



Master's Degrees by Examination and Dissertation

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1. This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Signed...HODON ABDULLAHI.....

Date:28/02/2019.....

2. This dissertation is being submitted in partial fulfilment of the requirements for the degree of Master in Business Administration.

Signed

...HODONABDULLAHI.....

....

Date:

28/02/2019.....

3. This dissertation is the result of my own independent work/investigation, except where otherwise stated.

Other sources are acknowledged by footnotes giving explicit references.

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Signed candidate: HODON

Abdullahi.....

Date: 28/02/19.....

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Ydy'r prosiect yn cynnwys:	Does the project include:	Ydy / Yes	Nac ydy/No
Defnyddio holiadur neu offeryn ymchwil tebyg (atodwch gopi drafft)	Use of questionnaire or similar research instrument (attach draft copy)		NA
Defnyddio prawf ysgrifenedig neu gyfrifiadurol	Use of written or computerised test		NO
Cyfweliad (cysylltwch gwestiynau posibl)	Interview (attach provisional questions)		NO
Dyddiaduron	Diaries		NO
Arsylwi ar gyfranogwyr a hwythau'n ymwybodol o hynny	Participant observation with their knowledge		NO
Arsylwi ar gyfranogwyr a hwythau ddim yn ymwybodol o hynny	Participant observation without their knowledge		NO
Recordio fideo neu sain	Video or audio-taping		NO
Mynediad i wybodaeth personol neu gyfrinachol heb gydsyniad penodol y cyfranogwyr	Access to personal or confidential information without the participants specific consent		NO
Defnyddio unrhyw gwestiynau, ysgogiadau prawf, cyflwyniad y gallai rhai cyfranogwyr eu profi fel rhywbeth sy'n achosi niwed / tramgwydd corfforol, meddyliol neu emosiynol	Administration of any questions, test stimuli, presentation that may be experienced as physically, mentally or emotionally harmful / offensive		NO
Cyflawni unrhyw weithredoedd allai achosi embaras neu effeithio ar hunan-barch	Performance of any acts which may cause embarrassment or affect self-esteem		NO

Ymchwilio i gyfranogwyr sy'n ymwneud â gweithgareddau anghyfreithlon	Investigation of participants involved in illegal activities		NO
Gweithdrefnau lle defnyddir twyll	Procedures that involve deception		NO
Gweini unrhyw sylwedd, cyfrwng neu blasebo	Administration of any substance, agent or placebo		NO
Dull arall o gasglu data neu fformat cyflwyno (esboniwr)	Other method of data collection or presentation format (please explain) FROM WEBSITE &	YES	

Signature: Hodon Abdullahi.....

Date ...28/02/2019.....

Os 'Na' wedi cael ei dicio ym mhob blwch, dylai'r ffurflen gael ei llofnodi gan Bennaeth yr Ysgol/Cyfadrn / Gyfadrn a'r canlyniad a adroddwyd i'r Pwyllgor Moeseg ar ddiwedd y semester.

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Os nad oes unrhyw faterion moesegol sylweddol, dylid ffurflen hon gael ei chwblhau a'i llofnodi gan y myfyriwr a'r goruchwyliwr ac yna llofnodi gan Bennaeth yr Ysgol/Cyfadrn.

Signatures

If there are no significant ethical issues, this form should be completed and signed by both the student and the supervisor and then signed by the Head of School/Faculty.

Myfyriwr / Student	Dyddiad: / Date:
Hodon Abdullahi	28/02/2019
Cydlynnydd y prosiect / Tiwtor	
Project co-ordinator / Tutor	Dyddiad: / Date:
Arolygwr / Supervisor	28/02/2019
Isaiah Onino	
Pennaeth Ysgol/Cyfadrn / Head of School/Faculty	Dyddiad: / Date
DR: Audsin Dhas	28/02/2019

**ADRAN 3 – MANYLION Y PROSIECT /
YMCHWIL / CYNHYRCHIAD****SECTION 3 – PROJECT / RESEARCH /
PRODUCTION DETAILS**

1.	Braslun o'r prosiect	Project outline
----	-----------------------------	------------------------

N/A

2.	Disgrifiad Rhowch fraslun cryno o'r prosiect, heb unrhyw jargon, ac yn cynnwys beth bydd angen i'r cyfranogwyr ei wneud. Esboniwch unrhyw dermau technegol neu derminoleg sy'n benodol i'r ddisgyblaeth (Uchafswm 300 o eiriau.)	Description Provide a brief outline, free from jargon, of the project including what participants will be required to do. Explain any technical terms or discipline specific terminology (Max 300 words.)
----	--	---

N/A

3.	Dulliau Arfaethedig: Rhowch fraslun o'r dulliau casglu data neu o natur yr amser mewn ymarferiadau (hyd at 500 o eiriau).	Proposed Methods: Outline how the data will be collected or the nature of rehearsal time (up to 500 words).
----	---	---

I collected from the company website

5.	Lledaenu Gwybodaeth / Cynulleidfa: Rhestrwch i bwy y rhoddir neu y dangosir copi o'r canlyniadau neu adroddiad / cyflwyniad terfynol.	Dissemination of Information / Audience: List to whom a copy of the results or final report / presentation will be given or shown.
----	---	--

N/A

6.	Lleoliad y Prosiect: Nodwch bob lleoliad lle y cesglir data neu y cynhelir ymarferiadau / cynhyrchiad.	Location of Project: Identify all locations where data will be collected or rehearsals/ production will take place.
----	--	---

N/A		

7.	Cymeradwyaeth Arall: Oes angen cael cymeradwyaeth unrhyw sefydliad arall cyn cychwyn neu gwblhau'r prosiect? Os felly, gan bwy ac a ydy wedi'i sicrhau eisoes?	Other Approvals: Is there a requirement for approval from any other organisation / institution prior to starting or completing the project? If so, by whom and has it been obtained?
NO		

ADRAN 4 – MANYLION SECTION 4 - PARTICIPANT / CYFRANOGWYR / CYNULLEIDFA AUDIENCE DETAILS

Pwy yw'r cyfranogwyr arfaethedig?	Who are the intended participants?	Ydw / Yes	Na / No
Myfyrwyr / staff Y Drindod Dewi Sant	Students / staff of Trinity Saint David		NO/
Oedolion (dros oed 16 ac yn gymwys i gydsynio)	Adults (over the age of 16 and competent to give consent)		NO
Plant a phobl ifanc dan oed	Children / legal minors		NO

Cleifion neu gleientiaid gweithwyr proffesiynol	Patients or clients of professionals		NO
Rhywun sy'n cael ei gadw yn y ddalffa neu y mae'r llys wedi cymryd cyfrifoldeb amdano	Anyone in custodial care or for whom the court has assumed responsibility		NO
Aelod o unrhyw sefydliad lle mae'n bosibl bod angen i unigolyn arall hefyd gydsynio.	A member of any organisation where another individual may also need to give consent.		NO
Eraill: Nodwch: / Others: please identify:			
NA			

Nifer, Oed a Ffynhonnell y Cyfranogwyr Rhowch fanylion yr demograffeg y cyfranogwyr / gynulleidfa.		Participant / Audience Number and Age Provide details of the demographics of the participants / audience.
Nifer o Gyfranogwyr / yn y Gynulleidfa	Participant/ Audience number	NA
Grŵp oedran y Cyfranogwyr/y Gynulleidfa	Participant/ Audience age group	NA

ADRAN 5 – RISGIAU YN PROSIECT

SECTION 5 – RISKS IN PROJECT

Bydd y diffyg ateb cadarnhaol i bob un o'r cwestiynau hyn yn arwain at y gofyniad eglurhad a gallai arwain at oedi yn eich ymchwil. Dim neu Dim NID yn dderbyniol.	A lack of a positive answer to all of these questions may result in the requirement of further explanation and a delay in your research. None or Nil is not acceptable.
--	---

Risg Posibl: (corfforol, seicolegol, cyfreithiol, cymdeithasol neu economaidd)		Potential Risk: (physical, psychological, legal, social or economic)		
A oes unrhyw risg bosibl i:		Is there any potential risk to:	Ydw / Yes	Na / No
A	Cyfranogwyr?	Participants?		NO
B	Ymchwilydd?	Researcher?		NO
C	BrifYsgol/Cyfadrn?	University?		NO

2	Rheoli Risg: Os oes, beth yw'r risg a sut y bydd yn cael ei reoli?	Management of Risk: If yes, what is the risk and how will it be managed?
NO		

3	Os ydych yn delio â phlant ac oedolion sy'n agored i niwed a ydych wedi gwneud cais am dystysgrif DRS?	If you are dealing with children and vulnerable adults have you applied for a DRS certificate?
NA		

**ADRAN 6 – MONITRO, ADBORTH A SECTION 6 - MONITORING, FEEDBACK AND
CHYFRINACHEDD CONFIDENTIALITY**

1.	Monitro: Os ydych yn sylwi ar unrhyw ymddygiad sy'n groes Cod y BrifYsgol/Cyfadrn Ymarfer, unrhyw ganllawiau a gyhoeddir gan y gymdeithas broffesiynol priodol neu weithred anghyfreithlon. Amlinellwch eich strategaeth adrodd.	Monitoring: Should you observe any behaviour that contravenes the University's Code of Practice, any guidelines published by the appropriate professional association or is illegal outline the strategy of your reporting action.
----	--	--

NO

		Ydw / Yes	Na / No
A wnewch chi roi gwybod am unrhyw ymddygiad sydd yn erbyn Cod Ymarfer y BrifYsgol/Cyfadrn neu sy'n anghyfreithlon?	Will you report any behaviour that is against the University's Code of Practice or is illegal?		NO
A ydych yn darparu adborth i'r cyfranogwyr?	Will feedback be provided to participants?		NO
A fyddwch yn dogfennu'r 'caniatâd i gymryd rhan yn y prosiect'	Will you be documenting the 'consent to participate in the project'		NO

**ADRAN 7 – STORIO, DIOGELWCH A SECTION 7 - DATA ACCESS, STORAGE AND
MYNEDIAD I DDATA SECURITY**

		Ydw / Yes	Na / No
1.	Ydych chi'n gyfrifol am storio a diogelwch y data eu casglu? Are you responsible for the storage and security of the data collected?	YES	

2.	Sut y bydd y data yn cael ei storio?	How will the data be stored?
MY COMPUTER		

3.	Mynediad i Ddata: Pwy fydd yn cael mynediad at y data? A oes unrhyw amodau i gael mynediad?	Data Access: Who will have access to the data? Are there any conditions to access?
NA		

4.	Cyfrinachedd / Anhysbysrwydd: Rhestrwch y dulliau a fydd yn cael eu defnyddio i sicrhau cyfrinachedd ac anhysbysrwydd y cyfranogwyr.	Confidentiality / Anonymity: List the methods that will be used to ensure the confidentiality and anonymity of participants.
NA		

ADRAN 7 – DATGANIAD

SECTION 7 - DECLARATION

Rhaid i'r adran hon gael ei chwblhau gan bob parti perthnasol cyn y gellir cyflwyno' r cais i'r Bwrdd Moeseg Gyfadran.	This section must be completed by all concerned parties before it can be submitted to the Faculty Ethics Board.
Datganiad Mae'r wybodaeth a gynhwysir yma yn gywir, hyd eithaf fy ngwybodaeth a'm cred. Rwyf wedi ceisio dynodi unrhyw risgiau a phroblemau sy'n gysylltiedig â'r prosiect /	Declaration The information contained herein is, to the best of my knowledge and belief, accurate. I have attempted to identify any risks and issues related to the project/research or

ymchwil neu gynhyrchiad ac rwyf yn cydnabod f'ymrwymadau innau a hawliau'r cyfranogwyr.

production and acknowledge my obligations and the rights of the participants.

