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Capital Structure of Indian Electronic Goods Companies with Special Reference to Total Turnover Since 1995 to 2020

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Abstract

The paper examined the capital structure of Indian electronic goods companies. Ratios of i) total turnover to total capital ratio; ii) total turnover to fixed capital ratio iii) total turnover to variable capital ratio are treated as indicators of financial health of company. The study covers the periods of 26 years from 1995 to 2020 and data has been taken from PROWESS IQ CMIE New Delhi. The paper uses summary of descriptive statistic, t-statistic and graphical method to portrayal the data for visual evaluation. Results suggest that T statistic of the difference between the means and medians of three ratios for all 14 companies exceed the critical value in the cases of 39. Therefore the distribution of these ratios diverges from the normally distributed for all 14 companies in the 39 cases. Results suggest that the company is achieving economies of scale in its fixed capital year on year and cost of fixed capital of goods and services for a companies is declined every year. Results also suggest that the financial health of the company is in good shape. Total revenue being equal to total variable capital and total capital stock means that the company making profit which is indicator of good financial health.

Keywords: financial health, Indian electronic industry, turnover, fixed capital, variable capital

Introduction

Profit is main driver of the business access of revenue/income over expenditure/cost is the accounting concept of the profit while revenue stands for income from all sources and cost refers to expenditure on all items in accounting parlance however these concepts are different in economics. Profit refers to the revenue and undertakes risk. Economic value added is another way looking of profit. Total output/ income minus expenditure on all material inputs used in process of production is define as value added which comprises salaries and wages of workers and employees and interest of capital any access over value added may be define as economic value added (shri prakash & shalini sharma 2008).

Yuga Raj Bhattarai (2016) examined the impact of capital structure on the performance of manufacturing companies listed in Nepal stock exchange. He used firm's performance as a dependent variable and leverage, Firm size, Tangibility and growth rate as independent variable in

the multiple regression models. The equation shows that capital Structure has a significant negative relationship with the performance of Nepalese manufacturing companies however the authors has not tested multicollinearity and the satisfaction or violation of the assumption of homoscedastidasty. Presence of multicollinearity among independent variables may make the regression coefficient not significant or a positive coefficient may also turn negative. The results may also be due to the disproportionally high proportion of the loan capital in total capital stock of company due to which interest liability and loan repayment liability is found to be negative in this case. Raluca Georgiana (2014) the study has the purpose to examine the relationship that is established between capital structure and profitability of companies, 53 companies registered on the Bucharest stock exchange and he finds that the performance of the firms, if measured in terms of ratios of ROA (ration on assets), ROE (ratio on equity), RCA (net sales margin rate) and MBR (market to book ratio) to total capital, significantly depends on the capital structure. The ratios used in this paper are by and large similar to the ratios used in our paper. Salawu Rufiu Ovesola (2008) found that the capital structure depends on non - financial parameters, he used penal data of 33 Nigeria companies. He evolved fixed variables regression model based on penal data. This finding suggest that the relative weights of different components in capital structure pay an important role in final outcome of production and marketing operation of the companies rather than financial health and operational outcomes being determinant by loan capital. Shubita Mohammud Fauri (2012) analyzed the impact of capital structure on the Jordanian industrial companies. She took the sample of 39 companies and used multiple regression models. She found the significant correlation coefficient between debt and profitability. Suhendra Euphrasis Susy (2014) uses data of 17 Indonesian firms, period covered rages 2010-2012 thus period cover is only 3 year yet each variables comprises 51 observations. He uses multiple regression model which has profitability, firm size and assets growth which has capital structure as the dependent variable and profitability, firm size and assets growth are treated independent variable. The study has found that the independent variables exercise significant influence on the capital structure of the sampled companies. Interestingly, the direction of the causality is inverses to the direction used in other studies however; the study does not mention debt capital. Joze P. Damijan (2017) evaluates leverage of the corporates and range of debt of Slovenians firms during the financial crisis. He examines the effect of financial distress on the performance of the firms. The performance is related to productivity, employment, exports, and investment. Results shows that the micro and small firms are found to suffer relatively more than larger firms. Jaz Hussain Bokhari at all (2019) this paper examines the impact of corporate governance, capital structure, and dividend policy on returns of assets. Whereas political instability have been introduced as moderating variable. The authors used 56 listed companies of textile sector of Pakistan and has been selected over the period of 2012-2016 and data collected from the audited annual reports. The result of study concludes that CG, CS, and DP have significant impact on ROA. The results also affirms that political instability moderate the relationship between CG, CS, DP and ROA. Sandra Jooste et all (2016) the main objective of this study is to examine empirically relationship between debt levels and total shareholder returns of platinum JES listed companies. The study field comprises annual analyses for 12 companies listed under the Platinum and Precious Metals sector on the JSE Ltd for the 14-year period 2000 to 2013. The result of the study shows that the level of debt and rate of returns to equity capital are significantly related. The finding of the study implies that the return to equity capital is an important indicator of the financial health of the companies which, in turn, enables to the companies to raise loan capital to the desired extent. Hong Zhang et al (2014) in the paper has investigated the impact of the credit crunch on target capital structures and the sample consists of 1,128 listed companies in China during the period 2000–2011. Thus the base of the study is penal data. They used econometric model and tested the validity of the model by evaluating the significance of the multicollinearity. Which is the usual malady of multiple regression model. However the problem of autocorrelation in the errors and the problem of heteroscedasticity have not been evaluated which militates against the

