An evaluation of capital expenditure financing on the operations of private hospitals: A case of Suburban Medical Centre

MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

AN ANALYSIS OF CAPITAL EXPENDITURE FINANCING ON THE OPERATIONS OF PRIVATE HOSPITALS (A CASE OF SUBURBAN MEDICAL CENTRE)

By

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This dissertation is submitted in partial fulfillment of the requirements for the Bachelor of Commerce Honours Degree in Accounting offered by the Midlands State University.

Gweru, Zimbabwe
An evaluation of capital expenditure financing on the operations of private hospitals: A case of Suburban Medical Centre

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I dedicate this project to my mother Elizabeth Kanazache, my father Cephas Kanazache and to God the Almighty who saw me through this project.
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I would like to thank God the Almighty for His abundant grace that he bestowed on me throughout my study years as well as in this project.

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ABSTRACT

The Zimbabwe Private Healthcare sector has been under capital distress and the researcher’s interest in the under invested sector of the economy prompted this research. The research focused on analyzing capital expenditure financing techniques on the operations of private hospitals (a case study of Suburban Medical Centre). Suburban Medical Centre has been experiencing shortages of funds to finance the acquisition of medical equipment thus the hospital is operating with obsolete and inadequate medical equipment. This has led to outsourcing of some procedures which require complex equipment and this has led to a decline in the reported revenue between the years 2012-2014. Literature from journals, text books and other publications was used for this study. Descriptive research design was used and both questionnaires and interviews were implemented so as not to confine respondents to a set of answers given on a questionnaire. The data was presented on tables, graphs and pie charts. It was highlighted in the research that financing challenges being faced are as a result of the inability to access debt, prevailing economic situation and the nature of the industry. The research outlined the following best practices for financing capital expenditure; leasing, bank loans, mortgage and the use of retained earnings. A summary, recommendations and conclusion were made and the researcher suggested areas for further study.
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CHAPTER 1

INTRODUCTION

1.0 Introduction
This chapter covers background to the study, statement of the problem, hypothesis, main research questions, objectives of the study, delimitations, limitations, significance of the study, definitions of terms and the chapter conclusion.

1.1 Background to the study
Financing for expenditure on capital equipment is a challenge for Zimbabwean private hospitals because of the capital distress currently being faced in the sector. The country has had to rely on surrounding countries like South Africa for procedures requiring expensive equipment. According to Chikanda (2011) a survey on health professionals in Zimbabwe indicated that lack of medical equipment is the most commonly cited deficiency in health institutes. The health professionals indicated that equipment has always been in short supply but concern is on the magnitude of the shortage. The aim of this research is to look into the capital distress being faced by health service providers in Zimbabwe and evaluate the effectiveness of capital financing methods available to mitigating the problem.

Suburban Medical Centre is a private hospital operating in Harare. The 2014 asset register for the hospital indicated that equipment operating in the casualty and maternity departments had outlived its useful life. This has impacted negatively on the annual revenue resulting in significant drops. The SMC revenue report for periods ending 2012, 2013 and 2014 indicated sales values of $1 965 000, $1 895 000 and $1 524 000 respectively. As read in the 2014 finance report, MrMasarirevhu, the Finance Manager expressed concern on the revenue figures and noted some significant drops in the maternity department as some delivery beds were in a bad condition. The department was operating on one bed instead of four beds, limiting the number of bookings to meet the available resources.

A comparison of the capital expenditure budgets prepared for 2012, 2013 and 2014 with the actual expenditure incurred shows a deficiency in the equipment needed for smooth operations of
the hospital. The expenditure for the 3 years was funded from proceeds from collections. This has an immediate effect on the organization’s cash reserves, leading to the depletions of cash to finance operating activities. Table 1,1 below shows the budgeted CAPEX figures, the amounts raised to finance the expenditure and the variances thereof.

Table 1,1 : SMC Capital Expenditure Budget

<table>
<thead>
<tr>
<th></th>
<th>2012 ($)</th>
<th>2013 ($)</th>
<th>2014 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditure</td>
<td>280 000</td>
<td>350 000</td>
<td>300 000</td>
</tr>
<tr>
<td>Budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual Amount Raised</td>
<td>215 400</td>
<td>175 000</td>
<td>100 000</td>
</tr>
<tr>
<td>Variance</td>
<td>(64 600)</td>
<td>(175 000)</td>
<td>(200 000)</td>
</tr>
</tbody>
</table>

Source: SMC Revenue Report

The variances in the capital expenditure budget show that equipment which was supposed to be acquired by the hospital was not been acquired and thus there are shortages of equipment or obsolete equipment is being used. The Radiographer confirmed this fact as noted in the management meeting minutes (30/09/14) as she indicated that clients despise the existing 2D scan machine results and prefer the new 4D scan results. The Matron in the management meeting minutes (09/10/14) advised that the theatre was operating below capacity due to equipment shortages.

Commenting on the results of the CAPEX budget of 2014 and the prior years the Managing Director Mr Mangundahin the minutes of a meeting (27/11/14) expressed discontent on the magnitude of the variances. He indicated that the budgeted figures could not be met because of lack of financing.

1.2 Statement of the problem

Suburban Medical Centre has been experiencing shortages of funds to finance the acquisition of medical equipment. This has been evidenced by the continual decreases in revenue and profits in the 2012, 2013 and 2014 trading periods. Revenue is diminishing consequent to affected operations by the unavailability of equipment which results in the hospital having to outsource other services especially those involving complex procedures. Profit figures are also dropping because of the use of obsolete medical equipment which is condemned by most patients who
prefer modern equipment which gives them more accurate medical results. There is therefore need for a research to be carried out to address the financing gap that exists in private hospitals.

1.3 Main Research Question

An evaluation of capital expenditure financing on the operations of private hospitals- A case of Suburban Medical Centre.

1.4 Sub Research Questions

i. What is the financing policy for private hospitals?
ii. What financing policy guidelines are in place?
iii. What personnel capabilities are in place in financing policy implementation?
iv. What financing challenges are being encountered?
v. What controls are in place over financing capital expenditure?
vi. What best practices can be adopted to address the financing gap?

1.5 Research Objectives

i. To establish the financing policy for private hospitals.
ii. To establish financing policy guidelines in place.
iii. To establish personnel capabilities which are in place in financing policy implementation.
iv. To determine financing challenges being faced by private hospitals.
v. To assess controls put in place over financing capital expenditure.
vi. To establish the best practice for capital expenditure financing.

1.6 Significance of the study

• To the Student

The research is in partial fulfillment of the requirements of the Bachelor of Accounting Honours Degree at Midlands State University. It will enable the researcher to have a deeper understanding in the area of research.

• To the University

The study will assist the university by providing literature for use by other students.
To The Organisation

The research will assist the organization by making recommendations for adoption.

1.7 Delimitation of the study

The investigation is restricted to Suburban Medical Centre in Harare, Zimbabwe.

Research is mainly focused on the accounting department as well as the management of the hospital.

The research will cover accounting periods of 2012, 2013 and 2014.

1.8 Limitations of the study

Financial constraints

Conducting a research comes with a number of expenses which include stationery costs, transport costs to meet with the supervisor as well as transport costs to SMC to get information. My family stepped in and I was able to cover my research expenses.

Confidentiality

Respondents may fail to provide certain information important for the research because of confidentiality. They may also give censored information which may lack important information for the study. The researcher used triangulation in order to increase the accuracy of data collected.

Time Constraints

The research is being carried on while lectures are taking place thus time is divided so as to balance the two. The research was conducted during the late hours of the day as lectures finished by midday.

1.9 Definition of terms and acronyms

- SMC: Suburban Medical Center
- SMEs: Small to Medium Enterprises
- The term ‘health service providers, will imply Private hospitals in this research.
Summary
This chapter presented the introduction, background to the study, statement of the problem, main research question, research objectives, sub-research questions, significance of the study, delimitation of the study, limitations of the study and definition of terms. The next chapter which is chapter 2 is on literature review.
CHAPTER 2

LITERATURE REVIEW

2.0 Introduction
This chapter aims to examine what other researchers argue regarding capital expenditure financing on the operations of private hospitals. It establishes the financing policy for private hospitals, the policy guidelines and recommends on the best practice that can be adopted to address the financing gap.

2.1 Private Hospitals Financing Policy
Medical care expenditures have significantly increased with countries experiencing an annual increase in per capita health care costs of 3.5% (Paolucci, 2011). Paolucci (2011) further indicated that increases in healthcare costs are mainly caused by medical technology. Technology investments in hospitals play a vital role due to the long term impact on the organization’s finances (Wernzel et al., 2014). McNeill (2010) indicates that this investing activity requires an intensive quantitative work effort by the investment committee. This would result in a more vibrant investment policy process that will match risks and liquidity considerations with returns in making asset allocation and spending decisions. Asset financing therefore demands the adoption of a policy that enables the capitalization process that does not strain the operations of the business.

According to Ile and Garr (2011) policies are used to solve a problem, to rectify a subject, to fulfill certain needs or to advance on the service delivery or management and should be properly documented. Materne (2008) defines a policy as a strategic plan to direct decisions and actions determined by a set of preferences and choices. A policy structure thus impacts the regularity of a smooth flow of acquisition assets, maintenance and disposal process. In order for a firm to achieve an efficient financing policy, it needs to be aware of the alternative sources of financing. There are internal and external sources of finances.
2.1.1 Internal Financing

According to Damodaran (2010) sources of internal finance show the cash generated by existing assets and the day to day operations of the entity.

**Retained earnings**

Over the long term, private sector companies can finance their operations through the use of retained earnings. According to Inyiama (2014) retained earnings is the share of net revenue of an organization that is held in reserve by the organization instead of being distributed to equity holders as dividends. This is an internal source of finance and should be less costly than raising funds by issuing shares or debt (Mallick and Yang 2011).

Profitable organizations prefer to use retained earnings as a source of finance. This is due to the fact that funds are available when needed, the organization does not have to disclose information to outsiders and accountability is managed through normal board oversight (Ryan 2001).

However, according to Yetman (2010) the use of retained earnings which can also be termed as ‘free cash’ results in an opportunity cost if the entity does not allocate funds to its best use or if more profitable projects arise in the future.

