

TABLE OF CONTENTS

	PAGE
ABSTRACT	i
ACKNOWLEDGEMENTS	ii
TABLE OF CONTENTS	iii
LIST OF TABLES	iv

CHAPTER ONE - INTRODUCTION

1.1 Theoretical Background.....	1
1.1.1 Types of Funds.....	1
1.1.2 Financial Structure.....	1
1.1.3 Financial Leverage.....	2
1.1.4 Operating Leverage.....	3
1.1.5 Role of Beta.....	4
1.2 Objective of The Study.....	5
1.3 Significance of The Study.....	5
1.4 Organisation of Study.....	5

CHAPTER TWO - LITERATURE REVIEW

2.1 Types of Studies.....	7
2.2 Titman and Wessels Findings.....	8
2.3 Results of Other Studies.....	9
2.3.1 Collateral Value of Asset.....	9

2.3.2	Non-debt Tax Shields.....	11
2.3.3	Growth.....	11
2.3.4	Uniqueness.....	12
2.3.5	Volatility.....	12
2.3.6	Profitability.....	13
2.3.7	Operating Leverage.....	13
2.3.8	Industry Classification.....	14
2.3.9	Size.....	15
2.3.10	Beta.....	15
2.4	This Study.....	16

CHAPTER THREE - METHODOLOGY

3.1	Data Source.....	17
3.2	Sample Size.....	17
3.3	Time Frame.....	18
3.4	Definition of Variables.....	19
3.5	Data Analysis.....	22
3.6	Hypothesis Testing.....	23

CHAPTER FOUR - THE FINDINGS

4.1	Gearing Ratio.....	24
4.2	Mean Return on Equity.....	24
4.3	Mean Operating Leverage.....	26
4.4	Blume's Adjusted Beta.....	26
4.5	Regression Analysis.....	28
4.5.1	Capital Structure And Return on Equity.	28
4.5.2	Capital Structure And Operating Leverage.....	33

4.5.3 Capital Structure And Systematic Risk.. 34

CHAPTER FIVE - CONCLUDING REMARKS AND RECOMMENDATIONS

5.1 Summary.....	37
5.2 Shortcomings.....	38
5.3 Suggestions for Future Research.....	39
References.....	41

LIST OF TABLES

TABLE	PAGE
1 Summary of the mean gearing measures, mean return on equity, mean operating leverage of sample firms.....	25
2 Blume's adjusted beta of sample firms.....	27
3 Summary statistic of mean gearing measures, mean return on equity, mean operating leverage and Blume's beta of sample firms.....	28
4 Regression of two measures of gearing on return on equity of sample firms.....	29
5 Regression of two measures of gearing on operating leverage of sample firms.....	33
6 Regression of two measures of gearing on systematic risk of sample firms.....	35