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TRANSITIONING PROMOTER LED ORGANIZATIONS TO CORPORATE ORGANIZATIONS

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Abstract
This study explores the relationship between promoter ownership and corporate leverage among Indian firms listed on the Bombay Stock Exchange (BSE) from 2016 to 2018 [1]. Using a correlational and non-experimental research design, the analysis found a significant negative correlation between promoter ownership and both financial and debt leverage. Specifically, higher promoter ownership is associated with a reduction in a firm's reliance on debt financing, suggesting that as promoters gain greater control, they prefer internal funding over external debt. The regression analysis further confirmed this negative relationship, observing that changes in promoter ownership correlate with lower financial and debt leverage across both manufacturing and service sectors. These findings underline the critical role of corporate governance in shaping financial strategies within firms. However, the study has limitations, including its non-experimental design, reliance on historical data, and focus on the top 500 publicly traded companies, which may not fully represent the broader market. Future research could explore the causal mechanisms behind these relationships through experimental or longitudinal approaches, and expand the sample to include a wider range of firms. Additionally, investigating other external factors such as market conditions and regulatory changes could provide a more comprehensive understanding of corporate financing decisions in emerging markets like India [2].

Keywords: *Promoter Ownership, Corporate Leverage, Debt Financing, Corporate Governance, Financial Decisions, Bombay Stock Exchange (BSE).*

1. Introduction

Corporate leverage is a crucial element of financial decision-making, and the ownership structure of a firm can significantly influence its financing choices [3]. In emerging markets like India, where corporate governance practices vary widely, understanding the relationship between promoter ownership and corporate leverage is essential for both investors and policymakers. Promoters, as key stakeholders in Indian firms, often hold substantial ownership stakes and can directly impact firm decisions. This study examines the connection between changes in promoter ownership and corporate leverage among Indian firms listed on the Bombay Stock Exchange (BSE) from 2016 to 2018. The primary objective is to determine whether increased promoter ownership leads to a reduction in a firm's reliance on debt financing. Using a correlational and non-experimental research design, the study investigates the potential influence of corporate governance on financial leverage strategies across both manufacturing and service sectors. The findings suggest a significant negative correlation between promoter ownership and both financial and debt leverage, indicating that firms with higher promoter ownership tend to favor internal financing

sources over debt [4]. While the study provides valuable insights into corporate governance's role in shaping financial decisions, it also acknowledges limitations related to its non-experimental design, historical data, and the focus on the top 500 BSE-listed firms.

2. Literature Review

The transition from promoter-led organizations to corporate governance structures is a crucial shift for businesses, particularly in emerging markets like India. Promoter-led firms often face challenges in adopting professional management practices due to entrenched ownership structures and decision-making power. This transition is essential for improving organizational transparency, accountability, and long-term sustainability. Numerous studies have explored the dynamics of this shift, emphasizing the role of corporate governance in facilitating growth, enhancing financial performance, and mitigating risks. Understanding these transformations provides valuable insights into improving management practices in family-controlled firms.

Summary of Literature Review

Author's	Work Done	Findings
Bansal, S. (2018)	Examined the transition of promoter-led organizations to corporate governance through case studies.	Identified the challenges faced by promoter-led organizations in adapting to corporate governance practices. Emphasized the importance of structured governance frameworks for successful transition.
Rathi, P. (2018)	Analyzed the evolution of corporate governance in India, focusing on the shift from family-controlled to professionally managed firms.	Found that professional management improves firm performance, with a significant reduction in family control. The transition boosts corporate governance standards in the long run.
Singh, M. (2018)	Investigated corporate governance reforms in promoter-led organizations in India, focusing on challenges and opportunities.	Concluded that corporate governance reforms faced resistance due to entrenched promoter control, but reforms were essential for improving transparency and accountability.
Sahu, A. (2017)	Studied the management of the transition from family-controlled to corporate governance in Indian firms.	Found that firms with clear governance structures during transition showed higher growth, while those with unclear structures faced difficulties in managing governance and decision-making.
Patel, V. (2017)	Explored the impact of promoter ownership on firm performance, focusing on corporate governance practices.	Demonstrated that higher promoter ownership is negatively correlated with firm performance. Promoter-driven firms often favor internal financing over external debt, reducing reliance on corporate debt.
Bansal, P. (2016)	Investigated corporate governance in India, focusing on the transition from	Highlighted that the shift to professional management improves organizational transparency, but firms face

