

## *Chapter VII*

# *Impact of Capital Structure Components on Firm Value*

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## **CHAPTER VII**

### **IMPACT OF CAPITAL STRUCTURE COMPONENTS ON FIRM VALUE**

#### **7.1 INTRODUCTION**

Capital Structure decision is vital due to the need to maximize revenues to various organisations. Decision about the combination of debentures and equity is one of the critical decisions of any firm. Generally firm can choose amongst many alternatives in capital structures generally. A large proportion of debentures can be issue high or lesser. Firms try to find the appropriate combination of different fund that maximizes firm's overall value and performance. Firm value is calculated using the variables namely enterprise value and market capitalization. Enterprise Value is very critical for the value investors who consider the value of a company beyond the outstanding equity. The Enterprise Value helps in finding the actual valuations of the enterprise. Enterprise Value helps the investors to know the accurate value of the company and determine whether it is undervalued or not. It also helps the investors in comparison of companies with different capital structure at the time of investing the funds. Market capitalisation is an easy way to calculate the firm value and one of the most important characteristics that helps the investors determine the return and the risk in the share. It also helps the investors choose the stock that can meet their risk and diversification criterion.

#### **7.2 ANALYSING THE IMPACT OF CAPITAL STRUCTURE COMPONENTS ON FIRM VALUE**

This chapter summarise the analysis and reveals the impact of capital structure components on firm value. To analyse this objective variables namely enterprise value and market capitalisation are used as a dependent variable. Market capitalization is the aggregate valuation of the company based on its current share price and the total number of outstanding stocks. It is calculated by multiplying the current market price of the company's share with the total outstanding share of the company. Statistical tools correlation and regression are used to evaluate this objective. Correlation analysis explains the relationship between firm value and capital structure components while multiple regression describes the impact of capital structure components on firm value.

## 7.2.1 ENTERPRISE VALUE

### 7.2.1.a HEALTHCARE INDUSTRY

#### (i) CORRELATION ANALYSIS

The correlation analysis is applied to find out the relationship between enterprise value and components of capital structure. Here this analysis is applied to all capitalisation level of companies in healthcare industry.

#### **Capital Structure Components Associated with Enterprise Value in Healthcare Industry under Large Cap**

The table 7.1 gives the details of capital structure components associated with enterprise value of large cap companies in healthcare industry. The association is analysed using the correlation coefficient and coefficient of determination.

**Table 7.1 : Correlation Analysis for Enterprise Value - Healthcare Industry (Large Cap)**

<b>Variables</b>	<b>r</b>	<b>r<sup>2</sup></b>
Equity share capital	0.012	0.000
Preference share capital	-0.134	0.018
Retained Earning	0.071	0.005
Debentures	0.660**	0.436

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

#### **Debentures**

Debentures (0.660) and enterprise value are positively correlated and it is significant at one per cent level. This shows that increase in debentures would increase the enterprise value. The coefficient of determination ( $r^2$ ) shows that debentures accounts for 43.6 per cent of variation in the enterprise value.

#### **Capital Structure Components Associated with Enterprise Value in Healthcare Industry under Mid Cap**

The table 7.2 gives the details of capital structure components associated with enterprise value of mid cap companies in healthcare industry. The association is analysed using the correlation coefficient and coefficient of determination.

**Table 7.2 : Correlation Analysis for Enterprise Value - Healthcare Industry (Mid Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	0.148	0.022
Preference share capital	0.000	0.000
Retained Earning	0.676**	0.457
Debentures	0.370**	0.137

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

### Retained Earnings

Retained earnings (0.676) and enterprise value are positively correlated which is significant at one per cent level. It inferred that the level of enterprise value is increases with the highly retained earning companies. The coefficient of determination (r<sup>2</sup>) shows that retained earnings accounts for 45.7 per cent of variation in the enterprise value.

### Debentures

Debentures (0.370) and enterprise value are positively correlated which is significant at one per cent level. This positive association shows that increase in debentures would increase the enterprise value. The coefficient of determination (r<sup>2</sup>) shows that debentures accounts for 13.7 per cent of variation in the enterprise value.

### Capital Structure Components Associated with Enterprise Value in Healthcare Industry under Small Cap

The table 7.3 gives the details of capital structure components associated with enterprise value of small cap companies in healthcare industry. The association is analysed using the correlation coefficient and coefficient of determination.

**Table 7.3 : Correlation Analysis for Enterprise Value - Healthcare Industry (Small Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	0.255*	0.065
Preference share capital	0.000	0.000
Retained Earning	0.003	0.000
Debentures	0.367**	0.135

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

### Equity Share Capital

Equity share capital (0.255) and enterprise value are positively correlated which is significant at five per cent level. This shows that increase in equity share capital leads to

increase in enterprise value. The coefficient of determination ( $r^2$ ) shows that equity share capital accounts for 6.5 per cent of variation in enterprise value.

### Debentures

Debentures (0.367) and enterprise value are positively correlated which is significant at one per cent level. This implies that increase in debentures leads to increase in enterprise value. The coefficient of determination ( $r^2$ ) shows that 13.5 per cent of variation in the enterprise value due to changes in debentures.

To sum up, external financing have a positive relationship with enterprise value in all capitalisation level of companies.

### (ii) MULTIPLE REGRESSION

The regression analysis is used to find out the impact of capital structure components on enterprise value. Here this analysis is applied to all capitalisation level of companies in healthcare industry.

### Impact of Capital Structure Components on Enterprise Value in Healthcare Industry under Large Cap

The table 7.4 shows the combined influence of the capital structure components on enterprise value of large cap companies in healthcare industry. Out of the four components introduced for regression analysis, debentures only found to have significant association with enterprise value.

**Table 7.4 : Multiple Regression for Enterprise Value - Healthcare Industry (Large Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	3.798	7.218	0.526
Preference share capital	-48.135	75.608	-0.637
Retained Earning	0.652	0.598	1.090
Debentures	3.137**	0.424	7.391

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 42512.28  
 Std. Error of Estimate : 13213.15  
 R2 : 0.420  
 R2 : 0.451\*\*

### Debentures

The regression coefficient indicates that debentures of the firm positively influences the enterprise value which is significant at one per cent level. The value of regression coefficient indicates that a unit of increase in debentures shall increase the

enterprise value by 3.137 units. This explains that the high geared companies are with high level of enterprise value.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 45.1 per cent of variations in enterprise value due to the components of capital structure.

### **Impact of Capital Structure Components on Enterprise Value in Healthcare Industry under Mid Cap**

The table 7.5 shows the combined influence of the capital structure components on enterprise value of mid cap companies in healthcare industry. Out of the four components introduced for regression analysis, equity share capital and retained earnings are found to have significant association with enterprise value.

**Table 7.5 : Multiple Regression for Enterprise Value - Healthcare Industry (Mid Cap)**

<b>Variables</b>	<b>Regression coefficient</b>	<b>Standard error</b>	<b>T</b>
Equity share capital	2.354*	1.126	2.090
Preference share capital	0.000	0.000	0.000
Retained Earning	21.751**	3.067	7.093
Debentures	0.856	0.821	1.042

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 20.064  
 Std. Error of Estimate : 608.257  
 $R^2$  : 0.480  
 $R^2$  : 0.501\*\*

#### **Equity Share Capital**

The regression coefficient shows that the Equity share capital positively influence the enterprise value which is significant at five per cent level. The value of regression indicates that a unit increase in equity share capital shall increase the enterprise value by 2.354 units. Companies with high internal funds leads to increase the enterprise value in the market.

#### **Retained Earnings**

The regression coefficient indicates that retained earnings positively influence the enterprise value which is significant at one per cent level. The value of regression implies that a unit increase in retained earnings shall increase the enterprise value by 21.751 unit. Higher level of retained earnings leads to higher level of enterprise value.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 50.1 per cent of variations in enterprise value due to the components of capital structure.

### **Impact of Capital Structure Components on Enterprise Value in Healthcare Industry under Small Cap**

The table 7.6 shows the combined influence of the capital structure components on enterprise value of small cap companies in healthcare industry. Out of the four components introduced for regression analysis, equity share capital and debentures are found to have significant association with enterprise value.

