

CAPITAL STRUCTURE

“Varying macro economic environment causes variations in capital structure across developed countries in the automobile industry”

Presentation by

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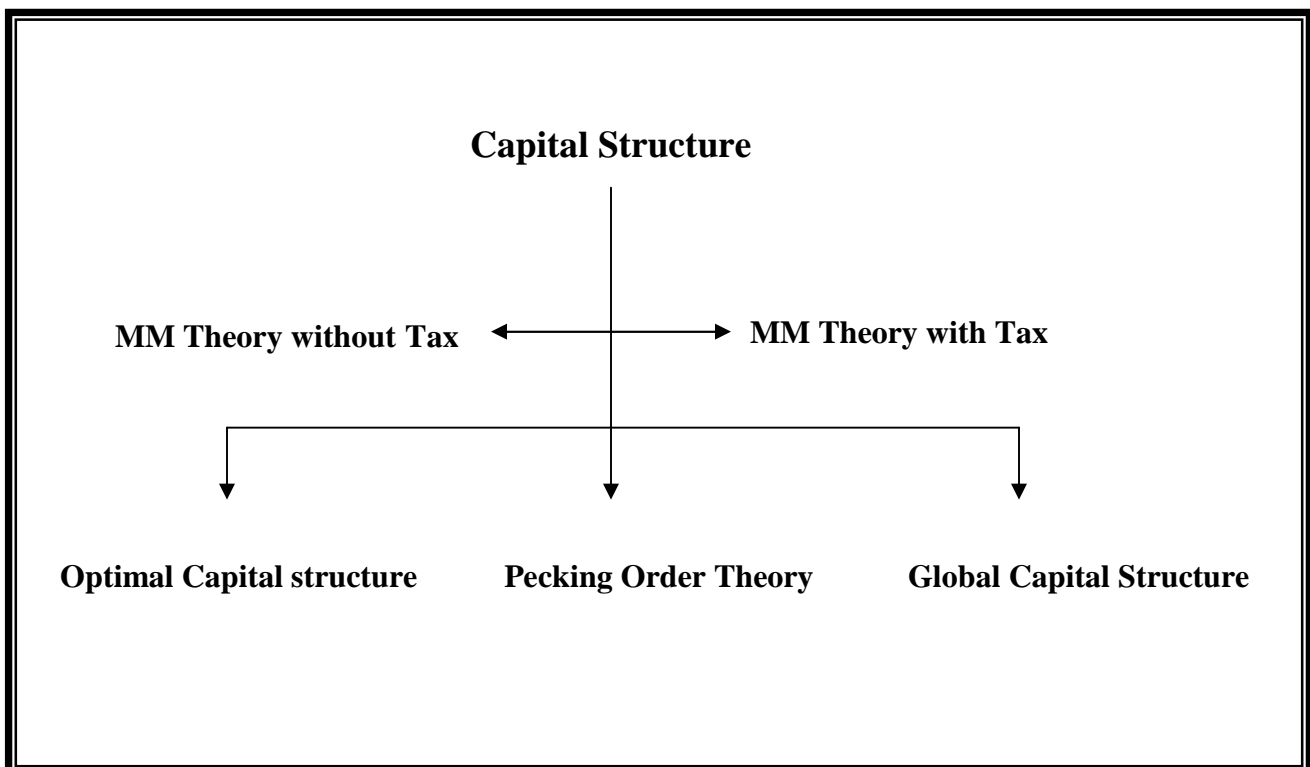
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1.Objective




This financial topic has objective to specify clearly following questions:

- ✚ What is capital structure?
- ✚ What is global capital structure?
- ✚ What factors affect capital structure?
- ✚ Why does Corporation care about capital structure?
- ✚ Why does capital structure vary between companies?
- ✚ Why does capital structure vary between industries?
- ✚ Why does capital structure vary between developed countries?
- ✚ Why is Universal capital structure not possible?

2. Theories



3. Capital structure Affected by:

-  **Internal factors**
-  **External factors**
-  **Macroeconomic environments**

4. Data analysis:

Developed Countries and Capital structure

a) According to data for period 1970-1985 (Nonfinancial enterprises)


-  **Japan is Largest user of Debt**
-  **UK and US are largest user of Retain earnings**


b) According to data for period 1977-1988

-  **Debt equity ratio is high in Germany and Japan**


Correlation and Regression analysis for General Motors (USA) and Honda Motor (Japan)

I. Honda Motor (Japan)

 **R square shows that 99.8% variation in capital structure of Honda Motor is caused by Consumer price , Tax rate and lending rate.**

 **P- test and F- test proves that these data are highly significant at 5% significance level .**

II. General Motors (USA)

 **R square shows that 99.9% variation in capital structure of Honda Motor is caused by Consumer price , Unemployment rate and lending rate.**

 **P- test and F- test proves that these data are significant at 5% significance level .**

5. Conclusion:

Macroeconomic environment do affect the capital structures among developed countries in the automobile industry.