CHAPTER VIII
Findings, Summary and Conclusion

Findings of the study
The major findings of the study are presented in the following heads

Capital structure practices of sample CPSEs
Determinants of capital structure decisions of sample CPSEs
Capital structure decisions impact on corporate performance of sample CPSEs

Capital structure practices of sample CPSEs
(i) Capital structure practices of sample CPSEs:
With the close observation of the Median, Mean and quartiles values the major findings are as stated below:-

Major percentage of the overall sample CPSEs have less inclination towards debt. The study observed slight increase of the debt/equity ratio in the first, second and third five years of the study period and study finds considerable decrease of the debt/equity ratio in last five years period. Overall sample CPSEs showed less debt usage in capital structure for the entire study period except in few years.

On an average of the study period more than half of the companies (58.57 percent) were sustained very safe capital structure and very less percentage of CPSEs have high dangerous debt/equity ratio, thus, some CPSEs used more debt than equity in capital structure. Some (above 10 percent) CPSEs moved towards very dangerous zone, in those, very few were having most dangerous level.

The samples CPSEs were showing more debt to finance their assets in the initial years (or) first half of the study period. But in second half of the study period overall CPSEs have lesser inclination towards debt to finance the assets. The study finds that the overall CPSEs were reducing the use of debt to finance the assets.

On an average of the study period major portion of the firms (75 percent) used debt to finance the 50 percent or below assets, and minor portion of the CPSEs (14.24) used debt to finance above 50 percent of assets. The study finds very few CPSEs (2.6 percent) used (100 percent) debt to finance their assets.
The study observed that the overall CPSEs were increasing more usage towards the shareholders’ equity to finance the firm assets. The usage of networth to finance the total assets was increased for the entire study period in the overall CPSEs. The study observed that on an average major portion of overall CPSEs (68.8 percent) used networth to finance below 50 percent of theirs’ assets and minor portion of the overall CPSEs (31.2 percent) used networth to finance above 50 percent of theirs’ assets.

(ii) Capital structure practices in Manufacturing Industry:
The study found with close observation of the Median, Mean and quartiles values enlighten that major percentage of the sample CPSEs in manufacturing industry have less inclination towards debt. The study observed the slight increase of the debt/equity ratio in the first, second and third five years of the study period and found considerable decrease of the debt/equity ratio in last five years period. Sample firms in manufacturing industry showing less debt usage in capital structure for the entire study period except in few years. The debt/equity ratio of sample CPSEs in manufacturing industry with in the normal range.

In manufacturing industry considerable percentage of CPSEs have negative ratio (12.28 percent), major portion of CPSEs in manufacturing industry (71.14 percent) have normal range of debt in capital structure, but some CPSEs have (16.58 percent) high debt in capital structure.

In manufacturing industry the sample CPSEs had given more priority for debt to finance the assets in the initial years of the study period. But in the latter years debt was given moderate priority to finance the assets. But trend of usage of debt to finance the assets in manufacturing industry is showing fewer ups and downs.

In manufacturing Industry sample major portion of CPSEs (81.43 percent) used debt to finance below 50 percent of the total assets and minor portion of CPSEs (18.57 percent) used debt to finance the total assets.

Networth to total assets ratio in manufacturing industry showing gradually increase trend that means more share holders’ equity has been utilized to finance the firm’s assets. The study observed more volatility in usage of networth to finance the total assets in manufacturing industry.

The study makes clear that there are some few (11.31 percent) CPSEs in manufacturing industry have negative networth. Only a smaller amount CPSEs (11.32 percent) used networth to finance the 50 and above percent of total assets. The major
portion of CPSEs in manufacturing industry (77.37 percent) financed their below 50 percent of total assets through the networth or shareholders’ equity.

iii) Capital Structure practices in Service Industry:
In service industry the use of debt in capital structure was high in initial years of the study period, but it was gradually decreased to low level and sustained the low level for long time, but in the last two to three years the debt proportion in capital structure was high.
Major portion of the CPSEs in service industry (85.23 percent) have normal range of debt equity ratio, but minor portion of CPSEs in service industry (14.77 percent) have very high debt/equity ratio.
In service Industry sample CPSEs used high debt to finance the total assets in first half the study period but later gradually decreased theirs’ habit of debt usage to finance the assets.
On an average (91.25 percent) CPSEs in service industry financed below fifty percent of total assets with debt, but very few firms (9.75 percent) used debt to finance the above fifty percent of total assets.
In beginning of the study period usage of networth to finance the total assets was less.
In service industry sample CPSEs moved towards the networth to finance the total assets by the end of the study period.
In service industry on average majority firms (59.73 percent) financed theirs’ total assets with networth and minority firms (40.27 percent) used networth to finance the total assets.

