

CHAPTER V

**COMPARISON OF SOUTH AND
NORTH INDIAN ENTERPRISES**

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The capital structure and financial performance of South Indian Enterprises (SIE) and North Indian Enterprises (NIE) had been analysed in the earlier Chapters III and IV. An attempt is made in this Chapter to compare the capital structure and financial performance of South Indian Enterprises with that of North Indian Enterprises. For the purpose of comparison and analysis, all the seven categories of industries were taken and averages of the various ratios over the study period for each industry group were taken as the base. Averages of the identified ratios of all the samples from both the regions viz., North and South were also calculated, at the end of the Chapter and compared with each other in order to verify the myths about the approach to capital structure. The group analysis of industries and comparison of industries by their regional affiliation are present in the following pages.

Automobile Industry

The averages of solvency ratios of automobile industry in South and North over the study period are presented and compared in Table 5.1.

Table 5.1**Automobile Industry : Solvency Ratios**

(Amount in Rs.)

Ratios	South	North
Capital Gearing Ratio	0.23	1.21
Debt Equity Ratio	3.94	2.69
Ratio of Reserve to Equity Capital.	0.70	7.37
Ratio of Fixed Assets to long term Debt	0.80	1.94

By going through Table 5.1, one can easily say that South Indian Automobile Industry (SIAI) was more dynamic than their counterpart in North India if the quantum of debt alone is taken as the criterion. The average of capital gearing ratio of automobile industry during the study period reveals that for every rupee of debt, the SIAI had an equity of only 23 paise, while NIAI had Rs.1.21. Similarly the average of debt equity ratio shows that for every rupee of equity, the South Indian Enterprises had more debt of Rs.3.94 than North Indian Enterprises which had only Rs.2.69. The reserve to equity ratio shows that the SIAI had only 70 paise for every rupee of equity, while NIAI had Rs.7.37. Lastly for every one rupee of long term debt the SIAI had fixed assets worth 80 paise while NIAI had fixed assets worth Rs.1.94. But the excessive debt component in the capital structure of SIAI was due to the continuous losses suffered by the sample units of SIAI over the study period. These sample units seems to have been trapped in a vicious cycle of operating losses and increasing debt. Hence the use of a higher

rate of debt by SIAI cannot be taken as an indicator of dynamism in the approach to capital structure.

The profitability ratios of SIAI are compared with NIAI in Table 5.2 which is followed by an analysis.

Table 5.2

Automobile Industry: Profitability ratios

Ratios	South	North
1. Times interest earned ratio (No. of times)	- 0.39	7.21
2. Earning power ratio (%)	- 0.52	15.80
3. Earnings per share (Rs.)	- 9.51	11.54
4. Return on capital employed (%)	- 4.40	23.80
5. Book value per share (Rs.)	17.18	76.38
6. Price earning ratio (No. of times)	-5.44	9.60
7. Pay out ratio (%)	-	14.17
8. Dividend yield ratio (%)	-	1.10

Only four companies namely Enfield India Ltd., Mopeds India Ltd, Standard Motors Ltd, and TVS Suzuki Ltd, were qualified to be studied under the category of SIAI. Though a number of automobile units functioned in south India, these companies, except the four companies taken for the study, were promoted and managed by north Indian entrepreneurs and thus disqualified to be included in the sample.

All the south Indian automobile companies incurred losses during this study period due to external and internal environmental conditions. Hence the samples taken from SIAI reflected the same trend. The earnings per share, earning power ratio, return on capital employed and price earning ratio of SIAI showed negative values during the study period. The average book value per share of SIAI companies stood at Rs.17.18. These companies earned a paltry sum of 39 paise for every rupee of interest commitment, reflecting on the profitability position of these companies. Due to continued losses, these companies did not declare any dividend during the study period and hence dividend yield ratio and pay out ratio could not be calculated. On the contrary the NIAI registered a better financial performance during the study period. The average earnings per share of these companies was Rs.11.54, the earning power ratio was 15.80 per cent and return on capital employed of 23.80 per cent. The book value per share of NIAI was Rs.76.38 with a price earning ratio of 9.60 times and interest earned ratio of 7.21 times. The pay out ratio of NIAI was 14.17 per cent and dividend yield ratio was 1.1 per cent. A real comparison of SIAI with NIAI based on the profitability ratios was not possible because of the continued losses suffered by the SIAI over the study period.

