Diversification strategies, family ownership and debt policy: New evidence from international panel data*

Julio Pindado[a,b,†], Ignacio Requejo[a], Juan C. Rivera[c]

[a] *IME, University of Salamanca, Salamanca, E37007, Spain*
[b] *Leeds University Business School, University of Leeds, Leeds, LS2 9JT, United Kingdom*
[c] *Department of Business Administration, Pontificia Universidad Javeriana, Bogotá, 110311, Colombia*

Abstract

We investigate how product diversification strategies affect corporate debt decisions in an international context. We study the effect of related and unrelated diversification on debt and how family ownership moderates this effect. Related diversification has a negative impact on debt financing in non-family firms, and the effect is non-linear in family firms. Unrelated diversification has a non-linear effect on debt regardless of ownership structure, but the positive effect is stronger in family firms. We also analyze how having a financial firm as the second largest shareholder and managerial ownership moderate the relation between diversification and debt in family firms. Both governance characteristics make the non-linear effect of diversification on debt more pronounced, leading to higher debt when diversification reaches the optimal level.