CONFIGURATION OF FINANCING PATTERN: A STUDY OF DIVERSIFIED INDUSTRIES OF THE INDIAN CORPORATE SECTOR

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ABSTRACT
This empirical paper attempts to study the configuration of the financing pattern of Diversified industries of the Indian corporate sector. The study is limited to top 15 firms from Diversified industries out of top 500 manufacturing firms selected on the basis of the turnover for the year 2004-2005 which covers the time span of eleven years commencing from 1995-96 to 2005-06. The study reveals that more than two fifth of the companies (42.20 percent), highest in number, under Diversified industries are lying in 100-200 percent capital structure ranges during the period under study. So, in these industries, such companies, in their financing pattern configurations, are following liberal approach of financing through debt during the period under study. These companies are using more amount of debt in their capital structure than their own capital but less than the well established standard range of 200 percent (2:1) during the study period. Further, it is found that 3.90 percent companies in these industries are lying in 190 to 210 percent (1.90:1 to 2.10:1) capital structure ranges during the study period. This financing pattern configuration shows that only a few companies in these industries are approaching to the well-established standard range of 200 percent (2:1) during the study period. However, number of companies in 200-300 and more than 300 percent capital structure ranges are considerably more i.e. around one fourth of the companies (24.68 percent) during the study period. Thus, it is observed that companies under Diversified industries, in their financing pattern configuration, are following liberal approach of financing through debt during the study period. Debt capital is a cheaper source of finance, thus, the use of debt may maximize the value of wealth of shareholders.

KEYWORDS: Financing Pattern, Capital Structure, Shareholders, Investments