

Accepted Manuscript

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PII: S1057-5219(16)00013-2
DOI: doi: [10.1016/j.irfa.2016.01.012](https://doi.org/10.1016/j.irfa.2016.01.012)
Reference: FINANA 936

To appear in: *International Review of Financial Analysis*

Received date: 29 December 2014
Revised date: 23 October 2015
Accepted date: 17 January 2016



Please cite this article as: Belkhir, M., Ben-Nasr, H. & Boubaker, S., Labor Protection and Corporate Debt Maturity: International Evidence, *International Review of Financial Analysis* (2016), doi: [10.1016/j.irfa.2016.01.012](https://doi.org/10.1016/j.irfa.2016.01.012)

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Labor Protection and Corporate Debt Maturity: International Evidence**

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October 2015

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

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** We thank participants at the 2014 Global Finance Conference, the 2014 Financial Management Association Annual Meeting for their insightful comments, and anonymous reviewers as well as the journal editor for their insightful comments and suggestions. Hamdi Ben-Nasr would also like to thank the Deanship for Scientific Research at King Saud University, represented by the research center at CBA, for supporting this research financially.

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