	family control to professional management.	operational disruptions during the transition.
Mehta, K. (2016)	Analyzed the role of corporate governance in transitioning family-owned firms to publicly traded entities.	Found that strong corporate governance frameworks help family firms manage the transition effectively, ensuring long-term sustainability in the market.
Sharma, A. (2016)	Conducted a longitudinal analysis of ownership structure and corporate governance in Indian family firms.	Concluded that family-owned firms with professional management saw improvements in governance standards, leading to higher organizational growth and stability.
Arora, V. (2015)	Focused on corporate governance in family-owned businesses, specifically the transition from promoter to professional management.	Identified that family-owned firms with a clear governance structure showed improved decision-making and greater financial transparency, leading to better performance.
Kumar, N. (2015)	Studied the challenges family firms face in implementing corporate governance in the Indian context.	Found that family firms often struggle with governance reforms due to resistance to change and lack of awareness about best governance practices.
Jain, M. (2014)	Investigated the shift towards professional management in Indian family firms, focusing on governance and performance.	Demonstrated that firms that successfully transitioned to professional management saw a marked improvement in governance standards and financial performance.
Agarwal, R. (2014)	Analyzed promoter control and corporate governance in Indian firms during organizational transitions.	Found that promoter-controlled firms face difficulties in relinquishing control, but those that successfully do so show improved financial performance and reduced governance risks.
Mehta, D. (2014)	Examined the shift from promoter ownership to professional management in family-owned firms.	Concluded that family firms that embraced professional management saw enhanced transparency, governance structures, and improved firm performance.
Soni, V. (2014)	Analyzed the transition from promoter to corporate leadership in Indian family firms.	Found that family firms that institutionalized corporate governance mechanisms saw reduced promoter influence, which led to more efficient decision-making and improved financial health.

3. Methodology

The study used a correlational and non-experimental research design, focusing on the relationship between changes in promoter ownership and corporate leverage [5]. The empirical model was structured to analyze how shifts in promoter ownership ($\Delta POi,t$) influence financial leverage (ΔFL) and debt leverage (ΔDL) over time. Key control variables, such as sales growth (ΔSG), firm size (ΔFS), and net profit margin (ΔNPM), were incorporated to account

for other factors that could impact leverage. The sample comprised 322 financial reports from the top 500 publicly traded companies listed on the Bombay Stock Exchange (BSE) for the years 2016 to 2018, yielding 1,610 total observations. Descriptive statistics revealed changes in financial and debt leverage over the study period, with notable fluctuations in promoter ownership, sales growth, and firm size. Pearson correlation analysis highlighted significant negative correlations between promoter ownership and both financial and debt leverage, suggesting that increased promoter ownership is associated with reduced corporate leverage. Multiple regression results further support this, showing negative relationships between changes in promoter ownership and both types of leverage [6]. This implies that greater control by promoters is likely to lead to lower reliance on debt financing in Indian firms, particularly in both manufacturing and service sectors. The study offers insights into how corporate governance structures impact financial strategies.

4. Result & Discussion

The study utilized a correlational and non-experimental research design. Measurement is a key aspect of quantitative research as it establishes the connection between empirical observations and the mathematical representation of quantitative relationships [7].

4.1 Measurement

To maintain consistency with previous research, the measures were adopted from the study by Gill, Biger, and Mand. Table 1 presents the measurements for the dependent, independent, and control variables used in the regression analysis [8].

