

Optimal Capital Structure Determination: Assessing the Impact on Financial Performance of BSE Listed Companies Across IGAAP and IND as Periods

Sai Suman Bussa¹, Dr Humera Fatima²

¹Research Scholar, Bir Tikendrajit University

²Research Supervisor, Bir Tikendrajit University

Abstract - This research paper explores the intricate dynamics of capital structure decisions in financial management, focusing on their impact on the financial performance of companies listed on the Bombay Stock Exchange (BSE) during different reporting periods governed by Indian Generally Accepted Accounting Principles (IGAAP) and Indian Accounting Standards (Ind AS). The primary objectives of the study are twofold: firstly, to examine the relationship between capital structure and financial performance indicators such as Return on Equity (ROE) and Return on Assets (ROA) during the IGAAP period; and secondly, to assess the same relationship during the Ind AS period. "Through these objectives, the study aims to shed light on the influence of capital structure choices on the profitability and operational efficiency of BSE-listed firms under varying accounting standards." To achieve these objectives, the study formulates several hypotheses. Firstly, it proposes hypotheses to test the significance of capital structure on financial performance indicators (ROE and ROA) during both the IGAAP and Ind AS periods. Specifically, the hypotheses aim to ascertain whether capital structure decisions have a statistically significant impact on the financial performance metrics of BSE-listed companies across these distinct reporting periods. By formulating and testing these hypotheses, the study seeks to provide empirical evidence regarding the relationship between capital structure choices and financial performance, offering insights into the efficacy of different funding strategies in maximizing firm profitability and shareholder wealth. In summary, this research paper endeavors to contribute to the scholarly discourse on capital structure decision-making by examining its implications for the financial performance of BSE-listed companies under different accounting standards. Through a rigorous analysis of objectives and hypotheses, the study aims to deepen our understanding of how capital structure decisions influence firm profitability and value in the dynamic context of the Indian capital market.

Keywords: Capital Structure, Financial Performance, BSE Listed Companies, IGAAP, Accounting Standards, and Empirical Analysis, etc.

I. INTRODUCTION

The capital structure decision is a pivotal aspect of financial management, constituting the composition of different funding sources utilized by firms to finance their operations. It encompasses a mix of short-term debt, long-term debt, preferred stock, and common equity, with the goal of optimizing the balance between risk and return while maximizing shareholder wealth. In the realm of corporate finance, achieving an optimal capital structure is crucial as it directly influences a firm's profitability and long-term sustainability.

This paper delves into the intricate dynamics of capital structure decisions within the context of companies listed on the Bombay Stock Exchange (BSE), focusing on their financial performance during distinct reporting periods governed by different accounting standards—Indian Generally Accepted Accounting Principles (IGAAP) and Indian Accounting Standards (Ind AS). The significance of this study lies in its exploration of how variations in capital structure choices under different accounting regimes impact the financial performance of BSE-listed firms.

The objectives of this study are two-fold: firstly, to examine the relationship between capital structure and financial performance metrics such as Return on Equity (ROE) and Return on Assets (ROA) during the IGAAP period; and secondly, to assess the same relationship during the Ind AS period. By addressing these objectives, the research aims to provide valuable insights into the efficacy of capital structure decisions

in enhancing firm profitability and shareholder value across different accounting standards.

To accomplish these objectives, the study formulates hypotheses to test the significance of capital structure on financial performance indicators (ROE and ROA) under both IGAAP and Ind AS reporting periods. Through empirical analysis, the research seeks to contribute to the existing body of knowledge on capital structure determinants and their implications for firm performance in the dynamic landscape of the Indian capital market.

Overall, this paper seeks to advance our understanding of capital structure decision-making and its impact on financial performance, thereby providing valuable insights for financial managers, policymakers, and scholars in the field of corporate finance.

