CHAPTER II

REVIEW OF LITERATURE

The Review of literature helps the researcher to identify the major problems related to the research study and also to find out the research gap. It helps to analyze the similar research work done by other academicians. Previous Studies related to Capital Structure and Dividend Policy were carried out with various factors and variables. But, still there is a debate between how the Capital Structure and Dividend Policy affect the Firm Value. Hence, the Reviews related to the research study "Impact of Capital Structure and Dividend Policy on Firm Value of select Pharmaceutical Companies in India" are discussed under the following heads

2.1. Theoretical Background

2.2. Studies on Capital Structure

2.3. Studies on Dividend Policy

2.4. Studies on Capital Structure and Dividend Policy.

2.5. Other International Studies

2.6. Research Gap

2.1 THEORETICAL BACKGROUND

All theories of Capital Structure and Dividend Policies are explained in detail to provide the appropriate theoretical background to the research study.

2.1.1 Capital Structure Theories

Capital Structure

Capital Structure is a blend of debt and equity is used to finance the business financial operations.The Equity is more expensive and long term source of funding with financial flexibility.Whenever the capital is required, a company with financial flexibility can raise it on reasonable terms.The Theories of capital structure are listed below:

i) Net Income Approach

Durand proposed a Net Income Approach. According to the Net Income Approach, as leverage (the proportion of debt) increases, the weighted average cost of capital lowers and the firm's value rises. On the other side, if the leverage decreases, the weighted average cost of capital rises and lowers the firm's value.The hypothesis states that increasing the weighted average cost of capital which reduces the total cost of capital will raise the firm's value. A larger percentage of debt, which is a less expensive source of finance than equity financing, can be used to accomplish this. The costs of debt and equity are combined to generate the weighted average cost of capital (WACC), where the proportions reflect the total amount of capital raised from the different sources.The Weighted Average Cost of Capital (WACC) and the value of the company will fluctuate in association with changes in a firm's financial leverage.

Assumptions

- The increase in debt will not affect the confidence levels of the investors.
- There are only two sources of finance. They are debt and equity. There are no sources of finance like Preference Share Capital and Retained Earnings.
- There is no flotation cost, no transaction cost, and corporate dividend tax.
- The capital market is perfect; it means information about all companies is available to all investors, and there are no chances of overpricing or under pricing of security. Further, it means that all investors are rational. So, all investors want to maximize their return by minimizing risk.
- All sources of finance are for infinity. There are no redeemable sources of finance.

ii) Net Operating Income Approach

The Net Operating Income approach, which was proposed by Durand, is completely different from the Net Income Approach. This Approach, also referred to as the classic approach, states that variations in the debt or leverage of the firm or company do not affect the firm's or company's overall value. It also states that a firm's choice of capital structure or financial leverage has no bearing on the Weighted Average Cost of Capital or overall value of the organization.

This method focuses the market value on the operational income and related business risk of the company. Still, financial leverage is unaffected by these two variables. It affects the percentage of income received by stock and debt holders, but it has no impact on the company's operating profits. Consequently, the value of the company cannot be altered by changes in the debt to equity ratio. It also suggests that a company's risk increases with a raise in its amount of debt. Higher returns are anticipated by equities investors. The cost of equity therefore grows in proportion to the level of financial debt.

Assumptions

- Regardless of the level of debt, the overall capitalization rate is constant. The value of the company at a particular EBIT level would be "EBIT/Overall capitalization rate."
- Value of Equity = Total Value of the Firm - Value of Debt. Value of Equity is the difference between total firm value and value of debt.
- WACC (Weightage Average Cost of Capital) persists constant, and the cost of equity rises as debt levels rise. The risk to shareholders rises as debt levels in the capital structure increase. The shareholders anticipate higher returns as compensation for their investment in the highly leveraged company, which raises the cost of equity capital.

As shown, the total market value of the company remains unchanged when using the Net Operating Income technique, but the cost of equity increases as the debt proportion increases.

Traditional Theory

The Traditional theory states that, when a company's market value is at its highest, it is important to have a healthy balance between debt and equity in the capital structure, according to this approach to capital structure technique.The debt should only make up a portion of a company's capital structure. After this point, any further rise in debt would result in a decline in the company's value.In other words, it suggests that when the debt-to-equity ratio is higher, it will result in the lowest Weighted Average Cost of Capital (WACC) and highest market value for the company. Thus, WACC will decrease with the use of debt. But when the leverage increases further, shareholders start expecting higher risk premium in the form of increasing cost of equity until a point is reached at which the advantage of lower-cost debt is more than offset by more expensive equity.

Assumptions

- After a predetermined amount of time, the rate of interest on the debt increases as leverage increases.Equity shareholders should expect a steady or progressive increase in the projected rate of interest on their investments.
- The expected rate of interest soon rises from the optimal position once the equity shareholders begin to perceive a financial risk after crossing the threshold.
- The weighted average cost of capital first starts to decline and subsequently grows as a result of the interaction between the interest rate and projected rate of return. The lowest point on the capital structure graph represents the ideal ratio.

The value of a corporation is impacted by changes in the ideal capital structure. Therefore, the ideal capital structure takes effect to raise a company's value when the total cost of capital is reduced up to a particular amount of debt.

Modigliani and Miller Approach

Modigliani and Miller developed this approach in the 1950. Many of the fundamental components of the Net Operating Income Approach are also included in the Modigliani and Miller Approach. Modigliani and Miller support the capital structure irrelevancy theory, which holds that a company's capital structure has no effect on firm value. The firm value is unaffected by the amount of leverage or debt a company utilizes in its financial activities. This Approach states that operational income affects the firm's market value in addition to investment risk. The idea holds that a company's value is unaffected by the finance or capital structure decisions.

Assumptions

- There are no taxes
- Both the cost of bankruptcy and the transaction cost for purchasing and selling shares are zero.
- There is information symmetry. As a result, investors will act rationally because they are able to access the information of the company.
- Investors and businesses pay the same interest rate on borrowing.
- There are no flotation costs such underwriting commissions, merchant banker payments, advertising costs, etc.
- Corporate dividends are not subject to tax.

Modigliani and Miller Approach: Two Propositions without Taxes

Proposition 1

According to the proposition 1, the capital structure does not affect the valuation of a company under the "no taxes" assumptions mentioned above. Financing the business, in other words, does not raise its market value. Additionally, it implies that equity shareholders and the company's debt holders share has an equal priority in the company's earnings

Proposition 2

According to the proposition 2, there exists a strong connection between financial leverage and the cost of equity. The increasing debt component raises concerns among equity investors about the company's increased risk. The greater expectation of a higher return by the shareholders drives up the cost of equity. An essential distinction in this case is that debt shareholders will be benefited when it comes to claiming rights on earnings. Therefore, the cost of debt reduces.

Propositions with Taxes (The Trade-Off Theory of Leverage): Modigliani and Miller's Approach

The Modigliani and Miller approach states that there is no tax, it is not possible in today’s economy. This approach acknowledges the tax advantage that generates interest payments.Tax deductions are available for interest payment.It is not applicable in the case of dividends.Because of tax advantages, the cost of debt is minimum than the nominal cost of debt. According to the trade-off principle, a business can use debt to finance its needs as long as the cost of financial difficulty, or the cost of bankruptcy, is greater than the value of the tax advantages.

