The purpose of this research is to study the determinants of capital structure of multinational firms in the fast moving consumer goods sector in India and to study how multinational firms in FMCG sector raise capital for funding their investment/financial deficits, internally or externally (with debt or equity). Thus, we study 2 major hypotheses. Both the hypotheses are tested by using the regression analysis, though for hypothesis 2 qualitative analysis is also used, and an augmented model is also applied to test hypothesis 2.

Mainly, following the linear regression model the results of our study regarding the multinational firms in the FMCG sector shows as follows. For hypothesis 1, Liquidity has a positive but not significant regression coefficient on long term leverage and total leverage but has a negative and significant regression coefficient on short term leverage. Profitability has the positive but not significant regression coefficient on long term leverage and total leverage, while tax and size shows the negative and insignificant regression coefficient on long term leverage, total leverage and short term leverage.

For hypothesis 2, it has been concluded that the financing deficit has positive but insignificant effects on the net debt issues and newly retained earnings. This result gives us an idea that the high deficit firms would like to issue more net debts and use their retained earnings to fund their financing deficit. On the other hand, financing deficit has the negative and insignificant effect on net equity issue. This means that the high deficit firms would not like to issue fresh equity to fund their financing deficit.

For the augmented model, our results show a positive coefficient on the financial deficit and negative on the squared deficit term. Therefore, we conclude that our
multinational firms in the FMCG sector prefer both internal and external financing and debt to equity if external financing is used.