Impact of Financial Leverage on Shareholders Return and Financial Performance: Evidence from Top 100 Listed Companies in National Stock Exchange

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Abstract: Financial management's key objective is to enrich capital structure and financial decisions. The vital issue during capital structure decision-making is determining a firm's proper balance of owed and owned capital. One globally accepted issue is financial leverage, popularly known as the "Double-edged Sword". It can maximize the shareholders' benefit and boost the company's financial performance and vice versa. So an effort made "to find out the impact of financial leverage on shareholders return and financial performance of Top 100 National Stock Exchange companies in India". National Stock Exchange registered companies as per market capitalization were obtained. The Descriptive Statistics, Panel-Data Regression Analysis (Breusch-Pagan LM Test, Hausman Test) and Structural Equation Model (SEM) were analyzed from 2017 to 2021. The Outcome illustrates that DER has a positive influence on ROE, CR and NPR which relating to the "Trade-off Theory". DER has negative impact on EPS, ICR and TATR supporting "Pecking order Theory". The framed empirical SEM act as a theoretical contribution to the future researchers.

1. Introduction

The corporate world is pressured to adapt their systems as Covid-19 expanded and have caused an abrupt and immediate drop in the economy's production. Besides the coronavirus infection pandemic of 2019 (Covid-19) resulted in numerous disruptions in every facet of modern life. Revival of the concerns are boosting in the 21st century where organizations were going in a path that ensures the success of its shareholders. As a consequence, a set of criteria for assessing the performance of the firm in regard to natural or environmental preservation are referenced by the strength of the key shareholders (Patel and Patel, 2020). Shareholders and Investors view their interests as being intimately

correlated with the company's financial status. They can save losses if they can foresee a company's financial risk in advance. In this context, financial issues are the key concern of every listed company (Wei and Li, 2022). Therefore, the present topic is essential in the current time.

Financial management that is efficient and under control is unquestionably a sign of a successful company. A key component of financial management is financial decision-making. Finding the optimal financing mix or capital structure to increase the wealth is the chief role of financial decision-making in corporate finance (Zelalem, 2020). Investors, lenders and the business must benefit from a successful blending of various forms of financing (DeMarzo and Fishman, 2007). Pandey (2015) defines "the use of the fixed-charges sources of funds, such as debt and preference capital along with the owners' equity in the capital structure, is described as financial leverage or gearing or trading on equity". The most important tool to enhance company's achievement is Financial Leverage (Kenn-Ndubuisi and Nweke, 2019). Additionally the major determination of involving owed capital is during optimistic economic conditions, increases the shareholders' return (Taqi *et al.*, 2020). On one hand, owed capital tends to raise the shareholders' worth; on the other hand, it has the ability to provide tax advantage to the company (Barakat, 2014). The situation of increasing interest of debt becomes detrimental when the usage of leverage increases, it is also considered as indicator of risk (Bhayani and Ajmera, 2018). Leverage is a key aspect in influencing the financial structure, thus it is vital to look at its impact (Banafa *et al.*, 2015).

Financial leverage is a double-edged sword. Owner's return from their capital employed may increase or shrink for many reasons. Myers (1977) utters that in a risky debt firm, shareholders invest only if they could earn as high as the rate of return the company had already committed to provide, because greater risk investors anticipate bigger returns. If the firm guaranteed a lower return, shareholders neglect to invest or only make investments up to the point where firms without the risk yield a profit. Low or underinvestment will influence company's worth adversely. Once the shareholders return enlarges by the employment of debt, it spontaneously attracts more shareholders in number to invest. As a result, manipulation of advanced technology to augment the production and profitability paves way for a good financial performance. This assumption turns in contradictory way when the debt tends to reduce the shareholders return. The aforementioned factors served as the impetus for the current investigation.

