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A STUDY ON CAPITAL STRUCTURE AND PROFITABILITY: EVIDENCE FROM TEXTILE INDUSTRY IN INDIA

Dr. N. S. PANDEY[1], Dr. B.B. MANSURI[2], Dr. MEENU PANDEY[3], S. VASANTHARAJAN[4]

[1]Assistant Professor (Selection Grade) ,P.G & Research Department of Commerce, Kanchi Mamunivar Centre For Post Graduate Studies, PUDUCHERRY (India)

[2]Professor, Women's College, A.M.U.Aligarh (India)

[3]FCS and Company Secretary, Stellar Group of Companies, NOIDA- INDIA.

[4]Research Scholar, P.G & Research Department of Commerce, Kanchi Mamunivar Centre For Post Graduate Studies , PUDUCHERRY (India)

Abstract: **This paper seeks to study on Capital Structure (CS) and Profitability (P) of Textile Industry in India.. The objectives of this paper to examine the factors affecting (CS) and (P). This study is to find out relationship between (CS) and (P) of textile industry. 27Textile Industry have been considered for the analysis. The period of has been considered for 10 years from 2005-06 to 2014-15. Descriptive statistics, Regression analysis and correlation analysis have been used as statistical tools. Four independent variables (DER, STD, LTD, and ICR) and three dependent variables (ROA, ROE, and ROCE) have been tested using regression analysis. The study found that factors such as Capital Structure (DER, STD, LTD, and ICR) have significant impact on profitability of the textile firm in India during the period of study.**

Keywords: **Capital Structure, Profitability, Return on Assets, Return on Equity, Return on Capital Employed. Textile Industry. Capital Structure Ratio.**

1. INTRODUCTION

No one can overlook the necessity of funds in a business unit either a retail shop or a large manufacturing concern. Cash is the only common factor in all small and large business units. Thus money management is must that is generally known as financial management. Proper management of invested funds in a business results in effective financial management. Every business unit needs funds for two purposes: for establishment and to run its day to day operations. These funds are known as working capital. In simple words working capital management refers to all asp ect of current assets and current liabilities. The management of a working capital is of great importance not less that the importance of management of fixed capital.

2. CAPITAL STRUCTURE

Capital structure is critical one among all the aspects of capital investment decision since firm's performance is affected by such determinations. So while deciding about capital structure proper attention and care must be paid. **CS** is essential component of balance sheet indeed **CS** is part of financial structure actually **CS** of an enterprise is combination of long term debt, equity and preference shares . Capital structure decision is perhaps the key strategic decision that has occupied much of the time and attention of academicians and managers alike. Important as it is for the survival and growth of the firms it also remains one of the most controversial subjects in the word of finance. Capital structure decision refers to the proportion of debt and equity and finding out whether there is a capital structure that can be said to be optimum for the shareholder of the firm.

The following reviews have been taken into consideration for this study:

Lee *et al.* (1983) this paper entitle *"Screening market signalling, and capital structure theory"* developed an equilibrium model in which informational asymmetries about the qualities of products offered for sale were resolved through a mechanism which combines the signalling and costly screening approaches. The paper concluded that the firm's optimal choices of debt-equity ratio and debt maturity structure subsequently signaled to prospective shareholders the relevant parameters of the firm's earnings distribution.