2.1.2 External Financing

According to Watson and Head (2007) the need to use external sources of finance emanates from the limited cash flow from the business operations. As a result, there is need to consider external sources to raise funds for investment projects. External sources of financing are divided to debt and equity financing. The European Central Bank (2009) indicates that debt financing is more dominant than equity financing. This is because financial institutions, inherent to the risk management policy, first ascertain the financial position of the organization and monitors the implementation of the financial projects. For this reason, finance managers consider equity finance as the last option to choose, believing that the company is unable to obtain money from other sources, intending that the investment is risky and the company has reached its affordable level of indebtedness (Mikocziova; 2010).
2.1.3 Debt Financing

In private hospitals in Zimbabwe, debt financing presents the use of bank loans, mortgages, and leases.

**Loan Finance or Overdraft Facility**

According to Bradley (2009), loan financing is when a company borrows funds from a finance institution, usually banks, and is repaid over a predetermined period of time together with an interest charge. Bank loans are usually used to finance capital expenditure and daily operations by an overdraft facility. Dlabay and Burrow (2007) indicated that it offers a favourable financing structure and also helps in liquidity challenges. Dlabay and Burrow (2007) further point out that financing capital expenditure with a bank overdraft results in a reasonable interest expense as the interest is only paid when the facility is being used. According to Rothberg (2010), borrowing money instead of buying assets outright liberates working capital that can be used for other operations of the entity.

**Mortgage**

A mortgage is a debt instrument that is secured using collateral of an identified property and the entity is expected to pay back in the form of predetermined series of payments. When financing investments is done over a period of more than ten years, a cheap way would be to use a mortgage loan rather than a bank loan. A mortgage loan allows a company to borrow up to a determined specific percentage of the property's value, for example 50%. According to Dlabay and Burrow (2007), the use of a mortgage loan is not recommended for projects of not more than 10 years.

**Leasing**

According to IAS 17, “A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time”. A lease can be described as a long-term rental to a single client. According to Watson and Head (2007), the lessee is the company hiring the asset and the lessor is the company owing the asset. Fletcher et al. (2005) defines a lease as an agreement between two parties and one party which the
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lessor provides an asset for usage to another party which is the lessee for a pre-determined period of time in return for a payment or a set of payments. Eisfeldt commented on this fact and indicated that the unavailability of resources to acquire non-current assets ceases to be a barrier. According to Higson (2003) leasing characteristics which involves a series of small payments over time enables small to medium enterprises to overcome capital impediments as opposed to using large capital outlay. Using a lease as a financing tool is favorable because ownership is separated from use over the useful life of the leased asset.

According to Black Sea Trade and Development Bank (2010) there are two types of leases, and they are discussed below.

**Operational Lease**

Trade and development bank (2010) defines this type of lease as short-term leases which can be cancelled during the lease term; this is optional to the lessee. King (2009) views operational leases as substitutes to the purchase of non-current assets as supported by Yan (2006). Firms find it economic to lease other than procuring capital equipment since at times the total cost inherent to ownership of the equipment is significantly above that of the rate the entity gets from the lessor.

**Finance Lease**

According to IAS 17 “A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred”. Using a finance lease can serve as a borrowing alternative as engaging in a lease contract is as if the lessee has borrowed funds (Kothari, 2006). Sotomayer et al (2008) however points out the difference between finance leasing and acquiring a non-current asset under a bank loan indicating the substance over form concept that the lessee gets the right to use the asset but ownership is retained by the lessor until the asset is sold to the lessee.

Kothari (2006) indicates that finance leases can play a vital role in project financing in organisations. Projects which can adopt the use of a finance lease include the construction of industrial plants, aircrafts or trucks. The trade and development bank (2010) added that
differences on the type of leases used could be dependent on the number of investors who offer the lease financing services.

Knubley (2010) points out that single investor leasing is one distinction by a number of investors in which the lessor funds from its current resources the acquisition of the leased asset. According to Pacheco and Pinto (2014) a single investor lease is a dual transaction under which the lessor acquires the leased equipment with its own funds. Knubley (2010) highlighted that multiple investor leasing is principally used for the high value equipment, and involves the lessor raising funds necessary to purchase the equipment from other investors.

2.2 Financing Policy Guidelines

2.2.1 Profitability of the entity

According to Mullick and Yang (2011) internal sources of finance are less costly than external sources thus firms having a greater proportion of internal funds will have better performance. According to Frank and Goyal (2009) profitable entities face a low expected cost of financial difficulties and to them, interest tax gains are of greater importance. Therefore, according to Nyamita et al (2014) the idea of tax bankruptcy costs entails that those entities making profits should make use of more debt.

However, Deesomsak et al in Nyamita et al (2014) argued that there should be an inverse relationship between profitability and debt financing levels as finance managers’ favour internal financing due to the information asymmetry between management and external investors. Thus Nyamita et al (2014) concludes that profitable entities prefer to raise internal finance to avoid prospective dilution of ownership and additional external monitoring. On the other hand, less profitable firms are likely to use debt or equity financing rather than internal finance due to lack of internal funds (Singh 2013).
2.2.2 Size of the entity

According to Kayo and Kimura (2011) the size of the organization can influence the entity’s financing decision. According to Kraemer and Lang (2012) Small to Medium Enterprises highly depend on internal sources of finance. The duo added that SMEs also use external sources of finance for example bank loans, leasing and trade credits though they have difficulties in accessing funds. According to Oxford Economics (2011) SMEs have a variety of reasons for using lease financing. The variation emanates from the difference in size classes of SMEs. According to Kraemer and Lang (2012) medium sized enterprises lease because of price considerations, better cash flow management and there is no need for them to provide collateral. For micro entities, they lease because of tax benefits as well as price considerations.

According to Nyamita (2014) the size of the entity should have a positive impact on the debt financing level. Titman and Wessels (2012) indicated that it is so because large firms are more diversified. According to Byoun (2010) larger companies are likely to be more transparent and likely to have larger debt levels as they can issue larger debt amounts, as a result permitting them to spread the issuing expenses.

2.2.3 Asset Structure of the entity

According to Alipour et al (2015) non-current assets are usually those acquired through debt and are regarded as a fall back for creditors at the time of liquidation. Byoun (2010) believes that entities operating with more tangible assets have a higher debt access capacity. Kayo and Kimura (2011) postulates that the tangibility of assets plays a vital role on debt financing choices as the collateral capacity of the capital equipment presently available is likely to raise the levels of debt financing. Alipour et al (2015) supports this idea and suggests that an entity with more tangible assets needs to be in possession of more collateral assets to service debt if the company goes bankrupt and thus has a greater capability to attract debt. This means than companies which are not in a position to provide collaterals are prone to pay higher interest, or may end up issuing equity instead of debt finance, and thus a positive relationship exists between tangibility of assets and debt financing.
However, according to Majumdar (2012) asset tangibility can discourage debt financing. This is because a greater proportion of tangible assets in the asset portfolio of an entity should decrease supply side constraints.

### 2.2.4 Growth Opportunities

The growth of a corporation will raise the costs of financial distress; lessen free cash flow problems, which the managers of companies are inclined to protect, hence worsening debt financing related agency problems (Frank and Goyal 2009). Titman and Wessel (2012) added that costs related with the agency relationship are expected to be higher for entities in growing industries for example Zimbabwe’s Healthcare Industry which has more flexibility in their choice of future investments. According to Alipour et al (2015) firms with the opportunity of significant growth may not issue debt to start with, and leverage is anticipated to be negatively related with growth opportunities.

From a different perspective, Nyamita et al (2014) suggests that growing corporations usually use internal sources of finance or equity capital. Nyamita et al also indicted that entities with high growth and whose worth is from intangible growth opportunities usually do not desire to obligate themselves to debt repayments as the revenue may not be accessible when required.

However, a corporation’s growth can have a positive relationship with leverage as postulated by the pecking order presumption (Kayo and Kimura 2011). According to Frank and Goyal (2009) the pecking order theory suggests that companies with more investments, with constant profitability should accrue more debt overtime. Thus, according to Nyamita et al growth opportunities and debt funding have a positive relationship as with the pecking order theory.

### 2.2.5 Risk

According to Alipour (2015) a company which is highly unpredictable and has unstable earnings is more likely to go bankrupt and thus has low credit worthiness for debt. Higher profitability of bankruptcy entails high bankruptcy costs hence the trade-off hypothesis suggests that there is a negative relationship between risk and debt financing (Kayo and Kimura (2011). On the other hand, as suggested by Titman and Wessels (2012) larger entities are usually more diversified and
have a stable and reliable cash flow and thus the likelihood of bankruptcy of large entities is smaller than of smaller firms.

The above financing policy guidelines show that there is no one financing policy for all corporations. An entity will use a financing policy that best suits its nature and operations.

2.3 Personnel Capabilities In Place In Financing Policy Implementation

Successful policy implementation does not leave room for accidental consequences that may deny the corporation the merits of a new policy and thus personnel should act as a team to ensure success (Australian National Audit Office 2014). They indicated that in successful policy implementation, strong and ongoing leadership is of paramount importance.

2.3.1 Inclusive approach

Crucial capabilities and prerequisites for implementation to be successful involve the comprehensive approach to stuff, strong processes, the effective and efficient use of resources and the consideration of implementation at every stage of policy development. Several individual employees are involved and thus it is important to establish vibrant governance and accountability arrangements therefore every member has to be clear on what they are supposed to do and who is in charge. The inclusive approach also calls for employee engagement which is defined by Shack and Wollard (2010) as the intellectual, emotional and interactive energy that personnel exert towards favourable organizational outcomes. The level of personnel engagement in implementation of work policies is associated with their performance (Shuck and Rocco 2010).

2.3.2 Human Resources

Sound policies and adequate human resources are necessary for policy implementation by personnel as mentioned above. According to Khawaja (2013) a sound policy should encompass the gathering and use of effective and dependable information which was made use of in the preparation and must be planned centered around realistic assumptions, bearing in mind all ground realities. Human resources are absolutely necessary for policy implementation. The personnel must be properly trained, possessing necessary qualifications and relevant experience (Khawaja 2013).
2.3.3 Risk Management

Management risk identification is not a ‘one-off’ exercise but a key critical element that is essential at all the stages of the development and implementation of the policy. The benefit of adequate focus on risks at this stage is that it gives an enhanced basis for implementation when the initiative is rolled out. If risks in the implementation are not identified on timely basis, then those taking part in the implementation are most probably going to be in a process of catch-up as unanticipated problems arise.