**Table 7.6 : Multiple Regression for Enterprise Value - Healthcare Industry (Small Cap)**

<b>Variables</b>	<b>Regression coefficient</b>	<b>Standard error</b>	<b>T</b>
Equity share capital	1.002**	0.356	2.811
Preference share capital	0.000	0.000	0.000
Retained Earning	0.681	0.412	1.653
Debentures	1.145**	0.347	3.301

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 114.053

Std. Error of Estimate : 79.521

R2 : 0.189

R2 : 0.221\*\*

### **Equity Share Capital**

The regression coefficient shows that the Equity share capital positively influence the enterprise value which is significant at one per cent level. The value of regression indicates that a unit increase in equity share capital shall increase the enterprise value by 1.002 units. Companies with internal funds leads to increase the enterprise value in the market.

### **Debentures**

The regression coefficient indicates that debentures positively influence the enterprise value which is significant at one per cent level. The value of regression implies that a unit increase in debentures shall increase the enterprise value by 1.145 unit. High geared companies lead to higher level of enterprise value.



The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 22.1 per cent of variations in enterprise value due to the components of capital structure.

To sum up, debentures has a positive and significant effect on enterprise value in large and small cap companies while equity share capital has a positive and significant effect on enterprise value in mid and small cap companies. External financing has a significant effect on enterprise value in mid cap companies.

### **7.2.1.b HOTEL INDUSTRY**

#### **(i) CORRELATION ANALYSIS**

The correlation analysis is applied to find out the relationship between enterprise value and components of capital structure. Here this analysis is applied to all capitalisation level of companies in hotel industry.

#### **Capital Structure Components Associated with Enterprise Value in Hotel Industry under Large Cap**

The table 7.7 gives the details of capital structure components associated with enterprise value of large cap companies in hotel industry. The association is analysed using the correlation coefficient and coefficient of determination.

**Table 7.7 : Correlation Analysis for Enterprise Value - Hotel Industry (Large Cap)**

<b>Variables</b>	<b>r</b>	<b>r<sup>2</sup></b>
Equity share capital	0.562**	0.316
Preference share capital	-0.134	0.018
Retained Earning	-0.097	0.009
Debentures	0.440**	0.194

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

#### **Equity Share Capital**

Equity share capital and enterprise value are positively correlated which is significant at one per cent level. It depicts that the level of enterprise value is more when the firm raised internal funds. The coefficient of determination ( $r^2$ ) shows that 31.6 per cent of variation in enterprise value due to the changes in equity share capital.

## Debentures

Debentures and enterprise value are positively correlated which is significant at one per cent level. This shows that the level of enterprise value is increases with highly geared companies. The coefficient of determination ( $r^2$ ) shows that debentures accounts for 19.4 per cent of variation in the enterprise value.

## Capital Structure Components Associated with Enterprise Value in Hotel Industry under Mid Cap

The table 7.8 gives the details of capital structure components associated with enterprise value of mid cap companies in hotel industry. The association is analysed using the correlation coefficient and coefficient of determination.

**Table 7.8 : Correlation Analysis for Enterprise Value - Hotel Industry (Mid Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	-0.069	0.005
Preference share capital	0.295*	0.087
Retained Earning	0.333**	0.111
Debentures	0.428**	0.183

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

## Preference Share Capital

Preference share capital and enterprise value are positively correlated which is significant at five per cent level. It inferred that the increase in preference share capital leads to increase in enterprise value. The coefficient of determination ( $r^2$ ) shows that preference share capital accounts for 8.7 per cent of variation in the enterprise value.

## Retained Earnings

The correlation coefficient value 0.333 shows a positive relationship between retained earnings and enterprise value which is significant at one per cent level. This shows that increase in retained earnings leads to increase in enterprise value. The coefficient of determination ( $r^2$ ) shows that retained earnings exhibits 11.1 per cent of variation in the enterprise value.

## Debentures

Debentures and enterprise value are positively correlated which is significant at one per cent level. This shows that increase in debentures would increase the enterprise value.

The coefficient of determination ( $r^2$ ) shows that debentures accounts for 18.3 per cent of variation in the enterprise value.

### **Capital Structure Components Associated with Enterprise Value in Hotel Industry under Small Cap**

The table 7.9 gives the details of capital structure components associated with enterprise value of small cap companies in hotel industry. The association is analysed using the correlation coefficient and coefficient of determination.

**Table 7.9 : Correlation Analysis for Enterprise Value - Hotel Industry (Small Cap)**

<b>Variables</b>	<b>r</b>	<b>r<sup>2</sup></b>
Equity share capital	0.686**	0.470
Preference share capital	0.000	0.000
Retained Earning	0.341**	0.116
Debentures	0.629**	0.396

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

#### **Equity Share Capital**

Equity share capital and enterprise value are positively correlated which is significant at one per cent level. This implies that increase in equity share capital leads to increase in enterprise value. The coefficient of determination ( $r^2$ ) shows that equity share capital accounts for 47.0 per cent of variation in the enterprise value.

#### **Retained Earnings**

The correlation coefficient value 0.341 shows a positive relationship between retained earnings and enterprise value which is significant at one per cent level. This shows that increase in retained earnings leads to increase in enterprise value. The coefficient of determination ( $r^2$ ) shows that retained earnings exhibits 11.6 per cent of variation in the enterprise value.

#### **Debentures**

Debentures and enterprise value are positively correlated which is significant at one per cent level. This shows that increase in debentures would increase the enterprise value. The coefficient of determination ( $r^2$ ) shows that debentures accounts for 39.6 per cent of variation in the enterprise value.

In general, equity share capital and debentures have positive relationship with enterprise value in large and small cap companies while in mid and small cap companies retained earnings have a positive relationship with enterprise value.

**(ii) MULTIPLE REGRESSION**

The regression analysis is used to find out the impact of capital structure components on enterprise value. Here this analysis is applied to all capitalisation level of companies in hotel industry.

**Impact of Capital Structure Components on Enterprise Value in Hotel Industry under Large Cap**

The table 7.10 shows the combined influence of the capital structure components on enterprise value of large cap companies in hotel industry. Out of the four components introduced for regression analysis, equity share capital and debentures are found to have significant association with enterprise value.

**Table 7.10 : Multiple Regression for Enterprise Value - Hotel Industry (Large Cap)**

<b>Variables</b>	<b>Regression coefficient</b>	<b>Standard error</b>	<b>T</b>
Equity share capital	39.291**	10.063	3.905
Preference share capital	0.170	8.865	0.019
Retained Earning	2.341	2.423	0.966
Debentures	0.644*	0.292	2.205

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 10408.31

Std. Error of Estimate : 6405.11

R2 : 0.325

R2 : 0.362\*\*

**Equity Share Capital**

Equity share capital shows a positive influence with capital structure. The regression coefficient is 39.291 which is significant at one per cent level. It indicates that a unit increase in equity share capital shall increase in enterprise value by 39.291 units. Higher level of equity share capital leads to higher level of enterprise value.

## Debentures

The regression coefficient indicates that debentures positively influence the enterprise value which is significant at five per cent level. The value of regression implies that a unit increase in debentures shall increase the enterprise value by 0.644 units. Increase in debentures leads to increase in enterprise value.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 36.2 per cent of variations in enterprise value due to the components of capital structure.

## Impact of Capital Structure Components on Enterprise Value in Hotel Industry under Mid Cap

The table 7.11 shows the combined influence of the capital structure components on enterprise value of mid cap companies in hotel industry. Out of the four components introduced for regression analysis, retained earnings and debentures are found to have significant association with enterprise value.

**Table 7.11 : Multiple Regression for Enterprise Value - Hotel Industry (Mid Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	-4.650	5.894	-0.789
Preference share capital	-13.062	15.532	-0.841
Retained Earning	9.379**	2.143	4.376
Debentures	1.035**	0.180	5.758

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 4104.678

Std. Error of Estimate : 1273.228

R2 : 0.377

R2 : 0.411\*\*

## Retained Earnings

The regression coefficient shows that the retained earnings positively influence the enterprise value which is significant at one per cent level. The value of regression indicates that a unit increase in retained earnings shall increase the enterprise value by 9.379 units. Companies with high retained earnings leads to increase the value of enterprise in the market.

## Debentures

The regression coefficient indicates that debentures positively influence the enterprise value which is significant at one per cent level. The value of regression implies that a unit increase in debentures shall increase the enterprise value by 1.035 unit. High debentured companies leads to higher level of enterprise value.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 41.1 per cent of variations in enterprise value due to the components of capital structure.

## Impact of Capital Structure Components on Enterprise Value in Hotel Industry under Small Cap

The table 7.12 shows the combined influence of the capital structure components on enterprise value of small cap companies in hotel industry. Out of the four components introduced for regression analysis, equity share capital and retained earnings are found to have significant association with enterprise value.