Pinger and Wilbricht (1989) in the study entitled *"What mangers think of capital structure: A survey"* analyzed based on 179 firms responses received from 176 firms chosen out of the list of fortune 500 firms for 1986, out of which, 121 firms indicated that they follow a financing hierarchy, while 47 indicated that they seek to maintain a target capital structure. The financing hierarchy showed that the mangers first prefer internal equity (retained earnings) for financing new projects. The next priority goes to straight debt, convertible debt, external common equity, straight preferred stock and convertible preferred stock in a sequence. So the projected cash flow the asset is the major determinant of the choice of the mangers among various sources of capital, leading to conclude that corporate managers are more likely to follow a financing hierarchy than to maintain a target debt-equity ratio. **Allen and Mizuno (1989)** in the paper entitled *"The Determinants of corporate capital structure: Japanese evidence"* result revealed that the determinants of capital structure of 125 Japanese industrial and commercial companies drawn from 14 different industries for the period of 1980-83. The explanatory variables such as risk, growth, profitability, non-debt tax shield and dividend pay-out is considered for this study and the regression result suggested that the profitability showed significant and negative relationships with both book and market value based debt ratios: The sample size of the study and the profitability, risk, non-debt tax shield and dividend pay-out ratio were also significant in industry effects. **Raymar (1991)** in the study titled *"A model of capital structure when earnings are mean-reverting"* developed a multi period model of optimal CS under the assumption that earning follow an autoregressive process. The reversion parameter of the earnings series was shown to be positively related to various measures of variability and negatively related to leverage. The study stated that if earning processes are not homogeneous across firms, then standard earnings risk measure in CS studies do not adequately represent cross-sectional difference in variability in firm's value. **Pandey (2001)** observed in the study titled *"Capital Structure and the firm Characteristics: Evidence from an Emerging Market"* examined the determinants of capital structure of Malaysian companies utilizing data from 1984 to 1999. The results of regression show that profitability, size, growth, risk and tangibility have significant influence on all types of debt (Short, Long, and Total debt). It also found that the investment opportunity (market-to book value ratio) has no significant impact on debt policy in the emerging market of Malaysia and profitability has a persistent and consistent negative relationship with all types of debt ratios in all periods and under all estimation methods and results are based on pecking order theory.

Chui *et al.* (2002) in a study entitled *"The determination of capital structure: Is national cultural a missing piece to the puzzle?"* suggested that national cultural affects corporate Capital structure. The empirical hypotheses were tested against a sample of 5591 firms across 22 countries. Results showed that countries with high scores on the cultural dimensions of "conservation" and "mastry" tend to have lower corporate debt ratios. The effects are strong and remain significant even after accounting for difference in economic performance, legal system, financial institutions, and some other well-known determinants of debt ratios. **Kumar (2005)** in his study entitled *"Capital structure and corporate governance"* focused on the relationship between ownership structure and capital structure by using the firm-level panel data of 2251 listed firms from India. The study found that there is significant impact of ownership structure of the firms. The institutional investors have a positive linear effect and group firms are found to have significantly higher debt level. It also found that foreign and institutional owners have played significant role in the firm's capital structure choice and their impact in non-linear positive in debt levels. Tangibility has positive and highly significant impact on debt level. Return on assets has a negative and significant impact on firm debt level it shows that younger firms rely on more debt than equity. **Hovey (2007)** in the study titled *"Leverage, profitability and the ownership structure of listed firms in China"* examined the relationship between leverage, profitability and the ownership structure of Chinese firms. The study found that foreign ownership has a significant relationship with the leverage whereas there is no significant relationship between institutional ownership, state ownership and private holding and the capital structure. The results also suggest that the profitability, growth opportunities, size, age and non-debt tax shield are also have a significant relation with capital structure.

Kaur and Rao (2009) in entitled *"Determinants of capital structure: experience of Indian cotton textile industries"* helps to identify the important determinant variables that affect the debt-equity choice of the companies through

