

Capital Structure Decisions and Their Impact on Firm Value in Today's Dynamic Market

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Abstract

Financial health, operational efficacy, and value generation in the long run are all heavily influenced by capital structure choices. A company's risk tolerance, cost of capital, and stock price performance are all affected by the financing mix it chooses: debt versus equity. The influence of leverage, cost of capital, profitability, and market circumstances on valuation variables including Tobin's Q, EPS, ROE, and market capitalization is analyzed in this research, which seeks to understand the link between capital structure choices and business value. Examining whether firms with optimized capital structures attain higher firm value than highly leveraged or under-leveraged firms, the study employs secondary financial data in addition to theoretical models like the Modigliani-Miller propositions, trade-off theory, pecking order theory, and agency theory. The research's overarching goal is to help managers and investors make better strategic decisions by illuminating the best debt-to-equity ratio for increasing shareholder value and maintaining a competitive edge.

I - Introduction—

A company's capital structure is the way it finances its operations and expansion, including the balance of debt and equity. Because it has a direct impact on the cost of capital, risk, profitability, and market value of the organization, the choice about the amount of debt or equity to use is among the most crucial financial decisions made by management. The significance of capital structure has increased in today's highly competitive economic climate, as companies aim to find the sweet spot between generating profits and reducing financial risks.

In theory, the Modigliani-Miller (MM) propositions provide the groundwork for comprehending the impact of capital structure on company value in both ideal and imperfect market scenarios. Capital structure choices are difficult and firm-specific due to the presence of taxes, bankruptcy costs, asymmetric knowledge, and agency issues in real-world financial markets. Optimal debt levels, according to the trade-off hypothesis, strike a balance between tax advantages and bankruptcy costs. On the other hand, according to the pecking order idea, companies should rely on internal resources first, then take out loans, and then issue stock after all

other options have been exhausted. Financial managers, according to these ideas, need to think about a lot of things when deciding on a capital structure, such as profitability, growth potential, cost of debt, market circumstances, and investor behavior.

There are several pathways by which choices about a company's capital structure affect its value. Leverage increases the potential for tax benefits to boost shareholder returns, but it also increases the associated financial risk. On the other side, the stability that comes with lesser debt may come at the expense of some growth potential. It is vital to examine empirical data across sectors since firms in various industries and life-cycle phases generally follow diverse patterns of capital structure.

Through the examination of financial ratios, leverage indicators, and market-based performance measurements, this research seeks to understand the influence of capital structure choices on business value. The study's overarching goal is to provide light on the question of whether or not companies' present capital structures are optimal for maximizing shareholder value.

II - Problem Statement

Decisions on the capital structure of a company have far-reaching effects on its value, profitability, risk, and cost of capital. Nevertheless, one of the biggest challenges that financial managers still face is finding the right balance between debt and equity. Companies often face the challenge of weighing the advantages of debt, such tax protections, against the dangers of financial trouble and insolvency. Overly high levels of leverage may lower a company's worth because they expose it to more risk, while too low levels of leverage can stifle development since they don't take advantage of tax breaks.

Furthermore, there is still a lack of consensus throughout sectors and market circumstances about the correlation between capital structure and business value based on actual data. Studies have shown conflicting results about the effects of leverage on company value. Some find that it increases value, while others find that it reduces value after a certain point. For decision-makers, this discrepancy means uncertainty. Consequently, the most important question is: How do choices about the capital structure affect the value of a company, and how much leverage is optimal for shareholders? This research aims to fill that knowledge vacuum by conducting an empirical examination of how debt-equity choices affect the value of businesses across various industries.

III - Need of the study

Everyone from politicians to investors to creditors must have a firm grasp of the reasoning behind capital structure choices. Financing choices may have a substantial impact on a company's development and survival in today's highly competitive and unpredictable business climate. Companies need to implement financing methods that boost value while reducing financial risk in order to survive in today's world of fierce global competition, ever-increasing interest rates, and more demanding investors.

Scope of the Study

The capital structure choices of chosen

organizations from diverse sectors, including manufacturing, IT, FMCG, and services, are the subject of this research. It captures long-term financial patterns over a period of 5-10 years. Included in the scope are: An analysis of profitability, cost of capital, debt-equity ratios, and leverage ratios. Calculation of a company's worth by means of market capitalization, earnings per share, return on equity, return on assets, and Tobin's Q. Capital structure choices are impacted by both internal and external variables, including business size, asset structure, growth potential, and interest rates and economic circumstances. Due to regulatory differences, the research does not include companies at the startup, bank, or bankruptcy stages because of the vast differences in their capital structures.

