

CHAPTER - VI

ANALYSIS OF FINANCIAL LEVERAGE OF SELECTED SERVICES SECTOR INDUSTRIES IN INDIA

Introduction:

Financial leverage is primarily concerned with the financial activities which involve raising of funds from the sources for which a firm has to bear a fixed charge. The use of fixed-charge sources of funds, such as debt and preference capital along with the owners' equity in the capital structure, is described as financial leverage or gearing or trading on equity. The use of the term trading on equity is derived from the fact that it is the owner's equity that is used as a basis to raise debt; that is, the equity that is traded upon. The supplier of debt has limited participation in the company's profits and, therefore, he will insist on protection in earnings and protection in values represented by ownership equity.¹³⁵

The financial leverage employed by a company is intended to earn more on the fixed charges funds than their costs. The surplus or deficit will increase or decrease the return on the owners' equity. The rate of return on the owners' equity is levered above or below the rate of return on total assets. Thus, financial leverage at once provides the potentials of increasing the shareholders' earnings as well as creating the risks of loss to them. As long as the company's earnings are greater than its fixed costs, it will enjoy a favourable financial leverage position and make use of the earnings available to equity shareholders.

Financial leverage has significant effect on the behavior of Earning Per Share (EPS) under different financing alternatives and with varying levels of operating profits. It is one of the noteworthy issues often debated in modern finance. Financial leverage is ascertained by the proportionate change in owners' return due to proportionate change in operating profits. Financial leverage magnifies the owners' earnings as well as increases

¹³⁵ Waterman, Merwin H., (1953), Trading on Equity, in Eitman, W.j. (ed.), *Essays on Business Finance*, Masterco Press, 1953.

their risk. Therefore, efficient management of financial leverage is an integral part of overall corporate strategy to create shareholders value.

As the debt providers have prior claim on income and assets of a firm over equity shareholders, their rate of interest is generally lower than the expected return on equity shareholders. Further interest on debt capital is tax deductible expense. These two phenomena lead to the magnification of rate of return on equity capital and hence EPS. It goes without saying that the effect of changes in EBIT on the earnings per share is shown by the financial leverage. Financial leverage can best be described as “the ability of a firm to use fixed financial charges to magnify the effect of changes in EBIT on the firm’s earnings per share.”¹³⁶

In this chapter, an attempt is made to analyse Degree of Financial Leverage (DFL) of the selected service sector industries in India for the period of 1995-96 to 2009-10. An analysis of identifying the influence of DFL on EPS of selected service sector industries is mainly focused in this chapter. The selected companies in each of the service sector industry have been grouped on the basis of their growth, leverage class, and nature of their business i.e. financial and non-financial to make an effective analysis to understand the influence of DFL on EPS of services sector industries in India.

I. Analysis of Degree of Financial Leverage (DFL) of Selected Service Sector Industries in India

Table 48 shows the number of companies in services sector industry in India have positive as well as negative DFL during the period of study. A positive DFL suggests the favourable position of the companies in enhancing the earnings of the equity shareholders due to the employment of debt. A negative DFL implies an unfavourable position of the companies in employing debt. From the table 48 it is observed that 79% of the services sector companies have positive mean DFL during the period of study. About 20% of the services sector companies have an unfavourable mean DFL during the period of study.

¹³⁶ Gitman, J.L., *Principle of Managerial Finance*. Harper & Row, New York, 1976. P.84.

Table -48**Degree of Financial Leverage (DFL) of Selected Services Sector Industries in India**

Nature of Industry	Number of Companies	DFL of Companies			
		+VE		-VE	
		No.	%	No.	%
Services Sector	260	206	79.2	54	20.8
Asset Financing Services	34	21	61.8	13	38.2
Banking Services	13	12	92.3	1	7.7
Fee Based Financial Services	17	14	82.4	3	17.6
Health Services	9	6	66.7	3	33.3
Hotels & Tourism	23	19	82.6	4	17.4
Information and Technology	45	35	77.8	10	22.2
Investment Services	31	29	93.5	2	6.5
Recreational Services	8	7	87.5	1	12.5
Transport Services	14	13	92.9	1	7.1
Wholesale & Retail	66	50	75.8	16	24.2

Source: Computed, Period: 1995-96 – 2009-10.

A highest percentage of companies with positive mean DFL is observed in the industries such as investment services with 93.5%, transport services with 92.9% and banking services with 92.3%. Recreational services, hotels and tourism and fee based financial services are the industries having positive mean DFL in more than 80% of the companies. In information and technology industry and wholesale and retail trading the mean DFL is positive in more than 70% of their companies. The lowest positive mean DFL is observed in health services and asset financing services industries with more than 60% of the companies.

The negative mean DFL is observed in lesser percentage of companies than the positive mean DFL. A highest negative DFL of above 30% is found in asset financing

services and health services companies. Wholesale and retail and information and technology are the industries with negative mean DFL in more than 20% of its companies. Fee based financial, hotel and tourism and recreational services are the industries with negative mean DFL of more than 10% of the companies. The lowest negative mean DFL of less than 10% is recorded in the companies of investment services, transport services and banking services.

