IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 24, Issue 7. Ser. II (July. 2022), PP 42-50
www.iosrjournals.org

Capital Structure Choices of Family Businesses: An Empirical Study from India

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Abstract
The publiclisted companies in India are majorly owned byrenowned business families. Also, according to agency theory, family companies are distinct from other firms. Despite this, there has been little research on Indian family businesses. Thepresent study is an attempt to explore the financing behaviour of family businesses as compared to those of other businesses, using a sample of 248 companies from the S&P BSE 500 Index across a five-year period from 2015 to 2019, totaling 1240 firm-year observations.The panel regression model was used to investigate the impact of family members holding major ownership stakes or CEO/ Chairperson positions on capital structure decisions. The findings revealed that when family members hold the positions of CEO or Chairperson of the Board, they tend to use more debt, particularly long-term debt, because by choosing non-control-diluting forms of finance, they can maintain their control over the firms and protect their socio-emotional wealth. However, when compared to non-family enterprises, family firms were shown to have a more cautious approach, with a smaller amount of long-term debt in their financial structure. Overall, it was concluded that the family firms based their financing decisions on the trade-off between risk aversion and control-dilution viewpoints.

Keywords: *Family firms, Capital structure, Financing decisions, Leverage, Debt maturity, S&P BSE 500 Index*

Date of Submission: 01-07-2022 Date of Acceptance: 11-07-2022

I. Introduction

Family business has been recognized as the most pervading form of business organisation in both developed and emerging economies (Claessenset al., 2000; Gadhoumet al., 2005; Masuliset al., 2011). In India, too, a large number of publicly traded companies are controlled by the founding families (Gollakotaand Gupta, 2006). From an agency perspective, family-owned firms are different from other businesses (Chrisman et al., 2004, 2007). The family agenda may indeed influence the strategic decisions of family firms (Miller et al., 2011). Family firms pursue different approaches while making capital structure decisions than their non-family counterparts. Financing choices by family firms are influenced by a number of family-specific motives such as control considerations (Céspedes et al., 2010), families' ability to raise debt (Anderson andReeb, 2003), etc. Moreover, family firms are heterogenous among themselves as members of the promoting family can exert control over the business by holding a significant ownership stake or by taking key managerial positions, or having representation on the board (López-Graciaand Sánchez-Andújar, 2007). Therefore, there is a need to study the capital structure choices of the family firms vis-à-vis non-family firms and also theinfluence of family involvement in business through various modes on financing decisions.

The empirical studies on Indian family business, primarily focus on corporate governance practices and firm performance (Akbar, 2008; Chittoor and Das, 2007; Gill and Kaur, 2015). The present study provides a contribution to the Indian family business literature by exploring the financing choices (in terms of debt-gearing and debt maturity pattern) of family firms vis-à-vis non-family firms using the sample of the S&P BSE 500 Index for the period of five years from 2015 to 2019. In addition, the individual impact of family involvement in ownership, management and governance on debt decisions was analysed using panel regression models.

The paper is structured as follows: Following the introduction, the next section consists of a literature review and hypotheses development followed by research methodology. Section IV provides research findings and Section V concludes the paper. The last section highlights the scope for future research.

II. Literature Review and Hypotheses Development

Earlier, researchers explained financing decisions of the family firms through the prominent theories of capital structure, i.e., trade-off theory (Ampenberger et al., 2013) and pecking order theory (Blanco-Mazagatos et al., 2007; Gallo et al., 2004). Recently, the focus had been shifted to analyse the behavioural aspects of families involved in the businesses (Gottardo andMoisello, 2016; Poletti- Hughes and Martinez Garcia, 2020).

In the present study, the conservative behaviour of family firms (Haider et al., 2021) and the desire of family members to protect their controlling stake (González et al., 2013) and the preservation of socio-emotional wealth (SEW) (Gottardo andMoisello, 2016) were taken as the theoretical basis to explain the capital structure behaviour of family enterprises.