When policies are implemented, there is need for ongoing management for them to be successful, and this includes measurement, examination, making use of feedback and objections, evaluation and appraisal, and calibration and regulation. Senior responsible officers must put in place monitoring and reporting arrangements adequate to provide assurance to the company’s senior leaders on progress in implementation. Reporting should reduce the possibility of duplication and gaps in information.

2.3.4 Role of Leadership

According to Sapru (2011) leadership is a principal element in policy implementation, mainly in terms of its ability to change the important inputs in the implementation. The leaders focus on facilitating the implementation process, resolving problems arising during implementation and the motivational and behavioral aspects to make sure that there is commitment to achieve anticipated policy goals.

2.4 Financing Challenges Being Faced By Private Hospitals.

According to the Medical Credit Fund of Africa (2012) health SMEs comprise of the majority of private healthcare providers and they are the sector of the private healthcare market that is greatly underfunded. Damodaran (2010) added that investors or banks have a little knowledge of the detailed features of the private healthcare sector. Revenue streams are unreliable because of the high dependency on funds from operations, which could distress the business case of private care providers.

In some cases, private healthcare providers’ administrative capacity is poor and lacks a credit history. In other instances, no clear medical standards and measurement of medical quality is in place (Mallick et al 2011). Therefore no information exists on medical performance; private
healthcare provider institutes cannot be compared and the influence of investors in health provision becomes impossible to monitor and measure. Unavailability of investment capital hinders private hospitals from investing in their facilities; they encounter problems expanding their businesses, improving their medical equipment and departments (Mallick et al 2011).

2.5 Controls In Place Over Financing Expenditure.

2.5.1 Dividend Policy
Dividend policy refers to the firm’s decision whether to plough back earnings as retained earnings or issue out the earnings as dividends to shareholders. If the firm decides to make a payout to shareholders the firm has to decide how to pay back the shareholders. According to Black (2010) dividend policy is the practice that management follows in making dividend issue decisions or the size and pattern of cash distributed over time to shareholders. According to Michael (2011) the firm has control over its payout ratio; the breakpoint of the marginal cost of capital schedule can be changed. For example as the payout ratio of the company increases, the break point between lower cost internally generated equity and newly issued is lowered.

2.5.2 Investment Policy
Jeff (2011) indicated that when coming up with investments decisions the company is making investment with the same degrees of risk. If the company decides to change its investment policy relative to its risk, the cost of debt together with cost of equity will change.

According to Putman (2009) the policy ascertains the investment objectives and aims of the plan, defines the decision making processes for choosing investments and sets out the procedure and appropriate measurement indexes which should be used in evaluating ongoing investment performance according to the specified investment objectives.

Pawel (2011) indicated that the senior management officers are the first level of control and have the important responsibility for ensuring that the program is effectively and correctly implemented.

2.5.3 Capital structure Policy
According to Saad (2010) capital structure is a combination of a company's debt (which includes long and short term) common equity and preferred equity. It is necessary on how
an entity finances its operations and growth by using various sources of funds. Krishna (2009) points out that an entity has control of its capital structure and it aims an optimal capital structure. The more the issued debt, the higher the cost of debt and the more equity is issued, the higher the cost of equity.

2.5.4 Authorization of transactions
According to McCoy (2010) it entails the review of all company transactions by a suitable person to ensure that all activities are in line with established guidelines for example granting permission to a department to disburse financial resources out of an approved budget or the review and approval of an individual transaction. Watson (2003) postulates that only authorized personnel should initiate all expenditure. The initiation of expenditure involves the authorized employee providing details related to the expenditure item. The details include the date, name of the potential supplier, name of the respective individual, equipment name, the amount involved and the signature. The finance manager will then decide if the expenditure is viable to incur.

2.5.5 Segregation of Duties
Matamande et al (2011) points out that the principle of segregation of duties obliges that if related tasks are performed by one individual, there are high chances that the person can fraudulently turn the organization’s resources to their personal resources and can also manipulate accounting records. McCoy (2010) therefore postulates that individuals must be assigned tasks and responsibilities for dissimilar components of related activities, particularly those regarding authorization, custody and recording.

2.5.6 Records and Adequate Documentation
Necessary expenditure documents should be provided when initiating expenditure transactions. Source documents must be present to ensure adequate records are kept for example pre-numbered checks, original invoices which are stamped (McCoy 2010).

2.6 The Best Practice For Capital Expenditure Financing
Capital expenditure, specifically medical equipment and technology attainment challenges are different in various regions of the world and thus there is no one-size-fits-all when comes to capital expenditure financing solutions. The researcher will thus look at what other scholars
recommend as the best practice and also evaluate what has been done in the countries with the fastest growing market economies, Brazil, Russia, India, China and South Africa.

Whittington (2015) supports the use of equity financing as he indicated that a greater proportion of equity reduces the risk to borrowers and therefore will reduce the company’s cost of borrowing. Financing projects using equity capital is favourable as there is no compulsion to pay dividends meaning that if the firm has insufficient cash it can skip equity dividends without suffering any legal consequences (Chandra 2011). The Russian Private Healthcare Sector mainly uses equity to finance equipment acquisitions as the equity capital providers feel that they get more returns if they invest more.

Private healthcare providers can use out of pocket payments from households to finance the acquisitions of medical equipment. These are described as direct payments by individuals to health service providers in return of medical services. Mathauer (2010) postulates that financing resources generated this way, and also using funds paid from insurance companies are cheap, reliable and does not affect the profitability of the entity. Brazilian income is concentrated and there are a number of high income households who have access to health insurance as a result hospitals and clinics find these financing methods useful.

An organization can also finance its project or operations by way of a lease. By leasing equipment a company can maintain its credit availability, as the lease debt does not have to be considered a direct liability on the financial statements. This is beneficial, as it does not limit the company’s ability to borrow from lending sources. Robicheaux (2008) points out that lease financing is a recognized mechanism for minimizing the agency costs of debt, postulating the idea that in firms that attempt to use an agency cost reducing debt structure. Kleinschmidt (2015) in the journal of Healthcare Leadership indicated that healthcare providers in China have decided to stop purchasing medical equipment but to lease it to enable them to pay the consideration by way of installments spread over a number of years. South Africa and India also use lease financing.
2.7 Conclusion
The literature above reveals what other authors say regarding the various capital expenditure techniques together with the results and conclusions drawn. The conclusions drawn are based on the researches conducted in the different authors’ geographical area of study as well as economic environments. The researches were conducted in developed economies and the findings may not be accurately applicable to developing countries, particularly Zimbabwe. The researcher therefore seeks to focus this dissertation on the current economic conditions in Zimbabwe in order to provide conclusions that will best match the private healthcare industry on Zimbabwe.

2.8 Summary
This chapter looked at the introduction, the financing policy guidelines in place and personnel capabilities that are in place in the implementation of the financing policy. The chapter also dealt with the financing challenges being faced by private hospitals and the assessment of controls put in place in the financing of capital expenditure and identifies the best practice for financing capital expenditure.
CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction
This chapter covers the research designs and indicates the designs that the researcher used together with the justification for choosing the designs. It also covers the population under research, the sample size, sampling techniques that are there and highlights the techniques that the researcher has adopted. Also covered in this chapter are research instruments, types of questionnaires, data types; its validity, presentation and analysis.

3.1 Research Design
Research design is a system that offers the reliable structure that guides the examination to address research issues and answer exploration questions (Salkind 2010). The researcher looked at the descriptive research design, explanatory research design and the case study research design. The researcher incorporated both quantitative and qualitative approaches of the research in the research design. On planning the research design, Myers et al (2010) postulates that numerical investigation including descriptive statistics must be planned as part of the planning process. The main objective of the research is to give a deep understanding of capital expenditure financing on the operations of an entity. The research problem thus required the use of both quantitative and qualitative methodologies. Thus, on data collection techniques, quantitative and qualitative were used in combination with analytical procedures.

Descriptive Research Design
It seeks to describe data or attributes of a population for example people, an occurrence or an event (Salkind 2010). Under this study, the researcher is going to be using samples from which statements about the population are going to be drawn (Kothari 2004). Sim and Wright (2000) argue that descriptive research involves an examination of suspected relationships among variables of interest. The duo added that descriptive research can be quantitative or qualitative but the collected data is primarily quantitative and the aim is to produce conclusions to a pool of cases wider than those incorporated in the study.
The researcher used the descriptive research as it permits the researcher to accurately describe behavior (Mitchell and Jolley 2012). Mitchell and Jolley (2012) stated that as much as descriptive research does not indicate to the researcher that one variable causes changes to another, it can suggest cause-effect hypothesis that can be tested in an experiment. The descriptive research design was used because it employs both quantitative and qualitative research methodologies.

**Explanatory Research Design**

According to Wyk (2012) explanatory research seeks to identify any casual relationships among the aspects or variables that relate to the research problem. This research design is structured in nature. Explanatory research aims at obtaining justifications of the nature of certain links present among variables. It emphasizes at identifying a problem so that an explanation of the relationships between the variables can be given (Saunders et al 2003). The researcher will make use of explanatory research as it is useful in explaining the relationship between capital expenditure financing and the operations of an entity.

**Case Study**

A case study is a research that emphasize on describing, understanding, forecasting and controlling an individual (Yin 1994). Woodside (2010) defines it as an analysis that examines a present phenomenon in relation to its real life situation, mainly when the boundaries between phenomenon and context are not clearly evident. A case study research involves the gathering and analysis of information of selected individuals or a small group of people. It is a qualitative research design and the study only focuses and draws conclusions on the target group of individuals and in the same context. A case study research examines how the individual elements in the research behave and the research will use the behavior to identify trends.