**Table 7.12 : Multiple Regression for Enterprise Value - Hotel Industry (Small Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	15.760**	2.922	5.393
Preference share capital	0.000	0.000	0.000
Retained Earning	6.483**	1.119	5.794
Debentures	0.209	0.204	1.024

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : -749.675

Std. Error of Estimate : 301.463

$\bar{R}^2$  : 0.638

$R^2$  : 0.653\*\*

## Equity Share Capital

The regression coefficient indicates that equity share capital of the firm positively influences the enterprise value which is significant at one per cent level. The value of regression coefficient indicates that a unit of increase in equity share capital shall increase the enterprise value by 15.760 units. This explains that the high equity companies are with high level of enterprise value.

## Retained earnings

Retained earnings shows a positive influence with enterprise value. The regression coefficient is 6.483 which is significant at one per cent level. It indicates that a unit increase in retained earnings shall increase the enterprise value by 6.483 units. Increase in retained earnings leads to increase in enterprise value in the market

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 65.3 per cent of variations in enterprise value due to the components of capital structure.

On the whole, equity share capital has a positive effect on enterprise value in large and small cap companies while retained earnings has a positive effect on enterprise value in mid and small cap companies. Debentures have a positive effect in large and mid cap companies.

### 7.2.1.c SOFTWARE INDUSTRY

#### (i) CORRELATION ANALYSIS

The correlation analysis is applied to find out the relationship between enterprise value and components of capital structure. Here this analysis is applied to all capitalisation level of companies in software industry.

#### Capital Structure Components Associated with Enterprise Value in Software Industry under Large Cap

The table 7.13 gives the details of capital structure components associated with enterprise value of large cap companies in software industry. The association is analysed using the correlation coefficient and coefficient of determination.

**Table 7.13 : Correlation Analysis for Enterprise Value - Software Industry (Large Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	0.419**	0.176
Preference share capital	0.263*	0.069
Retained Earning	0.841**	0.707
Debentures	0.148	0.022

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

### **Equity Share Capital**

The correlation coefficient shows a positive relationship between equity share capital and enterprise value which is found to be significant at one per cent level. It indicates that raise the fund from equity share capital leads to increase in enterprise value. The coefficient of determination ( $r^2$ ) shows that 17.6 per cent of variation in the enterprise value due to the equity share capital

### **Preference Share Capital**

Preference share capital and enterprise value are positively correlated which is significant at five per cent level. It is inferred that the increase in preference share capital leads to increase the enterprise value. The coefficient of determination ( $r^2$ ) shows that preference share capital accounts for 6.9 per cent of variation in the enterprise value.

### **Retained Earnings**

The correlation coefficient value 0.841 shows a positive relationship between retained earnings and enterprise value which is significant at one per cent level. This shows that increase in retained earnings leads to increase in enterprise value. The coefficient of determination ( $r^2$ ) shows that retained earnings exhibits 70.1 per cent of variation in the enterprise value.

### **Capital Structure Components Associated with Enterprise Value in Software Industry under Mid Cap**

The table 7.14 gives the details of capital structure components associated with enterprise value of mid cap companies in software industry. The association is analysed using the correlation coefficient and coefficient of determination.

**Table 7.14 : Correlation analysis for Enterprise Value - Software Industry (Mid Cap)**

<b>Variables</b>	<b>r</b>	<b>r<sup>2</sup></b>
Equity share capital	0.516**	0.266
Preference share capital	0.490**	0.240
Retained Earning	-0.426**	0.181
Debentures	0.839**	0.704

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level



### **Equity Share Capital**

Equity share capital and enterprise value are positively correlated which is significant at one per cent level. This implies that enterprise value will increase with the increase of the equity share capital. The coefficient of determination ( $r^2$ ) shows that equity share capital accounts for 26.6 per cent of variation in the enterprise value.

### **Preference Share Capital**

The correlation coefficient shows that preference share capital and enterprise value are positively associated which is significant at one per cent level. This infers that increases in preference share capital leads to increase the market value of the company. The coefficient of determination ( $r^2$ ) shows that 24.0 per cent of variation in enterprise value are due to the changes in preference share capital

### **Retained Earnings**

The correlation coefficient value -0.426 shows a negative relationship between retained earnings and enterprise value which is significant at one per cent level. This shows that decrease in retained earnings leads to increase in enterprise value. The coefficient of determination ( $r^2$ ) shows that retained earnings exhibits 18.1 per cent of variation in the enterprise value.

### **Debentures**

Debentures and enterprise value are positively correlated which is significant at one per cent level. This shows that increase in debentures would increase the enterprise value. The coefficient of determination ( $r^2$ ) shows that debentures accounts for 70.4 per cent of variation in the enterprise value.

### **Capital structure Components Associated with Enterprise Value in software Industry under Small Cap**

The table 7.15 gives the details of capital structure components associated with enterprise value of small cap companies in software industry. The association is analysed using the correlation coefficient and coefficient of determination.

**Table 7.15 : Correlation Analysis for Enterprise Value - Software Industry (Small Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	-0.149	0.022
Preference share capital	0.000	0.000
Retained Earning	0.228*	0.052
Debentures	0.325**	0.106

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

### **Retained Earnings**

Retained earnings and enterprise value are positively correlated which is significant at five per cent level. It inferred that the increase in retained earnings leads to increase the enterprise value. The coefficient of determination ( $r^2$ ) shows that retained earnings accounts for 5.2 per cent of variation in the enterprise value.

### **Debentures**

The correlation coefficient value 0.325 shows a positive relationship between debentures and enterprise value which is significant at one per cent level. This shows that increase in debentures leads to increase in enterprise value. The coefficient of determination ( $r^2$ ) shows 10.6 per cent of variation in the enterprise value due to the changes in debentures.

On the whole, internal financing has a positive relationship with enterprise value in large and small cap companies while it has a negative relationship with enterprise value.

### **(ii) MULTIPLE REGRESSION**

The regression analysis is used to find out the impact of capital structure components on enterprise value. Here this analysis is applied to all capitalisation level of companies in software industry.

### **Impact of Capital Structure Components on Enterprise Value in Software Industry under Large Cap**

The table 7.16 shows the combined influence of the capital structure components on enterprise value of large cap companies in software industry. Out of the four components introduced for regression analysis, equity share capital and retained earnings are found to have significant association with enterprise value.

**Table 7.16 : Multiple Regression for Enterprise Value - Software Industry (Large Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	260.37*	102.66	2.536
Preference share capital	100.92	260.47	0.387
Retained Earning	30.74**	2.88	10.673
Debentures	-22.95**	7.11	-3.229

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : -32626.26

Std. Error of Estimate : 108564.97

R2 : 0.735

R2 : 0.749\*\*

### Equity Share Capital

The regression coefficient shows that the equity share capital positively influence the enterprise value which is significant at five per cent level. The value of regression indicates that a unit increase in equity share capital shall increase the enterprise value by 260.37 units. Increase in equity share capital leads to increase in enterprise value.

### Retained Earnings

Retained earnings positively influences the enterprise value. The value of regression coefficient is to found significant at one per cent level. It indicates that a unit increase in retained earnings leads to increase the enterprise value by 30.74 units. Higher the retained earnings, higher the enterprise value.

### Debentures

The regression coefficient shows that debentures negatively influences the enterprise value and it is found to significant at one per cent level. It shows that a unit decrease in debentures shall increase the enterprise value by 22.95 units. Reduction in debentures leads to increase in enterprise value.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 74.9 per cent of variations in enterprise value due to the components of capital structure.

## Impact of Capital Structure Components on Enterprise Value in Software Industry under Mid Cap

The table 7.17 shows the combined influence of the capital structure components on enterprise value of mid cap companies in software industry. Out of the four components introduced for regression analysis, debenture is found to have significant association with enterprise value.

**Table 7.17 : Multiple Regression for Enterprise Value - Software Industry (Mid Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	-0.480	0.452	-1.063
Preference share capital	2.342	1.252	1.871
Retained Earning	0.608	0.323	1.882
Debentures	1.122**	0.113	9.937

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 3113.975  
 Std. Error of Estimate : 617.916  
 R<sup>2</sup> : 0.722  
 R<sup>2</sup> : 0.737\*\*

### Debentures

The regression coefficient indicates that debentures of the firm positively influences the enterprise value which is significant at one per cent level. The value of regression coefficient indicates that a unit of increase in debentures shall increase the enterprise value by 1.122 units. This explains that the highly geared companies leads to higher level of enterprise value.