II. REVIEW OF LITERATURE

Lakshmi, K. (2009). This study analyses the differences in the capital structure of 1314 Indian companies based on their ownership structure. The ownership structure refers to the distribution of shares between the promoters and institutional investors. The study reveals an inverse correlation between the ownership structure of the variable and its capital structure. This may be due to the fact that the average ownership of promoters in the sample companies is approximately 50%. Therefore, the higher concentration of the promoters' ownership increases the likelihood of risk for the promoters and motivates them to decrease their exposure to financial risk by utilising debt. The ownership of institutional investors and the level of debt are inversely correlated. This could be due to the fact that institutional investors opt to steer clear of enterprises with large levels of debt, as these firms are more likely to face financial risks in the future.

A study conducted by Murtaza and Israel in 2019 examined the productivity of shipping companies in resource allocation. Additionally, they analyse the influence of ownership accumulation on the value of the business. An assessment was conducted on a sample of 126 publicly traded corporations from 1997 to 2016. The study's conclusive findings establish that a high level of ownership concentration has a positive effect on the valuation of a corporation. The two variables, audit category size and board size, have a significant link, suggesting that they have the highest transparency values. "On the other hand, government

ownership is the variable with the lowest level of disclosure to tourism firms. Studies have demonstrated that the makeup of a company's board of directors has a positive influence on its financial performance." The data demonstrates a favourable correlation between corporate openness and many factors such as board size, ratio of audit team members to total board members, family control, CEO duality, business size, profitability, and liquidity. "Ghosh (2019) conducted a study on significant oil price shocks that occurred after World War II, such as the Suez Crisis of 1956-57, the OPEC oil embargo of 1973-1974, and the Iranian Revolution of 1978-1979." The study enhanced the comprehension of economic repercussions resulting from fluctuations in oil prices.

Ariyani et al (2019) state that profitability is a measure of a company's ability to generate profits. This incentive is a goal that ensures a future return as a benefit. If the company's benefit aim aligns with its capacity to increase earnings, it can be inferred that the company operates efficiently. In this section, we will briefly cover the two types of profitability ratios: those that are based on sales and those that are based on spending. The revenue ratio is calculated by dividing the gross profit by the net earnings. Return on assets (ROA) refers to the investment-related return generated by a company's assets. The study conducted by Yudha et al. in 2019 The study examines the occurrence of decreased stock prices in the building and construction subsectors of the Indonesian Stock Exchange, specifically in relation to government infrastructure development.

Harry Tettey Tetteh and colleagues (2020). Assessing the total returns of enterprises and determining if stock returns are affected by changes in the capital structure are crucial in understanding the impact of changes in the capital structure and financial performance. To measure this impact, we used stock returns as the dependent variable and debt to equity, return on equity ratios, and earnings per share as the independent variables. The findings were obtained by applying the regression model to the specified variables. The debt-to-equity ratio, return-on-equity ratio, and earnings per share all positively impact stock returns. The study's findings led to the conclusion that alterations in the capital structure and business performance directly influenced the stock returns. The findings provide assistance to multiple stakeholders, including corporate owners, government entities, investors,

finance professionals, and the academic community. The findings offer backing for owners, particularly stakeholders who own managerial sway in the enterprise. It is crucial to comprehend the process of reducing managers' excessive behaviour, as they allocate business resources towards enhancing the company's value, rather than prioritising the interests of smaller shareholders.

Gurusamy, P. (2021). The objective of the study is to analyse the correlation between the ownership structure and capital structure of manufacturing companies listed on the Bombay Stock Exchange (BSE) in India. The study encompassed a sample of 357 organisations across 16 different sectors from 2006 to 2015. Given the dynamic panel character of the data pertaining to the variables of capital structure and ownership structure. The analysis employs an innovative method of investigating the factors that influence both single equation and reduced equation models. The F test, the Breusch Pagan LM test, and the Hausman Test are run to select the most suitable model. The fixed effect model has yielded a Hausman test result that is superior to the pooled OLS and random effect estimation models. The fixed effects analysis reveals a strong and statistically significant association between size, risk, profitability, and leverage. However, the potential for expansion and the ability to be perceived or understood have little importance. The study revealed that the promoters' ownership and institutional ownership have a detrimental effect on leverage, whereas corporate ownership has a favourable impact on the decision regarding capital structure. Ownership, whether private or public, has a detrimental and strongly correlated impact on the capital structure. Conversely, foreign ownership has an inverse relationship with the firm's leverage.

