



A STUDY ON CAPITAL STRUCTURE OF BRITANNIA PUBLIC LIMITED IN TAMIL NADU

Dr. K. Bhuvaneswari* & S. Shri Dhivya Devi**

* Assistant Professor, Department of Commerce with CA, Sakthi College of Arts and Science for Women, Oddanchatram, Dindigul, Tamil Nadu

** M.Com (CA), Department of Commerce with CA, Sakthi College of Arts and Science for Women, Oddanchatram, Dindigul, Tamil Nadu

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Abstract:

This study examines the study capital structure of Britannia Public Limited Company in Tamil Nadu on the data for the period of (2009 to 2023). Correlation and Multiple Regression or use to analysis the relationship between Dependent variable (Debt Equity Ratio) and Independent variables (Profitability, Solvency Ratio, Return on Asset and Return on Equity Ratio). This is concluded that Solvency Ratio, Profitability Ratio, Return on Equity and Return on Assets have negatively associated with DER.

Key Words: Capital Structure, ROA, ROE, DER, Profitability.

Introduction:

Capital structure is the particular combination of debt and equity used by a company to finance its overall operations and growth. Equity capital arises from ownership shares in a company and claims to its future cash flows and profits. Debt comes in the form of bond issues or loans, while equity comes in the form of common stock. Preferred stock, or retained earnings. Short-term debt is also considered to be part of the capital structure. This is done only when all those factors which are relevant to the company's capital structure decisions are properly analysed and balanced. Financial decision is one of the important decision of financial in any enterprise. Capital structure choice is an important for the every business.

Research Objectives:

- To identify the capital structure of the Britannia Public Limited.
- To identify the positive or negative relationship between the factors affecting the capital structure and the debt ratio.
- To find out the important variables that affects the debt ratio of the Britannia Public Limited by using Multiple Regression.

Review of Literature:

Year	Author	Title of the Study	Objectives	Data and Research Methodology	Findings
2023	Ahmed, Sharif, Ali	Capital Structure and its impact on profitability A Case of Indian Hotel Industry	To study the various factors affecting the capital structure and profitability	Regression Correlation	To find out the correlation between dependent and independent variables, regression model has been chosen. The independent variables including liquidity, profitability and COD have a significant impact and negatively related with debt ratio that means if these variables increase debt ratio will go down.
2010	Andy chui, Alison Lloyd, Chuck kwok	Effect of Firm Size on the Association between Capital Structure and Profitability	To find if there is a pattern in the capital structure within the industry	Regression Correlation	It was found that the reserves and surpluses have all increased year after year, according to the research, while total debts have also increased gradually during this period. However, the total capital employed is also constantly increased in Public Limited.
2002	Shireen Rosario, Kavitha chavali	Risk and Growth Analysis of Small and Medium Size Enterprises	To find out how the capital structure would influence the profitability of company within the industry	Correlation Regression	This study found the listed trading companies show that debt ratio is negatively correlated with all financial performance measures (GP, NP, ROE, EPS) similarly D/E is negatively correlated with all financial performance measures except GP and only D/E ratio shoes significant relationship with NP.
2011	Baker & Martin	Capital structure in Emerging Capital Markets	To examine the capital structure of 22 companies from 2006 to 2016	Correlation, Regression	Descriptive analysis of study results there is a negative relationship between capital structure and firm performance.

2021	Ziwei wang	Financial Performance in India	This study enable as to realize the fundamental relationship between a corporate price and its capital structure	Regression correlation	The result show weaker relationship between NI and NOI approach capital structure has significant impact on profitability and cost of capital
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Methodology:

The study is based on secondary data. The data collected from annual report of company concerned listed in the balance sheet. The study has been undertaken in Britannia Public Limited, the above data was collected on the basis of their consistency of performance, data availability and favourable accounting figures of this company.

