

## A conceptual review on capital structure and profitability

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### Abstract

Capital structuring and profitability are considered as two of the most promising parameters for the development of organizations, and all organizations strive to enhance these two. Considering these fact, the present research work is devoted to the contributions of researchers in the field of capital structure and profitability, and presents the investigated gaps in the research and objectives of proposed research.

**Keywords:** Capital structure, profitability, organizations.

### Introduction

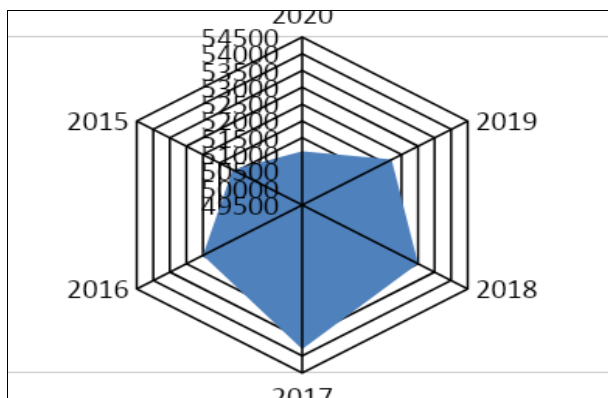
Brigham and Ehrhardt (2008) [7], described capital structure as “the firm’s blend of debt and equity”; they also examined the notion of capital structure choice, in collaboration with Brealey *et al.* (2014) [6]. Profitability is defined as the ratio of a company’s revenue to its operating expenses. Both the capital structure and profitability are considered as crucial for the financial development of any industry, and for these reason, these two are the topics of greater interest among the researchers around the globe. Present research work acknowledges the contributions of researchers in the field of capital structure and profitability, and concludes with the investigated gaps in the research and objectives of proposed research.

### Literature Review

Present section is focused on the academic aspects of the research work and presents, the scenario of research in the field of capital structuring and profitability and the contributions of researchers in the field, the details of which are presented in upcoming sub-sections.

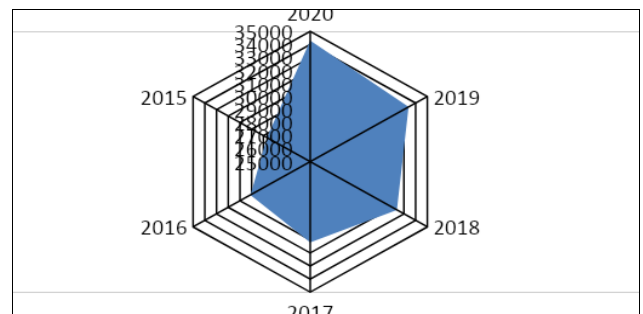
### 1. Scenario of Research in the field of Capital Structuring and Profitability

Figure 1 shows the radar graph of number of research papers published in last six years for the search term impact of capital structuring on profitability.



**Fig 1:** The radar graph of number of research papers published in last six years for the search term impact of capital structuring on profitability

Figure 2 shows the radar graph of number of research papers published by Indian researchers in last six years for the search term impact of capital structuring on profitability.



**Fig 2:** The radar graph of number of research papers published by Indian researchers in last six years for the search term impact of capital structuring on profitability

### 2. Contributions of Researchers in the Field of Capital Structuring and Profitability

Following are the summaries of contributions of researchers in the field of capital structuring and profitability:

#### ▪ Sara and Sedann (2020)

Companies in the construction and building subsector that were traded on the Indonesia Stock Exchange (IDX) between 2013 and 2017 are the focus of this investigation, as is the function of capital structure in mediating the relationship between profitability and liquidity *et al* company value. Companies on the Indonesia Stock Exchange’s construction and building subsector that have full financial statements for the years 2013-2017 make up the study’s population. The census sampling technique is used in this research. Path analysis is used to analyse the data. Capital structure affects firm value positively and significantly, profitability affects firm value positively and significantly, liquidity affects firm value negatively and not significantly, and capital structure can mediate the effect of profitability and liquidity on firm value.