iv) Capital structure practices in Mining Industry:
More debt proportion to the equity was visible in the sample firms in mining industry.
High ratio was evident in the initial years and decreased to considerable low level by the end of the study period.
Major portion of the CPSEs in mining industry (89.91 percent) have normal range of debt equity ratio, but minor portion of CPSEs in mining industry (10.09 percent) have very high debt/equity ratio.
In mining industry very high debt has been used to finance the total assets in the beginning of the study period. But continuously the debt proportionate to total assets was reduced considerable for the entire study period and in the last year it was very less debt was used to finance the assets.
On an average of the study period major number of firms (86.75 percent) financed below fifty percent of assets with debt and minor number of CPSEs in mining industry (13.25 percent) used debt to finance above fifty percent of the total assets. Usage of Networth to finance the assets in mining industry was low in the initial years of the study period but later period CPSEs in mining industry gradually moved towards more networth to finance the assets. In mining industry only small number of CPSEs had financed total assets with networth (8 percent), some firms (3 percent) had negative ratio also, major portion of the CPSEs in mining industry (53 percent have) financed above fifty percent of theirs’ total assets with networth. Only minor portion (36 percent) CPSEs had used networth to finance below fifty percent of the total assets.

v) Capital structure practices in Power Industry:
The study observed that there were no tremendous changes of debt/equity ratio in power industry for the entire study period. On an average of the study period majority of the CPSEs (95.86 percent) in power industry have very safe capital structure and very less percentage of CPSEs have high dangerous debt/equity ratio. Thus firms in power industry used less debt compare to equity in capital structure. The sample CPSEs in power industry were used more debt to finance the assets in the first half of the study period, but later period debt usage in the financing of the total assets was reduced. On an average of the study period major number of (79.58 percent) sample CPSEs in power industry used debt to finance below fifty percent of the total assets and minor number of sample CPSEs (20.42 percent) used debt to finance above fifty percent of total assets in mining industry. In power industry more shareholders’ funds used to finance the total assets in first half of the study period, but it usage of shareholders’ funds was less in the second half of the study period. On an average of the study period high number of sample CPSEs in power industry (59.17 percent) above fifty percent of total assets financed with networth and low number of CPSEs (40.83 percent) financed the below fifty percent of total assets with networth.
The major observation is numerous CPSEs in all groups have normal debt/equity ratio.

In all groups considerable number of CPSEs used more debt to finance the total assets.

CPSEs in all groups are gradually moving towards of networth to finance the total assets.

**Determinants of capital structure decisions of sample CPSEs**

(i) **Factors Determining the Capital structure practices in overall CPSEs**

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales are not significantly influenced the Debt/Equity ratio in overall sample CPSEs.

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales are significantly influenced the Debt/Total assets ratio in overall sample CPSEs.

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales are significantly influenced the Debt/Total assets ratio in overall sample CPSEs.
(ii) **Factors Determining the Capital structure practices of selected CPSEs in Manufacturing Industry**

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales are not significantly influenced the Debt/Equity ratio of sample CPSEs in manufacturing industry.

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales are not significantly influenced the Debt/Total assets ratio of sample CPSEs in manufacturing industry.

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales) are not significantly influenced the Networth/Total assets ratio of sample CPSEs in manufacturing industry.

(iii) **Factors Determining the Capital structure practices of selected CPSEs in Service Industry**

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales have significant influence on the Debt/Equity ratio of sample CPSEs in Service Industry.

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales did not have significant influence on the Debt/Total assets ratio of sample CPSEs in Service Industry.

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales did not have significant influence on the Networth/Total assets ratio of sample CPSEs in Service Industry.

(iv) **Factors determining the capital structure practices of selected CPSEs in Mining Industry**

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales did not have significant influence on the Debt/Equity ratio of sample CPSEs in Mining Industry.
Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales did not have significant influence on the Debt/Total assets ratio of sample CPSEs in Mining Industry.

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales are significantly influencing the Networth/Total assets ratio of sample CPSEs in Mining Industry.

(v) **Factors determining the capital structure practices of selected CPSEs in Power Industry**

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales have significant influence on the Debt/Equity ratio of sample CPSEs in Power Industry.

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales did not have significant influence on the Debt/Total assets ratio of sample CPSEs in Power Industry.

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales did not have significant influence on the Networth/Total assets ratio of sample CPSEs Power Industry.

**Capital structure decisions impact on corporate performance of select CPSEs**

(i) **Capital structure decisions impact on corporate performance in Overall sample CPSEs**

The capital structure ratios have a significant impact on 365 day average market capitalization in overall sample CPSEs.

The capital structure ratios have a significant impact on Earnings per share in overall sample CPSEs.

The capital structure ratios have a significant impact on Profit after Tax in overall sample CPSEs.

