MEASURING THE CONSEQUENCE OF CAPITAL STRUCTURE ON PROFITABILITY OF PRIVATE SECTOR BANKS

Ankita Srivastava

Associate Professor, United World School of Buisness, Karnavati University, Gandhinagar, India

Prof. Vikas Sharma

Assistant Professor & HOD, Lala Lajpatrai Institute of Management, Mahalaxmi, Mumbai 34

Prof. Aditya Khandwe

Assistant Professor

Lala Lajpatrai Institute of Management, Mahalaxmi, Mumbai 34

Prof. Neetu Singhwal

Assistant Professor, Lala Lajpatrai Institute of Management, Mahalaxmi, Mumbai 34

Prof. Makarand Thakoor

Assistant Professor, Lala Lajpatrai Institute of Management, Mahalaxmi, Mumbai,34

Dr. Farana Kureshi

Assistant Professor, Faculty of Management Studies, Sakalchand Patel College of Engineering, Sakalchand Patel University, Visnagar, Gujarat, India

Abstract:

Banking is one of the fastest financial services in INDIA. The reason of rapid growth is the contribution of private sectors bank progressive financial structure. In the recent quarter, the private banking sector grew exponentially at 14.2% on yearly basis. The capital structure of any organization plays a vital role in the profitability of performance of any bank. This study focuses on various parameter capital structures' impact on profitability aspects of the private sector banks' performance. This longitude considered was confined to the impact of capital structure their profitability all 25 popular Private sectors bank was considered for the study the multiple regression was applied to derive the effects of long and short term Debt, asset growth, and firm sizehas a positive strong effect on EPS. while longterm debt to capital inversely affects to the EPS.

Key wards: Capital Structure, Profitability, Private Sector Bank, EPS, ROE, Firm size.

Introduction:

This study analyses and compares the capital structures as well as the profitability of private banks. This study analyses and compares the performance of five different Indian private banks from 2017 through 2021 (A.M. Goyal, 2020). The private banking sectors are first examined

on an industrial level, and subsequently on an individual basis (Akbar, 2019). The outputs are measured via the lens of inputs like as deposits, assets, and equity in data envelopment analysis. In the scope of this research, the term "Capital Structure" refers to the percentage of a company's total capital that comes from long-term sources of finance, such as "Proprietor's Funds" and "Borrowed Funds" (where "Proprietor's Funds" refers to equity capital, preference capital, reserves, and surpluses retained earnings and "Borrowed Funds" refers to long-term debts such as loans from financial institutions (Bhatia, 2019).

Historical evaluation

1. Pre-Independence Phase

Initially established in 1770 in Calcutta, the Bank of Hindustan is India's oldest and largest bank. It ceased to exist in 1832. Two banks were established as a result, although none of them were profitable. One of the first examples of a commercial bank in India was the General Bank of India (1786–1991). (1881-1958). Some of these imitation businesses are still active today. Some of these banks include the Baroda Bank (1908) and the Allahabad Bank (1911). (est. 1865 now branch of Indian Bank). The Central Bank of India (1906), the Bank of India (1894), and the Punjab National Bank (1894). (est. 1911).

Banks have merged. In 1921, the Banks of Bombay, Bengal, and Madras all merged to become what is today known as The Imperial Bank (now State Bank of India). In its April 1935 report, the Hilton Young Commission suggested creating the RBI.

These events shaped the modern banking sector we know and trust. But not then. Uneducated Indians were unfamiliar with banks and banking, therefore they borrowed money from moneylenders and relatives. These moneylenders often charged exorbitant interest rates. The next step begins.

2.Post-Independence

This is banking's second stage. This began banking's exponential development. At this point, banks were nationalized. Nationalizing banks is crucial. Poor individuals can't repay bank loans without collateral because of predatory lenders. Banks service major companies selectively. Agriculture, minor industries, and exports slowed. The RBI was the first bank nationalized in 1949. The second occurrence was the nationalization of 14 commercial banks in 1969 and 6 in 1980. The Narashimam Committee created the RBN in 1975. The bank serves rural areas and promotes financial inclusion.

The fourth example is vital to economic progress today. This involves forming sector-specific peak banks. NABARD was founded in 1982. EXIM, NHB, and SIDBI were founded in 1982, 1988, and 1990, respectively. Nationalization had diverse results. As public trust improved, so did banking system efficiency and investment in agriculture and SMEs (SMEs). 1991's economic liberalization fueled the third stage of banking expansion. Despite liberalization and political progress, many still lack access to financial services. The Narashimam committee supported private banks' entrance into banking. 10 banks were initially approved. Five survived the market. HDFC, ICICI, IndusInd, Axis, DCB Then came Bank Kotak Mahindra and Bank Yes.

