

CHAPTER – 6

RESULTS AND DISCUSSION

This chapter is devoted to present the results, findings and analysis with reference to the objectives set. The chapter is divided based on the objectives of the study into five Sections.

6.1. Do Indian Firms consider a Target Leverage?

Objective I: To examine whether firms consider a target capital structure

First Hypothesis: Indian firms partially adjust their capital structure towards their target leverage:

$$Lev_{i,t+1} = \lambda\beta X_{i,t} + (1 - \lambda)Lev_{i,t} + \delta_{i,t+1} \quad (15)$$

The variable of interest in the above model is the Leverage Ratio ($Lev_{i,t}$). A significant coefficient $(1-\lambda)$ indicates that the firms consider target leverage and the sign of $(1-\lambda)$ coefficient indicates the direction of the adjustment that the firm is attempting to bridge the gap in the leverage. The results are presented in the following table. The study estimates the coefficients of the variables with book and market leverage, through the Generalized Method of Moments estimation method.

Table 16: Results of Hypothesis 1

	Book leverage	Market leverage
LEV	0.864***	0.8439***
Size	0.0019***	-0.0042***
TANG	0.0154***	0.06544***
ROA	-0.1222***	-0.00998
NDTS	-0.1692***	-0.8738***
Growth	0.0233***	-0.00009***
RD_DUM	-0.0036***	-0.0147***
Ind_Median	0.0705***	-0.00804*
Cons	0.0177***	0.1256***
no. of Obs.	104,947	41,723
Wald chi2	300000***	120000***
R- square	0.7766	0.675

Table 17: Interpretation of results for Hypothesis 1

		Book leverage	Market leverage
LEV	(1-λ)	0.864	0.8439
SOA	1-(1-λ)	13.60%	15.61%

The variable of interest in the above table is the $MDR_{i,t}$. The coefficient of $MDR_{i,t}$ is $(1-\lambda)$ and as observed from the table the coefficient is significant for both Market and book leverage. Like Flannery and Rangan (2006), we also report a positive and significant SOA coefficient indicating that that the firms in the sample consider a target leverage ratio and they reduce the gap every year. The SOA of the firms is as estimated in the table, firms in the sample partially adjust their capital structure towards their target at an average rate of 13.60% per annum year for book leverage and 15.61% per year for market leverage as per the GMM estimation. The study does

not have sufficient evidence to reject the first Hypothesis and conclude that Indian firms partially adjust their capital structure towards their target leverage.

6.2. Group affiliation's impact on the Speed of Adjustment of a firm's capital structure

Objective II: To examine the speed of adjustment of the capital structure of group affiliated firms vs. Standalone firms

Second Hypothesis: The Speed of Adjustment of group affiliated firms is greater than that of Standalone firms

$$Lev_{i,t+1} = \lambda\beta X_{i,t} + (1 - \lambda)Lev_{i,t} + \eta (\text{GroupDum}_i * Lev_{i,t}) + \delta_{i,t+1} \quad (16)$$

The variable of interest in the above model is the Leverage Ratio ($Lev_{i,t}$) and the interaction variable ($\text{GroupDum}_i * Lev_{i,t}$). A significant coefficient η indicates that there is a statistically significant different in SOA between group affiliated firms and standalone firms. We present the results in the following table. We estimate the coefficients of the variables on book leverage through Generalized Method of Moments estimation method.

Table 18: Results of Hypothesis 2

	Book leverage
LEV	0.8662***
Size	0.0021***
TANG	0.0161***
ROA	-0.1228***
NDTS	-0.1706***
Growth	0.0231***
RD_DUM	-0.00308***
Ind_Median	0.0707***
Group_Dum	-0.0018
Group_LEV	-0.0065*
Cons	0.0165***
no. of Obs.	104,947
Wald chi2	300000***
R- square	0.7766

Table 19: Interpretation of results for Hypothesis 2

LEV	(1-λ)	0.8662
Group_LEV	η	-0.0065
Group SOA	1-{(1-λ)+η}	14.03%
Standalone SOA	1-(1-λ)	13.38%

The variable of interest in the above table is the LEV and Group_LEV. The coefficient of LEV is $(1-\lambda)$ and Group_LEV is η , as observed from the table both the coefficients are significant. This indicates that the firms in the sample have a positive and significant SOA and also there is statistically significant difference in the Speed of Adjustment coefficients for group affiliated and standalone firms of the study. This is as per our expectations and previous findings. The Speed of Adjustment of group affiliated firms in our sample is 14.03% per year and that of standalone firms is 13.38% per year. Hence, we do not have sufficient evidence to reject the second

Hypothesis and thus conclude that Speed of Adjustment for group affiliated firms is greater than that of standalone firms.