The capital structure ratios not have significant impact on Price/Earnings ratio in overall sample CPSEs.

The capital structure ratios not have significant impact on Return on Equity in overall sample CPSEs.
The capital structure ratios not have significant impact on Return on Assets in overall sample CPSEs.

The capital structure ratios not have significant impact on Return on Capital Employed in overall sample CPSEs.

The capital structure ratios not have significant impact on Return on Networth in overall sample CPSEs.

(ii) **Capital structure decisions impact on corporate performance of select CPSEs in Manufacturing Industry**

The capital structure ratios not have significant impact on 365 days average market capitalization of sample CPSEs firms in Manufacturing Industry.

The capital structure ratios not have significant impact on Earnings per Share of sample CPSEs firms in Manufacturing Industry.

The capital structure ratios not have significant impact on Profit after Tax of sample CPSEs firms in Manufacturing Industry.

The capital structure ratios not have significant impact on Price/Earnings ratio of sample CPSEs in Manufacturing Industry.

The capital structure ratios not have significant impact on Return on Equity of sample CPSEs in Manufacturing Industry.

The capital structure ratios not have significant impact on Return on Assets of sample CPSEs in Manufacturing Industry.

The capital structure ratios not have significant impact on Return on Capital Employed of sample CPSEs in Manufacturing Industry.

The capital structure ratios not have significant impact on Return on Networth of sample CPSEs in Manufacturing Industry.

(ii) **Capital structure ratios impact on corporate performance of selected CPSEs in Service Industry**

The capital structure ratios have a significant impact on 365 days average market capitalization of sample CPSEs in Service Industry.
The capital structure ratios have a significant impact on earnings per share of sample CPSEs in Service Industry.

The capital structure ratios have a significant impact on profit after tax of sample CPSEs in Service Industry.

The capital structure ratios have a significant impact on price/earnings ratio of sample CPSEs in Service Industry.

The capital structure ratios have a significant impact on return on equity of sample CPSE firms in Service Industry.

The capital structure ratios not have significant impact on return on assets of sample CPSEs in Service Industry.

The capital structure ratios not have significant impact on return on capital employed of sample CPSEs in Service Industry.

The capital structure ratios not have significant impact on return on networth of sample CPSEs in Service Industry.

(iii) **Capital structure ratios impact on corporate performance of selected CPSEs in Mining Industry**

The capital structure ratios have a significant impact on 365 days Average Market Capitalization of sample CPSEs in Mining Industry.

The capital structure ratios not have a significant impact on Earnings per Share of sample CPSEs in Mining Industry.

The capital structure ratios have a significant impact on Profit after Tax of sample CPSEs in Mining Industry.

The capital structure ratios have a significant impact on Price/Earnings ratio of sample CPSEs in Mining Industry.

The capital structure ratios have a significant impact on Return on Equity of sample CPSEs in Mining Industry.
The capital structure ratios not have significant impact on Return on Assets of sample CPSEs in Mining Industry.

The capital structure ratios not have a significant impact on Return on Capital Employed of sample CPSEs in Mining Industry.

The capital structure ratios not have significant impact on Return on Networth of sample CPSEs in Mining Industry.

(iiv) Capital structure ratios impact on corporate performance of selected CPSEs in Power Industry

The capital structure ratios have a significant impact on 365 days Average Market Capitalization of sample CPSEs in Power Industry.

The capital structure ratios have a significant impact on Earnings per Share of sample CPSEs in Power Industry.

The capital structure ratios have a significant impact on Profit After Tax of sample CPSEs in Power Industry.

The capital structure ratios have a significant impact on Price/Earnings ratio of sample CPSEs in Power Industry.

The capital structure ratios not have significant impact on Return on Equity of sample CPSEs in Power Industry.

The capital structure ratios not have significant impact on Return on Assets of sample CPSEs in Power Industry.

The capital structure ratios have a significant impact on Return on Capital Employed of sample CPSEs in Power Industry.

The capital structure ratios have a significant impact on Return on Networth of sample CPSE firms in Power Industry.
Summary of the study

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales are not significantly influencing the Debt/Equity ratio in overall sample CPSEs but they are significantly influencing the networth/Total assets ratio and the Debt/Total assets ratio in overall sample CPSEs. Hence the study summarizing that the above factors are significantly influencing the capital structure ratios in overall sample CPSEs. So the study rejected the Null Hypothesis 1.

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales are not significantly influencing the Debt/Equity ratio, Debt/Total assets ratio and the Networth/Total assets ratio of sample CPSEs in manufacturing industry. Hence the study concluding that above factors are not significantly influencing the capital structure ratios in manufacturing industry.

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales have significant influence on the Debt/Equity ratio and do not have significant influence on the Debt/Total assets ratio and Networth/Total assets ratio of sample CPSEs in Service Industry. Hence the study summarizing that above factors are not significantly influencing the capital structure ratios in service industry.