In 2013–2014, IDFC Bank and Bandhan Bank amalgamated. The RBI suggests small banks and payment banks increase access to financial services. 11 firms were allowed to start a settlement bank in 2015. Microfinance banks are restricted to 10 persons. The government

merged 10 public banks into four in August 2019. This cuts public creditors from 21 to 12. This helps money management. The merger begins on April 1, 2020.

Capital Structure
Capital structure is a hot topic. Capital structures impact value and risk, even if others perceive them via the pricing of securities or the danger of investing in them (SH. Ibrahim, 2019). The best capital structure is continually created, and successful businessmen must examine firm and management, economy, state legislation, social trends, capital markets, and industry dynamics. Market circumstances and investor demand will determine whether external permission is needed for a capital increase or decrease.

The late 1970s through 1980s were favored for debt financing. In the late 1980s, after years when stock market prices surpassed book values, norms and agreements were created (Bapat & Sagar, 2016). It signaled release. Ten years ago, access to financial markets was tough. The finance situation looks to be where it was at the beginning of 1975, yearly accounts started to improve, and corporations began to acquire solid capital structure companies. While some corporations improve their public market finances, loans with a specified revenue are utilized to pay short-term bank obligations to your assets to strengthen and restore bank liquidity (Sheth, J. D & Bhatt, V, 2019).

Companies, financial institutions, and governments have focused on foreign money in the previous decade. Many of these enterprises would have less debt and more financial flexibility. (Bhatt & R.D.V.A) In other words, their financial troubles are imposed (Baxi & Bhatt, 2019). Instead of using adequate cash and easy long-term debt. These eras have incorrect capital structures. What determines a company's financial decisions? After Modigliani and Miller's lectures, this subject became crucial (1958, 1963). Researchers have investigated capital structure determinants, but they haven't developed a cohesive theory, thus further study is needed.

Literature Review
The capital structure is a crucial deciding factor. Between 2013 and 2017, this study examined the link between capital structure and profitability of public and private sector banks listed on the National Stock Exchange of India (Bhatt, V, 2021). We employed both regression and correlation to analyse the data. Secondary data for the top 10 public and private banks were obtained for the purpose of this research from the website www.moneycontrol.com as well as from Dion Global Solutions Limited. The average amount of capital held by commercial banks is much higher than that held by private banks. An inverse correlation exists between a company's profitability and its capital structure (Gebrehiwot Gebremichael & Ethiopia, 2016). This study examines capital structure determinants and financial performance. They researched 50 prominent manufacturers using secondary data (Ahmad & Khan, 2021). The regression model studies capital structure's influence on profitability. The study concludes that capital structure affects sample companies' financial performance and profitability.

This study analyses public and private commercial banks' capital structures in Ethiopia. Eight explanatory factors were regressed to capital structure to determine its definition (Ibrahim, 2019). A mixed research strategy was employed to analyze eight private commercial banks and one state bank. During the 2006-2015 investigation, financial data was analyzed using a

multivariate regression with fixed effects. The study's major conclusions suggest that profitability, size, age, tax shield, growth, and inflation are key factors of commercial bank capital structure (Bhatt, V. G & Trivedi, T. M).

This research explores the influence of capital structure on bank profitability in Ethiopia. This research employed panel data to accomplish its goals (Fauziah & Iskandar, 2015). The data comes from the Commercial Bank of Ethiopia, National Bank of Ethiopia audited financial records for 5 years (2009 - 2013). The SPSS statistical software was used to estimate the data's fixed effect model. During the period, 94% of Ethiopian commercial banks' capital was debt. 75% deposits, 25% are non-deposit liabilities (Y. Vijayalakshmi, N.Chandan Babu, & Pranay Kumar, 2019).

This article takes a look at the many types of capital structures used by commercial banks located within the Gulf Cooperation Council (GCC). In order to carry out this task, information originating from 47 commercial banks located inside the GCC was collected between the years 2001 and 2010. Profitability and liquidity both have an effect on the amount of capital that banks have (AL-Mutairi, 2015). According to these statistics, more over 80 percent of the assets held by GCC commercial banks are supported by debt. The most important findings indicate that there is a negative association that is statistically significant between ROA and the capital structure of GCC banks (ROA, tangibility, and size). There is a statistically significant correlation between age, capital structure, and the growth of GCC Banks (Bapat & Sagar, 2016).

