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Abstract within 300 words:

In the modern era of globalization of trade and economic dilemma, a country depends on the corporate sector for its growth and development. The availability of adequate capital funds promotes the well-being of business firms. An appropriate proportion of debt and equity capital is always profitable and safe to a firm and its investors. If a firm uses more debt, it can earn higher expected rate of return and the risk in future earnings also increase. Optimal capital structure is that combination of debt and equity which maximizes the firm value, by minimizing the overall cost of capital. The portion of earnings that are distributed to the shareholders as dividends also impacts the value of the firm. The dividend policy that maximizes the firm value is said to be the optimal dividend policy. After paying interest on debenture, the remaining profits are distributed to shareholders or retained whichever is profitable. Hence the capital structure significantly impacts on the dividend policy of a firm.

The current research study concentrates on the impact of capital structure on the dividend decisions with specific reference to construction associated industries in India. The main objective of the study is to examine the impact of capital structure on dividend decisions of the selected industries. The study considered 30 companies belonging to construction associated industries. The results revealed that return on asset, return on equity, firm size and liquidity ratio significantly influence the dividend decisions of steel industry. The factors such as return on asset, return on equity, risk, firm size, non-debt tax shields and liquidity ratio significantly impacts the dividend decisions of cement industry. Certain factors regarding impact of capital structure on dividend decisions of ancillary industries such as paint, granite and ceramic tiles are identified. The successful construction associated industries will optimize the usage of funds and improve their efficiency, profitability and growth. It will boost construction, provides opportunity for other industries and thereby supports the development of Indian economy.

i) Major objectives :

ii) To identify the factors influencing the capital structure and dividend decisions of the select industries.

iii) To examine the impact of capital structure on the value of the select industries.

iv) To assess the impact of dividend decisions on the value of the select industries.

v) To study inter and intra industry trends of capital structure and dividend decisions.

vi) To study the impact of capital structure on dividend decisions of the select industries.

vii) Hypothesis:

The hypotheses developed for the research purpose are as follows,

- There is no significant impact of capital structure on the firm value of the select construction associated companies
- There is no significant impact of dividend decisions on the firm value of the select construction associated companies
- There is no significant impact of capital structure on dividend decisions of the select construction associated companies

viii) Methodology :

ix) The present study is concerned with analyzing the impact of capital structure on dividend decisions of select Construction associated Industries in India. The growth of construction industry is largely depended on its associated industries like steel, cement, paint, granite, ceramic tiles, rubber, plastic, glass etc. Of these industries, steel industry and cement industry primarily impacts the construction industry. Among other industries that impacts secondarily, paint industry, granite industry and ceramic tiles industry occupies leading position. Hence, these five industries are selected for the research study. The multi-stage sampling method was used to select sample companies for the study. For the research purpose, the Construction associated Industries are classified as Basic Industries and Ancillary Industries. Under Basic Industries, Steel Industry and Cement Industry were selected as sample. Under Ancillary Industries, Paint Industry, Granite Industry and Ceramic Tiles Industry were selected as sample. The companies were selected based on the framed sample selection criteria.

x) **Sample selection criteria**

xi) The criteria for sample selection are,

xii) (i) The companies should be listed in Bombay Stock Exchange during the period of study.

xiii) (ii) The companies should have declared dividend for ten continuous years from financial year 2007-08 to 2016-17.

xiv) Accordingly, 7 Steel Companies, 12 Cement Companies, 4 Paint Companies, 4 Granite companies and 3 Ceramic tiles Companies, totally 30 companies were selected for the study. Table 1 shows the list of companies selected for the study.

VARIABLES SELECTED FOR THE STUDY

Various ratios were selected as dependent variables and independent variables for the purpose of the study. The selected dependent and independent variables (Chandra sekhar 2011), (Anupam Mehta 2012) and (Maryam and Abiha 2014) are as follows.

- To identify the factors influencing the capital structure and dividend decisions of the select industries.

(I) Factors influencing the capital structure

(a) Dependent Variables:

Long term debt Ratio, Short term debt Ratio, Total debt Ratio.

(b) Independent Variables:

Profitability (Return on Asset, Return on Equity), Growth, Risk, Asset Tangibility, Firm size, Earning volatility, Non-debt tax shields, Liquidity Ratio.

(II) Factors influencing the dividend decisions

(a) Dependent Variable:

Dividend Payout Ratio.

(b) Independent Variables:

Profitability (Return on Asset, Return on Equity), Earnings per share, Risk, Liquidity, Growth, Leverage, Size, Cash holdings, Solvency Ratio.

- To examine the impact of capital structure on the firm value of the select industries.

(a) Dependent Variable:

Firm value.