National Stock Exchange (NSE) is counted as one of the foremost stock exchanges located in Mumbai, Maharashtra, India. It ranked 4th by the World Federation of Exchanges (WFE) in 2021 for engaging in many trades. Top companies listed in this stock exchange are usually having a vision of highly preferred for shareholders investment. In this regard, it may force to use equity excessively then the tax benefit would not be gained. Furthermore, a larger amount of the earnings should be dispersed to meet the demands of a large number of stockholders. So a proportion of borrowed capital needs to be included but also attain "optimal capital structure". Thus examining the "Impact of financial leverage on shareholders return and financial performance: Evidence from TOP 100 listed Companies in National Stock Exchange" would helpful for academicians, policy makers and also our country's economic improvement.

2.   Literature Review

2.1. Theoretical Background

The capital structure argument, which constituted a turning point in the empirical literature on corporate finance, has a number of theories acting as a foundation. Several theories formed are,
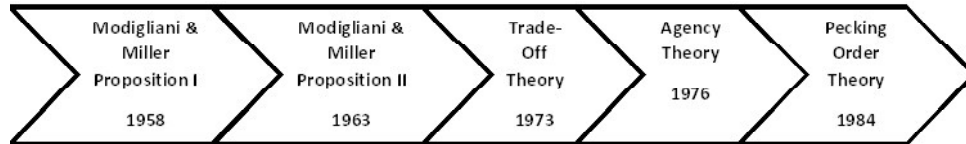

Figure 1: Theories Categorization based on Time Periods

Source: Sakhi (2011)

2.1.1. Modigliani and Miller (MM) theory

Theory of Irrelevance (1958): Proposition I – Owed funds will not affect the firm value and its performance in the absence of tax. An ideal leverage level was argued by traditionalists that equalize the deadweight bankruptcy cost with the utilization of leverage (Lintner, 1956).

Theory of Relevance (1963): Proposition II- Due to the tax deduction for interest paid on debt, employing borrowed money will raise the company's worth and lower the cost of capitalization. Abor (2005) emits that shareholders may demand a higher return since borrowed fund upturns the risk premium. As a result, the required return depends on how much debt is accumulated over time.

2.1.2. Trade-off Theory

This theory is based on the reality that the "optimum capital structure" will ultimately results in maximising firm value, increased tax benefits and reduced bankruptcy costs. Kraus and Litzenberger (1973) assumed that debt possibly balance the tax benefit. Static Trade-off Theory (Myers and Majluf, 1984) should be attained where high leverage offers tax benefits while also raising capital costs due to low cost of loan.

Strebulaev's dynamic trade-off theory from 2007 assumes that the existence of shocks may shift the firm away from its target debt level. Firms incur adjustment cost to return back to the intended debt level (Ahmad and Etudaiye-Muhtar, 2017), which ironically might hinder from achieving its desired leverage ratio due to the significant adjustment costs. Both theories provide favourable correlation between the owed funds and equity-holders' return.

2.1.3. Agency Theory

The premise of conflict between the directors and shareholders about the amount of debt they absorb, reduce or use is a key component (Jensen and Mecklings, 1976). Insofar as the approach promotes problem-solving and fosters improved relationships between them. Muchiri *et al.* (2016) observe how this idea promotes the use of debt by businesses to improve their financial success.

2.1.4. Pecking-Order Theory

Myers and Majluf (1984) introduced the "Pecking-Order Theory" that illustrates the preferred sequence of sources of finance for corporations in real life. It supposes that the company will initially choose to utilise its earnings as an internal source of funding to fund its investments. If those profits are insufficient, the company can next regard debt as a second alternative before finally turning to the ownership rights. It predicts that businesses with limited investment prospects and high free cash flow produce low debt ratios since the money consumed to reduce debt. According to the idea, debt ratios and shareholder returns are inversely related.

Apart from the theories explains the association related to the topic, following studies helps to develop the hypothesis. "Relationship between financial leverage and shareholders' return" in the studies of Kannadhasan *et al.* (2016); Al-Hassan and Gupta (2013); Ayodele (2013) proves positive relation but negatively by Abor (2005); Nirujah *et al.* (2014); Mehta (2014). "Relationship between financial leverage and financial performance" either shows positive impact (Ali, 2014; Maroko, 2014; Fosu, 2013), or little effect (Rajamani, 2021) or negative (Jose, 2017; Mwangi *et al.*, 2014) in the context of India and also from other nations.