6.3. Impact of level of diversification's impact on Speed of adjustment of a group affiliated firm

Objective III: To examine whether the speed of adjustment of group affiliated firms varies with the level of diversification

Third Hypothesis: The Speed of Adjustment of high diversified group affiliated firms is greater than that of a less diversified group affiliated firms

$$Lev_{i,t+1} = \lambda\beta X_{i,t} + (1 - \lambda)Lev_{i,t} + \eta (\text{DivDum}_i * Lev_{i,t}) + \delta_{i,t+1} \quad (17)$$

The variable of interest in the above model is the Leverage Ratio ($Lev_{i,t}$) and the interaction variable ($\text{DivDum}_i * Lev_{i,t}$). A significant coefficient η indicates that there is a statistically significant difference in SOA between Highly diversified group affiliated firms and less diversified group affiliated firms. We present the results in the following table. We estimate the coefficients of the variables on book leverage through Generalized Method of Moments estimation method.

Table 20: Results of Hypothesis 3

	Book leverage
LEV	0.8637***
Size	0.0014***
TANG	0.0167***
ROA	-0.1282***
NDTS	-0.1892***
Growth	0.0232***
RD_DUM	-0.00096
Ind_Median	0.0817***
Div_Dum	-0.00011
Div_LEV	-0.0142**
Cons	0.0175***
no. of Obs.	37,088
Wald chi2	1.1e+05***
R- square	0.7807

Table 21: Interpretation of results for Hypothesis 3

LEV	(1-λ)	0.8637
Div_LEV	η	-0.0142
High diversifiedSOA	1-{(1-λ)+η}	15.05%
Low Diversified SOA	1-(1-λ)	13.63%

The variable of interest in the above table is the LEV and Div_LEV. The coefficient of LEV is $(1-\lambda)$ and Div_LEV is η , as observed from the table both the coefficients are significant. This indicates that the firms in the sample have a positive and significant SOA and also there is statistically significant different Speed of Adjustment coefficients for highly diversified group affiliated and low diversified group affiliated firms in the sample. This is as per our, The Speed of Adjustment of Highly diversified group affiliated firms in our sample is 15.05% per year and that of standalone firms is 13.63% per year. We do not have sufficient evidence to reject Third

Hypothesis and conclude that Speed of Adjustment for highly diversified group affiliated firms is greater than that of less diversified group affiliated firms.

6.4. Impact of macroeconomic conditions on the Speed of Adjustment of Capital structure

Objective IV: To investigate whether macroeconomic conditions of the economy affect the speed of adjustment of the capital structure of firms

Fourth Hypothesis: The Speed of Adjustment of the capital structure of Indian firms in a good macroeconomic condition is greater than that of firms in bad macroeconomic condition

$$Lev_{i,t+1} = \lambda\beta X_{i,t} + (1 - \lambda)Lev_{i,t} + \eta(\text{MacroDum}_{i,t} * Lev_{i,t}) + \delta_{i,t+1} \quad (18)$$

The variable of interest in the above model is the Leverage Ratio ($Lev_{i,t}$) and the interaction variable ($\text{MacroDum}_i * Lev_{i,t}$). A significant coefficient η indicates that there is a statistically significant different in SOA between high diversified group affiliated firms and less diversified group affiliated firms. We present the results in the following table. We estimate the coefficients of the variables on book leverage through Generalized Method of Moments estimation method.

