Preface

To date a number of empirical research programs have been conducted in the area of determinants of Capital structure from different countries. Based on the empirical analysis there are so many factors that determine the capital structure. But each having a different importance and influence on the capital structure depends on different countries and some other factors. Hence a need arises to conduct a fresh research on factors affecting capital structure of the Indian organizations. So, researcher tries to bridge the gap in this field.

Capital structure decisions are among the most important and crucial decisions for any business because of their effect on the value and cost of the company. The major objective of this study is to understand the relevance of the theoretical internal (firm level) factors determining capital structure in explaining the differences in the capital structures of Indian industries and to know which of the theories of capital structure are appealing to Indian manufacturing and Service Industry.

The other objectives are: to examine the sources of finance and factors influencing the capital structure of selected companies in India, to study the correlation and regression analysis between the capital structure determinants of firm-level characteristics viz., profitability, size, asset tangibility, growth opportunity, risk, non-debt tax shield and liquidity, to make a comparative analysis of the components of capital structure among selected industries in India and Finally, to suggest the measures for the effective capital structure design in the selected industries so that it can attract the investment from various sources and forms.
In the present study, the data was taken from availability of secondary data source named as “Industry; financial aggregates and ratios” as a corporate database (PROWS) maintained by the center for monitoring Indian economy (CMIE). This study covers a period of 14 years from 1997-98 to 2010-2011. In this paper, variables considered for the analysis include; debt equity ratio (the ratio of long term debt and equity) as a dependent variable and profitability (EBDITA/Total Assets), firm size (Log of total assets), tangibility (Net Fixed Assets / Total Assets), growth (Change in total sales/ Total sales), risk (Absolute variation in profitability), non debt tax shield (Annual Depreciation / Total assets), and liquidity (current assets / current liabilities) as independent variables.

Both financial and statistical tools and techniques were by using SPSS Version 20 software application to evaluate the determinants of capital structure of Indian industrial sectors. Financial tools like ratio analysis and statistical tools such as descriptive statistics (mean, maximum, minimum and standard deviation), correlation coefficient, multiple regressions and ANOVA were used. The statistical results were verified by applying t-test, F-test in appropriate cases.