E-ISSN No: 2456-6713 Print ISSN No: 3048-6459

International Educational Applied Research Journal

Peer-Reviewed Journal-Equivalent to UGC Approved Journal

A Multi-Disciplinary Research Journal

The Analytical Study Capital Structure and Finance Marketing

Kailash Singh

Student,

Vikrant University, Gwalior M.P.

Shri Krishna

Student,

Vikrant University, Gwalior M.P.

Dr. Rahul Kushwah

HOD,

Vikrant University, Gwalior, M.P.

Paper Rcevied date

05/06/2025

Paper date Publishing Date

10/06/2025

DOI

https://doi.org/10.5281/zenodo.15664303

IMPACT FACTOR

5.924

ABSTRACT

Capital structure decision is one of the key decisions that focuses on finding the capital structure with the single objective of maximization of value of the firm.

Capital structure decision is perhaps the key strategic decision that has occupied much of the time and attention of academicians and managers alike. Important as it is for the survival and growth of the firms it also remains one of the most controversial subjects in the world of finance. Capital structure decision refers to the proportion of debt and equity and finding out whether there is a capital structure that can be said to be optimum for the shareholders of the firm.

Key words:- Managem

Introduction:

The issue revolves around the question of an optimal capital Structure, if there is any. Put simply, it means that can the value of the firm be enhanced by changing the mix of debt and equity? of the We know there are primarily two sources of funds, i.e., debt and equity. The question of capital structure deals with whether a firm must borrow and if yes, to what extent so as to increase the value of the firm. Unfortunately, there is no definite answer available. There are conflicting theories about the existence of optimum capital structure.

Before we analyse different theories pertaining to capital structure, here are few statements, which always must be kept in mind. These are important assumptions for analysing any proposition concerning the evaluation of capital structure.

Capital structure decision assumes (i) replacement of one form of capital with another, (ii) firm value is consistent with shareholders wealth, and (iii) would be optimum when cost of capital is minimized.1

To analyse the effects of capital struc-ture, one form of capital needs to be replaced with another While analysing the capital structure, we shall always assume that the invest-ment decision of the firm remains same. We consider replacement of one form of capital with another keeping the total value of assets constant. The addition of debt or equity would result in the augmenting of assets, which shall ultimately result in the increase of earnings before interest and taxes (EBIT).

Maximization of value of the firm is consistent with maximization of shareholders' wealth The framework for determination of capital structure would assume that optimal capital structure would be one that maximizes the value of the firm. The value of the firm is the sum total of market values of its debt and equity. Our attempt is to find the structure of debt and equity that maximizes the value of firm based on the market values. This is consistent with the objective of the finance function, which, in no uncertain terms, acts in the interest of shareholders of the firm, and all decisions are made to maximize the shareholders' wealth. As the market value of debt remains almost constant, maximization of value of the firm would automatically imply maximization of shareholders' wealth.2

Optimal capital structure is one that minimizes WACC Determination of the value of the firm is done by the net present value of the projects arrived at by discounting the cash flows at a specific rate. The value of the firm can be increased if lower discount rate is used. In most cases, the discount rate used is weighted average cost of capital (WACC). Lower the WACC, and, hence, the discount rate, the higher will be the NPV of the project and the value of the firm. Therefore, maximization of firm's value will take place at the point where the capital structure minimizes the WACC.

The emphasis on the minimization of WACC rather than the maximization of the value of the firm is due to the difficulties one faces with the measurement of impact of managerial decisions on the values of the firm, given by market prices of its stock and debt securities. It is difficult to estimate how the market values will change with the changing capital structure. However, it is far easier to see how the cost of capital would change with the changing mix of debt and equity in financing of an enterprise. Hence, the capitalization rates assume significance in determining the optimal capital structure.

Review of Literature

- **According to the Goyal SK 2018-** Constancy of earning levels While analysing the changes in the capital structure, it is essential to assume earnings of the firm remain constant and they are distributed to the stakeholders. If the earnings change, the value of the firm too would change. The retention of earnings implies that the firm is planning to fund its growth through internal accruals and we assume no growth of earnings.3

- **According to the Shrivastava PK 2020-** As a measure of capital structure, we shall use the debt-equity ratio, the ratio of market value of debt (D) to the market value of equity (E). Although there could be several other measures available, but the most commonly accepted numbers are debt-equity ratio at market rates, the value of debt to the value of equity, or alternatively the debt ratio, the proportion of debt to total value.

- **According to the Saxena 2019-** Target capital structure is the debt-equity ratio deemed most appropriate by the management for the business it is in. structure all the time if at all we are able to find one? At least this is what we target at. Whether or not the firms achieve it is a separate question. The target capital structure is the one that the management thinks is the most suited to the firm in the business environment it is operating.

Objectives of the Study

- Equity investors are immune to increasing of debt up to a certain point. In fact, they welcome debt as it enhances the returns to shareholders.
- With debt increasing beyond a permissible level, shareholders visualise the threat from the fixed charges of interest over.4
- The earnings, putting their own rewards at higher risk, being the owner of the residual only.
- This results in increased expectations of return raising the cost of equity.
- Increased expectations of return would cause a decline in the value of shares, more than offsetting the advantage of debt.

