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A STUDY ON CAPITAL STRUCTURE OF TATA COMPANY IN TAMIL NADU

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Abstract:

This study examines the study on Capital Structure of Tata Company Limited in Tamil Nadu on a data for the period of 2009-2023. Correlation and Multiple Regressions are used to analysis relationship between Dependent Variable (DER) and Independent Variables (Profitability, Return on Equity, Return on Assets and Solvency Ratio). This concludes that Return on Equity has negatively associated with DER.

Key Words: Capital structure, ROA, ROE, DER, Current Assets

Introduction:

Capital structure is the particular combination of debt and equity Used by à Company to finance its overall operations and growth. KEY TAKEAWAYS Equity capital arises from ownership shares in a company and claims to its future cash flows and profits. Debt comes in the form of bond issues or loans. while equity may come in the form of common stock, preferred stock, or retained earnings. Short-term debt is also considered to be part of the capital structure. Capital structure refers to a company's mix of capital- its debt and equity. Equity is a company's common and preferred stock plus retained earnings. Debt typically includes short-term borrowing, long-term debt, and a portion of the principal amount of operating leases and redeemable preferred stock.

Objectives:

- To identify the capital structure of Tata Company's Limited.
- To identity the positive or negative relationship the factors affecting the capital structure and debt ration.
- To find out the important variable that affect the debt ratio of the Tata Company by using Multiple Regression

Review of Literature:

Harshleen Kaur Sethi (2017), analyzed factors such as geographical coverage and customer support to understand customer responses. The study also examined the brand's effective usage of social media, along with a PESTLE and pricing strategy analysis. The positioning and communication strategy of the brand was assessed, revealing a gap in effective implementation. Ensuring proper citation and referencing of the original source can help maintain plagiarism-free writing.

Kumaran, (2017), conducted a study on "Perception towards Online Shopping: An Empirical Study with Respect to Indian Buyers." This research focuses on e-marketing research related to factors that influence consumer perception of online purchasing experiences. The study examined perceived risks, website role, domain-specific innovativeness, subjective norms, attitude, percelved usefulness, perceived ease of use, online shopping intention, and online shopping behavior. It is important to ensure that the following text is free of plaglarism by properly citing and referencing the original source.

Mohamed & Inun Jariya (2015), studied the "Effect of Capital Structure on profitability of Food and Beverage sectors in Sri Lanka" by taking 14 companies of the Beverage, Food & Tobacco industry and 24 companies from the Manufacturing industry. They conducted the study to find out the relationship between profitability of the listed Beverage, Food and Tobacco industry in Sri Lanka and capital structure and to recognize the impact of capital structure on the profitability of the Food and Tobacco industry and listed Beverage, in Sri Lanka. The study revealed that total debt to asset has a negative impact on return on equity and return on capital employed and is significant a 0.05 significance level whereas leverage, measured by total debt to equity shows a negative relationship but not significant. Total debt assets is also found out a negative impact on profitability measured by ROCE after controlling for LNS at 0.01 significant levels. It is clear that bpth the measures of leverage (TDA &TDE) have negative impact on both the measures of profitability (ROE &ROCE). The value is less than 0.01 for the all the cases. Therefore, it could be concluded that at 1% significance level, leverage/debt capital has a negative impact on the profitability of beverage, food and tobacco sector firms listed on Sri Lanka

Methodology:

This study is based on secondary data. The study has been undertaken in a private company of Tata Limited, the above data was collected on the basis of their consistency of performance, data availability and favourable accounting figures of this company.

Regression Model:

The Multiple Regression Model have been followed to test the empirical relationship between the Debt Equity Ratio characteristics' of the firm.

$$Y=a+b_1x_1+b_2x_2+b_3x_3+b_4x_4 \text{ .... (1)}$$

Table of Variable:

Table 1

S.No	Ratio	Variable	Formula
1	Debt Equity Ratio	Dependent Variable	Total Current Liabilities/ Total Shareholder's Funds
2	Solvency Ratio	Independent Variable	Profit and Loss After Tax/ Total Shareholder's Fund*100
3	Profitability Ratio	Independent Variable	Total Assets/ Total Shareholder's Funds*100
4	Return On Equity	Independent Variable	Current Assets- Current Liabilities
5	Return On Assets	Independent Variable	Profit and Loss After Tax/ Total Assets*100

Result of the Study:

Result of the Correlation:

Table 2

Variable	R	R^2
Solvency Ratio	0.768	0.589
Return on Assets	0.503	0.253
Return on Equity	-0.597	0.356
Profitability	0.978	0.956

** Correlation is significant at the 1% level.
*Correlation is significant at the 5% level.

Table 2 above represents the relationship between the various independent and dependent variables used in this study. From this table it is clear that the variables solvency ratio has positive association with DER. Profitability has strong positive association with DER. So, we conclude that all the select variables have associated with DER in Tata company during the study period.

Results of the Regression:

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.990[a]	.980	.971	.42172

a. Predictors(Constant), Profitability, Return on Assets, Return on Equity, Solvency Ratio

The model summary table illustrates the magnitude of the variance in the dependent variables as described by the independent variables. The value of the R- square is 0.980, which is approximately the dependent variable 98% variance of the "DER" is explained by independent variables of capital structure ratios.

Table 4: ANOVA

Model	Sum of Squares	DF	Mean Square	F	Sig.
Regression Residual Total	85.500 1.779 87.278	4 10 14	21.375 .178	120.18 5	.000[b]

a. Dependent variable: Debt- Equity Ratio
b. Predictors:(Constant), Profitability, Return on Assets, Return on Equity, Solvency Ratio

ANOVA test to find out whether the regression model is valid or not-F-statistics is120.185 which are very high and have a significant value of loss than 5%. Which indicates that the testing of ANOVA is valid from the given predictors.

Table 5: Regression of Co-efficients of Tata Company

Variables	Model
(Constant)	416.865
Un- standardized co- efficient	-0.934
Standard error	0.374
T- value	-2.494
P- value	0.032
(Solvency ratio)	
Un- standardized co- efficient	-0.934
Standard error	0.374

T- value	**2.792**
P- value	**0.019**
(Return on Assets)	
Un – standardized co- efficient	-0.484
Standard error	0.240
T- value	-2.017
P- value	0.071
(Return on Equity)	
Un- standardized co- efficient	-2.347
Standard error	0.128
T- value	-1.511
P- value	0.162
(Profitability)	
Un- standardized co- efficient	0.624
Standard error	0.077
T- value	8.079
P- value	0.000

The parameter of the regression model above the table is related. Table no Tata company limited of the shows the significance of the individual independent variable in interpreting the dependent variable. The regression co- efficient profitability has influenced with DER, Solvency ratio, Return on assets, Return on equity, Profitability have not associated with DER.

Conclusion:

The purpose of this research study is to investigate the capital structure of Tata Company Limited. For this purpose Tata Company has been selected from Tamil Nadu as study sample and data is collected (2009-2023) and processed by using statistical tools. The study found that the R value are highly and positively significant profitability (0.978) and Solvency Ratio (0.768) with DER. Return on Equity(-0.597) has negatively correlated with DER.

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