The researcher used a case study of Suburban Medical Center in the evaluation of capital expenditure financing techniques on the operations of private hospitals in Zimbabwe. A case study was used by the researcher as it clearly indicates the behavior of the target population and it allowed the researcher to study phenomena that rarely occurs. Using a case study also helped
the researcher to attain an understanding not provided by theoretical assumptions as well as experiments.

However, using a case study made it difficult for the researcher to relate cause and effect in drawing conclusions and also, it led to generalization from a single case.

3.2 Population

According to Lemeshow and Levy (2013) population is the whole set of items that the outcomes of a survey are to be withdrawn from. For the research, the researcher used a population of 26 people covering both personnel at the management level and those at the operational level of Suburban Medical Center in Harare, Zimbabwe. The focus of the study is on Suburban Medical Center only because of time and financial constraints associated with large samples. The population consists of the hospital management, departmental management, administration staff, clinical staff and matrons. The set of people was chosen by the researcher because they have a reasonable understanding of asset financing, hospital operations and how the two influence each other.

3.3 Sample Size

A sample is defined as a group of sampling units drawn from one or more frames. A sample can also be defined as a division of the population. A population is described by the data acquired from elements of the sample. The researcher will use all the elements in the population for the study. This is called a census and it involves the inclusion of all the units in the population and the collection of data from each and every unit (Singh and Sahu 2010). The census is made up of Suburban Medical Center senior management, finance staff, administration staff and clinical staff. The researcher made use of a census because there is a very small population since there are a limited number of people in the relevant departments.
Table 3.1: Sample Size

<table>
<thead>
<tr>
<th>Strata</th>
<th>Population</th>
<th>Sample Size</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>5</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td>Finance Staff</td>
<td>9</td>
<td>9</td>
<td>100%</td>
</tr>
<tr>
<td>Administration Staff</td>
<td>7</td>
<td>7</td>
<td>100%</td>
</tr>
<tr>
<td>Clinical Staff</td>
<td>5</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>26</td>
<td>100%</td>
</tr>
</tbody>
</table>

As shown in table 1, the researcher conducted a census as a 100% sample was used in all the departments.

3.4 Sampling Techniques

Sampling techniques can be classified into two broad types based on how the sample was chosen, and these are probability samples and non-probability samples (Lemeshow and Levy 2013). The researcher will look at some of the sampling techniques though they were not used in the research.

Probability Sampling

In a probability test, each part has an equivalent possibility of being chosen or has a known non-zero shot of being picked. Probability sampling enables a researcher to determine the sampling elements which belong to a certain sample and the probability that each sample will be selected. Types of probability sampling include simple random sampling, stratified sampling, cluster sampling, systematic sampling and the multistage.

Stratified sampling

It is a probability sampling technique in which the target population is grouped into segments with similar characteristics which are called strata and then a random sample is picked from each
stratum. Use of stratified random sampling provides more specific data within the sub-population about the variables that are being studied. Stratified sampling ensures that no significant group is left out.

However, using stratified random sampling requires the researcher to be able to correctly and confidently group the population to the correct strata. Also, when the sizes of the strata are different, it is difficult to derive a correct proportion.

**Simple Random Sampling**

It is a sampling technique in which every element in the population has an equal chance of being selected and each variable is selected independently of the other variables. Simple random sampling is used together with stratified sampling.

The simple random sampling technique has an advantage since it is a fair method of choosing a representative among elements as every member has an equal chance of being selected. Potential errors are minimized in the selection of elements to be included in the sample.

Simple random sampling can however give biased data if the research is of a large population. Simple random sampling requires the researcher to use it in combination with other sampling techniques to avoid bias of findings.

**Non Probability Sampling**

Non probability sampling techniques are a group of techniques that assist the researcher in choosing elements of a population that he is interested in studying. The main characteristics of these sampling methods is that a sample is selected based on the qualitative judgment of the researcher and not random selection. The researcher made use of judgmental sampling in the study.

**Judgmental sampling**

This is a non-probability sampling technique which the researcher used when coming up with the elements of the population for the study. Judgmental sampling technique saved money and time for the researcher as a sound judgment was used (Black 2010). The nature of the research
required certain individuals from the entity and so the researcher used judgment to select such
people whom the researcher deemed appropriate and they served as the primary data sources.

3.5 Types of Data
According to Kadam et al (2013) data is the basic input in a research. Data is classified as
primary and secondary data and both types are used in the study.

Primary Data
According to Hox and Boege (2010) it as data gathered for a specific research objective. Kadam
et al (2013) added that the data is collected from the research area under the control of an
investigator and is usually collected for the first time. Primary data can be obtained through
measurement, interviews, questionnaires and observations. It can be obtained from quantitative
and qualitative research methods.

Primary data was used for the study because it is specific to the needs of the researcher. Primary
data was useful for the research as the data collected from questionnaires, interviews was
specifically designed to elicit information that was to be used by the researcher. The use of
primary data for the research was cost efficient to the researcher because money was only spent
to gather the required data and no money was wasted in collecting data which was irrelevant for
the research. Primary data sources gave the researcher up to date data which may not be
available anywhere else.

Primary data is expensive to gather as the researcher incurred travelling costs to conduct
interviews and to distribute questionnaires. Time was consumed in gathering primary data as it
involved designing questionnaires, distributing them travelling, interviewing and analyzing the
collected data. Another challenge encountered by the researcher in obtaining primary data is that
it required several data collection instruments and sources and this increased pressure on the
available financial resources.

Secondary Data
It is data that has been collected and recorded by someone else before, and for a purpose that is
different from that of the current research. In other words it is data that is being reused and in
most cases, in a different context. Secondary data was used by the researcher during literature review. Secondary data was used to pursue a research area which was different from that of the initial research. Secondary data was used in the study to support the researcher’s arguments. The data was analyzed and used for a purpose other than the original. Secondary data for the research was obtained from books, journals, research reports, periodicals, conference papers, organizational records and online databases.

Secondary research was used by the researcher as it allowed the researcher to comprehend a large geographical area for example literature review on BRICS countries. Another benefit enjoyed by the researcher for using secondary data is that it did not require the researcher to gather data all over again. Secondary data is readily available and can be accessed easily in libraries and on the internet.

However, data accessed on the internet is difficult to ascertain whether or not it’s from credible sources. The researcher encountered challenges through the use of secondary data as it was difficult to select useful pieces of information from a pool of collected data. In using secondary data sources, the researcher accessed out of date data that seemed relevant but misleading for the current research.

3.6 Research instruments

Research instruments are tools for data gathering and they comprise of questionnaires, interviews, observation, reading and social media. It is important for the researcher to ensure that reliable and appropriate instruments are used. The researcher made use of interviews, questionnaires, interviews and social networks.

Questionnaires

This is a research instrument which comprise of a list of questions that the researcher aims at collecting data from the respondents. Pickard (2013) postulates that the use of questionnaires as a method of primary research has since been used and has been valuable for gathering facts and figures primarily in quantitative research for use in statistical analysis. A questionnaire is systematically structured and the questions are deliberately organized to bring about responses from the respondents in order to collect data as intended by the researcher. As indicated by
Phellas et al (2009) a questionnaire can be sent to the respondents via post or over the internet or it can be issued directly to the respondent to fill in and give it back. This research instrument comprises of a list of questions to respondents that the researcher deems necessary to collect data for the research.

The researcher used questionnaires since they are usually anonymous as no names are involved and so they attract honesty from respondents since they know that their comments are not traceable to them (Grey 2013). The researcher also chose questionnaires because of the nature of targeted respondents. The respondents comprise of senior personnel and clinical staff who are usually busy and so a questionnaire is flexible enough to enable them to fill it in in their spare time and the researcher will collect it then. Questionnaires gave respondents enough time to give well thought responses. Since all respondents are asked the same set of questions, it allowed the researcher better comparability of the data (Wimmer and Dominick 2013). The researcher enjoyed the cost effectiveness of using questionnaires since they could be sent over the internet and travelling costs were cut.

However, the use of questionnaires deprived the researcher of other communication modes that could give her additional data for example body language communication such as facial expressions and gestures found in interviews. Questionnaires may have been misleading to the researcher as there is no proof if the respondents were truthful in giving their answers.

**Interviews**

A research interview is one that knowledge is created in the communication process of the interviewer and the interviewee (Kvale 2008). The interview questions were thoroughly structured to elicit information or statements from the interviewees. The researcher made use of telephone interviews as well. These cut on travelling costs and at the same time helped to gather data more quickly. Telephone interviews also helped the interviewer reach the organization’s top management as they are not always available in the office.

Interviews allowed for immediate feedback and so did not consume much of the researcher’s time. Aspects such as facial expressions, voice tone and gestures gave the researcher a clearer
picture of the answers from the interviewees. Since an interview is a two way conversation, it provided clarification to the interviewee resulting in quality responses.

However, the use of interviews demanded high skills from the researcher as there was need to properly structure the questions, listen attentively and be able to capture all responses from the interviewee. Conducting interviews were financially constraining and also demanded time for conducting and analyzing the responses.

Social Media

The researcher also made use of social media which involved the use of Facebook, Viber and Whatapp. This researcher used these instruments because they are cost effective and allows for instant responses as there was no need for appointments. However, the use of social media was constricted to respondents with access to the internet, smartphones and any other internet gadgets.

3.7 Types of Questions

They are categorized into open ended questions and closed ended questions.

Closed ended questions

Closed- ended questions are those questions that confine and limit responses (Shelly et al 2009). These are used when all available answers are known by the researcher. They limit the response to a certain set of answers. Closed ended questions were used in questionnaires. The respondents were restricted only to the set of answers given on the questionnaire. The use of closed ended questions made it easy for the researcher to compare responses from various respondents as a result, not much of the researcher’s time was consumed in data analysis. Time was also saved because respondents were quick to answer closed ended questions. Another advantage of using these questions was that answers from different respondents were coded, making them easy to analyze statistically.

On the other hand, closed ended questions saw the respondents give basic answers to complex matters. The questions suggested answers to respondents that they may not have thought of which may lead to bias. Also, some respondents made errors of ticking on incorrect responses
and this resulted in cancellations on the questionnaires. Other respondents were confused because of the many alternative answers offered.