#### ▪ Fekadu (2020) [15]

The choices made about a company’s capital structure are crucial to its success, since they affect the value of the organization significantly. Prior research in Ethiopia has mostly ignored the construction industry in favour of

analyzing and quantifying issues in other sectors, particularly the banking industry. This research aims to fill the void by analyzing the impact of capital structure on the profitability of Ethiopian construction enterprises.

▪ **Nguyen (2020)** <sup>[26]</sup>

The purpose of this study is to analyze the results of a 2016 survey of 48,673 Vietnamese construction enterprises on their human capital, capital structure choice, and profitability. Using ROA and ROE as measures of business profitability, the findings showed that a higher debt-to-equity ratio improved performance, but that the benefit was diminishing with time. Human capital was also shown to have a beneficial effect on company outcomes. A company's success may benefit by expansion into wider markets. When comparing the metropolitan areas of Hanoi and Ho Chi Minh City, we found that businesses in the former performed better on average. In conclusion, neither the company's operational position nor the development of an industrial park significantly affected earnings.

▪ **Pratiwi (2020)** <sup>[30]</sup>

The study's goal is to disentangle the factors that affect a company's worth, such as its capital structure, profitability, and size. The LQ 45 companies traded on the Indonesia Stock Exchange make up the sample population (IDX). From 2014 to 2018, we surveyed a total of 31 LQ 45 businesses using a purposive sampling strategy based on predetermined criteria. Methods of data analysis include multiple linear regression in this study. The findings indicate that a company's worth is determined by its capital structure and performance.

▪ **Rahayu and Saifu (2020)** <sup>[23]</sup>

In this research, we aim to examine the effects of Indonesian manufacturing firms' capital structures and profitability on their respective market values. This study is quantitative in nature, and generic structural component analysis was used to compile the data. During the study period of 2008-2015, many manufacturing firms listed on the Indonesia Stock Exchange were analysed. Capital structure is determined, at least in part, by profitability. Profitability has a negative, considerable impact on capital structure. This study also indicates that a reduction in the share of debt within the capital structures of manufacturing businesses listed on BEI or the Indonesia Stock Exchange is a result of an increase in profitability across the board.

▪ **Chandra et al. (2019)** <sup>[10]</sup>

The focus of this research is on capital structure, profitability, and stock returns, as well as their interrelationship and the variables that affect them. Capital structure, profitability, and stock returns all play a role as endogenous factors, whereas business size, growth potential, tangibility, liquidity, volatility, and uniqueness are all exogenous variables. The findings reveal just the profitability elements influencing stock returns. There is no discernible impact from a variety of other factors, including capital structure, business size, growth opportunities, tangibility, and liquidity. Firm size, growth potential, distinctiveness, and volatility are all key elements that impact profitability, whereas other characteristics have little to no bearing on capital structure.

▪ **Hirdinis (2019)**

The goal of this research is to examine the moderating role of profitability in the relationship between capital structure *et al* company size and firm value. Listed on the IDX are the mining firms that make up the sample for this study. In this study, we combine the non-participant observation approach with the route analysis method. Multiple linear regression using the statistical package SPSS 22 was used to analyse the data. The investigation showed that capital structure significantly affects business value, whereas firm size significantly reduces it. Value is unaffected by profitability, although larger businesses tend to be more profitable overall. The effects of capital structure *et al* company size on firm value can't be mediated through profitability, however.

▪ **Ariyani et al. (2019)** <sup>[4]</sup>

The objective of this research was to analyse the capital structure of manufacturing firms trading on the Indonesia Stock Exchange (IDX) between 2013 and 2017. Variables taken into account included asset structure, profitability, firm size, and business growth. 52 businesses satisfied the requirements for the purposive sample approach utilised. Information culled from Annual Reports and Performance Reports available in the Indonesian Capital Market Directory (ICMD). Multiple regression was used as the method of analysis. The F-test, t-test, and determination coefficient are used to test hypotheses. A normalcy test, autocorrelation test, multicollinearity test, and heteroscedasticity test are used to examine the robustness of the classical assumption. Capital structure is positively impacted by asset structure analysis, but this effect is not statistically significant. On the other hand, profitability has a negative and statistically significant impact on capital structure, company size has a positive and significant impact on capital structure, *et al* company growth has a negative and statistically significant impact on capital structure.