Llofnodau

Dylai'r ffurflen hon gael ei chwblhau a'i llofnodi gan y myfyriwr a'r goruchwyliwr lofnodi ac yna gan Bennaeth yr Ysgol/Cyfadrn/

Signatures

This form should be completed and signed by both the student and the supervisor and then signed by the Head of School/Faculty

Myfyriwr / Student Hodon Abdullahi	Dyddiad: / Date: 28/02/2019
Cydlynnydd y prosiect / Tiwtor Project co-ordinator / Tutor Arolygwr / Supervisor Isaiah Onino	Dyddiad: / Date: 28/02/2019
Pennaeth Ysgol/Cyfadrn / Head of School/Faculty Dr: Audsin Dhas	Dyddiad: / Date 28/02/2019
Rhaid i bob cais am ymchwil ar sail cyfweiliadau gynnwys y dogfennau canlynol:	All interview-based research applications must provide the following pro-forma documents:
1. Ffurflen gydsynio ddrafft 2. Sampl o'r cwestiynau a ofynnir 3. Taflen wybodaeth am yr ymchwil sy'n esbonio'n glir ddiben y prosiect, y	1. A draft consent forms 2. A sample of the questions that will be asked 3. An information sheet on the research that clearly explains what the project is, what the expected outcomes are and who the results will be shown to.

deilliannau disgwyledig a'r rheini y dangosir y canlyniadau iddynt.	
---	--

DYCHWELWCH I'R GYFADRAN MOESEG CYDLYNYDD
PLEASE RETURN TO THE FACULTY ETHICS CO-ORDINATOR

Cadeirydd y Pwyllgor Moeseg Gyfadran /Chair of the Faculty Ethics Committee
Date:

Dyddiad: /

FACTORS DETERMINING CAPITAL
STRUCTURE OF UNITED KINGDOM NON-
FINANCIAL INSTITUTIONS

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CHAPTER ONE – INTRODUCTION

INTRODUCTION

In the business world, when the companies decide on the utilisation of debt finance, they are basically aiming to reallocate some of the cash flows that are expected in the future away from the equity claimants. This is for the purpose of exchanging it for the cash up front. It is believed by Graham and Harvey (2001) that there is a large number of managers that specify that they do not perform the act of rebalancing of capital structure in reaction to the equity market movements. It is also suggested that the capital structure may be able to either impede or enhance the productive interactions between the stakeholders of the company (Serrasqueiro and Caetano, 2015). In this research, the capital structure is highlighted in the research process. However, the main aim of this research is to discuss the factors that determine the capital structure of the non-financial institutions of the UK. The study is being conducted due to the rising importance regarding the capital structure and determination of the factors on which it is based. Considering the topic of this research, i.e. the factors figuring out the capital shape of the non-financial institutions of the United Kingdom, by non-economic institutions it is supposed the one's institutions which have the number one goal of manufacturing the market goods or such offerings which are non-monetary. In this research, ten non-financial establishments of the United Kingdom are decided on in this research for the reason of gathering monetary records of ten years. The chosen organisations encompass Marks and Spencer, Burberry, Centrica, Sainsbury's, Tesco, Unilever, Vodafone group, Coca - Cola, next, and Coca Cola. A lot of these organisations are assessed and ten years of economic statistics and capital structure of the employer is determined on this study. Moreover, there are different elements that make contributions within the determination of the capital shape of the firm which incorporates the prison requirements, i.e. the authorities have precise pointers for the troubles which include the debentures and stocks (Serfling, 2016).

In order to identify the factors that can determine the capital structure of the firms, first, it is important to discuss and define the capital structure itself. According to Banerjee (2017), the capital structure is known as such an aspect that deals with the ratios of different kinds of securities that are raised by a company in terms of long-term finance. Mainly, there are two decisions that the capital structure involves, i.e. the security types that are to be issued are required to be equity shares, long term borrowing or debentures, and preference shares. Moreover, the relative ratios of the securities are capable of determining by the process called

capital gearing (Brusov et al., 2015). On such basis, there are two divisions of companies, i.e. the highly geared companies and the low geared companies. The highly geared companies are those who have a small proportion of equity capitalisation. Whereas, in the low geared companies, the equity capitalisation basically dominates the total capitalisation (Faccio and Xu, 2015). Furthermore, there are many factors that are capable of determining the capital structure of the companies. According to Zeitun and Tian (2014), These factors may include trading of equity, the flexibility of financial planning, the degree of control, size of the companies, the stability of shares and also the periods and costs of financing. Also, there are other important factors that cannot be ignored which includes the choice of investors and capital market conditions (Geske et al., 2016).

There are different ways of defining the capital structure of the firm. Capital structure is defined as the funds that are required to be used by the company. These funds are basically a mixture of long-term based funds which mainly consists of debt and equity securities of the company. There are a few elements by which the capital structure is mainly composed of which includes long term debt, preference share capital and finally the shareholders' fund (Graham et al., 2015). Furthermore, there are many benefits of capital structure and having a proper capital structure in the firm. Also, there are many kinds of capital structure which can be utilised by the company according to its requirement. The main advantage of having a capital structure in the firm is valued maximisation. The market value of the company increases by having the right capital structure. However, also the management of those factors that affect the capital structure and which determine the capital structure of the firm is highly significant. Hence, the research question that requires to be answered in this research is determining the capital structure of the non-financial firms of the United Kingdom. There are two objectives of this research one of which is to determine the significance of the capital structure for a company and the other is central to the research question. The significance of capital structure for a company is that it helps in managing and financing the business' day to day operations. The future growth is also promoted by the help of capital structure as well as the financing of assets is done in a proper manner. If viewed from a tactical perspective, the capital structure tends to influence everything from a company's risk profile perspective, such as, how convenient it is to get the required funding, how expensive that funding may be, further on that funding what is the return that is being expected by the lenders and investors. Furthermore, the degree of insulation of those funds is from both the macroeconomic downturns and microeconomic business decisions. Also, the capital structure serves any of key purposes for the company

which includes over viewing of different claims that may be on the business by different players in the marketplace, determining the risks to make investments in the business is also analyzed by capital structure.

Considering the topic of this research, i.e. the factors determining the capital structure of the non-financial institutions of the UK, by non-financial institutions it is meant those institutions that have the primary aim of producing the market goods or such services that are non-financial. In this research, ten non-financial institutions of the UK are selected in this research for the purpose of collecting financial data of ten years. The selected companies include Marks and Spencer, Burberry, Centrica, Sainsbury's, Tesco, Unilever, Vodafone Group, Coca - Cola, Next, and Coca Cola. All these companies are assessed and ten years of financial data and capital structure of the company is determined in this research. Moreover, there are other factors that contribute in the determination of the capital structure of the firm which includes the legal requirements, i.e. the government has specific guidelines for the issues such as the debentures and shares (Serfling, 2016).

According to Faccio and Xu (2015), Personal considerations of the management also have a say in the capital structure of the firm, i.e. experienced management to use more debt without hesitation as compared to those enterprises that are less experienced. However, according to the research by Geske et al., (2016) costs of floatation is not that significant but also contributes as a factor as it is required to be considered at the time of raising funds. The cost of floating equity is greater than the cost of floating a debt which makes the management to increase debt financing. In the research conducted by Zeitun and Tian (2014) Financial leverage is also an important factor that contributes to the capital structure. However, Stability and growth of sales also play an important role, i.e. if the sales are stable of the firm; it is supposed to increase a higher level of debt Graham and Harvey (2001). If the sales are stable and growing, then it shows that the firm would not be facing any difficulty in meeting with the required operations and commitments of repayment of debts or interest payments (Brusov et al., 2015). On the other hand, the risk is also a significant factor that cannot be ignored, while planning the capital structure it is highly crucial to consider two types of risks which include the financial risk and the business risk (Serrasqueiro and Caetano, 2015). The business risk can be described as the variability of earnings that is before the taxes and interests. It can be both internal as well as external. The former can be caused because of the lack of raw material, improper product mix, no incompetence or improper strategic management in the system and

operations. The external risk can be caused due to governmental control or business cycles or any other reason (Serfling, 2016).

The capital structure of the firm is quite an essential desire of the firm. If considered from a technical point, the capital structure is this kind of careful stability among the debt and equity of the firm which is used by the business that allows you to finance its belongings of their ordinary operations and activities in addition to future boom and stability. Considering the significance of the capital structure, this research specialises in the capital structure and its importance. Furthermore, the principle hassle this is addressed in this research is the elements that determine the capital structure of the firm. There are lots of things which are required to be measured and controlled with the aid of the corporations in order that the operations run easily and the future boom and stability are assured. In this study, those factors are addressed by way of the researcher in an intensive way. The studies questions that are focused in these studies are the identification of the importance of capital shape, i.e. what make it so essential for an organisation to do not forget it.

PROBLEM STATEMENT

The capital structure of the firm is quite an important choice of the firm. If viewed from a technical point, the capital structure is such a careful balance between the debt and equity of the firm which is utilised by the business in order to finance its assets in their everyday operations and activities as well as future growth and stability. Considering the importance of capital structure, this research focuses on the capital structure and its significance. Furthermore, the main problem that is addressed in this research is the factors that determine the capital structure of the firm. There are plenty of factors that are required to be measured and managed by the firms so that the operations run smoothly and the future growth and stability are guaranteed. In this research, these factors are addressed by the researcher in a thorough manner. The research questions that are focused in this research are the identification of the significance of the capital structure, i.e. what makes it so necessary for a company to consider it.

RESEARCH QUESTIONS

The main research question that is focused on this research is presented below. It is important to narrow the research question because the aspect of the capital structure is quite vast. Thus, the research process is focused on the research question, and the researcher aims to fulfil the research requirements.

- What are the factors determining the capital structure in the non-financial firms of the UK?

AIM AND RESEARCH OBJECTIVES

The aim of the current study is “To analyse the factors that determine capital structure among non-financial firms in the UK”. The aim and objectives of the research are accomplished through different methodologies. The core objectives of the research are given as follows. These research objectives are fully focused throughout the research process. The researcher aims to fulfil and meet all the requirements of the research objectives and research questions respectively.

- To Assess the significance of capital structure in an organisation?
- To Analyses the determining the capital structure in the non-financial institutions in United Kingdom?

STRUCTURE OF THE DISSERTATION

The dissertation consists of five chapters. The whole research process is based on answering the research questions and fulfilling the aims and objectives of the research successfully. The first chapter of the dissertation is the introduction in which the topic is introduced and explained. Furthermore, in this chapter, it is elaborated what is going to be discussed in the further chapters of the research. This chapter also consists of the research questions and research objectives by which it is cleared that what the researcher would be focusing on. Research problem that is to be addressed in the research is also given in this chapter.

Afterwards, the second chapter is given which is the literature review. In this chapter, the whole topic is discussed with respect to the author’s point of views. Different journal articles, research papers, and textbooks are used in the research to answer the research questions. In this research, the literature review consists of the explanation and review of factors determining the capital structure of the non-financial firms of the UK. The empirical evidence is also provided in this chapter. The theories of capital structures that are included in this chapter include the trade-off theory, the signalling theory, and the agency theory.

The third chapter of this research is the research methodology. In this chapter, the researcher chooses different research methods, designs, philosophies, types, and techniques in order to carry out the research process. These are the techniques and tools that are selected by the researcher. Each method or type of research that is selected by the researcher is on the basis

of the nature of the topic that is chosen in the research. Further, in the third chapter, it is reasoned why the methods are chosen and how they help in answering the questions of the research process respectively.

The fourth chapter of this research is the findings and analysis. In this chapter, the data that is collected by the research methodological techniques is analyzed. In this research, this chapter shows the findings and analysis of the ten-year financial data collected from ten non-financial institutions of UK.

The final chapter of this research is the recommendations and conclusion in which the research findings are concluded, and the recommendations are given after critically analysing the research. Recommendations are provided by the researcher after analysis of the findings and the relevant literature and reviews of other authors as well as the present state of the concerned area. In conclusion, each objective is addressed in a proper manner, and its achievement is mention at the end of the research process.

