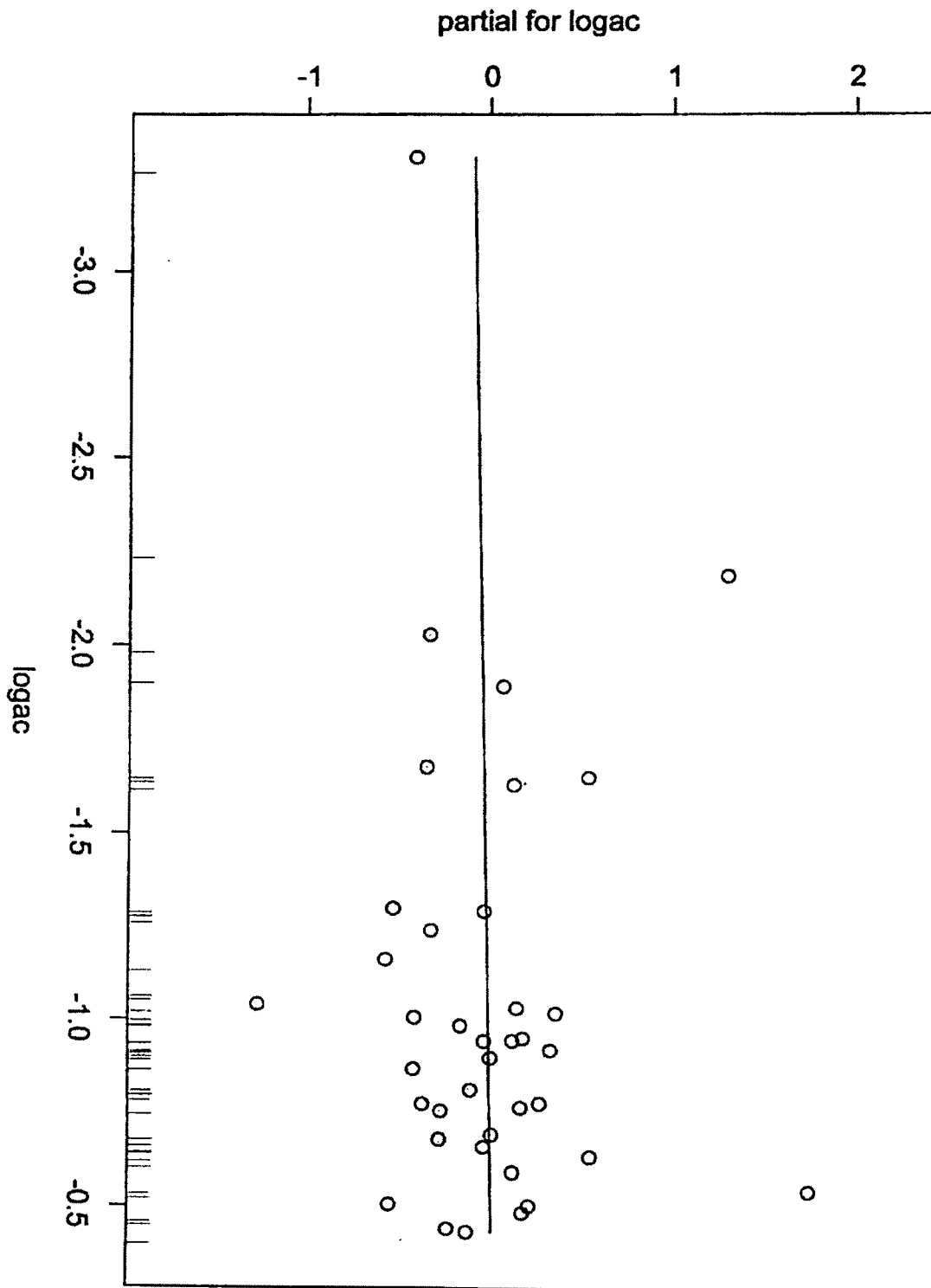


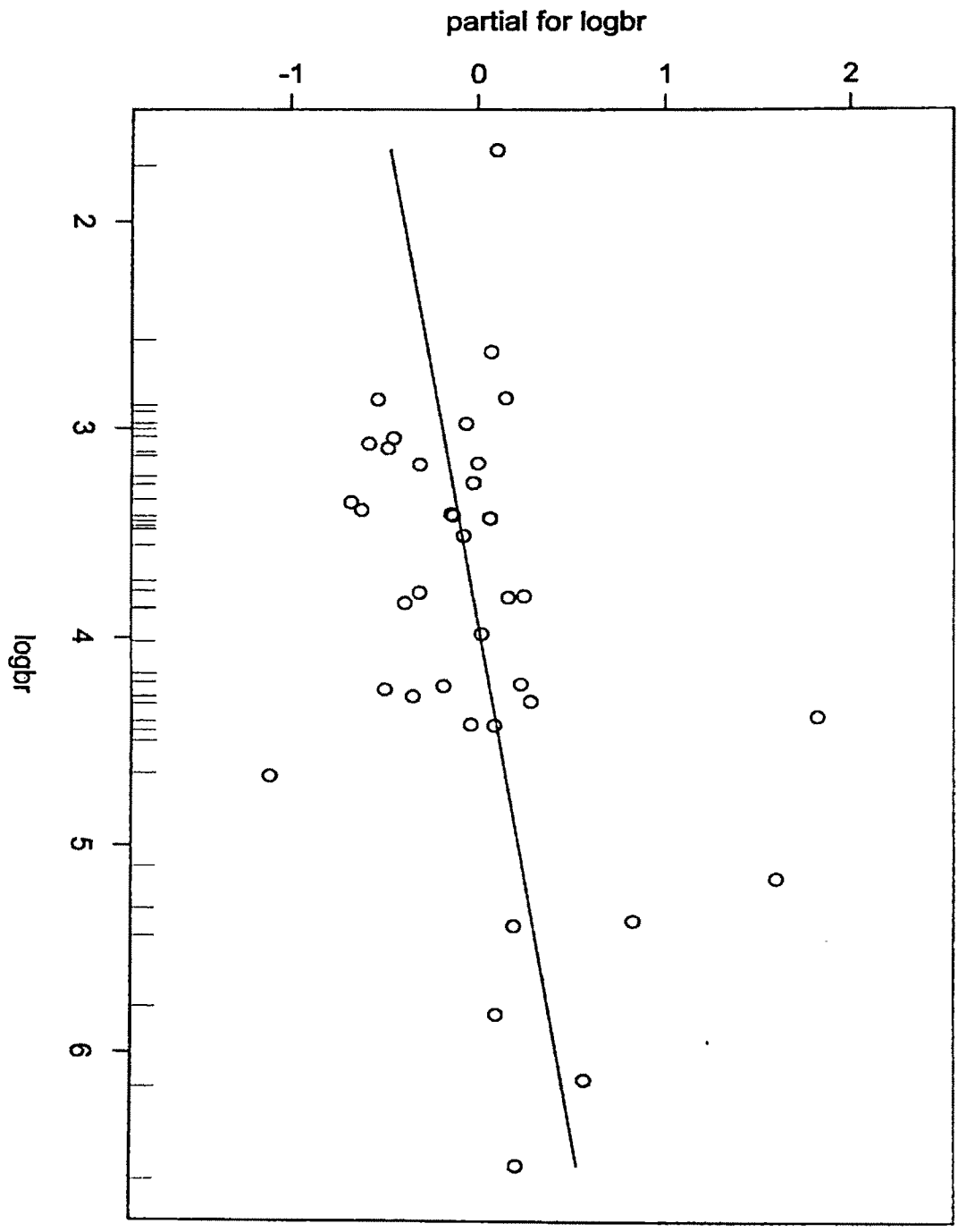
## **Appendix B**

### **Scattergram for Private Sector Companies**

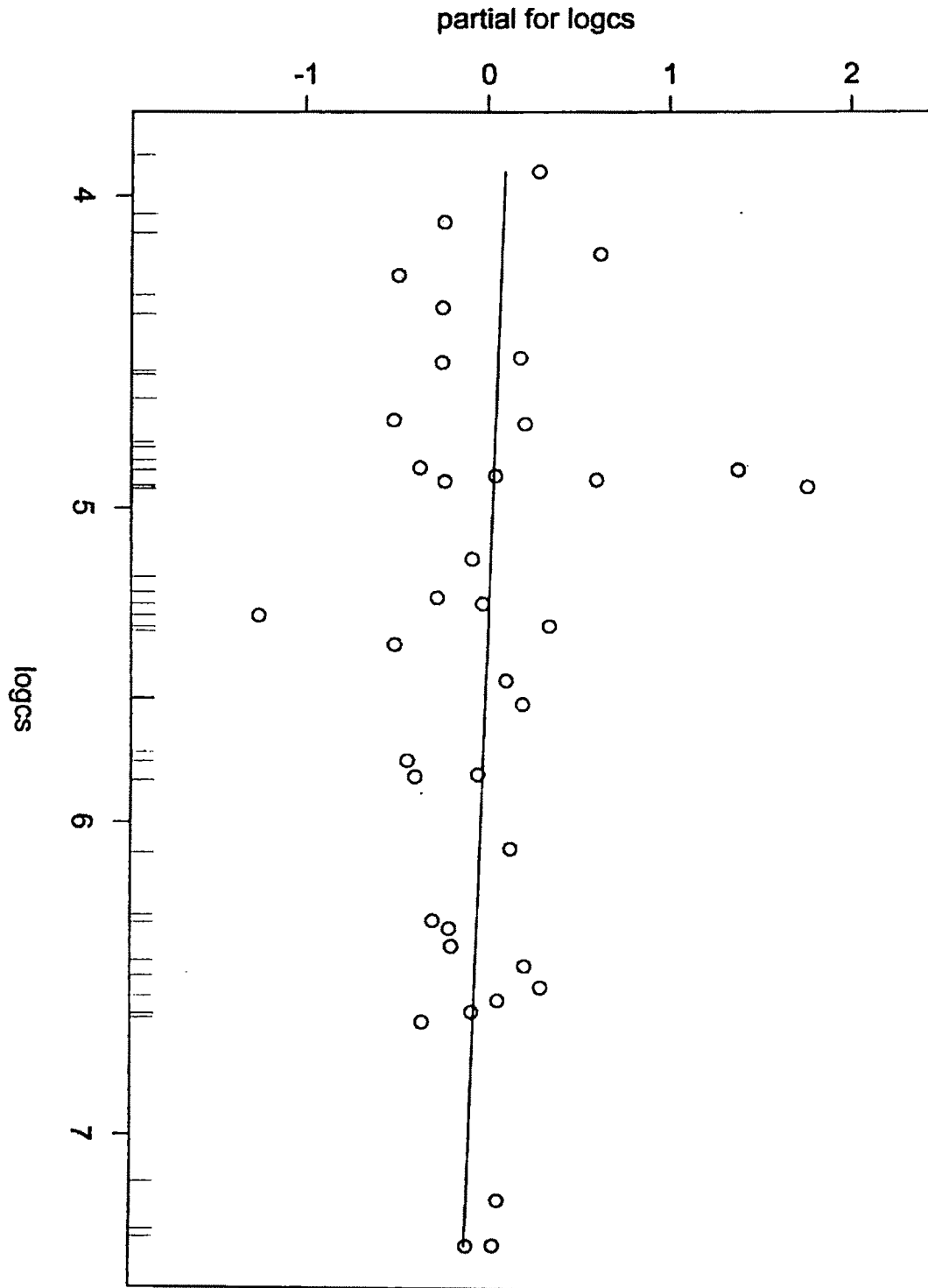
1. Here on the X axis log assets composition (log ac) and on the Y axis partial residuals for log ac are plotted. Since the observed points lie close to the fitted line mostly, the relationship is linear.