Financing Decisions in Family versus Non-family Firms

Many researchers proclaimed that family firms maintain a higher leverage ratio (Ellul, 2009; Gonzalez et al., 2013; Keasey et al., 2015; King andSantor, 2008; Stulz, 1988; Yousaf et al., 2019). The argument provided for this nexus was the preference of the family firms for maintaining their control (through majority shareholding) over the business (Céspedes et al., 2010; Du and Dai, 2005). Another explanation for high debt-gearing in family firms could be the availability of debt at a lower cost because of the fewer agency conflicts between owners and lenders (Anderson et al., 2003; Kim and Sorensen, 1986). Also, due to the family reputation associated with the business (Anderson et al., 2003), these firms have greater access to debt financing at lower ratesthan their non-family counterparts.

Contrary to this argument, some studies noted a comparatively low level of leverage in family firms than in non-family counterparts (Adams et al., 2009; Anderson andReeb, 2003; Friend and Lang, 1988; Holderness and Sheehan, 1988; Mishra and McConaughy, 1999; Poletti- Hughes and Martinez Garcia, 2020). Lyagoubi (2006) opinionated that the family firms were risk-averse and would be reluctant to raise debt and firm leverage as the families hold undiversified portfolios due to which by raising risky forms of finance, the risk of financial distress would increase (Santos et al., 2014). In the case of family firms, the conflicts between owners and managers would be less as they belong to the same family (Jensen andMeckling, 1976). Therefore, the need to use debt in order to discipline management would be less pronounced (Jensen, 1986). Consequently, the debt-gearing in the family firms was expected to be low.

The literature did not provide conclusive evidence on whether family firms maintain higher or lower leverage in comparison to non-family organisations. Also, capital structure researchers had recently shifted the focus on analysing the maturity pattern of debt rather than the earlier debt-equity comparisons. Datta, Iskandar-Datta and Ramna (2005) argued that managerial shareholding which is different in family and non-family businesses had a significant influence in determining the debt maturity pattern. Thus, for an in-depth understanding of the debt behaviour of family firms in India vis-à-vis their non-family counterparts, the following hypotheses wereconstructed:

H_1: *There is a significant difference in leverage levels in family and non-family firms.*
H_{1a}: *Family firms' reliance on long-term debt is significantly different from non-family firms.*
H_{1b}: *Family firms' reliance on short-term debt is significantly different from non-family firms.*

Family Involvement and Corporate Debt

The prior literature provides for the heterogeneity among the family firms themselves (Gomez-Mejia et al., 2011; Gottardo andMoisello, 2016) as families could exert control over the strategic decisions of the business (López-Graciaand Sánchez-Andújar, 2007) either through holding significant shareholding rights or taking up the key positions in firm's management or having representation on board. Therefore, family influence on the capital structure decisions depends upon the degree of involvement of the family members in the business (Gottardo andMoisello, 2016) through which they could employ their personal motives and preserve their SEW.

There had been an extensive literature that provides the evidence of the significant impact of ownership structure studied in terms of concentrated ownership, managerial shareholding, external blockholding, state-ownership, etcetera onleverage (Brailsford et al., 2002; de La BruslerieandLatrous, 2012; Karati, 2014; Liu et al., 2011). In family firms, ownership is mainly concentrated in the hands of family members and family owners preferdebt over equity in order to avoid dilution of ownership rights (Croci et al., 2011). Not only this, they are even hesitant to offer equity to outsiders in order to protect their family status and identity attached to the business (Romano et al., 2001). Consequently, if the percentage of ownership in the hands of family members is large, there would be agreaterpreference for debt financing (Gonzalez et al., 2013; Keasey et al., 2015). Thus, the study established the following hypotheses:

H_2: *Family ownership has a significant positive impact onthe debt-gearing ratio.*
H_{2a}: *Family ownership positively influences long-term debt levels.*
H_{2b}: *Family ownership positively influences short-term debt levels.*