Regression Model:

The Multiple Regression models have been followed to test the empirical relationship between the debt equity ratio and characteristics of the firm.

$$Y=a+b_1X_1+b_2X_2+b_3X_3+b_4X_4.....(1)$$

Table of Variables:

Table 1

S.No	Ratio	Variable	Formula
1	Debt Equity ratio	Dependent Variable	Total current liabilities /total shareholder's funds
2	Solvency ratio	Independent Variable	Profit and loss after tax /total shareholder's fund*100
3	Profitability ratio	Independent Variable	Total assets /total shareholder's funds*100
4	Return on equity	Independent Variable	Current assets-current liabilities
5	Return on assets	Independent Variable	Profit and loss after tax/total assets *100

Result and Discussion:

Result of Correlation:

Table 2

Variable	R	R ²
Solvency ratio	0.104	0.208
Profitability	0.103	0.206
Return on equity	0.123	0.246
Return on assets	0.063	0.126

** Correlation is significant at 1% level

*Correlation is significant at 5% level

The table 2 above represents the relationship between the various independent and dependent variables used in this study. From this table it is clear that the variables solvency ratio, profitability, Return on Equity, Return on Asset have negatively associated with DER.

Results of the Regression:

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.431	.185	-.267	1.68576

Predictors: (constant), Solvency ratio, Return on Equity, Profitability, Return on Asset.

The model summary table illustrates the magnitude of the variance in the dependent Variables as described by the independent variable the value of the R-Square FS 0.985, which approximately the dependent variable 98.51. Variance of the "DER" is explained by dependent variables of capital structure ratio.

ANOVA:

Table 4

ANOVA						
Model	Sum of squares	Df	Mean Square	F	Sig	
1	Regression	5.824	5	1.165	410	.000 ^b
	Residual	25.576	9	2.842		
	Total	31.400	14			
a. Dependent variable : Debt Equity Ratio						
b. Predictors : (Constant), Return on Assets, Profitability, Return on Equity, Solvency Ratio						

ANOVA test to find out whether the regression model is valid or not. f - Statistics is 0.410 which are high and have a significant value of less than 5% which indicates that the testing of ANOVA to Highly significant and that the model is valid from the given predictors.

Regression Co-Efficient of Britannia Public Limited:

Table 5

Variables	Model
(Constant)	243.17
Un-standard error	7.533

Standard error	14.435
T-value	0.522
P-value	0.614
Solvency Ratio	
Un-standardized co-efficient	-9.643
Standard error	10.210
T-value	-0.944
P-value	0.370
(Profitability)	
Un-standardized co-efficient	1.471
Standard error	1.502
T-value	0.979
P-value	0.053
(Return on Equity)	
Un-standardized co-efficient	-0.002
Standard error	0.012
T-value	-0.137
P-value	0.894
(Return on assets)	
Un-standardized co-efficient	0.362
Standard error	0.299
T-value	1.213
P-value	0.056

The Parameter of the regression model above the table is related. The table 5 shows the significance of the individual independent variable in interpreting the dependent variable. The un-standardized co-efficient (B) value shows the magnitude and relationship between dependent variable debt equity ratio and independent variable of Capital structure ratios, if the value is positive relationship between the predictor and the dependent variables. If the value is negative relationship between the predictor and the dependent variables. The regression co efficient ratio, profitability significant association with debt equity ratio. If means Britannia public limited has good capital structure, so Britannia Private Limited earned stable profitability. The regression co-efficient other independent variables are negatively associated with debt equity ratio. If the value is positive relationship between the predictor and the dependent variable. If the value is negative relationship between the predictor and the dependent variables. The regression co-efficient profitability significant association with debt equity ratio. If measure Britannia Public Limited has good capital structure, So Britannia Public Limited carved stable profitability. The regression co-efficient other independent variables are negatively associated with debt equity ratio.

Conclusion:

The purpose of this Research study is to investigate the Capital Structure of Britannia Public Limited. For this purpose has been selected from Tamil Nadu as study sample and data is collected (2009-2023) and processed by using statistical tools. This study found that the solvency ratio (0.208), profitability (0.206), return on asset (0.126) have negatively associated with DER.

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