profitability. The outcomes of the ongoing research complement Myers and Majluf's (1984) "pecking order" theory, which claims that debt has a negative and significant influence on an organization's financial health.

Short-term Debt. Debt in short run depicts a mixed influence, positive as well as negative, on monetary performance of the firm. Some of the studies found to have positive impression of debt on profitability which is in line with the results of Forte and Tavares (2019) – Europe, Mardones and Cuneo (2019), Ayange et.al., (2021) – Nigeria. It is comparatively easy to raise a fund for short time span, thus it will creates cash holdings with the

firm to meet its short term obligations. But many studies support the idea that debt has a negative influence on firm's profitability and it is evidenced by Ahmed and Afza (2019) – Pakistan, Ali and Faisal (2020) – Saudi Arabia, Jian Xu et. al. (2021) – China. It is expensive to raise a STD as it carries high interest rate with them. This might be the reason of negatively influencing the performance of the firm. But a study of Abor (2007) – Ghana & South Africa claimed that influence of short term debt has mixed signals and it definitely affects the performance of the concern.

Total Debt. Most of the previous studies concluded that total debt has negative influence on fiscal performance of the firm and support the concept of pecking theory. This is inlined with the outcomes of Abor (2007) – Ghana & South Africa, Khasawneh and Dasouqi (2016) – Jordan, Ahmed and Afza (2019) – Pakistan, Mehmood et. al. (2019) – India, Pakistan, Bangladesh, Sri Lanka, Mishra and Dasgupta (2019), Jian Xu et. al. (2021) – China, Kalash (2021) – Turkey. While certain investigations, such as Forte and Tavares (2019) – Europe, Davydov (2016) – BRIC, reinforce the ideology of agency cost theory. Das et. Al. (2021) – Bangladesh detected no link between total debt and the performance of quoted corporations. As majority of the study reveals a negative association of debt with firm performance, the reason might be the long term burden of paying huge interest and principal amount. And in case of any fluctuation in profit, it becomes difficult for an organisation to pay off its dues which directly affects its financial position.

Debt-Equity Ratio. Just like debt to asset ratio, debt-equity ratio also depicts negative association with financial performance of companies. It conveys that firms are not able to generate enough revenue to fulfil its requirements of paying debt and its interest amount. It is evidenced by Hoang et. al. (2019) – Vietnam, Mishra and Dasgupta (2019), Pham and Nguyen (2019) – Vietnam, Ayange et.al., (2021) – Nigeria. This ideology is in opposition with the findings of Dinh and Pham (2020) – Vietnam, Tripathy and Shaik (2020) – India. Also there is a study of Pandey and Sahu (2019) from India in which it is discovered that debt has insignificant linkage with fiscal performance of corporations.

Age of the firm. Many authors use firm's age as control variable in their studies. Age of any firm can be computed by counting total number of years since its foundation year. As per the result of most studies, age has a significant but negative impression on financial performance of organisation. Novel firms are more capable in adopting the fluctuating behaviour of market and react timely. Therefore new organisations are very much capable than existing ones in fabricating more income and ultimately enhance the profitability of the concern (Dawar, 2014 – India). It is supported by the results of Mehmood et. Al. (2019)- India, Pakistan, Bangladesh, SriLanka and Dawar (2014)- India. But this result is in contrast with the study of Ahmad and Afza (2019)- Pakistan and Boshank (2022) – Saudi Arabia, who depicts a positive association between age and monetary performance of firms. Pandey and Sahu (2019)- India shows a mixed result of age on profitability of the corporate.

