

Institutional ownership, corporate governance and its impact on external financing decisions: Evidence from select leading Indian manufacturing companies

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Abstract

The study tries to examine the influence of the Non-Promoter Institutional Investors and the impact of corporate governance on capital structure of National Stock Exchange-listed manufacturing companies having a market capitalisation above Rs. 5000 crores. Data analysis has been conducted of a sample of 32 listed companies with the period under study is between 2011-2020 using Panel Corrected Standard Error (PCSE) based OLS estimation. Corporate governance variables used to examine the impact are institutional investor, board size, and board composition whereas dependent variables are debt-equity ratio and long-term debt to total asset ratio. The result reveals that non-promoter institutional equity holdings by Banking (Independent financial institutions) and non-banking sector institutions (Grey financial institutions) are reasonably controls corporate debt financing decisions. Furthermore, Board size detruncates external borrowings, in spite of that intensity of non-executive directors in the composition of the board prefers external source of financing plausibly to mitigate financial risk of the firm and take the opportunity of economies of scale.

Keywords: Institutional Ownership, Board Composition, Financing decisions, Nifty India Manufacturing Index, Panel HPAC, Panel Corrected Standard Error (PCSE) Model.

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