regression analysis and also to examine the applicability of trade-off and pecking order theory with the sample size of 78 profit making cotton textile companies during the period from 2003-04 to 2007-08 from the CMIE database. The study inferred that profitability, growth opportunities, liquidity and business risk are the most important determinants. Firms size and assets structure were not found to be statistically significant at any level. They results are applicable to the trade-off theory rather than pecking order theory. **Vashishtha and Kumar (2010)** the paper titled *"Determinants of capital structure: empirical evidence from BSE 500 companies"* revealed that the determinants of capital structure of Indian firms during the period 2000-2008. The study suggested that the profitability, liquidity, no debt tax shield, risk and free cash flow are negatively related to the leverage while growth opportunities, firm size and tangibility of asset exhibit a positive relationship with leverage. Although the results of the study partially support to the pecking order theory and the trade-off theory. **Yusuf and Onafalujo (2011)** in their article titled *"Capital structure and profitability of quoted firms: The Nigerian perspective (2000-2011)"* The study investigates the relationship between capital structure and profitability of conglomerate, consumer goods, and financial services firms quoted in Nigeria Stock Exchange. In this paper, the sample data collected from the ten randomly selected firms among the three industries were taken from 2000 to 2011. This companies a sample size of 120 used for the study used Return on Assets (ROA) and Return on Equity (ROE) as performance proxies. In addition, debt equity ratio (DER) and debt asset ratio (DAR) were used as capital structure proxies. The relationship between the performance and capital structure proxies were analyze using correlation coefficient and regression techniques. The study recommends that firms that want to maximize shareholders wealth should increase their leverage while firms that ensure stakeholders performance should increase their assets. Conclusively, a mix of the firm's leverage and assets at an appropriate ratio will be considered a good capital structure for the firms. **Sbeti and Moosa (2012)** in their paper *"Firm Specific factor as determinants of capital Structure in the absence of taxes"* examined the determinants of capital structure in a tax –free environment of 5- Kuwaiti shareholding companies. The leverage has taken as dependent variable and the firm size, liquidity, profitability, tangibility, growth, pay-out ratio, share price performance and age to be considered as independent variables. The results are supportive to the pecking order theory than the trade-off theory. Which indicate that growth opportunity and profitability are important determinants in determining capital structure.

Objectives of the study

- To study the Impact of Capital Structure and Profitability.
- To find out the factors influencing CS of select firms on assets size and business revenue.
- To analyze e the relationship between Capital Structure and Profitability.

Hypotheses of the study

H_0^1: There is no significant impact of Debt to Equity Ratio on ROA.

H_0^2: There is no significant impact of Short Term Debt and ROA

H_0^3: There is no significant impact of Long term Debt and ROA.

H_0^4: There is no significant impact of Interest Coverage Ratio on ROA.

H_0^5: There is no significant impact of Debt to Equity Ratio on ROE.

H_0^6: There is no significant impact of Short term Debt on ROE.

H_0^7: There is no significant impact of Long term Debt on ROE.

H_0^8: There is no significant impact of Interest Coverage Ratio on ROE.

H_0^9: There is no significant impact of Debt to Equity Ratio on ROCE.

H_0^{10}: There is no significant impact of Short term debt on ROCE.

H_0^{11}: There is no significant impact of Long term debt on ROCE.

H_0^{12}: There is no significant impact of Interest Coverage Ratio on ROCE.

H_0^{13}: There is no significant relationship between Capital Structure (DTER, STD, LTD, ICR) and Profitability (ROA, ROE, ROCE).

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3. RESEARCH METHODOLOGY

Types of Data

Secondary data has been used in this study.

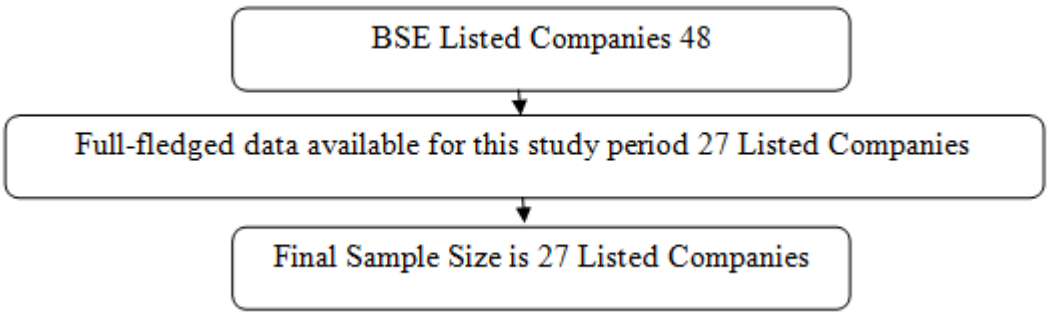
Source of Data

For the purpose of this study, secondary data have been collected from annual reports of the companies listed in National Stock Exchange. The reason for choosing this source is primarily due to the better reliability of the financial statements and data base from www.moneycontrol.com Due to time constraints, only textile industry has been selected for the research.

