

*Abstract of Doctoral Dissertation*

## **Determinants of Liability Structure: A Study of the Indian Commercial Banks<sup>1</sup>**

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### **I. Introduction**

CAPITAL STRUCTURE IS conceivably one of the most extensively researched areas in corporate finance. Ever since Modigliani and Miller (1958) suggested their irrelevance proposition, a rich theoretical literature emerged that dealt with a firm's capital structure choice employing different frameworks. How a firm determines its capital structure continues to be a puzzle for researchers (Myers, 1984; Norton, 1990). An important issue in corporate finance has been to elucidate the factors that affect the capital structure of a firm.

A review of the literature on this subject reveals that most of the work in this area has been undertaken in industrially advanced countries, notably in USA. The issue of capital structure decision in developing countries has received little attention. The overview of literature identifies that only a few studies examining the relationship between capital structure and a set of determinants influencing them are available in Indian context. Moreover, all these works are mainly confined to the firms of manufacturing sector. The financial sector in general and the banking sector in particular have been neglected by the researchers in this regard.

The Indian banking industry has undergone a paradigm shift after the commencement of liberalization in 1991. The recommendations of the Narasimham Committee on the financial system led to a revolutionary transition in corporate financing policies. However, under the impact of deregulation, technological improvements, and accessibility of banks to capital market for raising funds, the subject has gained importance. Such changing circumstances have created a need for investigating the capital structure of Indian commercial banks.

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