4.2 Empirical Model: Changes in promoter ownership (ΔPOi,t) lead to shifts in corporate leverage due to changes in the number of votes held by promoters, which in turn affect corporate control. In this model, ΔPOi,t is treated as the primary explanatory variable influencing corporate leverage. All other variables are considered control variables. Therefore, we estimate the following model in the context of transitioning promoter-led organizations to corporate organizations.

$$\Delta Y_{it} = \alpha_0 + \alpha_1 . \Delta PO_{i,t} + \sum \Delta X_{ijt} + \varepsilon_{it} \quad (1)$$

In the model, *i*represents an individual firm, ΔYit denotes the change in leverage for firm *i* during time period *t*, and ΔXijt captures the changes in individual control variables (*j*) for firm *i* during time period *t*. εit is a normally distributed disturbance term. In this model, α1 measures the extent to which ΔPOi,t reduces corporate leverage. To enhance the model, we include a set of control variables (ΔSGit, ΔFSit, ΔNPMit, and INDUSTRY). The coefficients of the variables in the model are estimated using the ordinary least squares (OLS) method, which is preferred for multiple regression analysis in this context, particularly when examining the transition of promoter-led organizations to corporate organizations [9].

Table 1 Proxy variables and their measurements.

Dependent Variables	**Measurement**
Change in Financial Leverage (FLi,t)	(Current year LTDTAR-Previous year LTDTAR)/ Previousyear LTDTAR

Change in Debt Leverage (DLi,t)	(Current year DTER-Previous year DTER)/ Previous year DTER
Independent (explanatory) Variables	Measurement
Change in Promoter Ownership (POi,t)	(Current year PO-Previous year PO)/ Previous year PO
Control Variables	Measurement
Change in Sales Growth (SGi,t)	(Current year sales- Previous year sales)/ Previous year sales
Change in Firm Size (FSi,t)	(Current year FS- Previous year FS)/ Previous year FS
Change in Net Profit Margin (NPMi,t)	(Current year NPM- Previous year NPM)/ Previous year NPM
Industry (Industry i,t)	Assigned 1 for manufacturing industry and 0 for service industry

Notes:

- FL = LTDTAR (long-term debt to total asset ratio) = Long-term debt/total assets
- DL = DTER (debt to equity ratio) = Total debt/total equity
- Firm size = Natural log (ln) of average assets
- Net profit margin = Net income after tax/revenue

4.3 Data Collection: A database was created using a selection of 500 financial reports from the top 500 publicly traded companies listed on the Bombay Stock Exchange (BSE) for the period between January 1, 2016, and December 31, 2018, to form a sample of Indian firms. However, of the approximately 500 financial reports released by these companies during this period, only 322 were deemed usable. This study utilized cross-sectional yearly data, resulting in 1,610 total observations from the 322 financial reports [10].

4.4 Descriptive Statistics: Table 2 presents the descriptive statistics for the collected variables. The following provides an explanation of the descriptive statistics.

- Financial leverage: ΔFL12 = 6%; ΔFL13 = - 1%; ΔFL14 = -5%.
- Debt leverage: ΔDL12 = 12%; ΔDL13 = 3%; ΔDL14 = 2%.
- Promoter ownership: ΔPO11 = -1%; ΔPO12 = 1%; ΔPO13 = -1%.
- Sales growth: ΔSG11 = 20%; ΔSG12 = 21%;ΔSG13 = 15%.
- Firm size: ΔFS11 = 19%; ΔFS12 = 16%;ΔFS13 = 14%.
- Net profit margin: ΔNPM11 = -5%; ΔNPM12 = -10%; ΔNPM13 = -5%.
- Industry: 0.53.

Table 2 Descriptive statistics.

	Minimum	**Maximum**	**Mean**	**Std. deviation**
Δ*FL12*	-0.94	1.88	0.06	0.4

Δ*FL13*	-0.98	1.68	-0.01	0.36
Δ*FL14*	-0.99	1.94	-0.05	0.33
Δ*DL12*	-0.85	3.25	0.12	0.48
Δ*DL13*	-0.97	2.14	0.03	0.38
Δ*DL14*	-0.98	2.53	0.02	0.42
Δ*PO11*	-0.86	0.86	-0.01	0.11
Δ*PO12*	-0.73	0.67	0.01	0.09
Δ*PO13*	-0.59	0.52	-0.01	0.08
Δ*SG11*	-0.75	1.64	0.2	0.28
Δ*SG12*	-0.78	1.98	0.21	0.28
Δ*SG13*	-0.81	1.34	0.15	0.27
Δ*FS11*	-0.98	1.41	0.19	0.22
Δ*FS12*	-0.4	0.94	0.16	0.16
Δ*FS13*	-0.94	1.24	0.14	0.19
Δ*NPM11*	-0.97	0.95	-0.05	0.34
Δ*NPM12*	-0.97	0.98	-0.1	0.33
Δ*NPM13*	-0.98	0.92	-0.05	0.35
INDUSTRY	0	1	0.53	0.5

Notes: Variables include changes in financial leverage (FL), debt leverage (DL), promoter ownership (PO), sales growth (SG), firm size (FS), net profit margin (NPM), and industry (INDUSTRY).

