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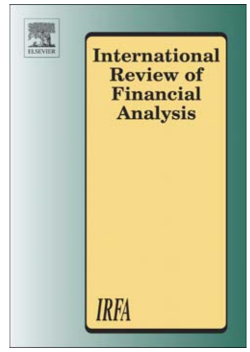

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Corporate Debt Maturity in the MENA Region: Does Institutional Quality Matter?

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Abstract

We investigate corporate debt maturity structure in the MENA region and its firm- and institutional determinants using a sample of 444 listed firms over the 2003-2011 period, or 3,717 firm-year observations. We find a very limited use of long-term debt by MENA firms; long-term debt represents only 3.41% of the typical MENA firm's total debt, which is much less than what is reported in prior literature on other parts of the world. Consistent with the predictions of debt maturity theories and prior empirical findings, we find that leverage, firm size, and asset tangibility are positively associated with the use of more long-term debt while firms facing a higher risk of default tend to use more short-term debt. In addition, we find that better quality institutions lead to the use of more long-term debt in MENA. Specifically, stronger rule of law, better regulatory effectiveness, better legal protection of creditors, and more developed financial intermediaries are associated with greater use of long-term borrowing by MENA firms. Our findings have important policy implications as they illuminate the path towards needed reforms that would enhance MENA firms' access to long-term debt, which may ultimately result in more private investment and jobs.

***Key words*:** debt maturity; leverage; MENA; institutions; financial development.

***JEL Classification*:** G32 ; G33 ; G38.

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