Nisha Prakash, Aditya Maheshwari, and Aparna Hawaldar (2022). The determination of capital structure is a crucial financial decision for organisations, especially those operating in developing nations. This article aims to ascertain the extent to which the pandemic has influenced the capital structure of enterprises in emerging economies. India, being a renowned emerging economy, is an attractive choice for analysis. "The study employs three leverage ratios inside the BSE500 extended market index, covering the period from 2015 to 2021." The ratios under consideration are the short-term leverage ratio

(STLR), long-term leverage ratio (LTLR), and total leverage ratio (TLR). A dummy variable is used to distinguish between the time periods before the epidemic (2015-2019) and during the pandemic (2020-2021). "Control variables are employed to symbolise company attributes like as growth, tangibility, profit, size, and liquidity. Endogeneity is addressed by using dynamic panel data regression." The results indicate that Covid-19 has had a substantial adverse influence on long-term labour market outcomes (LTLR), but its effect on short-term labour market outcomes (STLR) and total labour market outcomes (TLR) was negligible. The results suggest that enterprises operating in a culturally risk-averse environment, such as India, would decrease their long-term debt in order to prevent bankruptcy during periods of uncertainty. The paper examines the repercussions of the pandemic on Indian corporations. Therefore, it may not be valid to apply the findings to a worldwide environment.

III. OBJECTIVE OF THE STUDY

The primary objective of this paper is to investigate the relationship between capital structure decisions and the financial performance of companies listed on the Bombay Stock Exchange (BSE) during distinct reporting periods governed by Indian Generally Accepted Accounting Principles (IGAAP) and Indian Accounting Standards (Ind AS).

By analyzing empirical data and testing hypotheses, the research seeks to provide insights into the effectiveness of capital structure decisions in maximizing firm profitability and shareholder wealth across distinct accounting regimes.

IV. RESEARCH METHODOLOGY

Research Model: A research model is formulated to explore the relationship between capital structure and financial performance, focusing on ROE and ROA. This model guides the empirical analysis, aiming to uncover insights into capital structure dynamics under different accounting standards.

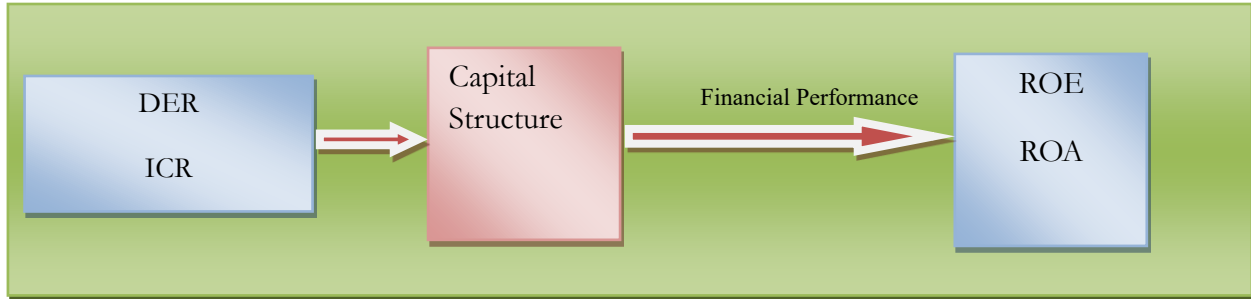
Sample of the Study: The study includes 20 companies listed on the Bombay Stock Exchange (BSE) Sensex index, excluding Banks, NBFCs, Insurance companies, and SMEs due to Ind AS inapplicability.

Data Collection: Data is gathered from audited annual financial statements of selected companies over a six-year period (2013-2019), split into two segments:

2013-2016 (IGAAP) and 2016-2019 (Ind AS) for comparative analysis.