Sampling Design

National Stock Exchange (NSC) listed Textile Industry in India. The 27 companies are having Full-fledged data available in out of the 48 listed Companies. The final Sample Size is 27 companies.

Multistage Sampling Technique



4. RESEARCH DESIGN

In this research, Capital structure is an independent variable. Capital Structure has traditionally used the Debt Equity Ratio (DER), Short Term Debt (STD), Long Term Debt (LTD), and Interest Coverage Ratio (ITR). In this research, Profitability ratios in this study are included Return on Assets (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE)

Table 1: Analysis and Interpretation of Textile Industry in India

Variables	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
ROA	0.19	0.18	0.14	0.12	0.18	0.17	0.14	0.14	0.18	0.18
ROE	0.69	0.55	0.40	0.33	0.39	0.74	0.25	0.53	0.52	0.58
ROCE	0.46	0.49	0.31	0.22	0.61	0.39	0.28	0.35	0.40	0.42
DER	1.39	1.56	2.11	1.74	1.76	2.35	2.40	1.68	1.35	1.42
STD	0.24	0.22	0.22	0.26	0.26	0.30	0.27	0.32	0.31	0.31
LTD	0.49	0.52	0.54	0.57	0.55	0.51	0.52	0.48	0.45	0.44
ICR	5.41	5.32	3.71	2.36	3.67	6.00	5.06	5.49	5.23	4.01

Source: *Computed results based on compiled data collected from Money Control.*

The analysis of data for studying Capital Structure in different sample units of Textile industry was carried out by using Return on Assets, Return on Equity and Return on Capital Employed (Profitability), Debt Equity Ratio (DER), Short Term Debt (STD), Long Term Debt (LTD), Interest Coverage Ratio (ICR) The result of these analyses is presented.

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Table 2: Descriptive Statistics of Textile Industry in India

Variables	N	Minimum	Maximum	Mean	Std. Deviation
DTER	27	.06	13.58	1.8814	2.54191
STD	27	.01	3.32	.4610	.73976
LTD	27	.01	7.14	1.0400	1.83268
ICR	27	-79	24.16	4.8131	7.37392
ROA	27	.00	1.93	.2821	.47782
ROE	27	.00	3.68	.4928	.66424
ROCE	27	-3.16	.53	.0332	.73003

Source: Computed results based on compiled data collected from Money Control.

The descriptive statistics shows in Table 2 that **ICR** has the highest mean value and it indicates that the company's Interest Coverage Ratio is high when comparing to other variables this industry. The next highest mean value Debt to Equity. **ICR** is higher in Standard Deviation, representing that the firm positively. **DTER** is a next highest standard deviation but **ROA** having low standard Deviation from the mean value representing that there is not much variation in the level of all capital structure and Profitability.

Correlation of Textile Industry in India

The descriptive statistics show the Capital Structure measures and its variations among the firms in sample industry. The correlation analysis is done to analyze the association between the Capital Structure components and profitability. To examine the relationship among these variables, Pearson correlation coefficients are calculated.