(b) Independent Variables:

Long term debt to equity, Long term debt to asset.

- To access the impact of dividend decisions on the firm value of the select industries.

(a) Dependent Variable:

Firm value.

(b) Independent Variables:

Dividend payout ratio, Dividend yield ratio.

- To study the inter industry and intra industry differences of capital structure and dividend decisions.

(a) Capital Structure Variables:

Long term debt ratio, Short term debt ratio, Total debt ratio, Return on Asset, Return on Equity.

(b) Dividend Decision Variables:

Dividend payout ratio, Dividend yield ratio.

- To study the impact of capital structure on dividend decisions of the select industries.
  (a) Dependent Variable:
  Dividend payout ratio.
  (b) Independent Variables:
  Return on Asset, Return on Equity, Risk, Asset Tangibility, Firm size, Earning volatility, Non-debt tax shields, Liquidity Ratio.

Findings:

i) On analysing steel industry, in Hisar, the multiple regression analysis indicates return on equity significantly impacts the dividend payouts and dividend payout ratio having R Square value of 24.5 per cent relation explained with the independent variable. With the increase of return on equity, the company increases the dividend payout. In JSW steel, return on equity mildly influence the dividend payouts during the period of study. As the return on equity raises, the company reduces the dividend payout. It specifies dividend payout ratio showing R Square value of 20.5 per cent relation explained with the capital structure. In Kirloskar, firm size showing 5.6 per cent negative influence on dividend payout. It indicates dividend payout ratio having R Square value of 66.6 per cent relation explained with the independent variable. In Rishabh Digha Steel and Allied Products, there does not exist any impact of capital structure on dividend payout policy during the study period. The analysis shows dividend payout ratio showing R Square value of 28.5 per cent relation explained with the capital structure. In Sardha energy and minerals, firm size holds a mild negative association with the dividend payout. It implies that as the sales increase the company reduces the dividend payouts. It specifies dividend payout ratio showing R Square value of 50.6 per cent relation explained with the independent variable. In Tata sponge, firm size holds mild negative association with the dependent variable and dividend payout ratio having R Square value of 61.2 per cent relation are explained with the independent variable. In Tata steel, return on asset holds -4.1 per cent, return on equity shows 2.6 per cent and liquidity ratio implies a very mild positive impact on the dependent variable. Since the profit available for equity shareholders and liquidity ratio increase, the company raises the dividend payout ratio accordingly. The multiple regression results depicts dividend payout ratio showing R Square value of 84 per cent elation are explained with the independent variables.

ii) In cement industry, the multiple regression analysis reveals that in ACC cement, return on asset showed 1.3 per cent and non-debt tax shields implied 1.9 per cent influence on the dependent variable. As the return on asset increase, the dividend payouts are increased during the study period. The analysis indicated dividend payout ratio having R Square value of 58.3 per cent relation are

explained with the independent variables. In Ambuja, return on equity implies 58 per cent strong positive association with dependent variable and dividend payout ratio having R Square value of 85.4 per cent relation are explained with the capital structure. In Birla, risk and non-debt tax shields depicted mild positive association with dividend payout and firm sales implied a mild negative impact on the dividend payout. It indicates the practice of reduction in dividend payouts at the times of increase in sales so as to retain profits. The analysis specifies dependent variable showing R Square value of 59.1 per cent relation are explained with the independent variables. In Deccan cements, firm size implies mild negative association and non-debt tax shields showing 8.7 per cent influence on dividend payout and indicated dividend payout ratio showing R Square value of 96.3 per cent relation are explained with the independent variables. In JK cement, the return on asset showed 2.1 per cent and risk with mild positive influence on dividend payout. The multiple regression analysis revealed dividend payout ratio showing R Square value of 89.2 per cent relation are explained with the capital structure. In J.K Lakshmi, risk had mild positive association and firm size showed 1 per cent negative association with dividend payout. It indicates that as sales increases the company reduces the dividend payments. The multiple regression analysis indicates dividend payout ratio having R Square value of 85.3 per cent relation are explained with the independent variables. In Kakatiya cements, return on equity, risk and non-debt tax shields implied mild positive influence on the dependent variable. The analysis indicates dividend payout ratio showing R Square value of 49.9 per cent relation are explained with the independent variables. In KCP, risk denoted mild positive association with dividend payout and indicated dividend payout ratio showing R Square value of 43 per cent relation are explained with the independent variable. In Mangalam cements, risk and firm size signified mild positive impact on dividend payout indicating that as sales and liquidity increases the company reduces the dividend payments. The results indicated dividend payout ratio showing R Square value of 61.1 per cent relation are explained with the capital structure. In OCL India, return on asset, risk and liquidity ratios inferred mild positive influence on dividend payout. It denotes that with the increased return, improved sales and better liquidity position, the company raised its dividend payouts. The analysis indicated dividend payout ratio showing R Square value of 67.9 per cent relation are explained with the capital structure. In Ramco, return on asset showed -2.1 per cent association and return on equity implied 1.3 per cent impact on dividend payout. The analysis indicated dividend payout ratio showing R Square value of 54.1 per cent relation are explained with the independent variables. In Shree cement, return on asset possessed mild negative association and return on equity showed a mild positive association with dividend payout. This indicates the practice of reduction in dividend payouts at the times of