▪ **Chen et al. (2019)** <sup>[12]</sup>

Financial leverage is optimally decreased while operating leverage boosts profits. As a result, operational leverage causes a negative association between profitability and financial leverage, which is counter to the trade-off hypothesis yet often documented in the statistics. Using the impact of China's admission into the World Trade Organization in 2001 on the capital-labor ratio of U.S. enterprises, we illustrate the impact of operational leverage on firms' profitability and financial leverage, as well as the empirical link between profitability and financial leverage.

▪ **Dang (2019)** <sup>[13]</sup>

Enterprise value (EV) in Vietnam is examined in this article via the lenses of growth, company size, capital structure, and profitability. During the research period of 2012-2016, a total of 214 businesses trading on the Vietnamese stock market were utilised to compile the panel of 1.070 observations. Size and profitability have been shown to have a positive correlation with enterprise value by generalised least squares and structural pathways analysis regression findings, whereas capital structure has been found to have a negative correlation. However, growth factor has zero bearing on the worth of a business. Statistically speaking, however, there is some inconsistency in using EV or Tobin's Q to gauge a company's worth. More importantly, the research confirmed that basing EV measurements off of

enterprise value is the most accurate approach. Evaluative research provides valuable insights that may be used to enhance corporate worth.

▪ **Chang *et al.* (2019)**<sup>[11]</sup>

One of the hottest debates in corporate finance concerns capital structure. When it comes to satisfying their stakeholders, businesses should design a capital structure that boosts profits and reduces financial risk. Therefore, this research endeavours to learn more about the connection between capital structure and financial success. We use correlation and regression analysis on data from 2003 to 2016 pertaining to businesses in the Four Asian Tiger Economies to learn more about the connection between capital structure and profitability. The dataset consists of 46,301 observations pulled from Compustat Global Vantage. There is a negative correlation between leverage and profitability, a positive correlation between growth and leverage in Taiwan, Korea, and Hong Kong, and a positive correlation between size and leverage in all three countries. The fundamental addition of this research to the field of corporate finance seems to be an empirical investigation of the effects of capital structure on profitability using examples from companies in the four Asian Tiger nations.

▪ **Komarudin and Affandi (2019)**<sup>[22]</sup>

In this analysis, we disentangled the impact of capital structure on firm value, company characteristics on firm value using disposable income as a moderator variable, and the impact of profitability on firm value. Research was performed at the IDX in Indonesia, using data from as many as 21 retail companies that were listed there between 2014 and 2016. Moderated Regression Study (MRA), a traditional assumption test, and a t test were utilised for the analysis. Capital structure was shown to have no negative impact on business value. The worth of the company was significantly increased by the level of its profitability. With disposable income as a moderator, company characteristics did not have a substantial negative influence on firm value. The findings of the study suggested that capital structure and profitability significantly impacted company value, but firm characteristics with disposable income as moderator did not significantly impact firm value.

▪ **Chakrabarti and Chakrabarti (2019)**<sup>[9]</sup>

The focus of this study is on the capital structure of Indian energy businesses and the variables that influence it. They researched the theoretical and empirical literature on capital structure in order to make some inferences about the factors/variables that shape the capital structure of Indian energy businesses. Panel data approaches are used to analyse a sample of 141 firms in the Indian energy industry. Capital structure for Indian energy businesses is shown to be significantly determined by age of company, asset turnover ratio, liquidity, and firm size, but not by profitability, debt service capacity, sales growth, non-debt tax shield, or tangibility ratio. There has been a historically strong inverse correlation between profitability and the debt ratio, although this correlation is not statistically significant.