2.2. Financial Leverage and Shareholders Return

Table 1: Findings by Different Authors

Authors and Year	Findings
• Nianty (2022)	DER has a negative impression on stock returns of Indonesia Stock Exchange listed companies of food and beverage.
• Alwan and Radi (2022)	Negative relationship among the debt financing and the rate of return on investment of commercial banks in Iraq.
• Ayoush *et al.* (2021)	Negative relation between DR, DER, ROA and ROE of industrial enterprises listed on the Amman Stock Exchange.
• Abdulkareem and Meghanathi (2020)	Found no impact of leverage on EPS of Indian Petroleum Companies.
• Ansari (2020)	The ROE was significant positively by Profitability, Leverage and Efficiency but negatively by Liquidity in Indian IT companies.
• Kenn-Ndubuisi and Nweke (2019)	EPS is negatively associated to DER and total debt to total asset indicators of FL in Nigeria.
• Dey *et al.* (2018)	Positive bond between DER, ROE and EPS of Publicly Traded Bangladesh Manufacturing Companies.
• Deb and Banerjee (2018)	There was a significant increase in the business risk of the low leverage firms after analysing 289 Indian companies.
• Kannadhasan *et al.* (2016)	The Shareholder's return had an insignificant relationship with Financial Performance and significantly related with Financial Leverage.
• Bandopadhyay and Roy (2016)	There present statistical connection between DER and Shareholders' return of BSE 500 Companies.

• Nirujah *et al.* (2014)	A negative relationship between Return on Shareholders' Fund (ROSF), Earning per Shares (EPS), Dividend Yield (DY) and Debt to Equity (DE), Debt to Total Asset (DTA) of Listed Manufacturing Companies in Sri Lanka.
• Mehta (2014)	ROE negatively influenced by DER of 35 listed sugar companies in Pakistan.

Source: Authors' Own Compilation

2.3. Financial Leverage and Financial Performance

Table 2: Findings by Different Authors

Authors and Year	Findings
• Ehiedu (2022)	STDR has a substantial effect on ROA, whereas LTDR, TDR and DTER have no significant effect on ROA of Nigerian Oil & Gas listed enterprises.
• Randika (2022)	There's no relationship within financial leverage, profitability and liquidity. But debt ratio and asset management performance has a positive bondof investment trust companies listed in Sri Lanka.
• Rajesh *et al.* (2021)	DE and DER has a beneficial impact on ROA and ROE of small finance Indian Banks.
• Rajamani (2021)	There present a little impact between ROA, ROE, Gross Profit Margin and short term, long term Debtof Indian SMEs Listed in BSE-SME Platform.
• Abubakar (2020)	STDR and LTDR have no effect on ROE but TDER affects ROEnegatively of Nigerian oil and gas companies.
• Sinha (2019)	Found leverage influence ROE favourably butundesirably effect on ROA of Indian Power Sector.
• Sahni and Kulkarni (2018)	Strong relationship among OPM, CR and DER exists. NPM, QR and FL had a weak relationship in "DLF Ltd, Construction & Contracting- Real Estate Company" in India.
• Reddy and Narayan (2018)	Profitability (ROA, ROI) has no impact by leverage (DER, DR, ICR), an evidence from India.
• Jose (2017)	Negative correlation presents within Leverage and FP ofIndian cement companies.
• Ali (2014)	It revealed that financial leverage (DE) and financial performance (ROA, ROCE, ROE, NPM) had a positive relationship in Pakistan listed Chemical Companies.
• Innocent *et al.* (2014)	DR and DER unfavourable with ROA but ICR was favourable with ROA of Nigerian pharmaceutical industry.
• Rehman (2013)	DER negative with EPS, NPM and ROE and positive with ROA and sales growthof Pakistan listed sugar companies.