The motives of the family owners to protect their SEW could be effectively attained if the degree of involvement of the family members in the business increase. Therefore, Gottardo and Moisello (2016) suggested that in case the CEO of the company is a family member, the interests of owners and managers would align

which means preserving the family's SEW would become more salient in strategic decisions. Consequently, the family CEO would take decisions in order to fulfil the goals and desires of the family (Berrone et al., 2010; Gomez-Mejia et al., 2011) which means the family CEO would be averse tothe control-diluting source of finance and prefers debt form of financing (Croci et al., 2011). Based on these notions, the following hypotheses were framed:

H_3: *Family involvement in management has a significant positive impact on leverage.*
H_{3a}: *Family CEO positively influences long-term debt levels.*
H_{3b}: *Family CEO positively influences short-term debt levels.*

The influence of family owners and CEO depends on various governance conditions (Gottardo andMoisello, 2016). The presence of family members on board strengthens the control of the family over the business (Gomez-Mejia et al., 2011) through which families would be able to take decisions in order to protect their SEW (De Massis et al., 2014). Hence, active participation of the family on board would result in financing decisions (such as higher leverage) that would not dilute their controlling power. So, the following hypotheses were constructed:

H_4: *Family involvement in governance has a significant positive impact on leverage.*
H_{4a}: *Family chairperson positively influences the level of long-term debt.*
H_{4b}: *Family chairperson positively influences short-term debt levels.*

III. Research Methodology

Sample Selection and Data Sources

The study is based on the initial sample of the S&P BSE 500 Index for the period of five years from 2014-15 to 2018-19. From this, financial companies and public sector enterprises were reduced because of their different operations and regulations. Also, the companies not listed on BSE throughout the study period and the companies having financial years other than 1st April to 31st March were dropped so as to make the sample comparable. Apart from this, the firms that went through major restructuring (i.e. merged or demerged) during the entire study period were omitted due to a lack of availability of data. Lastly, the companies promoted by foreign individuals or corporations were excluded since the present study focuses on the businesses promoted by Indian families. As shown in Table 1, the final sample used for the study was 248 firms constituting 1,240 firm-year observations.

Table1: Sample Selection

Selection Criteria	**Number of Firms**
Initial Sample: S&P BSE 500 Index	500
Less: Financial, Banking and Insurance Companies	(94)
Less: Public Sector Enterprises	(44)
Less: Companies not listed on BSE for the entire study period	(48)
Less: Companies having FY other than 1 April to 31 March	(33)
Less: Companies merged or demerged during the study period	(03)
Less: Foreign promoting companies	(30)
Final Sample	248

Source: Author's Calculations
Note: The total sample comprises 1,240 firm-year observations (i.e. 248 firms for five FYs from 2015 to 2019)

The data required for carrying out the present research was primarily obtained from the PROWESS database maintained by the Centre for Monitoring Indian Economy (CMIE), annual reports of the companies and the website of BSE.

Variables:
The variables used for the purpose of this study have been discussed herein:

Independent Variables:

The family business had been defined in the prior literature in various ways. In the present study, a family firm (FF) had been defined as a firm in which multiple members of the promoting family hold substantial ownership stake and are involved in the management or board (Yousaf et al., 2019). Accordingly, to distinguish between family and non-family firms, FF was entered in the empirical model using a categorical variable that takes the value of one ifpromoting family members hold more than ten percent of the shareholding (Lyagoubi, 2006) as well as undertakes the position of CEO or Chairperson of the board and zero otherwise. Further, family control had been studied in the prior literature through family involvement in firm's shareholding or in

management or in governance (Anderson andReeb, 2003; Gonzalez et al., 2013). The present study focuses on all these dimensions of family control. Thus, following Anderson, Duru and Reeb (2012), family ownership (FOWN) was measured as the proportion of shareholding held by the promoting family (either individually, HUF, or through family trusts). Family involvement in management was considered using a binary variable represented as FCEO which takes the value of one if the CEO of the company was a family member and zero otherwise (Gonzalez et al., 2013).Similarly, family governance (FCHAIR) was measured as a categorical variable that takes the value of one if a member of the promoting family is designated as the Chairperson of the board and zero otherwise (Miller et al., 2007).