Cement Industry

The five year averages of selected solvency ratios relating to South Indian Enterprises and North Indian Enterprises in cement industry are presented in Table 5.3.

Table 5.3
Cement Industry: Solvency Ratios

(Amount in Rs.)

Ratios	South	North
Capital Gearing Ratio	9.75	0.28
Debt Equity Ratio	1.75	2.79
Ratio of Reserve to Equity Capital.	5.50	1.77
Ratio of Fixed Assets to long term Debt	7.35	0.85

There is a wide gap between SICI and NICI in terms of capital gearing ratio. While the SICI recorded Rs.9.75 equity for every rupee of debt, the NICI had a thin cushion of only 28 paise. This is because of the higher quantum of retained earnings accounted for by SICI than NICI. The ratio of reserve to equity capital of SICI was Rs.5.50. But it was only Rs.1.77 in the case of NICI. Every rupee of equity in SICI had a debt of Rs.1.75 which is lesser than Rs.2.79 of the NICI. The difference is, again, because of the higher quantum of retained earnings recorded by SICI. The ratio of fixed assets to equity capital was Rs.7.35

for SICI and 85 paise for NICI. The higher quantum of ratio of fixed assets to equity capital in SICI was due to the heavy investment made by the sample units of SICI during the study period.

The profitability ratios of cement Industry belonging to both regions are presented in Table 5.4.

Table 5.4

Cement Industry: Profitability ratios

Ratios	South	North
1. Times interest earned ratio (No of times)	2.95	3.01
2. Earning power ratio (%)	17.02	18.40
3. Earnings per share (Rs.)	53.53	24.42
4. Return on capital employed (%)	21.60	12.60
5. Book value per share (Rs.)	248.97	110.59
6. Price earning ratio (No of times)	6.37	21.68
7. Pay out ratio (%)	22.50	35.07
8. Dividend yield ratio (%)	2.95	2.14

The lesser quantum of debt employed by SICI resulted in a lesser times interest earned ratio of 2.95 times. The heavy investments made by SICI either in modernisation or expansion enabled them to save huge amount of income tax which had resulted in a higher earning per share of Rs. 53.53 than the Rs.24.42

of NICI. The higher times interest earned ratio of SICI has helped them in registering a higher return on capital employed of 21.6 per cent, which compares well with the 12.6 per cent of NICI and has resulted in a magnificent book value per share of Rs.248.97. However the assets of NICI proved to be more efficient than SICI in terms of their earning power. The earning power ratio of NICI was 18.40 per cent while it was only 17.02 per cent in the case of SICI. Though SICI recorded a higher earning per share than NICI, the SICI was a bit conservative in rewarding the shareholders. The pay out ratio of SICI was 22.50 per cent, while it was 35.07 per cent in the case of NICI.

Chemical Industry

Selected solvency ratios and profitability ratios of the sample units in chemical industry are presented in Table 5.5 and Table 5.6 respectively.

Table - 5.5

Chemical Industry: Solvency Ratios

(Amount in Rs.)

Ratios	South	North
Capital Gearing Ratio	1.10	1.07
Debt Equity Ratio	1.78	1.55
Ratio of Reserve to Equity Capital.	2.22	4.07
Ratio of Fixed Assets to long term Debt	1.04	0.98

It could be safely said that there was no major difference between SIChI and NIChI in terms of both capital gearing ratio and debt equity ratio, because the differences between the two groups of the industry with respect to these two ratios were only marginal. Similarly the ratio of fixed assets to long term debt has also recorded insignificant difference between the two regional groups. The visible difference between south Indian and north Indian groups of the chemical industry was in the ratio of reserve to equity capital; the NIChI recorded Rs.4.07, while SIChI recorded only Rs.2.22.

Table - 5.6

Chemical Industry: Profitability Ratios

Ratios	South	North
1. Times interest earned Ratio (No of times)	5.05	3.22
2. Earning power ratio (%)	16.20	18.80
3. Earnings per share (Rs.)	4.90	19.55
4. Return on capital Employed (%)	15.80	21.60
5. Book value per share (Rs.)	31.75	95.83
6. Price earning ratio (No of times)	28.86	25.00
7. Pay out ratio (%)	27.60	32.18
8. Dividend yield ratio (%)	3.42	2.46

All the important indicators of profitability viz., earning power ratio, earning per share, return on capital employed and book value per share of

NICHL were higher than SICHl. The North Indian group of chemical industry has also recorded a higher dividend pay out ratio of 32.18 per cent than SICHl. The times interest earned ratio of SICHl was higher at 5.05 times than NICHL. It may be due to the mobilisation of lesser cost debt by SICHl. The difference between SICHl and NICHL in terms of earning per share was reflected in price earning ratio. Due to the lesser earnings per share of SICHl, it has recorded higher price earning ratio of 28.86 times, whereas the price earning ratio of NICHL was 25.00 times. The lesser dividend yield ratio recorded by NICHL might be due to a higher market value per share influenced by earning per share and book value per share.

