Chapter 10
Assessing Disruptive Innovation Through Analysing Sustainability Financing and Capital Structure Performance of Nifty 50 Companies in India

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ABSTRACT

This research represents the impact of sustainability financing and capital structure performance measured using the Nifty companies gearing ratios having an impact on enhanced efficiency of the firm. The sustainability of the debt is being considered relevant for the company if the company is able to honour all of the current liabilities and non-current liabilities without jeopardizing with the ultimate goal for enhanced financial performance and can make itself prone to the defaults in the turbulent times. This research attempts analyse the relationship between the sustainable finance and the debt ratio of Nifty 50 companies with an objective to test the risk reward ration with respect to leverage financing.

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INTRODUCTION

The company's performance can be attributed to the optimal financial ratios for analysing the daily sustainable operations for efficient future performance of the company in terms of enhanced operational cash flows. The ability of a country to expand its economy and capital markets is determined by its effectiveness (Hutagalung, 2020). The flexibility and low cost for the sources like equity and debt as well as the internal sources cost risk and reward analysis should be considered for assessing the sustainability of the operations for the company. The operational earning are a type of risky equity that varies with company's future cash flow projections and the external shocks and need to be managed with utmost care for the sustainable operations and long term earnings feasibility of the company.

Capital structure is a combination of debt and equity securities used to finance real investments. In 1958, Modigliani and Miller proposed the concept of capital structure analysis (Peter Brusov, 2018). Since Modigliani and Miller, several studies have been conducted to examine capital structure and refute their theorem. As a result, several theories about capital structure have emerged have been created, such as the trade-off theory proposed by Myers in 1984 (Myers, 1984), the resource based theory proposed by Myers and Majluf in 1984, which recommended that managers preferred using internal funds, the agency theory proposed by Jensen and Meckling in 1976 (Michael C. Jensen, n.d.), which proposed that increasing debt levels could mitigate the principle-agent problem, and so on.

The greatest likely returns of a stock, the national economy's average risk-free rate of return, and the market risk premium are frequently used to determine equity valuation. The financing mix of internal and external sources of finance in a portfolio significantly affects the long-term returns anticipated by stakeholders and financial management. Returns on capital projects are typically defined cash flows from investments expressed as a percentage of the project's cost. Financial analysts typically regard the debt-to-equity ratio as one of the most important capital structure factors for a firm's valuation. A company's financial leverage is determined by several factors, including its debt vs equity performance, debt service, debt coverage and debt-to-asset ratio.

Going to depend on the financial strategy of each company. In one company, debt capital may not exist, whereas in another, it may exceed owned capital. The typical capital structure of a corporation is represented by the ratio between the two. The capital structure of a new company could be one of the four models listed below:

- A capital structure based solely on equity shares.
- A capital Structure, which includes both equity and preferred shares.
- A capital Structure, which includes both equity and debentures.

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