This method for determining corporate taxes considers the tax breaks and therefore implies that a change in the debt-to-equity ratio has an impact on the WACC (Weighted Average Cost of Capital). This implies that a decrease in weighted average cost of capital will increase the debt value.

Trade off Theory

According to the trade-off theory of capital structure, managers strive to achieve a balance between the advantages of interest tax shields and the present value of potential expenses associated with financial difficulties (Myers 2001). This theory has its roots in

research by Kraus and Litzenberger (1973), which explicitly included the costs of financial distress and the interest tax shields associated with debt in a state preference model. The trade-off approach, according to Chakraborty (2010), assumes that there should be an ideal capital structure that strikes a balance between the present value of interest tax shields and the cost of bankruptcy.

Agency Cost Theory

The Agency Cost theory was developed by Berle and Means (1932), says that managers pursue their interest than shareholders returns. Agency theory terms include the principals, managers and agents (Jensen & Meckling,1973).It states that with high debt, managers are under pressure to invest in projects to create a cash flow to pay off the debts. The important element in this theory is conflict of interest. It is concerned with solving problems that arise when there is a conflict of interest between the principal and agent.As a result the firm performance can be maximization can be achieved. With low agency cost the higher financial performance can be expected. Tuan et al.(2019) states that debt is a useful tool to minimize the negative impact of agency cost on financial performance because of the stress on managers to pay back the obligations. Hence, the managers concentration on their own interest will be minimized and the conflict of interest also reduces.

Pecking Order Theory

The Pecking order theory depends on the idea that managers know more about their companies than investors. Asymmetric information describes this informational discrepancy. Due to asymmetric information, managers will issue loans when they are confident in the future prospects of their companies and equity when they are unsure, other things being equal. The corporation is implying that it expects consistent cash flows when it agrees to pay debt holders a defined amount of interest and principal. An equity issue, on the other hand, would suggest that the current share price is excessive.As a result, investors can tell how management are raising money and their future prospects of the company. This indicates that businesses always employ internal funding when it is available and prefer debt over a new equity offering when they need external financing.

According to the pecking order principle, managers should raise money in the following order:

- Managers almost exclusively prefer internal finance.
- They choose issuing debt when they lack internal resources. Prior to issuing a combination of securities like convertible debentures, they first issue secured debt and then unsecured debt.
- Managers may issue shares as a last option to raise money.

This research study is based on the capital structure theories Pecking Order Theory and Trade – off Theory. The research results establish this fact

Dividend Policy Theories

The dividend policy establishes how much of the company's earnings will be given to shareholders and how much will be kept by the business. The most important internal sources of funding the company's expansion are retained earnings. Dividends, on the other hand, could be viewed positively from the perspective of shareholders because they frequently increase current returns. However, dividends qualify as using the company's resources. The goal of dividend policy is to establish a balance between the demands of the company for growth capital and the desires of the shareholders for current payouts.

There are several views regarding the relation between the dividend policy and the firm value. Two types of theories can be made out of them:

(a) theories that believe dividend decisions to be irrelevant, and (b) theories that believe dividend decisions to be active variables influencing the firm's value (relevant).There are two extreme positions in the latter, namely (i) dividends are good because they raise shareholder value and (ii) dividends are bad because they decrease shareholder value. The analysis of a few key theories that represent these points of view is provided below.

Dividend Relevance: Walter's Model

According to Professor James E. Walter, dividend policy constantly has an impact on the firm's value. His model, which is among the earliest theoretical projects, demonstrates the significance of the relationship between the firm's rate of return, r, and its cost of capital, k, in deciding the dividend policy that will optimise shareholder wealth. The following assumptions are:

Internal Financing: All investments are financed by retained earnings; no new debt or equity is raised by the company.

Constant Return and Cost of capital: Both the company's rate of return (r) and its cost of capital (k) are constant.

100 per cent payout: All profits are either immediately paid out as dividends or reinvested within the company.

Dividend Relevance: Gordon's Model

Gordon's dividend-capitalization model states that the market value of a share is equal to the present value of a constant supply of dividend payments to owners. On the other hand, it is expected that the dividend per share would rise when earnings are retained. In the dividend-capitalization model, the present value of a share is determined by the future dividend, which rises at a constant rate, together with the growth in earnings and dividends from retained earnings. Myron Gordon develops a widely used model that clearly connects the market value of the company to its dividend policy. The following assumptions form the basis of Gordon's model.

All Equity Firm: The Company is entirely equity-based and has no debt.

No External Financing: There is no outside funding available. Therefore, any expansion would be funded by retained earnings. Thus, Gordon's model similarly combines dividend and investment policies to Walter's approach.

Constant return: The internal rate of return, *r*, of the firm is constant. This ignores the diminishing marginal efficiency of investment.

This research study is based on the Dividend Relevance Theory. The research results establish this fact.

Dividend Irrelevance: The Miller–Modigliani (MM) Hypothesis

A company's dividend policy is inefficient in a perfect market environment, according to Miller and Modigliani (MM), since it has no effect on the company's value. They contend that the company's value is established by its earnings, which are derived by its investment plan. Therefore, a business's decision of how much of its earnings to be kept or paid as dividends has no impact on the firm value when the company makes an investment.

One of the following three dividend payment scenarios could arise for a company operating under ideal capital market conditions:

- The firm has enough cash on hand to pay dividends.

- The company issues new shares to finance the payment of dividends since it does not have enough cash on hand.

INFORMATIONAL CONTENT OF DIVIDENDS AND DIVIDEND SIGNALLING

The dividend signalling theory states that, a company can make statements about its expected earnings growth to inform shareholders in order to create a favourable impression on them. However, these statements would be paid better attention if they follow with a dividend action. The cash payment for dividends conveys to shareholders that the company is profitable and financially strong. When a firm changes its dividend policy in a significant manner, investors assume that it is in response to an expected change in the firm's profitability which will last long. An increase in payout ratio signals to shareholders a permanent or long-term increase in a firm's expected earnings. It is, therefore, argued that the announcement of changes in dividend policy influences shares prices, and that managers use the dividend changes to convey information about the future earnings of their companies.

This sort of argument is also known as the Dividend-Signalling Hypothesis. The payout ratios of the companies may depend on the fact whether they are mature or growth companies. Mature companies may characterize high payout ratios as they may have few profitable investment opportunities. Shareholders of such companies are more concerned with dividend income. Therefore, any change in the amount of dividend is immediately reflected in the market price of the share.Efficient companies, on the other hand, have a low payout ratio as they have enough internal investment opportunities to employ retained earnings.

2.2 STUDIES ON CAPITAL STRUCTURE

Mohit Pathak and Arti Chandani (2023) **"The nexus between capital structure and firm – specific factors: evidence from Indian companies"**.The major objective of the study is to examine the factors which influences the financing decisions of companies listed in BSE – 500 index.This empirical research is performed using longitudinal data of 366 companies listed in BSE 500 index during 2006 – 2020.The Pooled ordinary least square method is employed to identify the determinants of capital structure.The results show that profitability,liquidity and non – debt tax shield are negatively associated whereas company size,growth potential,age and tangibility are positively associated with the capital structure.