Methodology

The implications of the assumptions about the cost of debt and cost of equity for the overall capitalization rate are Initially the cost of capital for the firm will fall as cheaper debt replaces expensive equity.5

Even though the cost of equity rises with increased debt, the advantages of debt would outweigh the increased cost of equity. Beyond a certain level of debt, the cost of equity starts rising disproportionately, which more than offsets the advantage of debt, raising the overall cost of capital for the firm. Since the cost of capital falls initially and then starts rising, there exists a point where the cost of capital would be least. At its lowest point, the cost of capital would.

Data Analysis and Interpretation

The analysis of the collected data reveals that the tribals are very tradition woman.

Do You Know Capital Structure of Finance Marketing

Table-1.1

Respondents	Capital Structure	Finance Marketing
Male	75	65
Female	25	35
Total	100	100

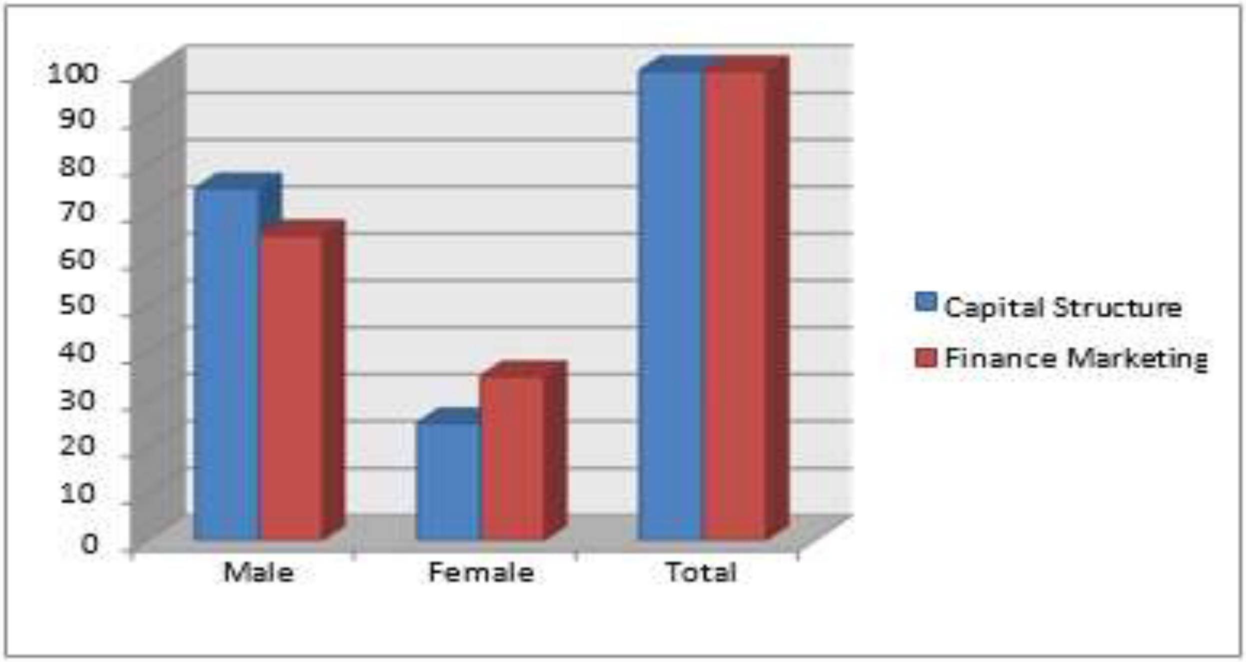

Table 1.1 Has displayed two respondents Male and Female Male has Capital Structure 75 and Finance Marketing 65, Female Capital Structure 25 and Finance Marketing 35 show it applied percentage method.

Finding of the Research

- This can be explained in terms of the firm's overall cost of capital, which is defined as weighted average of the expected returns
- The total market value of all the securities issued by the firm.

E-ISSN No: 2456-6713 Print ISSN No: 3048-6459

International Educational Applied Research Journal

Peer-Reviewed Journal-Equivalent to UGC Approved Journal

A Multi-Disciplinary Research Journal

- In their view, the average cost of capital of any firm is completely independent of its capital structure.

- This capitalization rate will be equal to the expected returns from the assets as if they were financed entirely from equity.

Conclusion

The total value of the firm remains same as determined by its assets no matter how they are acquired. It is only the nature of claims on the earnings that changes with changing debt ratio, the capital structure. Just as the size of bread does not change, no matter how many slices it is cut into and who shares those slices, the value of the firm remains constant no matter how the earnings are shared between debt holders and equity holders.

References

1. Avcher, W.G. And Murmu staphen Santal Reddles, Bangeriajha Mission press, 1994 p. 89
2. Archer, W.G. Tribal Transplantation society, Tribal man in India, Ranchi, 1999 p. 63
3. Agarwal, Bina Gender and Command over Property, Kali for Women, New Delhi, 1994 p. 73
4. Altekar, A.S. The Position of women in Hindu Civilization, 3rd edition, Delhi, Motilal Banarsidas p. 72
5. Americal, Academ "Women around the world' the annuals, 1975 p. 39