IV - Objectives of the Study

- To Understand the capital structure patterns of selected firms across different industries.
- To analyze whether firms with an optimal capital structure achieve higher market valuation compared to under-leveraged or over-leveraged firms.
- To examine the relationship between capital structure variables (debt ratio, equity ratio, leverage) and firm value.
- To assess the impact of leverage on profitability, risk, and cost of capital.

V - Research Methodology

Data Collection Methods: The two most common forms of information gathered are primary and secondary sources. Specifically, primary data is information that has never been collected or utilized previously. Questionnaires or first-hand accounts can provide this information. This inquiry made no use of primary sources of information.

Secondary data is information that is already available to researchers because it has been studied or collected by someone else. secondary data can be located in a variety of sources, including online databases, scholarly publications, periodicals, and newspapers.

Approaches to Research methodology

The term "research methodology" is used to

describe the organized process that researchers follow when they do studies, collect data, and analyze the results. By following it, researchers are able to make well-informed judgments, maintain the credibility and reliability of their results, and provide effective answers to their questions. A well-designed research project must have a methodology section that details the procedures followed to collect data, analyze it, and create conclusions.

Research Methodology: A Descriptive Approach to Study Design

Method of Sampling: Fundamental Random Sampling

The study's sample size was 3 companies.

Instrument for analysis: Financial accounts of the selected companies

Data analysis: selecting appropriate ratios and comparing

- Variable's Operation of Capital Structure

The dependent variables in this study are the capital structures measured by the use of DEBT-to-Equity Ratio.

- Variable's Operation of Business Risk
The business risk of being proscribed with BRISK (Business risk), namely with the following formula : $\sigma \frac{EBIT}{\text{Total Asset}}$

- Variable's Operation of Asset Growth
This variable can be defined as the annual change of fixed assets, formulated as follows:

$$\frac{\text{Total Asset current year} - \text{Total Asset previous year}}{\text{Total Asset previous year}}$$

- $\text{RoA} = \frac{\text{Net Profit before Taxes}}{\text{Total Assets}} \times 100$

VI - Limitations of the Study

- The major limitations of the study is time factor
- Data collected for analysis may or may not be the right time for the analysis

- Data collected is only for the last five years and analyzed, it may not be sufficient for analysis
- The analysed data may or may not provide accurate results for making decisions

VII - Literature review

The Determinants of Capital Structure for Australian Multinational and Domestic Corporations by Shumi Akhtar, (Dec 2005):

From 1992 to 2001, a sample of Australian local and global firms were studied to determine the significance of capital structure factors. There is no statistically significant difference between MNCs and SMBs in terms of leverage, according to the findings. Leverage is significantly affected by growth, profitability, and size for both kinds of organizations, according to the results of the cross-sectional Tobit regression analysis. For domestic firms, the value of collateralized assets is a key factor in determining their leverage. Bankruptcy expenses and regional diversification levels are major factors for corporations. For domestic firms, the bankruptcy expenses are surprisingly low. When comparing global and local leverage, the interaction effects of bankruptcy costs and profitability become quite important.

Multinational Corporations vs. Domestic Corporations: International Environmental Factors and Determinants of Capital Structure by Kwang Chul Lee, Chuck C Y Kwok, (Jun 1988):

This article investigates the question of whether and how capital structures change between domestic businesses (DCs) and multinational corporations (MNCs) established in the United States. Prior research has mostly focused on the connections between capital structure and international environmental variables (such as political risk and foreign exchange risk) in an effort to explain the differences between the capital structures of MNCs and DCs. In this research, we offer an analytical framework to study how external variables impact firm-related capital structure determinants (such as agency costs and bankruptcy costs) and how those determinants impact the MNC's capital structure. Since the idea of agency costs has not been applied

in any prior research on a global scale, it is given greater weight in the examination of the other factors. With respect to agency costs of debt, bankruptcy costs, and capital structure, empirical studies were performed to determine whether MNCs differ considerably from DCs. The empirical results reveal that, contrary to

