

Financial Performance and Diversification Strategy of Indian Business Groups

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2002

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Thesis Summary

Corporate strategies and their effectiveness constitute a crucial research problem in both finance

profitability, net profit margins and sales turnover were negatively related to a group's product scope. In 1995-99, a period of high competition from industrial deregulation, we found that growth and sales turnover of business groups were negatively related to their diversification levels. The results in the later periods also seem to be influenced by the capital market's preference for focused business groups. So, the differences among the performance indicators across sub-periods apparently exhibit the influence of diverse competitive factors and economic characteristics prevailing during the three sub-periods.

It was found that, apart from a business group's product diversification strategy, its size, solvency position and international exposure levels were important factors affecting their market-based and non-market based performance measures during all the sub-periods of study.

Related Publications

Kakani, R K & Reddy, V N (1996). Econometric analysis of the capital structure determinants. Vol. 23. 73-98

Kakani, R K, Saha, B & Reddy, V N (2001). Corporate performance of Indian firms. NSE Research Initiative paper # 18. NSE,