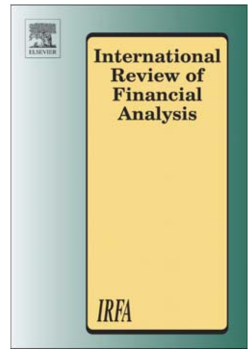

Labor Protection and Corporate Debt Maturity: International Evidence

Mohamed Belkhir, Hamdi Ben-Nasr, Sabri Boubaker

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Labor Protection and Corporate Debt Maturity: International Evidence**

Mohamed Belkhir
UAE University, College of Business & Economics
United Arab Emirates
m.belkhir@uaeu.ac.ae

Hamdi Ben-Nasr*
College of Business Administration, King Saud University, KSA
hbennasr@ksu.edu.sa

Sabri Boubaker
Department of Finance, Audit and Accounting
Champagne School of Management (Groupe ESC Troyes), France
Institut de Recherche en Gestion, Université Paris Est Créteil, France
sabri.boubaker@get-mail.fr

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Abstract

This paper investigates the impact of labor protection on corporate debt maturity structure. We hypothesize that stronger labor protection is conducive to a greater use of short-term debt maturity by firms. Using various country-level indicators as measures of labor protection, and a sample of 114,594 firm-years from 43 countries over the 1990-2010 period, we document robust evidence that firms located in countries where labor enjoys a strong protection tend to borrow more short-term. Our analysis suggests that labor protection is an important institutional factor that plays a role in determining the maturity structure of corporate debt over-and-above economic, legal, and political factors identified in prior research.

Key words: Labor protection; Debt maturity; Institutions; Agency theory, Information asymmetry.

JEL Classification: G32; G34; K31

* Corresponding author +966 547 044 326.

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