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales are not significantly influencing the Debt/Equity ratio but they are significantly influencing the Debt/Total assets ratio and Networth/Total assets ratio of sample CPSEs in Mining Industry. Hence the study summarizing that above factors are significantly influencing the capital structure ratios in mining industry.

Book value per share, EBIT, EPS, Financial Leverage, GICR, Operating Leverage and Sales have significant influence on the Debt/Equity ratio and Networth/Total assets ratio of sample CPSEs in Power Industry but they are not significantly influencing the Debt/Total assets ratio. Hence the study summarizing that above factors are significantly influencing the capital structure ratios in power industry.
The capital structure ratios have a significant impact on 365 day average market capitalization, Earnings per share, profit after Tax in overall sample CPSE firms and the capital structure ratios not have significant impact on Price/Earnings ratio, Return on Equity, Return on Assets ratio, Return on Capital Employed and Return on Networth in overall sample CPSEs. Hence the study concluding that the corporate performance is not significantly influenced by the capital structure ratios in overall sample CPSEs. So the study accepting the Null Hypothesis2.

The capital structure ratios do not have significant impact on 365 days average market capitalization, Earnings per Share, Profit after Tax, Price/Earnings ratio, Return on Equity, Return on Assets, Return on Capital Employed and Return on Networth of sample CPSEs firms in Manufacturing Industry. Hence the study concluding that the corporate performance is not significantly influenced by the capital structure ratios in sample CPSEs from manufacturing industry.

The capital structure ratios do not have significant impact on return on assets, return on capital employed and return on networth and capital structure ratios have significant impact on 365 days average market capitalization, earnings per share, profit after tax, price/earnings ratio and return on equity of sample CPSE firms in Service Industry. Hence the study summarizing that the corporate performance is significantly influenced by the capital structure ratios in sample CPSEs from Service industry.

The capital structure ratios have significant impact on 365 days Average Market Capitalization, Profit After Tax, Price/Earnings ratio and Return on Equity of sample CPSE firms in Mining Industry. The capital structure ratios not have significant impact on Earnings per Share, Return on Assets, Return on Capital Employed and Return on Networth of sample CPSE firms in Mining Industry. Hence the study summarizing that the corporate performance is significantly influenced by the capital structure ratios in sample CPSEs from Mining industry.

The capital structure ratios have significant impact on 365 days Average Market Capitalization, Earnings per Share, Profit After Tax, Price/Earnings ratio, Return on Capital Employed and Return on Networth of sample CPSE in Power Industry and the
capital structure ratios not have significant impact on Return on Equity, Return on Assets of sample CPSEs in Power Industry. Hence the study summarizing that the corporate performance is significantly influenced by the capital structure ratios in sample CPSEs from Power Industry.

**Recommendations of the study**

i) Major CPSEs still following the conservative policies regarding to capital structure practices. So the CPSEs must come forward to utilize the market opportunities.

ii) CPSEs can elaborately utilize the networth to finance the future fruitful projects then exchequer contribution to the Govt.

iii) The CPSEs can grab the market innovative financial instruments to finance their assets.

iv) The CPSEs can plan more accurately and efficiently to utilize the internal and external financial resources.

**Further Research**

Even though, the capital structure is a well discussed topic, the approach taken by this study has been little investigated. Surprising, since economic intuition indicates that the macroeconomic conditions affect the decision for borrowing and issuing equity, as also the internal capacity of the firm to finance itself its projects. A natural extent of this work is to investigate deeply the relationship between the microeconomic conditions and the level capital structure ratios, taking sufficient sample of listed in BSE and extending to different industries.

Another relevant issue to the future is to analyze the Macroeconomic conditions effect over the capital structure in PSUs. It will be interesting to consider the effect of the current economic environment over the financing decisions of the firms. However, this should be done in a medium term future, as to recognize any modifications, it would be necessary a more consolidated data. This research question remains open as
the macroeconomic dimension has a consequence over the financial decisions. Empirical work using larger data is needed. I leave this for a future research.

**Conclusion**

Today, the requirements of the country have increased, so the Government expecting more contribution from CPSEs. CPSEs have a vital role in the development of the economy. For this endeavor, CPSEs are concentrating in all aspects of business finance i.e., financing and investment decisions etc., Further, they are more concentrating on capital structure practices; thus, CPSEs can minimize the cost and maximize the return to their owners. In this regard, this study majorly examined financing decision of the CPSEs and their impact. For this, present study deeply examined capital structure practices of CPSEs, determinants of capital structure practices and impact of capital structure decisions on corporate performance. Finally, the study successfully gave some guidance to the CPSEs in capital structure practices and their influence on corporate performance.