The companies with positive DFL can further increase their debt portion in their capital structure. The companies with negative DFL should constantly review their financial policies and should reduce their debt portion to the maximum possible extent.

Table 49 suggests that the mean DFLs are varying significantly between the companies of services sector industries in India. The highest positive mean DFL of 50.56 is found in hotels and tourism industry and a lowest positive mean DFL of 0.01 is found in recreational services. Majority of the companies have positive DFL during the period of study. This is a favourable position for the companies to absorb more debt in their capital structure to enhance the return of equity shareholders.

It is also observed from the table 49 that a very high negative mean DFL has been recorded as -180.15 in the transport services, followed by health services with -116.78 and banking services with -49.46. However, these extreme negative mean DFL are seen in very few companies of services sector in India. Only 20% of the services sector companies have negative DFL during the period of study. These companies are expected to plan their capital structure carefully in order to reduce the risk of suppliers of funds in general and equity shareholders in particular.

Table -49
Ranges of Degree of Financial Leverage (DFL) of Selected Service Sector Industries in India

Nature of Industry	Ranges of + VE DFL			Ranges of - VE DFL		
	No. of Companies	Low	High	No. of Companies	Low	High
Asset Financing Services	21	0.53	7.87	13	-0.03	-35.73
Banking Services	12	0.65	8.26	1	-49.46	-49.46
Fee Based Financial Services	14	0.36	5.42	3	-0.99	-2.73
Health Services	6	0.39	23.15	3	-0.85	-116.78
Hotels & Tourism	19	0.55	50.56	4	-0.28	-14.09
Information and Technology	35	0.05	15.57	10	-0.06	-14.95
Investment Services	29	0.04	5.20	2	-0.10	-0.20
Recreational Services	7	0.01	7.59	1	-3.61	-3.61
Transport Services	13	0.28	5.96	1	-180.15	-180.15
Wholesale & Retail Trading	50	0.07	7.40	16	-0.11	-7.10

Source: Computed, Period: 1995-96 – 2009-10.

The financial leverage of the companies will have an influence over the earnings per share (EPS) of the respective companies. The degree of financial leverage (DFL) is used to measure the leverage of the companies. Therefore, it is important to make an analysis to know the influence of DFL on EPS of the selected companies of services sector industry in India. Regression analysis has been used to test the impact of DFL on EPS of selected companies of services sector industries in India.

II. The Impact of Degree of Financial Leverage (DFL) on Earnings Per Share (EPS) of Services Sector in India

Introduction

The degree of financial leverage (DFL) is defined as the percentage change in EPS due to a given percentage change in EBIT. According to the existing theories, financial leverage affects the EPS. When the economic conditions are good and the firm's EBIT is increasing, its EPS increased faster with more debt in the capital structure, because, the cost of debt that is the interest on debt is generally lower than the cost of

equity. In this part of the analysis, the impact of the interest on EPS is measured by analyzing the influence of DFL on EPS.

The influence of DFL on EPS of the services sector has been analysed by combining together all the selected service sector industries in India. Further, the services sector is classified on the basis of its leverage class, and nature of their business i.e. financial and non-financial for more clarity in the analysis. The industry wise analysis is also done for the same purpose. In addition to the industry wise analysis, the selected industries have been grouped on the basis of their growth to know the influence of DFL on EPS in each of these categories. The following hypotheses is framed and tested in all the selected industries and the results of the same have been discussed below.

Ho: There is no significant influence of DFL on EPS of selected services sector industries in India.

1. Impact of DFL on EPS of Services Sector in India

Regression analysis has been applied for the services sector in India to know the impact of DFL on EPS and the results are discussed below.

It is observed from the regression table 50 of services sector in India that the correlation coefficient which measures the degree of relationship between the independent variable included in the regression equation and the dependent variable was found to be 0.002. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (0.009) shows that the correlation coefficient is not significant. The R^2 value (0.0004) shows that only 0.04% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of services sector in India. Therefore, the null hypothesis has been accepted for this industry.

Table-50
REGRESSION ANALYSIS FOR SERVICES SECTOR IN INDIA
Dependent Variable: EPS

Variables	Services Sector N=260
(Constant)	6.410
DFL (Regression Coefficients)	0.00057 (.095)
R	0.002
R Square	0.0004
F	0.009
Sig.	Ns

Source: Computed, Period: 1995-96 – 2009-10.

2. Classification of Services Sector in India on the Basis of their Leverage Class

To find out the influence of DFL on EPS of different leverage class companies of services sector in India, the services sector companies comprising of all the selected industries have been classified on the basis of high, moderate and low levered companies. The companies having debt-equity ratio of 1:1 and below, from 1:1 to 2:1 and 2:1 and above are categorized as low, moderate and high leveraged firms respectively. Following provides an indication of number of firms falling under each category. From the table 51 it is understood that 80% of the firms in services sector industries in India are in the low levered firms' category. In each category of moderate and high levered firms, around 10% of the firms of services sector in India are falling.