Engineering Industry

The approaches to capital structure by the two regional groups of engineering industry are analysed with the help of selected solvency ratios and profitability ratios in Table 5.7 and Table 5.8 respectively.

Table - 5.7**Engineering Industry: Solvency Ratios**

(Amount in Rs.)

Ratios	South	North
Capital Gearing Ratio	1.63	1.31
Debt Equity Ratio	1.91	1.23
Ratio of Reserve to Equity Capital.	2.93	4.63
Ratio of Fixed Assets to long term Debt	1.77	0.86

Excepting the ratio of reserve to equity capital, the other ratios viz., capital gearing ratio, debt equity ratio and ratio of fixed assets to long term debt of the two regions of engineering industry recorded only marginal differences. Therefore any worthwhile interpretation of their approaches to capital structure could not be made. However it is clear from the data that the SIEI made use of a higher quantum of debt in their capital structure and that it had a higher ratio of fixed assets to long term debt. The higher ratio of reserve to equity capital of NIEI (Rs.4.63) might be due to either a conscious decision of the group to retain higher earnings or due to a lesser equity base.

Table - 5.8**Engineering Industry: Profitability Ratios**

Ratios	South	North
1. Times interest earned Ratio (No of times)	5.75	3.28
2. Earning power ratio (%)	26.80	18
3. Earnings per share (Rs.)	19.81	12.78
4. Return on capital Employed (%)	38.20	20.2
5. Book value per share (Rs.)	83.87	85.16
6. Price earning ratio (No of times)	21.58	24.46
7. Pay out ratio (%)	39.75	36.53
8. Dividend yield ratio (%)	2.20	2.58

In spite of the higher debt component used by SIEI, it has registered a higher times interest earned ratio (5.75) than NIEI (3.28). The earning power of the South Indian group was larger than NIEI. The larger earning power ratio (26.8 per cent) has resulted in a higher return on capital employed and earning per share: Rs.19.81 and 38 per cent respectively. Though the South Indian group had performed well in terms of profitability, its book value per share was marginally lesser at Rs.83.87 than NIEI which recorded Rs.85.16. The higher book value achieved by NIEI might be due to the lesser rate of debt and lesser equity base. The SIEI was liberal in rewarding the shareholders; the pay out ratio of this group was 39.75 per cent, while Northern group recorded 36.53 per

cent. However the NIEI's price earning ratio and dividend yield ratio were higher than that of SIEI due to price differences.

Paper Industry

Tables 5.9 and 5.10 present the identified solvency ratios and profitability ratios relating to paper industry, classified by regions.

Table - 5.9

Paper Industry: Solvency Ratios

(Amount in Rs.)

Ratios	South	North
Capital Gearing Ratio	1.39	0.81
Debt Equity Ratio	1.01	2.08
Ratio of Reserve to Equity Capital.	2.93	5.30
Ratio of Fixed Assets to long term Debt	2.01	1.10

The capital gearing ratio and debt equity ratio clearly indicate that the paper industry in North India used a higher proportion of debt in their capital structure. Every rupee of equity in NIPI had a debt of Rs.2.08, while it was only Rs.1.01 in the case of SIPI. Capital gearing ratio shows that the SIPI had engaged a higher quantum of equity (Rs.1.39) in comparison with the NIPI (Re.0.81). The ratio of reserve to equity capital was higher at Rs.5.30 for NIPI, while it was only Rs.2.93 for SIPI. The SIPI had employed a higher value of

fixed assets in relation to the long term debt (Rs.2.01) than the NIPI which employed only Rs.1.10 value of fixed assets for every rupee of long term debt. It appears, as data show, that the SIPI was conservative towards its capital structure and that the NIPI was dynamic.