acceptance of the study. The main finding is that the result shows that the credit crunch was associated with a decrease in the target debt ratios for all listed companies.

Sources of data:

The basic source of data is PROWESS IQ, centre for monitoring Indian Economy New Delhi. The paper focuses on the data relating to 14 Indian companies of electronic industry. The number of electronic goods companies' data of which are reported is quite large. Therefore stratified random sample has been taken from the list. The stratification of the companies has been done according to the size of turnover and investment which is defined by 'Ministry of Micro, Small and Medium Enterprises'.

Methods and models

The paper uses summary of descriptive statistic, t-statistic and graphical method to portrayal the data for visual evaluation. The graphical method uses bar diagram to portrayal comparative relationship between the calculated ratios of each company.

Empirical results

Empirical results are divided into two parts first one descriptive statistic and second one graphical portrayal which is discussed below as follow:

		Com <mark>pan</mark> ies' name													
	01	02	03	04	05	06	07	08	09	10	11	12	13	14	
Mean				4.07	10.4	0.50	4992	40.7	5.00	4.00	1 10	10.0			
	1 3 2 7	1 622	3 271	1.27	19.1	3.56	//.4	16.7 47	5.06	1.89	1.46	16.2	1 70/	14.4	
Standar	1.527	1.022	5.271		01	2	4992	47	'	4	0	07	1.7.54	10	
d Error				0.04	10.7	0.41	50.5	12.4	2.10	0.44	0.10	13.7		6.50	
	0.076	0.057	0.109	4	90	1	23	87	0	5	6	77	0.051	8	
Median				1.30	2.31	3.20	2.22	1.52	<mark>2.</mark> 37	1.36	1.36	1.27		3.45	
Marila	1.213	1.599	3.234	4	5	8	9	3	2	1	3	5	1.841	4	
Mode	ΝΙ/Δ	ΝΙ/Δ	NI/A	NI/A	NI/A	NI/A	NI/A		2.33	NI/A	1.38	NI/A	1 9/1	NI/A	
Standar	IN/A	IN/A	N/A	IN/A	IN/A	IN/A	IN/A	IN/A	4	IN/A	4	N/A	1.041	IN/A	
d							2545			and the second second					
Deviatio				0.22	55.0	2.09	688.	63.6	10.7	2.26	0.53	70.2	-	33.1	
n	0.390	0.290	0.556	2	17	4	158	72	07	7	8	51	0.261	83	
Sample							6480								
Varianc							5281			0					
e				0.04	3026	4 38	9520	4054	114	5 14	0.29	4935		1101	
	0.152	0.084	0.309	9	.869	4.00 5	4.20 0	.088	638	1	0.23	.165	0.068	.100	
Kurtosis				-		-									
			-	1.33	11.5	0.89	26.0	23.8	21.6	24.6	1.22	25.7		8.50	
	0.386	0.20 <mark>5</mark>	0.938	7	75	6	00	00	60	67	3	43	0.937	9	
Skewne				-	0.40	0.40	5 00	4.00	4.50	4.04	4.00	5.00		0.00	
SS	1 105	0.485	0 142	0.22	3.48	0.48	5.09 Q	4.82	4.56	4.91	1.23	5.06	0 708	3.06	
Range	1.105	0.405	0.142		0	0	1298	0		4	4	4	0.700	3	
rtango				0.68	233.	7.37	0539	322.	55.4	11.8	2.04	359.		122.	
	1.477	1.157	1.912	4	755	9	.069	511	63	06	1	107	1.154	631	
Minimu				0.91	1.44	0.00	1.43	0.34	0.00	1.07	0.93	0.83		1.39	
m	0.868	1.165	2.333	0	5	0	1	9	0	7	0	5	1.112	3	
Maximu				1 50	225	7 07	1298	222	FF A	10.0	2.07	250		104	
m	2 346	2 322	4 244	1.59	235. 200	7.37 9	0540 500	322. 860	55.4 63	12.0	2.97	359. 943	2 266	023	
Sum	2.040	2.022	7.277		200	5	1298	000	00	02		0-10	2.200	020	
0	34.50	42.18	85.04	31.7	496.	92.6	1213	435.	131.	49.2	37.9	422.	46.64	374.	
	9	1	0	73	627	08	.482	422	748	43	48	935	2	856	
Count	26	26	26	26	26	26	26	26	26	26	26	26	26	26	
Coeffici															
ent of	340.5	559.6	588.6	572.	34.7	170.	19.6	26.3	47.3	83.5	271.	23.1	687.6	43.4	
variation	07	86	15	227	18	098	13	02	27	29	094	55	67	49	
T-value															
10ľ				- 2 70	7 62	4 22	1 00	F 07	6 20	E 96	4 47	E 22		0.05	
v	7 310	1 984	1 651	3.70	1.02	4.22 1	4.09 Q	ບ.ອ7 ຊ	0.20 7	0.00 Q	4.47 Q	0.00	4 502	o.∠⊃ ੨	
у	1.513	1.504	1.001		2	1	Э	3	1	3	3		4.002	5	