Table 22: Results of Hypothesis 4

	Book leverage
LEV	0.8778***
Size	0.0019***
TANG	0.0158***
ROA	-0.1225***
NDTS	-0.1699***
Growth	0.0236***
RD_DUM	-0.0037***
Ind_Median	0.0686***
GDP_Dum	0.00653***

GDP_LEV	-0.0279**
Cons	0.015***
no. of Obs.	104,947
Wald chi2	3e+05***
R- square	0.7769

Table 23: Interpretation of results for Hypothesis 4

LEV	(1-λ)	0.8778
GDP_LEV	η	-0.0279
Good condition SOA	Eco 1-{(1-λ)+η}	15.01%
Bad Eco condition SOA	1-(1-λ)	12.22%

The variable of interest in the above table is the LEV and GDP_LEV. The coefficient of LEV is $(1-\lambda)$ and GDP_LEV is η , as observed from the table both the coefficients are significant. This indicates that the firms in the sample have a positive and significant SOA and also there is statistically significant different Speed of Adjustment coefficients for firms when they are in a good macroeconomic condition and that when they are in bad macroeconomic condition. This is as per our predictions, The Speed of Adjustment of firms in a good macroeconomic condition is 15.01% per year and that of firms in a bad economic condition is 12.22% per year. We do not have sufficient evidence to reject Hypothesis 4 and hence conclude that the Speed of Adjustment of capital structure of Indian firms in a good macroeconomic condition is greater than that of firms in bad economic condition.

6.5. Impact of firm level characteristics on the Speed of adjustment of the firm

Objective V: To examine whether the speed of adjustment of capital structure varies with firm specific characteristics of Indian firms with reference to profitability, size, status of listing and growth opportunities. To evaluate the firms on these parameters the sample is divided into two i.e. group affiliated firms and standalone firms. Three times regression is run to present the findings as Total firms, Group Affiliated Firms and Standalone firms.

6.5.1. Effect of Profitability on Speed of Adjustment of Capital Structure:

Fifth Hypothesis: (5A₁): The Speed of Adjustment of high profitable firms is greater than that of a low profitable firms;

Fifth Hypothesis: (5A₂): The Speed of Adjustment of high profitable group affiliated firms is greater than that of a low profitable group affiliated firms

Fifth Hypothesis: (5A₃): The Speed of Adjustment of high profitable standalone firms is greater than that of a low profitable standalone firms

$$Lev_{i,t+1} = \lambda\beta X_{i,t} + (1 - \lambda)Lev_{i,t} + \eta (\text{Profit Dum}_i * Lev_{i,t}) + \delta_{i,t+1} \quad (19)$$

The variable of interest in the above model is the Leverage Ratio ($Lev_{i,t}$) and the interaction variable ($\text{ProfitDum}_i * Lev_{i,t}$). A significant coefficient η indicates that there is a statistically significant different in SOA between high profitable firms and less profitable firms. We further divide the analysis into group affiliated and standalone firms, with the intention to evaluate the SOA for profitability of group and standalone firms separately. We estimate the coefficients of the variables on book leverage through Generalized Method of Moments estimation method.

Table 24: Results of Hypothesis 5A

	Total	Group	Standalone
LEV	0.8847***	0.8787***	0.8876***
Size	0.0014***	0.00085**	0.0022***
TANG	0.0151***	0.0152***	0.0165***
NDTS	-0.1575***	-	-
Growth	0.0197***	0.1654***	0.1535***
RD_DUM	-0.0041***	-0.0012	-
Ind_Median	0.0718***	0.0205***	0.0054***
ROA_Dum	-0.0063***	0.0842***	0.0653***
ROA_LEV	-0.0283***		
ROA_G_DUM		-	
ROA_G_LEV		0.0076***	
ROA_S_DUM		-0.034***	-
ROA_S_LEV			0.00545**
Cons	0.01124***	0.0124***	-
no. of Obs.	105,236	37,195	0.0269***
Wald chi2	3.1e+05	1.2e+05	0.0085***
R- square	0.7735	0.7809	0.7721

Table 25: Interpretation of results for Hypothesis 5A

		Total	Group	Standalone
LEV	$(1-\lambda)$	0.8847	0.8787	0.8876
ROA_LEV	η	-0.0283	-0.034	-0.0269
High Profitable SOA	$1-\{(1-\lambda)+\eta\}$	14.36%	15.53%	13.93%
Low Profitable SOA	$1-(1-\lambda)$	11.53%	12.13%	11.24%

The variable of interest in the above table is the LEV and ROA_LEV. The coefficient of LEV is $(1-\lambda)$ and ROA_LEV is η , as observed from the table both the coefficients are significant. This indicates that the firms in the sample have a positive and significant SOA and also there is statistically significant different Speed of Adjustment coefficients for high profitable and low

profitable firms. This is as per our predictions, The Speed of Adjustment of firms with high profitability is 14.36% per year and that of firms with low profitability is 11.53% per year. Hence, we do not have sufficient evidence to reject Hypothesis 5A₁ and hence conclude that the Speed of Adjustment of high profitable firm is greater than that of low profitable firm.