4.5 Pearson Bivariate Correlation Analysis: The correlation coefficient matrix reveals significant negative correlations between ΔFL12 and ΔPO11, ΔFL13 and ΔPO12, and ΔFL14 and ΔPO13 (ρΔPO11, ΔFL12 = -0.119, ρΔPO12, ΔFL13 = -0.125, and ρΔPO13, ΔFL14 = -0.135, all significant at the 5% level). This indicates that changes in promoter ownership are associated with changes in the financial leverage of Indian firms. Additionally, the correlation matrix shows significant negative correlations between ΔDL12 and ΔPO11, ΔDL13 and ΔPO12, and ΔDL14 and ΔPO13 (ρΔPO11, ΔDL12 = -0.130, ρΔPO12, ΔDL13 = -0.117, and ρΔPO13, ΔDL14 = -0.142, all significant at the 5% level). This suggests that changes in promoter ownership also influence the debt leverage of Indian firms (see Table 3).

Table 3 Correlation Coefficient

Variables	*FL12*	*DL12*	*PO11*	*SG11*	*FS11*	*NPM11*	*INDUSTRY*
FL12	1						
DL12	0.542***	1					
PO11	-0.119**	-0.130**	1				
SG11	0.073	-0.03	0.088	1			
FS11	-0.044	-0.057	0.004	0.321***	1		

NPM11	-0.044	0.041	-0.104	-0.024	0.036	1	
INDUSTRY	-0.047	-0.068	0.039	0.035	0.06	-0.016	1
Variables	*FL13*	*DL13*	*PO12*	*SG12*	*FS12*	*NPM12*	*INDUSTRY*
FL13	1						
DL13	0.732***	1					
PO12	-0.125**	-0.117**	1				
SG12	-0.014	-0.144***	-0.063	1			
FS12	-0.015	0	-0.043	0.252***	1		
NPM12	-0.048	-0.012	-0.027	-0.169***	-0.03	1	
INDUSTRY	-0.055	0.007	0.117*	0.035	0.077	-0.054	1
Variables	*FL14*	*DL14*	*PO13*	*SG13*	*FS13*	*NPM13*	*INDUSTRY*
FL14	1						
DL14	0.602***	1					
PO13	-0.135**	-0.142**	1				
SG13	-0.059	0.005	0.049	1			
FS13	-0.024	0.058	-0.133**	0.276***	1		
NPM13	-0.083	-0.086	0.078	-0.062	0.015	1	
INDUSTRY	0.058	0.025	0.108	0	0.018	0.007	1

Notes: Variables include changes in financial leverage (ΔFL), debt leverage (ΔDL), promoter ownership (ΔPO), sales growth (ΔSG), firm size (ΔFS), net profit margin (ΔNPM), and industry (INDUSTRY). and * imply significance of each mean difference at the 1%, 5%, and 10% level, respectively [11].

4.6 Analysis and Discussion: This section presents the empirical findings regarding the relationship between promoter ownership and corporate leverage in Indian service and manufacturing firms. Since we used ordinary least squares (OLS) multiple regression analysis, there is a possibility of endogeneity issues. Endogeneity may arise if certain variables are omitted or if there are measurement errors. To mitigate these concerns, we ensured that the key variables affecting financial and debt leverage were included in the analysis.

Promoter Ownership, Financial Leverage, and Debt Leverage: Table 4 presents the estimated coefficients from the equation used in this study. The findings reveal the following relationships:

- Negative relationships between ΔPO11 and ΔFL12, ΔPO12 and ΔFL13, and ΔPO13 and ΔFL14 suggest that changes in promoter ownership reduce the financial leverage of Indian firms.
- Negative relationships between ΔPO11 and ΔDL12, ΔPO12 and ΔDL13, and ΔPO13 and ΔDL14 indicate that changes in promoter ownership also reduce the debt leverage of Indian firms.

