The Impact of Institutional Environment in Firms Capital Structure during the Recent Financial Crises

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Abstract

This paper reviews the impact of environmental variables on firms' capital structure throughout the recent financial crises (dot.com bubble, subprime crisis, and European sovereign debt crisis). For the first time, the sovereign general gross debt and current account balance appear in the debate, revealing evidence that the sovereign's irrational exuberance of debt has been mimicked by firms. The proposed approach revealed two important trends, broadly consistent throughout those disturbed episodes. Under stress firms firstly increase leverage and rely, or are forced to rely, secondly on short-term borrowings, heightening rollover risks. Altogether, the pronounced outbreak of those crises had on its own the seeds of a new one. Regarding the European sovereign debt crisis, the presence of an asymmetric shock was noticed, with the periphery and the centre of the European Union being targeted with different magnitudes. Lastly, it is clear that environmental variables are key to this topic and should deserve a more careful analysis to improve the understanding of financing choices of firms. Even more in a case of a financial crisis...

JEL Classification: G01, G30, G32

Keywords: Capital Structure; Financial Crisis; Institutional Environment

1. Introduction

There have been three financial crises since the beginning of the century – the dot.com bubble, the subprime crisis and the European sovereign debt crisis. All had different dimensions and different outcomes for the world economy, creating new challenges for firms' financing choices which are far from being solved. The main objective of this research paper is to evaluate (i) the role of recent financing crises in corporate financing choices, (ii) the role of institutional variables in recent financial crises, and (iii) how firms reacted to the interaction between different institutional environments and financial crises. In this sense, we will consider the country´s institutional environment, namely its economic performance, its level of financial development, and the recent trend of financial liberalization. We emphasize the role of some variables, namely the interaction between crises and some institutional variables, particularly the general government gross debt and the current account balance, given that they are introduced for the first time in the debate of capital structure. Moreover, this research paper pioneers the analysis of the impact of financial crises on firm´s financing choices.

With respect to crises there are several reasons for such cumulative events. Some are intrinsic to the financial system, such as the deregulation of financial markets, the financial innovation and the deficiency of supervisory systems, among other aspects related to the appropriate management of public goods and the preservation of the principle of symmetric information. Others are related to the economies of developed countries, overshadowed by problems in their social security and education systems, creating the ideal conditions to promote the wealth´s distribution in an iniquitous way, thereby stimulating the implementation of expansionary fiscal and monetary policies in the short run, and primarily financing the economies of emerging countries. The accumulation of successive surplus in

their current account, created economic fractures and changed the landscape of distribution of wealth around the world (see Rajan (2010)).

In short, it is possible to characterize the first financial crisis of the twentieth century, the dot.com bubble, as a result of an irrational behavior of investors, namely institutional investors, especially hedge funds, where they bought growth stocks at very high prices culminating in a wide sell off by institutional investors and mainly by individuals (see for example Griffin *et al*. (2010)).

The subprime crisis, perhaps the most disturbing of the three, revealed a wide combination of weaknesses. For instance, the monetary policies implemented by the Federal Reserve to overcome the previous crisis, namely decreasing the federal funds rate target from 2000 to 2003, implied an increase of the same federal funds rate by 2006, in order to curb inflation. This shift coincided with a period of high real estate prices, leading to real estate market devaluation. Jointly with low interest rates and large inflows of foreign funds, the ideal conditions were set up for a real estate market boom and debt finance-consumption (sometimes stimulating the homeowner speculation). The high-risk mortgage loans and lending/borrowing inaccurate practices, the imprecise credit ratings and the huge increase in financial innovation (credit default swaps, mortgage-backed securities, among others) also contributed to the financial turmoil. The financial institutions' debt levels and the poorly designed compensation schemes (for example, the incentives of traders were focused on fees generated by packaging financial assets, rather than the performance of those products) equally played a crucial role in the subprime crisis. Still relating to financial institutions we must not forget the regulatory failure (see for example, Diamond and Rajan (2009)). These factors culminated in the bankruptcy of Lehman Brothers in 2008.

Finally, the European sovereign debt crisis, more confined to European Capital markets, was a result of expansionary fiscal policies pursued during the first decade of the twenty-first century, particularly by the countries of southern Europe, to the low economic growth levels, given the low competitiveness of these economies in the context of the European Union (see for example, Anand *et al.* (2012)).

The capital structure analysis, particularly in the 70s and 80s, was concerned with the development of the trade-off theory, which compares the benefits of using debt (DeAngelo and Masulis (1980)) with its costs, namely in terms of financial distress (Krauz and Litzemberger (1973)) and Kim (1978) and agency costs (Jensen an Meckling (1976)).

In the 80s the pecking order theory emerged, a new theory related with information asymmetries, advocating the use of internal rather than external resources, and secured securities rather than unsecured ones (Myers (1984) and Myers and Majluf (1984)). The pecking order theory - contrarily to the trade-off theory - believes that firms do not have leverage targets.

More recently, Baker and Wurgler (2002) showed the role of the market on shares issues and repurchases. In a nutshell, their findings point out that managers issue shares when they are overvalued and repurchase them when they are undervalued, and consequently they were denying the pecking order theory. However, these findings were promptly refuted. Alti (2006) showed that market timing is a short-term phenomenon without any impact on firms' long-term capital structure. In reality, the debate focused almost exclusively on the trade-off and the pecking-order theories and which one better explains corporate financing choices, namely the theoretical consistency to the playing field (Shyam-Sunder and Myers (1999) and Frank and Goyal (2005)).

There are many objections as to accepting a single theory as the front-runner in this debate. For example, firms often issue equity when they should not do so (Fama and French (2005) and Leary and Roberts (2004)). Hovakimian *et al.* (2012), on the other hand, found high bankruptcy costs on smaller firms with lower asset tangibility, contradicting the trade-off theory.

Another field of investigation emerged, related with the capital structure analysis, its determinants, and its relationship with different theories, particularly those previously described. Titman and Wessels (1988), for example, found in the profitability measure, and its negative relationship with leverage, an explanation to support the allegations of Myers (1984) and Myers and Majluf (1984). Rajan and Zingales (1995) examined the tangibility, market-to-book, sales, and profitability variables in G7 countries. They treated them as independent variables to explain market and book leverage and concluded they have the same influence on those countries. Giannetti (2003), considering a sample of unlisted firms, evaluated the impact of firm and country characteristics on capital structure and concluded firms indebtedness is greater in underdeveloped stock markets. On the other hand, Demirgüç-Kunt and Maksimovic (1996), studying the impact of stock market development on firms' financing choices, concluded that the size of the capital market has a positive influence on the use of long-term debt.

Concurrently, Booth *et al.* (2001) examined capital structures in ten developing countries, concluding for the need to study the influence of countries´ infrastructures on financing choices, once the firm-level determinants of capital structure are similar in developed and developing countries. De Jong *et al.* (2008), based on a sample of 42 countries, concluded that the impact of firm-specific determinants is highly influenced by country-specific determinants. Antoniou *et al.* (2008), comparing the firms' capital structure determinants of two capital market oriented countries (the United Kingdom and the United

States) with three banking-focused countries (France, Germany and Japan), showed the importance of the economic environment, corporate governance practices, the level of investor protection, and other institutional variables to explain corporate financing decisions. Frank and Goyal (2009) concluded that the expected inflation is one of the most reliable variables to explain market leverage.