increase in return on asset. The results indicated dividend payout ratio showing R Square value of 93.3 per cent relation are explained with the independent variables.

iii) On observing paint industry, the multiple regression analysis specifies that, in Akzo Nobel firm size had 101.7 per cent association and liquidity ratio showed 68 per cent higher impact on the dependent variable. The results indicated dividend payout ratio showing R Square value of 56.2 per cent relations are explained with the independent variables. In Asian paints, return on equity is implied 50.6 per cent strong positive influence and non-debt tax shields showed -544.7 per cent influence on the dependent variable. It denotes that dividends are distributed with the increased return on equity. The analysis indicates dividend payout ratio showing R Square value of 98.9 per cent relation are explained with the independent variables. In Berger paints, return on asset had -160.7 per cent and asset tangibility showed -61.8 per cent influence on dividend payout. Firm size implied 18.9 per cent association, non-debt tax shields -4.07 association and liquidity ratio shows -31.6 association with dividend payout. During times of increase in return on asset and fixed assets, the company reduced the dividend payouts. At times of increase in sales, they reduced payouts. The analysis indicates dividend payout ratio showing R Square value of 99.7 per cent relation are explained with the capital structure. In Kansai Nerolac, return on asset had -724.3 per cent and return on equity showed 492 per cent impact on dividend payout. Non-debt tax shields implied -372 per cent influence on the dividend payout and indicates dividend payout ratio showing R Square value of 91.2 per cent relation are explained with the capital structure.

iv) In granite industry, the multiple regression analysis specifies that, in Aro granites the return on asset had 3.9 per cent negative association with the dependent variable. It showed that during times of increase in profitability, the company tend to decrease the payout. The results indicated dividend payout ratio having R Square value of 82.7 per cent relations are explained with the capital structure. In Divyashakti, asset tangibility showed 5.1 per cent and earning volatility had -2.1 per cent association with the dependent variable and indicated dividend payout ratio showing R Square value of 92.1 per cent relation are explained with the capital structure. In Inani marbles, return on asset showed -112.2 per cent and return on equity had 27.6 per cent impact on dividend payout. Firm size implied 5.7 per cent negative association, earning volatility showed 44.1 per cent positive association and non-debt tax shields had -81.5 per cent strong association with dividend payout. It reveals that with the increased return on equity and reduction of sales, the company raises its dividend payouts and indicated dividend payout ratio showing R Square value of 97 per cent relation are explained with the independent variables. In Madhav marbles, return on equity depicted 28.6 per cent negative impact and asset tangibility showed 1.3 per cent mild positive impact on the dependent variable. It shows that during times of increase in profitability, the company tend to

decrease the payout and increase the reserves. The multiple regression analysis indicates dividend payout ratio showing R Square value of 89.7 per cent relation are explained with the independent variables.

v) On analysing ceramic tiles industry, the multiple regression analysis reveals that, in Kajaria ceramics risk showed mild positive association and asset tangibility depicted 2.4 per cent negative association with dividend payout. It denotes that the company on increasing the fixed assets, tend to reduce dividend payouts. The non-debt tax shields had 9.4 per cent influence and liquidity ratio showed -1.1 per cent influence on dividend payout and indicated dividend payout ratio showing R Square value of 97.6 per cent relation are explained with the independent variables. In Orient bell, return on equity had 887 per cent impact and earning volatility showed 6.04 impact on the dependent variable. The multiple regression analysis indicated dividend payout ratio showing R Square value of 94.3 relation are explained with the independent variables. In Somany ceramics, the return on asset implied -10.6 per cent and return on equity showed -1.2 per cent association with dependent variable. This denoted that with the increase of profitability, the company deduced the dividend payout. Risk and liquidity ratio showed mild positive impact, asset tangibility and firm size showed mild negative impact with dividend payout. Earning volatility revealed 9.4 percent and non-debt tax shields had 7.4 percent association with dependent variable. The multiple regression analysis implies dividend payout ratio showing R Square value of 99.8 per cent relation are explained with the independent variables.

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