Table-51
Classification of Services Sector in India on the basis of their Leverage Class

Classification	Debt-Equity Ratio	Number of Companies	Percentage
Low	< = 1:1	209	80.4
Moderate	1:1 to 2:1	28	10.8
High	> = 2:1	23	8.8
Total		260	100

Source: Computed, Period: 1995-96 – 2009-10.

Impact of DFL on EPS of Services Sector in India on the basis of their Leverage Class

Regression analysis has been applied for the services sector in India to identify the impact of DFL on EPS of different leverage class companies and the results are discussed below.

Low Levered Companies

It is observed from the regression table 52 of low levered companies of services sector in India that the correlation coefficient was found to be 0.003. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.022) shows that the correlation coefficient is not significant. The R^2 value (0.0009) shows that 0.09% of variations in EPS was explained by the independent variable DFL. From the regression coefficients, it is also observed that DFL has no significant effect on EPS of low levered companies of services sector in India. Therefore, the null hypothesis has been accepted in this category of companies.

Moderate Levered Companies

The regression table 52 of moderate levered companies of services sector in India suggests that the correlation coefficient was found to be 0.009. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (0.029) shows that the correlation coefficient is not significant. The R^2 value (0.00008) shows that 0.008% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of moderate levered companies of services sector in India. Therefore, the null hypothesis has been accepted in this category of companies.

High Levered Companies

It is observed from the regression table 52 of high levered companies of services sector in India that the correlation coefficient was found to be 0.006. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.010) shows that the correlation coefficient is not significant. The R^2 value (0.00004) shows that 0.004% of variations in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of high levered companies of services sector in India. Therefore, the null hypothesis has been accepted in this category of companies.

Table-52
REGRESSION ANALYSIS FOR SERVICES SECTOR IN INDIA BASED ON
THEIR LEVERAGE CLASS

Dependent Variable: EPS

Variables	Low Levered N=209	Moderate Levered N=28	High Levered N=23
(Constant)	6.041	5.529	10.676
DFL (Regression Coefficients)	0.00141 (0.150)	-0.0007 (-0.169)	-0.009 (-0.100)
R	0.003	0.009	0.006
R Square	0.0009	0.00008	0.00004
F	0.022	0.029	0.010
Sig.	Ns	Ns	Ns

Source: Computed, Period: 1995-96 – 2009-10.

3. Classification of Services Sector in India on the Basis of their Services

The services sector in India is further classified on the basis of their nature of service to understand the influence of DFL on EPS in each category of firms. For the purpose of this analysis the services sector industries are broadly classified into two major groups such as financial services and non financial services. The details are given in the following table.

Table-53

Classification of Services Sector in India on the basis of their Nature of Service

Nature of Service	Number of Companies	Percentage
Financial	95	36.5
Non Financial	165	63.5
Total	260	100.0

Source: Computed, Period: 1995-96 – 2009-10.

Asset financing services, banking services, fee based financial services and investment services industries are taken under the category of financial services. Health services, hotels and tourism, information technology, recreational services, transport services and wholesale and retail trading industries have been brought under the head non financial services.

Financial Services

The regression table 54 of financial services industry companies in India suggests that the correlation coefficient was found to be 0.004. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (0.018) shows that the correlation coefficient is not significant. The R^2 value (0.00002) shows that 0.002% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of financial services industry companies in India. Therefore, the null hypothesis has been accepted in this category of companies.

Non- Financial Services

It is observed from the regression table 54 of non financial services industry companies in India that the correlation coefficient was found to be 0.004. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.032) shows that the correlation coefficient is not significant. The R^2 value (0.00002) shows that 0.002% of variations in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of non financial services sector in India. Therefore, the null hypothesis has been accepted in this category of companies.

Table-54
REGRESSION ANALYSIS FOR SERVICES SECTOR IN INDIA BASED ON
THEIR NATURE OF SERVICES
(FINANCIAL AND NON-FINANCIAL CATEGORIES)

Dependent Variable: EPS

Variables	Financial Services N=95	Non-Financial Services, N=165
(Constant)	7.824	5.582
DFL (Regression Coefficients)	-0.003 (-0.136)	-0.0009 (-0.180)
R	0.004	0.004
R Square	0.00002	0.00002
F	0.018	0.032
Sig.	Ns	Ns

Source: Computed, Period: 1995-96 – 2009-10.

4. Classification of Services Sector in India on the Basis of their Growth

The services sector in India is further classified on the basis of their growth to understand the influence of DFL on EPS in each growth category of firms. For the purpose of this analysis the services sector industries are broadly classified into three groups such as low, moderate and high growth companies.

Impact of DFL on EPS of Services Sector in India Based on their Growth

A regression analysis taking degree of financial leverage as the independent variable and earnings per share as the dependent variable has been applied for all the groups, classified on the basis of their growth and the results are discussed below. Regression analysis has been applied for the services sector in India to know the impact of DFL on EPS and the results are discussed below.

