

*Abstract of Doctoral Dissertation*

# **A Comparative Study on the Determinants of Capital Structure towards Selected Domestic and Foreign Equity Mixed Manufacturing Industries in India<sup>1</sup>**

S. GOMATHI\*

## **I. Introduction**

THE PROSPERITY OF a country depends to a large extent on the performance of the economy. Among the world countries India is placed 9<sup>th</sup> rank in economic development and achieved 3<sup>rd</sup> rank in purchasing power parity. According to IMF our country has ranked as 135<sup>th</sup> place in per capita GDP during the year 2011. India is the 14<sup>th</sup> largest exporter and 11<sup>th</sup> largest importer in the world. The economic growth rates are projected at around 7% during the year 2011-12. Three major sectors contributing to the Indian GDP are Agriculture, Industry and Service sectors. The service industry accounts for 57.2% of the country's GDP while the industrial and agricultural sector contributes 28.6% and 14.6% respectively. Agriculture is the predominant occupation in Rural India, contributing for about 52% of employment. The service sector provides a further 34% and industrial sectors around 14% occupation.

Finance is to play a vital role in all organizations and it directs the finance department to be a team player which is constructively involved in all the operations of the firm. Firm's capital structure refers to the mix of liabilities and owners' equity. The main objective of financial management is to minimize cost and maximize the share holders' wealth. It can be achieved through the proper mix of debt and equity i.e. capital structure. An optimal capital structure is reached where the overall cost of capital is at minimum. The finance manager should make proper decision to meet the investment needs of the firm. Hence, he has to determine the suitable proportion of equity and debt with the effects of the financial and operating

1 The Thesis was submitted to Bharathiar University, Coimbatore, in January 2013 for the award of Ph.D. Degree, awarded in April 2014, under the supervision of Dr. R.Amsaveni, Assistant Professor, LRG Government Arts College for Woman, Tirupur Coimbatore 641044, INDIA.

\* Assistant Professor, Dr. N.G.P Arts and Science College, No.9 SSV Nager, Sulur, Coimbatore, Tamil Nadu 641048, INDIA.