Summary of Descriptive Statistic of Total Turnover to Total Capital Ratio

Data source: author own calculation

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T statistic of the difference between the means and medians of turnover to total capital ratio for 12 companies exceed the critical value of t therefore the distribution of turnover to total capital ratio diverges distributed from the normal distribution for these companies and remaining 2 company's ratio normally distributed. The values of the ratio are unevenly spaced between the years as the null hypothesis of equality of means and medians of the ratio is rejected in 12 cases and accepted in 2 cases.

The 3 coefficients of kurtosis and 2 of skeweness are negative but none of these coefficients of kurtosis and skeweness are significant. The 7 coefficients of kurtosis and 7 of skeweness are positive and all of coefficients of kurtosis and skeweness are significant. The coefficient of variance % of per unit of mean as the minimum value of CV thus the ratio is very high between the years

Summary of Descriptive Statistic of Total Turnover to Fixed Capital Ratio

						С	ompanie	s' name						
	01	02	03	04	05	06	07	<mark>0</mark> 8	09	10	11	12	13	14
Mean				0. <mark>09</mark>	1.28	0.16	12.3	<mark>0.</mark> 14	0.6 <mark>8</mark>	0.07	0.20	0.13		0.84
	0.136	0.129	0.123	0	5	3	67	3	0	6	8	2	0.066	5
Standar				0.00	0.73	0.03	11.2	0.04	0. <mark>21</mark>	0.01	0.03	0.00		0.37
d Error	0.009	0.008	0.007	8	3	1	13	5	2	2	0	7	0.0 <mark>0</mark> 6	4
Median				0.07	0.15	0.07	<mark>0.14</mark>	0.10	<mark>0.4</mark> 3	0.04	0.15	0.12		0.29
	0.131	0.127	0.105	5	7	3	6	7	2	3	0	6	0.060	1
Mode									0.34		0.22			
0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	N/A	2	N/A	0.037	N/A
Standar					100							\leq		
a Deviatio				0.00	0.70	0.45	F7 4	0.00	4 00	0.05	0.45	0.00		1.00
Deviatio	0.045	0.042	0.025	0.03	3.73	0.15	57.1	0.22	1.08	0.05	0.15	0.03	0.020	1.90
11 Somplo	0.045	0.042	0.035	0	0	9	10	9		9	4	0	0.030	9
Variana				0.00	12.0	0.02	2260	0.05	1 16	0.00	0.02	0.00	1	2.64
valianc	0.002	0.002	0.001	0.00	57	0.02	201	0.05	1.10	0.00	0.02	0.00	0.001	3.04 4
Kurtosis	0.002	0.002	0.001		51	5	.201	5	5	-	-		0.001	
Runtosis	_	-		1 42	20.1	0.72	25.7	21.1	20.8	0.75	2 64	0.43	_	14.2
	0.673	0.811	1.008	7	83	7	06	96	47	7	2.04	3	0.329	50
Skewne	0.0.0	0.011		1.56	4.35	0.94	5.05	4.39	4.43	0.90	1.70	0.85	0.020	3.70
SS	0.195	0.022	0.710	0	5	0	9	9	8	2	4	2	0.083	5
Range				0.12	18.5	0.47	291.	1.21	5.72	0.17	0.55	0.13		8.92
5	0.174	0.157	0.111	7	05	6	922	5	5	1	5	1	0.115	0
Minimu				0.05	0.10	0.00	0.07	0.00	0.00	0.02	0.07	0.08		0.04
m	0.055	0.055	0.083	8	1	0	8	2	0	5	6	7	0.001	6
Maximu				0.18	18.6	0.47	292.	1.21	5.72	0.19	0.63	0.21		8.96
m	0.229	0.212	0.194	4	06	6	000	7	5	6	2	8	0.115	6
Sum				2.25	33.4	4.24	321.	3.70	17.6	1.98	5.39	3.41		21.9
	3.528	3.35 <mark>0</mark>	3 .204	9	04	6	550	8	75	7	6	9	1.705	76
Count	26	26	26	26	26	26	26	26	26	26	26	26	26	26
Coeffici														
ent of	300.7		<mark>3</mark> 51.9	237.	34.3	102.	21.6	62.1	62.8	129.	134.	362.	221.1	44.2
variation	88	1.36 <mark>4</mark>	00	077	89	408	30	86	87	056	757	769	23	77
T-value					/ /									
for														
normalit		306.0	12.70	9.90	7.53	14.0	5.33	3.90	5.71	13.9	9.34	3.54		7.25
У	2.693	24	3	1	8	99	9	0	6	14	5	8	5.082	5

Table – 2

Data source: author own calculation

The t statistic of turnover to fixed capital ratio shows that calculated values of t are the differences between the means and the medians of the ratio are greater than the table value for 0.05 probability level; the distribution of the ratio for 14 companies significantly diverges from the normal distribution Thus the null hypothesis of the equality between the means and medians of the ratio for the 14 companies is rejected.

The positive coefficients of kurtosis are significant for 6 companies and 5 positive coefficients of skeweness are also significant thus both these coefficients have furnished the results which are inconsonance with yield by t test. Consequently the values of the ratio have greatly varied between the years; this is evident from high values of range and CV of the ratio.

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Summary of Descriptive Statistic of Total Turnover to Variable Capital Ratio