Saima Mehzabin et al. (2023) **"The effect of capital structure, operating efficiency and non – interest income on bank profitability: new evidence from Asia"**. This study investigates the influence of capital structure as estimated by leverage ratio and long term debt, operating efficiency and non –interest income on the profitability of the banking industry in 28 countries of Asia. The fixed effect regression is applied for the span of 15 years from 2004 to 2018.The results shows that an increase in total debt ratio increases the profit margin of the bank, supports the agency cost theory, suggesting that the debt financing increases profitability of the firm.

Helmi Boshnak (2022) "**The impact of capital structure on firm performance: evidence from Saudi – listed firms**".The major purpose of this study is to analyze the impact of capital structure on the performance of firms listed on the Saudi Stock Exchange.The study employs a panel of 70 Saudi non- financial listed firms over the period 2016 to 2020.A generalised method of moments (GMM) estimation is employed to estimate models to enable hypothesis testing.The results indicate that Short term debt,Long term debt,Total Debt and Debt equity ratio has the significant negative impact on firm operational performance,while long term debt, total debt and debt to equity have such an impact on firm financial performance and market performance.

Houshang Habibniya et al. (2022) **"Impact of Capital Structure on Profitability: Panel Data Evidence of the Telecom Industry in the United States".** This study's main objective is to analyze the capital structure effect on firm's profitability.It employs 72 firms in the Telecom Industry for the year 2012 to 2020 in USA.The Statistical tools like Pooled Panel Regression,Univariate Analysis,Correlation and Descriptive Statistics.The results reveal that the ratio of Total Debt Ratio has a significant impact on ROA and Debt Equity Ratio has a significant impact on ROA.

Rizal Ahmad Fauzi et al. (2022) "**The Effect of Capital Structure on Telecommunication Firm Performance: An International Evidence**". This study analyzes the effect of capital structure on the performance of telecommunication firms. The firm performance is measured by return on asset while capital structure is measured with the ratio of debt total assets. The Data of telecommunication firm in 62 countries for the period of year 2010 – 2020 collected and analyzed using the generalized method of moment approach.The results shows that the capital structure has the significant impact on firm performance.

Marius Sikveland et al. (2022) "**Determinants of capital structure in the hospitality industry: Impact of clustering and seasonality on debt and liquidity".**This paper analyzes the capital structure determinants of hospitality firms regarding the effects of seasonality and geographic clustering.A fixed effects panel data model was estimated using data on all hospitality firms in Norway from 2008 to 2018.The findings reveal that the seasonality created by foreign tourists increase the share of long term debt in the capital structure.It has major implications for financial management of firms in the hospitality industry as the degrees of seasonality affect their asset financing and liquidity management behavior.

Dian Cahyo Putro Asep Risman (2021) **"The Effect of Capital Structure and Liquidity on Firm Value Mediated by Profitability".** The main objective of the study is to examine the effect of capital structure and liquidity on firm value as mediated by profitability. A sample of 9 Infrastructure companies was selected for the period of four years (2014-2018). The analysis technique used is panel data regression (pooled data), with descriptive statistical analysis, stationarity test, regression model selection, classical assumption test, and hypothesis testing in model suitability test (R2m), Individual parameter significance test (t-test), and Sobel test done in the Eviews 10. The results of this study indicate that capital structure and liquidity have no effect on firm value. Profitability was found to be unable to mediate the effect of capital structure on firm value, but was able to mediate the effect of liquidity on firm value.

Riaqa Mubeen et al. (2020) **"The Effects of Market Competition,Capital Structure and CEO Duality on Firm Performance:A Mediation Analysis by Incorporating the GMM Model Technique".**This study explores the effect of CEO duality to achieve the firm performance through the mediating effects of capital structure and market competition.A sample of 417 firms for the period 2012-2017. The study incorporated the generalized method of moments (GMM) to analyze the association of the CEO duality and firm performance. The result shows that the capital structure partially mediated the relationship between CEO duality and firm performance.

Revendranath Tirumalsety and Anjula Gurtoo (2019) **"Financial Sources, Capital Structure and Performance of Social Enterprises: Empirical Evidence From India**". The main objective of study is to analyze the impact of financial debt ratio on the financial performance of social enterprises. Data on income distribution, financial sources, and

financial statements are collected from 207 social enterprises in four states of India – Karnataka, Telangana, Maharashtra, and Tamil Nadu – through cluster sampling. A series of personal, telephonic, and online participation resulted in responses from 207 social enterprises for the period 2016. Multiple Regression and Panel Data analysis tests are conducted to study the research objectives The findings indicate social enterprises prefer debt from donors for capital investments more than investments as well as debt from formal institutions.

Narinder Pal Singh and Mahima Bagga (2019) "**The Effect of Capital Structure on Profitability: An Empirical Panel Data Study**". This research study has been undertaken to evaluate the effect of capital structure on the profitability of Nifty 50 companies listed on National Stock Exchange of India from 2008 – 2017. The data has been analyzed by using descriptive statistics, correlation and multiple panel data regression models. The result of the study shows that capital structure has a significant impact on profitability. Random Effect Model shows that increase in total debt results in decrease in return on assets, while increase in equity results in increase in return on assets.

Jasnoor Kaur (2018) **"Determination of Factors Affecting Capital Structure of Micro, Small & Medium Enterprises in India**". The present research study is an attempt to investigate the critical factors that affect the capital structure of 40 Micro, Small & Medium Enterprises (MSMEs) in India. The research study was performed from five year plan 2011 to five year plan 2017. Four different economic sectors (Information Technology, Infrastructure and Automobile) have been considered for the present research. The study examines the effect of factors under study on the capital structure across all given sectors. The management environment was found to relate to all types of capital structure performance. Panel Data regression analysis was performed by applying Statistical package STATA. The present results indicate that the MSMEs with sound liquidity positions, exercising the practice of paying high dividends and fall under high tax brackets do not largely depend upon debt financing.

Hem Chand Jain and Harendra NathTiwari (2018) **"Determinants of Capital structure in Indian Pharmaceutical Industry**". The present research study is an attempt to explore the factors that determine the capital structure of average Indian firms. A sample of 104 Indian pharmaceuticals firms over a period of six years from 2011 to 2017

was taken.The statistical tools like Correlation matrix and Panel Data Analysis is used to analyze the data. The result of the study indicates that there is a significant impact of long term of leverage ratio, non-debt tax shield and profitability at 5% significance level.

Aramvalarthan et al. (2018) "**Capital Structure and Corporate Performance: A Study of Indian Pharmaceutical Companies**".The objective of the study is to investigate the influence of financial leverage on financial performance of Pharmaceutical Companies. A sample of 150 Pharmaceutical companies are selected which is listed in BSE. The study period is 15 years from 2000-2015.This study uses Panel Data Analysis to investigate the effect of leverage on the performance of Pharmaceutical Firms in India.The result of the study shows that Capital Structure has a significant positive impact on Financial Performance.

Priyadharshini.R and Sunil Vakayil (2018), **"Capital Structure and its Impact on Profitability & Liquidity: A Study of Listed Pharmaceutical Industry in India"**. The objective of the study is to examine the relationship between the capital structure and profitability & Liquidity of pharmaceutical industries in India. A sample 5 Pharmaceutical Companies are selected on the basis of BSE Listing for the study period from (2013-2017).The statistical tools like Correlation Analysis were used to analyze the data. The result of the study shows that there is a relationship between profitability and selected variables. Debt Asset Ratio has high positive correlation with profit in companies like Sunpharma and has low positive correlation with Cipla, Dr. Reddy, Genmark and Lupin.