**Open ended Questions**

According to Royse (2008) these are questions without any prepared responses. Royse (2008) indicated that open ended questions allow respondents to respond to questions freely without any restrictions from a set of prepared response categories. These questions are useful when the researcher wants to elicit responses, thoughts, attitude, suggestions or opinion (Shelly et al (2009). Open ended questions were adopted by the researcher in designing interview questions.

Open ended questions enabled the respondents to express their thoughts freely without any influence from the researcher. Through the use of open ended questions the researcher was able to discover answers that were spontaneously given by the respondents and thus eliminated the bias which could have occurred from suggesting answers to respondents. Open ended questions helped the researcher to gather data from questions that do not have known answers.

However, open ended questions attracted irrelevant answers and too much detail which ended up overshadowing the required answer. They also required much of the respondents’ time, thoughts and effort to answer and the questions. Another disadvantage of open ended questions as opposed to closed ended questions is that responses are difficult to compare and analyze statistically.

**Likert Scale**

It is a rating scale designed to assess attitudes openly (Mclead 2008). The scale measures attitude to a subject by presenting a set of phrases on a topic and requiring respondents to show for each topic if they strongly agree, agree, undecided, disagree or strongly disagree (Ary et al 2009). The various responses are allocated numeric value of points from 5 to 1 respectively. The researcher used this scale in designing the questionnaires for the study. The researcher constructed 3-4 questions around each research objective for use on the Likert scale.

The researcher made use of the Likert scale since it is easy to analyze and is also easy for respondents to use and understand. The agree and disagree range of response allowed
respondents flexibility and they were more comfortable unlike using only agree and disagree as in other scales. The Likert scale permits the revelation of several levels of agreement or disagreement making it more informative and dependable. The scale supplied the researcher with precise and definite response towards issues.

However, since the researcher used the Likert scale, there is a possibility that some respondents gave false information in order to create a certain impression. Also, the use of the Likert scale restricted respondents from giving their own opinion since they were confined to a set of suggested answers by the researcher. The Likert scale is shown below.

3.8 Data validity and Reliability

Data Validity

Joppe (2000) postulates that validity determines if the study truly measures what it purports to measure or how truthful the research findings are. Validity means that a tool or an instrument measures what it intends to measure. Instruments used by the researcher to collect primary data for the study are questionnaires, interviews and social sites. The researcher used these instruments after checking for validity. Checking for validity can be done by using pilot testing which enables the evaluation of how a sample from the research population will respond to the questionnaire. According to Haralambos and Holbon (2012) a sample size should be at least 33% of the population to ensure validity and reliability of the data collected for the study. Validity can be internal or external validity. Internal validity is associated with the level of which the design of the research is a good assessment of the hypothesis. External validity is concerned with whether or not the findings of the study can be generalized beyond the immediate study sample. A summary of the measures that can be used to assess data validity can be given as content validity, criterion validity, face validity and construct validity.

Data Reliability

Reliability is the extent to which findings are consistent over time, and the accurate presentation of the total population under study (Joppe 2000). Joppe (2000) added that if the findings or a research can be produced under the same methodology, then the research instrument is
considered to be reliable. Reliability can be explained as the extent to which one can rely on the source of data and the data itself.

3.9 Data Presentation
It is a method in which data is summarized for easier communication. Data gathered for a research need to be organized and classified in a systematic way to enable understanding as well as to clarify useful conclusions. In the current study, the researcher made use of graphs, charts and tables to summarize and present data gathered in the field. Data presented in this way can easily convey to the reader key ideas, trends or points in the data. The researcher presented the data gathered in the field as simple as possible and did not include too much content which could have ended up confusing the reader.

3.10 Data Analysis
Data analysis involves transferring raw data gathered in the field into meaningful and usable information. Analyzing data involves examining and scrutinizing it in a way that brings out trends, relationships and patterns within it. The researcher quantitatively and qualitatively analyzed the data to derive meaningful and informative information for the research. Data was organized in a way to make it less bulky and the researcher applied descriptive statistics concepts to interpret the data and draw conclusions. Measures of central tendency for example the mode was used to analyze the responses from the respondents.

3.11 Summary
This chapter covered the introduction, research design, population, sample size and sampling techniques employed by the researcher. In this chapter the researcher also looked at the types of data, research instruments, types of questions, data validity, data reliability, data presentation and data analysis. The next chapter is on data presentation techniques, analysis and interpretation of findings.
CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction
This chapter focuses on the presentation and analysis of data collected during the research. The data is from both primary and secondary sources. Data from primary sources comprise of questionnaires, interviews and secondary data was gathered from literature in the library which includes books and journals. The researcher will present data by way of charts, tables and graphs.

4.1 Data presentation
The data gathered was presented using tables, bar graphs and pie charts and analysed thereof.

4.2 Response rate
The researcher distributed 26 questionnaires and 22 of them were responded to and returned to the researcher, resulting in an 84.6% response rate. Since the researcher conducted a census, the 84.6% response rate also represented a portion of the population used for the study. If a sample was used, it should comprise of at least 33% of the whole population for the results to be valid and reliable and in this case the researcher used 84.6% of the population which makes the results reliable (Harallambos and Holbon 2012).

4.2.1 Questionnaire Response Rate

Table 4.1: Questionnaire response rate

<table>
<thead>
<tr>
<th>Department of Operation</th>
<th>Senior Management</th>
<th>Finance</th>
<th>Administration</th>
<th>Clinical</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires sent out</td>
<td>5</td>
<td>9</td>
<td>7</td>
<td>5</td>
<td>26</td>
</tr>
<tr>
<td>Questionnaires returned</td>
<td>5</td>
<td>7</td>
<td>6</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>Percentage</td>
<td>100%</td>
<td>78%</td>
<td>86%</td>
<td>80%</td>
<td>85%</td>
</tr>
</tbody>
</table>
Table 4.1 shows that 5/5 questionnaires (100%) sent to management were responded to, 7/9 (78%) sent to the finance department were responded to, 6 out of 7 (86%) of the administration department got responses and 4 out of 5 (80%) from the clinical department were responded to.

A total response rate of 85% was achieved thus the researcher concluded that the data gathered is reliable for use in the research.

Harallambos and Holbon (2012) indicated that a response rate of at least 33% is representative of the whole population.

### 4.2.2 Interview Response Rate

#### Table 4.2: Interview response rate

<table>
<thead>
<tr>
<th>Description</th>
<th>Interviews Arranged</th>
<th>Interviews Conducted</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>5</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td>Percentage</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The researcher scheduled to conduct 5 face to face interviews with the senior management of SMC namely the Managing Director, Finance Manager, Management Accountant and 2 senior hospital matrons. 5/5 (100%) of the scheduled interviews were conducted. Interviews were conducted with the senior management which results in knowledgeable, reliable responses being given.

### 4.3 Responses to personal questions

1. **Department of Operation**

#### Table 4.3: Department of Operation

<table>
<thead>
<tr>
<th>Department of operation</th>
<th>Senior Management</th>
<th>Finance</th>
<th>Administration</th>
<th>Clinical</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of respondents</td>
<td>5</td>
<td>7</td>
<td>6</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>Percentage</td>
<td>23%</td>
<td>32%</td>
<td>27%</td>
<td>18%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Questionnaires
Table 4.3 shows that 5/22 (23%) respondents are senior management, 7/22 (32%) are from the finance department, 6/22 (27%) are from the administration department and 4/22 (18%) are from the clinical department.

Since 18/22 (82%) of the respondents are from the executive management, finance and administration departments, their experience and knowledge in financial issues provide relevant data in answering questions to meet the researcher’s objectives.

2. Highest Level of Education

Table 4.4: Highest Level of Education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>O/Level</th>
<th>Diploma</th>
<th>Degree</th>
<th>Masters</th>
<th>Doctorate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Respondents</td>
<td>1</td>
<td>5</td>
<td>11</td>
<td>5</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td>Percentage</td>
<td>4%</td>
<td>23%</td>
<td>50%</td>
<td>23%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source Primary data*

Table 4.4 indicates that 1 respondent; representing 4% of the sample has O/Level as the highest academic qualification. There are 5 respondents with diplomas, 11 respondents with degrees, 5 respondents with masters and none with a doctorate, representing 23%, 50%, 23% and 0% of the total sample respectively.

Given the level of education of the respondents, the researcher concluded that well-informed and reliable information will be given.

3. Duration with the organization

Table 4.5: Duration with the organization

<table>
<thead>
<tr>
<th>Duration</th>
<th>0-3 years</th>
<th>3-6 years</th>
<th>6-10 years</th>
<th>Over 10 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of respondents</td>
<td>7</td>
<td>6</td>
<td>4</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>Percentage</td>
<td>32%</td>
<td>27%</td>
<td>18%</td>
<td>23%</td>
<td>100%</td>
</tr>
</tbody>
</table>
7/22 (32%) have 0-3 years with the company, 6/22 (27%) have 3-6 years, 4/22 (18%) have 6-10 years and 5/22 (23%) have over 10 years.

15/22 (68%) of the staff have been with Suburban Medical Centre for more than 3 years. The researcher concluded that the respondents had experience with the company and so they should be aware of the financing policy being used.

4.4 Questionnaire presentation and analysis

1. Overview Of The Hospital Financing Policy

The researcher designed this question with the aim of ascertaining whether or not a financing policy exists at Suburban Medical Centre, if the personnel are aware of it and whether or not the policy is properly documented. The researcher also wanted to determine if the policy is meeting its objectives. The table below shows the breakdown of the questions relating to S.M.C financing policy and the responses to the individual questions.
An evaluation of capital expenditure financing on the operations of private hospitals: A case of Suburban Medical Centre

Table 4.6: Information relating Suburban Medical Centre financing policy.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) The hospital has a financing policy</td>
<td>Frequency</td>
<td>4</td>
<td>10</td>
<td>3</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>18%</td>
<td>45%</td>
<td>14%</td>
<td>18%</td>
<td>5%</td>
</tr>
<tr>
<td>ii) You are aware of the current policy</td>
<td>Frequency</td>
<td>0</td>
<td>8</td>
<td>11</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>0%</td>
<td>36%</td>
<td>50%</td>
<td>14%</td>
<td>0%</td>
</tr>
<tr>
<td>iii) The financing policy is formally documented</td>
<td>Frequency</td>
<td>0</td>
<td>3</td>
<td>6</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>0%</td>
<td>14%</td>
<td>27%</td>
<td>45%</td>
<td>14%</td>
</tr>
<tr>
<td>iv) The policy meets its objectives</td>
<td>Frequency</td>
<td>0</td>
<td>5</td>
<td>5</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>0%</td>
<td>23%</td>
<td>23%</td>
<td>36%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Source: Questionnaires

i) The hospital has a financing policy

Table 4.6 shows that out of 22 respondents, 4 (18%) strongly agreed, 10 (45%) agreed, 3 (14%) were uncertain, 4 ((18%) disagreed and 1 respondent (5%) strongly disagreed to the existence of a financing policy at Suburban Medical Centre.