The value of R<sup>2</sup> is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of R<sup>2</sup> indicates that around 73.7 per cent of variations in enterprise value due to the components of capital structure.

## Impact of Capital Structure Components on Enterprise Value in Software Industry under Small Cap

The table 7.18 shows the combined influence of the capital structure components on enterprise value of small cap companies in software industry. Out of the four components introduced for regression analysis, retained earnings and debentures are found to have significant association with enterprise value.

**Table 7.18 : Multiple Regression for Enterprise Value - Software Industry (Small Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	-0.059	0.161	-0.366
Preference share capital	0.000	0.000	0.000
Retained Earning	2.979**	0.729	4.085
Debentures	1.333**	0.289	4.614

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 411.756

Std. Error of Estimate : 105.073

R2 : 0.254

R2 : 0.284\*\*

### **Retained Earnings**

The regression coefficient shows that the retained earnings positively influence the enterprise value which is significant at one per cent level. The value of regression indicates that a unit increase in retained earnings shall increase the enterprise value by 2.979 units. Companies with high retained earnings leads to increase the value of enterprise in the market.

### **Debentures**

The regression coefficient indicates that debentures positively influence the enterprise value which is significant at one per cent level. The value of regression implies that a unit increase in debentures shall increase the enterprise value by 1.333 units. Increases in the debenture of the companies leads to higher level of enterprise value.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 28.4 per cent of variations in enterprise value due to the components of capital structure.

To sum up, retained earnings and debentures have positive effect on enterprise value in large and small cap companies while debentures have a negative impact on enterprise value in mid cap companies of software industry. Equity share capital have a positive effect on enterprise value in large cap companies.

## **7.2.1.d TRANSPORT INDUSTRY**

### **(i) CORRELATION ANALYSIS**

The correlation analysis is applied to find out the relationship between enterprise value and components of capital structure. Here this analysis is applied to all capitalisation level of companies in transport industry.

## Capital Structure Components Associated with Enterprise Value in Transport Industry under Large Cap

The table 7.19 gives the details of capital structure components associated with enterprise value of large cap companies in transport industry. The association is analysed using the correlation coefficient and coefficient of determination.

**Table 7.19 : Correlation analysis for Enterprise Value - Transport Industry (Large Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	0.322**	0.104
Preference share capital	0.654**	0.428
Retained Earning	0.801**	0.642
Debentures	0.815**	0.664

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

### Equity Share Capital

Equity share capital and enterprise value are positively correlated which is significant at one per cent level. It is inferred that the increase in equity share capital leads to increase the enterprise value. The coefficient of determination ( $r^2$ ) shows that equity share capital accounts for 10.4 per cent of variation in the enterprise value.

### Preference Share Capital

The correlation coefficient shows a positive relationship between preference share capital and enterprise value which is found to be significant at one per cent level. It indicates that increase in preference share capital leads to increase in enterprise value. The coefficient of determination ( $r^2$ ) shows that 42.8 per cent of variation in the enterprise value due to the preference share capital

### Retained Earnings

Retained earnings and enterprise value are positively correlated which is significant at one per cent level. It is inferred that the increase in retained earnings leads to increase the enterprise value. The coefficient of determination ( $r^2$ ) shows that retained earnings accounts for 64.2 per cent of variation in the enterprise value.

### Debentures

The correlation coefficient value 0.815 shows a positive relationship between debentures and enterprise value which is significant at one per cent level. This shows that raise

funds from debentures leads to increase in enterprise value. The coefficient of determination ( $r^2$ ) shows that debentures exhibits 66.4 per cent of variation in the enterprise value.

### **Capital Structure Components Associated with Enterprise Value in Transport Industry under Mid Cap**

The table 7.20 gives the details of capital structure components associated with enterprise value of mid cap companies in transport industry. The association is analysed using the correlation coefficient and coefficient of determination.

**Table 7.20 : Correlation Analysis for Enterprise Value - Transport Industry (Mid Cap)**

<b>Variables</b>	<b>r</b>	<b>r<sup>2</sup></b>
Equity share capital	-0.160	0.026
Preference share capital	0.159	0.025
Retained Earning	0.145	0.021
Debentures	0.425**	0.181

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

### **Debentures**

Debentures and enterprise value are positively correlated which is significant at one per cent level. This implies that increase in debentures leads to increase in enterprise value. The coefficient of determination ( $r^2$ ) shows that debentures accounts for 18.1 per cent of variation in the enterprise value.

### **Capital Structure Components Associated with Enterprise Value in Transport Industry under Small Cap**

The table 7.21 gives the details of capital structure components associated with enterprise value of small cap companies in transport industry. The association is analysed by using the correlation coefficient and coefficient of determination.

**Table 7.21 : Correlation Analysis for Enterprise Value - Transport Industry (Small Cap)**

<b>Variables</b>	<b>r</b>	<b>r<sup>2</sup></b>
Equity share capital	0.459**	0.210
Preference share capital	0.012	0.000
Retained Earning	0.442**	0.195
Debentures	0.750**	0.562

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

### **Equity Share Capital**

Equity share capital and enterprise value are positively correlated which is significant at one per cent level. It depicts that the level of enterprise value is more when the firm raised internal funds. The coefficient of determination ( $r^2$ ) shows that 21.0 per cent of variation in enterprise value due to the changes in equity share capital.

### **Retained Earnings**

The correlation coefficient value 0.442 shows a positive relationship between retained earnings and enterprise value which is significant at one per cent level. This shows that increase in retained earnings leads to increase in enterprise value. The coefficient of determination ( $r^2$ ) shows that retained earnings exhibits 19.5 per cent of variation in the enterprise value.

### **Debentures**

Debentures and enterprise value are positively correlated which is significant at one per cent level. This shows that increase in debentures would increase the enterprise value. The coefficient of determination ( $r^2$ ) shows that debentures accounts for 56.2 per cent of variation in the enterprise value.

On the whole, debentures has a positive relationship with enterprise value in all capitalisation level of companies.

### **(ii) MULTIPLE REGRESSION**

The regression analysis is used to find out the impact of capital structure components on enterprise value. Here this analysis is applied to all capitalisation level of companies in transport industry.

### **Impact of Capital Structure Components on Enterprise Value in Transport Industry under Large Cap**

The table 7.22 shows the combined influence of the capital structure components on enterprise value of large cap companies in transport industry. Out of the four components introduced for regression analysis, retained earnings and debentures are found to have significant association with enterprise value.



**Table 7.22 : Multiple Regression for Enterprise Value - Transport Industry (Large Cap)**

<b>Variables</b>	<b>Regression coefficient</b>	<b>Standard error</b>	<b>T</b>
Equity share capital	2.518	6.598	0.382
Preference share capital	34.243	34.131	1.003
Retained Earning	11.399**	2.550	4.471
Debentures	1.970**	0.499	3.948

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 248.017  
Std. Error of Estimate : 17863.043  
 $\bar{R}^2$  : 0.739  
R2 : 0.753\*\*

### **Retained Earnings**

The regression coefficient shows that the retained earnings positively influence the enterprise value which is significant at one per cent level. The value of regression indicates that a unit increase in retained earnings shall increase the enterprise value by 11.399 units. Increase in retained earnings leads to increase in enterprise value.

### **Debentures**

Debentures positively influences the enterprise value. The value of regression coefficient is to found significant at one per cent level. It indicates that a unit increase in debentures leads to increase in enterprise value by 1.970 units. Higher debentures, higher the enterprise value.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 75.3 per cent of variations in enterprise value due to the components of capital structure.

### **Impact of Capital Structure Components on Enterprise Value in Transport Industry under Mid Cap**

The table 7.23 shows the combined influence of the capital structure components on enterprise value of mid cap companies in transport industry. Out of the four components introduced for regression analysis, debenture is found to have significant association with enterprise value.

**Table 7.23 : Multiple Regression for Enterprise Value - Transport Industry (Mid Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	-0.795	1.716	-0.463
Preference share capital	-9.252	15.518	-0.596
Retained Earning	2.937	2.243	1.309
Debentures	1.066**	0.292	3.650

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 5714.548

Std. Error of Estimate : 1932.830

$\bar{R}^2$  : 0.158

R2 : 0.203\*\*

### Debentures

The regression coefficient indicates that debentures of the firm positively influences the enterprise value which is significant at one per cent level. The value of regression coefficient indicates that a unit of increase in debentures shall increase the enterprise value by 1.066 units. This explains that the high geared companies are with high level of enterprise value.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 20.3 per cent of variations in enterprise value due to the components of capital structure.