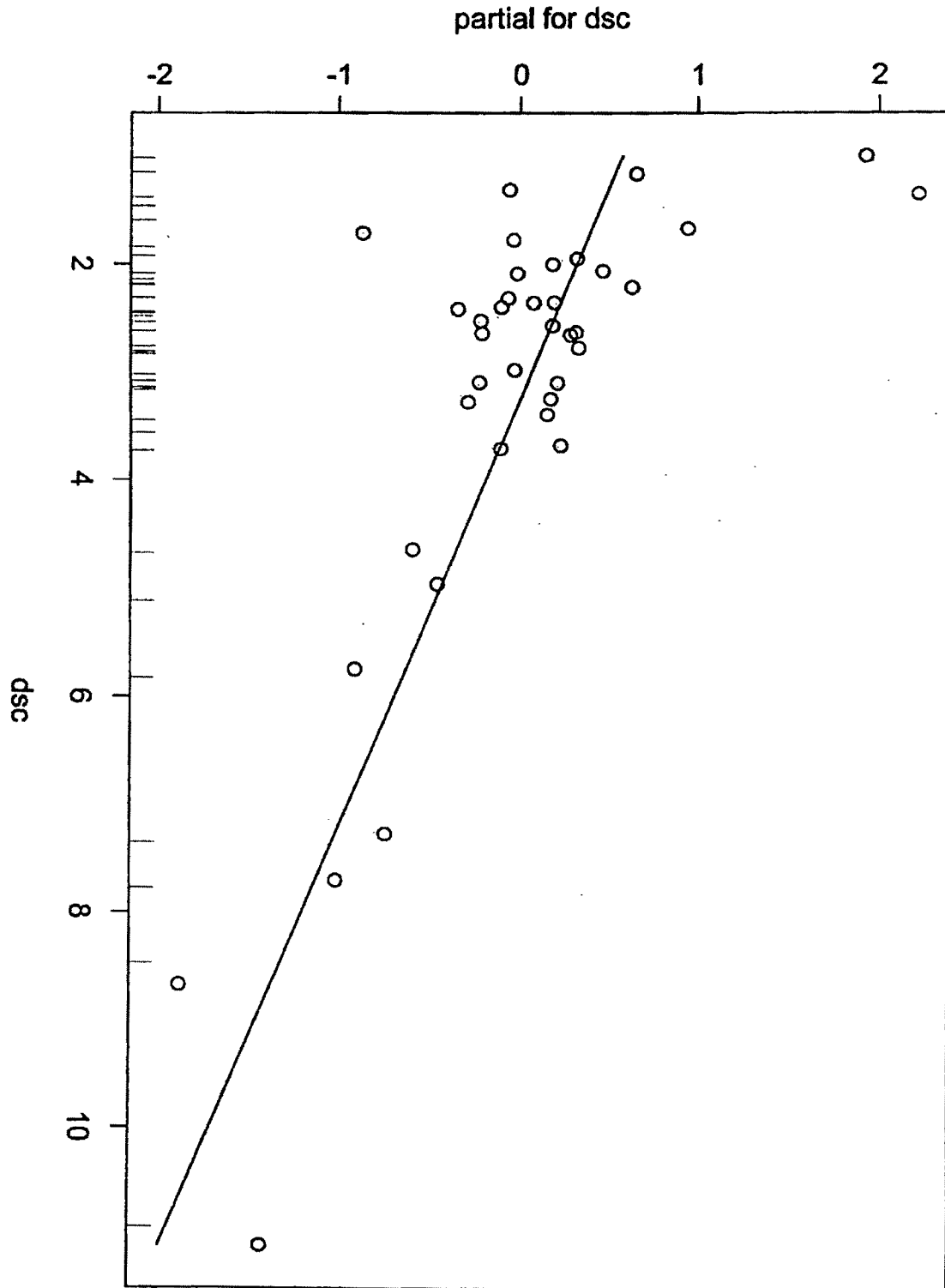
2. On the X axis log business risk (br) and on the Y axis partial residuals for log br are shown. It is not a good fit. Among the observed points, there are many outliers. But the relationship is more or less linear.