Table-55
REGRESSION ANALYSIS FOR SERVICES SECTOR IN INDIA BASED ON
THEIR GROWTH
Dependent Variable: EPS

Variables	Low Growth Companies N = 78	Moderate Growth Companies N = 104	High Growth Companies N = 78
(Constant)	1.275	6.831	10.942
DFL (Regression Coefficients)	-0.0072 (-1.109)	0.0002 (0.043)	0.0089 (0.475)
R	0.035	0.001	0.015
R Square	0.001	0.000001	0.000224
F	1.230	0.002	0.226
Sig.	Ns	Ns	Ns

Low Growth Companies

The results of regression table 55 of low growth companies of services sector shows that the correlation coefficient was found to be 0.035. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (1.230) shows that the correlation coefficient is not significant. The R² value (0.001) shows that only 0.1% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of low growth companies of services sector in India. Therefore, the null hypothesis has been accepted in this category of companies.

Moderate Growth Companies

From the regression table 55 of moderate growth companies of services sector in India, it is observed that the correlation coefficient was found to be 0.001. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.002) shows that the correlation coefficient is not significant. The R^2 value (0.000001) shows that only 0.0001% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of moderate growth companies of services sector in India. Therefore, the null hypothesis has been accepted in this category of companies.

High Growth Companies

It can be inferred from the regression table 55 of high growth companies of services sector in India that the correlation coefficient was found to be 0.015. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.226) shows that the correlation coefficient is not significant. The R^2 value (0.000224) shows that only 0.0224% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of high growth companies of services sector in India. Therefore, the null hypothesis has been accepted in this category of companies.

III. Industry wise Growth Based classification of Service Sector Industries in India

1. Impact of DFL on EPS of Asset Financing Services Industry in India

The selected companies of asset financing companies have been classified on the basis of their growth as low, moderate and high growth companies. A regression analysis taking degree of financial leverage as the independent variable and earnings per share as the dependent variable has been applied for all the groups classified on the basis of their growth along with the industry classification and the results are discussed below. Regression analysis has been applied for the asset financing services industry in India to know the impact of DFL on EPS and the results are discussed below.

All Companies

It is observed from the regression table 56 that the correlation coefficient which measures the degree of relationship between the independent variable included in the regression equation and the dependent variable was found to be 0.019. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.159) shows that the correlation coefficient is not significant. The R^2 value (0.0036) shows that only 0.36% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of asset financing industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Low Growth Companies

The results of regression table 56 of low growth companies of asset financing industry shows that the correlation coefficient was found to be 0.009. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.011) shows that the correlation coefficient is not significant. The R^2 value (0.000081) shows that only 0.0081% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of low growth companies of asset financing industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Moderate Growth Companies

From the regression table 56 of moderate growth companies of asset financing industry it is observed that the correlation coefficient was found to be 0.053. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.489) shows that the correlation coefficient is not significant. The R^2 value (0.0028) shows that only 0.28% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of moderate growth companies of asset financing industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Table-56**REGRESSION ANALYSIS FOR ASSET FINANCING SERVICES INDUSTRY****Dependent Variable: EPS**

Variables	All Companies N=34	Low Growth Companies N=10	Moderate Growth Companies N=14	High Growth Companies N=10
(Constant)	6.628	0.465	5.096	14.877
DFL (Regression Coefficients)	0.0125 (.399)	-0.0011 (-0.106)	0.0146 (0.700)	0.577 (0.809)
R	0.019	0.009	0.053	0.069
R Square	0.0036	0.000081	0.0028	0.0048
F	0.159	0.011	0.489	0.654
Sig.	Ns	Ns	Ns	Ns

Source: Computed, Period: 1995-96 – 2009-10.

High Growth Companies

It can be inferred from the regression table 56 of high growth companies of asset financing industry that the correlation coefficient was found to be 0.069. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.654) shows that the correlation coefficient is not significant. The R^2 value (0.0048) shows that only 0.48% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of high growth companies of asset financing industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

2. Impact of DFL on EPS of Banking Services Industry in India

Regression analysis has been applied for the banking services industry in India to identify the impact of DFL on EPS and the results are discussed below.

All Banks

The regression table 57 of banking services industry in India suggests that the correlation coefficient which measures the degree of relationship between the independent variable included in the regression equation and the dependent variable was

found to be 0.024. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.104) shows that the correlation coefficient is not significant. The R² value (0.00058) shows that only 0.058% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of Indian banking services industry. Therefore, the null hypothesis has been accepted in this category of banks.

Low Growth Banks

The regression table 57 of low growth banks in India suggests that the correlation coefficient was found to be 0.400. This indicates that there is a moderate correlation between the independent variable DFL and the dependent variable EPS.

The F ratio value (7.627) shows that the correlation coefficient is significant at 1% level with negative sign. The R² value (0.160) shows that 16% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has significant effect on EPS of low growth banks of Indian banking services industry at 1% level with negative sign. Therefore, the null hypothesis has been rejected in this category of banks.