Divya Aggarwal and Purna Chandra Padhan (2017), **"Impact of Capital Structure on Firm Value: Evidence from Indian Hospitality Industry".** This research study examines the effect of capital structure and firm quality on firm value of selected BSE listed Indian hospitality firms over a time frame of 2001-15. An empirical study has been carried out through panel data techniques by applying pooled OLS, fixed effects and random effects models. The findings of the study reveal a significant relationship of firm value with firm quality, leverage, liquidity, size and economic growth.

Shalini and Mahua Biswas (2017) **"An Empirical Study on the Capital Structure Decisions of Select Pharmaceutical Companies in India**". The research study examines the firm specific factors which determine the capital structure decisions of publicly traded pharmaceutical companies of India. Based on the market capitalization,

top ten companies listed in NSE and BSE are selected. The study period is from 2011-2016. Multi regression model is used to arrive at the empirical results with debt equity ratio and firm specific factors. The study concludes that the factors like tangibility and firm size are statistically significant determinants of capital structure of the select pharma companies.

Sushil Kalyani and Neeti Mathur (2017) "**Impact of Capital Structure on Profitability: with reference to Select Companies From Oil And Natural Gas Industry of India".** The main objective of the study is to influence of Capital Structure on overall Profitability. A sample of seven companies are selected which is listed in BSE and NSE. The study period is for 10 years from 2005-2015.The statistical tools like Correlation and Multiple Regression were applied. The result of the study shows that Degree of operating leverage and Growth of asset have significant relationship with net profit ratio of select companies from Oil and Natural Gas Industry.

Sathyanarayana et al. (2017) **"Determinants of Capital Structure: Evidence from Indian Stock Market with Special Reference to Capital Goods, FMCG, Infrastructure and IT sector**". The main objective of the study is to explore the impact of various identified determinants of Capital Structure (tangibility, profitability, non-debt tax shield, growth rate, size and Business risk) on financial leverage and to identify the key drivers of CS of various chosen sectors for the leverage component. The research is based on the secondary data of fifteen companies which belong to the sectors listed in the Indian stock market, such as Capital goods, FMCG, Infrastructure and IT sectors listed on Indian stock market for the period of (2006- 2015).The statistical tools like Regression statistics and collinearity statistics were applied. The findings of the study show that Business Risk, Size and Growth are statistically significant at the conventional level of significance in the case of Infrastructure sector.

Arindam Bandyo padhyay and Nandita Malini Barua (2016) "**Factors Determining Capital Structure and Corporate Performance in India: Study on the Business Cycle Effects**". This research study examines the linkage of Corporate Sector performance with Capital Structure and Macro Economic Environment.1594 Indian Corporate firms selected as sample for the period of 14 years (1998-2011). The study uses univariate tests and multivariate tests to examine the capital structure and real market

performance of firms. They revealed that Macro Economic Cycle influences Corporate financing decision. The result shows that the firms need to spend on advertising for high quality and to promote their product.

Saurabh Chadha and Anil K. Sharma (2015**) "Determinants of capital structure: an empirical evaluation from India**" The purpose of this research study is to examine the key determinants of capital structure for Indian manufacturing firms. 422 listed Indian manufacturing companies were selected as sample for the period of 2003-2013.The statistical tools like Multiple Regression and Correlation were applied. It was empirically found that Firm size, Age, Asset tangibility, Growth, Profitability, Non-debt tax shield, Business risk, Uniqueness and Ownership structure are significantly correlated with the firm financial leverage or key determinants of capital structure in Indian manufacturing sector.

Suresha and Shefali Mehta (2015) "**Determinants of Capital Structure – Evidence from Listed Information Technology Firms in India".** This research study identifies the leverage decisions of Indian information technology (IT) sector firms. A sample of 30 IT firms which is listed in BSE was taken.The study period is from 2009-2014.The tools applied were Multiple Regression and Multi co-linearity test. The results shows that higher profitability firms tend to have less debt and firms with higher growth opportunities tend to have greater leverage.

Imran Hossain and Akram Hossain (2015) "**Determinants of Capital Structure and Testing of Theories: A Study on the Listed Manufacturing Companies in Bangladesh**". The objectives of this research study are to identify the significant determinants of capital structure of the listed manufacturing companies in Bangladesh and to test the relevant capital structure theories. This study used a panel dataset including 74 manufacturing companies listed under 8 industries in Dhaka Stock Exchange (DSE) for the period of 2002-2011. The Unit Root tests, Panel Corrected Standard Error Regression Model, Random Effects, Tobit Regression Model were used to analyze the data. The result of the study shows that Managerial ownership positively and Growth rate, Profitability, Debt service coverage ratio, Non-debt tax shield, Financial costs, Free cash flow to firm, Agency costs and Dividend payment negatively affect the capital structure.

Anshu Handoo and Kapil Sharma (2014) **"A study on determinants of capital structure in India"**. This research study identifies the most important determinants of capital structure of 870 listed Indian firms comprising both private sector companies and government companies for the period 2001- 2010.The statistical tools like Multiple Regression and Correlation was applied. It has been concluded that factors such as profitability, growth, asset tangibility, size, cost of debt, tax rate, and debt serving capacity have significant impact on the leverage structure chosen by firms in the Indian context.

Rohit Manjule (2014) **"Impact of Capital Structure in Indian Industries**". The main objective of the research study is to evaluate the relationship between the macroeconomic determinants and leverage. A sample of 151 companies was selected on the basis of rank of market capitalization as on March 2012.The study period is 6 years from 2006-12.The statistical tools like correlation and regression analysis were applied. The study suggests that the companies with maximum long term debt capital are distributing more amount of dividend among the shareholders as compared to companies emphasizing internal source of funds.

Uzliawati,L.,et al.(2018) **"Optimisation of Capital Structure and Firm Value".**This study analyzes the impact of capital structure towards firm value.The sample of this research were 101 manufacturing companies listed in the Indonesian Stock Exchange during the period 2012-2015.The results of this study indicates that the higher the capital structure with Debt to Equity Ratio and Long Term Debt to Asset Ratio are indicators of a higher firm value,while lower Long Term Debt to Equity Ratio is an indicator of a lower firm value.However, the capital structure with Debt to Asset Ratio (DAR) didn't seem to have an influence on the firm value.

2.3 STUDIES ON DIVIDEND POLICY

Ravinder Singh et al.(2023) **"Dividend Policy and Corporate life cycle: A Study of Indian Companies"**.This study investigates the relationship between dividend policy and the life cycle of firms in India.A sample of 1968 non financial Indian industrial firms were taken for the study.The statistical techniques like Analysis of variance, Pooled least squares, fixed effects model and random effects models were applied.The empirical findings says that the dividend behaviour varies over a firm's life cycle.Specifically, stagnant firms are paying significantly higher dividends than growth firms.

Pramath Nath Acharya and Rudra Prasanna Mahapatra (2023) "**Dividend Policy and Stock Market Volatility: A Study on Indian Stock Market"**.This study examines the impact of dividend policy on Indian stock market volatility.The sample consist of 14 Sensex included companies and 22 companies in case of Nifty.The Multiple Regression analysis has been applied to analyze the association between the dividend policy and stock market volatility.The results show that the higher Dividend Payout Ratio leads to low volatility and minimum Dividend Payout Ratio leads to high volatility.