After the careful study of available literature, the following research model is formulated to examine the

relationship between capital structure and financial performance.



- DER=Debt Equity Ratio=Total Debt/ Equity,
- ICR =Interest Coverage Ratio=Earnings before interest and tax/ Interest expense
- DER and ICR have been used as proxies for capital structure.
- ROE=Return on Equity ROA=Return on Assets
ROE and ROA have been used as proxies for measuring financial performance.

Empirical Model:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \alpha, \text{ where}$$

Y=dependent variable

X= independent variable

β_0 =gradient of the equation

β =coefficient of independent variables α =the error term.

Considering the specific independent and dependent variables of the present study, the empirical model will be-

$$ROE = \beta_0 + \beta_1DER + \beta_2ICR + \alpha, \quad (1)$$

$$ROA = \beta_0 + \beta_1DER + \beta_2ICR + \alpha, \quad (2).$$

Hypotheses:

Following hypotheses are formulated for the purpose of the study-

H0₁: The impact capital structure on financial performance (ROE) is not significant during IGAAP period.

H0₂: The impact capital structure on financial performance (ROA) is not significant during IGAAP period.

H0₃: The impact capital structure on financial performance (ROE) is not significant during Ind AS period.

H0₄: The impact capital structure on financial performance (ROA) is not significant during Ind AS period.

V. ANALYSIS AND INTERPRETATION

Descriptive Statistics:

The descriptive statistics provided in Tables 1 and 2 offer a comprehensive snapshot of the financial performance and capital structure dynamics of companies listed on the Bombay Stock Exchange (BSE) during two distinct reporting periods governed by Indian Generally Accepted Accounting Principles (IGAAP) and Indian Accounting Standards (Ind AS) respectively.

Table 1: Descriptive statistics for IGAAP period

	ROE	ROA	DER	ICR
Mean	27.05	14.76	0.51	337
SD	22.60	9.60	0.78	862.53
Max	107.11	30.61	2.63	3835.45
Min	(0.82)	(0.11)	0.0067	1.45
Count	20	20	20	20

During the IGAAP period, the data reveals a robust financial performance among the sampled companies, with an average Return on Equity (ROE) of 27.05%. This indicates that, on average, companies were

generating significant returns on their equity investments. However, this positive performance is accompanied by notable variability, as indicated by the relatively high standard deviation (SD) of 22.60%. A

similar pattern is observed for Return on Assets (ROA), with a mean of 14.76% indicating efficient asset utilization, albeit with variability among companies. The Debt Equity Ratio (DER) shows a moderate level of debt relative to equity, with an

average of 0.51, yet there is notable variability in leverage ratios among the sampled firms. The Interest Coverage Ratio (ICR) portrays a strong ability among companies to cover interest expenses, with a mean of 337, albeit with significant variability.

Table 2: Descriptive statistics for Ind AS period

	<i>ROE</i>	<i>ROA</i>	<i>DER</i>	<i>ICR</i>
Mean	22.65	13.50	0.54	255.97
SD	14.79	9.02	0.81	709.74
Max	74.31	31.73	2.97	3,198.84
Min	2.77	0.80	-	-
Count	20	20	20	20

Transitioning to the Ind AS period, some shifts in financial performance and capital structure metrics become apparent. "The mean ROE slightly decreases to 22.65%, suggesting a marginal decline in profitability compared to the IGAAP period." Similarly, the mean ROA decreases to 13.50%, indicating a slightly lower level of asset efficiency during the Ind AS period. Interestingly, there is a marginal increase in the average DER to 0.54, implying a slightly higher reliance on debt financing relative to equity under Ind AS. However, the most notable change is observed in the mean ICR, which declines to 255.97, suggesting a potentially weaker ability among companies to cover interest expenses on average. The significant variability in interest coverage levels among the sampled companies under Ind AS, as indicated by the high SD of 709.74, highlights the diverse financial positions and strategies adopted by firms during this reporting period.

