International Journal of Computational Research and Development (IJCRD)
International Peer Reviewed - Refereed Research Journal, Website: www.dvpublication.com
Impact Factor: 5.015, ISSN (Online): 2456 - 3137, Volume 9, Issue 1, January - June, 2024

A STUDY ON CAPITAL STRUCTURE OF COLGATE PALMOLIVE (INDIA) LIMITED IN TAMIL NADU

Dr. K. Bhuvaneswari* & P. Roshini**

* Assistant Professor, Department of Commerce with CA, Sakthi College of Arts and Science for Women, Oddanchatram, Dindigul, Tamil Nadu

** M.Com (CA), Department of Commerce with CA, Sakthi College of Arts and Science for Women, Oddanchatram, Dindigul, Tamil Nadu

Cite This Article: Dr. K. Bhuvaneswari & P. Roshini, "A Study on Capital Structure of Colgate Palmolive (India) Limited in Tamil Nadu", International Journal of Computational Research and Development, International Peer Reviewed - Refereed Research Journal, Volume 9, Issue 1, January - June, Page Number 27-30, 2024.

Copy Right: © DV Publication, 2024 (All Rights Reserved). This is an Open Access Article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium provided the original work is properly cited.

Abstract:

This study examines the study on Capital Structure ofColgate Palmolive (India) limitedin Tamil Nadu on a data of the period 2009-2023. Correlation and multiple Regressions are used to analysis the relationship between dependent variable (Debt Equity Ratio) and independent variables (Profitability, Return on Assets, Return on Equity and Solvency Ratio). This conclude that Return on Equity and Solvency Ratio has negatively correlated with DER.

Key Words: Capital Structure, ROA, ROE, DER, Correlation

Introduction:

Capital structure refers to the mix of long term sources of funds, such as debentures, long -term debt, preference share capital and equity share including reserves and surplus. Capital structure is the particular combination of debt and used by a company to finance its overall operations and growth. Equity capital arises from ownership shares in a company and claims to its future cash flows and profits. Debt comes in the form of bond issues or loans, while equity may come in the form of common stock, retained earnings. Short-term debt is also considered to be part of the capital structure. Capital structure is how a company funds its overall operations and growth. Debt consists of borrowed money that is due back to the lender, commonly with interest expense. Equity consists of ownership rights in the company, without the need to payback any investment. In this paper an attempt is made the capital structure of Colgate Palmolive (India) limited. This study shows the positive are negative relationship between the factors affecting the capital structure and the debt ratio.

Objectives of the Study:

- To identify the capital structure of Colgate Palmolive (India) limited.
- To identify the positive is negative relationship between the factors affecting the capital structure and the debt ratio.
- To find out the important variables that affect the debt ratio of the Colgate Palmolive India limited using Multiple Regression.

Review of Literature:

Year	Author	Title of the Study	Objective	Data and Research Methodology	Findings
2017	Venkateswarara Podile1 and Ch.Hema Venkata Siva Sree2	Working Capital Management in Micro Enterprise - A Case Study of Bharat Cashew Manufacturing Company	To examine composition of capital structure in power oxides private limited	Chi-square test	In this paper composition of capital structure in the enterprise a period of ten years analyze leverage analysis was also done debt-equity ratio, property ratio, solvency ratio, fixed assets to net worth ratio, current asset to proprietary ratio and interest coverage ratio are calculated for the study period. Chi-square test is used for testing hypotheses to conclude, there is further scope to improve capital structure management is enterprise
2004	Sanjay Raja Gopal	A Study of the Returns Behavior of Small Capitalization REITs	To Found that the fixed asset ratio, firm size, profitability, market-to-book ratio, non-debt tax shields, and earnings volatility significant role in financial leverage.	Correlation Regression	This study suggested that independent variables are Significant variation in leverage ratios in a developed economy such as the US and an emerging market such as India. Capital structure has significant impact on profitability and cost of capital.

2007	Ramamurthy	A study on determinants of capital structure in Indians	To find the liquidity position of the current assets and current liabilities of the company ultra tech cements	Correlation Regression	This result and benefits risk factors if any must be clearly brought out.
2015	Byoun and Xu and Moon, Lee, and Waggle	Capital Structure and its impact on Profitability: A Case of Indian Hotel Industry	To study if there is a linkage between the level of debt and the performance of Indonesian Banks listed in the Indonesian Securities Exchange	Correlation Regression	This theory argues that firms have a preference order for different types of finance, since the use of debt financing may give signaling effect. According to the pecking order theory, firms prefer. On the capital structure has negative impact on financial performance.
1976	Jensen and Mackling	Managerial Behavior, Agency Costs and Ownership Structure	At a practical level, the relationship between capital structure and the financial performance of firms	Correlation Regression	If they choose unprofitable investments and not able to pay the debt, then the bondholders will file for bankruptcy, and managers will lose their job. Hence according to Agency theory, higher leverage is expected to reduce managerial inefficiency and enhancing the negative' value.

Methodology:

This study is based on secondary data. The data collected from annual report of company concerned listed in the balance sheet. The study has been undertaken in a private Colgate Palmolive Company India limited, the above data was collected on the basis of their consistency of performance, data availability and favorable accounting figures of this company

Regression Model:

The multiple regression models have been followed to test empirical relationship between the leverage and characteristics of to firm.

$$Y=a+b_1X_1+b_2X_2+b_3X_3+b_3X_3+b_4X_4 \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ (1)$$

Debt Equity Ratio:

The Debt to Equity ratio (also called the "debt-equity ratio", "risk ratio", or "gearing"), is a leverage ratio that calculates the weight of total debt and financial liabilities against total shareholders' equity. Unlike the debt-assets ratio which uses total assets as a denominator, the D/E Ratio uses total equity. This ratio highlights how a company's capital structure is tilted either toward debt or equity financing.