Dependent Variables:

The extensively used measure in the literature for studying the financing behaviour of the firms is the leverage (LEV) which represents the level of debt used by the firm to finance its total assets (Anderson andReeb, 2003; Liu et al., 2011; Molly et al., 2012). Therefore, LEV was calculated by dividing the total debt by total assets (Croci et al., 2011; Ganguli, 2013). Furthermore, debt maturity pattern had been examined as it plays a vital role in reducing agency conflicts (Stulz, 2000). Thereby, long-term debt (LDEBT) measured as the ratio of the debt due beyond one year to total assets and short-term debt (SDEBT) computed as the portion of debt due within one year divided by total assets were used as the proxies for analysing the debt maturity structure (Croci et al., 2011; Liu et al., 2011).

Control Variables:

The study controlled for firm size (SIZE), age (AGE), growth (GROW), profitability (PROFIT) and tangibility (TANGIBLE), as the prior literature had established the significant influence of these factors on the capital structure decisions of the firm. SIZE was measured as the natural logarithm of the total assets (Kararti, 2014; Yolanda and Utama, 2021). AGE was controlled by taking the natural logarithm of the number of years since the incorporation of the firm (Anderson andReeb, 2003). Following Ganguli (2013), GROW had been calculated as the difference between the sales of the current year and the sales of the previous year divided by sales of the previous year. PROFIT was incorporated in the study as the percentage of earnings before interest and tax (EBIT) to total assets (ElBannan, 2017; Kararti, 2014). The ratio of fixed assets to total assets was used as the proxy for TANGIBLE (Kararti, 2014).

A detailed description of all the variables is given in Table 2.

Table 2: Variable Description

Variable	Symbol	Description
Independent Variables: Family Control (FC)		
Family Firm	FF	Binary variable that takes the value of 1 if promoting family (individual or HUF) holds more than 10% of the shareholding and undertakes the position of CEO or Chairman, 0 otherwise
Family Ownership	FOWN	Proportion of shares held by promoting family (individual or HUF)
Family Management	FCEO	Categorical variable which takes the value 1 if CEO of the company is a member of the promoting family, 0 otherwise
Family Governance	FCHAIR	Binary variable that takes the value of 1 if a member of the promoting family is designated as the Chairperson of the board, 0 otherwise
Dependent Variables: Financing Decisions (FD)		
Leverage	LEV	Percentage of total debt to total assets
Long-term Debt	LDEBT	Percentage of long-term debt (excluding payments due within one year) to total assets
Short-term Debt	SDEBT	Percentage of short-term debt (payments due within one year) to total assets
Control Variables		
Size	SIZE	Natural logarithm of book value of total assets
Age	AGE	Natural logarithm of the number of years since incorporation of the company
Profitability	PROFIT	Return on assets (EBIT divided by total assets)
Growth	GROW	Difference between the sales of the current year and the sales of the previous year divided by sales of the previous year
Tangibility	TANGIBLE	Fixed assets divided by total assets

Source: Drawn from literature

Data Analyses

Panel data analysis was used to determine the capital structure choices of the family firms. The choice between pooled OLS regression and the fixed-effects model was made by conducting the Redundant Fixed Effects Test- Likelihood Ratio and the results suggested that the fixed-effects model was applicable. Further, to decide between the fixed-effects and random-effects model, the Hausman test was employed and the P-value was found to be significant indicating the use of the fixed-effects model. Moreover, multicollinearity was tested by using the Variance Inflation Factor which was found to be satisfactory. However, the Breusch-Pagan test indicated the problem of heteroscedasticity and therefore, robust standard errors were used while estimating the

results. Descriptive statistics were also calculated to gain additional insights into the data. The panel regression model used for the study is as follows:

$$FDit = \beta 0 + \beta 1(FC)it + \beta 2(ControlVariables)it + \varepsilon it$$

where,
FD = financing decisions studied in terms of leverage (LEV) and debt maturity pattern (LDEBT & SDEBT);
FC = represents Family Control. The variables used in this category are FF, FOWN, FCEO and FCHAIR;
Control Variables= SIZE, AGE, GROW, PROFIT and TANGIBLE.
The data analysis was carried out using the software package STATA (version 14).