Alongside, Alves and Ferreira (2011) studied the impact of law on capital structure, considering a panel of 31 countries, and concluded for the negative impact of the interaction between shareholder rights and profitability on market leverage, suggesting that the more shareholders there are, the fewer asymmetric information problems occur. Fan *et al.* (2012) debated the impact of some institutional variables like corruption, taxes and legal systems on capital structure and debt maturity choices, concluding that such variables explain a significant portion of the variation in leverage and debt maturity ratios.

The paper is organized as follows. Section 2 debates the relationship among country-level institutional variables and financing choices. Section 3 describes the data and presents descriptive statistics. Section 4 details the results of using a panel data, with firm effects. Section 5 contains considerable robustness and a number of additional tests. Section 6 concludes.

2. Determinants of Capital Structure: Country-Level Variables and Firm-Level Variables

This section analyses the role of institutional and firm-level variables on financing choices. It will discuss, on the one hand, the importance of economic environment and business atmosphere, financial systems and the level of financial liberalization in a given country, and on the other hand, the firm-level variables that will be used in this research, as firms determinants of capital structure.

2.1. Economic Environment

Economic environment is an important factor to explain corporate finance decisions. Variables such as current account balance and general government gross debt are very important to understand financing choices and resources available to develop projects, but contrarily to GDP growth, were never introduced in the debate.

In fact, the recent sovereign European debt crises crisis demonstrates that the imbalances between both variables created serious problems to some peripheral countries (namely Greece, Portugal, and Spain), preventing firms and Governments from easily financing themselves in international markets, weakening the local monetary markets, increasing interest rates and creating uncertainty among local and international investors (see Lane (2012) and Popov and Van Horen (2013) and Chen *et al.* (2013)).

Booth *et al.* (2001) found a few pointers that the real economic growth in a country will positively influence book leverage, as firms tend to borrow more in periods of real growth prospect, and less during periods driven by an inflationary process. The increase of assets´ monetary value is not compensated by the higher interest rates and the concomitant risk. De Jong *et al.* (2008) showed that economic growth has not only a positive impact on levels of debt to finance new investments, but it also strengthens the impact of some firm-levels, namely growth opportunities.

On the other hand, Levine and Zervos (1998) showed that GDP growth prospects depend positively on the stock market liquidity and banking development. As a result, it is expectable that the country's economic performance will have an impact not only on debt levels but also on equity levels, depending on financial structure systems.

2.2. Financial Development, Capital Markets´ Development and Business Atmosphere

The structure of a financial system, whether banking-based or capital-market based, is an important aspect to consider when analyzing firms' financing choices, as referred previously. Demirgüç-Kunt and Maksimovic (1996, 1999) showed a positive relationship between an active stock market and the use of long-term debt, and on the other hand, concluded that equity is replaced by long-term debt, after a stock market development. In the same vein, Wurgler (2000) showed that the development of financial markets definitely influences the investment in growing industries, and Rajan and Zingales (1998) concluded how important a developed financial market is to finance industries needing external resources.

With reference to the financial development and the capital market development we consider two indicators: capital market development, measured by total value of shares traded and banking development, measured by domestic credit provided by banking sector (see Table A1). Both variables are highly influenced by legal regimes and several studies have analyzed this subject.[1]

To evaluate the business atmosphere, one relevant variable is the country's level of corruption, generally measured by a corruption perception index (that ranges from 0 to 10, where the lower values indicate more severe corruption (see Table A1)) from Transparency International. Recently, Alves and Ferreira (2011) showed that firms from countries with

[1] La Porta *et al*. (1997, 1998) studied the role of the legal environment in several variables, namely shareholders' rights and creditors' rights. Their results indicated that countries with poor investor protections, particularly civil law legal systems, indeed have significantly smaller debt and equity markets. Demirgüç-Kunt and Levine (1999), in line with those authors, also concluded that civil law regimes produce undeveloped financial systems, contrarily to common law legal systems.

higher corruption presented larger levels of debt. Fan *et al.* (2012) also concluded that firms in countries with more corruption and less enforcement tend to use more debt, especially short-term debt.

2.3. Financial Liberalization and Foreign Direct Investment

In this research we will focus on the role of financial liberalization[2] and of foreign direct investment, measured by the number of years between the formal regulatory date change after which foreign investors officially had the opportunity to invest in domestic equity securities and the beginning of our sample, 2000 – see Table A1. Some researchers concluded that following market liberalization a country experiments a period of economic growth and capital market development. Henry (2000) found that in a sample of 11 developing countries which liberalized their stock markets, nine experienced growth rates of private investment above their non-liberalization median in the first year after liberalizing. Bekaert *et al.* (2005), showed that equity market liberalizations, on average, lead to a one percent increase in annual economic growth, and the effect does not reflect variation in the world business cycle. Also according to Bekaert and Harvey (2000) financial integration, as a result of post-liberalization, should decrease the cost of capital and increase investment.

At micro level, Laeven (2003) concluded that financial liberalization affects small and large firms differently. While small firms benefit from financial liberalization, decreasing their financial constraints, the same does not occur with large firms. Interestingly, Mitton (2008), based on a sample of 34 emerging markets, found a positive impact of financial openness (cumulative capital flows to GDP) on debt ratios. Ameer

[2] In this research, given our econometric approach (fixed effects), this variable will be analysed only in tables VI and VII, dividing the sample into high and low liberalized countries.

(2013) analyzing the capital structure adjustments of 12 emerging markets concluded that the speed of adjustment on debt ratio target decreased in South American countries after full liberalization, contrarily to what happened in Southeast Asian countries. Their results showed that the speed of adjustment, after full liberalization, is dependent on the rule of law and creditors' rights. Firms, where enforcement is properly present, had higher adjustment speed compared to those countries where there was no enforcement.

Claessens *et al.* (2002) concluded from a sample of 77 countries, on one hand, that foreign direct investment is a complement and not a substitute of domestic stock market development, and on the other hand, that foreign direct investment is positively related with stock market capitalization and value traded. Muradoglu *et al*. (2013) showed that small firms benefited from the European integration process not only by equity channel but especially through FDI flows. In light of this it is important to evaluate both variables as determinants of financing choices.

2.4. Firm-Level Variables

Consistent with existing literature (Titman and Wessels (1988), Rajan and Zingales (1995) Guedes and Opler (1996) and Baker and Wurgler (2002)) we choose consensual firm-level variables, related with different capital structure theories, namely the trade-off and the pecking theory, that are commonly used as determinants of leverage and debt maturity. Henceforth, we resort to tangibility defined as property, plant, and equipment divided by total assets; profitability defined as earnings before interest, taxes, depreciation, and amortization divided by total assets; size is defined as the logarithm of sales; and, market-to-book defined as total liabilities plus market capitalization divided by total assets.

3. Data and Descriptive Statistics

The data extracted from Worldscope include firms from 43 countries with different features: Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, Indonesia, Israel, Italy, Japan, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Pakistan, Peru, Philippines, Poland, Portugal, Russia, Singapore, South Africa, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Turkey, the UK, and the US.