- A negative relationship between ΔSG12 and ΔDL13 implies that changes in sales growth decrease debt leverage for Indian firms.
- A positive relationship between ΔSG11 and ΔFL12 suggests that changes in sales growth increase the financial leverage of Indian firms.

Table 4 Results from entire sample regression - promoter ownership, financial leverage, and debt leverage.

Variables	D*FL12*	D*FL12*	D*FL13*	D*FL13*	D*FL14*	D*FL14*	D*DL12*	D*DL12*	D*DL13*	D*DL13*	D*DL14*	D*DL14*
D*PO11*	-0.406**	-0.451**	-	-	-	-	-0.536**	-0.513**	-	-	-	-
	(-2.14)	(-2.36)	-	-	-	-	(-2.34)	(-2.21)	-	-	-	-
D*SG11*	-	0.155*	-	-	-	-	-	0.002	-	-	-	-
	-	-1.85	-	-	-	-	-	-0.02	-	-	-	-
D*FS11*	-	-0.136	-	-	-	-	-	-0.121	-	-	-	-
	-	(-1.27)	-	-	-	-	-	(-0.93)	-	-	-	-
D*NPM11*	-	-0.061	-	-	-	-	-	0.041	-	-	-	-
	-	(-0.95)	-	-	-	-	-	-0.53	-	-	-	-
INDUSTRY	-	-0.033	-	-	-	-	-	-0.057	-	-	-	-
	-	-0.76	-	-	-	-	-	(-1.07)	-	-	-	-
D*PO12*	-	-	-0.512**	-0.507**	-	-	-	-	-0.498**	-0.553**	-	-
	-	-	(-2.26)	(-2.21)	-	-	-	-	(-2.11)	(-2.33)	-	-
D*SG12*	-	-	-	-0.036	-	-	-	-	-	-0.228**	-	-
	-	-	-	(-0.47)	-	-	-	-	-	(-2.92)	-	-
D*FS12*	-	-	-	-0.027	-	-	-	-	-	0.079	-	-
	-	-	-	(-0.21)	-	-	-	-	-	-0.59	-	-
D*NPM12*	-	-	-	-0.064	-	-	-	-	-	-0.048	-	-
	-	-	-	(-1.04)	-	-	-	-	-	(-0.75)	-	-
INDUSTRY	-	-	-	-0.03	-	-	-	-	-	0.018	-	-
	-	-	-	(-0.74)	-	-	-	-	-	-0.41	-	-
D*PO13*	-	-	-	-	-0.541**	-0.355**	-	-	-	-	-0.720*	-0.682*

											*	*
	-	-	-	-	(-2.43)	(-2.44)	-	-	-	-	(-2.57)	(-2.37)
D*SG13*	-	-	-	-	-	-0.06	-	-	-	-	-	-0.008
	-	-	-	-	-	(-0.85)	-	-	-	-	-	(-0.09)
D*FS13*	-	-	-	-	-	-0.051	-	-	-	-	-	0.091
	-	-	-	-	-	(-0.50)	-	-	-	-	-	-0.71
D*NPM13*	-	-	-	-	-	-0.073	-	-	-	-	-	-0.093
	-	-	-	-	-	(-1.36)	-	-	-	-	-	(-1.38)
INDUSTRY	-	-	-	-	-	-0.049	-	-	-	-	-	0.033
	-	-	-	-	-	(-1.32)	-	-	-	-	-	-0.7
Constant	0.063**	0.072*	-0.006	0.015	-	0.065**	0.123***	1.78***	0.029	0.05	0.016	-0.018
					0.050**							
	-2.85	-1.88	(-0.30)	-0.43	(-2.74)	-2.1	-4.63	-3.83	-1.39	-1.34	-0.67	(-0.47)
Obs	322	322	322	322	322	322	322	322	322	322	322	322
χ^2-*test*	4.57**	2.03*	5.11**	1.37	5.92**	2.14*	5.47**	1.59	4.43**	2.65	6.59**	1.89*
R2	0.014	0.031	0.016	0.021	0.018	0.033	0.017	0.024	0.014	0.04	0.02	0.029
Adjusted R2	0.011	0.016	0.013	0.006	0.015	0.017	0.014	0.009	0.011	0.025	0.017	0.014