IV. Findings

Summary Statistics

Table 3 provides descriptive information along three panels. Panel A presents mean, standard deviation, minimum and maximum values of the study variables for the entire sample. The mean and standard deviation of the overall LEV was 16.38 per cent and 14.73 per cent. The minimum value of LEV represents that few companies in the sample were zero-leveraged companies and the maximum debt raised by the companies was of 73.77 per cent. The sample companies were observed to have higher LDEBT (8.64%) as compared to SDEBT (7.75%) in their financial structure. The SIZE of the companies varies from as low as 1,673 million to as high as 7,766,990 million. The mean AGE of the sample firms was forty-one years. The average GROW and PROFIT were 10.55 per cent and 12.75 per cent respectively. However, the sample includes the companies with both positive and negative GROW and PROFIT. The companies on average had 26.90 per cent investment in TANGIBLE assets. Panel B provides individual summary of FFs and NFFs. The average LEV for FF (15.13%) was lower than that of NFF (17.14%). Also, the LDEBT in NFF (9.66%) was greater as compared to FF (6.94%). However, the average SDEBT was higher in FF (8.19%) rather than NFF (7.48%). FFs when compared with NFFs, on average were observed to be younger characterized by small SIZE, higher GROW and PROFIT. The correlation data for the selected variables of the study had been shown in Panel C. The significant negative association of FF with LEV and LDEBT could be noted. However, SDEBT was not found to be significantly related to FF. In addition, LEV was observed to have significant positive association with SIZE and TANGIBLE and significant negative relationship with PROFIT. Also, a signification positive correlation of SIZE, AGE, TANGLIBLE and negative association of GROW, PROFIT with LDEBT was noted whereas SDEBT was found to be negatively related to merely PROFIT.

Table 3: Descriptive Statistics

Panel A: Summary Statistics for the Overall Sample				
	Mean	SD	Minimum	Maximum
LEV (%)	16.38	14.73	0	73.77
LDEBT (%)	8.64	10.56	0	62.80
SDEBT (%)	7.75	8.78	0	57.35
SIZE (in millions)	133796.1	431366.6	1673	7766990
AGE (in years)	40.96	25.03	3	156
GROW (%)	10.55	25.69	-90.08	269.67
PROFIT (%)	12.75	9.94	-60.18	92.54
TANGIBLE (%)	26.90	16.67	0	78.12
Panel B: Descriptive Data for FF and NFF				
	FF		NFF	
	Mean	SD	Mean	SD
LEV (%)	15.13	14.56	17.14	14.79
LDEBT (%)	6.94	9.81	9.66	10.86
SDEBT (%)	8.19	8.92	7.48	8.70
SIZE (in millions)	56172.48	95673.84	180530.7	535655.9
AGE (in years)	34.77	16.99	44.70	28.17
GROW (%)	10.99	22.19	10.27	27.60
PROFIT (%)	14.14	10.46	11.91	9.52
TANGIBLE (%)	25.52	15.20	27.74	17.45

No. of observations		466					774			
Panel C: Correlation Matrix										
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1)	FF	1								
(2)	LEV	-.07**	1							
(3)	LDEBT	-.12***	.81***	1						
(4)	SDEBT	.04	.71***	.15***	1					
(5)	SIZE	-.14***	.09***	.16***	-.05	1				
(6)	AGE	-.19***	.04	.07***	-.02	.05*	1			
(7)	GROW	.01	-.03	-.06**	.02	-.04	-.07**	1		
(8)	PROFIT	.11***	-.41***	-.36***	-.25***	-.10***	-.07***	.16***	1	
(9)	TANGIBLE	-.06**	.29***	.44***	-.04	.02	.03	-.05*	-.07**	1

Source: Author's calculations

Notes: (1) The table presents summary data of 1,240 firm-year observations from FY 2015 to 2019.