▪ **Fahlevi and Marlinah (2018)**<sup>[14]</sup>

The company's financial difficulties are a complex phase with several causes. This scenario has to be fixed right now since it increases the likelihood of bankruptcy for the firm.

The purpose of this research is to identify the causes of the company's financial difficulties. Liquidity, capital structure, profitability, and cash flows are the four broad categories into which this study's 10 variables fall. During the 2011-2013 study period, this research used financial statement data from a manufacturing business registered on the Indonesia Stock Exchange. A total of 270 financial statements' worth of data were collected from 90 firms that met the selection criteria for the representative sample. As the empirical results demonstrate, just three factors have a role in the company's financial woes. Three key metrics stand out: the current ratio (a measure of liquidity), the return on assets (a measure of profitability), and the cash flow ratio (cash flow).

▪ **Handayani and Darma (2018)**<sup>[18]</sup>

The purpose of this research is to analyse the relationship between capital structure *et al* company size, business risk, asset structure, and profitability. The financial accounts of corporations serve as the secondary source of information for this analysis. The population consists of all manufacturing businesses trading on the Indonesia Stock Exchange between 2015 and 2016. Purposive sampling was used, and a total of 69 businesses were included in the sample. Path analysis is the method of analysis employed. Profitability was shown to be significantly influenced by company size and business risk but not by asset structure. There is a positive correlation between company size and capital structure, a negative correlation between profitability and capital structure, and no correlation between capital structure and business risk or asset structure.

▪ **Buana (2018)**<sup>[8]</sup>

Profitability is used as a moderating variable to examine the impact of asset structure and business risk on capital structure. Companies involved in the real estate *et al* instruction industries that were traded on the Indonesia Stock Exchange (BEI) between 2013 and 2016 make up the population for this analysis. There are 48 businesses and 24 research samples making up the population. Purposeful sampling was used to pick the data, and the 96-unit analysis yielded reliable results. In this study, we rely on information that was already publicly available, namely, yearly financial statements. Documentation procedures are utilized for data gathering, with information being culled from yearly financial reports. The data was analyzed by means of a moderated regression test based on the absolute value of the differences. This study's findings show that the composition of assets has a significant impact on the financial framework. However, the capital structure of a company is impacted adversely by the risks associated with running the firm. Another way in which profits might mitigate the impact of asset structure on capital structure is via diversification. Profitability, however, does not buffer the impact of company risk on the capital structure. Research shows that asset structure has an impact on capital structure, and that company risk and profitability help to mitigate this relationship.

▪ **Hang *et al.* (2018)**<sup>[19]</sup>

This paper compiles the contradictory findings from previous research on the seven most studied factors that affect the capital structure of corporations. We perform meta-regression analysis on a dataset consisting of 3,890

individual reports drawn from 100 individual investigations. We find that tangible assets (positive sign), market-to-book ratio (negative sign), and profitability (negative sign) all play important roles in determining a company's debt load. We also discover indications of a publication selection bias in the scholarly literature. Because writers tend to publish more confidently when their estimates are in agreement with theory or previous empirical findings, particular outcomes are consistently overrepresented. Market-based measures of capital structure, total debt measures of capital structure, and the best articles published in the most prestigious journals are more susceptible to significant determinants and publication selection bias than book-based measures of capital structure, long-term debt measures of capital structure, or randomly selected articles including more unpublished studies.

▪ **Fredrick (2018)**<sup>[16]</sup>

Using the panel corrected standard error (PCSE) method, this article analysed how different types of capital structure affect the financial distress of Nigerian manufacturing enterprises. The study's factors include corporate financial distress, capital structure, business size, tangibility of assets, revenue growth, profitability, and age of enterprises. The study's findings suggest that capital structure has a negative impact on corporate financial hardship, but the age of a firm as measured by its listing years, profitability, and tangibility of its assets have a favourable impact. A subsequent analysis of the data confirmed that a correlation exists between business expansion and financial difficulty. The study's policy ramifications suggest that managers should exercise caution while building their organisations' capital structure. The government could also provide preferential tax treatment on retained profits to encourage businesses to utilise internal money rather than external capital. To put it another way, this will spur funding for growth-oriented initiatives. Furthermore, the Central Bank of Nigeria should instruct banks to reduce the cost of borrowing for industrial enterprises in order to guarantee financial stability.