Source: Authors' Own Compilation

2.4. Research Gap

Copious studies look for the connection within owed capital with shareholders return and financial performance separately. The research study with combined association is attempted and tries to develop the model for the framed objective, considering empirically validated model. It acts as a source of knowledge and also a theoretical contribution for readers and future researchers. Most of the reviewed studies included ROE, ROA for the assessment of financial performance. "Ratio is used as a benchmark in financial analysis to evaluate a firm's financial performance" (Pandey, 2015). The research is primarily concentrated on the four category variables for financial performance "Liquidity (CR), Solvency (ICR), Efficiency (TATR), and Profitability (NPM)" in order to close this gap.

3. Objectives and Hypotheses of the Study

3.1. Objectives of the Study

- To identify the impact of financial leverage on shareholders return.
- To find out the impact of financial leverage on financial performance.

3.2. Hypotheses of the Study

H_{01}: There is a positive (negative) impact of financial leverage on shareholders return.

H_{02}: There is positive (negative) impact of financial leverage on financial performance.

4. Research Methodology

4.1. Data Source

The study initially includes Top 100 Indian Companies listed in National Stock Exchange based on Market Capitalization. Then four companies were denied due to insufficient data and seven banks are excluded where the data founds not suitable and compatible with other companies. Still the company count was not reduced as eleven companies listed beyond 100 were also considered to make the sample as a finite one. The time series database from 2016-17 to 2020-21 were studied. The study period was preferred based on the most recent five years. The required data was gathered from the website of Capitaline and NSE. The statistical package used was E-views 12 and Amos 22.

4.2. Variables

4.2.1. Dependent Variables

Shareholders return is measured by;
- Return on Equity= Net Profit/ Total Equity (Pandikumr *et al.,* 2020; Oyinloye *et al.,* 2020; Deb and Banerjee, 2018)
- Earnings per share= Profit after tax/ Number of shares outstanding (Gaffar and Akal, 2021; Abdulkareem and Meghanathi, 2020; Pandikumr *et al.*, 2020).

Financial performance measures are:

- Liquidity (Current Ratio) = Current Asset/ Current Liability (Randika, 2022; Ayoush *et al.*, 2021; Sahni and Kulkarni, 2018).
- Solvency (Interest Coverage Ratio) = Earnings before Interest &Tax/ Interest (Rajesh *et al.*, 2021; Ayoush *et al.*, 2021).
- Efficiency (Total Asset Turnover Ratio)= Sales/ Total Asset (Randika, 2022) and
- Profitability (Net Profit Ratio) = Net Profit/ Sales (Sahni and Kulkarni, 2018; Mochi and Dani, 2018; Jose, 2017).

4.2.2. Independent Variable

Financial leverage is stated as Debt Equity Ratio= Debt/ Equity (Randika, 2022; Ehiedu *et al.*, 2022; Rajesh *et al.*, 2021; Abdulkareem and Meghanathi, 2020; Oyinloye *et al.*, 2020; Sinha, 2019; Bhayani and Ajmera, 2018; Jose, 2017; Kannadhasan *et al.*, 2016).

4.3. Framed Model

The developed Panel Data Regression model to find the impact is as follows:

$$Y_{it} = \alpha + \beta X_{it} + \varepsilon_{it}$$

Where, Y represents Dependent Variable, the indices i and t refers to individuals and time, α and β are coefficients, X means to Independent Variable and finally ε is error term.

Table 3: Panel Data Regression Models

S. No	Model	S. No	Model
1	$ROE_{it} = \alpha + \beta DER_{it} + \varepsilon_{it}$	4	$ICR_{it} = \alpha + \beta DER_{it} + \varepsilon_{it}$
2	$EPS_{it} = \alpha + \beta DER_{it} + \varepsilon_{it}$	5	$TATR_{it} = \alpha + \beta DER_{it} + \varepsilon_{it}$
3	$CR_{it} = \alpha + \beta DER_{it} + \varepsilon_{it}$	6	$NPR_{it} = \alpha + \beta DER_{it} + \varepsilon_{it}$

Source: Authors' Own Compilation

As the sample includes information from different businesses throughout time, the research uses a static panel data approach (balanced) to assess the aforesaid econometric model. According to the argument, this method increases the degree of freedom and data variability, alleviates the multicollinearity problem, enables individual heterogeneity management and produces more accurate and reliable estimates (Khaki and Akin, 2020).