### Impact of Capital Structure Components on Enterprise Value in Transport Industry under Small Cap

The table 7.24 shows the combined influence of the capital structure components on enterprise value of small cap companies in transport industry. Out of the four components introduced for regression analysis, all are found to have significant association with enterprise value.

**Table 7.24 : Multiple Regression for Enterprise Value - Transport Industry (Small Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	7.396**	2.352	3.145
Preference share capital	-10.619**	3.916	-2.712
Retained Earning	6.384**	1.022	6.248
Debentures	1.406**	0.140	10.065

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : -374.020

Std. Error of Estimate : 247.082

R2 : 0.746

R2 : 0.759\*\*

### **Equity Share Capital**

The regression coefficient shows that the equity share capital positively influence the enterprise value which is significant at one per cent level. The value of regression indicates that a unit increase in equity share capital shall increase the enterprise value by 7.396 units. Increase in equity share capital leads to increase in enterprise value.

### **Preference Share Capital**

The regression coefficient shows that the preference share capital negatively influence the enterprise value which is significant at one per cent level. The value of regression indicates that a unit decrease in preference share capital shall increase the enterprise value by 10.619 units. Companies with low preference share capital leads to increase in value of enterprise in the market.

### **Retained Earnings**

Retained earnings positively influences the enterprise value. The value of regression coefficient is to found significant at one per cent level. It indicates that a unit increase in retained earnings leads to increase in enterprise value by 6.384 units. Higher the retained earnings, higher the enterprise value.

### **Debentures**

The regression coefficient indicates that debentures of the firm positively influences the enterprise value which is significant at one per cent level. The value of regression coefficient indicates that a unit of increase in debentures shall increase the enterprise value by 1.406 units. This explains that the highly geared companies leads to higher level of enterprise value.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 75.9 per cent of variations in enterprise value due to the components of capital structure.

It has been observed that, retained earnings have a positive effect on enterprise value in large and small cap companies while debentures have a positive and significant effect on enterprise value in all capitalisation level of companies in transport industry.

## 7.2.2 MARKET CAPITALISATION

### 7.2.2.a HEALTHCARE INDUSTRY

#### (i) CORRELATION ANALYSIS

The correlation analysis is applied to find out the relationship between market capitalisation and components of capital structure. Here this analysis is applied to all capitalisation level of companies in healthcare industry.

#### **Capital Structure Components Associated with Market Capitalisation in Healthcare Industry under Large Cap**

The table 7.25 gives the details of capital structure components associated with market capitalisation of large cap companies in healthcare industry. The association is analysed by using the correlation coefficient and coefficient of determination.

**Table 7.25 : Correlation Analysis for Market Capitalisation - Healthcare Industry (Large Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	0.018	0.000
Preference share capital	-0.131	0.017
Retained Earning	0.115	0.013
Debentures	0.527**	0.278

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

#### **Debentures**

Debentures and market capitalisation are positively correlated which is significant at one per cent level. This shows that increase in debentures would increase the market capitalisation. The coefficient of determination ( $r^2$ ) shows that debentures accounts for 27.8 per cent of variation in the market capitalisation.

#### **Capital Structure Components Associated with Market Capitalisation in Healthcare Industry under Mid Cap**

The table 7.26 gives the details of capital structure components associated with market capitalisation of mid cap companies in healthcare industry. The association is analysed by using the correlation coefficient and coefficient of determination.

**Table 7.26 : Correlation Analysis for Market Capitalisation - Healthcare Industry (Mid Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	0.115	0.013
Preference share capital	0.000	0.000
Retained Earning	0.671**	0.450
Debentures	0.269*	0.072

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

### Retained Earnings

Retained earnings and market capitalisation are positively correlated which is significant at one per cent level. It is inferred that the increase in retained earnings leads to increase in market capitalisation. The coefficient of determination ( $r^2$ ) shows that retained earnings accounts for 45.0 per cent of variation in the market capitalisation.

### Debentures

The correlation coefficient value 0.269 shows a positive relationship between debentures and market capitalisation which is significant at five per cent level. This shows that increase in debentures leads to increase in market capitalisation. The coefficient of determination ( $r^2$ ) shows 7.2 per cent of variation in the market capitalisation due to changes in debentures.

### Capital Structure Components Associated with Market Capitalisation in Healthcare Industry under Small Cap

The table 7.27 gives the details of capital structure components associated with market capitalisation of small cap companies in healthcare industry. The association is analysed using the correlation coefficient and coefficient of determination.

**Table 7.27 : Correlation analysis for Market Capitalisation - Healthcare Industry (Small Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	0.249*	0.062
Preference share capital	0.000	0.000
Retained Earning	0.010	0.000
Debentures	0.140	0.019

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

## Equity Share Capital

Equity share capital and market capitalisation are positively correlated which is significant at five per cent level. This implies that increase in equity share capital leads to increase in market value of the company. The coefficient of determination ( $r^2$ ) shows that equity share capital accounts for 6.2 per cent of variation in the market capitalisation.

To sum up, debenture has a positive relationship with market capitalisation in large and mid cap companies while equity share capital has a positive relationship with small cap companies.

### (ii) MULTIPLE REGRESSION

The regression analysis is used to find out the impact of capital structure components on market capitalisation. Here this analysis is applied to all capitalisation level of companies in healthcare industry.

### Impact of Capital Structure Components on Market Capitalisation in Healthcare Industry under Large Cap

The table 7.28 shows the combined influence of the capital structure components on market capitalisation of large cap companies in healthcare industry. Out of the four components introduced for regression analysis, debentures have a significant association with market capitalisation.

**Table 7.28 : Multiple Regression for Market Capitalisation - Healthcare Industry (Large Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	3.519	7.178	0.490
Preference share capital	-49.812	75.189	-0.662
Retained Earning	0.806	0.595	1.355
Debentures	2.212**	0.422	5.241

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 44747.15

Std. Error of Estimate : 13139.96

$\bar{R}^2$  : 0.263

R<sup>2</sup> : 0.303\*\*

## Debentures

The regression coefficient indicates that debentures of the firm positively influences the market capitalisation which is significant at one per cent level. The value of regression coefficient indicates that a unit of increase in debentures shall increase the market capitalisation by 2.212 units. This explains that the highly geared companies leads to higher level of market capitalisation of the firm.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 30.3 per cent of variations in market capitalisation due to the components of capital structure.

## Impact of Capital Structure Components on Market Capitalisation in Healthcare Industry under Mid Cap

The table 7.29 shows the combined influence of the capital structure components on market capitalisation of mid cap companies in healthcare industry. Out of the four components introduced for regression analysis, retained earnings found to have significant association with market capitalisation.

**Table 7.29 : Multiple Regression for Market Capitalisation - Healthcare Industry (Mid Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	2.095	1.132	1.850
Preference share capital	0.000	0.000	0.000
Retained Earning	22.560**	3.083	7.318
Debentures	-0.155	0.826	-0.187

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 238.530

Std. Error of Estimate : 611.510

$\bar{R}^2$  : 0.453

$R^2$  : 0.475\*\*

## Retained Earnings

The regression coefficient shows that the retained earnings positively influence the market capitalisation which is significant at one per cent level. The value of regression indicates that a unit increase in retained earnings shall increase the market capitalisation by 22.560 units. Companies with high retained earnings leads to increase in value of market capitalisation.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 47.5 per cent of variations in market capitalisation due to the components of capital structure.

### **Impact of Capital Structure Components on Market Capitalisation in Healthcare Industry under Small Cap**

The table 7.30 shows the combined influence of the capital structure components on market capitalisation of small cap companies in healthcare industry. Out of the four components introduced for regression analysis, equity share capital only found to have significant association with market capitalisation.

**Table 7.30 : Multiple Regression for Market Capitalisation - Healthcare Industry (Small Cap)**

<b>Variables</b>	<b>Regression coefficient</b>	<b>Standard error</b>	<b>T</b>
Equity share capital	0.962**	0.349	1.495
Preference share capital	0.000	0.000	0.000
Retained Earning	0.684	0.403	1.697
Debentures	0.357	0.339	1.053

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 116.294

Std. Error of Estimate : 77.792

R2 : 0.077

R2 : 0.115\*

### **Equity Share Capital**

The regression coefficient indicates that equity share capital of the firm positively influences the market capitalisation which is significant at one per cent level. The value of regression coefficient indicates that a unit of increase in equity share capital shall increase the market value of the company by 0.962 units. This explains that the high equity companies are with high level of market capitalisation.