Determinants of Capital Structure for Japanese Multinational and Domestic Corporations* Shumi Akhtar, Barry Oliver, (Mar 2009): Using a sample of Japanese MNCs and DCs, our research looks at whether or not conventional leverage determinants are consistently different. Compared to Japanese DCs, Japanese MNCs differ significantly on most factors when we use a univariate basis. Leverage, age, collateral asset value, free cash flows, growth, non-debt tax shields, political risk, profitability, scale, and foreign exchange risks are all factors to consider. It turns out that the two categories of companies aren't really different when it comes to business hazards. We find that Japanese multinationals have much lower leverage than Japanese DCs when we analyze capital structure and its drivers. Multinationality is a key component of leverage for Japanese enterprises. Foreign exchange risks are substantial for local enterprises but insignificant for multinationals, and business risks do not factor into capital structure modeling for domestic firms, but they do for multinationals. To explain why Japanese multinationals have lower leverage than Japanese DCs, we show that business risks have a negative correlation with leverage for multinationals.

Capital structure of multinational and domestic corporations – a cross-country comparison by Shumi Akhtar, (Oct 2018): This research looks at the possibility that factors influencing the capital structure of MCs and DCs differ among the five countries of Malaysia, Australia, the United States, Japan, and the United Kingdom. The findings reveal that (i) DCs and MCs and countries differ in their debt holding capacity and most explanatory factors; (ii) compared to U.S. firms, MCs from Australia, Japan, the U.K., and Malaysia hold much lower levels of long-term debt; (iii) DCs and MCs

operating under an imputation tax system have much lower levels of both short-

THE DETERMINANTS OF CAPITAL STRUCTURE FOR VIETNAM'S SEAFOOD PROCESSING ENTERPRISES by Canh Thi Nguyen, Cuong Thanh Nguyen, (Mar 2011): In contrast to businesses in other processing sectors (DIFs), this article aims to analyze the factors that influence the capital structure of seafood processing firms (SEAs) in Vietnam. Using data from 302 firms, including 63 in the fisheries industry, over the course of five years from 2004 to 2008, this study was able to draw conclusions based on the models proposed by Shumi Akhtar and Barry Oliver in 2005 [22] and [23]. Out of a total of 772 observations, 284 were pertaining to models used by seafood processing organizations and 488 were for other types of businesses. The findings reveal that SEAs and DIFs have different capital structures. Therefore, for both SEAs and DIFs, the size and collateral value of assets were determined to be key factors in capital structure. Capital structure is affected and greatly impacted by SEAs' profitability, growth, agency expenses, and interest expense. At the same time, crucial factors for DIFs include bankruptcy risks and the age of firms. Differences

Effective Tax Rates for Multinational and Domestic Corporations: A Closer Examination by Allen Ryan, (Jan 2019): Over the last three decades, this research looks at how effective tax rates have varied between domestic and multinational firms based in the United States. Dyreng et al. (2017) discovered that cash effective tax rates for U.S. domestic firms and U.S. multinational corporations have been falling since 1988. Their findings were published in the Journal of Financial Economics. The authors also discovered that, in comparison to local firms, multinational corporations have a higher cash effective tax rate. In the first part of the article, I compare the effective tax rates of domestic and global firms using federal and state data. For federal ETRs, I find conflicting results; however, compared to domestic firms, multinationals have a lower state ETR. I compare the two groups and find that domestic firms gain more from the I.R.C. Section 199 deduction than multinationals. After

that, I look at the impact of intangible assets on effective tax rates and find that foreign companies gain more than their domestic counterparts

CAPITAL STRUCTURE AND TAXATION OF COMPANIES OPERATING WITHIN NATIONAL AND MULTINATIONAL CORPORATE GROUPS: EVIDENCE FROM THE VISEGRAD GROUP OF COUNTRIES by Marta Kluzek, Katarzyna Schmidt-Jessa, (Feb 2022):

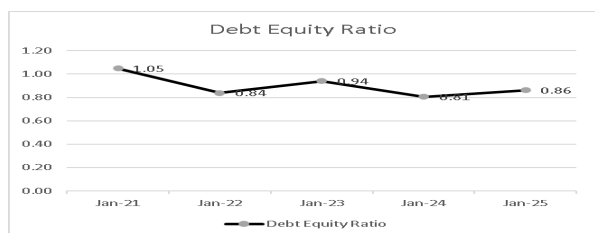
Companies operating within national and global corporate groups in the Visegrad Group nations will have their debt levels and the effects of taxes examined in this study. The study used panel regression models with fixed effects to analyze financial data from 2012 to 2018 pertaining to businesses that were members of corporate groups. Research shows that domestic firms are less taxed effectively and have higher levels of leverage compared to their international counterparts. Meanwhile, just six of the sixteen models—mostly including MNCs—showed a meaningful effective tax rate. The impact's direction was uneven. obligations.