CHAPTER TWO – LITERATURE REVIEW

In chapter two, the researcher has discussed the literature review in which the evidence is collected from the known sources that justify the objectives of this research. The sources that are used for this evidence collection of literature is from the journal articles from different databases, textbooks, referred e-books, and websites. Furthermore, the collected research is updated and valid as it is collected from known authors. In this literature review, the capital structure is described, as well as the factors determining the capital structure are focused and discussed thoroughly from a different point of views. However, there are certain theories on the capital structure of the firm which are also focused on this research. The theories that are focused on this research are the theory of capital structure, trade-off theory, agency theory, and signally theory. Basically, in every business, the decisions relating to the finances that are required to be done on the assets of a company are quite crucial. The finance manager is mostly stuck into the confusion of what the optimum level of equity and debt is required to be in a company. However, there exists many rules and opinions of authors of how the debt and equity should be of the company, but it is supposed by Zeitun and Tian (2014) that the debt and equity capital of the company must be mixed in order to finance the firm's assets. The capital structures are supposed to be designed for the purpose if serving the interests of equity shareholders. Thus, instead of focusing on the collection of whole funds from the shareholders, a portion is collected which is a long-term fund which can be raised as a loan in the form of bond or debenture by paying a fixed yearly charge.

Designing a proper capital structure is highly important for the company. There are several benefits which are attained when the capital structure is designed in an appropriate manner. These benefits include value maximisation, increase in the share prices, cost minimisation, the growth of the country and investment opportunities (Serfling, 2016).

CAPITAL STRUCTURE

The capital structure can be defined as the mixture of some long-term bases of funds that are required and used by the company. It has been observed by Allen et al., (2015) that generally, this mixture consists of debt and equity securities and mainly represents the permanent financing ways of the company. Capital structure is mainly composed of preference share capital, long term debt and shareholder's fund (Graham et al., 2015). The capital structure benefits the company by value maximisation, i.e. the capital structure aims to maximise the market value of the company. However, it is quite important for the company to finance its overall operations; it does not only keep the company in control of its budget but also aids in

running the operations smoothly. There are a number of benefits of maintaining the financial aspects of the company which also include the provision of flexibility in raising funds. According to Rob and Robinson (2014) the company which has an appropriate capital structure designed in a precise way then the aggregate value of the ownership interests and claims of the stakeholders can be easily maximised. Furthermore, it is believed by Albul et al., (2015) that the capital structure also aids in the minimisation of the costs of the company which includes the cost of financing or the cost of capital. By this determination of the proper mix of all the fund sources, one company can keep the whole expenditure of the capital at its lowest of levels (Muritala, 2018). By increasing the earnings per share of some ordinary stakeholders the market price share of the company can be maximised by the properly designed capital structure (Utama, 2015). The dividend receipt of the stakeholders or reinvestment in the business is also increased by this action. The capital structure of the company also enables the company to discover new and innovative wealth-creating investment plans and opportunities (Groen, 2016). According to Graham et al., (2015) the capital structure of the company also tends to increase the rate of the country's growth and investment which is by increasing the ability of the company to find such opportunities which can generate wealth for the company.

It is generally stated that according to the technical perspective, capital structure is described as such a careful balance that can exist between debt and equity that is utilised by businesses in order to finance the assets of the company. Capital structure is the backbone of the company for its future growth as well as running the day to day operations and handling its budget. The advantages of maintaining a capital structure of the firm include amplification of return-on-equity which measures the overall business performance of a company. It is basically the product of net profit margin, financial leverage and asset turnover. The more amount of debt or leverage in the business or in the capital structure the more potential earnings is amplified. Similarly, an increase in the leverage or debt reduces the earnings which are maybe due to the interest that is paid out of operating earnings or EBIT (Muritala, 2018). Furthermore, another advantage is greater control as well as flexibility. Debt financing allows a company to keep almost overall control and ownership upon the business. When there is full ownership, there is full control upon the company. However, capital structure benefits do not end here as it also provides an organised way by which the capital of the company is increased. The capital structure also aids in providing flexibility to the firm in order to raise funds. There is one advantage of equity financing mainly for small businesses is that it has more availability than that of debt financing. If the business of the company is said to be unproven, lenders of the

company generally have nothing on which the base future cash flows upon (Faccio and Xu, 2015).

THEORY OF CAPITAL STRUCTURE

By the theory of capital structure, it is meant that in the area of financial management of the company, there exists a systematic approach for the purpose of financing the business activities by a proper combination of the liabilities as well as equities. Competing for capital structure theories are those theories that tend to explore the relationship and connection that exists between the equity financing, debts financing as well as the market value of the firm (Muritala, 2018). According to the research conducted by Utama (2015) there exists a traditional approach in which there is a traditional theory which explains that a company must aim to the minimization of its WACC, i.e. the weighted average cost of the capital and focus on the maximization of those assets which are marketable (Klasa et al., 2018). However, Abel (2018) argues that the traditional approach of the capital structure theory suggests that the use of debt financing has an identifiable and clear limit. Whereas, it is also explained by Brusov et al., (2018) that any of the debt capital that is beyond this point can create a devaluation of the company as well as unnecessary leverage. Under the traditional approach, the financial analysts and the managers needed to formulate certain assumptions. These assumptions as explained by Groen (2016) shows that the interest rate that is on the debt remains constant in between any one period however it increases with the leverage that is quite additional in a gradual manner (Öztekin, 2015). Meanwhile, Banerjee (2017) states that the rate of return that is expected from equity is also observed to remain constant before rising up gradually with the leverage. This action basically creates a point that is optimal at which the WACC becomes the smallest, and after that, it rises again.

There are other alternative approaches to capital structure theory rather than the traditional approach. This popular approach is known as the “Modigliani and Miller approach” (Faccio and Xu, 2015). According to Klasa et al., (2018) the “Modigliani and Miller approach” has primarily two central propositions. According to the first proposition, the company and the capital structure has no direct correlation, but instead, the companies’ value is depended upon those earnings that are expected in the future. The second proposition states that financial leverage tends to increase the earnings that are expected in the future but not the companies’ value. The reason behind this is because the earnings that are leverage-based are offset by the correspondence of increasing the required rate of return.

Furthermore, there is a pecking order theory that focuses upon the asymmetrical information costs. Pecking order theory can be described as the costs of the finances are observed to increase with asymmetrical information (Frank and Goyal, 2003). When the matter of concern is to raise financing in the business, the pecking order theory or pecking order model elaborates that when the assessment is carried out about the choice of using the internal funds, new equity or debt, the ranking must be something like this, the companies are required and recommended according to pecking theory to prefer the internal funding at its very first, then choose debt before even issuing new equity. This is known as the pecking order theory. The companies are given an order that is required to be followed (Adair and Adaskou, 2015). The theory was introduced by Stewart Myers and Nicholas Majluf in the year of 1984. The reason behind the introduction of this theory was that the companies were observed to be confused about utilising their finances in their operations. The pecking order theory was introduced because the companies used to prioritise their financing resources so that they can obtain the easiest one first (Frank and Goyal, 2003). However, by the help of this theory, the companies are made aware of how to prioritise their financing resources properly in order to precisely utilise sources for their operations respectively (Myers, 1984).

TRADE-OFF THEORY

The trade-off theory can be explained as an idea that a company selects the amount of equity finance and debt finance to utilise by balancing the benefits and costs (Muritala, 2018). It was hypothesised by Kraus and Litzenberg who measured the balance between the bankruptcy's dead weight costs as well as the saving tax advantages of the debt (Utama, 2015). In this balance, the agency costs may be included. It is believed by Groen (2016) that the introduction of this theory was competitive to the other theories of capital structure which includes the pecking order theory and MM theory. The research conducted by Frank and Goyal (2003) proposes that the most important aim of this theory is the explanation of the fact that the firms are basically partly financed with the debt. Also, the companies may be financed with the tax benefits of debt. In the context of the corporate finance, the tax benefit of debt means that it is a fact that if viewed by tax perspective it is quite cheaper for the companies as well as the investors for the purpose of finance with the debt than the equity (Öztekin, 2015). Furthermore, according to the taxation system of almost the whole world, taxes are taken from the firm on the basis of their profits whereas the individuals are filed for tax due to their personal incomes (Klara et al., 2018). It is researched by Abel (2018) this theory also states that along with having benefits over financing with debt, the expenses of the financial distress

of a company such as non-bankruptcy costs of debt as well as the bankruptcy costs of debt. The non-bankruptcy financial distress includes the supplier's demands of such payment terms which are quite disadvantageous, stockholder or bondholder infightings and the staff leaving.

Taxes are large and sure; however according to Miller bankruptcy is rare, and it has low dead-weight costs. Furthermore, it was added by Miller that the trade-off theory might be true, but then the firms are required to have a much high level of debts than they are observed in the real lives (Brusov et al., 2018). Myers presented the trade-off theory. The trade-off theory has been criticised a lot by many of the researchers, and people even chose other theories over the trade-off theory. However, the trade-off theory remains a prominent theory of the capital structure (Adair and Adaskou, 2015). It is believed by Serrasqueiro and Caetano (2015) that the trade-off theory predicts that the existence of optimal structure is there and can be determined by achieving a proper balance in between the cost of debt and tax benefits along with the consideration of other constant variables (Schulze et al., 2015). Many theorists believed that the amount of leverage that the trade-off theory explains to be optimal is not present in the companies. The companies substitute the equity with debt and the debt with equity until and unless they get the value of the company to the maximum level.

In order to get to the optimal level if the capital structure of the firm there are a number of suppositions that are required by the trade-off theory in reality. Before taking the steps described, it is important to first and foremost determine the present value of the financial distress costs as well as several other aspects. The first step that is required to be taken is to estimate the risk of bankruptcy as well as financial distress. The second step that must be taken is to consider that in case of distress the costs are required to be estimated. Furthermore, the discount rate is also required to be calculated of the distressed costs or bankruptcy as a further step. However, it is argued by Adair and Adaskou (2015) that due to the complexity that is present in the real world no company can discover that much information about a business outlook in order to provide any kind of evidence regarding described optimisation of the trade-off theory. The trade-off theory is further challenged by many of the researchers, Miller (1977) challenged the theory and argued that under some kind of conditions the aspect called the tax benefit of debt financing is counterbalanced by something known as the tax disadvantage of debt which occurs at a personal tax level.

AGENCY THEORY

The agency theory basically tackles with a managerial approach in order to understand and explain how the companies act. This theory can also be called an extension of the previous trade-off theory. By this theory, the researcher aims to try and understand why and how the companies end up with a specific capital structure. From the perspective of the agency theory, the benefits and costs occur when there exists a conflict of interest between the companies sponsors (Geske et al., 2016). The executives of the companies are quite tempted to run the company such a way by which personal wealth can be maximized. The stakeholders of the company wish to maximise the stakeholder value whereas the creditors of the company require the company to be solvent (Faccio and Xu, 2015). However, the executives may be the owners of the company, the main aim and focus generally becomes to maximise the value of the equity of the company and sometimes at creditors interest and cost of total firm value. There is an example that may be related to the agency theory or agency related cost that rises from the conflict of interest is known to be the excessive risk-taking step.

In such a company, which is financed by an excessive portion of the debt, the stakeholders are supposed to consider taking such projects that may be excessively risky as the potential failure tends to mainly affect the debt holders of the company lives (Brusov et al., 2018). There are other agency theory related aspects that are required to be considered which includes the underinvestment and debt overhang. In such a company which has an excessive portion of the debt, the debt holders will acquire mainly most of the portion profit that is achieved from the project. This step can leave the other shareholders with no incentives and low returns to take any of the promising projects (Kanaan and Yaghoubi, 2017).

Furthermore, if the agency related benefits are discussed then there are two of the agency related benefit debts which include the increased commitment and concentration of ownership. For the purpose of keeping the base of the shareholders intact can facilitate the initial owners with quite high commitment in order to keep the business on track and without any kind of disturbing co-owners that may be following different agendas or strategies (Jani and Bhatt, 2015). Debt can be called to work as a factor of disciplinary. The creditors of the company demand fixed payments which in result heightens the risks of financial distress. Due to this, the executives are left with high pressures upon them, i.e. as uncertainty generates high pressure for the executives in order to generate the profitability for the company.