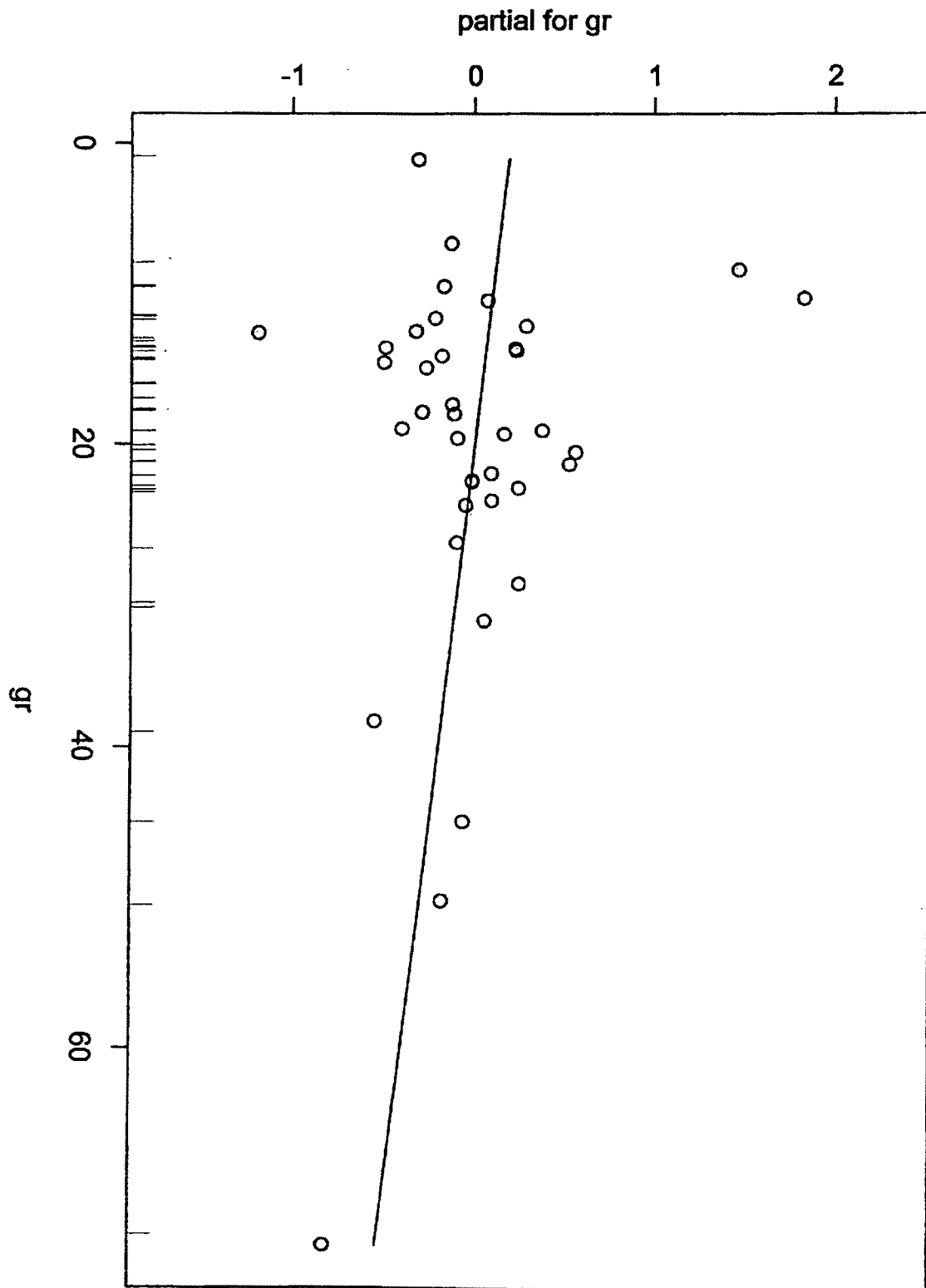
3. Here log Corporate Size (cs) and partial residuals for log cs are shown. It is also not a good fit. But as the observed points do not show any other definite pattern, the relationship is more or less linear.