VIII - Data Analysis

Ratio Analysis

Debt Equity Ratio

| Year | Total Shareholders Funds | Total Debt | Debt Equity Ratio |
|--------|--------------------------|------------|-------------------|
| Mar-25 | 79,839.00 | 68,814.00 | 0.86 |
| Mar-24 | 75,283.00 | 60,701.00 | 0.81 |
| Mar-23 | 63,659.00 | 59,847.00 | 0.94 |
| Mar-22 | 63,501.00 | 53,235.00 | 0.84 |
| Mar-21 | 46,977.00 | 49,215.00 | 1.05 |



Interpretation

From the table, it can be observed that the Debt–Equity ratio fluctuates during the five-year period but remains below 1 in most years, indicating that the company relies more on equity financing than debt.

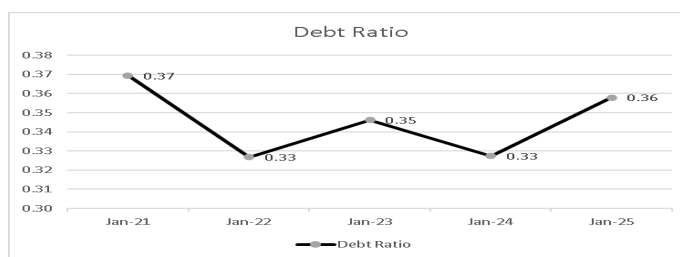
In March 2021, the Debt–Equity ratio was 1.05, which means the company used slightly more debt than equity. In March 2022, the ratio declined to 0.84, showing that the company reduced its dependence on debt and strengthened its equity base.

In March 2023, the ratio increased to 0.94, indicating a slight increase in debt financing. However, in March 2024, the ratio again decreased to 0.81, reflecting improved financial stability and a lower reliance on borrowed funds. In March 2025, the ratio increased slightly to 0.86, but it still remained below 1.

During the same period, Total Shareholders’ Funds increased significantly from ₹46,977 in 2021 to ₹79,839 in 2025, indicating growth in equity capital and retained earnings. Although Total Debt also increased, the growth in equity helped maintain a relatively balanced capital structure.

Debt Ratio

| Year | Total Debt | Total Assets | Debt Ratio |
|--------|------------|--------------|------------|
| Mar-25 | 68,814.00 | 1,92,261.00 | 0.36 |
| Mar-24 | 60,701.00 | 1,85,438.00 | 0.33 |
| Mar-23 | 59,847.00 | 1,72,841.00 | 0.35 |
| Mar-22 | 53,235.00 | 1,62,870.00 | 0.33 |
| Mar-21 | 49,215.00 | 1,33,232.00 | 0.37 |



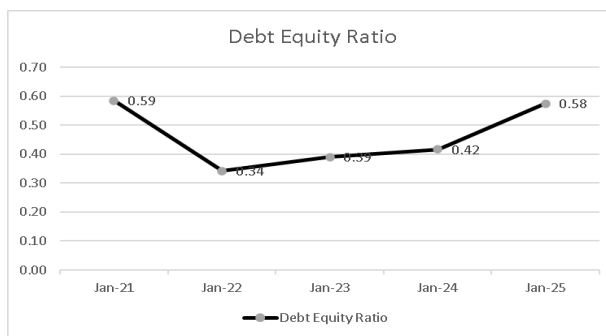
Interpretation

From the table, it can be observed that the debt ratio fluctuates slightly during the five-year period but remains relatively stable between 0.33 and 0.37.

In March 2021, the debt ratio was 0.37, which

means that 37% of the company’s assets were financed through debt, indicating a moderate level of leverage. In March 2022, the ratio declined to 0.33, showing a reduction in debt financing and a stronger equity position.

In March 2023, the ratio increased slightly to 0.35, suggesting a small increase in borrowing. In March 2024, the ratio again declined to 0.33, indicating improved financial stability and reduced reliance on debt. In March 2025, the ratio increased to 0.36, reflecting a moderate increase in debt usage.



Interpretation

From the table, it is observed that the Debt–Equity ratio fluctuates over the five-year period but remains below 1, indicating that the company relies more on equity financing than debt.