Study		Debt Variables					Control Variables				
		Long-term Debt	Short-term Debt	Total Debt	Capital Gearing Ratio	Debt to equity	Firm Age	Firm size	Growth	Tangibility	Liquidity
Abor (2007) Ghana & South Africa	ROA	+	mixed	-				-	No sig.		
	GPM	-	-	-				+	+		
	Tobin's Q	-	+	-				+	+		
Phillips & Sipahioglu (2007) UK	ROA				No Sig.						
	ROE				No Sig.						
Dawar (2014) India	ROA	-	-				-	+	No sig.	+	+
	ROE	-	-				-	+	No sig.	+	+
Davydov (2016) BRIC	ROA			+				+	+		-
	Tobin's Q			-				-	-		+
Khasawneh & Dasouqi (2016) – Jordan	ROA			-				-		-	
	ROE			-				-		-	
Ahmed & Afza (2019) Pakistan	ROA	-	-	-			+	+	+		+
	ROE	-	-	-			+	+	+		+
	Tobin's Q	+	+	+			+	+	+		+
Forte & Tavares (2019) Europe	ROA	+	+	+				-	+		
	ROE	+	+	+				-	+		
Hoang et. al. (2019) Vietnam	ROA					-		+	+		
	ROE					-		+	+		
	ROS					-		-	+		
Mardones & Cuneo (2019)	ROA	-	+					+	+		No sig
	ROE	+	+					+	+		No sig
	Tobin's Q	-	-					+	+		No sig
Mehmood et. al. (2019) India, Pakistan, Bangladesh, Sri Lanka	ROA			-			-	-	+		
	ROE			-			-	No sig.	+		
	Tobin's Q			+			-	+	+		
Mishra & Dasgupta (2019)	ROA			-		-		-	+		
	ROE			-		-		-	+		
Pandey & Sahu (2019) India	ROE					-	-	-			No sig.
	AUR					No sig.	+	-			-
Pham & Nguyen (2019) Vietnam	ROA					-		+			
	ROE					-		+			

Ali & Faisal (2020) Saudi Arabia	ROA	-	-								
	ROE	+	-								
	GPR	-	+								
	CR	-	-								
Dinh & Pham (2020) Vietnam	ROE	+		+		+		+	+		
NGO et. al. (2020)	EBIT			-				+	+	No sig.	
Ramli et al., (2020) Malaysia	ROA	+						+		-	
	ROE	+						+		-	
	ROIC	+						+		-	
Tripathy & Shaik (2020) India	EBIT					+			+	+	+
Das et al., (2021) Bangladesh	ROA	No sig.		-				+		No sig.	
	ROE	-		No sig.				+		No sig.	
Jian et al. (2021) China	ROA	No sig.	-	-				+	+	No sig.	No sig.
	ROE	No sig.	-	-				+	+	No sig.	No sig.
Ayange et al., (2021) Nigeria	ROA	-	+	-		-		+			
	ROE	+	+	+		-		+			
	Tobin's Q	+	+	-		+		+			
Kalash, (2021) Turkey	ROA			-				+	+	-	
	ROE			-				+	+	-	
Boshank, (2022)	ROA	-	-	-		-	+	+	+	Mixed	Mixed
	ROE	-	-	-		-	+	+	+	Mixed	Mixed
	Tobin's Q	-	-	-		-	+	+	+	Mixed	Mixed

Size of firm. The size of a company indicates its total assets, sales, or market capitalization of the concern. Size has a favourable and significant efficacy on the financial success (ROA, ROE, ROIC, GPM etc.) of the organisation. Large firms are proficient in grabbing market opportunities more efficiently and can enjoy the benefits of economies to scale (Dawar, 2014). This is in line with the outcomes of Ahmad and Afza (2019)-Pakistan, Mardones and Cuneo (2019), Pham and Nguyen (2019) – Vietnam, Dinh and Pham (2020) – Vietnam, Das et. Al. (2021) – Bangladesh, Jian Xu et. al. (2021) – China, Ayange et. Al. (2021) – Nigeria. But there are some studies representing contradictory outputs and convey a negative association of firm size with debt. It includes, Khasawneh and Dasouqi (2016) – Jordan, Forte and Tavares (2019) – Europe, Mishra and Dasgupta (2019), Pandey and Sahu (2019) – India. Also there are literatures showing mixed impact (positive & negative) of size on profitability like, Abor (2007) – Ghana & South Africa, Davydov (2016) – BRIC, Hoang et. al. (2019) – Vietnam. Mehmood et. al. (2019) – India, Pakistan, Bangladesh, Sri Lanka depicted insignificant impact of size on ROE factor.