Table 3: Correlations Table

		DER	STD	LTD	ICR	ROA	ROE	ROCE
DER	PearsonCorrelation	1						
	Sig (2-tailed)							
STD	Pearson Correlation	.322	1					
	Sig (2-tailed)	.102						
LTD	Pearson Correlation	.621**	.928**	1				
	Sig (2-tailed)	.001	.000					
ICR	Pearson Correlation	-.283	-.128	-.175	1			
	Sig (2-tailed)	.153	.525	.384				
ROA	Pearson Correlation	.607**	.904**	.986**	-.072	1		
	Sig (2-tailed)	.001	.000	.000	.723			
ROE	Pearson Correlation	.977**	.321	.621**	-.161	.639**	1	
	Sig (2-tailed)	.000	.103	.001	.422	.000		
ROCE	Pearson Correlation	-.781**	-.726**	-.897**	.062	-.891**	-.801**	1
	Sig (2-tailed)	.000	.000	.000	.760	.000	.000	

** Correlation is significant at the 0.01 level (2-tailed)

Shows that the above mentioned table indicates the relationship between the various independent and dependent variables used in the study. ***H_0^{13}: "There is no significant relationship between Capital Structure and Profitability (ROA, ROE, and ROCE)".*** It explains that the correlation between DER, ROA and ROE shows a positive correlation. The correlation between STD, ROA, and ROE shows a positive correlation and ROCE is a negative correlation. The correlation between LTD, ROCE is negative correlation. The correlation between ICR, ROCE is positive correlation which means increase in ICR and decrease in ROCE at 1% level.

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Table 4: Regression result of Textile industry in India

Regression Results of DER on ROA of Textile Industry in India from 2006 to 2015

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
ROA	.067	.093		.722	.477
DTER	.114	.030	.607	3.819	.001
R^2					.368
Adjusted R^2					.343
F Static					14.582
Durbin-Watson					1.659

Regression Results of STD on ROA of Textile Industry in India from 2006 to 2015

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
ROA	0.13	0.47		.269	.790
STD	.584	0.55	.904	10.603	.000
R^2					.818
Adjusted R^2					.811
F Static					112.432
Durbin-Watson					1.892

Sources: Computed results based on complied data collected from NSE

Regression Results of LTD on ROA of Textile Industry in India from 2006 to 2015

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
ROA	.015	0.18		.809	.426
LTD	.257	.009	.986	29.139	.000
R^2					.971
Adjusted R^2					.970
F Static					849.099
Durbin-Watson					2.084

Sources: Computed results based on complied data collected from NSE

Regression Results of ICR on ROA of Textile Industry in India from 2006 to 2015

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
ROA	.304	.112		2.709	0.12
ICR	.005	.013	-.072	-.359	.723
R^2					.005
Adjusted R^2					-0.35
F Static					.129
Durbin-Watson					1.968

Sources: Computed results based on complied data collected from NSE

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Regression Results of DER on ROE of Textile Industry in India from 2006 to 2015

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
ROE	.013	.035		.359	.723
DTER	.255	.011	.977	22.867	.000
R^2					.954
Adjusted R^2					.953
F Static					522.910
Durbin-Watson					1.593

Sources: Computed results based on complied data collected from NSE

Regression Results of STD on ROE of Textile Industry in India from 2006 to 2015

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
ROE	.360	.146		2.462	.021
STD	.288	.170	.321	1.692	.103
R^2					.103
Adjusted R^2					.067
F Static					2.862
Durbin-Watson					1.951

Sources: Computed results based on complied data collected from NSE

Regression Results of LTD on ROE of Textile Industry in India from 2006 to 2015

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
ROE	.259	.118		2.192	.038
LTD	.225	.057	.621	3.962	.001
R^2					.386
Adjusted R^2					.361
F Static					15.697
Durbin-Watson					1.715

Sources: Computed results based on complied data collected from NSE

Regression Results of ICR on ROE of Textile Industry in India from 2006 to 2015

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
ROE	.563	.155		3.641	.001
ICR	-.015	.018	-.161	-.816	.422
R^2					.026
Adjusted R^2					-0.13
F Static					.666
Durbin-Watson					1.995

Sources: Computed results based on complied data collected from NSE

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Regression Results of DER on ROCE of Textile Industry in India from 2006 to 2015

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
ROCE	.455	.112		4.067	.000
DTER	-.224	.036	-781	-6.261	.000
R^2					.611
Adjusted R^2					.595
F Static					39.195
Durbin-Watson					1.024