Table - 5.10

Paper Industry: Profitability Ratios

Ratios	South	North
1. Times interest earned Ratio (No of times)	2.35	3.35
2. Earning power ratio (%)	30	20.2
3. Earnings per share (Rs.)	7.79	9.49
4. Return on capital Employed (%)	24.40	11.80
5. Book value per share (Rs.)	35.83	41.73
6. Price earning ratio (No of times)	75.46	3.85
7. Pay out ratio (%)	40.81	20.16
8. Dividend yield ratio (%)	1.96	0.98

Though the SIPI was appeared to be conservative, as shown earlier, it was liberal in its dividend policy as the pay out ratio was 40.81 per cent. The pay out ratio of the other group was only 20 per cent. Perhaps due to the higher degree of financial leverage tried by the NIPI, the times interest earned ratio, earning per share and the book value per share of NIPI were higher than that of the SIPI. It

is interesting to note that the assets of the lesser leveraged group viz., SIPI had a higher earning power (30 per cent) than the leveraged group (20.2 per cent). The price earning ratio and dividend yield ratio were higher in the case of SIPI, probably due to the higher pay out ratio.

Sugar Industry

The selected solvency and profitable indicators relating to the sugar industry of southern and northern regions are presented in Table 5.11 and 5.12.

Table - 5.11

Sugar Industry: Solvency Ratios

(Amount in Rs.)

Ratios	South	North
Capital Gearing Ratio	0.81	0.89
Debt Equity Ratio	1.78	2.20
Ratio of Reserve to Equity Capital.	6.97	6.18
Ratio of Fixed Assets to long term Debt	0.85	0.94

The solvency ratios pertaining to the South Indian and North Indian Sugar Industry do not give any signal to indicate the approaches of the two groups towards their capital structure. There is no significant difference between the two groups in terms of capital gearing ratio and ratio of fixed assets to long term debt. The debt equity ratio and ratio of reserve to equity capital differ marginally.

However going by the debt equity ratio it can be safely said that the NISI had been using more debt during the study period than SISI.

Table - 5.12

Sugar Industry: Profitability Ratios

Ratios	South	North
1. Times interest earned Ratio (No of times)	3.24	2.51
2. Earning power ratio (%)	26.20	47.80
3. Earnings per share (Rs.)	8.08	22.11
4. Return on capital Employed (%)	24.60	15.50
5. Book value per share (Rs.)	82.68	67.33
6. Price earning ratio (No of times)	14.67	14.35
7. Pay out ratio (%)	37.54	54.12
8. Dividend yield ratio (%)	3.73	6.84

The times interest earned ratio, return on capital employed and book value per share were higher in the case of SISI than NISI. But the earning power ratio and earning per share were higher for NISI. The earning power of the assets of NISI was 47.80 per cent which is nearly 20 per cent more than SISI. Similarly the gap between NISI and SISI relating to earning per share was wider. The higher earning per share has encouraged a higher pay out ratio (54.12 per cent) in the case of NISI which also had a higher dividend yield ratio (6.84 per cent).

However there was no significant difference between two groups in terms of price earning ratio.

Textile Industry

Tables 5.13 and 5.14 show some of the important solvency ratios and profitability ratios relating to the Southern and Northern groups of Textile industry.

Table - 5.13

Textile Industry : Solvency Ratios

Amount in Rs.

Ratios	South	North
Capital Gearing Ratio	0.85	0.91
Debt Equity Ratio	1.40	1.73
Ratio of Reserve to Equity Capital.	8.42	5.25
Ratio of Fixed Assets to long term Debt	1.36	0.96

Both the regional groups of textile industry had capital gearing ratio of lesser than one rupee, indicating higher gearing of capital. There is no significant difference between the two regions in terms of capital gearing. Debt equity ratio shows that the NITI had engaged a higher debt (Rs.1.73) for every rupee of equity. The ratio of reserve to equity capital and ratio of fixed assets to long term

debt were higher in the case of SITI conforming the myth that the south indian enterprises are conservatives.