Rama Seth and Sakthi Mahenthiran (2022) **"Impact of dividend payouts and corporate social responsibility on firm value – Evidence from India".**The study analyzes the impact of dividend payouts and corporate social responsibility on firm value.The sample of 115 Indian listed companies over the period 2009 – 2012.The statistical tools like Descriptive statistics,Pearson Correlation,Multivariate statistics and Robustness test were applied.The results suggest that this complementary relation between dividends and CSR disclosures is particularly valued by institutional investors.

Made Olivia Dwi Putri and Wiksuana (2021) "**The Effect of Liquidity and Profitability on Firm Value Mediated By Dividend Policy".** The purpose of this research study is to examine the effect of liquidity and profitability on firm value which is mediated by dividend policy.This research was conducted at banking companies on the IDX for the 2015-2019 period.The Statistical tools like Structural Partial Test and Multiple Regression was applied. The results of this study indicate that liquidity has a significant negative effect on firm value, while profitability has a significant positive effect on firm value and dividend policy is unable to mediate liquidity and profitability on firm value.

Sourav Hansda et al. (2020) **"Impact of Dividend Policy on Firm Value with Special Reference to Financial Crisis**". The research study explores the relationship between dividend policy and firm value with respect to financial crisis. The investigation is based on data of BSE- 500 companies listed on the BSE for the period 2001 to 2017. The dynamic panel regression with two-step system Generalised Method of Moments (GMM) is applied. The findings show that dividend policy does not affect firm value.

Chinnaiah (2020) **"Impact of Dividend Payout on The Firm Value: A Study of Firms Listed on National Stock Exchange**". The research study analyzes the impact of dividend payout on the value of the firm. A sample of 39 non-financial firms is selected on the basis of market capitalization and BSE listed for the period of 2010 to 2019. The statistical tools used was Panel Data Analysis. The result shows that, dividend payout positively related but not significantly influence the value of the firm.The Current year's profit (CPR), Size (SIZE), Growth Opportunities (GWOP) and Price-Earnings (PE) are the variables significantly influence the value of the firm.

Sumathy and Rajasekaran (2019) **"Determinants of Dividend Policy in Indian Automobile Industry**". The main objective of the research study is to examine factors determining dividend policy of Automobile Industry in India. A sample of thirteen automobile companies in India are selected for the period of 10 years 2008-2018. The collected data have been analyzed with the help of Correlation and Regression. The study find out that Liquidity, Size, Price earnings and Previous year dividend are found to be significant at one per cent level and Sales Growth is found to be significant at five per cent level.

Sumathi Kumaraswamy, Rabab Hasan Ebrahim and Wan Masliza Wan Mohammad (2019) "**Dividend Policy And Stock Price Volatility In Indian Capital Market**". This research study seeks to examine the relationship between dividend policies and share price volatility. . A sample of 116 textiles companies, listed and actively traded in Bombay Stock Exchange of India (BSE) from 2008 to 2017 selected for the study. The statistical tools like Multiple Regression and Correlation were applied.The results of this study provides an insight to the financial managers in developing their dividend policies to maximize the shareholders wealth.

Jahangir Chauhan, Mohd Shamim Ansari, Mohd Taqi and Mohd Ajmal (2019) **"Dividend Policy and Its Impact on Performance of Indian Information Technology Companies**". This research study is an attempt to evaluate the impact of dividend policy on profitability of Indian Information Technology (IT) companies listed on Bombay Stock Exchange. Ten Companies were selected for the study based on market capitalization for the period of 2012-13 to 2016-17. Correlation matrix and panel regression model were used for testing of hypotheses. The major findings of the study reveal that the selected

companies do not follow consistent pattern of dividend payments and the association between Price Earning Ratio (PER) and Dividend Payout Ratio (DPR) is low positive. However, there is a strong relation between ROE-ROA

Brahmaiah,Palamalai Srinivasan and Sangeetha (2018) "**Determinants of Corporate Dividend Policy In India: A Dynamic Panel Data Analysis**". This research study empirically examines the determinants of dividend policy of National Stock Exchange (NSE) listed firms in India, using dynamic panel data model for the sample of 95 NSE listed firms with continuous dividend payments from 2012/2013 to 2017/2018. The empirical results reveal that profitability, liquidity, leverage, risk, size of the firm and inflation are the major determinants of dividend policy of selected NSE listed firms in India. Findings deduced from empirical evidence bears testimony to the fact that profitability, liquidity, size of the firm and inflation have significant negative impact on dividend policy of the selected NSE firms covered by the study.

Bhanu Pratap Singh Thakur and Kannadhasan (2018) "**Determinants of dividend payout of Indian manufacturing companies A quantile regression approach**". The purpose of this research study is to examine the influence of firm characteristics such as profitability, growth opportunities,size, leverage and maturity on dividend policy of Indian firms. A sample of 262 manufacturing firms included in NSE 500 Index was selected for this study for the period of 1999-2000 to 2014-2015. The statistical tools used were Quantile Regression and Panel Data Analysis.The result of the study shows that important difference between OLS estimates and QR estimates and depict differential effect on dividend at different levels.

Jayantha Dewasiri, Weerakoon Banda Yatiwelle Koralalage, Athambawa Abdul Azeez and Jayarathne (2018**) "Determinants of dividend policy: evidence from an emerging and developing market"**. The purpose of this research study is to identify the determinants of dividend policy in an emerging and developing market. The study employs a quantitative approach using 191 Sri Lankan firms and 1,337 firm-year observations as the sample for the period 2010-2016.Fixed Effect Model is used to analyze the data. This study finds that corporate governance, earnings, industry influence, ownership structure (proxied by state ownership), past dividend decision, FCF and firm size have a significant positive influence on the propensity to pay dividends.

Sandanam Gejalakshmi and Ramachandran Azhagaiah (2017) **"The Impact of Dividend Policy on Shareholders' Wealth: Evidence from Consumer Cyclical Sector in India**". The research study examines the impact of Dividend Policy on Shareholders Wealth of Consumer Cyclical Sector in India. The objective of study is to examine the long-run relationship between dividend per share dividend payout as well as dividend yield. A sample of 13 firms listed on Bombay Stock Exchange (BSE) are selected which is listed in BSE for the period of 10 years 2003-04 to 2012-13.The Statistical tools applied are Multiple Regression and Chow Test. The results of the co integration test shows that there exists a stationary, long-run co-integration between Dividend Policy and Shareholders wealth.

Santanu Das (2017) **"Firm characteristics and dividend policy in India**". This research study analyzes the determinants and evolution of dividends of BSE 500 companies from major Industries in India over a period from 5 years 2001 to 2015. The statistical tools used were Correlation and Multiple Regression. The result of the study shows that dividends in India varied according to available profits. Leverage has also become a factor affecting a firm's payout policy.

Brahmaiah Bezawada and Ravi Kumar Tati (2017) **"Dividend Policy and Firm Valuation - A Study of Indian Electrical Equipment Manufacturing Industry**". This research study attempts to analyze whether the dividend policy of a firm affects the market value of a firm and the shareholders' wealth. A Sample of 439 companies in the industry of electrical machinery manufacturing, which is listed in BSE is selected for the period of 1998-2014. The result of the study shows that there is a significant impact of dividend policy on shareholders' wealth of the electrical machinery manufacturing companies in India.