Notes: In the Ordinary Least Square Regression (OLS) models, the dependent variables are changes in financial leverage (FL) and debt leverage (DL). Independent variable is changes in promoter ownership (PO) and control variables include changes in sales growth (SG), firm size (FS), net profit margin (NPM), and industry (INDUSTRY). ***, ** and * imply significance of each mean difference at the 1%, 5%, and 10% level, respectively [12].

Promoter Ownership, Financial Leverage, and Debt Leverage in the Service Industry

Table 5 presents the estimated coefficients from Equations 1 and 2. The following relationships were observed:

- Negative relationships between ΔPO11 and ΔFL12, ΔPO12 and ΔFL13, and ΔPO13 and ΔFL14 indicate that changes in promoter ownership reduce the financial leverage of Indian service firms.
- Negative relationships between ΔPO11 and ΔDL12 and ΔPO13 and ΔDL14 suggest that changes in promoter ownership reduce the debt leverage of Indian service firms.
- A negative relationship between ΔSG12 and ΔDL13 indicates that changes in sales growth decrease debt leverage for Indian service firms [13].

Promoter Ownership, Financial Leverage, and Debt Leverage in the Manufacturing Industry

Table 6 presents the estimated coefficients from Equations 1 and 2 for the manufacturing industry. The findings include:

- A negative relationship between ΔPO12 and ΔDL13 indicates that changes in promoter ownership reduce debt leverage of Indian manufacturing firms.
- Negative relationships between ΔSG12 and ΔFL13 and ΔSG13 and ΔFL14 suggest that changes in sales growth decrease the financial leverage of Indian manufacturing firms.
- Negative relationships between ΔSG12 and ΔDL13 and ΔSG13 and ΔDL14 indicate that changes in sales growth reduce debt leverage in Indian manufacturing firms.
- A negative relationship between ΔNPM13 and ΔFL14 suggests that changes in net profit margin decrease the financial leverage of Indian manufacturing firms.
- A negative relationship between ΔNPM13 and ΔDL14 indicates that changes in net profit margin reduce debt leverage for Indian manufacturing firms.

Additionally, positive relationships were observed between:

- ΔPO13 and ΔFL14, suggesting that changes in promoter ownership increase the financial leverage of Indian manufacturing firms.
- ΔFS13 and ΔDL14, indicating that changes in firm size increase debt leverage for Indian manufacturing firms.

Table 5 Results from service industry sample - promoter ownership, financial leverage, and debt leverage.

Variables	**ΔFL12**	**ΔFL12**	**ΔFL13**	**ΔFL13**	**ΔFL14**	**ΔFL14**	**ΔDL12**	**ΔDL12**	**ΔDL13**	**ΔDL13**	**ΔDL14**	**ΔDL14**
ΔPO11	-0.586**	-0.629**	-	-	-	-	-0.758**	-0.678*	-	-	-	-
	(-2.04)	(-2.15)	-	-	-	-	(-2.09)	(-1.83)	-	-	-	-
SG11	-	0.213*	-	-	-	-	-	0.067	-	-	-	-
	-	-1.76	-	-	-	-	-	-0.44	-	-	-	-
FS11	-	-0.258	-	-	-	-	-	-0.369	-	-	-	-
	-	(-1.44)	-	-	-	-	-	(-1.63)	-	-	-	-
NPM11	-	-0.051	-	-	-	-	-	0.067	-	-	-	-
	-	(-0.46)	-	-	-	-	-	-0.48	-	-	-	-
PO12	-	-	-0.535*	-0.522*	-	-	-	-	-0.369	-0.403	-	-
	-	-	(-	(-	-	-	-	-	(-	(-	-	-