The sample is diversified, containing developing capital markets, namely the largest ones, as Mexico and Brazil, several developed capital markets, as the UK and the US, diverse banking-oriented countries, as France and Germany, countries with different levels of investor protection, as Indonesia and Australia, countries with different maturity in terms of financial liberalization, as China and Canada, countries whose economies present different levels of growth and financial strength, as Hong Kong and Portugal, among other possible characterizations.

The period from 2000 through to 2011 is analyzed. The inclusion of a firm in this research supposes an eight-year minimum of financial information. We censorize all firm-level variables, excluding the bottom and the top 1% of own variable distribution. We also exclude financial institutions because they are subject to specific regulations that influence their leverage.

Dependent variables are defined as follows: book leverage is total debt (WC 03255) divided by total assets (WC 02999); market leverage is total debt divided by the sum of total debt and market capitalization (WC 08001); short-term debt to total debt is defined as short-

term debt (WC 03051) divided by total debt; long-term debt to total debt is defined as long-term debt (WC 03251) divided by total debt. Tangibility is defined as property, plant, and equipment (WC 02501) divided by total assets. Profitability is defined as earnings before interest, taxes, depreciation, and amortization (WC 18198) divided by total assets. Size is defined as the logarithm of sales (WC 07240). Market-to-book is defined as total liabilities (WC 03351) plus market capitalization divided by total assets.

Figures 1-3 show the mean market leverage, the mean book leverage, and the long- and short-term's mean debt to total debt. The most surprising result in leverage levels (see figures 1-2) relates to the differences found among developing countries. While Colombia, Poland and South Africa present low levels of leverage, Pakistan, Indonesia and Brazil, on the other hand, present the opposite result. This finding is important because it gives us a sign that not all developing countries will have the same result in terms of future economic growth, contrarily to mainstream thinking.

Relatively to long and short-term debt, we would like to highlight our findings for developing countries. Contrarily to what would be expected, firms from such countries present the greatest long-term debt levels (see figure 3, particularly the cases of Colombia, Brazil, Turkey, Malaysia, Indonesia, Sri Lanka, Poland, Egypt, and Argentina). The idea that long-term debt is commonly used in developed countries as a consequence of their higher levels of credit monitoring and investor protection is rejected and perhaps explains why they were more affected by recent financial crises.

Figure 1

Mean Market Leverage of Sample Firms (2000-2011)

Figure concerns to mean market leverage across 43 countries. Market leverage is total debt divided by the sum of total debt and market capitalization.

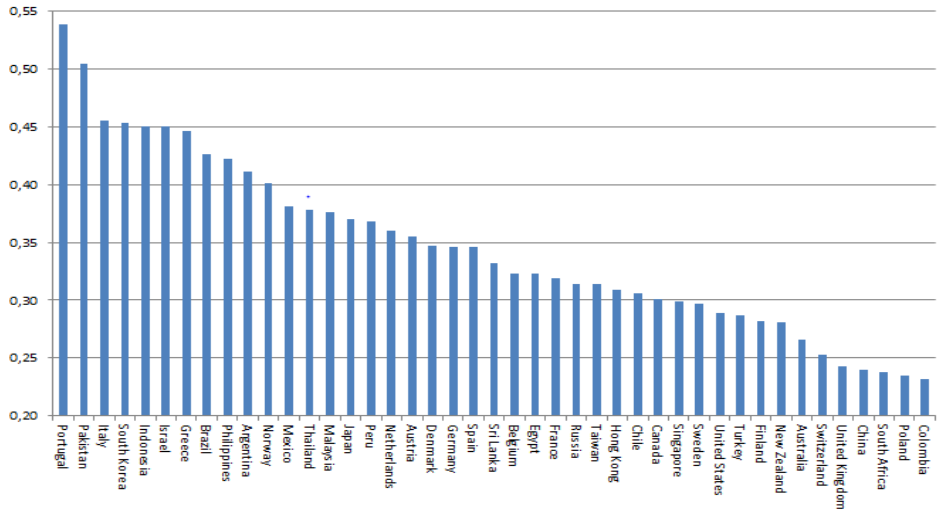

Figure 2

Mean Book Leverage of Sample Firms (2000-2011)

Figure concerns to mean book leverage across 43 countries. Book leverage is total debt divided by total assets.

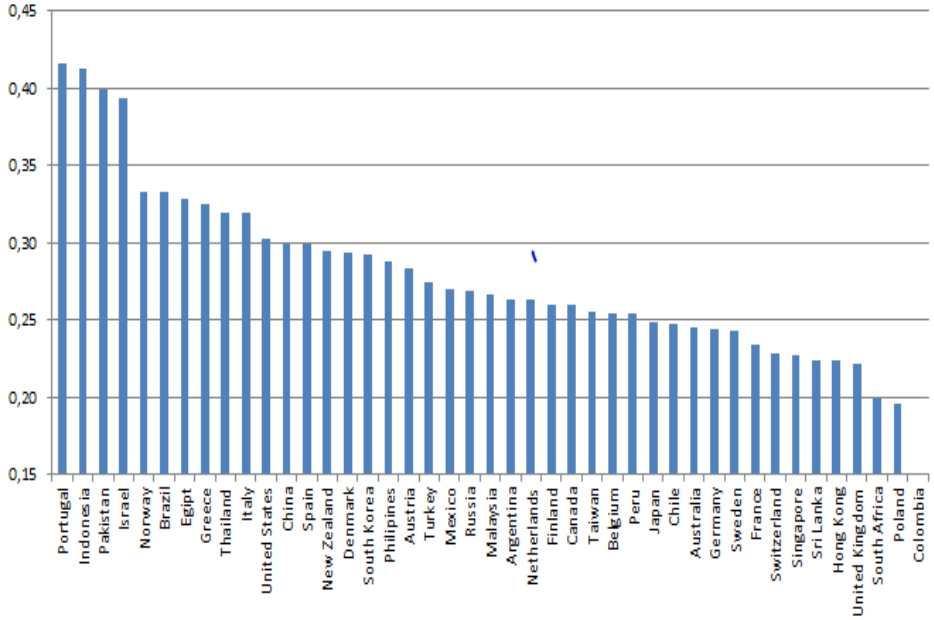

Figure 3

Mean Long- and Short-Term Debt to Total Debt of Sample Firms (2000-2011)

Figure concerns to mean book leverage across 43 countries. Short-term debt to total debt is defined as short-term debt divided by total debt; long-term debt to total debt is defined as long-term debt divided by total debt