The value of  $R^2$  is found to be significant at five per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 11.5 per cent of variations in market capitalisation due to the components of capital structure.

To sum up, debentures have a positive effect on market capitalisation in large cap companies while retained earnings have an effect in mid cap companies and equity share capital have an effect in small cap companies of healthcare industry.



## 7.2.2.b HOTEL INDUSTRY

### (i) CORRELATION ANALYSIS

The correlation analysis is applied to find out the relationship between market capitalisation and components of capital structure. Here this analysis is applied to all capitalisation level of companies in hotel industry.

#### **Capital Structure Components Associated with Market Capitalisation in Hotel Industry under Large Cap**

The table 7.31 gives the details of capital structure components associated with market capitalisation of large cap companies in hotel industry. The association is analysed by using the correlation coefficient and coefficient of determination.

**Table 7.31 : Correlation Analysis for Market Capitalisation – Hotel Industry (Large Cap)**

<b>Variables</b>	<b>r</b>	<b>r<sup>2</sup></b>
Equity share capital	0.392**	0.154
Preference share capital	-0.062	0.004
Retained Earning	0.169	0.029
Debentures	0.008	0.000

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

#### **Equity Share Capital**

The correlation coefficient shows a positive relationship between equity share capital and market capitalisation which is found to be significant at one per cent level. It indicates that raise the fund from equity share capital leads to increase in market value of the company. The coefficient of determination ( $r^2$ ) shows that 15.4 per cent of variation in the market capitalisation due to the equity share capital.

#### **Capital Structure Components Associated with Market Capitalisation in Hotel Industry under Mid Cap**

The table 7.32 gives the details of capital structure components associated with market capitalisation of mid cap companies in hotel industry. The association is analysed by using the correlation coefficient and coefficient of determination.

**Table 7.32 : Correlation Analysis for Market Capitalisation – Hotel Industry (Mid Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	-0.031	0.001
Preference share capital	0.270*	0.073
Retained Earning	0.541**	0.292
Debentures	-0.138	0.019

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

### Preference Share Capital

The correlation coefficient shows that preference share capital and market capitalisation are positively associated which is significant at five per cent level. This infers that increases in preference share capital leads to increase in market value of the company. The coefficient of determination shows that 7.3 per cent of variation in market capitalisation are explained by the changes in preference share capital

### Retained Earnings

The correlation coefficient value 0.541 shows a positive relationship between retained earnings and market capitalisation which is significant at one per cent level. This shows that increase in retained earnings leads to increase in market value of the company. The coefficient of determination (r<sup>2</sup>) shows that retained earnings exhibits 29.2 per cent of variation in the market capitalisation.

### Capital Structure Components Associated with Market Capitalisation in Hotel Industry under Small Cap

The table 7.33 gives the details of capital structure components associated with market capitalisation of small cap companies in hotel industry. The association is analysed by using the correlation coefficient and coefficient of determination.

**Table 7.33 : Correlation Analysis for Market Capitalisation – Hotel Industry (Small Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	0.300**	0.090
Preference share capital	0.000	0.000
Retained Earning	0.585**	0.342
Debentures	0.128	0.016

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

### Equity Share Capital

The correlation coefficient value 0.300 shows a positive relationship between equity share capital and enterprise value which is significant at one per cent level. This

shows that increase in equity share capital leads to increase in market value of the company. The coefficient of determination ( $r^2$ ) shows 9.0 per cent of variation in the market capitalisation due to changes in debentures.

### **Retained Earnings**

Retained earnings and market capitalisation are positively correlated which is significant at five per cent level. It inferred that the increase in retained earnings leads to increase in market value of the company. The coefficient of determination ( $r^2$ ) shows that retained earnings accounts for 34.2 per cent of variation in the market capitalisation.

In general, equity share capital has a positive relationship with market capitalisation in large and small cap companies while internal financing has a positive relationship with market capitalisation in mid and small cap companies.

### **(ii) MULTIPLE REGRESSION**

The regression analysis is used to find out the impact of capital structure components on market capitalisation. Here this analysis is applied to all capitalisation level of companies in hotel industry.

### **Impact of Capital Structure Components on Market Capitalisation in Hotel Industry under Large Cap**

The table 7.34 shows the combined influence of the capital structure components on market capitalisation of large cap companies in hotel industry. Out of the four components introduced for regression analysis, equity share capital only found to have significant association with market capitalisation.

**Table 7.34 : Multiple Regression for Market Capitalisation – Hotel Industry (Large Cap)**

<b>Variables</b>	<b>Regression coefficient</b>	<b>Standard error</b>	<b>T</b>
Equity share capital	39.785**	10.284	3.868
Preference share capital	0.518	9.061	0.057
Retained Earning	2.912	2.476	1.176
Debentures	-0.289	0.299	-0.967

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 11393.136

Std. Error of Estimate : 6546.234

R2 : 0.167

R2 : 0.212\*\*

## Equity Share Capital

The regression coefficient shows that the equity share capital positively influence the market capitalisation which is significant at one per cent level. The value of regression indicates that a unit increase in equity share capital shall increase the market capitalisation by 39.785 units. Increase in equity share capital leads to increase in market value of the company.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 21.2 per cent of variations in market capitalisation due to the components of capital structure.

## Impact of Capital Structure Components on Market Capitalisation in Hotel Industry under Mid Cap

The table 7.35 shows the combined influence of the capital structure components on market capitalisation of mid cap companies in hotel industry. Out of the four components introduced for regression analysis, retained earnings is found to have significant association with market capitalisation.

**Table 7.35 : Multiple Regression for Market Capitalisation – Hotel Industry (Mid Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	-3.254	5.836	-0.558
Preference share capital	-12.355	15.379	-0.803
Retained Earning	9.473**	2.122	4.464
Debentures	0.062	0.178	0.346

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 3926.913

Std. Error of Estimate : 1260.683

R2 : 0.262

R2 : 0.302\*\*

## Retained earnings

The regression coefficient indicates that retained earnings positively influences the market capitalisation which is significant at one per cent level. The value of regression coefficient indicates that a unit of increase in retained earnings shall increase the market capitalisation by 9.473 units. This explains that the high retained earnings leads to higher level of market value of the company.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 30.2 per cent of variations in market capitalisation due to the components of capital structure.

### **Impact of Capital Structure Components on Market Capitalisation in Hotel Industry under Small Cap**

The table 7.36 shows the combined influence of the capital structure components on market capitalisation of small cap companies in hotel industry. Out of the four components introduced for regression analysis, equity share capital, retained earnings and debentures are found to have significant association with market capitalisation.

**Table 7.36 : Multiple Regression for Market Capitalisation – Hotel Industry (Small Cap)**

<b>Variables</b>	<b>Regression coefficient</b>	<b>Standard error</b>	<b>T</b>
Equity share capital	17.879**	3.136	5.701
Preference share capital	0.000	0.000	0.000
Retained Earning	10.061**	1.201	8.379
Debentures	-0.792**	0.219	-3.620

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : -960.912

Std. Error of Estimate : 323.520

R2 : 0.541

R2 : 0.560\*\*

#### **Equity share capital**

The regression coefficient shows that the equity share capital positively influences the enterprise value which is significant at one per cent level. The value of regression indicates that a unit increase in equity share capital shall increase the market capitalisation by 17.879 units. Increase in equity share capital leads to increase in market value of the company.

#### **Retained Earnings**

The regression coefficient shows that the retained earnings positively influences the market capitalisation which is significant at one per cent level. The value of regression indicates that a unit increase in retained earnings shall increase the market value by 10.061 units. Companies with high retained earnings leads to increase in market value of the company.

## Debentures

The regression coefficient indicates that debentures negatively influences the market capitalisation which is significant at one per cent level. The value of regression implies that a unit decrease in debentures shall increase the market capitalisation by 0.792 units. Decrease in the debenture of the companies leads to higher level of market value of the company.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 56.0 per cent of variations in enterprise value due to the components of capital structure.

It has been concluded that equity share capital has a significant and positive effect on market capitalisation in large and small cap companies and retained earnings have an effect in mid and small cap companies while debentures have a negative effect in small cap companies of hotel industry.