	Companies' name														
	01	02	03	04	05	06	07	08	09	10	11	12	13	14	
Mean							4992								
				1.18	17.8	3.39	65.0	16.6	4.38	1.81	1.25	16.1		13.9	
0. 1	1.192	1.494	3.148	1	16	9	74	04	7	8	2	35	1.728	17	
Standar				0.04	10.0	0.00	4992	40.4	4 00	0.44	0.07	40.7		0.00	
d Error	0.070	0.051	0.110	0.04	10.2	0.39	39.3	12.4	1.89	0.44	0.07	13.7	0.050	6.38	
Modion	0.072	0.051	0.110	1 2 2	2.17	2 02	2 1 2	04	1 02	1 20	1 16	1 1 0	0.050	2 1 2	
weatan	1 1 1 7	1 / 30	3 104	1.22	2.17	2.93	2.13	1.40	1.92	1.29	1.10	1.10	1 800	3.12	
Mode	1.117	1.439	3.104	0	5	2	4	0	1 99	0	1 16	5	1.000	4	
mode	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.00	N/A	2	N/A	1 804	N/A	
Standar	1.071	1.07.1	14/7			14/7 (1.07.1	•			1.07.0	1.001	10,7 (
d							2545								
Deviatio				0.20	52.3	1.99	631.	63.6	9.63	2.24	0.39	70.2		32.5	
n	0.368	0.259	0.561	7	78	8	123	55	6	7	2	60	0.257	64	
Sample							<mark>64</mark> 80								
Varianc							<mark>23</mark> 78								
е							1564			-					
	0.400	0.007	0.045	0.04	2743	3.99	8.70	4051	92.8	5.04	0.15	4936		1060	
	0.136	0.067	0.315	3	.478	0	0	.907	49	8	4	.431	0.066	.424	
Kurtosis				-	10.0		00.0	00.0	24.0	05.0	0.70	05 7		0.04	
	0.005	0 070	- 006	1.40	12.0	0.79	26.0	23.8	21.6	25.0	0.79	25.7	0 700	8.61	
Skowno	0.005	0.273	0.990	0	50		00	14	50	00	0	42	0.790		
Skewile				0.20	3.60	0.52	5.09	4.82	4 56	4 96	1.06	5.06		3.08	
35	0.947	0.620	0.225	5	2	9	9.00	2	4.00 0	1.00	1.00	4	0.557	4	
Range	0.0	0.020	0.220				1298	_					0.001	· ·	
				0.61	229.	7.24	0247	322.	49.7	11.6	1.52	359.		122.	
	1.366	1.043	1.885	1	474	7	.17 <mark>1</mark>	337	37	89	0	163	1.181	724	
Minimu				0.83	1.32	0.00	1.32	0.33	0.00	1.04	0.82	0.69		1.30	
m	0.751	1.088	2.235	9	6	0	9	7	0	9	0	0	1.085	0	
Maximu							1298						-		
m				1.45	230.	7.24	0248	322.	<mark>49</mark> .7	12.7	2.34	359.		124.	
	2.117	2.131	4.120	0	800	7	.500	675	37	38	0	853	2.266	023	
Sum	00.00	00.00	04.00	00 5	400		1298	10.1		47.0	00.5	440	44.00	004	
	30.98	38.83	81.83	29.5	463.	88.3	0891	431.	114. 072	47.2	32.5	419.	44.93	361.	
Count	1	2	0	14	224	62	.932	715	072	00	51	010	/	040	
Count	26	26	26	26	26	26	26	26	26	26	26	26	26	26	
Coeffici										and the second se					
ent of	323.5	575.7	561.2	569.	34.0	170.	19.6	26.0	45.5	80.8	319.	22.9	672.3	42.7	
variation	42	93	50	511	15	131	13	85	32	99	450	65	78	38	
I-value															
101 normolit		_		- F 20	7 46	F 00	4.00	5.04	6.20	E 77	F 70	E 04		0.00	
normalit	5 096	5 206	1 059	5.32	1.40	5.82	4.89	5.94	0.38 F	5.77	5.73	5.31	6 00/	8.28	
у	5.000	0.290	1.900	1	U	9	9	4	5	9	0	0	0.994	0	

Table – 3

Data source: author own calculation