Table 5.14

Textile Industry : Profitability ratios

Ratios	South	North
1. Times interest earned Ratio (No of times)	4.44	2.26
2. Earning power ratio (%)	39.20	14.80
3. Earnings per share (Rs.)	45.36	25.79
4. Return on capital Employed (%)	24.80	13.80
5. Book value per share (Rs.)	208.49	68.21
6. Price earning ratio (No of times)	8.41	26.72
7. Pay out ratio (%)	40.89	26.95
8. Dividend yield ratio (%)	7.54	2.25

The profitability ratios indicate clearly that the SITI was more efficient than NITI in making surpluses. All the profitability indicators like times interest earned ratio (4.44), earning power ratio (39.2 per cent), earning per share (Rs.45.36) and return on capital employed (24.8 per cent) were far higher than that NITI. The profitability position of SITI is reflected in the book value per share of this group which stood at Rs.208.49. The higher profits of SITI had resulted in a higher pay out ratio of nearly 41 per cent and dividend yield ratio of 7.54 per

cent. However the price earning ratio of NITI was higher than SITI, because of price differences.

Optimum capital structure

Attempts were made by the Researcher to find out the optimum capital structure of the two industrial groups by calculating the average overall cost of capital and the average value of firm. The averages were calculated for the five year of the study and are presented in Table 5.15.

Table 5.15

Overall Cost of Capital and Value of Firm

Year	Overall cost of capital		Value of firm (Rs. in crore)	
	SIE (%)	NIE (%)	SIE	NIE
1990	8.38	6.81	1.22	4.44
1991	7.80	8.71	1.66	4.76
1992	7.45	7.19	1.81	8.30
1993	7.29	6.45	2.10	11.59
1994	6.93	7.64	3.00	11.27

On the basis of data relating to the 100 sample firms belonging to South India and another 100 of North India, the average overall cost of capital and the average value of firm for the two groups were calculated and presented for the

five years of the study. The averages indicate that the optimum capital structure of the South Indian Enterprises was achieved in the year 1994. The overall cost of capital of SIE in the year 1994 was the lowest during the five years of the study and the average value of firm was the highest during 1994. During this year the overall cost of capital was only 6.93 per cent, but the average value of a firm was Rs.3 crores, indicating that the capital structure was optimum. The debt equity ratio of SIE during the year 1994, when the optimum capital structure was achieved, was 1.66. The average overall cost of capital was the least (6.45 per cent) in the year 1993 for NIE. The average value of firm for NIE was the highest (Rs.11.59 crores) in the same year. As the average overall cost of capital was at its minimum and the average value of firm was at its maximum in the year 1993, the capital structure of NIE in that year can be described as the optimum structure. The optimum capital structure of NIE was achieved at a debt equity ratio of 2.23.

Statistical Verification of Myths

The ratio analysis of the capital structure and financial performance of the 200 random samples did not either clearly confirm or reject the myths about the approach of SIE towards capital structure. Hence the Researcher framed seven sets of hypotheses, each set comprising a null hypothesis and an alternative hypothesis, given as below, and statistically verified them. These hypotheses were framed and

tested to enable a proper interpretation of collected data.

First Set of Hypotheses

H_{01} : There is no significant difference between SIE and NIE in terms of their approach towards capital gearing.

H_{A1} : There is a significant difference between SIE and NIE in terms of their approach towards capital gearing.

Second Set of Hypotheses

H_{02} : There is no significant difference between SIE and NIE in terms of their approach towards debt equity combination.

H_{A2} : There is a significant difference between SIE and NIE in terms of approach towards debt equity combination.

Third Set of Hypotheses

H_{03} : There is no significant difference between SIE and NIE in terms of their approach towards quantum of earnings retained.

H_{A3} : There is a significant difference between SIE and NIE in terms of their approach towards quantum of earnings retained.

Fourth Set of Hypotheses

H_{04} : There is no significant difference between SIE and NIE in terms of return on capital employed.

H_{A4} : There is a significant difference between SIE and NIE in terms of their return on capital employed.

Fifth Set of Hypotheses

H_{05} : There is no significant difference between SIE and NIE in terms of their earning per share.

H_{A5} : There is a significant difference between SIE and NIE in terms of their earning per share.

Sixth Set of Hypotheses

H_{06} : There is no significant difference between SIE and NIE in terms of their book value per share.

H_{A6} : There is a significant difference between SIE and NIE in terms of their book value per share.

Seventh Set of Hypotheses

H_{07} : There is no significant difference between SIE and NIE in terms of their approach towards dividend policy as reflected in their pay out ratio.

H_{A7} : There is a significant difference between SIE and NIE in terms of their approach towards dividend policy as reflected in their pay out ratio.

