

Corporate Debt Source Decisions: An Empirical Investigation of Determinants, Governance Drivers, and ESG Implications

Abstract

This doctoral dissertation challenges the conventional monolithic understanding of the corporate leverage, contending that the composition of debt across different sources is value-relevant and strategically consequential. In emerging economies, severe information frictions, high transaction costs, and lender-driven monitoring make access to different debt sources unequally available and institutionally constrained, a dimension largely overlooked in existing work. Using firm-level data from Indian listed companies over three decades, the study shows that firms strategically balance private (bank and non-bank) and public (bond and commercial paper) debt, and that these financing choices are reflected in firm valuation. The first empirical chapter demonstrates the value relevance of debt-source heterogeneity, with access to public debt linked to higher market valuation, particularly for large firms. The next chapter identifies how size, asset tangibility, leverage, age, and reputation influence the decision of firms. The subsequent chapter demonstrates that governance structures such as board discipline, audit strength, and ownership mediate access to public markets. The final empirical analysis shows that credible environmental, social, and governance (ESG) performance, especially under institutional investor monitoring, enables firms to shift away from opaque private loans toward transparent market funding. By showing that debt sources differ systematically in their informational, regulatory, and strategic dimensions, this dissertation shows the need to reconceptualise the multidimensional nature of capital structure, especially in emerging economies. By integrating insights from corporate finance, governance theory, and sustainable finance, the dissertation extends understanding of how firms manage debt-source heterogeneity under institutional constraints to optimise financial decisions and enhance enterprise value.

Keywords: Corporate debt management; Debt source heterogeneity; Firm value; Corporate governance; ESG practices; Regulatory framework