SIGNALLING THEORY

The theory of dividend signalling suggests that when a company announces regarding the increase in the dividend payouts as a signal or an indication of the prospects that may prove to be positive. This theory is considered to be related to the game theory that considers that managers that have good investment potential are expected for more signalling (Zeitun and Tian, 2014).

However, the concept of the dividend signalling is said to be widely contested whereas the theory is considered still as a concept that is used by the proponents of the inefficient markets. The capital structure signalling theory was first introduced by Ross (1977) which was based upon the issues of asymmetrical information that happens between the investors and managers. Also, it can be explained as the idea that the main executives of the company that contains the inner information are assigned with the task to make a transfer of this knowledge to the investors that are external because if they do, the stock price will be increased (Albul et al., 2015). However, it is observed that the managers do not and should not announce that kind of news to the investors as the managers themselves face it with suspicion. There is a certain solution to the stated problem; the underestimated companies are required to send a signal to the investors regarding this information by the adoption of financial policies. However, this strategy is said to be forbidden by the aspect of expenses of a company of less value (Öztekin, 2015)

EMPIRICAL EVIDENCE

IMPORTANCE OF CAPITAL STRUCTURE

OPTIMAL UTILISATION OF FUNDS AVAILABLE

A robust capital structure aids a business in the optimal utilisation of its funds available to the firm. A well designed and structured capital structure can ensure determining the firm's future financial requirements and allow the firm to raise capital from various sources at ease for the best utilisation of the said funds. A robust capital structure further protects a firm from under-capitalisation and over-capitalisation (Zeitun and Tian, 2014).

MAXIMISING OF RETURNS

A sound and robust capital structure allow the management of a firm to enhance its profitability from its operation and ensure a higher return on investment for the shareholders of the firm in the form of higher return on equity or higher earnings per share (EPS). These high returns can be by increasing the proportion of capital raised from debt from the most

economical source of capital, wherein the rate of interest is lower than the rate of returns or the operating margins of the business. In an event when the rate of returns on the capital employed, that is the total of long-term borrowings and shareholders' funds is greater than the fixed interest rate payable to the holders of the debt, in such a case the company is deemed to be trading on equity and generates higher returns for its shareholders (Graham et al., 2015).

REDUCING THE COST OF CAPITAL RAISED

A business enterprise with a sound and robust capital structure can maximise the wealth of its owners or shareholders with by minimising the overall cost of capital of the firm. The incorporation of long-term debt can achieve this within the overall capital structure of the firm. This is due to the cost of raising debt capital is lower than the cost of preference share capital or equity share capital as the interest paid on long-term debt is tax deductible at this moment helps in lowering the overall cost of capital raised for a business (Robb and Robinson, 2014).
More details

LIQUIDITY AND SOLVENCY POSITION

A sound and a robust capital structure of a firm will never permit the business towards raising excessive capital in the form of debt capital and during times of poor and low revenues and profits, the liquidity position of the firm can get drastically hampered due to the mandatory interest payment towards the debt capital which cannot be deferred by the firm.

FLEXIBILITY

A sound and robust capital structure always permit room for reduction or expansion of debt capital towards enabling the business to adjust its position in accordance with the changing business environment, both internal and external. The more is the availability of capital the more is the feasibility of the firm to gain control and accessibility over the fluidity and expansibility of the concerned business.

SAFEGUARDING CONTROLLING POSITION OF EXISTING AND MAJORITY SHAREHOLDERS

A well planned, structured and robust capital structure of a firm can protect the controlling position of the existing and majority shareholders of the business company. In order to expand business operations, businesses often need to raise funds from external sources due to the limited ability of the promoters of a firm to raise funds from internal retained earnings and personal sources. When a firm raises funds from issuing equity to the public, the existing

promoters and shareholders of the firm can dilute their shareholding proportion and risk losing their controlling interest within their own firms. Whereas, when capital is raised in the form of external debt such as long-term loans, debentures etc., there is no dilution of shareholding, and the existing shareholding retains their controlling interest and ownership proportion.

Hereby, a well-planned and a structured capital structure is also essential for a business entity and its promoters and existing shareholders to ensure that their controlling interest within the firm is not diluted on account of raising additional capital from external sources.

A well-planned capital structure is a prerequisite for a better type of business for developing a better amount of financial credentials in the concerned market (Scarborough, 2016). Here the business depends on the different types of the strategies of management of financial crisis with the concerned business and the different types of ways to avert it and overcome it.

LOWERING FINANCIAL RISK

A sound, well-planned and a robust capital structure is important towards ensuring lowering all forms of financial risks to the firm. For instance, when a business company raises capital in the form of debt, the periodic interest and principal payments are mandatory irrespective of the revenue, profitability or cash flow of the business. Hence, the business is in risk of defaulting its debt obligation payments in times of difficult economic situations wherein the firms experience a shortfall in revenues, low profitability and negative cash-flows in the business. Hence, in any event, the debt portion of the capital structure of a firm increases so does its financial risk due to the obligation of fixed interest payments and repayment of the principal portion of the debt at the time of maturity. A well-planned and a robust capital structure provide protection to the firm from these financial risks by maintaining a balanced mix of equity and debt within the firm's capital structure (Albul et al., 2015). The main aspect of lowering capital risk is to develop sound mitigation techniques in which solid management is guided with robust finances and other financial tools.

ENHANCES INVESTMENT OPPORTUNITIES

A sound, well-planned and a robust capital structure of a firm also aids in enhancing the firm's attractiveness for investment and feasibility for the existing shareholders to enter into mergers and acquisitions. A business with a high proportion of debt and low proportion of equity can lower the valuation of the firm hereby making its unattractive for external investments, mergers and acquisitions whereas a balanced capital structure can aid in external

investments, mergers and acquisitions with the existing investors and shareholders not losing their controlling interest within the firm (Serling, 2016).

INCREASING THE VALUE OF THE BUSINESS

A sound and robust capital structure can help in enhancing the market price of the shares, equities, and securities of the firm, which can be translated into enhancing the value of the firm. A well-planned capital structure of a firm helps the company maximise the firm's profitability from its operation and ensure a higher return on investment for the shareholders of the firm in the form of higher return on equity or higher earnings per share. Also, the well planned and structured capital structure of a firm can further help the firm to reduce its cost of capital for the firm. Lower cost implies higher profitability for the firm.

A well-organised capital structure helps in increasing a firm's revenues, reduce their overall cost and enhance its profitability, thereby increasing the company's retained earnings and share prices. Increased share prices of the firm can be translated into a capital appreciation for the shareholders and increase in the overall market capitalisation and value of the business company.

DETERMINANTS OF CAPITAL STRUCTURE

LIQUIDITY RISK OF THE FIRM

Liquidity risk and risk of insolvency can arise due to the risk of failure of fixed interest payment liability. A high proportion of debt can be translated into higher interest payment and principal repayment irrespective of the firm's earnings and cash flow. This interest payment obligation is mandatory irrespective of the revenues, cash flow and profits of the firm. Any default on timely interest and principal payments can lead to lowering the credibility of the firm and result in the liquidation of the business (Kanatani and Yaghoubi, 2017).

Further, the sudden withdrawal of debt capital from the company's balance sheet can also cause cash insolvency. Such risk needs to be factored in as it has an essential implication on the capital structure of a business enterprise and can be avoided with a higher proportion of the capital of the firm been financed by equity capital. Hence, a firm can have a higher proportion of equity within its capital structure towards safeguarding itself from liquidity risk. One of the most important tools to measure the liquidity ratio is the use of the current ratio techniques.

THE RISK IN VARIANCES IN THE FIRM'S INCOME

The high proportion of debt within the capital structure of a business firm can expose the firm to risk of variances in revenues, cash flows, income etc. as the debt repayment in the form of interest payments and principal repayment is fixed and mandatory. Apart from hampering the liquidity of a firm, a high proportion of debt can also influence the return of shareholder's equity etc. (Faccio and Xu, 2015).

Hence the return on capital employed plays an essential role selection of capital structure of the firm. If a business has a return of capital employed higher than the rate of interest on the debt funds, the company should have a higher proportion of debt in its capital structure and if a firm has a return of capital employed lower than the rate of interest on the debt funds, the company should have a lower proportion of debt in its capital structure.

COST OF CAPITAL

The cost of capital is the cost incurred in raising capital from various sources of funds and capital, i.e. it can be defined as the cost incurred to raise capital. A firm should be able to generate adequate revenue towards meeting its cost of capital and finance required to fuel its future growth and working capital requirements. The business needs to consider these costs while planning and designing the company's capital structure.

CONTROLLING INTEREST

The promoter's controlling interest priorities also plays a vital role in planning and determining the capital structure of a business. A business whose promoters are open to the idea of diluting their controlling interest can opt for raising finance in the form of equity capital and promoters who do not wish to dilute their position within the company might opt for debt or preferential shares with no voting rights towards maintaining their controlling interest (Öztekin, 2015). It is generally measured with the help of the different types of financial ratios.

SIZE OF THE BUSINESS ENTITY

The size of the business firm also affects its capital structure. Small and medium-sized firms usually resort to raising capital in the form of debt capital due to their limited ability to raise funds in the form of equity whereas large sized and publicly traded firms can raise funds in the form of equity capital.

NATURE OF BUSINESS.

The nature of the business also plays a role in influencing the capital structure of the business enterprise. For instance, companies with stable income and cash flow can opt for debt funds and preferential shares to raise capital whereas businesses with variable, seasonal or fluctuating income and cash flow can opt for raising capital in the form of equity (Jani and Bhatt, 2015). There are different methods to measure it, but the most important is the measure with the help of cash flow financial report analysis. Also, capital intensive industries like capital goods, aviation, consumer durables and infrastructure tend to have more debt in their balance sheet, while capital light industries such as FMCG, IT/ITES, and consumption companies tend to have a lower amount of debt in their balance sheets

THE INTENTION OF RAISING CAPITAL

The purpose or intention of raising capital also plays a vital role in playing a role in the capital structure of a firm. For instance, funds raised for finance purchase of long-term assets can resort to raising capital in the form of debt whereas funds required for internal changes, providing welfare facilities to the employees might require funds to be raised from internal sources from retained earnings of the firm.

CORPORATE TAXATION POLICY

The corporate tax policy and the tax implication subjected to the business firm can also influence the capital structure of the firm. When businesses are exposed to a high level of taxation and wish to reduce their cash liabilities, in such as case debt financing can aid the firm to reduce their tax liabilities. As dividend payments of equity and preferential shares are not tax deductible, and the interest payment made on debt are deductible for taxation purpose, it can help a firm to reduce its tax liabilities by raising debt capital (Koksai and Orman, 2015).

Further, businesses are required to pay tax on the dividends distributed among shareholders. Hence, the total income available for equity holders and debt holders is higher in an event debt capital is part of the capital structure of a firm. Hence, when a firm is subject to high tax rates or high tax payments, raising debt capital can aid the company towards reducing their tax liabilities.

THE EBIT-EPS ANALYSIS OF THE FIRM

If the EBIT of a firm is lower from its EPS point of view, it is much more preferable for a business enterprise to raise capital from debt. Similarly, if the EBIT of a firm is higher

from its HPS point of view, it is much more preferable for a business enterprise to raise capital from equity funds (Ramli et al., 2018).

Further, when a firm's return on investment is higher than the interest rate of the debt raised, the company can opt to raise funds from debt capital, and when a firm's return on investment is lower than the interest rate of the debt raised, the company can opt to raise funds from equity capital.

CHAPTER 3 - RESEARCH METHODOLOGY

This research report intends to study, analyse and investigate the capital structure of non-financial companies in the United Kingdom. The aim and objective of the said research report are towards understanding the various determinants of the capital structure and significance of various components within the capital structure of a company and significance of the various factor which determines the capital structure (Mackey and Gass, 2015). Research methodology is a set of techniques and procedures that allow the researcher to conduct research and select most appropriate methods, approaches, and data collection tools so that the objectives and aims of the research are completed.