Out of the seven sets of hypotheses, the first three sets relate to capital structure decisions. The fourth, fifth and sixth sets of hypotheses are concerned about the impact of capital structure on the financial performance of the companies. The last set relates to dividend policy. As the seven sets of hypotheses reflect the different dimensions of capital structure decision and their impact on financial performance, it was hoped that verification of the statistical validity of these hypotheses would confirm or reject the myths. Acceptance of null hypotheses would mean absence of any myth. On the other hand, when the null hypotheses are rejected, it would mean existence of myths.

All the seven sets of hypotheses were verified by applying the test for difference between means of large sample sizes at 0.05 level of significance (α). The standardised difference (z) between the two sets of data, pertaining to each set of hypotheses were found out by applying the following formula.

$$z = \frac{(\bar{x}_1 - \bar{x}_2) - (\mu_1 - \mu_2)}{\sqrt{\left(\frac{\sigma_1^2}{n_1}\right) + \left(\frac{\sigma_2^2}{n_2}\right)}} H_0$$

The standardised differences between the data sets were plotted in the relevant sample distribution and compared with the critical value (± 1.96). When z falls beyond the critical value on either side of the curve, the null hypothesis is taken as rejected. On the contrary if z falls within the range of critical values (± 1.96) the null hypothesis is taken as accepted. As the population standard deviations (σ) of the data sets were not known, the sample standard deviations (s) were taken as the best estimates of population standard deviations because of the larger sample base (n_1 and n_2). The five year averages of capital gearing ratio, debt equity ratio, ratio of reserve to equity capital, return on capital employed, earning per share, book value per share and pay out ratio relating to all the 100 random sample companies belonging to southern region of the country (n_1) and northern region of the country (n_2) were averaged to draw the relevant data sets for the purpose of verifying the validity of the seven sets of hypotheses.

The data sets (\bar{x}_1 and s_1 for southern region and \bar{x}_2 and s_2 for northern region), their respective standardised differences (z) and the status of null hypotheses of all the seven sets of hypotheses are presented in Table 5.16

Table - 5.16**Statistical Verification of Hypotheses**

Sl. No.	Ratios	South		North		z	Status of Ho
		\bar{x}_1	s_1	\bar{x}_2	s_2		
1.	Capital Gearing ratio	1.60	3.2988	1.69	6.6114	-0.1218	Accepted
2.	Dept equity ratio	1.86	1.3987	1.66	1.1965	1.0865	Accepted
3.	Ratio of reserve to equity capital	5.15	6.9337	11.57	66.9555	-0.9537	Accepted
4.	Return on capital employed	20.89	12.6329	17.46	10.7205	2.0701	Rejected
5.	Earning per share	22.55	58.5729	18.88	35.5416	0.5356	Accepted
6.	Book value per share	120.43	215.1811	83.88	103.5370	1.5306	Accepted
7.	Pay out ratio	31.96	42.0699	37.01	41.4440	-0.8551	Accepted

It is interesting to note from Table 5.16 that all the 3 null hypotheses pertaining to capital gearing, debt equity combination and quantum of earnings retained were statistically accepted. This indicates that there had been no significant difference between SIE and NIE in terms of their approach towards the

three important dimensions of capital structure decision. This has shattered the popular myth that the SIE were conservatives (by using a higher proportion debt) towards their capital structure decisions and that the NIE were dynamic. It is also interesting to note that the seventh null hypothesis relating to dividend policy was also accepted indicating that there was no significant statistical difference between SIE and NIE in terms of their approach towards dividend policy. Here also the myth that the SIE were conservatives in rewarding the shareholders and that the NIE were liberal had been broken. The fact that the fifth and sixth null hypotheses relating to earning per share and book value per share respectively were also accepted shows that there was no significant statistical difference between SIE and NIE in terms of the impact of capital structure decision on their financial performance. Though the fourth null hypothesis relating to return on capital employed had been rejected (which implies existence of a significant difference between SIE and NIE in terms of their respective return on capital employed), there is no reason to believe the myths. In fact the SIE were performing well with an average return on capital employed of 20.88 per centage which is higher than the 17.46 per centage of NIE.

Since six null hypotheses out of the seven, relating to the important dimensions of capital structure decision were accepted, it can be safely concluded that there is no statistical evidence to prove that the South Indian Enterprises were conservatives with record to capital structure decision. Further, rejection of the

fourth null hypothesis indicate that the South Indian Enterprises performed more efficiently than their counterparts in the North. Both these two findings, one relating to the capital structure and the other relating to financial performance, are highly significant as they break the existing popular myths against South Indian Enterprises.