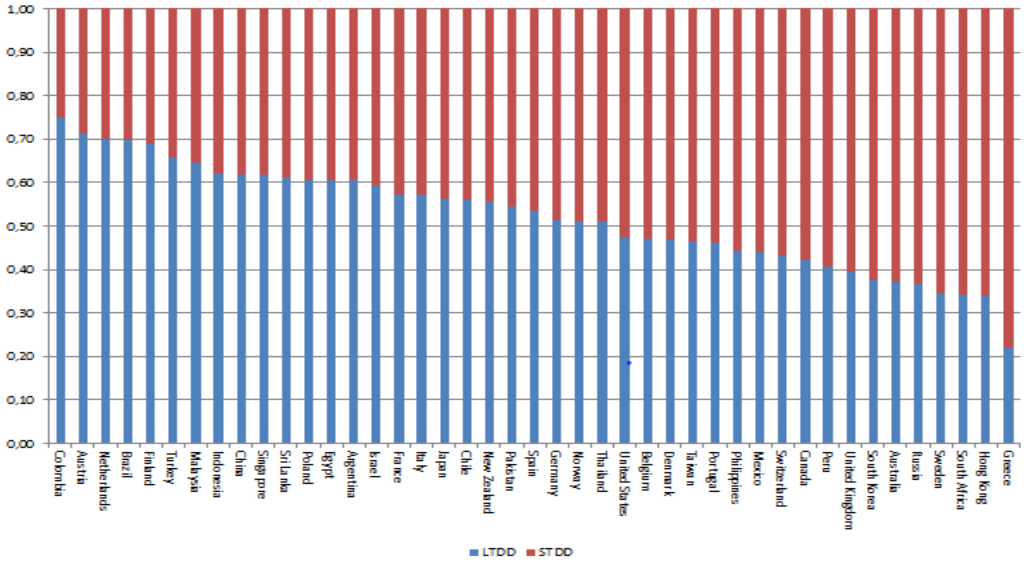

Table I presents the summary statistics of firm-level variables. The sample is composed by 11,209 firms and 119,589 observations. The most represented countries in the sample are China, Japan, and the US, contrarily to Colombia and Egypt. The results for firm-level variables show diverse results. The most notable case refers to profitability, where Italy presents a mean of 0.44 for this variable, contrarily to South Korea with 0.01. The highest outcome for Italy resulted from the characteristics of the sample for Italian firms, a small number of large firms.

The results for country variables presented in table II are even more diverse than those obtained for firm-level variables, justifying their inclusion in any analysis about capital structure and financing choices. This idea is observable for capital market development, that varies, in mean, from 0.03 (Peru) to 3.72 (Hong Kong), but also for GDP growth rate, that fluctuates between 0.01 (for example, for Portugal) and 0.11 (China), for

foreign direct investment, ranging between 0.00 (Japan) and 0.22 (Hong Kong) and also for current account balance, presenting an amplitude of 0.29 (-0.10 for Portugal and 0.19 for Singapore). The inclusion of such kind of variables, besides the literature support provided by Booth *et al*. (2001), De Jong *et al*. (2008) and Fan *et al*. (2012), are justified by these differences.

Summing up, the period between 2000-2011 was characterized by significant changes, namely market volatility and financial crises, causing diverse effects on leverage ratios and on the relationships between such leverage ratios and independent variables.

In table III we present Pearson correlation coefficients in order to particularly understand the relationship between dependent and independent variables. The most relevant results are:

(i) Book and market leverage presents a Pearson correlation coefficient relatively small. The significant changes in firms´ market capitalization during 2000-2011 were responsible for such a result;

(ii) Financial Crises, on average, are positively associated with leverage and the use of long-term-debt instead of short-term, although that was more evident in dot.com bubble;

(ii) Leverage is positively related with lower standards of corruption, contrarily to the use of long-term debt;

(iii) Market (book) leverage is negatively (positively) related with common law, contrarily to the use of long-term debt;

(iv) Leverage is negatively related to economic level of development, contrarily to the use of long-term debt;

(v) Leverage is negatively related with capital market development and banking development, contrarily to the use of long-term debt;

(vi) Leverage is negatively influenced by foreign direct investment, contrarily to the use of short-term debt;

(vii) Market (book) leverage is positively (negatively) related to a country's current account balance, contrarily to the use of long-term debt;

(viii) Market (book) leverage is positively (negatively) related to a country's general government gross debt, contrarily to the use of short-term debt;

(ix) Market (book) leverage is negatively (positively) related to a country's GDP growth, contrarily to the use of long-term debt;

(x) Market (book) leverage is positively (negatively) related to a country's financial liberalization, contrarily to the use of long-term debt.

4. Empirical Results

In addition to our analysis, we have estimated a panel regression of leverage and debt maturity choices, which includes firm-fixed effects:

$$LEV_{it} = \alpha + \beta_{it} X_{it} + v_i + \varepsilon_{it}$$

$$DMC_{it} = \alpha + \beta_{it} X_{it} + v_i + \varepsilon_{it}$$

where LEV_{it} (leverage) is market and book leverage for firm i in period t and DMC_{it} (debt maturity choices) is long-term debt to debt and short-term debt to debt for firm i during period t; $X_{it}$is a set firm o firm and country-level variables. CPI (corruption perception index), CMD (capital market development), BD (banking development), GGGD (general government gross debt), GDPG (GDP growth), FDI (foreign direct investment flows), CAB (current account balance), CRISIS1 (dummy variable equal a 1 for 2000 and 2001 when dot.com bubble occurred), CRISIS2 (dummy variable equal a 1 for 2007 and 2008 when subprime crisis occurred), CRISIS3 (dummy variable equal a 1 for 2010 and 2011 when European sovereign debt crisis occurred), CRISIS4 (dummy variable 1 if a financial crisis occurred) are country-level variables (see definitions in Table A1). TANG (tangibility), PROF (profitability) and Size (the natural logarithm of sales) and MB (market-to-book) are firm-level variables; v_t is a firm fixed effect; and, ε_{it} is the error term.

We bypass potential problems of endogeneity arising from the individual characteristics of firms not portrayed in the set of regressors by resorting to fixed effects (FE) models. Furthermore, those also include some cross firm characteristics at country level, reinforcing the robustness of the presented models against endogeneity.

The results presented in table IV explain how leverage in the different definitions considered (market leverage and book leverage), in panels A and B, and how debt maturity choices (long-term debt to debt and short-term debt to debt), in panels C and D, are explained by country and environmental variables, considering the observed financial crisis and in the presence of firm-level variables as control variables. To explain leverage we consider nine models.

Panels A-D show that the first financial crisis, dot.com bubble, had the most overall significant impact on leverage. The CRISIS1 parameter presents a larger value than those obtained in other crises, and its positive signal (excluding the U.S. where it was negative, as

we will see further) means that an increase in the level of debt took place during such period (see panel A).

Notwithstanding the aggregate behavior of leverage, two broadly consistent divergent tendencies were spotted. In the presence of a crisis, short-term borrowings followed an upward drift while the long-term issuances followed the antagonistic trend. This is particularly observed in CRISIS1 and CRISIS2 (see panels C and D).

As a consequence of asymmetric information, firms have issued short-term debt instead of long-term debt, probably also refusing to issue shares, following the pecking order theory. Although the signs of the crisis parameters differ according to the type of leverage, financial crises globally considered increased the level of firm leverage (see the positive signals of CRISIS4 on panels A and B). Such result is a consequence of short-term debt issuances instead of long-term ones (see panels C and D). Such a result is likely to be explained by a credit crunch after a period of expansion.

That event is consistent with our hypothesis because, in general, firms present greater exposure to rollover risk in recession periods and those firms exposed to that problem have lower credit rating, higher yield spreads, and more difficulties to convince bond market investors to rollover their debt (vd. for example Gopalan *et al.* (2013). This result is also in line with Custodio *et al.* (2013) who found a decrease in firms´ debt maturity for the US. They attributed such a result to information asymmetries.