▪ **Ajibola et al. (2018)**<sup>[1]</sup>

This research looked at how the capital structure of publicly traded Nigerian manufacturers affected their bottom lines from 2005 to 2014. The effect of capital structure on the financial performance of publicly traded Nigerian manufacturing companies was analysed using a panel technique. According to the results of the panel ordinary least square, a positive association exists between the long term debt ratio (LTD) (0.0001), the total debt ratio (TD) (0.0065), and the return on equity (ROE), whereas a positive relationship exists between the ROE and the short term debt ratio (STD) (Short term debt ratio). The proxies of capital structure (LTD, STD, and TD) all had a negative, statistically insignificant association with ROA, suggesting that ROE is the superior performance metric. Companies should use more long-term borrowing, as the capital structure is shown to have a good effect on financial performance. Therefore it proposes that every company should make appropriate capital structures choice to gain profit *et al* continue on their operation effectively.

▪ **Takhumova et al. (2018)**<sup>[35]</sup>

The study was motivated by a desire to learn more about capital structure construction, a vital part of any business's financial management. The study's overarching objective is to provide theoretical and methodological support for

optimising the capital structure and utilisation practises of the organisation. Despite the efforts of other researchers and the findings they have generated, it is clear that a workable solution to the problem of optimising the structure and usage of present assets, especially in certain Russian enterprises, has not yet been discovered. The aforementioned factors motivated us to conduct this study. The article discusses the criteria for the selected policy based on "aggressive," "moderate," and "conservative" indicators, and defines the significance of the policy in financing assets. We developed a cross sectional analysis matrix to help evaluate the effect of both internal and external influences on the capital structure, allowing us to zero in on the aspects that matter most and devise effective responses. Based on the case study of a Russian firm, we also provide advice on how to optimise your own firm's capital structure according to the "Sustainability" and "Profitability" criteria. We evaluated the capital structure's deviance from the ideal based on the elements of the external and internal environment as well as the company's assets. The gathered data may be used to evaluate the process through which the firm's present assets are accumulated. More importantly, most Russian businesses may make use of the examined and well-grounded criteria when crafting their own corporate policies. The broad theoretical statements in the study may serve as the basis for future research and be taught in the classroom.

▪ **Nwude and Chikezie Anyalechi (2018)**<sup>[27]</sup>

This analysis analysed the correlation between the debt-equity ratio and the financing-mix at commercial banks. The collected data were put through a battery of statistical tests, including an f-test for heterogeneity, a granger causality analysis, a fixed effect panel analysis, a random effect panel analysis, and a granger causality analysis. Debt financing has a negative and statistically significant effect on ROA, but the debt-equity ratio positively affects ROE. Capital structure and performance of commercial banks in Nigeria did not correlate in either direction.

▪ **Nenu et al. (2018)**<sup>[25]</sup>

In this study, we trace the historical development of the dominant views on how the capital structure affects risk and business performance. Capital structure is an ongoing process that changes over time in response to external factors that affect the economy as a whole, a specific industry, or a certain business. Given that capital structure is a trade-off between the company's projected rate of return and the risks it faces, it is subject to change as the company's projections for future profits evolve. To fill a gap in the literature, this research examines what influences the capital structure of Romanian companies. In order to conduct our econometric study, we used a panel consisting of businesses trading on the Bucharest Stock Exchange and performed multivariate fixed-effects regressions and dynamic panel-data estimates (two-step system generalised method of moments, GMM). The era of analysis, 2000-2016, encompasses a time of substantial transition for the Romanian economy. The size of the firm and the volatility of the stock price were both shown to increase in correlation with increased leverage. Company performance as measured by accounting metrics or the movement of a stock price in the market is affected differently depending on the debt structure.