In March 2021, the Debt–Equity ratio was 0.59, which means the company used ₹0.59 of debt for every ₹1 of equity, reflecting moderate leverage. In March 2022, the ratio declined to 0.34, indicating a reduction in debt financing and an improvement in the company’s capital structure.

In March 2023, the ratio increased slightly to 0.39, suggesting a marginal increase in borrowing. In March 2024, the ratio further increased to 0.42, reflecting a gradual rise in debt levels relative to equity. In March 2025, the ratio rose significantly to 0.58, indicating that the company increased its reliance on debt financing during the year.

The data also shows that Total Shareholders’ Funds increased from ₹94,406.34 in 2021 to ₹1,26,731.94 in 2025, indicating growth in equity capital and retained earnings. At the same time, Total Debt fluctuated, decreasing between 2021 and 2023 and then increasing in the later years.

Correlations Analysis

| Year | Debt Ratio | Firm Value (Market Capitalization ₹ Crore) |
|--------|------------|--|
| Mar-25 | 0.36 | 1.50 |
| Mar-24 | 0.33 | 1.80 |
| Mar-23 | 0.35 | 2.00 |
| Mar-22 | 0.33 | 1.45 |
| Mar-21 | 0.37 | 2.85 |

Correlation of the Debt Ratio and Firm Value is 0.66

Interpretation

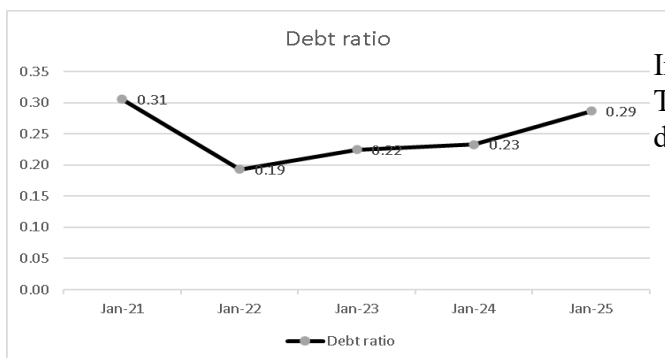
There is a moderate positive relationship between debt ratio and firm value.

**Ratio Analysis
Debt Equity Ratio**

| Year | Total Shareholders Funds | Total Debt | Debt Equity Ratio |
|--------|--------------------------|------------|-------------------|
| Mar-25 | 1,26,731.94 | 72,917.88 | 0.58 |
| Mar-24 | 1,37,693.65 | 57,300.01 | 0.42 |
| Mar-23 | 1,34,797.51 | 52,556.61 | 0.39 |
| Mar-22 | 1,25,433.76 | 42,887.63 | 0.34 |
| Mar-21 | 94,406.34 | 55,238.21 | 0.59 |

Debt Ratio

| Year | Total Debt | Total Assets | Debt ratio |
|--------|------------|--------------|------------|
| Mar-25 | 72,917.88 | 2,54,132.74 | 0.29 |
| Mar-24 | 57,300.01 | 2,45,634.06 | 0.23 |
| Mar-23 | 52,556.61 | 2,33,791.42 | 0.22 |
| Mar-22 | 42,887.63 | 2,21,986.22 | 0.19 |
| Mar-21 | 55,238.21 | 1,80,490.93 | 0.31 |



Interpretation

From the table, it can be observed that the debt ratio fluctuates over the five-year period but remains relatively low, indicating moderate use of debt in financing assets.

In March 2021, the debt ratio was 0.31, meaning that 31% of the company’s total assets were financed through debt, which indicates a moderate level of leverage. In March 2022, the ratio declined significantly to 0.19, showing that the company reduced its dependence on debt and improved its financial stability.

In March 2023, the debt ratio increased slightly to 0.22, suggesting a marginal increase in borrowing. In March 2024, the ratio further increased to 0.23, indicating a gradual rise in debt financing. By March 2025, the ratio increased to 0.29, reflecting a higher level of borrowing compared to the previous three years. The data also shows that Total Assets increased consistently from ₹1,80,490.93 in 2021 to ₹2,54,132.74 in 2025, indicating expansion in the company’s asset base. At the same time, Total Debt fluctuated, decreasing until 2023 and then increasing again in the following years.