Debt Equity = Total Liability / Shareholder's Equity

Solvency Ratio:

Solvency ratios are a key component of the financial analysis which helps in determining whether a company has sufficient cash flow to manage the debt obligations that are due. Solvency ratios are also known as leverage ratios. It is believed that if a company has a low solvency ratio, it is more at the risk of not being able to fulfil its debt obligation and is likely to default in debt repayment. Solvency ratios should not be confused with liquidity ratios. They are totally different. Liquidity ratios determine the capability of a business to manage its short-term liabilities while the used to measure a company's ability to pay long-term debts

Solvency Ratio = Profit and Loss after Tax / Total Shareholders' Funds*

Return on Assets:

Return on assets is a metric that indicates a company's profitability in relation to its total assets. ROA can be used by management, analysts, and investors to determine whether a company uses its assets efficiently to generate a profit. You can calculate a company's ROA by dividing its net income by its total assets.

Return on Assets = Profit and loss after Taxes / Total Assets x 100

Profitability Ratio:

Profitability ratios are financial metrics that help to measure and also evaluate the ability of a company to generate profits. Also, these abilities can be accessed through the income statement, balance sheet, shareholder's equity or sales processes for a specific time period. Furthermore, the profitability ratio indicates how well the company utilizes its assets to generate profits and provide value to its shareholders.

Profitability Ratio = Total Assets / Total Shareholders Fund

Return on Equity Ratio:

Return on equity is a financial ratio that shows how well a company is managing the capital that shareholders have invested in it. To calculate ROE, one would divide net income by shareholder equity.

Return on Equity = Net Profit after Taxes / Shareholder's Equity x 100

Result and Discussion:

Results of Correlation:

Table 1

Variables	R	R^2
Solvency Ratio	-0.371	0.371

Profitability	0.197	0.038
Return on Equity	-0.649	0.421
Return on Assets	0.100	0.01

** Correlation is significant at the 1% level

Result of the table 1 above represent the relationship between the various independent and dependent variables used in this study. From this table it is clear that the variable return on equity negatively correlated with DER and solvency ratio negatively correlated with DER

Results of the Regression:

Table 2

Model Summary:

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.946[a]	.895	.837	.31867

a. Predictors: (Constant), Net Profit, Profitability, Return on Asset, Solvency Ratio, Return on Equity.

Model Summary the model summary table frustrates the magnitude of the variance in the dependent varieties as described by the independent variables. The value of the R-Square is 0.895, which is approximately the dependent Variable 89.5%. Variance of the DER" is explained by independent variables of capital structure ratio

ANOVA:

Table 3

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.814	5	1.563	15.388	.000[b]
	Residual	.914	9	.102		
	Total	8.728	14			
a. Dependent Variable: Debt-Equity Ratio						
b. Predictors: (Constant), Net Profit, Profitability, Return on Asset, Solvency Ratio, Return on Equity						

ANOVA test to find out whether the regression model is valid or not. F-statistics Ps 15.388 which are very high and have a significant value of less than 5-1. Which indicates that the testing of Anova is highly significant and that the model is valid from the given predictors.

Regression coefficients of Colgate Palmolive India Limited:

Table 4

Variables	Model
(Constant)	**0.423**
Un-Standardized co-efficient	0.361
Standard error	3.574
T-value	1.170
P-value	0.272
(Solvency Ratio)	
Un-Standardized co-efficient	0.0472
Standard error	0.001
T-value	0.375
P-value	0.717
Profitability	
Un-Standardized co-efficient	0.248
Standard error	0.70
T-value	3.535
P-value	0.005
Return on Equity	
Un-Standardized co-efficient	0.50
Standard error	2.47
T-value	-1.399
P-value	0.195
Return on Assets	
Un-Standardized co-efficient	-0.031
Standard error	0.35
T-value	-0.901
P-value	0.391

The parameter of the regression model above the tome is related the table No 4.4 Shows the significant an Individual A dependent varieties interpreting the dependent Variable the un-standard Bed co-official (B)

Value Show the magnitude and relationship between dependent variables DER and independent varieties of capital Structure ratios. The regression co-efficient profitability has positively associated with DER. Other variables like solvency ratio, Return on equity, Return on assets have not significant with DER. Profitability has influenced on the debt equity ratio, so, Colgate Palmolive India limited should concentrate on capital Structure.

Conclusion:

The purpose of this Research study is to investigate the Capital Structure of Colgate Palmolive India limited has been selected from Tamil Nadu as study sample and data is collected (2009-2023) and processed by using statistical tools. This study found that the return on equity (0.421) negatively correlated with DER and solvency ratio (0.371) negatively correlated with DER. Profitability has influenced on the debt equity ratio.

References:

1. Business Ethics and consumer behaviour: Ethics is basically a discipline that studies the moral | Course Hero
2. https://www.investopedia.com/terms/c/capitalstructure.asp
3. https://www.moneycontrol.com/stocks/company_info/print_main.php
4. https://www.moneycontrol.com/stocks/company_info/print_main.php
5. https://www.investopedia.com/terms/d/debtequityratio.asp
6. https://byjus.com/commerce/profitability-ratios/
7. https://corporatefinanceinstitute.com/resources/accounting/what-is-return-on-equity-roe
8. https://www.shiksha.com/online-courses/articles/solvency-ratio/