

# A Study on Capital Structure of Indian Bank at Kumbakonam

<sup>1</sup>S.Maragathavalli, <sup>2</sup>Mrs.C.Sangeetha MBA., M.phil.,M.com (PhD).

<sup>1</sup>Final year MBA student, <sup>2</sup>Assistant professor, Management Department, Idhaya College for Women, Kumbakonam, India. <sup>1</sup>sankarmaragathavalli@gmail.com

**ABSTRACT** – This research paper is based on “A Study on capital structure of Indian bank at kumbakonam”. Capital arrangement in the development of identifying the first city assembly and concentration and weakness of the firms by fitting establishing link between the stuff of the profit passing away account . It is on the year between of 2014 to 2018. The tools second hand for the study is control fashion are old economic and pooled leverage. It is measuring by EBIT analysis and EPS analysis.

**Keyword:** capital structure, Funds, Leverage.

## I. INTRODUCTION

Planning the capital structure is an important area of financial decision making. The finance manager has to select long- term sources of funds in such a way that the capital structure is optimum. The raising of more debt may help to improve the return to shareholders. But it will increase the risk and the fixed interest charges. The risk to the firms is also less, but the shareholders expect higher returns. Therefore. The finance manager has to strike a balance between various long- term sources with a view to minimize the overall cost of capital.

## II. REVIEW OF LITERATURE

**Pandey , et.al (2000)**analyzed the 221 thai manufacturing firms for the period of1990-95 to find out the financing pattern of these firms during the period of country`s financial liberalization and economic success.

**Lindh (2001)**investigates the capital structure choices of non – listed firms in Sweden over the period from 1997 to 1999 and then, compares there results listed firms .The study has applied pooled regression and fixed effect model and found a number differences in the

**Pandey (2001)** examined the determinants of capital structure of Malaysian companies utilizing data from 1984 to 1999. The results of pooled OLS regression show that profitability, size, growth, risk and tangibility variables have significant influence on all types of debt. These results are normally consistent with the results of fixed effect estimation with the exception that risk variable loses its significance. Unlike the evidence from the developed markets, investment opportunity (market-to-book value ration) has no significant impact on debt policy in the emerging market of Malaysia.

**Huang and Song (2002)** used the market and accounting dada from more than 1000 Chinese listed companies up to the year 2000 document the characteristics of these firms in terms of capital structure. As in other countries, leverage in Chinese firms increases with firm`s size, non – debt tax shields and fixed assets

whereas decreased with profitability and correlates with industries.

**Gaud, et al. (2003 )** analyzed the determinants of the capital structure of 106 swiss companies by using static and dynamic model for the period 1991 -2000. The study has found that size of companies,, the importance of tangible assets and business risk are found tat size of companies, the importance of tangible assets and business risk are positively related to leverage whereas growth and current profitability are negatively associated with leverage .

**Gonenu (2003)** examines the impact of profitability, assets tangibility, size and growth opportunities on capital structure decisions of Turkish industrial firms, the study aims to show that corporate governances and equity ownership structure could influence the relationship between debt ratio and firm`s` characteristics

## III. RESERCH METHODOLOGY

It is undertaken with in nearly everyone profession new one than a normal of handiness it is a method of thinking. Investigate judiciously the countless aspect of your allow work..

The sort out old to accumulate in sequence and facts for determination of creation trade certitude and all this purpose that is a needed for the researcher to bank. The identical may have differing options from challenge to problem.

Secondary data pass on to numbers which calm by a big shot who is a big name other than uses.

## RESERCH OBJECTIVES

To discover the control breakdown is economic in use and collective influence basis.

## SCOPE OF THE STUDY

To scrutinize allow to appreciate to a detriment to the resources arrange in term.

## LIMITATION OF THE STUDY

The analysis is allow to take in to a account connected to the resources building in term. Th. The keep steady piece is set on point date, subsequently it ignores fluctuations in asset and equates that may arise in the interlude roofed by tally sheet.

## NATURE OF THE STUDY

The foremost single- mindedness of this review is to inquiry the economic recital of Indian Bank.

## LEVERAGE

### Degree of Financial Leverage

$DFL = \text{percentage change in EPS} / \text{percentage change in EBIT}$

YEAR	EBIT	EBT	DFL
2014	13789.39	1475.67	9.34

### Degree of Operating Leverage

$DOL = \text{percentage change in operating income} / \text{percentage change in sales}$

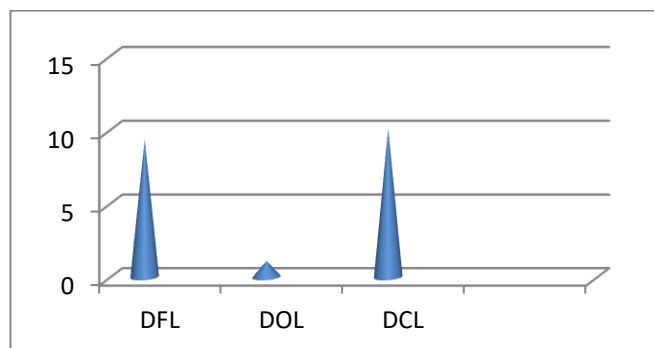
Year	Operating income	Sales	DOL
2014	16620.89	15249.21	1.08

### Degree of Combined Leverage

$DOL = \text{Degree of Operating Leverage} * \text{Degree of financial leverage}$

Year	DFL%	DOL%	Combined Leverage
2014	9.34	1.08	10.09

## CHART



## INTERPERTATION

The financial leverage is increase compare to operating leverage is very low and combined leverage is very high.

## IV. SUGGESTION

The corporation may convoy sufficient steps to lower the sky-scraping debt in requisition to get stronger the fiscal position. The touring company may achieve a provision to strengthen the monetary strong point to gain permanent assets on its personal and ease in that way the liabilities.

## V. CONCLUSION

The bank must chart its behavior in such a way means that their main foundation of revenue is enter or shows an greater than ever trend .

As the corporation depends additional on the outsider's income the monetary chance of the people will growth disturbing the liquidity.

## REFERENCE

<http://shohhganga.inflibet.ac.in/bitstream/10603/59571/11/1>