### 7.2.2.c SOFTWARE INDUSTRY

#### (i) CORRELATION ANALYSIS

The correlation analysis is applied to find out the relationship between market capitalisation and components of capital structure. Here this analysis is applied to all capitalisation level of companies in software industry.

#### Capital Structure Components Associated with Market Capitalisation in Software Industry under Large Cap

The table 7.37 gives the details of capital structure components associated with market capitalisation of large cap companies in software industry. The association is analysed by using the correlation coefficient and coefficient of determination.

**Table 7.37 : Correlation Analysis for Market Capitalisation - Software Industry (Large Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	0.424**	0.180
Preference share capital	0.266	0.071
Retained Earning	0.837**	0.700
Debentures	0.149	0.022

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

### **Equity Share Capital**

Equity share capital and market capitalisation are positively correlated which is significant at one per cent level. It inferred that the increase in equity share capital leads to increase in market capitalisation. The coefficient of determination ( $r^2$ ) shows that equity share capital accounts for 18.0 per cent of variation in the market capitalisation.

### **Retained Earnings**

The correlation coefficient value 0.837 shows a positive relationship between retained earnings and market capitalisation which is significant at one per cent level. This shows that increase in retained earnings leads to increase in market value of the company. The coefficient of determination ( $r^2$ ) shows that retained earnings exhibits 2.2 per cent of variation in the market capitalisation.

### **Capital Structure Components Associated with Market Capitalisation in Software Industry under Mid Cap**

The table 7.38 gives the details of capital structure components associated with market capitalisation of mid cap companies in software industry. The association is analysed by using the correlation coefficient and coefficient of determination.

**Table 7.38 : Correlation Analysis for Market Capitalisation - Software Industry (Mid Cap)**

<b>Variables</b>	<b>r</b>	<b>r<sup>2</sup></b>
Equity share capital	0.019	0.000
Preference share capital	0.100	0.010
Retained Earning	0.267*	0.071
Debentures	-0.112	0.012

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

### **Retained Earnings**

The correlation coefficient value 0.267 shows a positive relationship between retained earnings and market capitalisation which is significant at one per cent level. This shows that increase in retained earnings leads to increase the company value in the market. The coefficient of determination ( $r^2$ ) shows that retained earnings exhibits 7.1 per cent of variation in the market capitalisation.

## Capital Structure Components Associated with Market Capitalisation in Software Industry under Small Cap

The table 7.39 gives the details of capital structure components associated with market capitalisation of small cap companies in software industry. The association is analysed by using the correlation coefficient and coefficient of determination.

**Table 7.39 : Correlation Analysis for Market Capitalisation - Software Industry (Small Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	0.002	0.000
Preference share capital	0.000	0.000
Retained Earning	0.417**	0.174
Debentures	-0.019	0.000

Source: Computed \* Significant at five per cent level \*\* Significant at one per cent level

### Retained Earnings

The correlation coefficient value 0.417 shows a positive relationship between retained earnings and market capitalisation which is significant at one per cent level. This shows that increase in retained earnings leads to increase in market value of the company. The coefficient of determination ( $r^2$ ) shows that retained earnings exhibits 17.4 per cent of variation in the market capitalisation.

To sum up, internal financing has a positive relationship with market capitalisation in all capitalisation level of companies.

### (ii) MULTIPLE REGRESSION

The regression analysis is used to find out the impact of capital structure components on market capitalisation. Here this analysis is applied to all capitalisation level of companies in software industry.

## Impact of Capital Structure Components on Market Capitalisation in Software Industry under Large Cap

The table 7.40 shows the combined influence of the capital structure components on market capitalisation of large cap companies in software industry. Out of the four components introduced for regression analysis, equity share capital, retained earnings and debentures are found to have significant association with market capitalisation.



**Table 7.40 : Multiple Regression for Market Capitalisation - Software Industry (Large Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	284.635*	105.536	2.697
Preference share capital	118.016	267.762	0.441
Retained Earning	30.899**	2.961	10.434
Debentures	-24.296**	7.306	-3.325

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : -42614.17

Std. Error of Estimate : 111605.59

R2 : 0.731

R2 : 0.746\*\*

### Equity Share Capital

The regression coefficient indicates that equity share capital of the firm positively influences the market capitalisation which is significant at five per cent level. The value of regression coefficient indicates that a unit of increase in equity share capital shall increase the market capitalisation by 284.635 units. This explains that the high equity companies are with high level of market value of the company.

### Retained Earnings

The regression coefficient shows that the retained earnings positively influence the market capitalisation which is significant at one per cent level. The value of regression indicates that a unit increase in retained earnings shall increase the market capitalisation by 30.899 units. Companies with high retained earnings leads to increase in value of the company in the market.

### Debentures

The regression coefficient indicates that debentures negatively influence the market capitalisation which is significant at one per cent level. The value of regression implies that a unit decrease in debentures shall increase the market capitalisation by 24.296 unit. Low debentured companies leads to higher level of market value of the company.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 74.6 per cent of variations in market capitalisation due to the components of capital structure.

## Impact of Capital Structure Components on Market Capitalisation in Software Industry under Mid Cap

The table 7.41 shows the combined influence of the capital structure components on market capitalisation of mid cap companies in software industry. Out of the four components introduced for regression analysis, retained earnings is found to have significant association with market capitalisation.

**Table 7.41 : Multiple Regression for Market Capitalisation - Software Industry (Mid Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	0.173	0.785	0.221
Preference share capital	1.668	2.175	0.767
Retained Earning	1.155*	0.561	2.058
Debentures	-0.002	0.196	-0.010

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 6806.837

Std. Error of Estimate : 1073.436

R<sup>2</sup> : 0.045

R<sup>2</sup> : 0.096

### Retained Earnings

The regression coefficient shows that the retained earnings positively influences the market capitalisation which is significant at five per cent level. The value of regression indicates that a unit increase in retained earnings shall increase the market value by 1.155 units. Companies with high retained earnings leads to increase in value of company in the market.

The value of R<sup>2</sup> is found to be not significant. This shows that the regression equation framed is not fit for the software mid cap companies.

## Impact of Capital Structure Components on Market Capitalisation in Software Industry under Small Cap

The table 7.42 shows the combined influence of the capital structure components on market capitalisation of small cap companies in software industry. Out of the four components introduced for regression analysis, retained earnings is found to have significant association with market capitalisation.

**Table 7.42 : Multiple Regression for Market Capitalisation - Software Industry (Small Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	0.114	0.166	0.685
Preference share capital	0.000	0.000	0.000
Retained Earning	3.318**	0.753	4.406
Debentures	0.570	0.298	1.910

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 384.862

Std. Error of Estimate : 108.487

R2 : 0.182

R2 : 0.215\*\*

### **Retained earnings**

Retained earnings shows a positive influence with market capitalisation. The regression coefficient is 3.318 which is significant at one per cent level. It indicates that a unit increase in retained earnings shall increase the market capitalisation by 3.318 units. Increase in retained earnings leads to increase the company value in the market.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 21.5 per cent of variations in market capitalisation due to the components of capital structure.

It has been observed that retained earnings have a significant and positive effect on market capitalisation in all capitalisation level of companies.

## **7.2.2.d TRANSPORT INDUSTRY**

### **(i) CORREALTION ANALYSIS**

The correlation analysis is applied to find out the relationship between market capitalisation and components of capital structure. Here this analysis is applied to all capitalisation level of companies in transport industry.

### **Capital Structure Components Associated with Market Capitalisation in Transport Industry under Large Cap**

The table 7.43 gives the details of capital structure components associated with market capitalisation of large cap companies in transport industry. The association is analysed by using the correlation coefficient and coefficient of determination.

**Table 7.43 : Correlation Analysis for Market Capitalisation - Transport Industry (Large Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	0.289*	0.083
Preference share capital	0.609**	0.371
Retained Earning	0.785**	0.616
Debentures	0.751**	0.563

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

### **Equity Share Capital**

Equity share capital and market capitalisation are positively correlated which is significant at five per cent level. It depicts that the level of market capitalisation is more when the company raised internal funds from equity. The coefficient of determination ( $r^2$ ) shows that 8.3 per cent of variation in market capitalisation due to the changes in equity share capital.

### **Preference Share Capital**

Preference share capital and market capitalisation are positively correlated which is significant at one per cent level. It inferred that the increase in preference share capital leads to increase in market value of the company. The coefficient of determination ( $r^2$ ) shows that preference share capital accounts for 37.1 per cent of variation in the market capitalisation.