- **Matias and Serrasqueiro (2017)** <sup>[24]</sup>

Based on a review of the empirical literature on the topic of capital structure choices in Portuguese SMEs, this research examines the connections between trustworthy indicators including profitability, size, age, asset structure, and growth and debt for SMEs in various areas of Portugal (NUTS II). The sample size for the whole world is 11,016 small and medium-sized enterprises (SMEs), and it spans the years 2007 to 2011. Results indicate that these factors are significant in explaining capital structure choices made by Portuguese SMEs, and that these decisions are more in line with the hypotheses of Pecking Order Theory than those of Trade-off Theory. Neither economic theory, however, can fully account for why SMEs choose the capital structure they do.

- **Anarfo and Appiahene (2017)** <sup>[3]</sup>

This study looks at how changes in capital structure have affected the bottom lines of African financial institutions. The Debt Ratio (DR) was used as a measure of capital structure, using data from 37 SSA nations and a dynamic panel regression robust analysis, while the Risk Adjusted Return on Asset (RAROA), Risk Adjusted Return on Equity (RAROE), and Net Interest Margin were used to evaluate bank profitability (NIM). The results indicate that the capital structure of banks has a significant impact on their bottom line. Size, physical assets, expansion, taxation, and interest rates are other important factors in determining a bank's profitability.

- **Stekla and Grycova (2016)** <sup>[34]</sup>

A company's profitability and, by extension, the value of its shareholders, are vulnerable to the choices made about its capital structure. The market worth of owners' equity may grow up if wise financial choices are made, and down if they are not. Decisions in the financial sector should be made with the investors' wealth in mind. Decisions regarding the capital structure of a company may have a positive impact on profitability and enterprise value by maximising the present value of tax savings generated by the use of debt. Both debt and equity capital may be used to fund the businesses' assets. A combination of loan and equity is the optimal strategy. This research examines the effect of capital structure on the profitability of Czech agricultural holdings during the six-year period of 2008-2013.

- **Singh and Singh (2016)** <sup>[33]</sup>

The chosen cement firms in India will be used to test hypotheses about the effect of capital structure on business profitability. The data used in the research is secondary, consisting of financial statements from the last five years obtained from CMIE's PROWESS database. The research discovered a negative association between debt and profitability, which means that businesses with a larger debt share had lower profits on average.

- **Batra and Kalia (2016)** <sup>[5]</sup>

Companies in today's highly competitive and tumultuous economic environment face a wide variety of threats. Businesses are increasingly spinning their wheels as their profitability and market value decline. One of the most pressing problems in the study of organisations today is figuring out why some businesses thrive in a competitive

and evolving environment while others flounder. This study calculates the worth and effects of firm-specific determinants on business profitability.

- **Kodongo et al (2015)** <sup>[21]</sup>

We analyse how publicly traded companies in Kenya fare financially and how their leverage impacts their success. There is substantial evidence that leverage has a profound, adverse effect on a company's profitability but no discernible effect on its value. Our findings hold up regardless of the size of the company or the kind of panel used. Tangible asset value, sales growth, *et al* company size all seem to be crucial factors in determining profitability, as shown by our findings. Curiously, the tangibility of assets regularly correlates negatively with financial success. We find that sales growth and firm size are significant value drivers for small businesses. But the value of big corporations isn't determined by the same factors.

- **Abeywardhana (2015)** <sup>[36]</sup>

This research looks at the non-financial small and medium-sized enterprises (SMEs) in the United Kingdom from 1998 to 2008 to see whether there is a correlation between capital structure and profitability. Based on analysis using Two Stage Least Squares (2SLS), we find that there is a statistically significant inverse association between capital structure and profitability. It shows that the size of the company is a more significant factor in determining profitability among UK SMEs. Extensive research shows a correlation between company size and financial success. This research confirms previous findings that capital structure significantly affects the profitability of UK SMEs. In particular, the ratio of long-term debt to total assets has a negative impact on profitability, suggesting that SMEs are reluctant to increase their usage of equity out of concerns about diluting their ownership position.