The framework includes three traditional models namely, "pooled OLS model, random-effect model and fixed-effect model". The Breusch-Pagan test was analysed to choose the appropriate between "pooled OLS model and random-effect model". Then to pick the most effective model among the "fixed-effect and random-effect models", Hausman test has been used.

Scientific studies are working on "Structural Equation Modelling (SEM)", a potent multivariate technique frequently explore and evaluate multivariate causal relationships (Fan *et al.*, 2016). SEM in first generation was logic of causal modelling using path analysis (Wright, 1921; 1920; 1918). Its capacity was expanded in the second generation. Then "structural causal model" was in third generation (Pearl, 2000). One of the two methods of SEM is "Confirmatory factor analysis", which aims to estimate contentment and attitude that are considered as root qualities of psychology (Spearman, 1904). Other is "Path analysis", had its origins in biometrics and sought to found a causal association of variables through path diagram. There is an assumption that Path analysis measures the variables without error but SEM use latent variables to measure error (Hoyle, 1995; 2011). SEM considered as an alternative approach used to evaluate our comprehension of intricate ecological systems (Lam and Maguire, 2012). So an attempt made to find the relationship between the framed objectives through SEM.

5. Data Analysis

5.1. Descriptive Statistics

Table 4: Descriptive Statistics

Measures	N	DER	ROE	EPS	CR	ICR	TATR	NPR
Mean	500	0.51	17.64	-235.32	1.47	122.65	1.14	40.48
S.D	500	0.95	14.20	4064.10	1.21	418.14	0.99	176.52
Variance	500	0.90	201.83	165.74	1.47	174.05	0.98	311.58
Minimum	500	0.00	-39.68	-8170.90	0.19	-231.38	0.02	-225.46
Maximum	500	8.86	96.78	753.09	12.99	4827.40	5.32	3426.48
Skewness	500	3.58	1.44	-17.51	4.16	7.45	1.56	15.42
Kurtosis	500	17.89	5.72	333.53	27.25	68.32	2.69	278.35

Source: Computed Data (2017-2021), (variables are rounded to 2 decimal points)

From table 4, it is understood that the selected Companies in their capital structure use 51%of owed funds. The mean value of ROE (17.64), CR (1.47), and TATR (1.14) are beyond their SD, so they are narrowly linked. The variances of all the selected variables are higher than their respective average value except CR and TATR. So there is inconsistency in interest covering ratio, acquiring debt, distribution of earnings to shareholders and returns to equity. Scatter, dispersal, and heterogeneous of the variables are suggested by standard deviation, variance, skewness, and kurtosis. EPS alone negatively skewed. The remaining variables are exceeding one and positively skewed. All the kurtosis values are termed as leptokurtic. There is no (Platykurtic) negative kurtosis.

5.2. Stationarity Test

Table 5: Unit Root Test

Augmented Dickey-Fuller Test

Variable	Level		First Difference		Order of Integration
	T-stat	P Value	T-stat	P Value	
DER	213.279	0.007*			I(0)
ROE	216.537	0.127	290.553	0.000*	I(1)
LEPS	222.690	0.009*			I(0)
CR	198.053	0.525	246.549	0.004*	I(1)
LICR	187.251	0.003*			I(0)
TATR	238.923	0.024**			I(0)
LNPR	294.710	0.000*			I(0)

Source: Computed Data (2017-2021) ("* indicates 1% level of significance, ** indicates 5% level of significance").

To make the data fit for regression analysis, Unit root test is significant. In table 5, Augmented Dickey-Fuller Test (Dickey and Fuller, 1979) was applied to know the unit root of the selected proxies. It understood that ROE and CR p values are significant and stationary at first difference I(1). So they transferred to first difference values for further analysis. Remaining variables are stationary at level I(0). Initially the models were not fit to the acceptable level for EPS, ICR and NPR. So an attempt was made to convert these variables into lagged variables (LEPS, LICR and LNPR). Then regression was carried out, the results were favourable.