With regard to institutional variables, the negative relationship between the larger level of corruption and the leverage should be mentioned (see panels A and B). In fact, it suggests that the greater is a country's effort against corruption, the lower is the level of debt issued by firms. This result is in line with Alves and Ferreira (2011) and Fan *et al.* (2012). We also find that long-term debt is more used in countries where corruption is more severe

(see panels C and D). Probably, this is a consequence of the impact of financial crises on developed countries. Firms were required to deleverage more intensively and to substitute long-term by short-term debt more often.

With respect to capital market development and banking development we found different signs in the connection between those variables and the level of leverage. In the case of capital market development a negative sign shows up when market leverage is considered (see panel A) and the opposite for book leverage (see panel B). This does not confirm the findings of Demirgüç-Kunt and Maksimovic (1996), who concluded that equity is replaced by long-term debt after a stock market development. Once more, when we consider the results obtained for debt maturity choices, our results show that firms located in developing capital markets prefer long-term debt to short-term, also in contrast with Demirgüç-Kunt and Maksimovic (1999).

The substantial increase of government general gross debt around the world since the beginning of the century also had a positive impact on market leverage, book leverage and long-term debt of firms, contrarily to short-term debt (see panels A-D). It seems that firms followed the irrational exuberance of debt that should culminate in a deleveraging process over the following years.

Concerning the results for current account balance, although less consistent in comparison with government general gross debt, they reflect, at least for market leverage and long-term debt to debt (see panels A and C), that a deficit in such variable increases market leverage, as well as long-term debt to debt. An explanation for this result may be a loss of competitiveness by firms, which decreases the value of the shares, increasing the market leverage.

Alongside, market leverage and book leverage were negatively influenced by GDP growth rate (see panels A and B), not confirming the results of Booth *et al.* (2001) and De Jong *et al.* (2008). A higher GDP growth rate means a higher dividend (free cash flow to equity) growth rate, increasing the equity firms value, decreasing book leverage and particularly market leverage, and this is the most plausible explanation for such a result.

Concerning the firm-level variables, the results obtained for market leverage are in line with recent research (vd. Rajan and Zingales (1995), Baker and Wurgler (2002), and Fan *et al.* (2012)): Firms with high ratios of fixed assets to total assets have higher debt ratios; Lower debt ratios are associated with profitable firms; Large firms tend to have higher debt ratios; Firms with higher ratios of market-to-book value have lower debt ratios. Book leverage also presents the same signs as for market leverage, except for market-to-book. Öztekin (2013), based on a sample of 37 countries, also found weak and mixed results for market-to-book as an explanatory variable of book leverage.

Regarding long-term debt to debt and short-term debt to debt the results are also in line with what was expected, contrarily to market-to-book. Long-term debt to debt is positively influenced by tangibility, profitability and size. The opposite pattern occurs for short-term debt to debt.

Long-term debt to debt is positively influenced by tangibility, as it avoids companies' exchange of lower-risk investments for higher-risk investments, in line with the asset substitution problem defined by Jensen and Meckling (1976). Moreover, borrowing can be easily collateralized by tangible assets.

Profitability contributes positively to long-term debt to total debt. This result is in line with free-cash flow hypothesis of Jensen (1986), which stimulates shareholders to issue long-term debt in face of firms' wealth creation in order to prevent eventual conflicts of

interests between managers and shareholders. In the same direction, we find the influence of size in long-term debt to debt. The explanation is straightforward: larger firms have lower bankruptcy costs (Rajan and Zingales (1995)) and fewer conflicting interests between lenders and borrowers (Stohs and Mauer (1996)).

Conversely, we find a negative relationship between market-to-book and long-term debt to debt, as a consequence of the underinvestment problem of Myers (1977): equity holders may not accept positive net-present-value projects because they assume the full costs of the projects while benefits are shared with debt holders.

In table V, panels A-D, we present a multivariate analysis considering the interaction of all crises (CRISIS4) with institutional variables.[3] Concerning the interaction between CRISIS4 with the corruption perception index, we found a positive signal for market leverage, book leverage, and short-term debt to debt.

This result reveals that in an economic disturbed context, countries where investors benefit from high protection are suffering greater information asymmetry problems in their markets of debt. There, investors are highly protected and they are perceived as more valuable candidates to receive the remaining capital in case of financial distress. Henceforth, the debt holders' credit risk increases, even more in the presence of asymmetric information about the actual firm's financial position. Those react by changing the cost of debt more remarkably in the longer maturities, leaving the management with few financing alternatives, usually turning to short-term borrowings. The same conclusion can be inferred if we consider either capital market development or banking development, and may provide

[3] We also have done a multivariate analysis considering the interaction of each financial crisis with institutional variables. The results obtained were not similar across financial crises, meaning the institutional environment did not produce the same effects given the characteristics of each financial crisis. We will further see that the impact of each financial crisis was not similar around the world. However, this potential weakness does not disturb our results because our main objective is to evaluate the global impact of the three financial crises within an institutional environment that did not change substantially during the period 2000-2011.

further explanation for the greater preference for long-term borrowings in developing economies, especially in distressed times, when compared with their developed counterparts.

Relating to banking development, the result is even more surprising. Banking development is associated with countries where creditors are highly protected (see for example Alves and Ferreira (2011)) and even so, in face of a financial crisis, there are significant signs of change from long-term debt to short-term debt.

The interaction between macroeconomic variables (general government gross debt, GDP growth, current account balance, and foreign direct investment) and leverage (as well as with long-term debt to debt and short-term to debt) is not conclusive. The comparison of model 1 with models 5, 6, 7, and 8 shows different signs among such variables, indeed. Probably results differ across countries.

In table VI the previous analysis is divided by category of countries: the US, developed countries, developing countries, EMU countries, common-law countries, Non-common law countries, high financial liberalization countries, and low financial liberalization countries.

The institutional and macroeconomic variables as Booth *et al*. have concluded (2001), contrarily to firm-level variables, have a non-homogeneous role around the world, and this explains why R^2 for market leverage varies 0,181 and 0,233 (see panel A). For example, the corruption perception index influences market leverage in developing countries positively, but the same statistical relation should not be concluded regarding developed markets.

The same disparity of results is found in the general government gross debt in which the impact of such variable on market leverage is different in developing countries and developed countries. For the first group, we found a positive impact while for the former set

the opposite is revealed. These opposite findings are also extensive to general government gross debt, foreign direct investment, and current account balance.

In general, capital market development and banking development influence market leverage negatively, but the same should not be concluded for book leverage (see panels A and B). Broadly, the GDP growth rate presents a negative impact on leverage, confirming our previous results. However, the impact on long-term debt to debt and short-term debt to debt differs across countries. The remaining macroeconomic variables, in particular general government gross debt, current account balance, and foreign direct investment, produce diverse results across countries (see panels C and D). It seems that institutional variables produce more homogeneous results across countries than macroeconomic variables.

In the American setup, during the financial crisis, the interaction between CRISIS4 and the corruption perception index shows that an increase on the corruption perception index produces a negative impact on market and book leverage (see panels A and B). Also noteworthy is the opposite sign for short-term debt to total debt, which, although without statistical significance, reinforces the presented view that when investors´ protection increases, investors choose to use short-term debt instead of long-term one.