Respondents agreeing that there is a financing policy at the hospital totaled to 14/22 (63%) whilst those who disagreed were 8/22 (37%).

Interview findings also showed that 5/5 (100%) interviewees agreed.

In conclusion, basing on a mode of 63% and interviews responses a financing policy exists at Suburban Medical Centre.
An evaluation of capital expenditure financing on the operations of private hospitals: A case of Suburban Medical Centre

The need for existence of a financing policy is supported by Ile and Garr (2011) who postulates that asset financing requires a policy to be in place, which will enable the capitalization process that will not strain the operations of the business.

ii) There is awareness of the financing policy currently being used

Of the respondents, none strongly agreed that they are aware of the financing policy currently being used, 8/22 (36%) agreed, 11/22 (50%) were uncertain and 3/22 (14%) disagreed.

On the whole, 8/22 (36%) agreed whilst 14/22 (64%) disagreed.

The outcomes from the interviews revealed that 2/5 (40%) agreed whilst 3/5 (60%) disagreed.

A conclusion can be drawn basing on the modal rate of 60% that the respondents are not aware of the financing policy currently being used at SMC.

iii) The financing policy is formally documented.

Of the questionnaires returned, none of them strongly agreed, 3 out of 22 (14%) agreed, 6 out of 22 (27%) were uncertain, 10 out of 22 (45%) disagreed and 3 out of 22 (14%) strongly disagreed that the financing policy is formally documented.

A total of 3/22 (14%) agreed whilst 19/22 (86%) disagreed.

Interview review also showed that 1/5 (20%) agreed whilst 4/5 (80%) disagreed.

It can be concluded, based on the modal rate of 80% that the financing policy is not formally documented at S.M.C.

Ile and Garr (2011) however postulated that policies must be documented to ensure their consistent adoption.

iv) The policy meets its objectives

None of the respondents strongly agreed, 5/22 (23%) of the respondents agreed, 5/22 (23%) of them were uncertain, 8/22 (36%) disagreed and 4/22 (18) strongly disagreed.

On the whole, 5/22 (23%) agreed and 17/22 (77%) disagreed.
Based on the modal rate of 77% the researcher concluded that the policy does not meet its objectives.

2. Guidelines For The Financing Policy

The findings to this question were of use in the research as they helped the researcher to determine whether or not financing policy guidelines exist, if they are communicated to staff and if they are understood by the implementers. The table below presents these findings regarding the policy implementation guidelines at S.M.C.

Table 4,7: Financing policy implementation guidelines

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) There are policy implementation guidelines</td>
<td>Frequency</td>
<td>5</td>
<td>8</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>23%</td>
<td>36%</td>
<td>18%</td>
<td>14%</td>
<td>9%</td>
</tr>
<tr>
<td>ii) The guidelines are communicated to staff.</td>
<td>Frequency</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>4%</td>
<td>14%</td>
<td>14%</td>
<td>36%</td>
<td>32%</td>
</tr>
<tr>
<td>iii) The guidelines are understood by implementers</td>
<td>Frequency</td>
<td>2</td>
<td>5</td>
<td>8</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>9%</td>
<td>23%</td>
<td>36%</td>
<td>18%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: Questionnaires

i) There are policy implementation guidelines

Findings show that 5 out 22 (23%) respondents strongly agreed, 8 out of 22 (36%) agreed, 4 out 22 (18%) were uncertain, 3 out 22 (14%) disagreed and 2 out of 22 (9%) strongly disagreed.
In aggregate, 59% of the respondents agreed that there are policy guidelines at S.M.C whilst 41% disagreed to this idea.

Interviews revealed that 5/5 interviewees agreed.

Based on the 59% modal rate and the results from the interviewees which indicated that financing policy guidelines exist, the researcher concluded that Suburban Medical Centre has financing policy guidelines in place.

ii) The guidelines are communicated to staff

The outcomes from the questionnaires show that 1 out of 22 (4%) respondents strongly agreed, 3 out of 22 (14%) agreed, 3 out of 22 (14%) were uncertain, 8 out of 22 (36%) disagreed and 7 out of 22 (32%) strongly disagreed.

On the whole, 4/22 (18%) agreed whilst 18/22 (82%) disagreed.

Interviews indicated that 2/5 (40%) agreed whilst 3/5 (60%) disagreed.

It can be concluded, basing on the mode of 82% that guidelines are not communicated to personnel.

This conflict with the Australian National Audit Office (2014) which indicated that for a successful policy implementation, the guidelines of the policy should be clearly communicated to personnel.

iii) The guidelines are understood by the implementers

2 out of 22 (9%) respondents strongly agreed and 5 out of 22 (23%) agreed, 8/22 (36%) were uncertain, 4/22 (18%) disagreed and 3/22 (14%) strongly disagreed.

A total of 7/22 (32%) agreed whilst 15/22 (68%) disagreed.

Interview findings also revealed that 1/5 (20%) agreed and 4/55 (80%) disagreed.

Based on the modal rate of 68% the researcher concluded that policy guidelines are not understood by the implementers in the hospital.
3. Personnel Capabilities In The Implementation Of The Financing Policy

The following tables and graphs present the outcomes from the data gathered relating to the personnel capabilities in the implementation of the financing policy at Suburban Medical Centre.

i) There are adequate personnel for the policy implementation.

Table 4.8 and figure 4.1 display the findings from the questionnaires relating to the adequacy of personnel to implement the financing policy.

**Table 4.8: Adequacy of personnel for policy implementation.**

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>8</td>
<td>11</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td>Percentage</td>
<td>36%</td>
<td>50%</td>
<td>14%</td>
<td>0</td>
<td>0</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Questionnaires*

Figure 4.1: Adequacy of personnel for policy implementation.
Figure 4.1 shows that 8 out of 22 (36%) of the respondents strongly agreed and 11 out of 22 (50%) agreed, 3 out of 22 (14%) respondents were uncertain and no respondents disagreed that there are adequate personnel for policy implementation at Suburban Medical Centre.

19/22 (86%) respondents agreed whilst 3/22 (14%) disagreed.

Interview findings also revealed that 5/5 (100%) interviewees agreed.

It can be concluded that, based on the interview findings and a modal rate of 86% that there are adequate personnel for policy implementation at Suburban Medical Centre.

Shuck and Rocco (2010) confirms that sound policies and adequate human resources are essential for policy implementation by personnel.

ii) There is a clearly defined leadership structure in the policy implementation process.

The graph and the table below shows the responses on the existence of a clearly defined leadership structure at the hospital.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>12</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td>Percentage</td>
<td>55%</td>
<td>45%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Questionnaires*
Figure 4.2: Existence of a clearly defined leadership structure

Source: Questionnaires

The table indicates that 12/22 (55%) strongly agreed, 10/22 (45%) agreed and no respondent disagreed.

All 22 respondents (100%) agreed that there is a clearly defined leadership structure.

5/5 (100%) interviewees agreed.

Based on the 100% modal rate the researcher concluded that there is a clearly defined leadership structure in the policy implementation process at Suburban Medical Centre.

Sapru (2011) confirms this as he points out that leadership is a dominant factor in policy implementation, particularly in terms of its ability to alter the critical inputs in the implementation.
iii) Qualified and properly trained personnel are responsible for policy implementation

Table 4.10: Availability of trained personnel for policy implementation

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>8</td>
<td>10</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td>Percentage</td>
<td>36%</td>
<td>45%</td>
<td>5%</td>
<td>14%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Questionnaires*

Figure 4.3: Availability of trained personnel for policy implementation

The figure above shows that 8 out of 22 respondents (36%) strongly agreed, 10 out of 22 (45%) agreed, 1 out of 22 (5%) were uncertain, 3 out of 22 (14%) disagreed and none of the respondents strongly agreed.

On the whole 18/22 (82%) agreed while 4/22 (18%) disagreed.

The interviews findings revealed that 5/5 (100%) interviewees agreed.
Based on the interviews and questionnaires’ modal rate of 82% it can be concluded that qualified and properly trained personnel are responsible for policy implementation at Suburban Medical Centre.

The 82% modal rate is supported by Khawaja (2013) who is of the opinion that personnel must be well qualified, properly trained and should be possessing relevant experience for successful policy implementation.

iv) **There are adequate resources for financing policy implementation**

The table and the chart below presents the findings of the adequacy of resources for the policy implementation.

**Table 4.11: Adequacy of Resources**

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Frequency</strong></td>
<td>5</td>
<td>7</td>
<td>8</td>
<td>1</td>
<td>1</td>
<td>22</td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td>24%</td>
<td>32%</td>
<td>36%</td>
<td>4%</td>
<td>4%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Questionnaires*
Figure 4.4: Adequacy of Resources.

Source: Questionnaires

5 out of 22 respondents strongly agreed, 7 out of 22 agreed, 8 out of 22 were uncertain, 1 out of 22 disagreed and 1 out of 22 strongly disagreed that there are adequate resources for financing policy implementation.

An aggregate percentage of 56% of the respondents agreed whilst 44% disagreed.

Interview findings also revealed that 3/5 (60%) agreed whilst 2/5 (40%) disagreed.

Basing on the mode of 60% it can be concluded that adequate resources are available at S.M.C for the policy implementation.

Sound policies and adequate human and financial resources are essential for policy implementation by personnel as mentioned above (Shuck and Rocco 2010).
4. Financing Challenges Faced By Private Hospitals

The findings to this question were of significance to the research as they provided the reasons for financing challenges currently being faced by private hospitals. The table below shows the financing challenges being faced by hospitals and the level to which the respondents agree.