5.3. Panel Data Regression

Table 6: Financial Leverage and Shareholders Return

Sample: 2017 to 2021

Total Observation (Cross section (100) * Period (5)): 500

Dependent Variable	Independent Variable	Beta value	P Value		Values	Models
D(ROE)	C	-2.461	0.000	R square	0.254	Fixed
	DER	3.882	0.000	F Prob.	0.005	Effect
				H test Chi.sq	16.449	Model
	BP test prob.	C-3.902 (0.048)	T-6.057 (0.014)	H test prob.	0.000	

contd. table 6

Dependent Variable	Independent Variable	Beta value	P Value		Values	Models
LEPS	C	3.086	0.000	R square	0.013	Random
	DER	-0.233	0.011	F Prob.	0.013	Effect
				H test Chi.sq	0.275	Model
	BP test Prob.	C-548.569 (0.000)	T-2.413 (0.120)	H test prob.	0.599	

Source: Computed Data (2017-2021)

Table 6 depicts the result of Panel Data Regression. DER has significantly positive impact on D(ROE) (3.882) at a 1% significance level. From the Breusch-Pagan test (C-3.902 (0.048), T-6.057 (0.014)), it is identified that the "Two-way random-effect model" was chosen over Pooled OLS model. The Hausman test supports "Fixed-effect model" (P value= 0.000). Hence it fits with the F-statistic probability value of 0.005.

Again there is a significant association between LEPS and DER but negatively (-0.233).The probability value of the Breusch-Pagan test (**C-**548.569 (0.000)) allows to run the "One-way random-effect model". Hausman test (P value= 0.599) also supports "Random-effect model". Hence it fits wellas the F-statistic probability value is 0.013. Hence the hypothesis, "H_{01}: There is a positive (negative) impact of financial leverage on shareholders return" is accepted.

D(ROE)= -2.461 + 3.882DER

LEPS= 3.086 -0.233 DER

Table 7: Financial leverage and Financial Performance

Sample: 2017 to 2021

Total observation (cross section (100) * Period (5)): 500

Dependent Variable	Independent Variable	Beta value	P Value		Values	Models
D(CR)	C	-0.012	0.737	R square	0.015	Pooled
	DER	0.083	0.014	F Prob.	0.014	Ordinary
				H test chi.sq	-	Least
	BP test prob.	C-0.252 (0.616)	T-0.832 (0.362)	H test prob.	-	Square Model
LICR	C	3.368	0.000	R square	0.901	Fixed
	DER	-0.635	0.000	F Prob.	0.000	Effect
				H test chi.sq	9.963	Model
	BP test Prob.	C-544.412 (0.000)	T-0.011 (0.916)	H test prob.	0.001	

contd. table 7

Dependent Variable	Independent Variable	Beta value	P Value		Values	Models
TATR	C	1.246	0.000	R square	0.070	Random
	DER	-0.191	0.000	F Prob.	0.000	Effect
				H test chi.sq	0.126	Model
	BP test Prob.	C-832.241 (0.000)	T-0.007 (0.930)	H test prob.	0.721	
LNPR	C	1.096	0.000	R square	0.007	Pooled
	DER	0.026	0.062	F Prob.	0.042	Ordinary
				H test chi.sq	-	Least Square
	BP test Prob.	C-1.511 (0.934)	T-2.284 (0.130)	H test prob.	-	Model

Source: Computed Data (2017-2021)

From table 7, it is understood that financial leverage has a positive relation to D(CR) (0.083) and LNPR (0.026) at 5% and 10% significant level. BP test of both variables favours "Pooled OLS Model". And the model was fit as p values are 0.014 and 0.042 respectively.

DER has a negative association with LICR (-0.635) and TATR (-0.191) at 1% level. In LICR, BP test resulted in "One-way random-effect model". But Hausman test supports "Fixed-effect model". In TATR, again BP test prefers "One-way random-effect model". Hausman also proves "Random-effect model" was fit. The models are fit with p value of 0.000. Hence "H_{02}: There is positive (negative) impact of financial leverage on financial performance" is agreed.