T statistic of the difference between the means and medians of turnover to variable cost ratio for all 13 companies exceed the critical value of t therefore the distribution of turnover to variable cost ratio diverges distributed from the normal distribution for all 13 companies. The values of the ratio are unevenly spaced between the years as the null hypothesis of equality of means and medians of the ratio is rejected in all 13 cases and null hypothesis accepted only one case.

The 7 coefficients of kurtosis and 7 of skeweness are positive and all coefficients are statistically significant. Thus, diverges of this ratio from normal distribution may be explained by heavy turnover relative in few years. The coefficient of variance % of per unit of mean as the minimum value of CV thus the ratio is very high between the years.



It is clear from figure 1 that turnover to variable capital ratio and turnover to total capital stock ratio are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. From this it is concluded that fixed capital of company is very low in comparison to the total revenue & variable capital.

Analysis of Capital Structure of company 02 by the calculated ratios

	Figure – 2	
Turnover to Variable Capital Ratio		1.4570
Turnover to Fixed Capital Ratio	0.1267	
Turnover to Total Capital Ratio		1.5837

It is clear from figure 2 that turnover to variable capital ratio and turnover to total capital stock ratio are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. From this it is concluded that fixed capital of company is very low in comparison to the total revenue & variable capital.

Analysis of Capital Structure of company 03 by the calculated ratios

Figure – 3



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It is clear from figure 3 that turnover to variable capital ratio and turnover to total capital stock ratio are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. It is concluded that fixed capital of company is very low in comparison to the total revenue and variable capital. From this it can be concluded that company is achieving economies of scale.

Analysis of Capital Structure of company 04 by the calculated ratios





It is clear from figure 4 that turnover to variable capital ratio and turnover to total capital stock ratio are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. It is concluded that fixed capital of company is very low in comparison to the total revenue and variable capital. From this it can be concluded that company is achieving economies of scale.

