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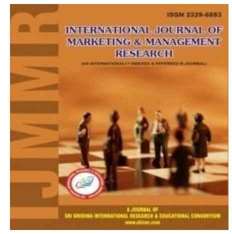

LEVERAGE CAPITAL STRUCTURE AND DIVIDEND POLICY PRACTICES IN INDIAN CORPORATE – A CASE STUDY

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ABSTRACT

A proper blend of debt and equity is a significant financial decision of the corporate firm from the perspective of its shareholders and other stakeholders. The excessive use of debt may endanger the survival of a corporate firm while the conservative policy may deprive the advantage of cheaper debt. An appropriate capital mix influences both the return and risk of the shareholders. The proper and efficient management of capital structure yields two advantages: (i) maximization of profit and wealth of shareholders, and (ii) minimization of cost of capital. Therefore, the financial manager is confronted with the task of determining determinants of a capital structure of the firm, which on the one hand maximizes the wealth of the owners and on the other hand minimizes the cost of funds. The present study examines the practices being followed in Indian corporate.

KEYWORDS: Leverage, Capital Structure, Dividend, Solvency, Debt-Equity Ratio.