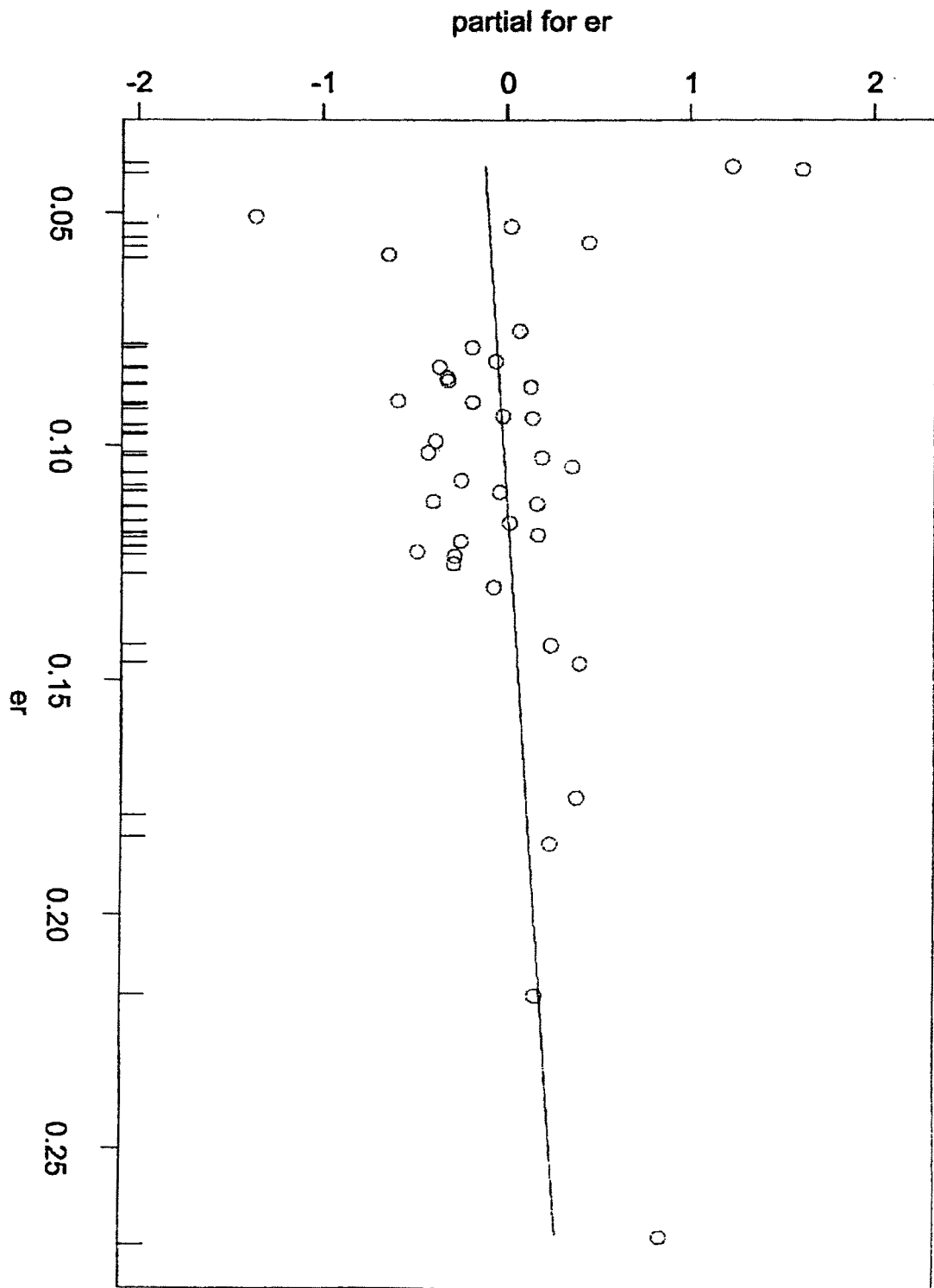
4. In this graph debt service capacity (dsc) and partial residuals for dsc are shown. Although it is also not a good fit, but from the graph it is clear that the relationship is almost linear.