Growth of the firm. A growing firm is one which can earn a significant positive cash flow with profitable reinvestment opportunities. Firms having growth opportunities tend to have positive association with its profitability because it facilitates the firm to fabricate high profit with its investments. This upshot is assisted by previous literatures which include Davydov (2016) – BRIC, Ahmed and Afza (2019) – Pakistan, Forte and Tavares (2019) – Europe, Hoang et. al. (2019) – Vietnam, Mardones and Cuneo (2019), Mehmood et. al. (2019) – India, Pakistan, Bangladesh, Sri Lanka, Mishra and Dasgupta (2019), Dinh and Pham (2020) – Vietnam, Jian Xu et. al. (2021) – China, Boshank (2022) – Saudi Arabia. Outcomes of Dawar (2014) – India is totally opposite to these existing literatures which said that growth opportunities have no significant impression on financial performance of the enterprises.

Tangibility of assets. Tangibility is directly associated with fixed assets of the firm. This study portrays that investment in fixed assets is not that much profitable because they are not able to create as much revenue as what they cost. Thus it negatively affect the monetary performance of the firm. This ideology is endorsed with the research of Khasawneh and Dasouqi (2016) – Jordan, Ramli et. al. (2020) – Malaysia, Kalash (2021) – Turkey. However, Dawar (2014) – India and Tripathy and Shaik (2020) – India evidenced that tangibility is positively related with profitability provided that tangible or fixed assets works as a good collateral security and able to solve agency collision among creditors and shareholders. NGO et. al. (2020), Das et. Al. (2021) – Bangladesh, Jian Xu et. al. (2021) – China discovered that tangibility of assets have no significant link with monetary performance.

Liquidity. The preponderance of the study's findings indicate that a firm's liquidity has a favourable and significant impression on monetary performance of the concern which means firms are able to meet its short-run obligations on time and it depicts the efficiency level of working capital managemernt. It is supported by the upshots of previous related literatures of Dawar (2014) – India, Ahmed and Afza (2019) – Pakistan, Tripathy and Shaik (2020) – India. However, the efficacy of liquidity on company performance was found to be varied in the study of Davydov (2016) – BRIC. Insignificant association, between liquidity and the fiscal performance of the organisation, was discovered by Mardones and Cuneo (2019) & Jian Xu et. al. (2021) – China in their related literatures.

Also, there are other factors or ratios which can be used to gauge the debt proportion of the company like capital gearing ratio, debt to capital employed etc. Phillips and Sipahioglu (2007) – UK used capital gearing ratio to portray the debt part of capital structure and disclosed that debt has no significant relation with profitability of the concern. Apart from age, tangibility of assets, liquidity, growth rate and size, there are some other variables like, corporate tax, GDP of country, ownership structure, interest rate etc. which were used as control variable in past researches. Khasawneh and Dasouqi (2016) – Jordan & Tripathy and Shaik (2020) – India depicted positive relation between GDP and financial performance of corporate while Jian Xu et. al. (2021) – China explained insignificant association of GDP with corporate performance. Ownership structure has a significant relation with monetary performance of the company and this is in line with the findings of Mardones and Cuneo (2019) which portray significant positive relation and Pham and Nguyen (2019) from Vietnam revealed negative link of ownership structure with firm performance. Davydov (2016) – BRIC exposed positive and significant relation of interest rate with fiscal performance of the concern.