Analysis of Capital Structure of company 05 by the calculated ratios

Figure – 5



It is clear from the above figure that that turnover to variable capital ratio and turnover to total capital stock ratio are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. It is concluded that fixed capital of company is very low in comparison to the total revenue and variable capital. From this it can be concluded that company is achieving economies of scale.

Figure – 6

Turnover to Variable Capital Ratio	2. <mark>821823205</mark>
Turnover to Fixed Capital Ratio	0.061122817
Turnover to Total Capital Ratio	2.8 <mark>82946022</mark>

It is clear from figure 6 that turnover to variable capital ratio and turnover to total capital stock ratio are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. It is concluded that fixed capital of company is very low in comparison to the total revenue and variable capital. From this it can be concluded that company is achieving economies of scale.

Analysis of Capital Structure of company 07 by the calculated ratios

	Figure – 7
Turnover to Variable Capital Ratio	64.93317967
Turnover to Fixed Capital Ratio	0.14887955
Turnover to Total Capital Ratio	65.08205922

It is clear from the above figure that turnover to variable capital ratio and turnover to total capital stock ratio are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. It is concluded that fixed capital of company is very low in comparison to the total revenue and variable capital. From this it can be concluded that company is achieving economies of scale.

Analysis of Capital Structure of company 08 by the calculated ratios



Figure – 8

It is clear from figure 8 that turnover to variable capital ratio and turnover to total capital stock ratio of company 08 are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. It is concluded that fixed capital of company is very low in comparison to the total revenue and variable capital. From this it can be concluded that company is achieving economies of scale.



Analysis of Capital Structure of company 09 by the calculated ratios

It is clear from figure 9 that turnover to variable capital ratio and turnover to total capital stock ratio are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. It is concluded that fixed capital of company is very low in comparison to the total revenue and variable capital. From this it can be concluded that company is achieving economies of scale.





It is clear from figure 10 that turnover to variable capital ratio and turnover to total capital stock ratio are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. It is concluded that fixed capital of company is very low in comparison to the total revenue and variable capital. It is concluded that the fixed capital of company is very low in comparison to the total revenue and variable capital. From this it can be concluded that company is achieving economies of scale.

Analysis of Capital Structure of company 11 by the calculated ratios

Figure – 11



It is clear from figure 11 that turnover to variable capital ratio and turnover to total capital stock ratio are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. It is concluded that fixed capital of company is very low than the total revenue and variable capital. From this it can be concluded that company is achieving economies of scale.

Analysis of Capital Structure of company 12 by the calculated ratios



It is clear from figure 12 that turnover to variable capital ratio and turnover to total capital stock ratio of company 12 are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. It is concluded that fixed capital of company is very low in comparison to the total revenue and variable capital. From this it can be concluded that company is achieving economies of scale.

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It is clear from the above figure that that turnover to variable capital ratio and turnover to total capital stock ratio of company 13 are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. It is concluded that fixed capital of company is very low in comparison to the total revenue and variable capital. From this it can be concluded that company is achieving economies of scale.

Analysis of Capital Structure of company 14 by the calculated ratios

	Figure – 14
Turnover to Variable Capital Ratio	2.358491958
Turnover to Fixed Capital Ratio	0.166881986
Turnover to Total Capital Ratio	2.51833361

It is clear from figure 14 that turnover to variable capital ratio and turnover to total capital stock ratio are almost equal. Turnover to fixed capital ratio is much lower than the turnover to variable capital ratio and turnover to total capital stock ratio. It is concluded that fixed capital of company is very low in comparison to the total revenue and variable capital. From this it can be concluded that company is achieving economies of scale.

Conclusion

From all the above results it can be concluded that turnover to variable capital ratio and turnover to total capital stock ratio are almost equal for all selected sample companies while the turnover to fixed capital ratio is very low in comparison to turnover to variable capital ratio and turnover to total capital stock ratio in all cases. The fixed capital is very low in comparison to the variable capital, total capital stock and total revenue. It shows that the company is achieving economies of scale in its fixed capital year on year i.e. cost of fixed capital of goods and services for a companies is declined every year. This is an indicator that the financial health of the company is in good shape. Total revenue being

equal to total variable capital & total capital stock means that the company making profit which is indicator of good financial health.

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