H.Kent Baker, Sujata Kapoor and Imad Jabbouri (2017**) "Institutional Perspectives of dividend policy in India**". This research study aims to examine dividend policy from the perspective of institutional investors in India. Sample is collected through the questionnaire from the 43 AMCs that are members of Association of Mutual Funds of India (AMFI) and to the seven pension funds available on the Pension Fund Regulatory Authority of India (PFRDA) website in the period of 2017. The result of the study shows that Indian institutional investors attach substantial importance to dividend policy and prefer high dividend payments.

Anjana and Balasubramanian (2017) **"Determinants of Dividend Policy: A Study of Selected Listed Firms in National Stock Exchange**".The main objective of the research study is to examine some of the features that determine the behaviour of firms' dividend payouts ratio in NSE.A sample of 50 listed firms in the National Stock Exchange is selected for the period of 2011-2015. Structured Questionnaire was used to collect the primary data and annual reports were used to collect secondary data. The tools used in this study are Mean, Independent Sample T Test, One Way Anova and Chi Square test, correlation, linear regression.The result of the study shows that Financial performance of firms has a significant positive impact on dividend policy decisions.

Geetha and Karthika (2017) "**Impact of dividend policy on firm value of select steel companies in India".** The objective of the research study is to identify the factors influencing the dividend policy of select steel companies and to examine the impact of dividend policy on the firm value of the select steel companies in India. A sample of nine steel companies in India which is listed in BSE are selected for the period of 2004-2014. The statistical tools like Multiple Regression and Correlation are applied. The results of the study indicate that there exists less impact of dividend decisions on the firm value among majority of Steel companies in India.

Nishant B. Labhane and Jitendra Mahakud (2016**) "Determinants of Dividend Policy of Indian Companies: A Panel Data Analysis".**This research study analyzes the trends and the determinants of the dividend policy of Indian companies that were continuously paying dividend during the whole period study that is from 1994–1995 to 2012– 2013. The findings from the panel data analysis suggest that investment opportunity, financial leverage, size of the company, business risk, firm life cycle, profitability, tax and liquidity are the major determinants of the dividend policy for Indian companies.

Gowri and Saravanan (2016) "**Determinants of Dividend Policy of Select Companies In Indian Cement Industry – A Structural Equation Modeling**". The research study deals with the main objectives to analyze the dividend determinants of Select Companies in Indian Cement Industry. A sample of twenty three cement companies listed at Bombay Stock Exchange (BSE) has been selected on the basis of continuously paid dividend during the study period of ten years from 2003-2004 to 2012-2013.The

results of study shows that TANG and DPR have negative relationship with the determinants of dividend policy of select companies in cement industry.

Nirzari Sheth (2016) **"A Study on Dividend Behavior of Indian Pharmaceutical Industry".** The main objective of this research study is to understand the dividend behaviour of pharmaceutical companies. For the study five companies has been selected which covers the period from 2007-2016.The statistical tools used were Correlation and Multiple Regression.To check the relationship between dividend and certain variables like stock price, revenue, other income, net profit and market capital correlation test is used. With the help of this test it is concluded that there is correlation between dividend per share and stock price, revenue, other income, net profit and market capital.

Amitava Roy (2015) "**Dividend Policy, Ownership Structure and Corporate Governance: An Empirical Analysis of Indian Firms**". The research study investigates the possible association between the firm's ownership structure and dividend policy. A Sample of 51 top Indian listed firms, in terms of market capitalisation (BSE 100 and NIFTY 100), over the 5-year period from 2007–2008 to 2011–2012.The result of the study shows that the CG variables, namely, board size, independent directors and the proportion of non-executive directors on the board have significant impact on the dividend policy of the firm.

Vinay Kandpal and Kavidayal (2015) "**A Study of Dividend Policy And Its Effect on Market Value of Shares of Selected Banks In India**". This research study is an attempt to analyze the effect of dividend policy on shareholder wealth of thirty selected Indian banks listed and traded in Bombay Stock Exchange (BSE).For the purpose of study the financial data from the period 2003-04 to 2012-13 of selected Indian banks (15 Public and 15 Private) would be used. The data would be analyzed using statistical tools like multiple regression technique, t test, the coefficient of determination (R2) and F-Value. The results of the data analysis might reveal that that there is a significant effect of dividend policy on the share price of selected Indian Banks.

2.4 STUDIES ON CAPITAL STRUCTURE AND DIVIDEND POLICY

Haris Ali Khan and Danish Ahmed Siddiqui (2023) **"The Effect of Corporate Diversification,Investment,Capital Structure and Dividend Policies on firm's financial performance:A Global Sectorial Analysis".**The study examines the impact of corporate diversification,investment,capital structure and dividend policies on firm's financial performance: A global sectorial analysis.A sample of 10 multinational firms from different sectors of 25 countries.The countries include Argentina, Australia, Austria, Brazil,Canada,China,Ecuador,France,Germany,India,Indonesia,Italy,Japan,Malaysia,Mexico,New Zealand, Peru, Romania, Spain,Switzerland,Thailand,Turkey,UAE,UK and USA. The data is analyzed for five years (2015 to 2019).The statistical tools like Regression Analysis, Descriptive Statistics, Correlation Matrix and ANOVA were used for data analysis.The result of the study shows that dividend policy and geographic diversification has a positive impact on the financial performance of the firms.

Hardeep Singh Mundi et al. (2022) **"A Qualitative inquiry into the capital structure decisions of overconfident finance managers of family – owned businesses in India".**The main objective of the study is to examine the impact of the overconfidence of finance managers on the capital structure decisions of family-run businesses in the Indian scenario.A semi-structured interviews are conducted with 12 overconfident finance managers of family - owned businesses.Content analysis is used to analyse the data regarding capital structure decisions in India.The results show that overconfident finance managers prefer short to long term debt financing and it also shows that the capital structure decisions of these overconfident finance managers are suboptimal because of the presence of overconfidence bias.

Achmad Saiful Ulum (2021) **"Pattern of Relationship Between Macro Economics, Capital Structure, Profitability and Firm Value of Manufacturing Companies**".This research study examines the pattern of relationship between profitability, macroeconomics, capital structure and company value in manufacturing companies listed on the Indonesia Stock Exchange for the period of 2014-2018.SEM Model is applied for the analysis. The result of the study shows that profitability ratio of Return on Assets (ROA) has the most potential to influence firm value as measured by the company's ability to respond to investor expectations.

Bipin Sonya and Saumitra Bhadur (2020) **"Information asymmetry and financing choice between debt, equity and dual issues by Indian firms**". This research study examines the role of information asymmetry in determining the capital structure choices of firms in an emerging market –India. A sample of 1,372 Indian firms are selected which is listed in NSE and BSE for the period of 2010-2016.The statistical tools used were Regression and Panel Data Analysis. The result of the study shows that equity-issuing firms typically face lesser information-associated problems, similar to the arguments made by information based capital structure models.

Shalini and Mahua Biswas (2019) "**Capital Structure Determinants of S&P BSE 500: A Panel Data Research"**.The research study identifies the most important factors specific to companies which impacts on the capital structure. 416 companies belonging to 14 industrial sectors listed in S&P BSE 500 is selected as sample for a duration of 19 years which is from 2000 to 2018. Multi regression model is used to understand the influence of select variables on capital structure. The study finds that the explanatory variables like firm size, tax paid, depreciation to total assets ratio and profitability ratio are statistically significant capital structure determinants.

