

PROJECT REPORT ON
“A STUDY ON THE IMPACT OF INTEREST RATE SWAPS ON
CORPORATE FINANCE”

Submitted By

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Submitted To



VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI

In partial fulfilment of the requirements for the award of the degree of

MASTER OF BUSINESS ADMINISTRATION

Under the guidance of

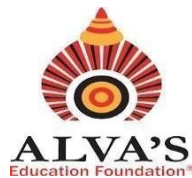
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ALVA'S INSTITUTE OF ENGINEERING & TECHNOLOGY

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Date: 09/09/2024

CERTIFICATE

This is to certify that **Akshari Shetty** bearing USN 4AL22BA004, is a bona-fide student of Master of Business Administration course of Alva's Institute of Engineering and Technology, Moodbidri for the batch 2022-2024, affiliated to Visvesvaraya Technological University, Belagavi. The Project report on "**A Study on the Impact of Interest Rate Swaps on Corporate Finance**" is prepared by her under the guidance of **Dr. Vishnu Prasanna K.N.**, Professor, in partial fulfilment of the requirements for the award of the degree of Master of Business Administration of Visvesvaraya Technological University, Belagavi Karnataka.

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DECLARATION

I, Ms. Akshari Shetty (USN:4AL22BA004), hereby declare that the Project report entitled “**A Study on the Impact of Interest Rate Swaps on Corporate Finance**” is prepared by me under the guidelines of **Dr Vishnu Prasanna K.N.**, Professor of finance PG Department of Business Administration, Alva’s Institute of Engineering and Technology, Mijar, Moodbidri.

I also declare that this Project work is towards the partial fulfilment of the university Regulations for the award of degree of Master of Business Administration by Visvesvaraya Technological University, Belagavi.

I have undergone a summer project for a period of six weeks. I further declare that this Project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University / Institution.

Place: Mijar, Moodbidri


Signature of the Student

Date: 19/09/2024

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With regards,

Akshari Shetty

TABLE OF CONTENTS

CHAPTER NO	CHAPTERS	PAGE NO
1	INTRODUCTION	1
1.1	Introduction to the study	2-3
2	CONCEPTUAL BACKGROUND AND LITERATURE REVIEW	4
2.1	Conceptual background	5
2.2	Literature review with a research gap	5-18
3	RESEARCH DESIGN	19
3.1	Statement of The Problem	20
3.2	Need of The Study	20
3.3	Objectives	20
3.4	Scope of The Study	21
3.5	Research Methodology	21
3.6	Hypothesis of The Study	22
3.7	Limitations	23
3.8	Chapter Schemes	24
4	ANALYSIS AND INTERPRETATION	25
4.1	Descriptive Analysis	26-35
4.2	Regression Analysis	35-43
4.3	Correlation Analysis	43-48
4.4	Regression Analysis	48-55
5	FINDINGS, SUGGESTIONS, AND CONCLUSIONS	56
5.1	Summary of Findings	57-58
5.2	Suggestions	58-59
5.3	summary	60
5.4	Conclusion	61
	BIBLIOGRAPHY	62-63

LIST OF TABLES

TABLE NO	TITLE	PAGE NO
4.1.1	Descriptive analysis of NextEra energy and Dominion Energy	26-27
4.1.2	Descriptive analysis of Duke Energy and southern company	27-29
4.1.3	Descriptive analysis of ford and airbus	29-30
4.1.4	Descriptive analysis of General Motors and Mahindra and Mahindra	30-32
4.1.5	Descriptive analysis of Walmart and amazon	32-33
4.1.6	Descriptive analysis of AIG and All state corporations	34-35
4.2.1	Regression analysis of General Motors and Toyota	35-36
4.2.2	Regression analysis of ford and airbus	36-37
4.2.3	Regression analysis of Duke Energy and southern company	38-39
4.2.4	Regression analysis of NextEra and Dominion Energy	39-40
4.2.5	Regression analysis of Walmart and amazon	40-42
4.2.6	Regression analysis of AIG and all states corporations	42-43
4.3.1	Correlation analysis of ford	43-44
4.3.2	Correlation analysis of Walmart	44-45
4.3.3	Correlation of NextEra	45-46
4.3.4	Correlation analysis of Duke Energy	46-47
4.3.5	Correlation analysis of AIG	47-48
4.4.1	Regression analysis of ford motors	48-49
4.4.2	Regression analysis of Walmart	49-51
4.4.3	Regression analysis of NextEra energy	51-52
4.4.4	Regression analysis of Duke Energy	52-54
4.4.5	Regression Analysis of AIG	54-55

EXECUTIVE SUMMARY

This study explores the impact of interest rate swaps (IRS) on corporate finance, focusing on firm's financial health and risk management practices. Utilizing descriptive statistics, regression analysis, and correlation analysis, the research assesses how IRS usage affects key financial metrics, such as leverage, profitability, and return on equity (ROE).

The research methodology is grounded in secondary data analysis, drawing from financial statements and market data over a three-year period and extending to a decade of historical profitability and revenue data. Key variables include firm size, profitability, growth opportunities, and industry classification. The study examines companies in the manufacturing, utilities, retail, and financial sectors to provide a comprehensive view of IRS's role across different industries.

Findings indicate that firms employing interest rate swaps typically exhibit higher leverage, as these instruments enable effective interest rate risk management, thus supporting increased debt levels. Larger firms and those with greater growth opportunities are more likely to use swaps, suggesting that IRS usage is linked to firm's strategic financial planning and capital structure optimization.

Regression analysis highlights that the use of IRS correlates positively with reduced earnings volatility and lower cost of debt, enhancing overall financial stability. However, the effectiveness of IRS varies by industry; sectors with high capital expenditures, like manufacturing and energy, benefit more significantly in terms of risk reduction and cost stabilization. Correlation analysis further supports these findings, showing a positive relationship between the notional amount of IRS and key financial performance indicators, particularly ROE and profitability.

In conclusion, interest rate swaps are vital tools in corporate finance, offering significant benefits in risk management and financial stability. Their impact is most pronounced in capital-intensive industries, where they facilitate debt management and cost predictability. The study underscores the importance of a robust regulatory framework and technological advancements in maximizing the benefits of IRS. Future research should expand to include a more diverse range of companies and explore the integration of IRS with other risk management strategies.