- **Alipour et al. (2015)** <sup>[2]</sup>

The purpose of this article is to look at what factors influence the capital structure of Iranian private companies. All indicators of capital structure were shown to be affected by factors such as business size, financial flexibility, asset structure, profitability, liquidity, growth, risk, and state ownership. In this article, we examine the role of short-term debt as a source of funding for Iranian businesses. The findings of this study are compatible with a number of capital structure hypotheses.

- **Hamid et al (2015)** <sup>[17]</sup>

To do so, the authors compare the capital structures of 46 family enterprises and 46 non-family firms in Malaysia and analyse the resulting impact on profitability. This analysis examined the impact of three different types of capital structure on profitability as assessed by return on equity. These types of debt were the short-term debt ratio, the long-term debt ratio, and the debt ratio. Using data from 276 company years of publicly traded Malaysian firms between 2009 and 2011, the authors find that debt ratio is inversely and strongly connected to profitability. This statistic indicates that successful businesses rely mostly on equity funding. Having more debt means less money in the bank, as expected from the data.

▪ **Oino and Ukaegbu (2015)** <sup>[28]</sup>

The research set out to examine the effects of capital structure on the efficiency of publicly traded non-financial companies in Nigeria and how these companies adapt to the desired capital structure. In this study, we verified that the Trade-off theory and the pecking order theory are applicable to Nigerian businesses. The target capital structure adjustment velocity is calculated using pool OLS and GMM to assure the reliability of the result. Leverage accounts for 63% of Nigerian enterprises' capital structures, with short-term leverage being the most common kind. The size of the business and the presence of a non-debt tax shield were shown to be favourably associated to leverage, whereas profitability and asset structure were found to be adversely connected to leverage. When compared to research on non-financial businesses in most industrialised nations, Nigerian companies have a very high adjustment speed, at 47%.

▪ **Pandey and Singh (2015)** <sup>[29]</sup>

This study presents a literature analysis on the factors that have determined the capital structure of businesses in India and elsewhere during the last fifteen years. Our research is split into two parts: a global literature evaluation and a review of studies conducted in India. We then further split the studies into two categories: Indian studies and foreign studies. We begin with an overview of the research on the macroeconomic factors that affect the capital structure of an economy, and then go on to a review of the literature on the microeconomic factors that affect the capital structure of individual industries. Finally, we summarise eleven common capital structure factors discovered across research based on our evaluation of the existing literature.

▪ **Ramadan (2015)** <sup>[31]</sup>

The purpose of this research was to determine whether or not capital structure had an impact on the performance of Jordanian industrial businesses listed on the Amman Stock Exchange (ASE) between 2005 and 2013, with data collected from all 72 such companies as of December 2013. The present research employed a pooled unbalanced cross-sectional Ordinary Least Square (OLS) regression model to accomplish its goal. This study found that the performance of Jordanian industrial companies listed on ASE as measured by Return on asset ratio (ROA) was inversely correlated with capital structure, as measured by long-term debt to capital ratio, total debt to capital ratio, and total debt to total assets ratio. These findings are supported by the Pecking-Powell test.

### 3. Gaps in the Research and Objectives of Proposed Research

Following points represent the gaps in the research:

- a. There is very limited research which focuses on the impact of capital structure on firms/company's profitability and firm values for the targeted industries; and
- b. There is almost nil research work found which focuses on the ranking of industries.

Following points represent the objectives of the research:

- a. To study the factors influencing capital structure of select firms based on asset size and business revenue;
- b. To study the relationship between profitability and capital structure;

- c. To determine the factors that will influence the decision making in the choosing the components of capital structure; and
- d. To suggest adoption of capital structure towards better performance of the targeted industries.

### Conclusion

The present research work tells about the details of contributions in the field of capital structuring and profitability. Considering the dire need of the time, the present research work should be helpful for upcoming researchers as well as industrialists working for the development of industries.

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