(2) ***, **, and * represent significance at 1 percent, 5 percent, and 10 percent levels, respectively.

Empirical Results and Discussion

Based on the fixed panel data regression analysis, Table 4 represents the results related to the difference between FF and NFF with regard to the overall leverage and debt maturity structure. Column 1 represented no significant difference between debt levels of FFs and NFFs (similar to Anderson andReeb 2003). Therefore, H1 was rejected. However,from Column 2, a significant negative influence of FF on LDEBT could be observed which indicates that FFs preferred lower levels of LDEBT as compared to NFFs (Adams et al., 2009; Friend and Lang, 1988; Holderness and Sheehan, 1988; Mishra and McConaughy, 1999).The reason for including lower debt with long-term maturity could be the risk aversion behaviour of family members (Lyagoubi, 2006) as they hold undiversified portfolios and the inclusion of a risky form of finance (LDEBT) would even enhance their risk (Anderson andReeb 2003). Also, firm survival had been an important factor for family members and therefore, FFs would employ risk-reduction policies by considering low-default financing options (Anderson andReeb, 2003). Nevertheless, no significant difference between FF and NFF was observed with regard to SDEBT (evident from Column 3).

Among control variables, SIZE had a significant positive impact on LDEBT (Berger andUdell, 1998) and a negative influence on SDEBT. This indicates that the large firms have a greater need for LDEBT and avoid SDEBT. AGE was found to be negatively related to LEV because mature firms usually possess large accumulated funds (Hall et al., 2000). In line with the pecking order theory, PROFIT was observed to have a significant negative association with overall LEV as well as LDEBT and SDEBT representing the lesser use of debt in profitable firms (Ganguli, 2013). TANGIBLE has a significant positive influence on debt especially LDEBT because tangible assets could be used as the collateral to raise funds, hence, enhancing the firms' debt capacity (Hirota, 1999; RajanandZingles, 1995).

Table 4: Capital structure in family vis-à-vis non-family firms

	(1)	**(2)**	**(3)**
	LEV (H1)	LDEBT (H1a)	SDEBT (H1b)
Intercept	70.210*** (4.34)	43.561*** (5.30)	26.649** (2.74)
FF	-1.499 (-0.81)	-2.041** (-2.00)	.541 (0.41)
SIZE	3.677 (0.97)	10.213*** (6.13)	-6.54*** (-2.68)
AGE	-45.375*** (-3.62)	-53.97*** (-8.98)	8.591 (0.91)
GROW	.002 (0.33)	.000 (0.02)	.002 (0.43)
PROFIT	-.207*** (-3.94)	-.087*** (-3.30)	-.120*** (-4.55)

TANGIBLE	.082* (1.68)	.105*** (4.29)	-.022 (-0.48)
Adjusted R Square	.268	.368	.070
No. of Observations	1240	1240	1240

Source: Author's Calculations

Notes: (1) ***, **, and * represent significance at 1 percent, 5 percent, and 10 percent levels, respectively.

(2) The t-statistics are given in the parentheses.

Table 5 represents panel regression results of family influence in terms of involvement in shareholding, management and board on corporate debt. From Columns 1, 2 and 3, no significant influence of FOWN on overall LEV as well as on LDEBT and SDEBT could be observed (similar to Anderson andReeb, 2003). Therefore, H2, H2a and H2b were rejected. However, a significant positive impact of FCEO (Columns 4 & 5) on LEV and LDEBT was foundin line with the previous literature (such as Croci et al., 2011). In addition, a similar positive influence (Columns 7 & 8) of FCHAIR on LEV and LDEBT was detected (Croci et al., 2011). Thereby, H3, H3a, H4, and H4a were accepted. These results indicate that the families could not control business decisions by participating only in ownership but they have to take key managerial positions or have representation on the board which strengthens their power and they could influence the financial decisions of the organisation in accordance with their own personal motives of preserving SEW (Gottardo andMoisello, 2016). Nonetheless, no significant influence of either FCEO or FCHAIR on SDEBT was found.