V. Conclusion

This study was entirely based on the findings of previously published articles and those articles were taken as pillars for theoretical and empirical verification of the concept. The main motive of this study is to investigate the influence of debt financing on financial or monetary performance of the companies. This study involves the previous literatures based on this topic and their finding & conclusions were used to reach on final destination or

to reach the objective. Web of Science and SCOPUS were taken as database to elevate the data and a set of 1456 documents were chosen. After enforcing certain filters on the basis of document type, language, removing duplicates and subject area, a set of 862 articles was involved. 775 documents were rejected on the basis of their title and abstract and 56 were excluded on the root of not availability of full access and unfeasibility of articles. At last 31 articles were chosen as per the objective of the study. A thorough and systematic review analysis was conducted on selected articles and discovered that debt financing portrays a significant impact on monetary performance of the company. Also it was evidenced that portion of debt in a firm's capital structure was representing with the variables like, long-term debt, short-term debt, total debt, debt-equity ratio, capital gearing ratio etc. Along with this Age of firm, growth opportunities, liquidity, tangibility of assets, size of firm, corporate tax etc. were occupied as control variables affecting the financial performance of the concern. To gauge the financial performance ROA, ROE, ROCE, ROIC, GPM, Tobin's Q, EBIT to sales, ROS were considered. All these indicators were considered as a proxy of profitability and used as the same in the study. Long-term debt depicts a significant negative impact on firm's monetary performance which depicts that organisations in long-run are not able to handle their obligations efficiently. Short-term debt found to have mixed impression on performance of the concern and believed that efficacy of such debt depends upon the ability & efficiency of management to perform the business operations. Total debt is one of the major aspects of representing debt portion and it has been concluded that it has a negative influence on monetary performance of the concern which is in line with the final upshot of "pecking-order" theory. Majority of studies concluded that debt-equity ratio has a significant and negative influence on performance indicators. Apart from debt portion, past studies involved control variables and their mediating effect on corporate functioning. Aging companies have a significant but negative impression on financial performance of organisation because novel firms are more capable in adopting the fluctuating behaviour of market and react timely. That's why they are more competent than existing firms in generating revenue and ultimately enhance the profitability of the concern. Giant sized firms are proficient in grabbing market opportunities more efficiently and can enjoy the benefits of economies to scale. Thus, findings of majority of studies evidenced that firm size has a positive impression on financial performance of the concern. Growth and investment opportunities were taken jointly as growth opportunities. Firms having growth opportunities tend to have positive association with its profitability because it facilitates the firm to fabricate high profit with its investments. Firm's liquidity shows a positive and significant impression on monetary performance of the concern which means firms are able to meet its short-run obligations on time and it depicts the efficiency level of working capital management. Investment in fixed/tangible assets is not that much profitable because they are not able to create as much revenue as what they cost. Thus, it negatively affects the monetary performance of the firm. Thus, it can be concluded that there are various factors other than debt which can influence the financial performance of the concern. Overall debt indicators displayed a negative efficacy on monetary performance of organisations which supports the results of pecking-order theory. Long-term debt, total debt, debt-equity ratio has significant but negative impact on firm performance whereas short-term debt has mixed effect on performance indicators. Capital gearing ratio found to have insignificant relation with company's performance. Size, growth and liquidity portray a positive impression while age and tangibility have negative efficacy on monetary performance of the concern. The present study provides a base for further research in this field, as it covers the whole time span available in database. An attempt has been made to cover all the relevant studies under selected databases. The main implications of the study are for researchers and policymakers who can use this study as a base to explore other related researchable areas. In an organisation, a policy-maker can apply the outcomes of the study at the time of making policy regarding debt financing. Further this study will also provide aid in understanding the literature gap concerning the topic. But there's limitation of this study that it is entirely based on the findings of previous literatures and for analysis no statistical tool was applied. Statistical tools are believed to supply quite more accurate results. Also, it includes only two databases, SCOPUS and Web of Science, but for future perspective more databases can be added to get wider view and reliable results.

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