Table-57

REGRESSION ANALYSIS FOR BANKING SERVICES INDUSTRY

Dependent Variable: EPS

Variables	All Banks N=13	Low Growth Banks N=3	Moderate Growth Banks N=6	High Growth Banks N=4
(Constant)	18.353	8.290	27.166	14.016
DFL (Regression Coefficients)	-0.01057 (-0.322)	-0.402 (-2.762**)	0.0096 (-0.231)	0.0810 (0.657)
R	0.024	0.400	0.026	0.091
R Square	0.00058	0.160	0.0007	0.008
F	0.104	7.627	0.053	0.431
Sig.	Ns	**	Ns	Ns

** Correlation is significant at the 0.01 level.

Source: Computed, Period: 1995-96 – 2009-10.

Moderate Growth Banks

From the regression table 57 of moderate growth banks of banking services industry in India it is observed that the correlation coefficient was found to be 0.026. This indicates that there is a low correlation between the independent variable and the

dependent variable. The F ratio value (0.053) shows that the correlation coefficient is not significant. The R^2 value (0.0007) shows that only 0.07% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of moderate growth banks of Indian banking industry. Therefore, the null hypothesis has been accepted in this category of banks.

High Growth Banks

It can be inferred from the regression table 57 of high growth banks of banking services industry that the correlation coefficient was found to be 0.091. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.431) shows that the correlation coefficient is not significant. The R^2 value (0.008) shows that only 0.8% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of high growth banks of India. Therefore, the null hypothesis has been accepted in this category of banks.

3. Impact of DFL on EPS of Fee Based Financial Services Industry in India

Regression analysis has been applied for the fee based financial services industry in India to identify the impact of DFL on EPS and the results are discussed below.

All Companies

The regression table 58 of fee based financial services industry in India suggests that the correlation coefficient was found to be 0.024. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (0.132) shows that the correlation coefficient is not significant. The R^2 value (0.00576) shows that 0.57% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of fee based financial services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Low Growth Companies

It is observed from the regression table 58 of low growth companies of fee based financing services industry in India that the correlation coefficient was found to be 0.145. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (1.419) shows that the correlation coefficient is not significant. The R^2 value (0.021) shows that 2.1% of variations in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of low growth companies of fee based financial services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Table-58
REGRESSION ANALYSIS FOR FEE BASED FINANCIAL SERVICES
INDUSTRY Dependent Variable: EPS

Variables	All Companies N=17	Low Growth Companies N=5	Moderate Growth Companies N=7	High Growth Companies N=5
(Constant)	2.459	0.246	2.238	5.074
DFL (Regression Coefficients)	0.02855 (.363)	-0.0229 (-1.191)	-0.0203 (-0.326)	0.357 (1.110)
R	0.024	0.145	0.034	0.135
R Square	0.00576	0.021	0.0012	0.018
F	0.132	1.419	0.106	1.232
Sig.	Ns	Ns	Ns	Ns

Source: Computed, Period: 1995-96 – 2009-10.

Moderate Growth Companies

The regression table 58 of moderate growth companies of fee based financial services industry in India suggests that the correlation coefficient was found to be 0.034. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (0.106) shows that the correlation coefficient is not significant. The R^2 value (0.0012) shows that 0.12% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of moderate growth companies of fee based financial services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

High Growth Companies

It is observed from the regression table 58 of high growth companies of fee based financing services industry in India that the correlation coefficient was found to be 0.135. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (1.232) shows that the correlation coefficient is not significant. The R^2 value (0.018) shows that 1.8% of variations in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of high growth companies of fee based financial services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

4. Impact of DFL on EPS of Health Services Industry in India

Regression analysis has been applied for the health services industry in India to identify the impact of DFL on EPS and the results are discussed below.

All Companies

It is observed from the regression table 59 that the correlation coefficient which measures the degree of relationship between the independent variable included in the regression equation and the dependent variable was found to be 0.099. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (1.179) shows that the correlation coefficient is not significant. The R^2 value (0.0098) shows that only 0.98% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of health services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Low Growth Companies

The results of regression table 59 of low growth companies of health services industry shows that the correlation coefficient was found to be 0.104. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.261) shows that the correlation coefficient is not significant. The R^2 value (0.011) shows that only 1.1% of variation in EPS was explained by the independent

variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of low growth companies of health services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Table-59
REGRESSION ANALYSIS FOR HEALTH SERVICES INDUSTRY
Dependent Variable: EPS

Variables	All Companies N=9	Low Growth Companies N=2	Moderate Growth Companies N=4	High Growth Companies N=3
(Constant)	2.304	-0.363	1.363	5.2633
DFL (Regression Coefficients)	0.0028 (1.084)	0.0148 (0.510)	0.0113 (0.702)	0.0043 (1.185)
R	0.099	0.104	0.097	0.186
R Square	0.0098	0.011	0.0094	0.035
F	1.179	0.261	0.493	1.404
Sig.	Ns	Ns	Ns	Ns

Source: Computed, Period: 1995-96 – 2009-10.

