ABSTRACT

The corporate finance pattern is of vital importance for the financial health of companies. Corporate finance decisions affect the various facets of the corporate management, which ultimately determine the wealth of investor. To understand how firms finance their operation, it is necessary to examine the determinants of their financing or capital structure decision. This paper seeks to identify the determinants of capital structure in automobile and steel industry. For this purpose we have taken 13 automobile companies and 21 steel companies. The study is mainly depending on secondary data. Multiple regression has been used to find out the factors affecting capital structure. The paper examines the effect of different company specific variables including assets composition, business risk, size, debt service capacity, growth rate and earning rate on the capital structure of selected industries. We have also made an attempt to analyze the capital structure decision with respect to corporate size as base. Regression results reveal that asset composition, business risk and debt service capacity are significant factors in context of automobile industry.

KEYWORDS: capital structure, capital, financing, automobile, steel, industry.