### **Retained Earnings**

The correlation coefficient value 0.785 shows a positive relationship between retained earnings and market capitalisation which is significant at one per cent level. This shows that increase in retained earnings leads to increase in market capitalisation. The coefficient of determination ( $r^2$ ) shows that retained earnings exhibits 61.6 per cent of variation in the market capitalisation.

### **Debentures**

Debentures and market capitalisation are positively correlated which is significant at one per cent level. This shows that increase in debentures would increase the market capitalisation. The coefficient of determination ( $r^2$ ) shows that debentures accounts for 56.3 per cent of variation in the market capitalisation.

### Capital Structure Components Associated with Market Capitalisation in Transport Industry under Mid Cap

The table 7.44 gives the details of capital structure components associated with market capitalisation of mid cap companies in transport industry. The association is analysed by using the correlation coefficient and coefficient of determination.

**Table 7.44 : Correlation Analysis for Market Capitalisation - Transport Industry (Mid Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	-0.086	0.071
Preference share capital	0.017	0.000
Retained Earning	0.165	0.027
Debentures	0.246**	0.113

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

#### Debentures

Debentures and market capitalisation are positively correlated which is significant at one per cent level. This shows that ncrease in debentures would increase the market capitalisation. The coefficient of determination ( $r^2$ ) shows that debentures accounts for 11.3 per cent of variation in the market capitalisation.

### Capital Structure Components Associated with Market Capitalisation in Transport Industry under Small Cap

The table 7.45 gives the details of capital structure components associated with market capitalisation of small cap companies in transport industry. The association is analysed by using the correlation coefficient and coefficient of determination.

**Table 7.45 : Correlation Analysis for Market Capitalisation - Transport Industry (Small Cap)**

Variables	r	r <sup>2</sup>
Equity share capital	0.456**	0.208
Preference share capital	0.051	0.003
Retained Earning	0.616**	0.379
Debentures	0.418**	0.175

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

### **Equity Share Capital**

Equity share capital and market capitalisation are positively correlated which is significant at one per cent level. This implies that increase in equity share capital leads to increase in market capitalisation. The coefficient of determination ( $r^2$ ) shows that equity share capital accounts for 20.8 per cent of variation in the market capitalisation.

### **Retained Earnings**

The correlation coefficient value 0.616 shows a positive relationship between retained earnings and market capitalisation which is significant at one per cent level. This shows that increase in retained earnings leads to increase in market value of the company. The coefficient of determination ( $r^2$ ) shows that retained earnings exhibits 37.9 per cent of variation in the market capitalisation.

### **Debentures**

Debentures and market capitalisation are positively correlated which is significant at one per cent level. This shows that the level of market value is more with high debentured companies. The coefficient of determination ( $r^2$ ) shows that debentures accounts for 17.5 per cent of variation in the market capitalisation.

On the whole, equity share capital and retained earnings has positive relationship with market capitalisation in large and small cap companies while debentures has positive relation with all capitalisation level of companies.

### **(ii) MULTIPLE REGRESSION**

The regression analysis is used to find out the impact of capital structure components on market capitalisation. Here this analysis is applied to all capitalisation level of companies in transport industry.

### **Impact of Capital Structure Components on Market Capitalisation in Transport Industry under Large Cap**

The table 7.46 shows the combined influence of the capital structure components on market capitalisation of large cap companies in transport industry. Out of the four components introduced for regression analysis, retained earnings and debentures are found to have significant association with market capitalisation.

**Table 7.46 : Multiple Regression for Market Capitalisation - Transport Industry  
(Large Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	2.116	6.238	0.339
Preference share capital	20.630	32.266	0.639
Retained Earning	11.239**	2.410	4.663
Debentures	1.241**	0.472	2.630

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 5931.008  
 Std. Error of Estimate : 16886.894  
 R2 : 0.663  
 R2 : 0.681\*\*

### **Retained Earnings**

The regression coefficient shows that the retained earnings positively influences the market capitalisation which is significant at one per cent level. The value of regression indicates that a unit increase in retained earnings shall increase the market capitalisation by 11.239 units. Companies with high retained earnings leads to increase the value of the company in the market.

### **Debentures**

The regression coefficient indicates that debentures positively influences the market capitalisation which is significant at one per cent level. The value of regression implies that a unit increase in debentures shall increase the market capitalisation by 1.241 unit. High debentured companies leads to higher level of market capitalisation.

The value of R<sup>2</sup> is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of R<sup>2</sup> indicates that around 68.1 per cent of variations in market capitalisation due to the components of capital structure.

### **Impact of Capital Structure Components on Market Capitalisation in Transport Industry under Mid Cap**

The table 7.47 shows the combined influence of the capital structure components on market capitalisation of mid cap companies in transport industry. Out of the four components introduced for regression analysis, debentures is found to have significant association with market capitalisation.

**Table 7.47 : Multiple Regression for Market Capitalisation - Transport Industry (Mid Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	-0.800	1.699	-0.471
Preference share capital	-13.845	15.359	-0.901
Retained Earning	3.569	2.220	1.608
Debentures	1.284**	0.489	2.984

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : 5555.926

Std. Error of Estimate : 1913.010

R2 : 0.204

R2 : 0.113\*\*

### Debentures

The regression coefficient indicates that debentures positively influences the market capitalisation which is significant at one per cent level. The value of regression implies that a unit increase in debentures shall increase the market capitalisation by 1.284 unit. High geared companies leads to higher level of market value.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 11.3 per cent of variations in market capitalisation due to the components of capital structure.

### Impact of Capital Structure Components on Market Capitalisation in Transport Industry under Small Cap

The table 7.48 shows the combined influence of the capital structure components on market capitalisation of small cap companies in transport industry. Out of the four components introduced for regression analysis, all variables are found to have significant association with market capitalisation.

**Table 7.48 : Multiple Regression for Market Capitalisation - Transport Industry (Small Cap)**

Variables	Regression coefficient	Standard error	T
Equity share capital	8.225**	2.290	3.592
Preference share capital	-9.929*	3.813	-2.604
Retained Earning	7.088**	0.995	7.125
Debentures	0.435**	0.136	3.201

**Source:** Computed \* Significant at five per cent level \*\* Significant at one per cent level

Constant : -369.565

Std. Error of Estimate : 240.575

R2 : 0.579

R2 : 0.602\*\*



### **Equity Share Capital**

The regression coefficient indicates that equity share capital of the firm positively influences the market capitalisation which is significant at one per cent level. The value of regression coefficient indicates that a unit of increase in equity share capital shall increase the market value by 8.225 units. This explains that the high equity companies are with high level of market capitalisation.

### **Preference share capital**

The regression coefficient shows that the preference share capital negatively influences the market capitalisation which is significant at five per cent level. The value of regression indicates that a unit decrease in preference share capital shall increase the market value by 9.929 units. Companies with low preference share capital leads to increase the value of firm in the market.

### **Retained earnings**

Retained earnings shows a positive influence with market capitalisation. The regression coefficient is 7.088 which is significant at one per cent level. It indicates that a unit increase in retained earnings shall increase the market capitalisation by 7.088 units. Increase in retained earnings leads to increase in firm value in the market.

### **Debentures**

The regression coefficient shows that debentures positively influences the enterprise value and it is found to significant at one per cent level. It shows that a unit increase in debentures shall increase the market capitalisation by 0.435 units. High geared companies leads to increase in market capitalisation.

The value of  $R^2$  is found to be significant at one per cent level. This shows that the regression equation framed is a good fit. The value of  $R^2$  indicates that around 60.2 per cent of variations in market capitalisation due to the components of capital structure.

On the whole, debentures has a significant positive effect on market capitalisation in all capitalisation level of companies and retained earnings has a positive effect in large and small cap companies.

### **7.3 CONCLUSION**

A firms' capital structure refers to the mix of its financial liabilities. It has long been an important issue from the strategic management standpoint since it is linked with a firms' ability to meet the demands of various shareholders. Firm value vary with different level of debt usages. The relationship between capital structure and firm value has been the subject of considerable debate throughout the decades. The study sought to establish the relationship between capital structure and firm value. Variables namely enterprise value and market capitalisation has been used as a dependent variable. From the analysis it determines that debentures plays a significant role in enterprise value of select service sector while equity share capital and retained earnings have minimum contribution towards magnifying the enterprise value of the firm. According to the market capitalisation, retained earnings plays a major role to increasing the market capitalisation whereas other components except preference share capital shows a lowest influence on market capitalisation.