The interaction between capital market development and CRISIS4 shows an unexpected result, considering the previous findings, for developing countries and non-common law countries. This is a consequence of institutional set which produces different results around the world, as we previously referred. In financially stressed periods, market leverage and book leverage surge with capital market development. Furthermore, we detect that in those locations firms replaced long-term debt by short-term debt (see panels A, B, and D).

Concerning the interaction between general government gross debt with CRISIS4, we highpoint the case of non-common law countries. In this case, the behavior is exactly the opposite to that of capital market development. The general government gross debt produces a negative impact on market leverage and book leverage, and a positive impact on long-term debt.

The interaction between GDP growth rate and CRISIS4 produces mixed results. While an increase of growth rate during a crisis negatively influences market leverage and book leverage of developing countries and EMU countries, the opposite is true for developed countries (see panels A and B). The same occurs with the impact on debt (see panels C and D).

Relatively to foreign direct investment and its interactions with CRISIS4, it is worth pointing out that during a crisis period we registered a positive impact of that variable on market leverage and book leverage of non-common law countries, and low financial liberalization countries, as well as the positive impact on long-term debt issuances (see panels A, B, and C).

Summing up, the impact of environmental variables on firms' financing choices is yet far from being entirely resolved, even more in a period of financial crisis. Given the broad spectrum of the analysis, additional research has to be implemented to produce more precise conclusions.

In table VII we investigate the impact of the three crises considering the category of countries previously presented. There are further noteworthy outcomes.

Contrarily to CRISIS1, CRISIS2 had a direct impact, on leverage, in all categories of countries. CRISIS1 produced a negative impact on the U.S. firms' leverage. In spite of the lack of statistical significance, the American supra-referred misaligned impact may be

reasoned due to the harsher decline in the issuance of debt when paralleled with the decrease in shares' market value, due to substantial needs of deleveraging. Alternatively, US firms might be less overvalued or retained more earnings following the Pecking Order hypothesis. Conversely to the other categories of countries, CRISIS2 had a positive impact on long-term debt to debt for EMU countries. It seems there were less asymmetric information problems (or less restriction on debt's markets) in those countries.

CRISIS3 produced mixed effects on leverage, but strangely it affected more the leverage of US firms, as well as firms from developed and high financial liberalization countries than firms from EMU countries (see panels A and B, particularly the values of the coefficient CRISIS3). Probably not all firms from EMU countries have suffered in the same way. Once more, in the case of firms from EMU Countries, long-term debt to debt was positively influenced by CRISIS3.

5. Conclusion

This paper reviewed the impact of environmental variables on firms' capital structure throughout the recent financial crises (dot.com bubble, subprime crisis, and European sovereign debt crisis). Our backbone assumption was that the first two episodes had had an impact on most capital markets whereas the third had been confined to the capital markets of the European Union.

Introduced for the first time in the debate, general government gross debt and current account balance have proven to be pertinent as firms have followed the irrational exuberance of debt of the sovereign accounts.

A maturity debt profile significantly based on short-term issuances ordinarily implies greater financial distress at firm level, as it faces greater exposure to rollover risk in recession periods (lower credit rating and higher yield spreads). A key finding is that when disturbed by economic environment, firms' short-term borrowings followed an upward drift while the long-term issuances kept the antagonistic trend.

The interaction between some of the environmental variables, such as the corruption perception index, market development, and banking development, with the observed financial crises, produces an impact on market leverage, book leverage, and short-term debt to debt which highlight their contribution to the reinforcement of the supra-cited results, in contexts of less perceived corruption and greater market and banking development. In line with the Pecking Order Theory, the existence of effective extra layers of investors' protection, and information asymmetry problems in the markets of debt provide the theoretical background for this firm's choice.

Within this context, the Dot.com bubble produced the largest positive impact on leverage for every set of countries, excluding the U.S., where the impact was negative. Henceforth, in the declared outbreak of this crisis, market leverage, book leverage, and short-term debt to debt broadly increased. This effect on leverage, jointly with our key finding, bolstered a new major disturbance – the Subprime crisis.

The same two effects were unambiguously felt in the aftermath of the Subprime crisis and the European sovereign debt crisis. However, in the last, we are able to detect significant heterogeneity in the magnitude of maturity profiles, with some countries of the EMU being less affected than others. It points to an asymmetric shock in which the financial distress is felt differently in the periphery and in the center of the European Union.

Altogether, we would like to underline that a key research path has to be pursued in order to understand the impact of institutional and – particularly - economic variables on the capital structure analysis and on firms' financing choices. The impact of those variables varies across the countries. In case of financial turmoil even more.

Table I – Summary Statistics of Firm-Level Variables

Market leverage (ML) is defined as total debt divided by the result of market capitalization and total debt. Book leverage (BL) is defined as total debt divided by total assets. The ratio of long-term debt to total debt (LTDD) is defined as long-term debt divided by total debt. The ratio of short-term debt to total debt (STDD) is defined as short-term debt divided by total debt. Tangibility is defined as property, plant and equipment divided by total assets. Profitability is defined as earnings before interest, taxes, depreciation, and amortisation divided by total assets. Size is defined as logarithm of sales. Market-to-book (MtB) is defined as the result of total assets minus book equity plus market capitalisation divided by total assets. N and firms are the number of observations and firms, respectively. Sample period is from 2000 to 2011.