Further, analyzing the group affiliated firms we find that the high profitable firms' SOA is also statistically significantly different than that of low profitable firms. The speed of adjustment of high profitable group affiliated firms is 15.53% and for low profitable firm is 12.13%. Therefore, we do not have sufficient evidence to reject Hypothesis 5A₂ and hence conclude that the speed of adjustment of high profitable group affiliated firm is greater than that of low profitable group firms.

Analyzing the standalone firm sample, we find that the high profitable standalone firms SOA is also statistically significantly different than that of low profitable standalone firms. The speed of adjustment of high profitable standalone firms is 13.93% and for low profitable firm is 11.24%. We do not have sufficient evidence to reject Hypothesis 5A₃ and hence conclude that the speed of adjustment of high profitable standalone firm is greater than that of low profitable standalone firms.

6.5.2. Effect of Firm Size on Speed of Adjustment of Capital Structure:

Fifth Hypothesis: (5B₁): The Speed of Adjustment of large size firms is greater than that of a small size firms;

Fifth Hypothesis: (5B₂): The Speed of Adjustment of Large Size group affiliated firms is greater than that of a Small Size group affiliated firms

Fifth Hypothesis: (5B₃): The Speed of Adjustment of Large Size standalone firms is greater than that of a Small Size standalone firms

$$Lev_{i,t+1} = \lambda \beta X_{i,t} + (1 - \lambda) Lev_{i,t} + \eta (\text{Size Dum}_i * Lev_{i,t}) + \delta_{i,t+1} \quad (20)$$

The variable of interest in the above model is the Leverage Ratio ($Lev_{i,t}$) and the interaction variable ($\text{SizeDum}_i * Lev_{i,t}$). A significant coefficient η indicates that there is a statistically significant different in SOA between large size firms and less size firms. We further divide the analysis into group affiliated and standalone firms, with the intention to evaluate the SOA for size of group and standalone firms separately. We estimate the coefficients of the variables on book leverage using Generalized Method of Moments estimation method.

Table 26: Results of Hypothesis 5B

	Total	Group	Standalone
LEV	0.8584***	0.8473***	0.861***
TANG	0.015***	0.0162***	0.0157***
ROA	-0.1197***	-0.125***	-0.1171***
NDTS	-0.1677***	-0.191***	-0.1581***
Growth	0.0235***	0.0235***	0.0232***
RD_DUM	-0.0025***	-0.00066	-
Ind_Median	0.0703***	0.0811***	0.0638***
Size_Dum	0.0019*		
Size_LEV	0.0116***		
Size_G_DUM		-0.0019	
Size_G_LEV		0.0197***	
Size_S_DUM			0.0032**
Size_S_LEV			0.0133***
Cons	0.0276***	0.02773***	0.0279***
no. of Obs.	104,947	37,088	67,859
Wald chi2	3.1e+05***	1.1e+05***	2.1e+05***
R- square	0.7766	0.7806	0.7745

Table 27: Interpretation of results for Hypothesis 5B

		Total	Group	Standalone
LEV	(1-λ)	0.8584	0.8473	0.861
Size_LEV	η	0.0116	0.0197	0.0133
Large Size SOA	$1-\{(1-\lambda)+\eta\}$	13.00%	13.30%	12.57%
Small SizeSOA	$1-(1-\lambda)$	14.16%	15.27%	13.9%

The variable of interest in the above table is the LEV and Size_LEV. The coefficient of LEV is $(1-\lambda)$ and Size_LEV is η , as observed from the table both the coefficients are significant. This indicates that the firms in the sample have a positive and significant SOA and also there is statistically significant different Speed of Adjustment coefficients for high profitable and low profitable firms. This is as per our predictions, The Speed of Adjustment of firms with large size is 13.00% per year and that of firms with low size is 14.16% per year. Hence, we have sufficient evidence to reject Hypothesis 5B₁ and hence conclude that the Speed of Adjustment of large size firm is not greater than that of low size firm.