Correlation Analysis

| Year | Debt ratio | Firm Value |
|--------|------------|------------|
| Mar-25 | 0.29 | 1.45 |
| Mar-24 | 0.23 | 1.65 |
| Mar-23 | 0.22 | 1.40 |
| Mar-22 | 0.19 | 1.75 |
| Mar-21 | 0.31 | 2.10 |

Correlation of the Debt Ratio and Firm Value is

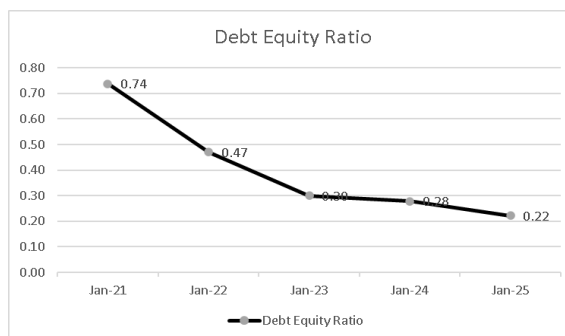
0.36

Interpretation

There is a moderate positive relationship between debt ratio and firm value.

**Ratio Analysis
Debt Equity Ratio**

| Year | Total Shareholders Funds | Total Debt | Debt Equity Ratio |
|--------|--------------------------|------------|-------------------|
| Mar-25 | 49,762.87 | 11,076.78 | 0.22 |
| Mar-24 | 45,493.60 | 12,689.38 | 0.28 |
| Mar-23 | 40,556.85 | 12,176.61 | 0.30 |
| Mar-22 | 40,360.48 | 18,987.69 | 0.47 |
| Mar-21 | 32,642.11 | 24,099.53 | 0.74 |



Interpretation

From the table, it can be observed that the Debt–Equity ratio shows a consistent declining trend over the five-year period, indicating that the company has gradually reduced its dependence on debt financing and strengthened its equity base.

In March 2021, the Debt–Equity ratio was 0.74, which means the company used ₹0.74 of debt for every ₹1 of equity, indicating relatively higher leverage. In March 2022, the ratio decreased to 0.47, reflecting a significant reduction in debt relative to equity.

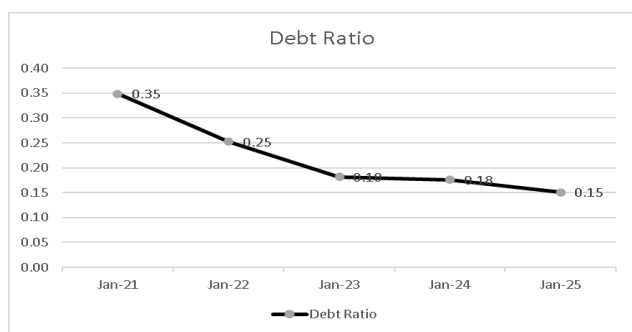
In March 2023, the ratio further declined to 0.30, indicating continued improvement in the capital structure. In March 2024, the ratio slightly decreased to 0.28, showing that the company maintained a lower level of debt financing. By March 2025, the ratio declined further to 0.22, which indicates that the company relied more on equity funds and reduced its financial leverage.

The data also shows that Total Shareholders’ Funds increased steadily from ₹32,642.11 in 2021

to ₹49,762.87 in 2025, indicating growth in retained earnings and equity capital. At the same time, Total Debt decreased significantly from ₹24,099.53 in 2021 to ₹11,076.78 in 2025, showing that the company actively reduced its borrowings.

Debt Ratio

| Year | Total Debt | Total Assets | Debt Ratio |
|--------|------------|--------------|------------|
| Mar-25 | 11,076.78 | 73,488.98 | 0.15 |
| Mar-24 | 12,689.38 | 72,016.97 | 0.18 |
| Mar-23 | 12,176.61 | 67,029.63 | 0.18 |
| Mar-22 | 18,987.69 | 75,162.25 | 0.25 |
| Mar-21 | 24,099.53 | 69,131.28 | 0.35 |



Interpretation

From the table, it can be observed that the debt ratio shows a continuous declining trend over the five-year period, indicating that the company has gradually reduced its dependence on debt financing.

In March 2021, the debt ratio was 0.35, which means that 35% of the company’s assets were financed through debt, reflecting a relatively higher level of leverage. In March 2022, the ratio decreased to 0.25, indicating a reduction in debt financing and improvement in the company’s financial structure.