This article examines capital structure's influence on Indian banks' financial performance. The 2011-2015 study includes 21 banks (Ibrahim, 2019). This research analyses the link between financial leverage and bank financial performance. In a regression study, the capital structure was the predictive variable and profitability was the criterion variable. Results demonstrated that capital structure affects Indian banks' financial performance. (Pinto et al., 2017)

This article examines the effect of capital structure on the profitability of overtly traded Indian banks from 2008 to 2012. Regression analysis compares ROE, ROI, and EPS with structural capital. Short-term debt increased ROE, ROA, and EPS (Phor, 2014). This research examines the influence of liquidity management on Indian public and private banks' profitability. In 2011-12 and 2015-16, 27 commercials and 20 private banks were assessed.

Research gap

A huge number of studies, in addition to the 25 literature reviews listed above, have periodically used appropriate metrics to analyze the financial performance of various bank sectors following their stated study goals. Only private sector banks were taken into account for this study's assessment and identification of the variables influencing the various financial performance. Five private banks that operate in the nation and panel data collected over five years were utilized in this research.

Research objectives

1. To evaluate how private sector banks performed concerning different capital structure-related variables.

2. To assess the connections between the different capital structure components of private sector banks.

3. To determine the causes of private sector banks' better or worse financial performance.

4. To comprehend the degree of different capital structure characteristics, such as the ratios of long and short term debt to equity, earnings per share, return on assets, long-term asset growth, and short-term debt to equity.

Research process

This study suggests using the techniques used in earlier studies on this topic to assess the effects of the performance of private sector banks. Our study's conceptual framework is built on the deduction approach since prior research has covered these linkages. Utilizing quantitative methods, the data gathered from secondary sources were analyzed. Descriptive statistics, correlation matrices, and regression models are suggested for data analysis. In the case of private banks in India, the multiple regression model is utilized to establish a relationship between capital structure features and their influence on banking performance. Different financial measures of banks were used to measure the financial performance of banks; these ratios were previously covered in-depth in the previous chapter. All chosen financial ratios were separated into seven sub-headings to help better comprehend the financial performance:

- Balance parameter
- Management Efficiency Indicators
- Profitability parameters
- Employee efficiency parameters
- Parameters for non-performing assets
- Equity ratio (BASEL - II)
- Parameters of debt coverage

Data Analysis

1. Return on equity and earnings per share have a correlation value of 0.785, indicating a favourable relationship. The correlation coefficient's significance may be gleaned from the fact that it is less than 0.05 and significant at 0.000. As a result, it is necessary to reject the null hypothesis, which says that there is a significant relationship between return on equity and earnings per share. According to this theory, there is a considerable relationship between return on equity and earnings per share.

2. The correlation coefficient between return on equity and return on assets is 0.918, showing a significant positive relationship between the two measures. The essential value is one that is less than 0.05 or more than 0.000. As a result, the null hypothesis, which says that there is a substantial relationship between return on equity and return on assets, must be rejected. According to this theory, there is a high association between return on equity and return on assets.

3. The correlation coefficient between profits per share and return on assets is 0.773, showing that the two measures have a positive association. The correlation coefficient's significance may be gleaned from the fact that it is less than 0.05 and significant at 0.000. As a result, it is required to show that the "null hypothesis," which claims that there is a substantial relationship between profits per share and return on assets, is incorrect.

4. The correlation of 0.021 between the firm's size and asset growth reveals that there is a positive relationship between the two variables. The fact that the correlation coefficient is more

than 0.05 and equals 0.921 indicates its importance. This demonstrates that it is plausible to accept the null hypothesis, which states that there is no observable relationship between a company's size and asset growth.

5. The ratio of long-term and short-term debt to total available capital The correlation value is 0.063, indicating a small positive relationship between the two variables. The significant value is 0.765, which is more than 0.05, and the degree of significance is higher than 0.05. This implies that the null hypothesis, which asserts that there is no substantial relationship between long-term debt to capital and short-term debt to capital, should be accepted.