Table 4,12: Financing challenges being faced by private hospitals.

<table>
<thead>
<tr>
<th>Financing Challenge</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Banks and investors are reluctant to provide funds</td>
<td>5</td>
<td>10</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>22</td>
</tr>
<tr>
<td>2) There is high dependency on funds from operations</td>
<td>3</td>
<td>11</td>
<td>1</td>
<td>4</td>
<td>7</td>
<td>22</td>
</tr>
<tr>
<td>3) Lack of investment capital</td>
<td>3</td>
<td>6</td>
<td>9</td>
<td>2</td>
<td>2</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: Questionnaires
An evaluation of capital expenditure financing on the operations of private hospitals: A case of Suburban Medical Centre

Figure 4.5: Financing challenges being faced by private hospitals.

Source: Questionnaires

i) Banks and investors are reluctant to provide funds

The graph shows that 5/22 (23%) strongly agreed, 10/22 (45%) agreed, 3/22 (14%) were uncertain, 2/22 (9%) disagreed and 2/22 (9%) strongly disagreed.

In totality, 15/22 (68%) agreed and 7/22 (32%) disagreed.

Interview review indicated that 3/5 (60%) agreed and 2/5 (40%) disagreed.

Based on the modal rate of 68% the researcher concluded that financing challenges are as a result of the reluctance of investors to provide funds confirming Damodaran’s (2010) idea that investors or banks have limited knowledge of the specific features of the private healthcare sector.
ii) **High dependency on funds from operations**

Of the 22 respondents, 3 (14%) strongly agreed, 11 (50%) agreed, 1 (4%) was uncertain, 4 (18%) disagreed and 3 (14%) strongly disagreed that financing challenges are due to the high dependency on funds from operations.

On the whole, 14/22 (64%) agreed and 8/22 (36%) disagreed.

Interview findings revealed that 5/5 (100%) agreed.

The modal rate of 64% concludes that financing challenges currently being faced by private hospitals are because they depend mostly on funds from daily operations.

iii) **Lack of investment capital**

Findings indicated that 5 out of 22 respondents (23%) strongly agreed, 6 out of 22 (27%) respondents agreed, 9 out of 22 (41%) respondents were uncertain, 2 out of 22 (9%) respondents disagreed and none of the respondents strongly disagreed that financing challenges are as a result of lack of investment capital.

On the whole 11/22 (50%) respondents agreed and 11/22 (50%) disagreed.

From the outcome of the questionnaires it can be concluded that lack of investment capital is a contributing factor to the financing challenges being faced by private hospitals in Zimbabwe.

Mallick et al (2011) agrees to this outcome as he postulates that lack of investment capital hinders private hospitals from investing in their facilities; they face challenges developing their businesses, upgrading their medical equipment and departments.

5. **Controls Put In Place Over Financing Capital Expenditure**

The findings to this question helped the researcher to ascertain if there are adequate controls over financing expenditure at S.M.C. The graphs below shows the findings drawn by the researcher from the questionnaire responses on the controls put in place over financing capital expenditure.
An evaluation of capital expenditure financing on the operations of private hospitals: A case of Suburban Medical Centre

i) Only authorized personnel initiate capital expenditure transactions

Table 4.13: Capital expenditure transactions are initiated by appropriate personnel.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>10</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>Percentage</td>
<td>45%</td>
<td>55%</td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Questionnaires*

Figure 4.6: Capital expenditure transactions are initiated by appropriate personnel.

Table 4.13 shows that 10 out of 22 (45%) of the respondents strongly agreed that only authorized personnel initiate capital expenditure transactions. The other 12 (55%) of the respondents agreed that only authorized personnel initiate capital expenditure transactions.

*Source: Questionnaires*
100% of the respondents agreed that only authorized personnel are responsible for initiating such transactions.

5/5 (100%) interviewees agreed that only authorized personnel initiate capital expenditure transactions.

The 100% modal rate shows that only authorized personnel initiate capital expenditure at Suburban Medical Centre.

This is supported by Watson (2003) who points out that only authorized personnel should initiate all expenditure. He added that the initiation of expenditure involves the authorized employee providing details related to the expenditure item.

ii) Expenditure is authorized by appropriate personnel only

Table 4.14: Capital Expenditure is authorized by appropriate personnel only

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>13</td>
<td>8</td>
<td>1</td>
<td></td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>Percentage</td>
<td>59%</td>
<td>36%</td>
<td>5%</td>
<td></td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Questionnaires
Figure 4.7: Capital Expenditure is authorized by appropriate personnel only.

Source: Questionnaires

The chart shows that 13 out of the 22 respondents, making up 59% strongly agreed, 8 out of 22 (36%) agreed, 1 out of 22 (5%) were uncertain that capital expenditure transactions are authorized by appropriate officers only. None of the respondents were in disagreement with this idea.

In aggregation 21/22 (95%) of the respondents agreed that capital expenditure transactions are authorized first and 1/22 (5%) disagreed.

100% of the interviewees agreed to this fact.

Basing on the mode of 95% the researcher concluded that expenditure is authorized by appropriate personnel only.

The authorization of transactions is supported by McCoy (2010) as he postulates that all company transactions should be reviewed by a suitable person to ensure that all activities are in accordance with established guidelines.
iii) There is proper documentation of transactions

Table 4.15: There is proper documentation of transactions.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>9</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>22</td>
</tr>
<tr>
<td>Percentage</td>
<td>41%</td>
<td>33%</td>
<td>14%</td>
<td>9%</td>
<td>4%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Questionnaires*

Figure 4.8: There is proper documentation of transactions.

*Source: Questionnaires*

9/22 (41%) strongly agreed, 7/22 (32%) agreed, 3 out of 22 (14%) were uncertain and the other 14% of the respondents disagreed.

On the whole, 22/22 (100%) of the interviews agreed that transactions are properly documented.

Basing on the mode of 100% it can be concluded that transactions are properly documented.
iv) Financing guidelines are reviewed constantly

Table 4.16: Financing guidelines are reviewed constantly.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>9</td>
<td>3</td>
<td>22</td>
</tr>
<tr>
<td>Percentage</td>
<td>41%</td>
<td>9%</td>
<td>23%</td>
<td>40%</td>
<td>14%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Questionnaires*

Figure 4.9: Financing guidelines are reviewed constantly.

3 out of 22 (14%) respondents strongly agreed that financing policies are reviewed constantly and 2 out of 22 (9%) of the respondents agreed. 5 out of 22 (23%) respondents were uncertain, 9 out of 22 (40%) disagreed and 3 out of 22 (14%) strongly disagreed that financing policies are reviewed constantly.

*Source: Questionnaires*
In aggregate, 5/22 (23%) agreed and 17/22 (77%) that financing policies are reviewed constantly.

2/5 (40%) interviewees agreed and 3/5 (60%) disagreed.

Basing on a mode of 77% and the interview responses it can be concluded that policy guidelines are not constantly reviewed.

Other comments given by the respondents concerning controls over the financing of capital expenditure is control put in place in selecting the supplier of the capital equipment. At least 3 suppliers should be identified with their quotations and a responsible officer will select one to supply the equipment.


The findings of the research question showed what the respondents viewed as the best practice for financing capital expenditure. The following table presents these findings.

**Table 4.17: Best practices for capital expenditure financing for hospitals in Zimbabwe.**

<table>
<thead>
<tr>
<th>Method</th>
<th>Frequency</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Lease Financing</td>
<td>Frequency</td>
<td>7</td>
<td>10</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>32%</td>
<td>45%</td>
<td>9%</td>
<td>14%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>ii) Bank Loans</td>
<td>Frequency</td>
<td>5</td>
<td>10</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>23%</td>
<td>45%</td>
<td>14%</td>
<td>4%</td>
<td>14%</td>
<td>100%</td>
</tr>
<tr>
<td>iii) Retained Earnings</td>
<td>Frequency</td>
<td>7</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>1</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>32%</td>
<td>18%</td>
<td>23%</td>
<td>23%</td>
<td>4%</td>
<td>100%</td>
</tr>
<tr>
<td>iv) Equity Financing</td>
<td>Frequency</td>
<td>2</td>
<td>7</td>
<td>4</td>
<td>3</td>
<td>6</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>9%</td>
<td>32%</td>
<td>18%</td>
<td>14%</td>
<td>27%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Figure 4.10: Best practices for capital expenditure financing for hospitals in Zimbabwe.

Source: Questionnaires

i) Lease Financing

Table 4.10 and figure 4.10 show that of the 22 respondents, 7 (32%) strongly agreed, 10 (45%) agreed, 2 (9%) were uncertain, 3 (14%) disagree and none strongly disagreed to lease financing as the best practice for financing capital expenditure.

On the whole, 17/22 (77%) of the respondents agreed and 5/22 (23%) disagreed.

Interview outcomes revealed that 4/5 (80%) interviewees agreed and 1/5 (20%) disagreed.

Basing on the mode of 77% and the responses from the interviews, it can be concluded that lease financing could be used for capital expenditure financing.

This is supported by Kleinschmidt (2015). Higson (2003) also supported the use of lease financing as he points out that leasing characteristics of making a series of small payments over time enables small to medium enterprises to overcome capital impediments as opposed to using large capital outlay.
ii) Bank Loans

5 out of 22 (23%) respondents strongly agreed that the use of bank loans is the best alternative for capital expenditure financing. 10 out of 22 (45%) agreed, 3 out of 22 (14%) were uncertain, 1/22 (4%) disagreed and 3/22 (14%) strongly disagreed.

The results show that 15/22 (68%) of the respondents agree to the use of bank loans as shown by the table above whilst 32% of them disagree.

4/5 (80%) agree and 1/5 (20%) of the interviewees disagree.

Basing on the mode of 68% as well as the interview responses the researcher concluded that bank loans can be used to finance capital expenditure.

The questionnaire responses in favor of the use of bank loans is supported by Dlabay and Burrow (2007) who postulated that bank loans offers the best financing structure as well as give the best cover against liquidity challenges. Results from the interviews also indicate that the senior management also favour the use of bank loans.

iii) Retained Earnings

7/22 (32%) of the respondents strongly agreed, 4/22 (18%) agreed, 5/22 (23%) were uncertain, 5/22 (23%) disagree and 1/22 (4%) strongly agreed to the use of retained earnings to finance capital expenditure.