In summary, the descriptive statistics offer valuable insights into the financial landscape and capital

structure dynamics of BSE-listed companies under different accounting standards. The observed variations in financial performance indicators and capital structure metrics between the IGAAP and Ind AS periods underscore the complex interplay between accounting standards, financial decision-making, and firm performance. These findings lay the groundwork for further analysis and hypothesis testing, aiming to deepen our understanding of the impact of capital structure decisions on financial performance across distinct reporting periods in the Indian capital market.

Correlation Matrix:

The correlation matrices provided in Tables 3 and 4 offer insights into the relationships between the variables of interest, including Return on Equity (ROE), Return on Assets (ROA), Debt Equity Ratio (DER), and Interest Coverage Ratio (ICR), during the IGAAP and Ind AS periods respectively.

Table 3: Correlation Matrix for IGAAP period

Variable	ROE	ROA	DER	ICR
IC	0.099	0.50	(0.24)	1.00
DER	(0.58)	(0.82)	1.00	
ROA	0.78	1.00		
ROE	1.00			

During the IGAAP period, a strong positive correlation of 0.78 between Return on Equity (ROE) and Return on Assets (ROA) suggests that companies with higher returns on equity tend to exhibit higher asset efficiency. This correlation underscores the interconnectedness between profitability and the effective utilization of assets to generate returns, indicating a cohesive financial performance strategy among the sampled companies. Conversely, the negative correlations between ROE and Debt Equity

Ratio (DER), as well as between ROA and DER (-0.58 and -0.82 respectively), highlight a notable inverse relationship. This implies that companies with higher levels of debt relative to equity may face challenges in maintaining high profitability and asset efficiency. However, it's noteworthy that the Interest Coverage Ratio (ICR) does not exhibit a direct correlation with ROA or ROE in the provided matrix, suggesting that interest coverage may not directly influence

profitability or asset efficiency during the IGAAP period.

Table 4: Correlation Matrix for Ind AS period

Variable	ROE	ROA	DER	ICR
IC	0.031	0.20	(0.26)	1.00
DER	(0.45)	(0.73)	1.00	
ROA	0.85	1.00		
ROE	1.00			

Transitioning to the Ind AS period, the correlation matrix reveals similar trends, albeit with some variations. The strong positive correlation of 0.85 between ROE and ROA reaffirms the positive relationship between profitability and asset efficiency observed during the IGAAP period. However, the negative correlation between ROE and DER (-0.45) indicates that companies with higher debt-to-equity ratios may still face challenges in maintaining high returns on equity under Ind AS. Additionally, the absence of a direct correlation between ICR and ROA/ROE suggests that interest coverage may not directly influence financial performance during this reporting period.

The correlation matrices provide valuable insights into the interplay between capital structure decisions and financial performance metrics in the context of different accounting standards. The consistent positive relationship between ROE and ROA underscores the importance of profitability management in enhancing overall financial performance. "Furthermore, the observed correlations between profitability metrics and capital structure metrics highlight the potential impact of leverage on firm profitability, albeit with variations across reporting periods." These findings contribute to a deeper understanding of the complex dynamics between capital structure decisions and financial performance, aiding firms in making informed strategic decisions amidst evolving regulatory environments and market conditions.

Regression Analysis Results:

Regression analysis has been used to test the impact of capital structure on financial performance of BSE listed companies. The results of regression analysis as per the models formulated and mentioned above have been summarized below-

Table 6: Regression analysis between capital structure and ROE: (IGAAP period)

Term	Coefficients	Standard Error	tStat	P-value
ICR	(0.00141)	0.005751	(0.24515)	0.809274216>0.05

Regression analysis on impact of capital structure on financial performance (ROE and ROA) during IGAAP period.

Table 5: Collinearity Test

Independent Variables	VIF
ICR	1.04
DER	1.04

The collinearity test results provided in Table 5 indicate the presence of multicollinearity between the independent variables, specifically the Interest Coverage Ratio (ICR) and the Debt Equity Ratio (DER), during the IGAAP period regression analysis. The Variance Inflation Factor (VIF) values of both variables are close to 1.04, which is well below the commonly accepted threshold of 10 for detecting multicollinearity. This suggests that there is no significant multicollinearity issue between ICR and DER in the regression model.