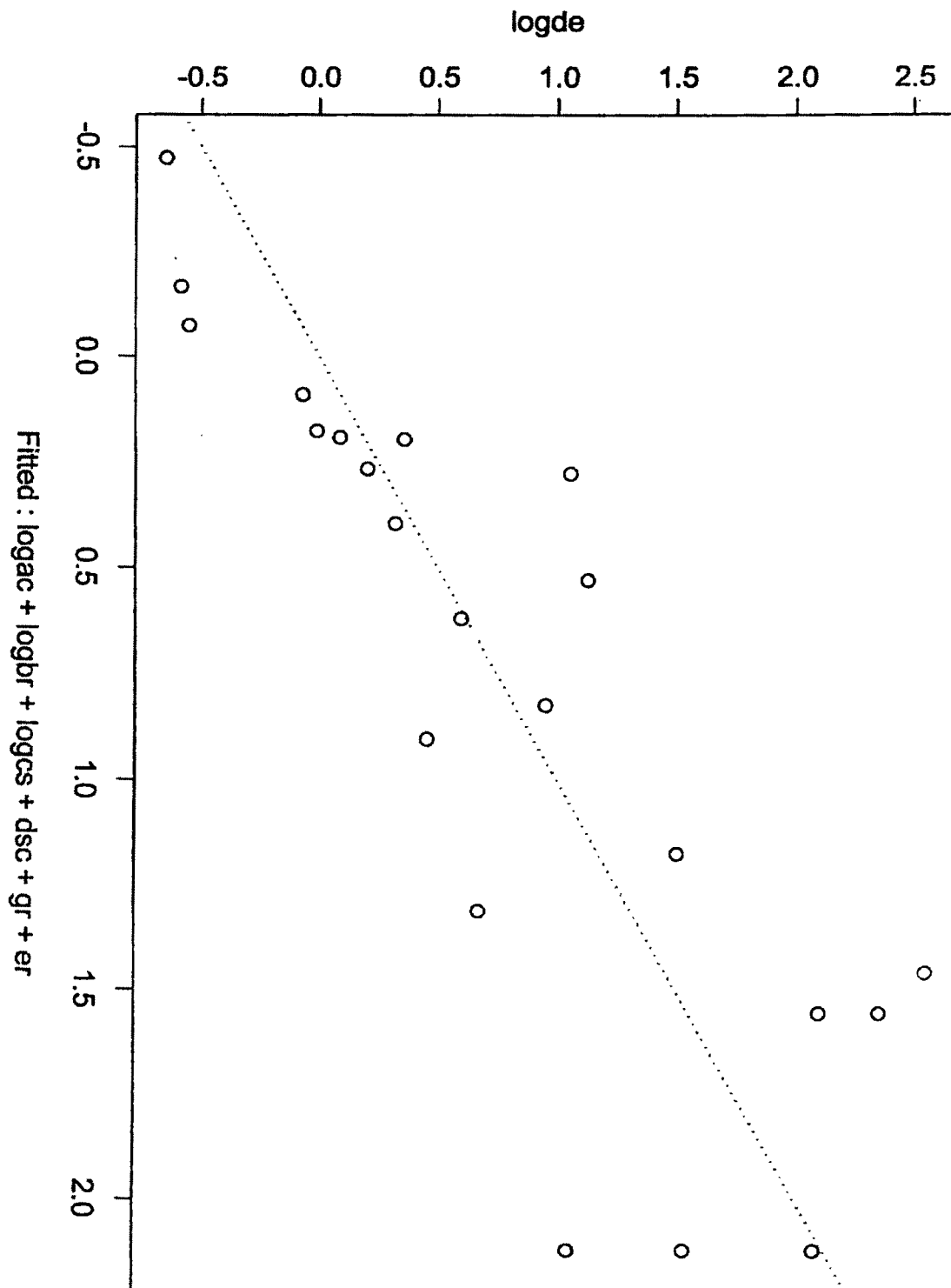
5. Here growth rate (gr) and partial residuals for growth rate are measured. Although the observed points are not very close to the fitted line but the graph does not show any other definite pattern except linear.



6. In this picture earning rate ( $er$ ) and partial residuals for  $er$  are plotted. It is slightly a good fit, maximum points are close to the fitted line, and the relationship is more or less linear.