Sources: Computed results based on complied data collected from NSE

Regression Results of STD on ROCE of Textile Industry in India from 2006 to 2015

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
ROCE	.364	.117		3.116	.005
STD	-.717	.136	-.726	-5.281	.000
R^2					.527
Adjusted R^2					.508
F Static					27.888
Durbin-Watson					1.763

Sources: Computed results based on complied data collected from NSE

Regression Results of LTD on ROCE of Textile Industry in India from 2006 to 2015

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
ROCE	.405	.073		5.533	.000
LTD	-357	.035	-.897	-10.145	.000
R^2					.805
Adjusted R^2					.797
F Static					102.911
Durbin-Watson					1.810

Sources: Computed results based on complied data collected from NSE

Regression Results of ICR on ROCE of Textile Industry in India from 2006 to 2015

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
ROE	.004	.172		0.23	.982
ICR	.006	.020	0.62	.309	.760
R^2					.004
Adjusted R^2					-.036
F Static					.095
Durbin-Watson					1.717

Sources: Computed results based on complied data collected from NSE

- DER has significant positive co-efficient (3.819) on ROA R^2 0.343. The overall regression model represented by R^2 is at 37% of the changes in ROA. F statistics (14.582) is significant at 1% level indicating that the variance in the response variable in significantly explained by the variance in the predictor variable.

H_0^1*: "There is no significant impact of debt equity Ratio on Return on Assets"* at 1% level .therefore it is decided that debt equity ratio has a significant impact on ROA.

- STD has significant positive co-efficient (10.603) on ROA R^2 0.811. The overall regression model represented by R^2 is at 82% of the changes in ROA. F statistics (112.432) is significant at 1% level indicating that the variance in the response variable in significantly explained by the variance in the Predictor variable.

H_0^2: ***"There is no significant impact of short term debt on Return on Assets"*** at 1% level. Therefore it is concluded that short term debt has a significant impact on ROA.

- LTD has significant positive co-efficient (29.139) on ROA R^2 .970 the overall regression model represented by R^2 is at 97% of the changes in **ROA**. F statistics (849.099) is significant at 1% level indicating that the variance in the response variable in significantly explained by the variance in the Forecaster variable.

H_0^3: ***"There is no significant impact of Long term debt on Return on Assets"*** significant at 1% level therefore it is resulted that Long Term Debt has significant impact of ROA.

- ICR has non-significant negative co-efficient (-0.359) on ROA R^2 -0.35 .the overall regression model represented by R^2 is at 5% of the changes in ROA. F statistics (.129) is non-significant at indicating that the variance in the response variable in non-significantly explained by the variance in the analyst variable.

H_0^4: ***"There is no significant impact of Interest coverage ratio on Return on Assets".*** Not significant at 1% level Therefore it is decided that ICR has no significant impact on ROA.

- DER has significant positive co-efficient (22.867) on ROE R^2 0.954. The overall regression model represented by R^2 is at 95% of the changes in ROE. F statistics (522.910) is significant at 1% level indicating that the variance in the response variable in significantly explained by the variance in the Predictor variable.

H_0^5: *"There is no significant impact of debt to equity ratio on Return on Equity"* significant at 1% level therefore it is inferred that Debt to equity ratio has significant impact of ROE.

- STD has non-significant co-efficient (1.692) on ROE R^2 .067. The overall regression model represented by R^2 is at 10% of the changes in ROE. F statistics (2.862) is significant at 1% level indicating that the variance in the response variable in significantly explained by the variance in the Predictor variable.

H_0^6: ***"There is no significant impact of short term debt on Return on Equity". "***.is rejected at 1% level Therefore it is concluded that short term debt does not have impact of ROE.

- LTD has significant positive co-efficient (3.962) on ROE R^2 .361 .the overall regression model represented by R^2 is at 37% of the changes in ROE. F statistics (15.697) is significant at 1% level indicating that the variance in the response variable in significantly explained by the variance in the Predictor variable.

