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Anti-corruption effects on the credit risk of local financing vehicles and the pricing of Chengtou bonds: evidence from a quasi-natural experiment in China

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Highlights

- We identify the causal effects of anti-corruption on the credit risk of local financing vehicles (LFVs) and the pricing of Chengtou bonds (CBs) in China based on a quasi-natural experiment.
- Anti-corruption decreases LFVs' earnings, thereby increasing LFVs' credit risk. This corresponds to a reduction in LFVs' nonoperating incomes, and the greatest reduction of earnings occurs among LFVs investing in public infrastructure.
- Credit risk mispricing occurs in the primary market.

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