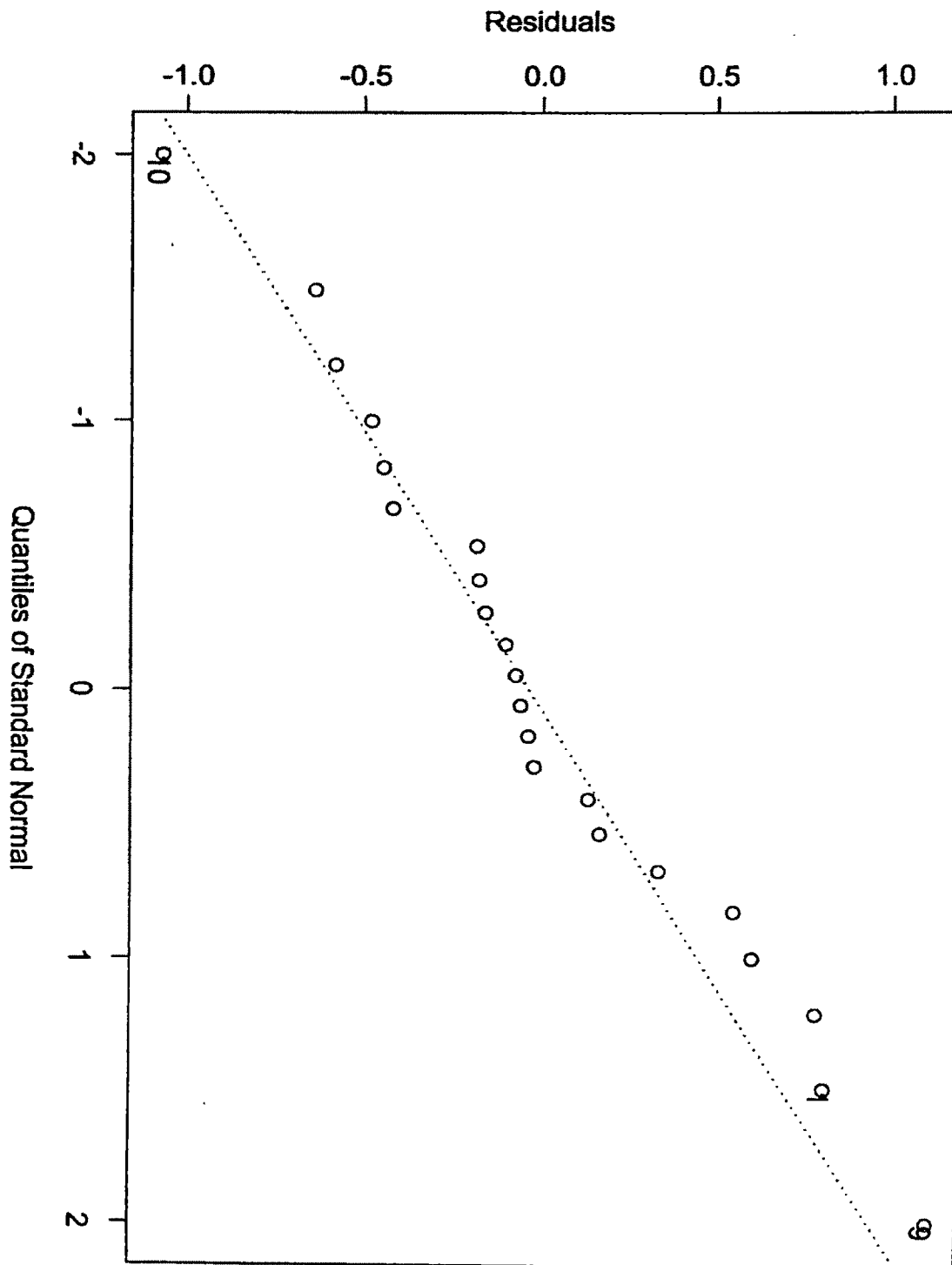


7. On the X axis independent variables are measured and on the Y axis the dependent variable (log debt equity) is measured. It is a good fit and from the observed versus fitted data graph it is clear that the errors may not be homoscedastic.

