

MASHBRA'S

**CAPITAL
STRUCTURE
PRACTICES
OF PRIVATE
CORPORATE SECTOR
IN INDIA**

**T.K. SURESH BABU
P.K. JAIN**

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ABOUT THE BOOK

Capital structure decisions, related to appropriate blend of debt and equity, are significant financial decisions of the corporate firms due to their influence both on return and risk of the shareholders. While the excessive use of debt may endanger the very survival of the corporate firm, the conservative policy may deprive its equity-holders from the advantages of debt as a cheaper source of finance to magnify their rate of return. The importance of sound capital structure is thus very obvious from the perspective of corporate enterprises, equity-holders and other stakeholders.

This book (based on study of 527 corporate firms listed on Bombay Stock Exchange) attempts to critically examine and enumerate the capital structure practices followed by the private corporate sector enterprises in India during the 15 year period (including the first phase of liberalisation). Comprehensive in scope, the book, *inter-alia*, examines the constituents of debt, risk characteristics of the corporate firms, the existence of pecking order hypothesis in India and some of the major design parameters of capital structure. Besides, the book also presents a comparative picture of the foreign controlled companies, *vis-a-vis*, domestic companies on the financing pattern. The present endeavour also contains survey findings of corporate finance managers' opinion on factors affecting capital structure decisions and the changes, if any, in the wake of liberalisation in India. The study brings to fore that the economic reform process initiated in 1990-91 has not, by and large, caused any significant changes in the capital structure practices of private corporate sector enterprises in India.

The book, in general, would be useful to researchers, practioners and policy makers in the areas of industrial finance; it is likely to provide useful insights to various regulatory bodies like SEBI, commercial banks, other long-term and short-term lending financial institutions, investment agencies in their policy formulations, besides corporate firms themselves.

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