Each determinant and factor which influences and impacts the capital structure of a company plays an essential role in shaping up the company's capital structure, its debt-equity composition etc. Few of the formulas used in a while calculating certain ratios are:

RESEARCH PROBLEM

The primary research problem this research study aims to address is the wide array of various factors which determine the capital structure of non-financial firms within the United Kingdom. The research objectives of this research are addressing the significance of the capital structure of a company and the multiple factors which determine the composition of non-financial firms within the United Kingdom.

The companies selected for conducting this research study include Marks and Spencer's, Burberry, Centrica, Sainsbury's, Tesco, Unilever, Vodafone Group, Coca - Cola, Next, and Coca Cola. These companies include a diverse sector such as retail, telecommunications, consumer goods, airlines, luxury brands etc.

This research aims to analyse the debt-equity composition within the capital structure of non-financial firms. Some firms have low levels of debt whereas some business entities have a high level of debt within their capital structure. Every company has its own business strategy, business model, revenue streams and models, profit margins, cash flow cycles, ownership composition, management structure etc. Hence this research will explore to analyse how each of these factors influences the composition of a firm's capital structure.

RESEARCH PHILOSOPHY

The research philosophy implies the values and beliefs pertaining to the manner in which the data pertaining to a specific phenomenon needs to be collected, gathered, analysed, utilised and interpreted (Hughes and Sharrock, 2016). Research philosophy guides the

researcher and provides an understanding of how the research is required to be gathered in a perfect manner. There are different philosophies that exist and are commonly used by the researchers to conduct the research according to their respective topics. It is necessary to analyse the nature of the topic in order to adopt the most suitable philosophy for research. The philosophies that are commonly used interpretivism, positivism, and pragmatism.

This research study covers the subject of finance wherein the capital structure of companies in different sectors needs to be analyzed towards understanding the composition of its capital structure, the factors determining the capital structure and the debt-equity composition, various forms of debt and equities utilised by the company for its financing and expansion purposes etc. The composition of various forms of debt instruments and equities form the essential components of the capital structure of a firm.

The research philosophy adopted by this research study is Positivism Research Philosophy. The research philosophy of positivism can be difficult to define precisely and in a pinpoint manner due to multiple variations and usages of this form of research philosophy. None the less, positivism is based upon the philosophy that only science can enable researchers to learn and know the truth about various subject matters (Robson and McCartan, 2016).

Positivism involves observation of factual knowledge which can be gained by various methods, such as observation, documentation etc. In positivism research studies, the role of the researcher is often limited to collection, analysis, and interpretation of data in an objective manner. Hence positivism can be highly quantifiable and observable (McNabb, 2015).

The primary principles of positivism research philosophy are as follows

The research subject should be solely judged by logic and needs to be free from external values. Common sense and biased form due to common sense needs to be eliminated during positivism research.

The research study can be observable and seen or felt by the human senses. In such cases, an inductive reason can be utilized towards developing a hypothesis for testing during the research study or process. The aim of the research needs to be to aim or predict. There shall be no difference within the logic of inquiry across sciences. The reason for selection of the said research philosophy for conducting the chosen research study is the chosen research involves usage of solely secondary data in the form of annual reports of financial statements of the chosen companies for the purpose of the research study. This research shall not utilise any form of primary data or qualitative research (Eriksson and Kovalainen, 2015).

As positivism involves mainly collection and analysis of data, eliminates common sense and personal biased from the research, requires research to aim or predict the research result etc. the said research study had selected the research philosophy of positivism towards conduction this research study (Baronov, 2015).

Further, this research philosophy has the following implications on the chosen research topic.

Research methodology will majorly concentrate on data collection and analysis of data collected.

The research results need to be determined from logic arrived from data analysis and interpretation. The research result needs to be free from external logics, researcher's biased opinions and common senses etc. (Bell et al., 2018)

The aim of this research is to explore and predict the various factors and determinants which influence the composition of the capital structure of a firm, i.e. the proportion and mixture of debt and equity used by a business entity to finance its capital requirements.

RESEARCH STRATEGY

Research strategy of research can be defined as a step-by-step or a systematic action plan for conducting a research study. A research strategy provides a research study direction of the efforts, thoughts of a researcher and enables the research team or the researcher to conduct a systematically and scheduled research for obtaining quality research results and execute a detailed, structured and systematic reporting (Saleh et al., 2018).

The research strategy adopted for this research study highly structured and well-defined. The aim of this research study is towards analysing the capital composition of various business companies within the United Kingdom, determining the factors determining the composition of the capital structure of these companies, analyse the various factors which influence the capital structure of these companies in the United Kingdom and other companies around the world in general. The inclusion and the exclusion criteria depend on the parametric results of the solvency ratio, the current ratio and the liquidity ratios taken into account.

The companies selected to conduct this study includes businesses within the retail industry, airlines, luxury brands, telecommunications, consumer durables etc. This implies a diverse range of industries being covered within the research. Further, the companies selected for the research study are Marks and Spencer's, Burberry, Centrica, Sainsbury's, Tesco, Unilever, Vodafone Group, Coca - Cola, Next and EasyJet UK. For an effective discussion,

the need for a real-time industry with a performance monitoring variable is absolutely necessary.

Each company and industry has its own business goals and objectives. These business objectives can include enhancing the value of the business, optimal utilisation of the firm's funds, maximisation of returns, reducing the cost of capital of the firm, managing the firm's financial risks, enhancement of investment opportunities etc. (Lidstone and MacLennan, 2017). Different types of ratio analysis like the use of the current ratio and solvency ratio can be taken into account.

Further, every company has its own limitations which include the liquidity risks faced by the business, risk of variation in income of the firm, owners desire to hold their controlling interest within their firms, size of the business enterprise, nature of the business and industry the business operates within, the purpose of raising the capital, the tax policies of the company, the profitability of the firm in terms of its operating profits and earnings per share (Epstein et al., 2015).

Towards analysis to the research problem and determining the various factors which determine the capital structure and debt-equity composition of a firm, this research study will involve and follow the following research strategies of extracting secondary data pertaining to the financial performance of these business company. These secondary data can be obtained from the annual reports and financial statements of these companies.

Being publicly trading companies, these business entities are required to periodically required to file their financial statements and annual reports with stock exchanges and regulatory bodies. Hence these companies are required their annual returns and financial statements with regulatory bodies, and these financial reports are easily available at the websites of the stock exchanges and the investor relations sections of the company's websites (). Hence the following research strategy will be adopted towards conducting the said research study.

Extraction and accessing annual reports of Marks and Spencer's, Burberry, Centrica, Sainsbury's, Tesco, Unilever, Vodafone Group, Coca - Cola, Next and Easy jet UK for a period of 9-years from the investor relations section of the corporate websites of each individual business entity

Extraction and accessing financial statements which include the income statement, balance sheet and cash flow statement of Marks and Spencer's, Burberry, Centrica, Sainsbury's, Tesco, Unilever, Vodafone Group, Coca - Cola, Next and EasyJet for a period of

9-years from the investor relations section of the corporate websites of each individual business entity

Analysing the capital structure and debt-equity composition of Marks and Spencer's, Burberry, Centrica, Sainsbury's, Tesco, Unilever, Vodafone Group, Coca - Cola, Next and EasyJet UK for a period of 9-years by analysing its balance sheets and statement of changes in capital

Conducting a ratio analysis and calculating financial ratios such as profitability ratio, liquidity ratio, Solvency ratio, and leverage ratio, for Marks and Spencer's, Burberry, Centrica, Sainsbury's, Tesco, Unilever, Vodafone Group, Coca - Cola, Next and Easy jet UK for a period of 9-years by analyzing each company balance sheets, income statement, cash flow statements and statement of changes in capital

Conducting a comparative analysis of Marks and Spencer's, Burberry, Centrica, Sainsbury's, Tesco, Unilever, Vodafone Group, Coca - Cola, Next and Easy jet UK profitability ratio, liquidity ratio, Leverage ratio and Solvency ratio for a period of 9 -year from 2009 -2017.

Conducting a comparative analysis of Marks and Spencer's, Burberry, Centrica, Sainsbury's, Tesco, Unilever, Vodafone Group, Coca - Cola, Next and Easy jet UK capital structure and debt-equity composition and changes within them for a period of 9 -year

From 2009 – 2017 Analysing trends and the correlation between each select firm's profitability ratio, liquidity ratio, Solvency ratio, and leverage ratio, etc. vs its capital structure composition, i.e. its debt-equity proportion

Various statistical and observation tools such as variance analysis, trend analysis etc. will be used towards conducting all the analysis mentioned above

RESEARCH DESIGN

Research design can be defined as various procedures and methods utilised towards collection and analysis of the various variables which have been defined in the research problem. Research design or a study's design aids in defining the type of the research study, i.e. descriptive, experimental, semi-experimental, correlation, review, meta-analytic etc. (Kratochwill, 2015).

Further, research design also has various sub-segments or sub-sets which include case-study, survey, naturalistic observation, case-control study, observational study, field experiment, quasi-experiment, experiment with a random assignment, systematic review, literature review, meta-analysis etc. Sometimes, a research design can also involve a mixture

of two or more forms of research designs. In short, research design is a set of rules and framework which have been created towards obtaining answers to the research question (Kelly et al., 2014).

The chosen research problem of analysis of the various factors and determinants of capital structure is a correlational research design. Correlational research design can be defined as a form of a research study which involves exploring the relationship between two or more variables using statistical analysis. This form of research design does not seek for a cause and effect relationship, but instead are observational in terms of data collection and analysis wherein various statistical tools and methodologies are adopted towards analysing and interpretation of data (Smith, 2015).

The said research completely relies on of utilisation of secondary data which is gathered from the annual reports and financial statements of the companies selected for the research study. The companies selected for the study are Marks and Spencer's, Burberry, Centrica, Sainsbury's, Tesco, Unilever, Vodafone Group, Coca - Cola, Next and EasyJet UK. These companies cover varied industries and segments which include consumer durables, retail, luxury brands, airlines, telecommunications, fast-moving consumer goods etc.

Diversification of data sources will aid is necessary as each business and industry has its own differences, uniqueness, and objectives. Each company and industry has its own business goals and objectives. These business objectives can include enhancing the value of the business, optimal utilisation of the firm's funds, maximisation of returns, reducing the cost of capital of the firm, managing the firm's financial risks, enhancement of investment opportunities etc. (Kohler, 2016).

Further, every company has its own limitations which include the liquidity risks faced by the business, risk of variation in income of the firm, owners desire to hold their controlling interest within their firms, size of the business enterprise, nature of the business and industry the business operates within, the purpose of raising the capital, the tax policies of the company, the profitability of the firm in terms of its operating profits and earnings per share (Kossmann, 2017).

The research design aims to analyse the composition of capital structure and the debt-equity composition in relation to the various internal and external factors which may include the various business objectives of the firm, differences in business, revenue and profit structures of every individual company and industry. Every business entity and company have a difference in their capital structure and composition of debt and equity.

For instance, the capital structure and composition of debt and equity of a business firm can be correlated in terms of its revenues, cash flows, profitability, size of business etc. Similarly, a firm's capital structure and composition of debt and equity of a business firm can be correlated in terms of its risk appetite, owners' desire to retain controlling interest and majority stake, the purpose of the raising the capital etc.

RESEARCH METHOD

Research method can be defined as the strategy utilised towards implementing a research plan. While research design is a plan for answering a research question, the research method is the process of implementing the research plan (Nuttin, 2014).

Selection of a research method can often depend on the research goals and objectives and depending on the subject matter of the research. The various factors while selection research methods include time for data collection, type of data needed to be collected etc.

The form of research method utilised in the said study is a quantitative research method. Quantitative research can be defined as a form of systematic and structured empirical research and investigation involving observational phenomena such as using statistical, computational and mathematical techniques. Quantitative research uses a collection of secondary data which can be defined as any form of data which is represented in the form of numerical form which includes percentages, statistics, numerical etc. (Morse, 2016).