Multicollinearity occurs when independent variables in a regression model are highly correlated with each other, which can lead to unstable estimates of the regression coefficients and reduce the reliability of the regression analysis results. However, in this case, the VIF values close to 1.04 indicate that the independent variables are not strongly correlated, and therefore, multicollinearity is not a concern.

The absence of multicollinearity between ICR and DER in the regression model implies that these variables contribute unique information to the analysis of the impact of capital structure on financial performance (ROE and ROA) during the IGAAP period. Researchers can have confidence in the reliability of the regression analysis results and can interpret the regression coefficients accurately to understand the relationship between capital structure decisions and financial performance indicators in the context of BSE-listed companies during the IGAAP reporting period.

Intercept	34.66713	6.286105	5.514882	3.78735E-05
DER	(13.945)	6.386493	(2.18351)	0.043305165<0.05
R	0.47			
R ²	0.22			
Adjusted R ²	0.13			

During the IGAAP period, Table 6 reveals that the coefficient for the Interest Coverage Ratio (ICR) in the regression model for ROE is negative (-0.00141), although statistically insignificant with a p-value greater than 0.05. This suggests that the ability to cover interest expenses does not significantly influence ROE during this reporting period. However, the coefficient for the Debt Equity Ratio (DER) is statistically

significant at a p-value of 0.043, indicating a negative relationship with ROE. Companies with higher levels of debt relative to equity tend to experience lower ROE, reflecting potential financial risk and reduced profitability. The regression model's R-squared value of 0.22 indicates that approximately 22% of the variability in ROE can be explained by the independent variables included in the model.

Table 7: Regression analysis between capital structure and ROA: (IGAAP period)

Term	Coefficients	Standard Error	tStat	P-value
ICR	0.001887	0.001845	1.022365	0.320937597>0.05
Intercept	18.48655	2.016895	9.165849	5.46317E-08
DER	(8.51385)	2.049105	(4.15491)	0.00066314<0.05
R	0.75			
R ²	0.56			
Adjusted R ²	0.50			

Similarly, Table 7 shows the results of the regression analysis for ROA during the IGAAP period. The coefficient for ICR is positive (0.001887) but not statistically significant, indicating that the ability to cover interest expenses does not significantly impact ROA. In contrast, the coefficient for DER is statistically significant at a p-value of 0.000663,

indicating a negative relationship with ROA. Companies with higher levels of debt relative to equity tend to have lower asset efficiency, as reflected by ROA. The regression model's R-squared value of 0.56 suggests that approximately 56% of the variability in ROA can be explained by the independent variables.

Table 8: Regression analysis between capital structure and ROE: (Ind AS period)

Term	Coefficients	Standard Error	tStat	P-value
ICR	8.2E-05	0.004726	0.017361	0.986351>0.05
Intercept	26.77984	4.222257	6.342541	7.36E-06
DER	(7.70629)	4.150354	(1.85678)	0.080757<0.05
R	0.42			
R ²	0.18			
Adjusted R ²	0.08			

Transitioning to the Ind AS period, Tables 8 and 9 present the regression analysis results for ROE and ROA respectively. Interestingly, during this period, the coefficients for both ICR and DER are not statistically significant for both ROE and ROA, indicating that neither the ability to cover interest expenses nor the level of debt relative to equity significantly influence financial performance under Ind AS. However, it is

noteworthy that the coefficient for DER in the regression model for ROA is statistically significant at a p-value of 0.002618, suggesting a negative relationship. The R-squared value of 0.46 for ROA indicates that approximately 46% of the variability in ROA can be explained by the independent variables included in the model.