Country	ML	BL	LTDD	STDD	Tangibility	Profitability	Size	MtB	Nº of OBS	Firms
Argentina	0.41	0.26	0.46	0.54	0.51	0.13	11.93	1.02	525	49
Australia	0.27	0.24	0.62	0.38	0.32	0.09	11.52	1.54	3.571	344
Austria	0.36	0.28	0.54	0.46	0.36	0.11	12.92	1.24	548	49
Belgium	0.32	0.25	0.59	0.41	0.31	0.12	12.58	1.41	806	72
Brazil	0.43	0.33	0.51	0.49	0.40	0.15	12.71	1.34	2.042	189
Canada	0.30	0.26	0.70	0.30	0.45	0.10	12.40	1.53	3.260	306
Chile	0.31	0.25	0.61	0.39	0.51	0.12	11.98	1.27	1.165	105
China	0.24	0.30	0.22	0.78	0.37	0.08	12.10	1.96	11.055	1.113
Colombia	0.23	0.14	0.51	0.49	0.48	0.11	12.48	1.11	121	11
Denmark	0.35	0.29	0.57	0.43	0.35	0.10	12.28	1.52	999	89
Egypt	0.32	0.33	0.47	0.53	0.53	0.16	12.62	1.37	145	14
Finland	0.28	0.26	0.62	0.38	0.29	0.12	12.60	1.55	1.058	94
France	0.32	0.23	0.54	0.46	0.19	0.09	12.51	1.42	4.956	450
Germany	0.35	0.24	0.56	0.44	0.27	0.10	12.70	1.36	4.551	417
Greece	0.45	0.32	0.47	0.53	0.40	0.08	11.98	1.21	685	66
Hong Kong	0.31	0.22	0.38	0.62	0.28	0.07	11.10	1.23	2.065	206
Indonesia	0.45	0.41	0.44	0.56	0.43	0.06	11.29	1.31	1.746	163
Israel	0.45	0.39	0.71	0.29	0.39	0.33	13.70	1.43	252	24
Italy	0.46	0.32	0.66	0.34	0.32	0.44	14.83	1.18	403	38
Japan	0.37	0.25	0.44	0.56	0.34	0.16	13.53	1.09	12.716	1.188
Malaysia	0.38	0.27	0.37	0.63	0.40	0.08	10.91	1.04	6.065	573
Mexico	0.38	0.27	0.64	0.36	0.47	0.12	13.37	1.17	759	68
Netherlands	0.36	0.26	0.60	0.40	0.26	0.11	13.72	1.36	1.099	101
New Zealand	0.28	0.29	0.70	0.30	0.49	0.14	11.83	1.48	562	53
Norway	0.40	0.33	0.69	0.31	0.35	0.09	12.48	1.32	792	75
Pakistan	0.50	0.40	0.42	0.58	0.51	0.13	10.87	1.24	929	82
Peru	0.37	0.25	0.46	0.54	0.52	0.17	11.37	1.27	503	46
Philippines	0.42	0.29	0.47	0.53	0.44	0.11	11.20	1.20	744	68
Poland	0.23	0.20	0.41	0.59	0.35	0.12	11.99	1.51	683	71
Portugal	0.54	0.42	0.56	0.44	0.34	0.08	12.72	1.19	445	39
Russia	0.31	0.27	0.56	0.44	0.62	0.18	14.54	1.39	325	34
Singapore	0.30	0.23	0.37	0.63	0.32	0.08	11.33	1.21	3.691	349
South Africa	0.24	0.20	0.51	0.49	0.32	0.16	12.31	1.44	1.613	146
South Korea	0.45	0.29	0.35	0.65	0.37	0.01	12.13	1.00	4.861	475
Spain	0.35	0.30	0.57	0.43	0.36	0.10	13.35	1.46	1.041	92
Sri Lanka	0.33	0.22	0.43	0.57	0.53	0.14	11.80	1.21	292	28
Sweden	0.30	0.24	0.62	0.38	0.24	0.07	12.41	1.55	1.591	149
Switzerland	0.25	0.23	0.61	0.39	0.32	0.11	13.22	1.60	1.567	141
Taiwan	0.31	0.25	0.34	0.66	0.35	0.08	11.76	1.22	9.323	899
Thailand	0.38	0.32	0.39	0.61	0.43	0.11	11.31	1.18	2.737	256
Turkey	0.29	0.27	0.34	0.66	0.37	0.14	11.87	1.39	1.631	151
United Kingdom	0.24	0.22	0.61	0.39	0.28	0.09	12.53	1.59	4.986	453
United States	0.29	0.30	0.75	0.25	0.31	0.09	13.03	1.77	20.681	1.873
Mean	0.35	0.28	0.52	0.48	0.38	0.12	12.37	1.35		
Median	0.33	0.27	0.54	0.46	0.36	0.11	12.40	1.34		
Standard Deviation	0.08	0.06	0.12	0.12	0.09	0.07	0.90	0.20		
Maximum	0.54	0.42	0.75	0.78	0.62	0.44	14.83	1.96		
Minimum	0.23	0.14	0.22	0.25	0.19	0.01	10.87	1.00		

Table II – Summary Statistics of Country-Level Variables

Financial liberalization corresponds to the number of years between the formal regulatory date change after which foreign investors officially have the opportunity to invest in domestic equity securities and the beginning of out sample, 2000. Common Law is a dummy variable equal to 1 when a country adopts the common law system. Developed economy is a dummy variable equal to 1 when the country is classified as developed. The corruption perception index is an index that ranges from 0 to 10, where lower values indicate more severe corruption. Capital market development refers to the total value of shares traded during the period (% of GDP). Banking development is domestic credit provided by banking sector (% of GDP). General government gross debt (% of GDP) - Gross debt consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future; This includes debt liabilities in the form of SDRs, currency and deposits, debt securities, loans, insurance, pensions and standardized guarantee schemes, and other accounts payable. GDP (Growth) means annual percentage growth rate of GDP at market prices based on constant local currency. Foreign direct investment flows (% of GDP) contains information on foreign direct investment (FDI) inflows and outflows by individual country. Current account balance (% of GDP) includes all transactions other than those in financial and capital items. Sample period is from 2000 to 2011.

Country	Financial Liberalization	Legal Origin	Developed Economy	CPI	Capital Market Development	Banking Development	General Government Gross Debt (% GDP)	GDP (GROWTH)	Foreign Direct Investment (% GDP)	Current Account Balance (% GDP)	Nº of OBS
Argentina	12	0	0	2.91	0.03	0.36	0.81	0.05	0.02	0.02	12
Australia	18	1	1	8.69	0.93	1.22	0.15	0.03	0.03	-0.04	12
Austria	18	0	1	8.10	0.13	1.29	0.66	0.02	0.03	0.02	12
Belgium	18	0	1	7.15	0.28	1.13	0.96	0.02	0.20	0.02	12
Brazil	10	0	0	3.74	0.26	0.84	0.69	0.04	0.03	-0.01	12
Canada	18	1	1	8.72	0.84	1.84	0.77	0.02	0.03	0.00	12
Chile	9	0	0	7.23	0.16	0.79	0.09	0.04	0.07	0.01	12
China	0	0	0	3.42	0.93	1.38	0.20	0.11	0.03	0.05	12
Colombia	10	0	0	3.68	0.04	0.50	0.38	0.04	0.03	-0.02	12
Denmark	18	0	1	9.46	0.50	1.84	0.48	0.01	0.03	0.03	12
Egypt	9	0	0	3.11	0.22	0.88	0.86	0.05	0.04	0.01	12
Finland	18	0	1	9.40	1.25	0.79	0.42	0.02	0.03	0.04	12
France	18	0	1	6.97	0.80	1.16	0.67	0.01	0.03	0.00	12
Germany	18	0	1	7.84	0.64	1.35	0.68	0.01	0.02	0.04	12
Greece	14	0	1	4.19	0.25	1.13	1.15	0.01	0.01	-0.10	12
Hong Kong	18	1	1	8.18	3.72	1.49	0.31	0.04	0.22	0.09	12
Indonesia	12	0	0	2.31	0.14	0.45	0.48	0.05	0.01	0.02	12
Israel	8	1	1	6.36	0.48	0.83	0.85	0.04	0.04	0.02	12
Italy	18	0	1	4.76	0.50	1.21	1.09	0.01	0.01	-0.02	12
Japan	18	0	1	7.35	0.88	3.13	1.87	0.01	0.00	0.03	12
Malaysia	13	1	0	4.88	0.43	1.27	0.45	0.05	0.03	0.13	12
Mexico	12	0	0	3.43	0.08	0.37	0.42	0.02	0.03	-0.01	12
Netherlands	18	0	1	8.84	1.39	1.80	0.54	0.02	0.06	0.06	12
New Zealand	14	1	1	9.46	0.16	1.35	0.26	0.02	0.02	-0.05	12
Norway	18	0	1	8.69	0.60	0.82	0.48	0.02	0.02	0.14	12
Pakistan	9	1	0	2.37	0.52	0.44	0.68	0.04	0.02	-0.01	12
Peru	9	0	0	3.68	0.03	0.19	0.35	0.06	0.04	-0.01	12
Philippines	10	0	0	2.54	0.09	0.51	0.54	0.05	0.01	0.02	12
Poland	0	0	1	4.29	0.12	0.49	0.48	0.04	0.04	-0.04	12
Portugal	15	0	1	6.29	0.27	1.61	0.68	0.01	0.03	-0.10	12
Russia	0	0	0	2.39	0.38	0.28	0.18	0.05	0.03	0.08	12
Singapore	18	1	1	9.28	1.19	0.78	0.95	0.06	0.18	0.19	12
South Africa	5	1	0	4.67	0.95	1.76	0.35	0.04	0.02	-0.03	12
South Korea	9	0	1	4.94	1.51	0.95	0.28	0.04	0.01	0.02	12
Spain	16	0	1	6.73	1.37	1.72	0.50	0.02	0.03	-0.06	12
Sri Lanka	10	1	0	3.35	0.03	0.43	0.61	0.06	0.01	-0.04	12
Sweden	18	0	1	9.24	1.25	1.19	0.46	0.02	0.04	0.07	12
Switzerland	18	0	1	8.84	2.22	1.73	0.59	0.02	0.04	0.11	12
Taiwan	0	0	1	5.76	1.01	1.91	0.35	0.05	0.01	0.08	12
Thailand	14	1	0	3.43	0.50	1.31	0.47	0.04	0.03	0.03	12
Turkey	12	0	0	3.84	0.43	1.90	0.53	0.05	0.02	-0.04	12
United Kingdom	18	1	1	8.27	1.72	1.77	0.50	0.02	0.03	-0.02	12
United States	18	1	1	7.41	2.56	2.23	0.72	0.02	0.01	-0.04	12
Mean	12.93	0.30	0.60	5.96	0.74	1.17	0.58	0.03	0.04	0.02	
Median	14.00	0.00	1.00	6.29	0.50	1.19	0.50	0.04	0.03	0.02	
Standard Deviation	5.67	0.46	0.49	2.44	0.76	0.62	0.32	0.02	0.05	0.06	
Maximum	18.00	1.00	1.00	9.46	3.72	3.13	1.87	0.11	0.22	0.19	
Minimum	0.00	0.00	0.00	2.31	0.03	0.19	0.09	0.01	0.00	-0.10	

