A Study on Financial and Operating Leverage of Telecommunication Companies in Oman.

Abstract:

This study aimed to analyse the effect of leverage and the size of a company to its profitability. Data were obtained from the financial statements of Telecommunication companies listed in Muscat security market in the period of 2010-2016. Leverage is the key decision area in financial management. This paper concentrates on leverage and its relationship between profitability in Telecommunication company. In this present research paper, an attempt is made to analyse the performance of Telecommunication company, to analyse the leverage analysis in Telecommunication company and to study the relationship between leverage and profitability in Telecommunication company. The exploratory research design is adopted in this study which employs secondary data. The financial statements of Telecommunication company have been collected over a period of 7 years (2010 to 2016). The data collected is analysed by the percentages, averages, ratios and Correlation analysis tools reveals that the research evidence of the study indicates that, that degree of operating leverage is statistically significant positive correlation with the ROI. It is observed that degree of financial leverage is positively correlated with the ROI. It means that degree of financial leverage of Telecommunication company was not at optimum level. It is suggested to Telecommunication company to revise its capital structure which should include the optimum blend of equity and borrowed funds so that it has positive impact on Return on Investment. More over degree of combined leverage is positively correlated with ROI of Telecommunication company. The financial performance of the Telecommunication company is satisfactory. The Telecommunication company is employing less debt funds so it can’t get the financial leverage benefits. Therefore, the Telecommunication company has to revise its capital structure so that financial leverage will help to maximize the shareholders’ wealth.