CHAPTER III
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This Chapter attempts to make a brief review of previous literature dealing the present study. The related reviews were collected from textbooks, periodicals, journals, magazines, newspapers and project reports.

The capital structure, leverage and dividend policy of the company is very significant as it is directly reflected in the financial performance.

The review of literature aims at presenting and discussing the capital structure, leverage and dividend policy concepts. Empirical research literatures measuring the capital structure, leverage and dividend policy are also available. The following literatures are some of the presentations made by different persons.

1. I. M. Pandey, in his book “capital structure and the cost of capital” attempted to determine the empirical relationship between cost of capital and capital structure using data of four industries viz., cotton, chemicals, engineering and electricity generation. ¹

2. Gul (1999) aims to explain capital structure in terms of agency theory and asset structure as represented by growth opportunities. The idea is that the higher the fraction of firm’s value which is represented by growth opportunities rather than by assets in place, the lower should debt represent in its capital mix.²

² Gul, F.A., Growth Opportunities, Capital Structure and dividend policies in Japan, Journal of Corporate Finance,
3. Bhat's in "determinants of financial leverage" paper published in 1980 ascertained the determinants of financial leverage under the Indian context. He also studied impact of size, growth, business risk, dividend policy, profitability, debt service capacity and the degree of operating leverage on the leverage ratio of the firm.³

4. Bierman, H., has studied leverage and explained impact of Debt ratio Debt-equity ratio and Interest coverage ratio on leverage.⁴

5. Professor James E. Walter has studied dividend policy, the choice of dividend policies and its relationship with the value of the firm.⁵

6. Krishnamoorthy and Sastry, has studied a paper about the investment and Financing in the Corporate Sector in India. In this, he has examined dividend policy followed by Indian firms in the long run and also alteration of dividend policies to suit their investment plans and external financing situation by the firms India.⁶

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7. Brandt, L. K. has made study on stability of dividends in the form of constant dividend per share and constant payout. He expressed that “A constant dividend per share policy may help to stabilize the market price of the share. But, the constant payout is related to a company’s ability to pay dividends.”

8. Dr. Veni P. and Narayanan V. S. has Studied the Leverage, Capital Structure dividend Policy and practices on Coromandel Fertilizers Ltd. This study reveals the effect of debt-equity mix and its impact and the dividend policy and also the leverage impact.

The literature referred to above contains only broad references to the capital structure, leverage and dividend as such. An attempt is made in this dissertation to make an in depth analysis with reference to Sambandam Spinning Mills, Salem about the capital Structure, leverage and dividend policy.

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8. Leverage, Capital structure, dividend policy and practices - case study, The management Accountant --Dec-2002 P. 941 – 946