Moderate Growth Companies

The regression table 59 of moderate growth companies of health services industry in India suggests that the correlation coefficient was found to be 0.097. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (0.493) shows that the correlation coefficient is not significant. The R² value (0.0094) shows that 0.94% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of moderate growth companies of health services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

High Growth Companies

It can be inferred from the regression table 59 of high growth companies of health services industry that the correlation coefficient was found to be 0.186. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (1.404) shows that the correlation coefficient is not significant. The R² value (0.035) shows that only 3.5% of variation in EPS was explained by the

independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of high growth companies of health services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

5. Impact of DFL on EPS of Hotels and Tourism Industry in India

Regression analysis has been applied for the hotels and tourism industry in India to identify the impact of DFL on EPS and the results are discussed below.

All Companies

It is observed from the regression table 60 that the correlation coefficient which measures the degree of relationship between the independent variable included in the regression equation and the dependent variable was found to be 0.051. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.801) shows that the correlation coefficient is not significant. The R² value (0.0026) shows that only 0.26% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of hotels and tourism industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Table-60
REGRESSION ANALYSIS FOR HOTELS AND TOURISM INDUSTRY
Dependent Variable: EPS

Variables	All Companies N=23	Low Growth Companies N=9	Moderate Growth Companies N=7	High Growth Companies N=7
(Constant)	5.523	0.857	6.448	10.460
DFL (Regression Coefficients)	-0.0107 (-0.895)	-0.0026 (-0.802)	-0.153 (-0.773)	0.021 (0.360)
R	0.051	0.075	0.079	0.038
R Square	0.0026	0.0056	0.0062	0.0014
F	0.801	0.643	0.598	0.138
Sig.	Ns	Ns	Ns	Ns

Source: Computed, Period: 1995-96 – 2009-10.

Low Growth Companies

It is observed from the regression table 60 of low growth companies of hotels and tourism industry in India that the correlation coefficient was found to be 0.075. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.643) shows that the correlation coefficient is not significant. The R^2 value (0.0056) shows that 0.56% of variations in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of low growth companies of hotels and tourism industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Moderate Growth Companies

The regression table 60 of moderate growth companies of hotels and tourism industry in India suggests that the correlation coefficient was found to be 0.079. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (0.598) shows that the correlation coefficient is not significant. The R^2 value (0.0062) shows that 0.62% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of moderate growth companies of hotels and tourism industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

High Growth Companies

It is observed from the regression table 60 of high growth companies of hotels and tourism industry in India that the correlation coefficient was found to be 0.038. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.138) shows that the correlation coefficient is not significant. The R^2 value (0.0014) shows that 0.14% of variations in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of high growth companies of hotels and tourism industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

6. Impact of DFL on EPS of Information Technology Industry in India

Regression analysis has been applied for the information technology industry in India to identify the impact of DFL on EPS and the results are discussed below.

All Companies

The regression table 61 of information technology industry in India suggests that the correlation coefficient was found to be 0.0001. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (0.0000024) shows that the correlation coefficient is not significant. The R^2 value (0.000001) shows that 0.0001% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of information technology industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Table-61

REGRESSION ANALYSIS FOR INFORMATION TECHNOLOGY INDUSTRY

Dependent Variable: EPS

Variables	All Companies N=45	Low Growth Companies N=13	Moderate Growth Companies N=19	High Growth Companies N=13
(Constant)	9.007	1.297	8.490	17.618
DFL (Regression Coefficients)	0.00012 (.002)	-0.0156 (-0.895)	-0.0382 (-0.191)	0.104 (0.248)
R	0.0001	0.069	0.012	0.019
R Square	0.000001	0.0048	0.00014	0.0004
F	0.0000024	0.801	0.036	0.062
Sig.	Ns	Ns	Ns	Ns

Source: Computed, Period: 1995-96 – 2009-10.

Low Growth Companies

The regression table 61 of low growth information technology companies in India suggests that the correlation coefficient was found to be 0.069. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (0.801) shows that the correlation coefficient is not significant. The R^2 value (0.0048) shows that 0.48% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of low growth companies of information technology. Therefore, the null hypothesis has been accepted in this category of companies.

Moderate Growth Companies

From the regression table 61 of moderate growth companies of information technology industry in India it is observed that the correlation coefficient was found to be 0.012. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.036) shows that the correlation coefficient is not significant. The R^2 value (0.00014) shows that only 0.014% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of moderate growth companies of Indian information technology industry. Therefore, the null hypothesis has been accepted in this category of companies.

High Growth Companies

It can be inferred from the regression table 61 of high growth companies of information technology industry that the correlation coefficient was found to be 0.019. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.062) shows that the correlation coefficient is not significant. The R^2 value (0.0004) shows that only 0.04% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of high growth companies of information technology industry of India. Therefore, the null hypothesis has been accepted in this category of companies.

7. Impact of DFL on EPS of Investment Services Industry in India

Regression analysis has been applied for the investment services industry in India to identify the impact of DFL on EPS and the results are discussed below.