Further, analyzing the group affiliated firms we find that the high size firms' SOA is also statistically significantly different than that of low size firms. The speed of adjustment of large size group affiliated firms is 13.3% and for low size firm is 15.27%. We have sufficient evidence to reject Hypothesis 5B₂ and hence conclude that the speed of adjustment of large size group affiliated firm is not greater than that of low size group firms.

Analyzing the standalone firm sample, we find that the large size standalone firms' SOA is also statistically significantly different than that of low size standalone firms. The speed of adjustment of large size firms is 12.57% and for low size firm is 13.9%. We have sufficient

evidence to reject Hypothesis 5B₃ and hence conclude that the speed of adjustment of large size standalone firm is not greater than that of low size standalone firms.

6.5.3. Effect of Status of Listing on Speed of Adjustment of Capital Structure:

Fifth Hypothesis: (5C₁): The Speed of Adjustment of Listed firms is greater than that of an unlisted firms;

Fifth Hypothesis: (5C₂): The Speed of Adjustment of Listed group affiliated firms is greater than that of a unlisted group affiliated firms

Fifth Hypothesis: (5C₃): The Speed of Adjustment of Listed standalone firms is greater than that of an unlisted standalone firms

$$Lev_{i,t+1} = \lambda\beta X_{i,t} + (1 - \lambda)Lev_{i,t} + \eta (\text{List Dum}_i * Lev_{i,t}) + \delta_{i,t+1} \quad (21)$$

As discussed in the methodology chapter, the variable of interest in the above model is the Leverage Ratio ($Lev_{i,t}$) and the interaction variable ($ListDum_i * Lev_{i,t}$). A significant coefficient η indicates that there is a statistically significant different in SOA between listed firms and not listed firms. We further divide the analysis into group affiliated and standalone firms, with the intention to evaluate the SOA for listing status of group and standalone firms separately. We estimate the coefficients of the variables on book leverage using Generalized Method of Moments estimation method.

Table 28: Results of Hypothesis 5C

	Total	Group	Standalone
LEV	0.8476***	0.8377***	0.8502***
Size	0.0017***	0.0009***	0.0027***
TANG	0.0142***	0.0158***	0.0151***

ROA	-0.1226***	-0.1299***	-0.1213***
NDTS	-0.1648***	-0.1862***	-0.1542***
Growth	0.0237***	0.0237***	0.0232***
RD_DUM	-0.0044***	-0.0023**	-0.0051***
Ind_Median	0.0674***	0.0764***	0.0619***
List_Dum	-0.0073***		
List_LEV	-0.0357***		
List_G_DUM		-0.0029	
List_G_LEV		-0.0341***	
List_S_DUM			-0.0093***
List_S_LEV			-0.0401***
Cons	0.02305***	0.0242***	0.1965***
no. of Obs.	104,947	37,088	67,859
Wald chi2	3.1e+05	1.1e+05	2e+05***
R- square	0.777	0.7877	0.7750

Table 29: Interpretation of results for Hypothesis 5C

		Total	Group	Standalone
LEV	(1-λ)	0.8476	0.8377	0.8502
List_LEV	η	0.0357	0.0341	0.0401
Listed firms SOA	1-{(1-λ)+η}	11.67%	12.82%	10.97%
Not Listed SOA	1-(1-λ)	15.24%	16.23%	14.98%

The variable of interest in the above table is the LEV and List_LEV. The coefficient of LEV is $(1-\lambda)$ and List_LEV is η , as observed from the table both the coefficients are significant. This indicates that the firms in the sample have a positive and significant SOA and also there is statistically significant different Speed of Adjustment coefficients for Listed and not listed firms. The Speed of Adjustment of listed firms is 11.67% per year and that of not listed firms is 15.24% per year. Hence, we do not have sufficient evidence to reject Hypothesis 5C₁ and hence conclude that the Speed of Adjustment of listed firm is greater than that of not listed firm.

Further, analyzing the group affiliated firms we find that the listed firms' SOA is also statistically significantly different than that of not listed firms. The speed of adjustment of listed group affiliated firms is 12.82% and for low size firm is 16.23%. Hence, we do not have sufficient evidence to reject Hypothesis 5C₂ and hence conclude that the speed of adjustment of listed group affiliated firm is not greater than that of not listed group firms.