METHODS OF DATA COLLECTION

Data collection method implies how the data for a research study will be collected towards conducting their research studies (Thomson et al., 2018). The said research collects secondary data in form financial data collected from various sources which include the annual reports and financial statements of the selected companies. These companies include Marks and Spencer's, Burberry, Centrica, Sainsbury's, Tesco, Unilever, Vodafone Group, Coca - Cola, Next and Easy jet UK. These companies cover varied industries and segments which include consumer durables, retail, luxury brands, airlines, telecommunications, fast-moving consumer goods etc.

The annual reports and the financial statements such as income statement, balance sheets, cash flow statements and statement of changes in shareholder's equity will aid in analysing the capital structure and composition of debt and equity within the capital structure, calculation and conducting ratio analysis by computing financial ratios such as profitability

ratio, liquidity ratio, Solvency ratio, and leverage ratio, solvency ratio for each of the above mentioned companies.

The dependent variable for this research was gearing leverage ratio; while the independent variables were Return on Assets (ROA), Operating Margin, Current Ratios, Quick Ratios, Solvency Ratios and Interest Coverage.

SAMPLE DESIGN

The sample design is composed of two distinct elements, i.e. sampling method and estimator. Sampling method can be defined as the rules followed towards including a certain segment of the population within his sample size of the research whereas an estimator can be defined as the process of computing sample statistics (Christianson et al., 2016).

The said research utilises a Simple Random sampling method which can be defined as the selection of a population towards being a part of a research study in a random fashion, wherein irrespective of the population included within the sample size; the research result would remain more or less the same (Mead, 2017).

This research study selects 10 companies listed on the London Stock Exchange at random. The only criteria while selecting these companies was that none of these companies could be involved in the financial sector. Hence 10 business firms in the non-financial sectors were selected. Also, these firms were selected belonged to different industries and sectors.

The companies included in the research sample include Marks and Spencer's, Burberry, Centrica, Sainsbury's, Tesco, Unilever, Vodafone Group, Coca - Cola, Next and Easy Jet. These companies cover varied industries and segments which include consumer durables, retail, luxury brands, airlines, telecommunications, fast-moving consumer goods etc.

METHODOLOGY SELECTION

The said methodology was used to collect data and gather information over other forms of available data collection techniques for the following reasons:

Secondary data in the form of financial data was collected from the annual reports and financial statements of the companies selected due to the accuracy of the data. All companies listed on the stock exchange need to periodically file their quarterly and annual financial statements and returns which are audited and need to be fair and accurate as per prevailing reporting and compliance applicable to the companies listed on the London Stock Exchange (Finkler et al., 2016).

Secondary data in the form of financial data was collected from the annual reports and financial statements of the companies selected due to the said data being easily available on the investor relations section of each individual company's website and the website of the stock exchange.

Secondary data was collected and gathered from academic research conducted on inventory management in general, inventory management in the medical industry from the use of academic books, journals, research papers, online articles etc.

RATIOS

Gearing Leverage Ratio

It is also known as the debt to equity ratio. It essentially represents a group of ratios that help in comparing the owner's equity or capital to debt or the fund that the firm has borrowed. The Gearing ratio is a way to measure a firm's financial leverage, and it shows the extent or degree to which the company's finances are funded through shareholder's funds in comparison to creditor's funds. Higher gearing ratios show that the company has more financial leverage and thus is vulnerable to market trends because its capital is mainly based on the funds provided by external creditors such as bank loans. It is calculated through the following formula.

$$\frac{\text{Total Debt}}{\text{Total Equity}}$$

Return on Assets (ROA) Ratio

It indicates the profitability of a company in relation to its assets. The ROA ratio helps business managers, investors and authorities an idea about the overall efficiency of the firm in using its assets to generate revenue and profits. Through ROA an idea about earning generated by the company from its invested capital can be determined. Moreover, ROA varies from industry to industry; thus there is no specific benchmark against which it can be evaluated. The higher it is, the better picture it can help in creating.

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Operating Margin Ratio

It shows the overall profitability of the company after paying variable costs such as wages, raw materials, etc. It also shows the efficiency of the firm's ability to control its costs and expenses while trying to keep them at a minimum. It does not include unique or one time

transactions, rather it takes into consideration regular and everyday expenses of the firm. It is also expressed as a percentage of sales.

$$\text{Operating Margin} = \frac{\text{Operating Income}}{\text{Total Revenue}}$$

Liquidity Ratio

This ratio is used to determine a company's ability to pay off its current debts without having to take funds from external sources. It therefore measures the firm's ability to pay its debt obligations as well as its margin of safety.

Current Ratio

The current ratio measures the ability of a firm to pay its short-term obligations or those which are due in a one year time. Through this ratio, the investors can decide whether or not they should invest in the company.

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Quick Ratio

It is an indicator of a firms' short-term liquidity position. Thus it measures and analyses the ability of the company to meet its short-term obligations through its liquid assets. Quick ratio also shows the ability of the company to instantly use its cash and near cash assets to pay off its liabilities. It is also known as the acid test ratio.

$$\frac{\text{Current assets} - \text{inventory} - \text{prepaid expenses}}{\text{Current liabilities}}$$

Solvency Ratio

It is used to measure a firms' ability to meet its debt obligations. It is primarily used by business lenders to decide if they should lend capital to the company. This ratio also indicates whether the company's cash flow is sufficient to meet its short and long-term liabilities.

$$\frac{\text{Net after tax income} + \text{non cash expenses}}{\text{Short term liabilities} + \text{long term liabilities}}$$

Interest Coverage Ratio

It is debt and profitability ratio. It is mainly used to determine how easily a company can pay off its outstanding debts.

$$\frac{\text{EBIT}}{\text{Interest Expense}}$$

CHAPTER FOUR – RESULTS AND DISCUSSION

DESCRIPTIVE STATISTICS

Descriptive statistics	Dependent Variable	Independent	independent	independent	independent	independent
	<i>Debt Equity (Capital Structure)</i>	<i>Current Ratios</i>	<i>Quick Ratio</i>	<i>Operating Margin</i>	<i>ROA</i>	<i>Interest Coverage</i>
Mean	0.8557	1.0498	0.7078	11.4693	9.6506	25.8897
Standard Error	0.0973	0.0510	0.0380	0.7596	1.0123	6.8040
Median	0.5500	0.9050	0.6450	11.2350	6.9000	6.6100
Mode	0.0000	0.7300	0.4800	4.1000	1.9600	0.0000
Standard Deviation	0.9231	0.4837	0.3609	7.2064	9.6032	64.5482
Sample Variance	0.8521	0.2339	0.1303	51.9319	92.2213	4166.4677
Kurtosis	6.4277	3.1170	0.9762	-0.7856	1.4579	17.4296
Skewness	2.3567	1.6191	0.9804	0.0637	1.0718	4.0948
Range	5.0900	2.4300	1.7100	34.3000	57.4800	405.1900
Minimum	0.0000	0.4700	0.2000	-7.7000	-12.2000	-9.1900
Maximum	5.0900	2.9000	1.9100	26.6000	45.2800	396.0000
Sum	77.0100	94.4800	63.7000	1032.2400	868.5500	2330.0700
Count	90.0000	90.0000	90.0000	90.0000	90.0000	90.0000

The mean for the dependent variable was 0.85 while its maximum and minimum values were 5.09 and 0.00 respectively. Similarly, the mean for the current ratio was calculated to be 1.04 with minimum and maximum values as 0.47 and 2.90. The mean of quick ratio was 0.70, with standard deviation as 0.36 and had 0.20 as a minimum value and 1.91 as the maximum value. Further, it can be observed that the operating margin had a mean of 11.46, standard deviation as 7.20 and 26.60 as the maximum value. Return on Assets' mean was 9.65, and the standard deviation was 9.60, while the maximum value was 45.28. Interest coverage had a

mean of 25.88, the standard deviation of 64.54, the minimum value of -9.19 and the maximum value of 396.00.

The study conducted concluded that the companies under study have a mean Debt-to-Equity ratio of 0.86, a current ratio of 1.05, the quick ratio of 0.71, interest coverage of 25.89x, operating margin of 11.47% and return on assets of 9.65%. The range and standard deviation for all such parameters are given in the table below

Parameters	Minimum	Maximum	Standard Deviation
<i>Debt-to-Equity</i>	0.00	5.09	0.92
<i>Current Ratio</i>	0.47	2.90	0.48
<i>Quick Ratio</i>	0.20	1.91	0.36
<i>Interest coverage</i>	-9.19x	396.00x	64.55x
<i>Operating Margin</i>	-7.70%	26.60%	7.21%
<i>Return on Assets</i>	-12.20%	45.28%	9.60%

DEBT-TO-EQUITY RATIO

The debt-equity ratio is the independent variable in the study conducted; it can be inferred that an optimal debt-equity ratio is around 0.85 given the purview of this study. The debt-equity ratio signifies the percentage of debt in the capital structure of the company. If the ratio is high, then it may signal the potential riskiness of the company. The debt-equity ratio is a measure of solvency. The higher the ratio, the less solvent the company. Hence, efforts should be made to ensure that the ratio is should be within acceptable limits given the industry in which the company is operating. It is observed that high capital-intensive industries like capital goods, consumer durables, infrastructure etc. have high debt-equity ratio while low capital-intensive industries like IT/ITES and FMCG have a low debt-equity ratio.

CURRENT RATIO

Current ratio signifies the liquidity position of the company by making a comparison between current assets and current liabilities. The current ratio of 1.0+ is considered healthy. However, a large current ratio signifies that too much of investment is tied up in current assets. With a mean current ratio of 1.05, we can say that companies under observation seem to have a healthy liquidity position on an average.

QUICK RATIO

Just like the current ratio, the quick ratio also signifies the liquidity position of the business after deducting inventory from current assets. It tells us as to what would be the standing of the business liquidity if inventory, which takes a while to convert to cash, is removed off from the current ratio keeping the denominator unchanged. While, the ratio will always be lesser than the current ratio but if inventory is piling up and it forms a considerable part of current assets then the quick ratio will be way lower than the current ratio, and it may signal that inventory is not getting sold and stockpile up could be a challenge to deal with, in near future. For the companies under observation, the mean quick ratio is calculated to be 0.71, which signifies about 32.0% difference between the current and quick ratio

INTEREST COVERAGE

The interest coverage ratio is expressed in times, and it calculates the number of times interest coverage is provided by earnings before interest and taxes. The higher the number, the better it is. The intent of calculating the ratio is to see whether or not operating earnings are sufficient to pay for the fixed interest arising out of debt the company has taken. It could be zero for some companies which have not taken any loan and hence zero interest to pay. It can also be negative if the company's operating income is negative for a given period. It is found that the mean interest coverage is 25.89x which seems healthy. However, it ranges from -9.19x to 396.0x which means that each there is a lot of variation in operating profit and the amount of interest among the companies we examined

OPERATING MARGIN

The operating margin signifies the profitability of the business. All the capital providers, be it company's shareholders or company's debt holders, are interested to know if the business is making any profit from its operating activities and if so, how much. The businesses that generate healthy operating profit margins have a sustainable future, and they attract more investors. Also, such businesses have lower risk as compared to companies with a low operating profit margin. In the study conducted it is found that the average operating margin of 11.47% with a range of -7.7% and 26.6%. Some of the companies under study are loss-making while others are making average to good profits.

RETURN ON ASSETS

One of the profitability ratios which calculates the return the company has generated on the pool of assets. It is one of the most watched ratios in wall street and investors community alike. The companies with high return on assets are desirable investment candidates as they have a consistent history of generating healthy returns on assets which is a positive factor from an investment standpoint. Such companies are also able to raise debt with favourable terms. For the companies, we observed we found out that the mean return on assets is 9.65% which is ranging from -12.2% to 45.28%

CORRELATION

The correlation is a measure of a statistical relationship between two variables. The correlation coefficient ranges from -1.0 to +1.0. -1.0 means there is a strong negative correlation between two objects and the coefficient value of +1.0 signifies a strong positive correlation between two objects, while 0.0 means there is no correlation between two variables.