All Companies

It is observed from the regression table 62 of investment services industry that the correlation coefficient which measures the degree of relationship between the independent variable included in the regression equation and the dependent variable was found to be 0.044. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.830) shows that the correlation coefficient is not significant. The R^2 value (0.0019) shows that only 0.19% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of investment services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Low Growth Companies

The regression table 62 of low growth investment services companies in India suggests that the correlation coefficient was found to be 0.038. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (0.182) shows that the correlation coefficient is not significant. The R^2 value (0.0014) shows that 0.14% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of low growth companies of investment services. Therefore, the null hypothesis has been accepted in this category of companies.

Table-62
REGRESSION ANALYSIS FOR INVESTMENT SERVICES INDUSTRY
Dependent Variable: EPS

Variables	All Companies N=31	Low Growth Companies N=9	Moderate Growth Companies N=13	High Growth Companies N=9
(Constant)	7.893	3.031	7.302	13.708
DFL (Regression Coefficients)	-0.252 (-0.911*)	-0.084 (-0.427)	-0.151 (-0.447)	-0.390 (-0.608)
R	0.044	0.038	0.033	0.056
R Square	0.0019	0.0014	0.0011	0.003
F	0.830	0.182	0.200	0.370
Sig.	Ns	Ns	Ns	Ns

Source: Computed, Period: 1995-96 – 2009-10.

Moderate Growth Companies

From the regression table 62 of moderate growth companies of investment industry in India it is observed that the correlation coefficient was found to be 0.033. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.200) shows that the correlation coefficient is not significant. The R^2 value (0.0011) shows that only 0.11% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of moderate growth companies of investment services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

High Growth Companies

It can be inferred from the regression table 62 of high growth companies of investment services industry that the correlation coefficient was found to be 0.056. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.370) shows that the correlation coefficient is not significant. The R^2 value (0.003) shows that only 0.3% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model

shows that DFL does not have significant effect on EPS of high growth companies of investment services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

8. Impact of DFL on EPS of Recreational Services Industry in India

Regression analysis has been applied for the recreational services industry in India to identify the impact of DFL on EPS and the results are discussed below.

All Companies

It is observed from the regression table 63 of recreational services industry that the correlation coefficient which measures the degree of relationship between the independent variable included in the regression equation and the dependent variable was found to be 0.080. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.696) shows that the correlation coefficient is not significant. The R^2 value (0.0064) shows that only 0.64% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of recreational services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Low Growth Companies

The regression table 63 of low growth companies of recreational services in India suggests that the correlation coefficient was found to be 0.669. This indicates that there is a good correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (21.036) shows that the correlation coefficient is significant at 1% level with negative sign. The R^2 value (0.447) shows that 44.7% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has significant effect on EPS of low growth companies of Indian recreational services industry at 1% level with negative sign. Therefore, the null hypothesis has been rejected in this category of companies.

Table-63**REGRESSION ANALYSIS FOR RECREATIONAL SERVICES INDUSTRY****Dependent Variable: EPS**

Variables	All Companies N= 8	Low Growth Companies N=2	Moderate Growth Companies N=4	High Growth Companies N=2
(Constant)	1.176	-0.080	0.0023	4.316
DFL (Regression Coefficients)	-0.0769 (-0.834)	-0.165 (-4.587**)	-0.0033 (-0.238)	0.0506 (0.075)
R	0.080	0.669	0.033	0.015
R Square	0.0064	0.447	0.0011	0.0002
F	0.696	21.036	1.056	0.006
Sig.	Ns	**	Ns	Ns

** Significant at the 0.01 level.

Source: Computed, Period: 1995-96 – 2009-10.

Moderate Growth Companies

The regression table 63 of moderate growth companies of recreational services industry in India suggests that the correlation coefficient was found to be 0.033. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (1.056) shows that the correlation coefficient is not significant. The R^2 value (0.0011) shows that 0.11% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of moderate growth companies of recreational services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

High Growth Companies

It is observed from the regression table 63 of high growth companies of recreational services industry in India that the correlation coefficient was found to be 0.015. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.006) shows that the correlation coefficient is not significant. The R^2 value (0.0002) shows that 0.02% of variations in EPS was explained by the independent variable DFL. From the regression coefficients, it is

observed that DFL has no significant effect on EPS of high growth companies of recreational services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

9. Impact of DFL on EPS of Transport Services Industry in India

Regression analysis has been applied for the transport services industry in India to identify the impact of DFL on EPS and the results are discussed below.

Table-64
REGRESSION ANALYSIS FOR TRANSPORT SERVICES INDUSTRY
Dependent Variable: EPS

Variables	All Companies N=14	Low Growth Companies N=4	Moderate Growth Companies N=6	High Growth Companies N=4
(Constant)	5.436	0.968	7.874	6.096
DFL (Regression Coefficients)	-0.0001 (-0.032)	0.0949 (0.703)	0.00076 (0.131)	0.0190 (0.103)
R	0.002	0.097	0.015	0.014
R Square	0.00004	0.0094	0.0002	0.0002
F	0.001	0.494	0.017	0.011
Sig.	Ns	Ns	Ns	Ns

Source: Computed, Period: 1995-96 – 2009-10.