			1.81)	1.75)					1.28)	1.40)		
ΔSG12	-	-	-	0.081	-	-	-	-	-	-0.190*	-	-
	-	-	-	-0.74	-	-	-	-	-	(-1.79)	-	-
FS12	-	-	-	-0.115	-	-	-	-	-	0.011	-	-
	-	-	-	(-0.55)	-	-	-	-	-	-0.05	-	-
NPM12	-	-	-	-0.015	-	-	-	-	-	-0.052	-	-
	-	-	-	(-0.15)	-	-	-	-	-	(-0.55)	-	-
PO13	-	-	-	-	-	-	-	-	-	-	-1.110**	-1.200**
					1.272***	1.362***						
	-	-	-	-	(-4.26)	(-4.46)	-	-	-	-	(-2.81)	(-2.96)
SG13	-	-	-	-	-	0.015	-	-	-	-	-	0.099
	-	-	-	-	-	-0.16	-	-	-	-	-	-0.82
FS13	-	-	-	-	-	-0.168	-	-	-	-	-	-0.177
	-	-	-	-	-	(-1.31)	-	-	-	-	-	(-1.04)
NPM13	-	-	-	-	-	0.06	-	-	-	-	-	0.04
	-	-	-	-	-	-0.77	-	-	-	-	-	-0.39
Constant	0.080**	0.081	0.009	0.009	-0.085***	-0.062**	0.154**	2.09**	0.022	0.054	0.007	0.003
	-	-	-0.28	-0.19	(-	-	-3.25	-3.33	-0.67	-1.19	-0.19	-0.07

	2.12	1.64			3.03)	1.84						
Obs	150	150	150	150	150	150	150	150	150	150	150	150
χ^2-*test*	4.16**	2.13*	3.28*	1.02	18.13***	5.09**	4.37**	1.8	1.65	1.26	7.87**	2.32*
R2	0.027	0.056	0.022	0.027	0.109	0.123	0.029	0.047	0.011	0.034	0.051	0.06
Adjusted R^2	0.021	0.03	0.015	0	0.103	0.099	0.022	0.021	0.004	0.007	0.044	0.034

Notes: In the Ordinary Least Square Regression (OLS) models, the dependent variables are changes in financial leverage (FL) and debt leverage (DL). Independent variable is changes in promoter ownership (PO) and control variables include changes in sales growth (ΔSG), firm size (ΔFS), and net profit margin (NPM). ***, ** and * imply significance of each mean difference at the 1%, 5%, and 10% level, respectively.**Table 6 Results from manufacturing industry sample – promoter ownership, financial leverage, and debt leverage.**

Variables	**ΔFL12**	**ΔFL12**	**ΔFL13**	**ΔFL13**	**ΔFL14**	**ΔFL14**	**ΔDL12**	**ΔDL12**	**ΔDL13**	**ΔDL13**	**ΔDL14**	**ΔDL14**
PO11	-0.13	-0.137	-	-	-	-	-0.188	-0.144	-	-	-	-
	(-0.52)	(-0.54)	-	-	-	-	(-0.69)	(-0.52)	-	-	-	-
SG11	-	0.077	-	-	-	-	-	-0.057	-	-	-	-
	-	-0.64	-	-	-	-	-	(-0.43)	-	-	-	-
FS11	-	0.012	-	-	-	-	-	0.15	-	-	-	-
	-	-0.09	-	-	-	-	-	-1.07	-	-	-	-
NPM11	-	-0.074	-	-	-	-	-	0.008	-	-	-	-
	-	(-0.99)	-	-	-	-	-	-0.1	-	-	-	-
PO12	-	-	-0.554	-0.431	-	-	-	-	-0.952**	-1.012**	-	-

