

Corporate financing decisions and their implications: Evidence from takeovers and rights offerings by firms in India

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Abstract

Financing decisions by managers of firms occupy the central position in corporate finance. Despite the voluminous body of research on corporate financing decisions, several intriguing questions remain unanswered. Some of these research questions cannot be answered using contexts, such as those of the US and other developed markets, in which the bulk of the literature has been set. This dissertation exploits the Indian context to examine some novel questions related to corporate financing decisions and their implications. In this dissertation, which has been divided into three essays, we examine two different kinds of financing decisions by managers of firms in India – financing of acquisitions and raising of capital using rights offerings.

In the first essay, we exploit an interesting setting of overlapping insiders at the acquiring and target firms in acquisitions and answer how the presence of overlapping insiders influences the financing of these large investments. All prior studies on takeovers have either been set in a

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between cash-financed and stock-financed deals stems primarily from the adverse selection effects associated with equity issues.