Table 9: Regression analysis between capital structure and ROA: (Ind AS period)

Term	Coefficients	Standard Error	tStat	P-value
ICR	0.001452	0.002325	0.624306	0.540715>0.05
Intercept	17.00303	2.077395	8.184786	2.67E-07
DER	(7.19141)	2.042018	(3.52172)	0.002618<0.05
R	0.68			

R ²	0.46
Adjusted R ²	0.40

Overall, these regression analysis results highlight the nuanced relationships between capital structure decisions and financial performance indicators across different accounting standards. While leverage appears to significantly impact financial performance

during the IGAAP period, its influence becomes less pronounced under Ind AS. This underscores the importance of considering the broader regulatory and accounting context when assessing the impact of capital structure on firm performance.

Table 10: Testing of Hypotheses

No.	Tools	Hypotheses	Result
H0 ₄	Regression	The impact capital structure on financial performance (ROA) is not significant during Ind AS period.	Partially Accepted
H0 ₃	Regression	The impact capital structure on financial performance (ROE) is not significant during Ind AS period.	Partially Accepted
H0 ₂	Regression	The impact capital structure on financial performance (ROA) is not significant during IGAAP period.	Partially Accepted
H0 ₁	Regression	The impact capital structure on financial performance (ROE) is not significant during IGAAP period.	Partially Accepted

The hypotheses regarding the impact of capital structure on financial performance during both the IGAAP and Ind AS reporting periods were tested using regression analysis. For the hypotheses related to the Ind AS period (H0₃ and H0₄), it was found that the impact of capital structure on financial performance, measured by both Return on Equity (ROE) and Return on Assets (ROA), was partially accepted. This suggests that while capital structure decisions may have some influence on financial performance during the Ind AS period, the relationship is not statistically significant for all variables tested.

Similarly, for the hypotheses related to the IGAAP period (H0₁ and H0₂), the results also indicate a partial acceptance. This means that during the IGAAP period, the impact of capital structure on financial performance, as measured by both ROE and ROA, is not statistically significant. While there may be some association between capital structure decisions and financial performance indicators, it is not strong enough to be considered significant within the context of the IGAAP reporting standards.

Overall, these findings suggest that while capital structure decisions may play a role in influencing financial performance, their impact is nuanced and may vary depending on the accounting standards in place. These results emphasize the complexity of the relationship between capital structure and financial performance and highlight the importance of considering broader contextual factors when analyzing firm performance in the dynamic landscape of corporate finance.

VI. CONCLUSION

In conclusion, this study delved into the intricate dynamics of capital structure decisions and their impact on the financial performance of companies listed on the Bombay Stock Exchange (BSE) across distinct reporting periods governed by Indian Generally Accepted Accounting Principles (IGAAP) and Indian Accounting Standards (Ind AS). "Through a comprehensive analysis involving regression models, correlation matrices, and hypothesis testing, several key findings emerged." Firstly, the analysis revealed that during the IGAAP period, capital structure decisions, particularly the Debt Equity Ratio (DER), significantly influenced financial performance indicators such as Return on Equity (ROE) and Return on Assets (ROA). Higher levels of debt relative to equity were associated with lower profitability and asset efficiency, highlighting the potential risks and challenges posed by excessive leverage under the IGAAP framework.

However, as the study transitioned to the Ind AS period, the relationship between capital structure and financial performance became less pronounced. While some associations between capital structure metrics and financial performance indicators were observed, they were not statistically significant for all variables tested. This suggests that under the Ind AS reporting standards, the impact of capital structure decisions on firm performance may be mitigated or influenced by other contextual factors, warranting further investigation into the underlying dynamics at play.

Overall, this research contributes to the scholarly discourse on capital structure decision-making by shedding light on the evolving nature of the relationship between capital structure and financial performance within the dynamic landscape of the Indian capital market. The findings underscore the importance of considering broader contextual factors, including regulatory frameworks and accounting standards, when analyzing the impact of capital structure decisions on firm performance. By providing insights into the efficacy of different funding strategies in maximizing firm profitability and shareholder wealth across distinct reporting periods, this study offers valuable implications for practitioners, policymakers, and researchers seeking to navigate the complexities of corporate finance in the evolving global economy.