In March 2023, the debt ratio further declined to 0.18, showing that the company significantly reduced its reliance on borrowed funds. In March 2024, the ratio remained stable at 0.18, indicating consistent financial management and balanced capital structure. By March 2025, the ratio declined further to 0.15, reflecting a strong equity position and lower financial risk.

The data also shows that Total Debt decreased substantially from ₹24,099.53 in 2021 to

₹11,076.78 in 2025, while Total Assets remained relatively stable with moderate growth. This indicates that the company has actively reduced borrowings while maintaining its asset base.

Correlation Analysis

| Year | Debt Ratio | Firm Value |
|--------|------------|------------|
| Mar-25 | 0.15 | 0.38 |
| Mar-24 | 0.18 | 0.33 |
| Mar-23 | 0.18 | 0.6 |
| Mar-22 | 0.25 | 0.85 |
| Mar-21 | 0.35 | 1.02 |

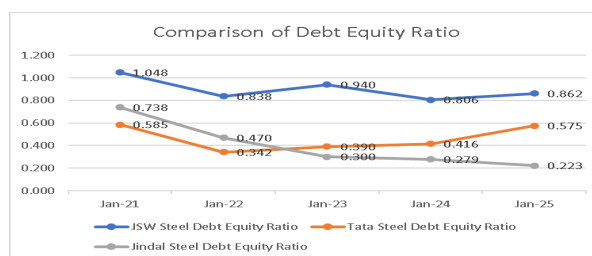
Correlation of the Debt Ratio and Firm Value is 0.93

Interpretation

There is a moderate positive relationship between debt ratio and firm value.

Comparison of Debt Equity Ratio

| Year | JSW Steel Debt Equity Ratio | Tata Steel Debt Equity Ratio | Jindal Steel Debt Equity Ratio |
|--------|-----------------------------|------------------------------|--------------------------------|
| Mar-25 | 0.862 | 0.575 | 0.223 |
| Mar-24 | 0.806 | 0.416 | 0.279 |
| Mar-23 | 0.940 | 0.390 | 0.300 |
| Mar-22 | 0.838 | 0.342 | 0.470 |
| Mar-21 | 1.048 | 0.585 | 0.738 |



Interpretation

From the table, it can be observed that JSW Steel consistently maintained the highest Debt–Equity ratio among the three companies during most of the years, indicating a higher reliance on debt financing. In March 2021, the ratio was 1.048, meaning the company used slightly more debt than equity. Over the years, the ratio gradually declined to 0.862 in March 2025, indicating a reduction in

leverage and improvement in the company’s capital structure.

For Tata Steel, the Debt–Equity ratio remained moderate and relatively stable throughout the period. The ratio decreased from 0.585 in 2021 to 0.342 in 2022, indicating a reduction in debt levels. However, it slightly increased in the following years and reached 0.575 in 2025, showing a moderate reliance on debt financing compared to equity.

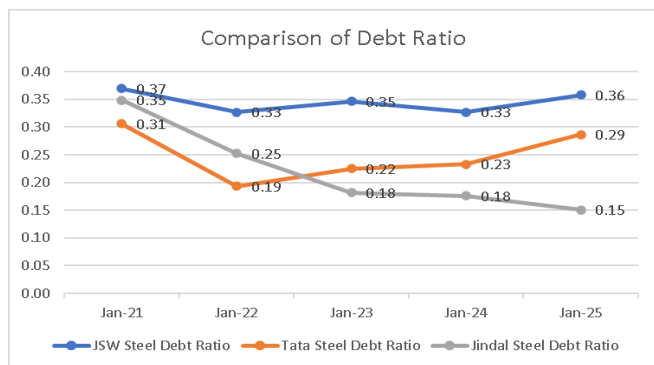
In the case of Jindal Steel, the Debt–Equity ratio showed a significant decline over the period, decreasing from 0.738 in 2021 to 0.223 in 2025. This indicates that the company substantially reduced its debt and strengthened its equity base, resulting in lower financial risk.

declining trend from 0.31 in 2021 to 0.19 in 2022, indicating a significant reduction in debt financing. However, the ratio increased slightly in the following years, reaching 0.22 in 2023, 0.23 in 2024, and 0.29 in 2025. Despite this increase, Tata Steel still maintained a moderate level of debt relative to its total assets.