Regression

ROA (Dependent variable)

Table1: descriptive data analysis

	Mean	Std. Deviation	N
Return on Assets	1.0736	.55802	25
Firm Size	7.9600	4.43751	25
Long-term debt to capital	.2148	0.02167	25
Short-term debt to capital	5.3504	1.10768	25
Asset Growth	12.1560	2.11154	25

Table2: Correlation of determination

Model	R	R (Square)	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.658ª	.433	.320	.46025	.433	3.820	4	20	.018

A. Predictors: (Constant), FS, LTDC, AG, STDC

B. Dependent Variable: ROA

The capital structure-related descriptive statistics are shown in the first table. Tools like mean and standard deviation have been used. The difference between mean and standard deviation is how they depict the variability in the data. The standard deviation of ROA is 0.55802 and it's mean is 1.0736. Firm Size has a mean of 7.9600 and an SD of 4.43751. The asset growth median is 12.1560, with a 2.11154 standard deviation. The standard deviation and mean for the LTDC are both 0.02167. The standard deviation is 1.10768, while the STDC mean is 5.3504.

Interpretation of dependent variable ROA:

The significance of a model is shown in the second table. The correlation and determination coefficients are shown in the model summary. The correlation, which is more than 0.50, is 0.658. The relationship between dependent and independent elements is highly correlated. R2 = 0.433 illustrates how independent variables affect the dependent variable. According to this

value of 0.433, independent variables account for 43.30% of changes in ROA while other factors account for 56.7% of changes (Bhatt, V, 2021; Malek & Bhatt, 2022). This number typically indicates modest influence, however when many variables have an effect on the banking sector's performance, it is consistent with earlier findings. The corrected r2 value is lower because some of the independent variables are not significant. The F ratio in this case is 3.820, and the significance level is 0.018, which is less than 0.05, indicating that all independent variables account for a substantial portion of the explained variation. Multiple regression has importance (Baxi & Bhatt, 2019; Malek & Gundaliya, 2020). Evaluation of data auto-correlation is required. The autocorrelation of the data was examined using the Durbin-Watson test.

Co-efficient

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.683	.540		4.971	.000
	Firm Size	0.81	.000	.069	.220	.828
	Short-term debt to capital	-.641	1.111	-.024	.056	.215
	Asset Growth	.325	.849	.065	1.09	.010
	Long-term debt to capital	-.180	.053	-.039	0.391	.003

A. Dependent Variable: Return on Assets

Here, secondary data based on the financial statements of several reputable institutions have been gathered; this panel data is eventually transformed into pool data. As a result, the researcher in this case has taken into account standardized coefficients beta rather than un-standardized coefficients beta. Here, the FS beta is 0.069, the t-statistics are 0.220, and the significance level is 0. This shows that FS has a positive impact on ROA because it changes one unit when ROA changes by 0.81 units.

The relationship between the two variables is shown by the zero-order correlation, and the medium-level correlation with ROA is shown at 0.140. Partial correlation reveals the relationship between dependent variables when all other variables are held constant. Here, the partial correlation value is 0.249, indicating that FS will cause changes in the ROA when all other independent variables are held constant (Pandit & Gandhi, 2021; Malek, Bhatt, & Patel , 2020). Here, all VIF (Variance Influence Factors) values are less than 10, demonstrating that the researcher has not violated the multi-co linearity assumption.

Dependent variable ROE

  Describe data analysis

	Mean	Std. Deviation	N
Return on Equity	9.6928	4.25136	25
Firm Size	10.9600	0.43751	25
Short-term debt to capital	15.350	1.1076	25
Asset Growth	14.1560	4.1115	25
Long-term debt to capital	0.78	0.167	25

Interpretation of descriptive statistic

The numerous components of the capital structure are listed in this table, along with specific information for each one. The mean ROA is 9.6928, the mean firm size is 10.9600, and the standard deviation is 0.43751 according to the descriptive data. Average returns on assets are 14.1560 percent, average returns on trading capital are 0.78 percent, average returns on trading derivatives are 15.350 percent, and average standard deviation is 4.1115 percent.

  Correlation of determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.355^a	.126	-.048	4.35316	.126	3.723	4	20	0.002

A. Predictors: (Constant), Short term debt to capital, long term debt to capital, Asset Growth, Firm Size

B. Dependent Variable: ROE

The relevance of the model that was picked is shown by the model summary in the table that is located above. In this case, the value of the correlation coefficient is 0.355, which is greater than the value of the coefficient of determination (R^2), which is 0.126 and reflects the influence of independent variables on the variable being studied (the dependent variable). With a score of 0.126, it is evident that all other factors explain for 87.4% of the differences in ROE; the independent variables only account for 12.6% of those changes. Due to the fact that not all of the independent variables were found to be significant, the value that represents the adjusted r2 illustrates how it differs from the coefficient of determination. The F ratio in this case, which is 3.723, and the significance level in this case, which is 0.002, both show that there is a significant difference between the variance that is explained by all independent variables and the variance that is explained alone. This difference is shown by the fact that the significance level is less than 0.05 in this case. As a direct result of this, the multiple regression model is very important.