The correlation table is summarised below:

	Debt Equity (Capital Structure)	Current Ratios	Quick Ratio	Operating Margin	ROA	Interest Coverage
Debt Equity	1					
Current Ratios	0.14	1.00				
Quick Ratio	0.07	0.93	1.00			
Operating Margin	-0.03	0.48	0.43	1.00		
ROA	0.13	0.47	0.39	0.64	1.00	
Interest Coverage	-0.23	0.72	0.61	0.26	0.19	1.00

From the above table, it can be observed that debt to equity ratio is positively related with the independent variables of current ratio, quick ratio and return on assets, while it shares

negative relations with operating margin and interest coverage. This means that if the current ratio, quick ratio and return on assets will change, then the debt to equity ratio or the capital structure will also change in a similar manner. However, this is not the case with variables of operating margin and interest coverage, as there is almost no correlation among debt equity and the two independent variables. In addition to this, all the independent variables are positively correlated with one another.

This signifies that Debt-Equity ratio of the company is weakly positively correlated to current ratio, quick ratio and return on assets, while it is mildly negatively correlated to interest coverage and has almost no correlation with operating margin, what so ever.

R-SQUARED AND ADJUSTED R-SQUARED

The R-squared and adjusted R-squared are the goodness of fit tests and are also called the coefficient of determination. R-square explains how many data points fall on the regression line or how differences in the independent variable can be explained by a difference in a dependent variable. The higher the coefficient, the higher the percentage of points the line passes through when the data points and line are plotted. R-squared has a potential problem that every time there is a new variable added to the equation the R-squared only increases and it may seem that the data fits better in the model. To overcome this challenge the adjusted R-squared is used. The adjusted R-squared can be used to include a more appropriate number of variables. The adjusted R-squared tells us the percentage of variation explained by only the independent variables that actually affect the dependent variable. The R-squared and adjusted R-squared are 0.36 and 0.32 respectively. It is desirable to have both R-squared and adjusted R-squared to be close to 1.0 but as they are low in our case, it can be inferred that independent variables (current ratio, quick ratio, operating margin, return on assets and interest coverage ratio) are not a good predictor of dependent variable (debt-equity ratio)

Regression Statistics	
Multiple R	0.600347209
R Square	0.360416772
Adjusted R Square	0.322346341
Standard Error	0.759906872

As per regression analysis, the regression coefficient R Square is coming out to be 0.36. This shows that with a 100% change in the independent variables, there will be 36% variation in the dependent variable of debt equity or the capital structure. Now whether this relation is statistically significant or not can be seen from the ANOVA table below.

ANOVA Table – F-TEST

An F statistic is a value that we get when we run an ANOVA test/regression analysis to find out if the means between two populations are significantly different. It is similar to a T statistic from a T-Test; A T-test will tell us if a single variable is statistically significant and an F test will tell you if a group of variables are jointly significant

ANOVA table is shown as below:

	df	SS	MS	F	Significance F
Regression	5	27.3342999	5.46685998	9.46710529	3.46573E-07
Residual	84	48.5065101	0.577458454		
Total	89	75.84081			

As per ANOVA, $F(5, 84) = 9.46$; $p = 0.00$. Since the p-value is less than the critical alpha value of 0.05, there is a statistically significant association between the dependent and independent variables.

COEFFICIENT

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-0.2271	0.2507	-0.9057	0.3677	-0.7257	0.2715	-0.7257	0.2715
Current Ratios	3.0750	0.5863	5.2449	0.0000	1.9091	4.2408	1.9091	4.2408
Quick Ratio	-2.1250	0.6428	-3.3060	0.0014	-3.4031	0.8468	-3.4031	-0.8468

Operating Margin	-0.0299	0.0152	- 1.97 36	0.05 17	-0.0601	0.0002	-0.0601	0.0002
ROA	0.0006	0.0117	0.05 51	0.95 62	-0.0227	0.0240	-0.0227	0.0240
Interest Coverage	-0.0118	0.0019	- 6.10 05	0.00 00	-0.0156	- 0.0079	-0.0156	-0.0079

On the basis of the above table, there is a negative relationship between the coefficient for quick ratio, operating margin and interest coverage. This means that these independent variables have a negative relationship with the dependent variable of debt equity or the capital structure, while it has positive relations with current ratio and returns on assets as their coefficient is positive.

DISCUSSION

The company capital structure is construed as the connection among the debt and equity resources, which groups use to finance their commercial enterprise. For a reason that early 1950s of the last century, the relationship between a business enterprise's debt and fairness has been handled by using numerous theories of capital structure (Adair and Adaskou, 2015). However, the validity of various company capital shape theories is not always familiar, and occasionally, a declaration of one principle may be in direct war with the claims of other capital structure theories. Unique theories differ from every other in primary tiers: firstly, there are extraordinary ways of determining the elements that affect the capital structure, and secondly, assessing the top of the line capital shape is based totally on numerous standards. Every commercial enterprise organisation is specific; it gets right of entry to assets of investment differs, the business activities are accomplished in exceptional financial surroundings, and each organisation may have different objectives.

Whilst choosing resources for financing, an employer is encouraged in its decision with the aid of factors which can be determined inside the company, including techniques, commercial enterprise area and the location at the given marketplace, the distinctiveness of the goods offered and the boom capability, firm age, monetary results of the business enterprise (Baronov, 2015). A organisation's choice of sources of financing is likewise determined via the external environment, which includes the diploma of economic development, the political

environment, the extent of capital market development, the economic policy, the level of interest and tax fees, the extent of opposition inside the precise zone, the diploma of records asymmetry and other elements. The precise shape of company capital structure is consequently a complicated procedure dependent on the big number of different determinants and decided on financial techniques, and therefore depends on the decisions of character firms.

Corporations try to discover a capital shape that gives the best cost for a firm. The best fee may be executed whilst the capital structure maximises the cost of the shareholders. In a perfect promote it does no longer count which resources are used to finance an organisation. In Proposition I, the theory of Modigliani & Miller states that in a perfect global without imperfections, variations between the usage of debt and equity do not exist (Chan, Narasimhan and Yoon, 2017). To maximise the price of the corporation it makes no differences if a corporation's capital structure consists of debt or fairness. In a world with the handiest tax as an imperfection this proposition changes. An employer wishes to borrow as a good deal of debt as viable. With extra debt, the tax bills end up decrease, due to the fact the interest can be subtracted.

Therefore, extra cash float remains whereby the cost of the employer increases. Proposition I with taxes explains that businesses with extra debt have a higher value due to the interest that lowers the tax bills (Epstein, Buhovac and Yuthas, 2015).

Taxes are referred to as an imperfection within the actual global, but this is not the handiest imperfection, which can occur. Different imperfections are for example; misery cost, information asymmetry and organisation expenses. Primarily based on those imperfections theories are designed through researchers. It is far exciting to see how those imperfections affect the capital shape of an organisation (Graham and Harvey, 2001). The theories that are cited in this observation are the alternate-off, pecking order, and business enterprise theories. The one's theories assist in explaining how imperfections affect the capital structure of the company. First, the one-of-a-kind theories are defined with evidence from the literature. Some hypotheses are developed to test how the imperfections have an effect on the capital structure both in a roundabout way and directly.

The advantage of debt, gives a business enterprise a few tax blessings since the agency does not want to pay any tax on the paid hobby. It seems very useful for businesses to borrow as plenty debt as feasible, with debt the agency desires to pay less tax, due to the interest, which offers a type of, defend against tax (Michaely and Qian, 2016). The main goal is to create the very best cost for the organisation. To do that a business enterprise can use debt. The tax guard

guarantees that the corporation wants to pay less tax due to a hobby that must be paid. While much less tax must be paid a higher sum of money. Based on the cash float the company can be valued. As a result, with a better quantity of debt, the coins flow of the businesses' increases the value because of the tax guard that is created by way of the usage of debt in place of fairness.

Albul, Jaffee and Tchistyi (2015) state that depreciation and investment deductions may be visible as options for the tax benefits of the usage of debt. Consequently, with those no debt options a company does not need debt to pay much less tax. With the presence of the non-debt tax guard, debt is not essential to obtain tax blessings. The non-debt tax guard reduces the tax advantages of advantage. Some other gain is that organisations do no longer need to make fees for borrowing and the danger of distress declines by means of not using extra debt. The depreciation and amortisation decline the amount of income, which leads to decrease in tax bills. Consequently, non-debt tax guard is a great variable to measure the have an impact on tax.

In this regard, the pecking order concept is tested by numerous researchers. For instance, in the article of Christianson and Kaufman (2016) where they found internal financing is desired beyond external financing that is consistent with the pecking order idea. Preceding research has discovered that Dutch companies prefer internal above external financing. This is according to the item of Finkler, Smith, Calabrese and Purtell (2016) who determined that groups with high earnings are much less possible to apply external financing. To measure this idea, three hypotheses are advanced.

The pecking order theory describes how records asymmetry leads to differences in alternatives for financing. It is not always viable to measure this theory directly, due to the fact that it is hard to measure the facts asymmetry. Consequently, three variables, which might be maximum related to the pecking order theory, are chosen. Inner financing in part relies upon on the amount of retained profits. Retained profits are the quantity of income, which is not distributed through the corporation. The internet income of a positive yr minus the dividends is the quantity of retained earnings in a year. In line with Geske, Subrahmanyam and Zhou (2016) companies choose to finance their agency by way of the use of retained income earlier than using outside financing.) imply that profitable corporations with more retained profits turn out to be less levered in evaluation with unprofitable corporations. Consequently, the expectancy is that the variable retained profits is negatively related to advantage (Hughes and Sharrock, 2016).

Consistent with the consequences of the regression evaluation, the variable non-debt tax protect is the maximum vital thing, that is measured for the exchange-off idea. The alternative variables are not huge and do no longer impact the quantity of leverage. Many researchers also use firm length to check the trade-off concept, due to the fact, larger corporations are greater solid, and it is less volatile to borrow debt. Therefore, the result for company size confirmed the trade-off principle. The variables retained income, liquidity and profitability, which can be derived from the pecking order principle, indicates why an agency does now not pick debt. The belief for these variables on this observation is that Dutch agencies with excessive retained profits and liquidity are much more likely to finance the company with internal economic sources (Öztekin, 2015). That is in agreement with the pecking order concept and the facts asymmetry among firm insiders and the capital marketplace, which reduces the need for outside financing. While trying out the pecking order variables, the issue profitability is not in accordance with the pecking order concept and is much less important in assessment with the opposite two factors. Greater worthwhile firms use extra debt, while the pecking idea explains the other.

The capital structure of a company is associated with the choice of various funding resources, which can be to be had to satisfy their financial desires on the way to minimise the cost of capital and boom the business enterprise's fee. For the reason that pioneering paintings of Robson and McCartan (2016) that the difficulty of capital structure and its courting with the organisation's fee has sparked controversy in financial theory. As a result, after the controversy launched on the capital shape, many have been the authors who wanted to contribute to this place. In this regard, numerous theories are seeking to justify the enterprise financing choices, and that benefit the interest. This is specifically in case of change-off idea that argues that there is the best capital structure, as proposed with the aid of Schulze, Deeds, Wuebker and Kräussl (2015), being acquired the war of words between the modern-day value of the tax gain and the existing cost of the fees of the marginal increase of the company's leverage (Scarborough, 2016).

Shi and Xiao (2015) presented the marketplace timing concept suggesting that the agency problem stocks when their rate is excessive and buy them while their fee is low. It is far vital to note that, in this take a look at, the rate is measured by the price to price ratio. The corporations observe this method to discover brief fluctuations in the cost in their own capital towards the price of other financing resources alternatives.

The capital structure of the organisations is a topic that has been mentioned over the years and for several authors. In fact, it's for a theme with such relevance because of the truth that it's far taken into consideration via the managers whilst they are making the most beneficial capital structure selection, i.e. which must be the debt-fairness ratio for the agencies they manipulate, as a way to achieve the best company cost (Travlos, Trigeorgis and Vafeas, 2015).