For Jindal Steel, the debt ratio shows a significant decline over the five-year period, decreasing from 0.35 in 2021 to 0.15 in 2025. Although the ratio increased slightly in 2022 (0.25), it gradually declined in the subsequent years, indicating that the company reduced its reliance on debt financing and strengthened its equity base.

Comparison of Debt Ratio

| Year | JSW Steel Debt Ratio | Tata Steel Debt Ratio | Jindal Steel Debt Ratio |
|--------|----------------------|-----------------------|-------------------------|
| Mar-25 | 0.36 | 0.29 | 0.15 |
| Mar-24 | 0.33 | 0.23 | 0.18 |
| Mar-23 | 0.35 | 0.22 | 0.18 |
| Mar-22 | 0.33 | 0.19 | 0.25 |
| Mar-21 | 0.37 | 0.31 | 0.35 |



Interpretation

From the table, it can be observed that JSW Steel maintained the highest debt ratio among the three companies during most of the years, indicating greater reliance on borrowed funds. The ratio was 0.37 in 2021, declined to 0.33 in 2022, increased slightly to 0.35 in 2023, and then fluctuated to 0.33 in 2024 and 0.36 in 2025. This shows that JSW Steel consistently maintained a moderate level of leverage to finance its assets.

In the case of Tata Steel, the debt ratio shows a

IX - Findings

1. The analysis shows that JSW Steel maintained the highest Debt–Equity ratio among the three companies in most of the years, indicating a greater reliance on debt financing for its operations and expansion.
2. Tata Steel maintained a moderate Debt–Equity ratio throughout the study period, which reflects a balanced capital structure with a combination of debt and equity financing.
3. Jindal Steel showed a consistent decline in the Debt–Equity ratio from 2021 to 2025, indicating that the company significantly reduced its debt and strengthened its equity base.
4. In terms of Debt Ratio, JSW Steel also maintained comparatively higher values, suggesting that a larger proportion of its assets were financed through borrowed funds.
5. Tata Steel’s debt ratio declined significantly between 2021 and 2022, indicating an effort to reduce leverage and improve financial stability.
6. Jindal Steel recorded the lowest debt ratio in recent years, which shows that the company relied more on internal funds and equity rather than debt financing.
7. The analysis indicates that all three companies have gradually reduced their leverage levels over the five-year period, reflecting improved financial management and risk control.
8. The differences in capital structure among the companies indicate different financial strategies, where JSW Steel uses higher leverage for growth, Tata Steel maintains a

balanced structure, and Jindal Steel focuses on reducing financial risk.

9. The comparative analysis shows that lower leverage levels contribute to improved financial stability, while moderate use of debt can support business expansion and operational efficiency.

X - Suggestions

1. The companies should maintain an appropriate balance between debt and equity to minimize financial risk and reduce the overall cost of capital.
2. Companies with relatively higher leverage, particularly JSW Steel, may consider gradually reducing debt levels to improve financial stability and lower interest obligations.
3. Increasing retained earnings and internal funds can help companies finance expansion without relying heavily on external borrowings.
4. Efficient use of assets can enhance profitability and improve the ability of firms to manage both debt and equity financing effectively.
5. Regular evaluation of leverage ratios such as debt–equity ratio and debt ratio should be conducted to ensure that financial risk remains within acceptable limits.
6. Companies should explore multiple financing options such as equity financing, long-term bonds, and strategic investments to maintain financial flexibility.
7. Improving operational performance and profitability will enhance the firm value and enable companies to manage their capital structure more effectively.
8. Proper financial planning and capital budgeting strategies can help companies achieve sustainable growth while maintaining a stable capital structure.

financing. The analysis of the Debt–Equity ratio and Debt ratio over the five-year period (2021–2025) shows that each company follows a different capital structure strategy. JSW Steel generally maintained relatively higher leverage compared to the other two companies, indicating a greater reliance on debt financing to support expansion and operational activities. Tata Steel maintained a moderate and balanced capital structure, reflecting a stable approach toward debt and equity financing. In contrast, Jindal Steel significantly reduced its debt levels during the study period, resulting in lower leverage and improved financial stability. The findings also indicate that while the use of debt can support growth and expansion, excessive reliance on debt may increase financial risk. Companies that gradually reduce leverage and strengthen their equity base tend to maintain better financial stability and investor confidence.

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XI - Conclusion

The study on capital structure and firm value of JSW Steel Ltd., Tata Steel Ltd., and Jindal Steel & Power Ltd. highlights the importance of maintaining an appropriate balance between debt and equity

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