Analyzing the standalone firm sample, we find that the listed standalone firms' SOA is also statistically significantly different than that of not listed standalone firms. The speed of adjustment of listed firms is 10.97% and for not listed firm is 14.98%. Hence, we do have sufficient evidence to reject Hypothesis 5C₃ and hence conclude that the speed of adjustment of listed standalone firm is not greater than that of unlisted standalone firms.

6.5.4. Effect of Growth Opportunities on Speed of Adjustment of Capital Structure:

Fifth Hypothesis: (5D₁): The Speed of Adjustment of firms with higher growth opportunities is greater than that of a firms with lower growth opportunities;

Fifth Hypothesis: (5D₂): The Speed of Adjustment of group affiliated firms with higher growth opportunities is greater than that of a group affiliated firms with lower growth opportunities;

Fifth Hypothesis: (5D₃): The Speed of Adjustment of Standalone firms with higher growth opportunities is greater than that of a standalone firms with lower growth opportunities;

$$Lev_{i,t+1} = \lambda\beta X_{i,t} + (1 - \lambda)Lev_{i,t} + \eta (\text{Growth Dum}_i * Lev_{i,t}) + \delta_{i,t+1} \quad (22)$$

The variable of interest in the above model is the Leverage Ratio ($Lev_{i,t}$) and the interaction variable ($\text{GrowthDum}_i * Lev_{i,t}$). A significant coefficient η indicates that there is a statistically significant different in SOA between high growth firms and low growth firms. We further divide

the analysis into group affiliated and standalone firms, with the intention to evaluate the SOA for growth opportunities of group and standalone firms separately. We estimate the coefficients of the variables on book leverage using Generalized Method of Moments estimation method.

Table 30: Results of Hypothesis 5D

	Total	Group	Standalone
LEV	0.8768***	0.8696***	0.8800***
Size	0.00215***	0.001***	0.0032***
TANG	0.0185***	0.0196***	0.0195***
ROA	-0.1306***	-	-0.1250***
NDTS	-0.1821***	-0.217***	-0.1669***
RD_DUM	-0.0047***	-0.0018*	-0.0057***
Ind_Median	0.0772***	0.0888***	0.0711***
GR_Dum	0.03***		
GR_LEV	-0.0545***		
GR_G_DUM		0.0324***	
GR_G_LEV		-	
GR_S_DUM			0.0288***
GR_S_LEV			-0.0546***
Cons	0.0074***	0.0114***	0.00297***
no. of Obs.	125,275	42,361	82,914
Wald chi2	3.2e+05	1.1e+05	2.1e+05***
R- square	0.7550	0.7584	0.7534

Table 31: Interpretation of results for Hypothesis 5D

		Total	Group	Standalone
LEV	$(1-\lambda)$	0.8768	0.8696	0.88
GR_LEV	η	-0.0545	-0.0558	-0.0546
High Growth SOA	$1-\{(1-\lambda)+\eta\}$	17.77%	18.62%	17.46%
Low Growth SOA	$1-(1-\lambda)$	12.32%	13.04%	12%

The variable of interest in the above table is the LEV and GR_LEV. The coefficient of LEV is $(1-\lambda)$ and GR_LEV is η , as observed from the table both the coefficients are significant. This indicates that the firms in the sample have a positive and significant SOA and also there is statistically significant different Speed of Adjustment coefficients for high growth and low growth firms. This is as per our predictions, The Speed of Adjustment of high growth firms is 17.77% per year and that of low growth firms is 12.32% per year. Hence, we do not have sufficient evidence to reject Hypothesis 5D₁ and hence conclude that the Speed of Adjustment of high growth firm is greater than that of low growth firm.

Further, analyzing the group affiliated firms we find that the high growth firms' SOA is also statistically significantly different than that of low growth firms. The speed of adjustment of high growth group affiliated firms is 18.62% and for low size firm is 13.04%. Hence, we do not have sufficient evidence to reject Hypothesis 5D₂ and hence conclude that the speed of adjustment of high growth group affiliated firm is not greater than that of low growth group firms.

Analyzing the standalone firm sample, we find that the high growth standalone firms' SOA is also statistically significantly different than that of low growth standalone firms. The speed of adjustment of high growth firms is 17.46% and for low growth firm is 12%. Hence, we do not have sufficient evidence to reject Hypothesis 5D₃ and hence conclude that the speed of adjustment of high growth standalone firm is greater than that of low growth standalone firms.