  Co- efficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
	B	Std. Error	Beta			Zero-order	Partial	Part
1 (Constant)	14.627	5.104		2.866	.010			
Firm Size	1.186	.000	.131	.474	.040	.134	.106	.099
Short-term debt to capital	-0.656	10.511	-.118	-.443	.663	-.047	-.099	-.093
Asset Growth	0.354	8.032	3.114	.542	.594	.146	.120	.113
Long-term debt to capital	-.589	.502	-.266	-1.174	.04	-.321	-.254	-.245

Here, the FS beta value is 0.131, the t-statistics are 0.474, and the significance level is 0.00, all of which show that the FS is favorably affecting ROE. FS changes by 1 unit whenever ROE changes by 1.186 units. Indicated by a 0.00 value, zero-order correlations show a link between two variables and ROE. Here, the partial correlation value is 0.106, indicating that FS will cause changes in ROE when all other independent variables are held constant. Here, all VIF (Variance Influence Factor) values are less than 10, demonstrating that the researcher has not violated the multicollinearity condition.

Dependent Variable EPS

Descriptive Statistics

	Mean	Std. Deviation	N
Earnings per share	24.0632	21.53705	25
Firm Size	7.9600	0.43751	25
Short-term debt to capital	16.350	2.1076	25
Asset Growth	14.156	3.1115	25
Long-term debt to capital	0.7840	0.4583	25

Interpretation of descriptive statistic:

EPS averages 24.0632 with a standard deviation of 21.53705; company sizes average 7.9600; asset growth averages 14.156 with a standard deviation of 3.1115; LTDC averages 0.7840; STDC averages 16.350 with a standard deviation of 0.4583; and STDC standard deviation averages 0.4583.

Correlation of Determination

Modal	R	R (Square)	Adjusted R (Square)	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.607	.369	.243	18.74306	.369	2.922	4	20	.044

A. Predictors: (Constant), Short term debt to capital, Asset Growth, Firm Size, long term debt to capital.

B. Dependent Variable: Earning Per Share

Interpretation of dependent variable EPS:

The significance of a selected model is summarised in the second table. The correlation coefficient, which is more than 0.50 at 0.607, a strong relationship between the independent and dependent components $R^2 = 0.369$ indicates that independent factors have an impact on a dependent variable. In this case, 0.369 shows that independent variables account for 36.90% of EPS swings and other factors for 61.10%. As a result of some of the independent variables being irrelevant, the adjusted r2 value is lower (Akbar, 2019; Malek & Gundaliya, 2020). The significance is less than 0.05 and the F ratio in this case is 2.922, showing a significant difference between the explained variance and all independent variables. Multiple regression has importance. The variables FS, LTDC, AG, and STDC are independent. F is 2.922 according to the ANOVA, and 0.044 is less than 0.05. So we embrace the alternative and reject null. Significant effects of independent variables on dependent factors (Baxi & Bhatt, 2019; Malek & Zala, 2021).

Interpretation of dependent variable EPS:

H0: There is no significant impact of FS on EPS

H1: There is a significant impact of FS on EPS

Here, the t-statistics of 0.709 and the significance level of 0.000 together with the FS beta value of 0.043 demonstrate that FS is positively impacting EPS; when EPS changes by 1.90 units, FS changes by 1 unit. Zero-order correlations demonstrate a relationship between two variables, and an EPS correlation of 0.528 is considered moderate. Given that all other independent variables are maintained constant, the partial correlation in this situation is 0.352, which shows that the FS will affect changes in the EPS. Here, all VIF (Variance Influence Factor) values are less than 10, showing that the multicollinearity requirement has not been broken by the researcher.

H0: AG has no appreciable effect on EPS.

H1: The effect of AG on EPS is substantial.

When EPS increases by 0.035 units, then AG changes by 1 unit, according to the following equation: AG beta = 0.051 with t-statistics = 1.005 and significance = 0.062. Zero-order correlations show a link between two variables, and a correlation with EPS of 0.017 implies a moderate amount of correlation. Here, the partial correlation value is -0.039, indicating that

AG will cause changes in the EPS when all of the other independent variables remain constant. Here, all VIF (Variance Influence Factor) values are less than 10, demonstrating that the researcher has not violated the multicollinearity condition (Siddik, Kabiraj, & Joghee, 2017; Malek, Saiyed, & Bachwani, 2021).