All Companies

The regression table 64 of transport services industry in India suggests that the correlation coefficient was found to be 0.002. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (0.001) shows that the correlation coefficient is not significant. The R^2 value (0.00004) shows that 0.004% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of transport services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Low Growth Companies

The regression table 64 of low growth transport services companies in India suggests that the correlation coefficient was found to be 0.097. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (0.494) shows that the correlation coefficient is not significant. The R^2 value (0.0094) shows that 0.94% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of low growth companies of transport services industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Moderate Growth Companies

From the regression table 64 of moderate growth companies of transport services industry in India it is observed that the correlation coefficient was found to be 0.015. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.017) shows that the correlation coefficient is not significant. The R^2 value (0.0002) shows that only 0.02% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of moderate growth companies of Indian transport services industry. Therefore, the null hypothesis has been accepted in this category of companies.

High Growth Companies

It can be inferred from the regression table 64 of high growth companies of transport services industry that the correlation coefficient was found to be 0.014. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.011) shows that the correlation coefficient is not significant. The R^2 value (0.0002) shows that only 0.02% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of high growth companies of transport services industry of India. Therefore, the null hypothesis has been accepted in this category of companies.

10. Impact of DFL on EPS of Wholesale and Retail Trading Industry in India

Regression analysis has been applied for the wholesale and retail trading industry in India to identify the impact of DFL on EPS and the results are discussed below.

All Companies

It is observed from the regression table 65 that the correlation coefficient which measures the degree of relationship between the independent variable included in the regression equation and the dependent variable was found to be 0.052. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (2.407) shows that the correlation coefficient is not significant. The R^2 value (0.0027) shows that only 0.27% of variation in EPS was explained by the independent variable namely DFL. An observation of the results of the model shows that DFL does not have significant effect on EPS of wholesale and retail trading industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Low Growth Companies

It is observed from the regression table 65 of low growth companies of wholesale and retail trading industry in India that the correlation coefficient was found to be 0.024. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (0.148) shows that the correlation coefficient is not significant. The R^2 value (0.0058) shows that 0.58% of variations in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of low growth companies of wholesale and retail trading industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

Table-65
REGRESSION ANALYSIS FOR WHOLESALE AND RETAIL TRADING
INDUSTRY Dependent Variable: EPS

Variables	All Companies N=66	Low Growth Companies N=20	Moderate Growth Companies N=26	High Growth Companies N=20
(Constant)	4.383	0.776	4.809	7.161
DFL (Regression Coefficients)	0.049 (1.551)	0.0126 (0.384)	0.0227 (0.794)	0.254 (2.135*)
R	0.052	0.024	0.042	0.130
R Square	0.0027	0.0058	0.0017	0.017
F	2.407	0.148	0.631	4.559
Sig.	Ns	Ns	Ns	*

*Significant at the 0.05 level

Source: Computed, Period: 1995-96 – 2009-10.

Moderate Growth Companies

The regression table 65 of moderate growth companies of wholesale and retail trading industry in India suggests that the correlation coefficient was found to be 0.042. This indicates that there is a low correlation between the independent variable DFL and the dependent variable EPS. The F ratio value (0.631) shows that the correlation coefficient is not significant. The R^2 value (0.0017) shows that 0.17% variation in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL has no significant effect on EPS of moderate growth companies of wholesale and retail trading industry in India. Therefore, the null hypothesis has been accepted in this category of companies.

High Growth Companies

It is observed from the regression table 65 of high growth companies of wholesale and retail trading industry in India that the correlation coefficient was found to be 0.130. This indicates that there is a low correlation between the independent variable and the dependent variable. The F ratio value (4.559) shows that the correlation coefficient is significant. The R^2 value (0.017) shows that 1.7% of variations in EPS was explained by the independent variable DFL. From the regression coefficients, it is observed that DFL

has positive significant effect on EPS of high growth companies of wholesale retail trading industry in India at 5% level. Therefore, the null hypothesis has been rejected in this category of companies.

Conclusion

This part of the analysis is focused on the influence of DFL on EPS of the services sector in India and for its different categories of industries. From the analysis it is observed that there is no significant influence of DFL on EPS of services sector in India. In the category of different leverage classes also the significant influence of the DFL on the EPS is not seen in any of the leverage class. As such, when the service sector industries are analysed on the basis of their nature of services, the same results of no influence of independent variable on the dependent variable is observed. It is also observed from the different growth categories of services sector in India that there is no impact of DFL on EPS.

Further, to know the influence of DFL on EPS the industry wise analysis is done. In that analysis also the impact of DFL on EPS is not seen. In addition to the industry wise analysis, the industries have been classified on the basis of their growth rate. In this analysis, the low growth banks of Indian banking industry and low growth companies of recreational services industry in India have significant influence of DFL on EPS at 1% level. The high growth companies of wholesale and retail trading have significant effect of DFL on EPS at 5% level. There is no evidence of the impact of DFL on EPS of other growth category of firms of selected services sector industries in India. Therefore, it can be inferred from the above analysis that there is no much evidence for the significant influence of DFL on EPS of services sector industries in India.