Table 5: Impact of family involvement on corporate debt

	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**
	LEV (H2)	LDEBT (H2a)	SDEBT (H2b)	LEV (H3)	LDEBT (H3a)	SDEBT (H3b)	LEV (H4)	LDEBT (H4a)	SDEBT (H4b)
Intercept	69.208*** (4.23)	43.342*** (3.11)	25.866*** (2.68)	10.734 (1.35)	-11.259* (-1.91)	26.683*** (2.68)	10.201 (1.32)	-11.31** (-1.97)	26.959*** (2.68)
FOWN	.004 (0.11)	-.021 (-0.65)	.0250 (0.68)						
FCEO				2.030** (2.01)	1.571* (1.87)	.305 (0.29)			
FCHAIR							3.594*** (3.33)	2.566*** (3.58)	-.013 (-0.01)
SIZE	3.680 (0.98)	10.189*** (3.00)	-6.509*** (-2.67)	3.541** (2.46)	5.335*** (5.08)	-6.511*** (-2.66)	3.325** (2.39)	5.158*** (5.09)	-6.536*** (-2.67)
AGE	-45.15*** (-3.60)	-54.04*** (-4.99)	8.889 (0.94)	-8.293** (-2.38)	-5.916** (-2.17)	8.516 (0.90)	-8.350** (-2.42)	-6.058** (-2.22)	8.528 (0.90)
GROW	.003 (0.40)	.000 (0.08)	.002 (0.44)	.005 (0.68)	.004 (0.52)	.002 (0.40)	.005 (0.65)	.003 (0.50)	.002 (0.41)
PROFIT	-.209*** (-3.96)	-.088* (-1.92)	-.121*** (-4.56)	-.254*** (-4.92)	-.131*** (-3.06)	-.120*** (-4.54)	-.254*** (-4.82)	-.130*** (-2.97)	-.120*** (-4.53)
TANGIBLE	.083* (1.68)	.106*** (2.58)	-.023 (-0.50)	.152*** (3.97)	.189*** (6.19)	-.022 (-0.49)	.148*** (3.86)	.186*** (6.05)	-.022 (-0.48)
Adjusted R Square	.268	.369	.730	.284	.381	.730	.277	.372	.750
No. of Observations	1240	1240	1240	1240	1240	1240	1240	1240	1240

Source: Author's Calculations

Notes: (1) ***, **, and * represent significance at 1 percent, 5 percent, and 10 percent levels, respectively.

(2) The t-statistics are given in the parentheses.

V. Conclusion

The family business has an extensive presence in the global economy. In India also, the publicly traded companies are primarily dominated by the founding families. The question is whether the family-specific motives influence firms' capital structure decisions. The present study is an attempt to explore the financing choices (in terms of debt-gearing and debt maturity pattern) of family firms vis-à-vis non-family firms using the sample of the S&P BSE 500 Index for the period of five years from 2015 to 2019. Additionally, the impact of

family involvement through holding an ownership stake, and taking key positions in management and board on debt-related decisions was examined.

Using the fixed-effects panel data regression models, the study reveals that the family firms prefer to use a lower level of long-term debt in their capital structure as compared to non-family businesses. This is in line with the view that family firms are more risk-averse and they avoid including risky form of finance (such as long-term debt) in the capital composition of the firm.However, when the family members have greater power to control the business by having representation in management and board (and not only in ownership), they influence financial decisions towards the fulfillment of their private goal of preserving SEWand avoid the diluting the control by opting for high debt-gearing ratio.

VI. Scope for Future Research

The present study is an important contribution to the Indian literature as it unravels the financing choices of the family firms by taking into consideration the behavioral aspects of family members involved in the business. However, itdoes not distinguish between the approach of founders and successors towards debt decisions. Therefore, in the future, researchers could examine the leverage choices of founders and descendants separately which would provide an in-depth understanding of family firms' attitude towards outside debt. Also, the capital structure comparisons between family and non-family companies could be explored by considering all sources of finance (such as internal funds, debt funds, and equity funds).

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