On the whole, 11/22 (50%) agreed and 11/22 (50%) disagreed.

Equal number of respondents agreed and disagreed to the use of retained earnings thus the researcher concluded that this financing method can be used.

Mallick and Yang (2011) favour the use of retained earnings as a source of financing capital expenditure and this is supported by 50% of the respondents agreeing to the use of this source of finance. Therefore based on the responses from the questionnaires as well as literature reviewed, retained earnings can be used as a source of finance.
iv) **Equity Financing**

2 of 22 (9%) of the respondents strongly agreed, 7 of 22 (32%) agreed, 4 of 22 (18%) were uncertain, 3 of 22 (14%) disagreed and 6 of 22 (27%) strongly disagreed that equity financing is the best practice to finance capital expenditure.

An aggregate of 9/22 (41%) of the respondents support the use of equity financing and 13/22 (59%) do not support the financing technique.

In conclusion, basing on the 59% mode equity financing is not the best financing technique of financing capital expenditure at Suburban Medical Centre.

On the other hand, Whittington (2015) advocates for the use of equity as he explains that as equity capital increases risk to borrowers is reduced and therefore the entity’s cost of borrowing is reduced as well.

v) **Other**

Two of the respondents suggested that private hospitals can make use of mortgages to finance capital expenditure. Only 2 of the respondents suggested the use of a mortgage as it is most suitable for investments of long periods usually over 10 years (Dlabay and Burrow 2007).

4.5 **Summary**

This chapter focused on data presentation and analysis of the data gathered from questionnaires and interviews. The analysis of data gathered was on the financing policy of Suburban Medical Centre. This chapter formed the basis for which recommendations and conclusions for this research are drawn.
CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction
This chapter focuses on conclusions, the research recommendations as well as the summary for the research. The chapter relates the objective of the research and the research questions to the research findings and makes necessary recommendations to Suburban Medical Centre.

5.1 Summary of Chapters
The research aimed at evaluating capital expenditure financing on the operations of Suburban Medical Centre. The major objective of the research was to assess the various capital expenditure financing techniques in relation to the operations of Suburban Medical Centre.

Chapter one covered the background to the study, statement of the problem, main research questions, objectives of the study, delimitations, limitations, significance of the study, definitions of terms and the chapter conclusion. The research was guided by six objectives namely; to establish the financing policy for private hospitals, to establish financing policy guidelines in place, to establish personnel capabilities which are in place in financing policy implementation, to determine financing challenges being faced by private hospitals, to assess controls put in place over financing capital expenditure, and to establish the best practice for capital expenditure financing.

Chapter two was on literature review. Literature reviewed was from books and journals and the researcher sort to find out what other researchers have to say in relation to capital expenditure financing and its effects on the operations of private hospitals. Paolucci (2011) focused on how medical technology has increased healthcare costs. McNeill (2010) on the other hand dwells on quantitative investigation to determine a vibrant asset financing policy that enables the capitalization process that does not jeopardize the operations of the business. Individual research objectives were investigated and ideas from different authors brought together.

Chapter three covered the research design, population, sample size, sampling techniques, data types, the research instruments, data validity and data presentation. The researcher used the
An evaluation of capital expenditure financing on the operations of private hospitals: A case of Suburban Medical Centre

descriptive, explanatory and case study research designs. Judgemental sampling was used to select the departments to focus the research on. A census was adopted for the research. The researcher indicated that the data gathered through questionnaires was to be presented on a Likert Scale.

Chapter four focused on the presentation and analysis of data collected during the research. Data was collected through the use of questionnaires and conducting interviews. The researcher then presented the data on tables and enhanced the presentation through the use of pie charts and bar graphs. Data gathered from questionnaires was aggregated and analyzed, using the mode per every question. Data gathered from interviews was also used to draw conclusions. The researcher also made use of literature to support or oppose findings from the primary data.

5.2 Major Findings

The following were the major findings:

- Although Suburban Medical Centre has a financing policy, personnel are not aware of the policy and the policy is not formally documented and thus does not meet its objectives.
- Policy implementation guidelines exist but the guidelines are not communicated to staff and are not understood by the implementers.
- Suburban Medical Centre has adequate personnel to implement the policy, has a clearly defined leadership structure and has adequate resources and properly trained personnel to implement the policy.
- Financing challenges being faced by private hospitals are because banks and investors are reluctant to provide funds; the hospitals highly depend on funds from operations and also because of lack of investment capital.
- Controls put in place over financing capital expenditure are that only authorized personnel initiate capital expenditure transactions, the expenditure is only authorized by appropriate personnel, transactions are properly documented and the constant review of financing guidelines.
- Leases, bank loans and retained earnings could be used to finance capital expenditure in private hospitals.
5.3 Conclusion

The research was successful as the above mentioned research objectives were achieved as evidenced by the major findings highlighted. The researcher managed to obtain responses to all the questions asked.

5.4 Recommendations

- Suburban Medical Centre should ensure personnel awareness of the financing policy and should formally document it.
- Financing policy guidelines should be communicated to staff and the hospital management team should see to it that the guidelines are understood by the implementers.
- The government should assist private hospitals by creating an investment friendly environment.
- Suburban Medical Centre should constantly review its financing guidelines to ensure that they are always compatible with the prevailing economic environment.
- Information on the operations of private hospitals should be made known to investors as this will give them the drive and confidence to invest in this business sector.
- Private hospitals should not over rely on funds from day to day operations to finance its expenditures; other sources of funds should be assessed.
- Private hospitals should make use of lease financing as a capital expenditure finance technique as well as a cash flow management strategy.

5.5 Areas of further research

The research focused on physical asset financing and thus there is need for research on private hospitals diversifying into financial asset investments.

5.6 Summary

This chapter gave an overview of the summary of chapters, the major research findings, conclusion, the recommendations and the areas for further study. The research findings were summarized and conclusions were drawn thereof resulting in recommendations being made.
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An evaluation of capital expenditure financing on the operations of private hospitals: A case of Suburban Medical Centre


Wyk, B. (2014) *Research design and methods Part 1*, University of Western Cape
Faculty of Commerce
Department of Accounting
P. Bag 9055
Gweru
23 September 2015

Suburban Medical Centre
Stand 3489
Warren Park Shops
Harare

Dear Sir/ Madam

RE: Seeking For Permission to Conduct a Research in your organisation.

I am a level 4 student at the Midlands State University seeking your permission to conduct a research in your organisation. The research is on “The evaluation of capital expenditure financing on the operations of private hospitals in Zimbabwe” and is carried out in partial fulfillment of the Bachelor of Commerce Accounting Honours Degree.

I shall distribute questionnaires to some of your personnel and conduct interviews. I assure you the highest level of confidentiality in the information provided and it will be used for academic purposes only. Your assistance will be highly appreciated.

Yours Faithfully

Kanazache Eusebius

R121853M
APPENDIX II: QUESTIONNAIRE

Questionnaire for Suburban Medical Center Management and Employees

INSTRUCTIONS

1. Please do not write your name on the questionnaire.
2. Please show your response by putting a tick in the box to the corresponding answer.

SECTION A: PERSONAL QUESTIONS

1. State your relevant department of operation
   Clinical ☐  Administration ☐  Finance ☐  Senior Management ☐

2. Highest Level of Education
   O/Level ☐  Diploma ☐  Degree ☐  Masters ☐  Doctrate ☐
   Others (Specify)…………………………………………………………………………………………

3. State your duration with the organisation
   0-3 years ☐  3-6 years ☐  6-10 years ☐  Over 10 years ☐
SECTION B: SUBURBAN MEDICAL CENTER FINANCING POLICY

1. Overview of the hospital financing policy

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) The hospital has a financing policy.</td>
<td></td>
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<tr>
<td>(ii) You are aware of the financing policy currently being used.</td>
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</tr>
<tr>
<td>(iii) The financing policy is formally documented.</td>
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<td></td>
</tr>
<tr>
<td>(iv) The policy meets its objectives</td>
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<td></td>
</tr>
</tbody>
</table>

2. Guidelines for the financing policy

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) There are guidelines for the implementation of the financing policy.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(ii) The guidelines are communicated to staff.</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>(iii) The guidelines are understood by implementers.</td>
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</tr>
</tbody>
</table>
3. Personnel Capabilities in the implementation of the financing policy

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) There is adequate personnel for the policy implementation.</td>
<td></td>
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<tr>
<td>(ii) There is a clearly defined leadership structure in the policy implementation process.</td>
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<tr>
<td>(iii) Qualified and properly trained personnel are responsible for policy implementation.</td>
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</tr>
<tr>
<td>(iv) There are adequate resources for financing policy implementation.</td>
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<td></td>
</tr>
</tbody>
</table>

4. Financing Challenges faced by private hospitals

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Banks and investors are reluctant to provide funds.</td>
<td></td>
<td></td>
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<tr>
<td>(ii) There is high dependency on funds from operations.</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) Lack of investment capital</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
5. The following controls are in place over financing capital expenditure

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Only authorised personnel initiate capital expenditure transactions.</td>
<td></td>
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<tr>
<td>(ii) The expenditure is authorised by the appropriate officer</td>
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<tr>
<td>(iii) There is proper documentation of transactions.</td>
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<td></td>
</tr>
<tr>
<td>(iv) Financing guidelines are reviewed constantly.</td>
<td></td>
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</tbody>
</table>

Others (Specify) ..................................................
### 6. The following are the best practices for asset financing for hospitals in Zimbabwe

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Leasing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Bank Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) Equity financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iv) Retained earnings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(v) Others (Specify)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Thank You
1. What is the Financing Policy for Suburban Medical Center?
2. What are the financing policy guidelines?
3. How is personnel involved in the implementation of the financing policy for the hospital?
4. What financing challenges are being faced by the hospital?
5. How do you make use of controls in financing capital expenditure?
6. What financing practices would you recommend for Suburban Medical Center?

Thank you for your cooperation

Eusebius Kanazache (R121853M)