Neelam Rani, Surendra Yadav and Naliniprava Tripathy (2019) **"Capital structure dynamics of Indian corporate".**This research study examines the capital structure determinants and speed of adjustment (SOA) toward the target capital structure of firms. The sample consists of 3,310 Indian firms, which is listed in BSE for the period of January 2000 to March 2018.Generalized method of moments (GMM) model and two-stage least squares (TSLS) tools were applied. The results of study reveals that Indian firms are adjusting their capital structure toward the target rate of 10.38 percent per year.

Himanshu Joshi (2018) "**Corporate Risk Management, Firms' Characteristics and Capital Structure: Evidence from Bombay Stock Exchange (BSE) Sensex Companies**".This research study analyze existing status of risk management practices of the Indian publicly listed companies and establishes the relationship of their risk management programme with the firms' financial characteristics. A sample of 30 companies are selected according to their risk management scores, grouping firms with top 75 per cent of the maximum risk management score in group A and firms with lower score in group B analyzed for two years 2015 & 2016.The statistical tools used was

Heteroskedasticity Consistent Regression.The results suggest that companies with more comprehensive risk management programmes are likely to enjoy lower costs of debt and have a higher propensity to invest in intangible assets.

Biswajit Ghose (2017) "**Impact of Business Group Affiliation on Capital Structure Adjustment Speed: Evidence from Indian Manufacturing Sector**". The research study examines the impact of firms ownership structure on capital structure dynamics.A sample of 1,415 listed Indian manufacturing firms over the period of 2005–2013 (9 years) was selected.The statistical tools used were Correlation and Panel Data Analysis.The result shows that, the relationship between target capital structure and its determinants remains the same irrespective of firm's affiliation status to business groups.

Arindam Banerjee and Anupam De (2015) "**Capital Structure Decisions and Its Impact on Dividend Payout Ratio during the Pre- and Post-period of Recession in Indian Scenario: An Empirical Study**". The Objective of study is to develop a model through logistic regression which will help to predict the dividend performance during the pre-period as well as the post-period of recession. A sample of BSE-500 companies selected as per their market capitalization. The pre-recession period has been taken from 2001–2002 to 2006–2007 while the post-recession period from 2007–2008 to 2012–2013.Binary logistic regression is used as statistical tool. The result of study shows that Growth rate (Assets) and Profitability (Return of Assets) are significant variables influencing the dividend payout ratio in the prerecession period, while Profitability (Return of Assets) and Financial Leverage are significant variables influencing dividend payout ratio in the post-recession period.

2.5 OTHER INTERNATIONAL STUDIES

Rusnaeni et al.(2023) **"Financial Performance,Capital Strcuture and Firm's Value:The moderating role of Dividend Policy"**.The study analyzes the effect of financial performance and capital structure on firm value with dividend policy as a moderating variable.A sample of 13 property and real estate sector companies from 2011 to 2020, with a total of 130 observations.The sampling method was carried out purposively,considering the availability of data in the financial statements.This study reveals that financial performance and capital structure positively affects the firm

value.Meanwhile, it also shows that the property and real estate investors still prioritize the firm's financial performance.

Yan Zou and Qinghui Bai (2022) **"The impact of Dividend Policies and Financing Strategies on the speed of firms' Capital Structure Adjustment"**.The main objective of this research is to analyze the impact of dividend policies and financing strategies on the speed of capital structure adjustment and explores the relationship between the dividend distribution and financing behaviour.A sample of all Chinese A-share listed companies from 2005-2019.The statistical tools like Correlation Coefficient Matrix of variables,Multiple Regression, Panel Data Regression and Robustness Test were applied.The empirical results show that if the firm pays less cash dividends, the capital structure adjustment speed is faster and the dividend behaviour conflicts with financing needs.It also provides a new perspective for optimizing capital structure,regulating dividend distribution and evaluating the rationality of financing behaviour.

Munajat Mubaraq, Sri Mangesti Rahayu, Muhammad Saifi and Ari Darmawan (2021) **"The Moderating Effect Of Corporate Governance On The Relationship Between Dividend Policy, Capital Structure and Firm Value: Evidence From Indonesian Manufacturer Companies**". This research study aims to determine the Moderating Effect of Corporate Governance on the Relationship between Dividend Policy, Capital Structure, and Firm Value. This research uses samples of secondary data of 64 companies by purposive sampling. It was obtained from manufacturing companies on the Indonesia Stock Exchange (BEI) between periods of 2014-2018. This study uses the inferential analysis method using Warp PLS Software. This study found that there is a significant positive relationship between dividend policy and firm value.

Hanady Bataineh (2020) **"The impact of ownership structure on dividend policy of listed firms in Jordan**". The purpose of this research study is to analyze the impact of ownership structure on the dividend policy in Jordan. A sample of 66 Jordanian industrial and service firms listed on the Amman Stock Exchange (ASE) for the period 2014–2017. Tobit Panel Regression is used to test the hypotheses of the study. The results show a significant positive association between institutional ownership and dividend yield.

Samsul Huda, Diana Zuhroh and Achmad Firdiansjah (2020) **"The Effect of Profitability and Capital Structure on Firm Value Through Dividend Policy in Transportation Companies Listed on the Indonesia Stock Exchange for the Period of 2015-2018**". This research study aims to analyze the effect of profitability and capital structure on dividend policy on transportation companies listed on the IDX for the period of 2015-2018. The sample in this study was 26 companies which is Listed on the Indonesia Stock Exchange. Path analysis was used as statistical tool. The results showed that profitability and capital structure had no influence on dividend policy in transportation companies.

Farouq Altahtamouni, Reem Matahen and Amna Qaza (2020) "**The Mediating Role of the Capital Structure, Growth Rate, and Dividend Policy in the Relationship Between Return on Equity and Market to Book Value"**. This research study aims to study the indirect effect of profits measured by the return on stockholders' equity for the Jordanian Banks on market value measured by market value to book value for the period from 2008 to 2017. A sample of 15 Jordanian Banks working in the Jordanian financial sector is taken.The result of the study shows that there is a positive statistical significant effect of profits on the market value.

Junaid Qureshi and Dr. Danish Ahmed Siddiqui (2020) **"Impact of Intangible Assets on Profitability, Efficiency, Capital Structure and Dividend Policy, and Market Value of Technology Firms: A Global Comparative Analysis**". The purpose of this research study is to examine the degree to which intangible assets affect financial performance and policy of the technological sector. SEM analysis was used to ascertain the relationship among intangible assets, firm performance, firm policy, and firm value in the year 2015 to 2018 of 80 companies in the technology sector globally. The results from MGA revealed that there are differences ($P<.05$) in the significance of the impact of Assets on the criterion variable between a few countries for instance Asset's impact on ROIC is significantly different between Russia,China and USA.

Debasis Pahi and Inder Sekhar Yadav (2019) "**Does corporate governance affect dividend policy in India? Firm-level evidence from new indices**". The purpose of this research study is to investigate the nexus between corporate governance and dividend policy of listed Indian firms. A sample of 482 non-financial and non-utility listed firms is

selected for the study. The study period is from 2006–2017. The statistical tools like Logit & Tobit model and Correlation Matrix were applied. The overall findings indicate that there exists a positive and significant relationship between corporate governance and dividend policy of selected Indian firms. The Study suggests that shareholders of firms with stronger governance will be able to force managers to disgorge more cash, thereby diminishing the likelihood of expropriation by opportunistic managers.