H_0^7*: "There is no significant impact of Long term debt on Return on Equity"* .is rejected at 1% level Therefore it is inferred that Long Term Debt has significant impact on ROE.

- ICR has non-significant negative co-efficient (- .816) on ROE with negative Adjusted R^2 -0.13 .the overall regression model represented by R^2 is at .26% of the changes in ROE. F statistics (.666) is non-significant indicating that the variance in the response variable in non-significantly explained by the variance in the Predictor variable.

H_0^8: "There is no significant impact of Interest Coverage Ratio on Return on Equity" is accepted at 1% level***".*** Therefore it is inferred that ICR does not impact on ROE.

- **DER** has significant positive co-efficient (-6.261) on **ROCE** R^2 0.595. The overall regression model represented by R^2 is at 61% of the changes in **ROCE**. F statistics (39.195) is significant at 1% level indicating that the variance in the response variable is significantly explained by the variance in the Predictor variable.

H_0^9: "there is no significant impact of Debt Equity Ratio on Return on Capital Employed" is rejected at 1% level therefore it is decided that debt equity has a significant impact on ROCE.

- STD has significant negative co-efficient (-5.281) on ROCE R^2 .508 the overall regression model represented by R^2 is at 53% of the changes in ROCE. F statistics (27.888) is significant at 1% level indicating that the variance in the response variable in significantly explained by the variance in the predictor variable.

H_0^{10}: "There is no significant impact of Short term debt on Return on Capital Employed" is rejected at 1% level therefore it is resulted that short term debt has a significant impact on ROCE.

LTD has significant negative co-efficient (-10.145) on **ROCE**.**H_0^{11}: *"There is no significant impact of Long term debt on Return on Capital Employed"*** is rejected at 1% level: with Adjusted R^2 0.797 .the overall regression model represented by R^2 is at 81% of the changes in **ROCE**. F statistics (102.911) is significant at 1% level indicating that the variance in the response variable in significantly explained by the variance in the predictor variable.

H_0^{11}: *"There is no significant impact of Long term debt on Return on Capital Employed"* is rejected at 1% level therefore it is inferred that long term debt has a significant impact on ROCE

- **ICR** has non-significant positive co-efficient (.309) on **ROCE** with negative Adjusted R^2 -0.36 .the overall regression model represented by R^2 is at 4% of the changes in **ROE**. F statistics (.095) is non-significant at 1% level indicating that the variance in the response variable in non-significantly explained by the variance in the predictor variable.

H_0^{12}: ***"There is no significant impact of Interest coverage Ratio on Return on Capital Employed"*** is accepted at 1% level Therefore, it is conclude that Interest coverage ratio does not have impact on ROCE.

Limitations of the Study

a. The study is limited to 10 years i.e. from 2005-06 to2014-15.Therefore; a detailed trend covering a lengthy period is not possible.

b. The study based on Secondary data collected from money control.com. Therefore, the quality of the study depends purely upon the accuracy, reliability and availability of secondary data.

c. The study is limited to the Textile Industry in India and listed in National Stock exchange. Therefore the accuracy of result is purely based on the availability of data.

5. CONCLUSION

On the basis of above findings, it is concluded that regression inferred that the ICR has no significant impact on ROA, ROE, and ROCE of Textile Industry in India. It means that Interest coverage Ratio has no significant does not impact on ROA, ROE, and ROCE. Whereas DTER, STD and LTD have a significant impact on ROA, ROE, and ROCE as profitability measures.

Scope for Further Studies

Hence, regardless of the firms as Textile industry in India should improve their debt performance so as to overcome their equity debt and shot term debt and long term debt maintaining by acceptable or controllable of fixed cost. Hence, it is suggested that ICR not impacted by all financial variables which clearly explain that the fixed cost relating to debt portion in the capital Structure has to be determined with utmost care by not putting down the company's interest. The ICR of 27 companies where taken for this study these companies are higher than their STD and LTD, DTER see-through that the firms may suffer STD, LTD, DTER.

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