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| Title | Impact of Debt Capital on Firm’s Performance: A Study on the Textile Companies Listed in Dhaka Stock Exchange Limited (DSE) |
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| Published Journal | *International Journal of Science and Business* |
| Type of Publication | Article |
| Volume | 4 |
| Issue | No. 12 |
| Publisher |  |
| Publication Date | 17/11/2020 |
| ISSN | 2520-4750 |
| DOI | https://doi.org/ 10.5281/zenodo.4277679 |
| URL | https://ijsab.com/volume-4-issue-12/3398 |
| Other Related Info. |  |
| Keywords |  Return on asset, Return on equity, Short term debt to total asset, Long term Debt to total asset. |
| Citation | **Alam, Q.N., Alam, J., Burman, S. D. & Hoque, M. T. (2020).** Capital Structure and Firm’s Performance: A Study on the Selected Textile Companies Listed in Dhaka Stock Exchange (DSE). International Journal of Science and Business, 4(12), 106-114 |

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| Abstract |
| ­The combination of a firm’s long-term debt, specific short-term debt, common equity, preferred equity and retained earnings which are used to finance its overall operations is known as capital structure and it is a vital financial decision as it is directly related to the risk and return of a firm. Inappropriate capital structure can lower the firm’s value as it incurs higher cost of capital while effective capital structure decision can do the opposite. A panel data set of ten years from 2010 to 2019 for the selected textile companies listed in Dhaka stock exchange has been used in this study. ROE and ROA are the dependent variables in the analysis, on the other side short-term debt to total assets and long-term debt to total assets are the proxy variables for debt capital. Age, sales growth is used as the control variables. Descriptive analysis, Correlation analysis, Hausman test and Panel Regression have been conducted to test the hypothesis. This study found that there is significant relationship between debt capital and firm performance. Short- term debt to the total asset is positively related to both profit measure ROE and ROA. In contrast, the other variable long-term debt has a negative association to the both ROE and ROA. The literature on this view also supports these findings as long-term debt costly and increases financial distress for the firms. According to the study result, long-term debt is statistically significant in determining the ROA and ROE |
| Sustainable Development Goal(s) (SDG) |
| Goal 9: Industry, Innovation and Infrastructure |