	-	-	(-0.87)	(-1.05)	-	-	-	-	(-2.05)	(-2.17)	-	-
SG12	-	-	-	-0.229**	-	-	-	-	-	-0.303**	-	-
	-	-	-	(-2.05)	-	-	-	-	-	(-2.39)	-	-
FS12	-	-	-	0.075	-	-	-	-	-	0.133	-	-
	-	-	-	-0.48	-	-	-	-	-	-0.74	-	-
NPM12	-	-	-	-0.075	-	-	-	-	-	-0.038	-	-
	-	-	-	(-0.97)	-	-	-	-	-	(-0.44)	-	-
PO13	-	-	-	-	).454	0.646**	-	-	-	-	-0.202	0.071
	-	-	-	-	-1.39	-2.01	-	-	-	-	(-0.50)	-0.18
SG13	-	-	-	-	-	-0.238**	-	-	-	-	-	-0.245*
	-	-	-	-	-	(-2.18)	-	-	-	-	-	(-1.82)
FS13	-	-	-	-	-	0.145	-	-	-	-	-	0.623**
	-	-	-	-	-	-0.91	-	-	-	-	-	-3.16
NPM13	-	-	-	-	-	-0.221**	-	-	-	-	-	-0.247**
	-	-	-	-	-	(-3.19)	-	-	-	-	-	-2.89
Constant	0.046*	0.024	-0.022	0.008	0.034	-0.031	0.094**	0.076*	0.042	0.082*	0.028	-0.038
	-1.85	-0.59	(-0.88)	-0.18	(-1.44)	(-0.95)	-3.39	-1.72	-1.5	-1.74	-0.96	(-0.93)
Obs	322	172	172	172	172	172	172	172	172	172	172	172
χ^2*-test*	0.274	0.403	0.751	1.53	1.93	3.96**	0.472	0.412	4.21**	2.58**	0.246	4.46**
R2	0.002	0.01	0.004	0.035	0.011	0.087	0.003	0.01	0.024	0.058	0.001	0.096
Adjusted R^2	-0.004	-0.014	-0.001	0.012	0.005	0.075	-0.003	-0.014	0.018	0.036	-0.004	0.075

Notes: In the Ordinary Least Square Regression (OLS) models, the dependent variables are changes in financial leverage (Δ*FL*) and debt leverage (Δ*DL*). Independent variable is changes in promoter ownership (Δ*PO*) and control variables include changes in sales growth (Δ*SG*), firm size (Δ*FS*), and net profit margin (Δ*NPM)*. ***, ** and *imply significance of each mean difference at the 1%, 5%, and 10% level, respectively [14].

5. Conclusion

In conclusion, this study examined the relationship between changes in promoter ownership and corporate leverage among Indian firms listed on the Bombay Stock Exchange (BSE) from 2010 to 2014. The analysis, based on a correlational and non-experimental research design, revealed significant negative correlations between promoter ownership and both financial and debt leverage. These results suggest that an increase in promoter ownership tends to reduce a firm's reliance on debt financing, highlighting the influence of corporate governance structures on financial decisions. Specifically, as promoters gain greater control over their firms, there appears to be a shift toward lower leverage, which may reflect a preference for internal funding sources over external debt.The regression analysis reinforced these findings, indicating that changes in promoter ownership are negatively associated with both financial leverage (long-term debt to total asset ratio) and debt leverage (debt to equity ratio). This pattern was observed across both the manufacturing and service sectors, suggesting that the trend is not limited to any one industry but is a broader phenomenon across Indian firms.While the study provides valuable insights into the role of corporate governance in shaping financial strategies, several limitations must be acknowledged. The non-experimental design restricts the ability to make causal inferences, and the study's reliance on historical data from a specific period (2010-2014) may not fully capture more recent developments in corporate governance or leverage practices. Additionally, the sample is limited to the top 500 publicly traded companies on the BSE, which may not be representative of all Indian firms, and there may be omitted variable bias despite the inclusion of key control variables.Future research could explore the causal mechanisms behind the observed relationships by employing experimental or longitudinal designs, and expand the scope to include a more diverse set of firms to enhance the generalizability of the results. Further investigation into other potential factors influencing leverage, such as market conditions or regulatory changes, could also provide a more comprehensive understanding of corporate financing decisions in emerging markets like India.

6-Future Scope

- Future research could employ experimental or longitudinal designs to explore the causal relationships between promoter ownership and corporate leverage.
- Expanding the sample beyond the top 500 BSE-listed firms could provide a more representative view of Indian firms, including small and mid-sized companies.
- Research could include more recent data to reflect any changes in corporate governance practices and leverage trends post-2014.

- Investigating sector-specific factors influencing leverage could offer deeper insights, especially in rapidly evolving industries.

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