In line with the Pecking order theory, when the corporations' internal budget, i.e. coins glide is not sufficient to finance its capital costs, the firms opt to borrow than to trouble equity. The trade-off idea states that there is an optimum capital structure with a surest debt-fairness ratio. The marketplace timing theory states that the managers follow the market-to-book ratio and issue debt while the corporations' market fee is higher and repurchase the stocks when the market cost is lower (Utama, 2015). The employer costs idea analyses the connection between the managers and the shareholders preserving in mind their conflict of interests. Length has an effective and vast relation with debt ratio. Change-off theory shows that massive companies must be exceptionally leveraged since they can reduce the hazard of failure by diversifying it. In view that all of the companies chosen on this have a look at are massive with big market capitalisations, the finding of this observe related to length is real and based on the previous 39 research. It is also concluded that the corporations chosen for this look at using the trade-off theory to finance the wished fund.

The consequences of the regression version confirmed that inside the selected firms in the UK, 3 variables are able to make changes in debt ratio: size, profitability and liquidity ratio. The opposite variables are notably insignificant. Size is enormous and definitely correlated with the debt by way of 2.375 (Myers, 1984). This indicates that the firms in this take a look at have an accurate relationship with bankers and creditors. Liquidity and profitability are negatively correlated to the general debt ratio. The result in the previous bankruptcy states that liquidity is expected to have a bad effect on corporations' borrowing choices (Zeitun and Tian, 2014). Financial leverage, this negative correlation can be interpreted as there is constantly war among debt holders and shareholders. Since the correlation among profitability and overall debt ratio is terrible, it can be interpreted that profitability can negatively impact the decision of companies on borrowing. The findings on profitability are regular with Pecking Order principle. Thus it is suggested that firms use inner financing in place of debt. The opposite variables remained highly insignificant. According to Allen, Carletti and Marquez (2015), the relation between debt and growth is poor.

Ball, Gerakos, Linnainmaa and Nikolaev (2016), in research inside the UK, located that growth and debt are negatively correlated. However, the increase is not always statistically significant here. Non-debt tax guard theoretically assumes to be in a superb relation with leverage and debt, but here it is not always substantial. Consistent with the effects of Eriksson and Kovalainen (2015), profitability has a negative dating with debt. This result changed into also observed with the aid of Hoskin, Fizzell and Cherry (2014) and Kelly, Lesh and Baek (2014). This takes a look at confirmed that liquidity is negatively correlated to the overall debt. This result turned into additionally determined by using Köksal and Orman (2015). Tangibility is not sizeable in this have a look at; but, other research stated that it has a high-quality relation with overall debt.

Kohler (2016) mentioned a way to make choices approximately monetary leverage. As a consequence, 1620 Australian organisations have been divided into the mining and non-mining businesses over a thirteen-12 months-length - from 2000 to 2012. The writer believed that the industry has been of monetary priorities. Therefore, special impacts of the economic leverage are measured. The findings of this article show that there is huge difference between mining and non-mining organisations in terms of the financial leverage chosen. It is proved that mining companies are greater touchy to tangible assets and income due to the fact that the groups' profitability and tangible assets have not any vast courting with non-mining businesses. The general results display that industry kind is important in making decisions associated with organisational leverage. Kratochwill (2015) state corporate information was studied for the duration of 1994-2006 in 12 one of a kind industries and the findings showed that there might be a nonlinear courting between the capital shape and aggressive marketplace depending at the form of industry, size of the company and the increase opportunities.

The income per percentage additionally growth with the use of choice share capital but due to the fact that hobby is permitted to be deducted while computing tax, the leverage effect of debt is tons extra. However, leverage can perform adversely also if the fee of the hobby on long-time period loans is greater than the anticipated rate of income of the company. Consequently, it needs warning to plot the capital shape of a firm. The capital structure of a company is inspired via the increase and balance of its income (Morse, 2016). If the sales of a firm are predicted to remain stable, it may increase a higher level of debt. Stability of sales ensures that the company will not face any issue in meeting its fixed commitments of hobby payment and payments of debt. In addition; the rate of growth in sales also impacts the capital structure decision. Generally greater the fee of the boom of income, greater may be using debt

within the financing of the company. On the other hand, if the income of a company is relatively fluctuating or declining, it ought to now not hire, as a way as possible, debt financing in its capital structure.

CHAPTER FIVE - RECOMMENDATIONS AND CONCLUSION

The capital structure is referred to as such an issue that offers with the ratios of various forms of securities which can be raised with the aid of an organisation in phrases of long-time period finance. In particular, there are two selections that the capital shape involves, i.e. the safety sorts that are to be issued are required to be fairness shares, long time borrowing or debentures, and desire stocks. In addition, the relative ratios of the securities are capable of determining through the manner called capital gearing. There are one of a kind methods of defining the capital shape of the company. Capital structure is defined as the budget that is required to be utilised by the organisation. These price ranges are basically an aggregate of the long-term primarily based budget which mainly includes debt and fairness securities of the organisation. There are some factors by using which the capital shape is specially composed of which incorporates long term debt, desire proportion capital and sooner or later the shareholders' fund. As a result, the research question that calls for to be relied on these studies is determining the capital structure of the non-economic companies of the United Kingdom.

There are targets of these studies considered one of which is to determine the significance of the capital structure for an organisation and the other is crucial to the research query. The significance of capital shape for a corporation is that it allows in dealing with and financing the commercial enterprise' everyday operations. The destiny growth is likewise promoted by means of the help of capital shape in addition to the financing of the property is finished in a proper way. If viewed from a tactical angle, the capital structure has a tendency to influence the entirety from an organization's threat profile perspective, consisting of, how handy it is to get the specified funding, how high-priced that investment may be further on that investment what is the return that is being expected through the creditors and traders. Moreover, the degree of insulation of that price range from both the macroeconomic downturns and microeconomic enterprise decisions. Also, the capital shape serves any of key purposes for the corporation which includes overviewing of various claims that may be on the commercial enterprise with the aid of specific players in the marketplace, determining the risks to invest in the business is also analysed by way of capital structure.

The capital structure may be described as the aggregate of a few lengthy-time period bases of funds which might be required and used by the organisation. It has been observed through Robb and Robinson (2014) that usually, this aggregate consists of debt and fairness securities and in particular represents the permanent financing ways of the business enterprise. The capital structue is mainly composed of preference share capital, long time debt and

shareholder's fund. The enterprise that has the best capital structure designed in a precise way then the combination price of the possession pursuits and claims of the stakeholders can be without problems maximised. Furthermore, it is believed that the capital shape additionally aids within the minimisation of the prices of the agency, which incorporates the price of financing or the cost of capital. With the aid of this dedication of the right blend of all of the fund resources, one business enterprise can preserve the whole expenditure of the capital at its lowest of levels. Further, an increase within the leverage or debt reduces the profits which are maybe because of the hobby this is paid out of working profits or EBIT. Moreover, another gain is extra manipulated as well as flexibility. Debt financing lets in an employer to preserve nearly ordinary manage and ownership upon the enterprise. While there is complete ownership, there may be full manage upon the organisation.

However, capital shape advantages do now not give up here because it additionally presents an organised manner by way of which the capital of the business enterprise is increased. The capital structure also aids in presenting flexibility to the firm as a way to increase price range. There may be one gain of equity financing in particular for small agencies is that it has more availability than that of debt financing. If the commercial enterprise of the organisation is stated to be unproven, lenders of the business enterprise usually do not have anything on which the base future cash flows. The charge of going back that is anticipated from fairness is also observed to remain constant earlier than growing up gradually with the leverage. This motion creates a factor that is premier at which the WACC will become the smallest, and after that, it rises once more.

There are other alternative approaches to capital shape concept in place of the traditional method. This famous technique is known as the "Modigliani and Miller technique. In line with the first proposition, the organisation and the capital structure has no direct correlation, but instead, the corporations' fee is depended upon the one's income which can be anticipated inside the destiny. The second proposition states that monetary leverage has a tendency to grow the income which is expected inside the destiny but no longer the agencies' price. The purpose at the back of this is due to the fact that the profits that are leverage-based are offset by the correspondence of increasing the required fee or go back.

A sturdy capital shape aids a business within the top of the line usage of its finances to be had to the firm. A well-designed and established capital shape can ensure determining the company's future monetary necessities and permit the firm to elevate capital from diverse assets at ease for the excellent usage of the said finances. A strong capital shape similarly

protects a firm from below-capitalisation and over-capitalisation. A sound and sturdy capital structure usually allow room for discount or growth of debt capital toward permitting the commercial enterprise to regulate its role in accordance with the converting enterprise environment, each inner and outside. The greater is the availability of capital the greater is the feasibility of the firm to benefit control and accessibility over the fluidity and expansibility of the involved enterprise.

A properly planned and a robust capital structure offer protection to the company from these economic dangers by means of preserving a balanced mix of fairness and debt in the firm's capital shape. The principal factor of lowering capital danger is to increase sound mitigation strategies wherein strong control is guided with a sturdy price range and other monetary equipment. The interest coverage ratio is expressed in times, and it calculates the quantity of times hobby coverage is furnished through income before interest and taxes. The higher the variety, the better it is. The motive of calculating the ratio is to look at whether or not or not working profits are sufficient to pay for the constant hobby springing up out of debt the organisation has taken. It is able to be zero for a few corporations that have now not taken any loan and for this reason 0 hobby to pay. Such corporations also are able to improve the debt with favourable phrases.

CAPITAL STRUCTURE

The capital structure decisions are strategic decisions and hence require many inputs and organisational resources to be deployed in order to achieve the optimal capital structure. While we have multiple theories that propose multiple capital mix strategies. The best results can be achieved by deploying a mix of multiple strategies at once. Few of the factors that need to be kept in mind while deciding on to the capital budgeting/capital structuring decisions are:

- **Cost of funds:** While making capital budgeting decisions the companies should strive to achieve a minimum cost of capital so that they can strike a balance between capital with high cost and capital at low cost. This will balance the Weighted Average Cost of Capital (WACC). The company must follow the pecking order theory while raising the capital. The pecking order implies that companies must use internal financing to provide for capital, then they must avail any debt before they finally resort to equity

- **Industry trends:** The company must be able to achieve a capital structure which is followed by the industry in general as there would be a history of successful companies within the industry with the said capital structure
- **Goals and Vision of the business:** The capital structure must support the mission and vision of the company in order to ensure that capital costs are not one of the factors that should stop the company from achieving their goal
- **Transparent:** The capital structure should be clear and transparent for all the stakeholders of the company. If there are many off-balance sheet funding arrangements, then it raises concerns for the capital providers of the company.

CONCLUSION

The research concludes that current ratio, quick ratio, operating margin, return on assets and interest coverage ratios are not the determinates of capital structure decisions. Hence, capital decision structures must be taken independent of these factors. The mean for the dependent variable was 0.85 while its maximum and minimum values were 5.09 and 0.00 respectively. Similarly, the mean for the current ratio was calculated to be 1.04 with minimum and maximum values as 0.47 and 2.90. The mean of quick ratio was 0.70, with standard deviation as 0.36 and had 0.20 as a minimum value and 1.91 as the maximum value. Further, it can be observed that the operating margin had a mean of 11.46, standard deviation as 7.20 and 26.60 as the maximum value. Return on Assets' mean was 9.65, and the standard deviation was 9.60, while the maximum value was 45.28. Interest coverage had a mean of 25.88, the standard deviation of 64.54, the minimum value of -9.19 and the maximum value of 396.00. If the current ratio, quick ratio and return on assets will change, then the debt to equity ratio or the capital structure will also change in a similar manner. However, this is not the case with variables of operating margin and interest coverage, as there is almost no correlation among debt equity and the two independent variables. In addition to this, all the independent variables are positively correlated with one another.

An organisation's choice of sources of financing is likewise determined via the external environment, which includes the diploma of economic development of the region. The precise shape of company capital structure is consequently a complicated procedure dependent on the big number of different determinants and decided on financial techniques, and therefore depends on the decisions of character firms. The theories that are cited in this observation are the alternate-off, pecking order, and business enterprise theories. The one's theories assist in explaining how imperfections affect the capital structure of the company. First, the one-of-a-

kind theories are defined with evidence from the literature. Some of the hypotheses are developed to test how the imperfections have an effect on the capital structure both in a roundabout way and directly.

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