D(CR)= -0.012 + 0.083DER

LICR=3.368 - 0.635DER

TATR=1.246 -0.191DER

LNPR= 1.096 + 0.026

5.4. Structural Equation Model

SEM consists of five sequential phases, "model specification, identification, parameter estimation, model evaluation and model modification" (Byrne, 2013; Hoyle, 2011). In the study, model identified through hypothesis, specified with the suitable parameters and evaluated as follows. In this stage, modifications were made up to three indices to fit the model. For Panel regression to fit the model, data was modified, but for SEM the data applied without any changes.

Table 8 reveals that the Chi-square value of the model is 29.090 which is highly significant at 1% significance level (Degree of freedom= 9; P value= 0.001). The relative chi-square value is 3.232 which is the division of Chi-square Mean and Degree of freedom (CMIN/ DF). It shows how much the data fit the model.
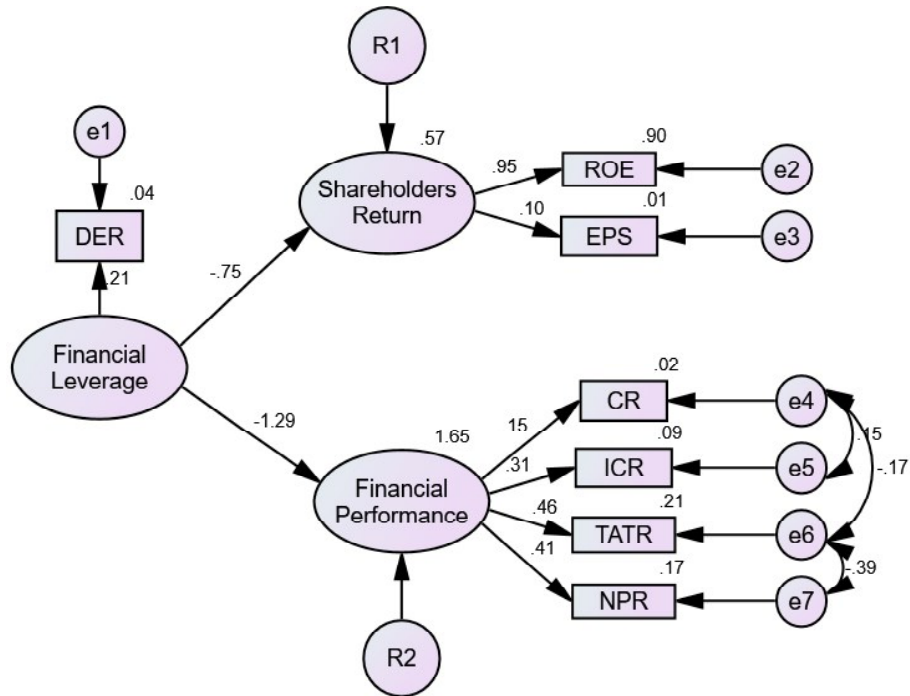
Figure 2: Overall SEM Model

Source: Authors' Own Compilation

"DER=Debt Equity Ratio; ROE= Return on Equity; EPS= Earnings per Share; CR= Current Ratio; ICR= Interest Coverage Ratio; TATR= Total Asset Turnover Ratio; NPR= Net Profit Ratio".

Table 8: Goodness of Fit-Index Measurement Model

	Fit-Indices	*Model Value*	*Recommended Value*
Chi-square	(x^2)	29.090	-
	DF	9	-
	P value	0.001	P<=0.05
	x^2/ Df	3.232	-
	RMSEA	0.067	0.05 and 0.08
	CFI	0.943	> 0.90
	GFI	0.984	0.90 or 0.95
	NFI	0.922	> 0.90
	AGFI	0.949	0.90
	TLI	0.866	0.90 or 0.95

Source: Authors' Own Compilation

Table-8 reveals that the Chi-square value of the model is 29.090 which is highly significant at 1% significance level (Degree of freedom= 9; P value= 0.001). The relative chi-square value is 3.232 which is the division of Chi-square Mean and Degree of freedom (CMIN/ DF). It shows how much the data fit the model.