H0: LTDC has no appreciable effect on EPS.

H1: LTDC has a large influence on EPS.

Here, LTDC's beta value is -0.086, its t-statistics value is -0.381, and its significance level is 0.006, all of which show that LTDC contributes adversely to EPS; when EPS changes by -3.651 units, LTDC changes by 1 unit. Zero-order correlations show a link between two variables, and a correlation coefficient of 0.419 with EPS shows a moderate association. Here, the partial correlation value is 0.354, indicating that LTDC will cause changes in the EPS when all other independent variables are held constant. Here, all VIF (Variance Influence Factor) values are less than 10, demonstrating that the researcher has not violated the multicollinearity condition.

H0: STDC has no discernible effect on EPS H1: STDC has a discernible effect on EPS

Here, the STDC beta value is -0.262, the t-statistics is -0.368, and the significance level is 0.007, indicating that STDC is affecting EPS adversely but not substantially; when EPS changes by -7.259 units, STDC also changes by 1 unit. Zero-order correlations show a link between two variables, and a correlation of -0.307 with EPS shows a moderate association. Here, the partial correlation value is -0.292, indicating that STDC will cause changes in the EPS when all other independent variables are held constant. Here, all VIF (Variance Influence Factor) values are less than 10, demonstrating that the researcher has not violated the multicollinearity condition.

The researcher has assessed the importance of each independent factor's effect on the dependent variable, EPS, in this case. The significant value for FS, AG, LTDC, and TDTC is less than 0.05, indicating that these variables substantially influence the dependent variable, EPS. However, SDTC's significant value is 0.58, which is more than 0.05, indicating that STDC is not important to EPS. As a result, the following model is created. Y = 35,928(a) + 0,43 (FS) + 0,51 (AG) - 0,326 (LTDC) + e

Discussion the results

RoE and P/E have a 0.785% association. The significant value, 0.00, is smaller than 0.05, indicating a positive connection. The significance level is determined by comparing the result to 0.05. The null hypothesis cannot be sustained since there is a strong correlation between profits per share and return on equity, implying a positive impact. ROE and ROA have a 0.918 correlation, showing a high link (Banker, A, Jadhav, D, && Bhatt, V). 0.00 is significant, therefore it's less than 0.05. Both ROA and ROE have a positive influence, hence the null hypothesis is rejected. This shows the link between ROE and ROA. Return on assets (ROA) and EPS have a positive association of 0.773; the significant value is 0.00, or less than 0.05. The data doesn't justify doing nothing. EBIT and ROA have a substantial association, indicating a favourable dependency (Pinto, Thonse Hawaldar, & Maria Quadras, 2017).

Increasing asset worth and firm size have a correlation of 0.021, indicating a positive relationship. 0.921 is noteworthy since it's above 0.05. It means unproven theories are accepted. Since asset growth and firm size are unrelated, neither offers any advantages. The

short-term debt-to-capital correlation coefficient is 0.063. The significance value is 0.765, which is more than 0.05 and suggests a small positive correlation between the two variables. The lack of a relationship between long-term debt to capital and short-term debt shows that neither has any beneficial effects, proving the null hypothesis.

Conclusion

Recently, the Indian banking industry has focused on capital structure and performance. This research analyses the capital structure performance of India's four banking sectors. It also shows how various methodologies impact empirical capital structure and performance findings. The research found that short-term debt on capital is positively correlated with ROA, ROE, and EPS. Long-term debt with low ROE, ROA, and EPS. ROA, EPS, and ROE all correlated positively and negatively with firm size. Asset Growth found a favourable correlation between EPS, ROE, and ROCE. After analysing each variable's data, we can conclude that short-term debt and Indian bank profitability are positively correlated. Every capital structure component. Inflation, size, and growth prospects were positively correlated, whereas liquidity, GDP, and Indian bank performance in emerging countries were negatively correlated. The capital structure undermines Indian bank performance, we conclude. Information asymmetry, intimate debt ties, and other immature bond and stock market features in high-borrowing-cost developing economies like India may be to fault. This paper argues that financial managers should finance using retained profits instead of debt. Banks utilise debt as a last resort. Managers should maintain an ideal financial structure to boost firm success. These dismal results imply that laws and standards should be implemented to assist corporations minimise their debt. Despite our study showing detrimental impacts of capital structure decisions on bank performance, there is no complete database for all Indian banks.

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