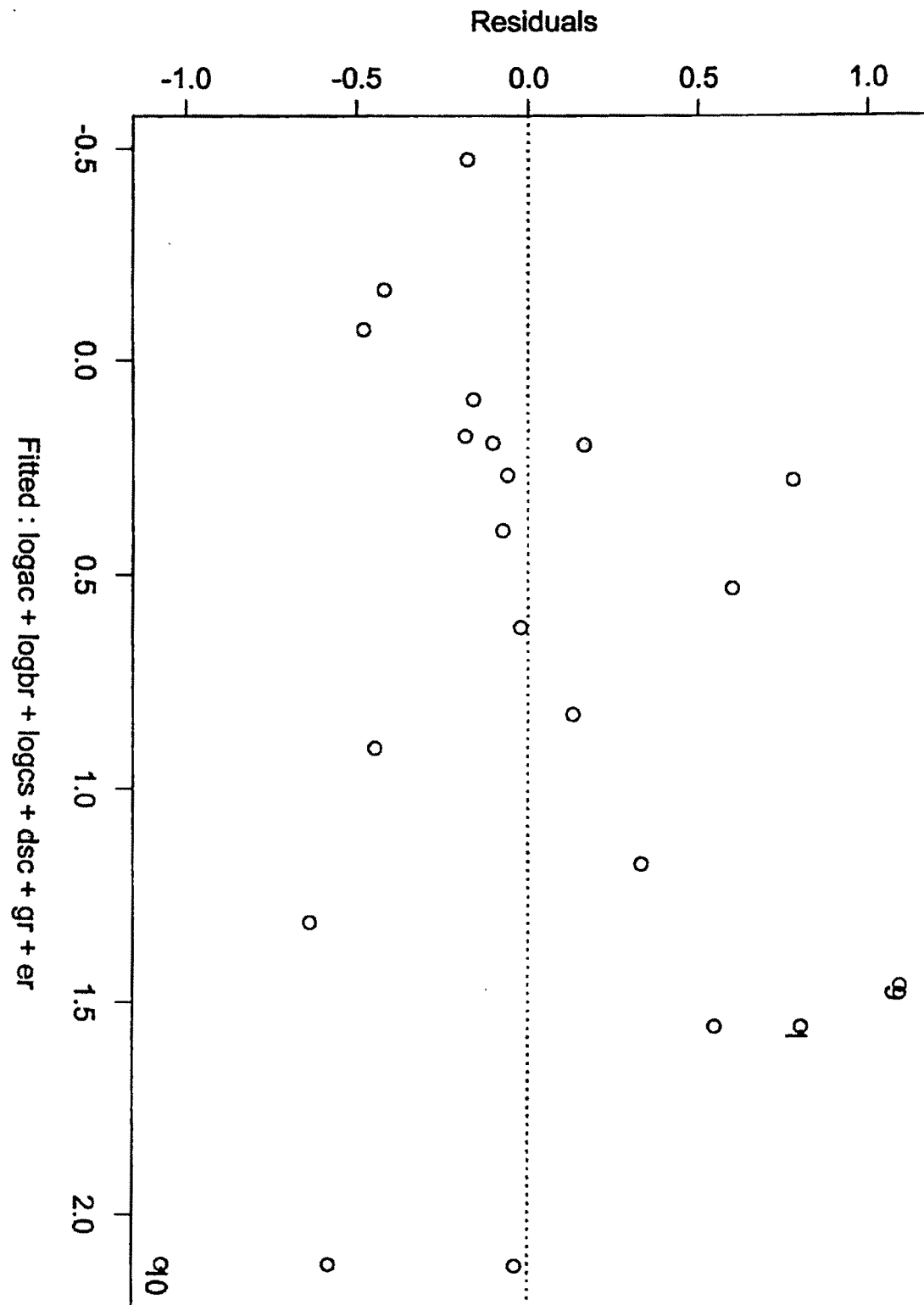




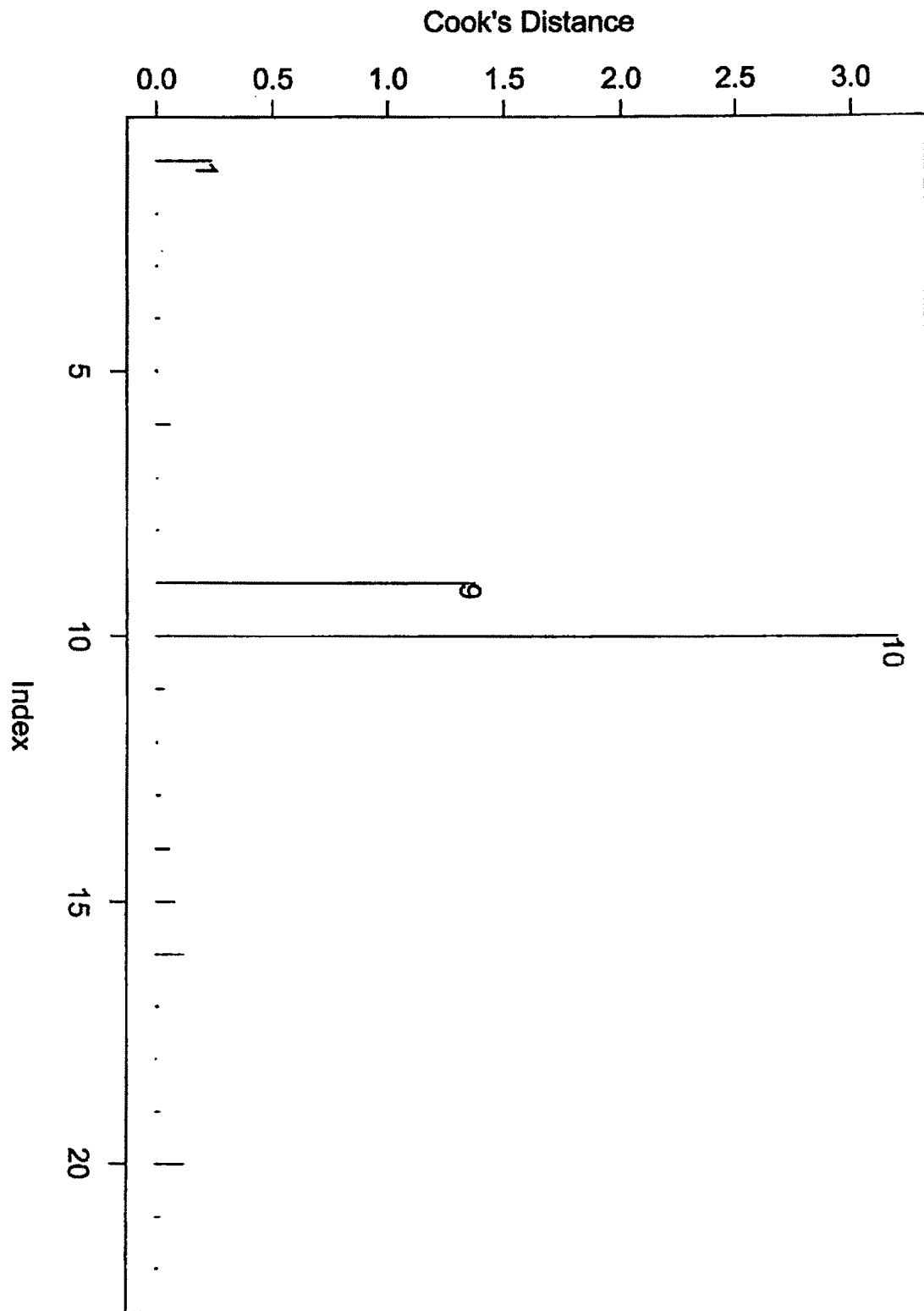
8. On the X axis quantiles of standard normal and on the Y axis residuals are plotted. As the residuals followed a similar pattern and lie very close to the line the assumption of normality of the distribution of residuals is justified.



9. It is a good fit of the observed versus fitted data graph since most of the points (except a few outliers) lie very close to the regression line.



10. The diagram clearly shows that company 15, company 18 and company 26 are outliers and according to cook's distance larger than rest of the companies.



11. Here on the X axis the dependent variable or debt equity is measured and on the Y axis all the independent variables i.e. assets composition, business risk, corporate size, debt service capacity, growth rate and earning rate are shown.