REFERENCE

- [1]. Al Salamat, W. A., & Mustafa, H. H. (2016). The impact of capital structure on stock return: Empirical evidence from Amman stock exchange. *International Journal of Business and Social Science*, 7.
- [2]. Andersson, M. (2016). The effects of leverage on stock returns.
- [3]. Ariyani, H. F., Pangestuti, I. R. D., & Raharjo, S. T. (2019). The Effect Of Asset Structure, Profitability, Company Size, And Company Growth On Capital Structure (The Study Of Manufacturing Companies Listed On The Idx For The Period 2013-2017). *Jurnal Bisnis Strategi*, 27(2), 123-136.
- [4]. Balouei, E., Anvary Rostamy, A. A., Sadeghi Sharif, S. J., & Saedi, A. (2018). The impacts of financial structure on financial performance of banks listed in Tehran Stock Exchange: An empirical application. *Advances in Mathematical Finance and Applications*, 3(3), 11-26.
- [5]. Bambang, B. S., & Mukhtaruddin, M. (2015). Intellectual capital, firm value and ownership structure as moderating variable: Empirical study on banking listed in Indonesia Stock exchange period 2009-2012. *Asian Social Science*, 11(16), 1-12.
- [6]. Cho, S. J., Chung, C. Y., & Young, J. (2019). Study on the Relationship between CSR and Financial Performance. *Sustainability*, 11(2), 343.
- [7]. Ghosh, T. P. Economic Diversification and the State of Oil Dependency of UAE Stock Returns- An Analysis of ADX Indices 2014-2019.
- [8]. Gurusamy, P. (2021). Corporate Ownership Structure and Its Effect on Capital Structure: Evidence from BSE Listed Manufacturing Companies in India. *IIM Kozhikode Society & Management Review*, 0(0). <https://doi.org/10.1177/2277975220968305>
- [9]. Harry Tettey Tetteh, Frank Asante Bediako, Mrinal Jha, Rohit Bansal and Suresh Kumar Kashyap (2020). The Impact of Capital Structure and Financial Performance on Stock Returns in India: A Review. *Biosc.Biotech.Res.Comm. Special Issue Vol 13 No 15 (2020) Pp-47-50*. <https://bbrc.in/wp-content/uploads/2021/04/009-THE-IMPACT-OF-CAPITAL.pdf>
- [10]. Hossain, A. T., & Nguyen, D. X. (2016). Capital structure, firm performance and the recent financial crisis. *Journal of Accounting and Finance*, 16(1).
- [11]. Lakshmi, K. (2009). Ownership Structure and Capital Structure: Evidence from Indian Firms. *SSRN Electronic Journal*. 10.2139/ssrn.1344113. https://www.researchgate.net/publication/228252470_Ownership_Structure_and_Capital_Structure_Evidence_from_Indian_Firms
- [12]. Murtaza, S., & Azam, I. (2019). The Relationship between Ownership Structure and Capital Structure: Evidence from Chemical Sector of Pakistan. *SEISENSE Journal of Management*, 2(4), 51-64.
- [13]. Nisha Prakash, Aditya Maheshwari and Aparna Hawaldar (2022). The impact of Covid-19 on the capital structure in emerging economies: evidence from India. *Asian Journal of Accounting, Research* Vol. 8 No. 3, 2023 pp. 236-249. https://repository.uel.ac.uk/download/09ce44d96d067d3f914f6b79d647e6d4ec32bb68fa85a28ce231c3c949a9a8e0/257008/10-1108_AJAR-05-2022-0144.pdf
- [14]. Talwar, S. (2020). Dynamics of Firm Value, Financial Performance, Leverage, and Governance: A Panel Data Analysis of Listed

Indian Firms. International Journal of Business, 19(2), 131-149.

- [15]. Yudha, K., Sri, H., & Ahmad, M. T. N. (2019). the Impact of Financial Performance and Macroeconomics on the Stock Returns of the Company in Construction and Building Subsectors. Russian Journal of Agricultural and Socio-Economic Sciences, 86(2).