Kamran Khan, Houda Chakir Lamrani and Shah Khalid (2019) **"The Impact of Dividend Policy on Firm Performance: A Case Study of The Industrial Sector".** The main objectives of the research study are aimed at analyzing and investigating factors which affect firm performance such as dividend policy, capital structure short and long term, firm size and firm growth. In this research, the effect of dividend payment policy on the firm's future performance of the Karachi stock exchange (KSE) listed companies (specifically cement sector) is analyzed for the period of 2003 to 2010. . The analysis was carried out by the econometric model (linear regression). The result shows that dividend policy, capital structure and firm size influence the performance of the firm (ROE).

Anggit Esti Irawati and Erna Fitri Komariyah (2019) "**The Role of Capital Structure on The Effect of Dividend Policy and Business Risk on Firm Value (Evidence from Indonesian Manufacturing Company)".** This research study examines the effect of dividend policy and business risk on firm value and capital structure. A sample of 41 manufacturing company listed in Indonesia Stock Exchange (IDX) were taken for the period 2012-18. Structural Equation Modeling was used to analyze the data. This study found that the capital structure can mediate the effect of dividend policy and business risk on the firm value partially.

David Waiganjo Waweru and Sun Guang Guo (2018) **"Capital Structure and Performance of Listed Firms: The Moderating Effect of Financial Innovation**". This research study examines the link between these three variables using evidence from East African Listed firms. The study adopted a descriptive research design. A total of 112 firms that had cross listed their shares across the East Africa Securities Exchange for the period of five years (2014-18).Correlation and Multiple Regression are applied in this study. The result of study reveals that capital structure and firm performance have an inverse

relationship. Financial innovation has insignificant moderating influence between the capital structure and firm performance.

Linna Ismawati (2018) "**The Influence of Capital Structure and Dividends Policy to Firms Value Listed at Indonesian Stock Exchange**". This research study aims to find evidence on whether the capital structure and dividend's policy have an impact on the firm's value. The study uses a firm-level panel data as all companies are listed at Indonesian Stock Exchange. A sample of 36 manufacturing companies was selected for the period of 2010-2015. Panel data Analysis was used to analyze the data. The result of the study shows that capital structure proved to have a significant effect on firm value.

Noorhayati Yusof Ali, Zuraida Mohamad Nurul and Syuhada Baharuddin (2018) "**The Impact of Ownership Structure on Dividend Policy: Evidence of Malaysian Listed Firms"**. This study attempts to investigate the effect of ownership structure on dividend payout decision of Malaysian listed firms. The study employs a panel data analysis of 141 firms listed on Bursa Malaysia for the financial year from 2009 to 2013. Multiple regression analysis is used to estimate the association proposed in the hypotheses. The results support the hypothesis that ownership is positively and significantly related to dividend payout decision.

Harish Kumar Singla and Pradeepta Kumar Samanta (2018**) "Determinants of dividend payout of Construction Companies: A Panel Data Analysis".** This research study examines the determinants of the dividend policy of the construction companies in India. A sample of 45 listed construction companies in India are selected for the period of 6 years (2011-2016).The statistical tools like Multiple Regression and Correlation were used. The result of the study shows that profitability, life cycle and size of the firm show a significant positive effect on dividend payment. Cash flow shows a negative significant relationship, indicating the presence of agency problem. Rest of the variables indicates an insignificant relationship.

Anggeriani, Khaira Amalia Fachrudin and Amlys Syahputra Silalahi (2018) **"The Effect of Dividend Policy, Firm Size and Capital Structure on Firm Value with Corporate Social Responsibility As A Moderation Variable In Open Mining Companies In Indonesia Stock Exchange**". The main objective of the research study is to examine the influence of corporate social responsibility (CSR) as a moderating variable

in the relationship between dividend policy and firm value. The research sample is an open mining company listed on the Indonesia Stock Exchange for the period 2012-2016. The data analysis technique used is the Moderating Regression Analysis (MRA). The results of this study indicate that Dividend policy has a negative and not significant effect on firm value, Company size has a positive and not significant effect on firm value and corporate social responsibility has a positive and not significant effect in moderating the effect of dividend policy on firm value.

Kartika Chandra, Fachrudin,Isfenti Sadalia and Rikson Siburian (2017) "**The Effect of Capital Structure, Profitability and Dividend Policy on Intrinsic Value of Firm**". The research study investigates the effect of capital structure, profitability and dividend policy to intrinsic value of firm on property and real estate companies listed in Indonesia Stock Exchange. A sample of 51 property and real estate sector is selected for the period of 2013-2015. The data of this study was analyzed using path analysis at alpha 5%. The result of the study finds that capital structure and profitability have significant effect on intrinsic value of firm.

Abhijit Sinha (2017) "**An Enquiry into Effect of capital structure on Firm Value: A Study of Power Sector Companies In India".** This research study is examines the effort of the existing field of effect of capital structure decisions on firm value. The investigation is made on eleven power companies selected from the 'BSE' from Capitaline database for the period 2007-2015. Panel data regression model is employed for analysis which supports the view that there is a negative influence of financial leverage on firm value.

Cinde Ririh Windayu (2016) **"Factors Affecting the Capital Structure in Textile and Garment Listed Companies in Indonesia Stock Exchange"**. The purpose of this research study was to determine and analyze the influence simultaneously and partially on these factors. The sample of study was eight textile and garment companies listed in Indonesia Stock Exchange in 2004-2008.Multiple Regression was applied. The result of study shows that company has a high profitability and will reduce its dependence on outside parties, because of high rates of return.It allows the company to obtain most of their funding from retained earnings.

Obaid Ur Rehman (2016) **"Impact of Capital Structure and Dividend Policy on Firm Value**". This research study examines the impact of capital structure and dividend policy on firm value of KSE non financial listed firms using cross sectional time series regression analysis for the period 2006-2013.A sample of 496 non-financial firms were selected.The results indicates the perception of trade off theory, pecking order theory and signaling theory. The trade off and pecking order theory postulations are approved by the firm's TDTA ratio, it has high significant impact on firm value in Pakistan.

2.6 RESEARCH GAP

Capital structure and dividend policy are the most significant decisions taken by the firm. It allows firms to minimize the weighted average cost of capital and retain a specific sum of money for particular purposes. The existing literature reveals that extensive studies done on Capital Structure and Dividend Policy of various companies and in different economies. Many researchers have studied the effect of Capital Structure and Dividend Policy, Factors affecting Capital Structure and Dividend Policy of various developed countries. But only very few researchers have analyzed the impact of capital structure on dividend policy and the relationship between Capital Structure, Dividend Policy and Firm Value of Pharmaceutical Companies individually and category wise based on market capitalization.

There are several studies conducted under Pharmaceutical Companies in India, the category based on their market capitalization is very limited. This research gap is found out after thoroughly examining the review of similar research studies conducted so far. Hence to fulfil this research gap a research study titled "Impact of Capital Structure and Dividend Policy on Firm Value of select Pharmaceutical Companies in India" was carried out.