The "Root Mean Square of Approximation" is 0.067, which is the best fit as it is within 0.05 and 0.08. The "Comparative Fit Indices"is 0.943, "Goodness of Fit Index" is 0.984, "Normed Fit Index" is 0.922, "Adjusted Goodness of Fit Index" is 0.949 and "Tucker-Lewis Index" is 0.866 are meets the criteria listed in the aforementioned table's suggested values. Consequently, the model fits the data well.

Table 9: Regression Weights of Overall Model

Measured Variables		Latent Variables	Estimate	S.E.	C.R.	P	Result
Debt Equity Ratio	<—-	Financial Leverage	1.000			0.000	Significant
Return on Equity	<—-	Shareholders Return	1.000			0.000	Significant
Earnings per Share	<—-		0.097	0.066	1.462	0.144	Not Significant
Current Ratio	<—-	Financial Performance	1.000			0.000	Significant
Interest Coverage Ratio	<—-		0.307	0.103	2.972	0.003	Significant
Total Asset Turnover Ratio	<—-		0.464	0.163	2.843	0.004	Significant
Net Profit Ratio	<—-		0.409	0.139	2.926	0.003	Significant
Shareholders Return	<—-	Financial Leverage	1.000			0.000	Significant
Financial Performance	<—-		-1.154	0.503	-2.293	0.022	Significant

Source: Authors' Own Compilation ("S.E. = Standard Error, C.R. = Critical Ratio")

Table 9 demonstrates the regression weight and significant value of overall model. At 1% significant level, DER (1.000) is significant to financial leverage. ROE (1.000) is significant to Shareholders Return but EPS is not significant. CR (1.000), ICR (0.307), TATR (0.464) and NPR (0.409) are significant to Financial Performance at 1% significant level. Shareholders Return and Financial Performance has negative significant relation with Financial Leverage. Hence "there is a relationship between financial leverage, shareholders' return and financial performance of top 100 NSE listed companies".

6.   Results and Discussion

In selected companies, DER confirms favourable connection with ROE but unfavourable association with EPS. This indicates that increase in the financial leverage will rise the ROE and falls EPS ("Profit provided based on per share basis"). The related studies were Ansari (2020); Dey *et al.* (2018); Kenn-Ndubuisi and Nweke (2019) and Nirujah *et al.* (2014). The company's priority is to pay interest and only from the remaining profits dividend is paid. So it is suggested to acquire low interest bearing debt. Since financial leverage has negative relation with EPS, earning growth gets affected with respective of debt. Debt acquired has positive impact on CR and NPR, increase in the quantum of outsider fund

increases the current obligations and overall profitability. DER has negative relation with ICR and TATR and at the same time affects the coverage of interest payable and turnover from assets. Relevance result found in Sahni and Kulkarni (2018); Ali (2014) and Jose (2017). Some cases, high leverage when it cross certain proper mixture will definitely affect the company's performance. In Selected Companies ROE, Liquidity and Profitability is increased so the mixture of debt & equity is optimal and to be appreciated. It suggested to all the other companies which are similar in nature. EPS, ICR and TATR found to be having inverse relationship by the employment of debt and this happens due to the acquiring of high interest fixed-charge funds. So it is advised to opt only low. Other factors like reducing labour cost, idle cash distribution and increasing product price can also increase ROE.

7. Conclusion

A study is prior in the present growing concern over the need to safeguard the shareholder's interest. The relevance has been discussed very few in developing nations like India and to the context of issues faced recently by giant contributing sectors. The study throws light that the appreciable management of debt can provide better benefit to the Shareholder and growth of the performance in the Indian Selected Companies. The study limited to only top 100 NSE listed companies and only past five year data was taken and analysed. The research proposal for the general public is to think wisely before investing. The implication of this research is also helpful for the more sustainable way of development in the financial system.

8. Managerial Implications

One of the globally considered issues in financing decision is the application of financial leverage. The particular percentage of debt along with equity may sometime produce positive effect for one concern. But it may be turned to a negative one for another concern. The study "financial leverage on shareholders return and financial performance of top 100 NSE listed Companies" which has highest market capitalization is reflected as rousing for all the other Indian concerns. Moreover it helpful for the selected companies in financial decision making. In this background, the study is vital for the policymakers and investors before considering investment decision.

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