Table III – Correlation Matrix

ML (market leverage) is defined as total debt divided by the result of market capitalization and total debt. BL (book leverage) is defined as total debt divided by total assets. LTDD (long-term debt to total debt) is defined as long-term debt divided by total debt. STDD (short-term debt to total debt) is defined as short-term debt divided by total debt. Tang (tangibility) is defined as property, plant and equipment divided by total assets. Prof (profitability) is defined as earnings before interest, taxes, depreciation, and amortisation divided by total assets. SIZE is defined as logarithm of sales. MtB (market-to-book) is defined as the result of total assets minus book equity plus market capitalisation divided by total assets. FL (financial liberalization) corresponds to the number of years between the formal regulatory date change after which foreign investors officially have the opportunity to invest in domestic equity securities and the beginning of out sample. 2000. CL (Common law) is a dummy variable equal to 1 when a country adopts the common law system. DE (developed economy) is a dummy variable equal to 1 when the country is classified as developed. CRISIS1 is a dummy variable equal a 1 for 2000 and 2001 when dot.com bubble occurred. CRISIS2 is a dummy variable equal a 1 for 2007 and 2008 when subprime crisis occurred. CRISIS3 is a dummy variable equal a 1 for 20010 and 20011 when European sovereign debt crisis occurred. CRISIS4 is a dummy variable 1 if a financial crisis occurred. CPI (corruption perception index) is an index that ranges from 0 to 10, where lower values indicate more severe corruption. CMD (capital market development) refers to the total value of shares traded during the period (% of GDP). BD (banking development) is domestic credit provided by banking sector (% of GDP). GGGD (general government gross debt (% of GDP)) - Gross debt consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future; This includes debt liabilities in the form of SDRs. currency and deposits, debt securities, loans, insurance, pensions and standardized guarantee schemes, and other accounts payable. GDPG (GDP (Growth)) means annual percentage growth rate of GDP at market prices based on constant local currency. FDO (foreign direct investment flows (% of GDP)) contains information on foreign direct investment (FDI) inflows and outflows by individual country. CAB (current account balance (% of GDP)) includes all transactions other than those in financial and capital items. Sample period is from 2000 to 2011.

	ML	BL	LTDD	STDD	TANG	PROF	SIZE	MtB	FL	CL	DE	Crisis1	Crisis2	Crisis3	Crisis4	CPI	CMD	BD	GGGD	GDPG	FDI	CAB
BL	0,63	1,00																				
LTDD	0,07	0,14	1,00																			
STDD	-0,07	-0,14	-1,00	1,00																		
TANG	0,21	0,20	0,17	-0,17	1,00																	
PROF	-0,11	-0,09	0,06	-0,06	0,07	1,00																
SIZE	0,04	-0,01	0,28	-0,28	0,00	0,17	1,00															
MtB	-0,41	0,06	0,02	-0,02	-0,11	0,04	-0,05	1,00														
FL	0,03	-0,03	0,34	-0,34	-0,11	0,04	0,15	-0,03	1,00													
CL	-0,07	0,01	0,24	-0,24	0,00	-0,03	-0,07	0,07	0,42	1,00												
DE	-0,01	-0,06	0,25	-0,25	-0,17	-0,01	0,17	-0,02	0,52	0,08	1,00											
Crisis1	0,05	0,03	0,03	-0,03	0,03	0,00	-0,05	0,01	0,08	0,04	0,04	1,00										
Crisis2	0,00	0,00	-0,01	0,01	-0,03	0,00	0,04	0,00	-0,01	-0,01	-0,01	-0,18	1,00									
Crisis3	-0,01	-0,02	0,01	-0,01	-0,04	0,01	0,08	-0,02	-0,02	-0,01	-0,01	-0,17	-0,21	1,00								
Crisis4	0,03	0,00	0,01	-0,01	-0,03	0,01	0,07	-0,01	0,02	0,01	0,01	0,40	0,49	0,47	1,00							
CPI	-0,07	-0,08	0,29	-0,29	-0,15	0,01	0,13	0,01	0,71	0,30	0,80	0,04	-0,01	-0,01	0,01	1,00						
CMD	-0,08	0,00	0,19	-0,19	-0,12	-0,05	0,12	0,13	0,26	0,41	0,39	-0,01	0,28	-0,03	0,19	0,35	1,00					
BD	-0,03	-0,03	0,11	-0,11	-0,08	0,07	0,24	0,00	0,27	0,05	0,43	-0,06	0,00	0,09	0,02	0,34	0,31	1,00				
GGGD	0,08	-0,03	0,07	-0,07	-0,04	0,12	0,23	-0,12	0,49	-0,11	0,35	-0,04	-0,03	0,12	0,04	0,31	-0,01	0,68	1,00			
GDPG	-0,10	0,01	-0,26	0,26	0,07	-0,03	-0,16	0,12	-0,58	-0,12	-0,50	-0,06	0,05	0,11	0,08	-0,47	-0,15	-0,36	-0,44	1,00		
FDI	-0,04	-0,04	-0,05	0,05	-0,03	-0,02	-0,12	-0,01	0,14	0,21	0,03	0,09	0,05	-0,01	0,09	0,23	0,19	-0,31	-0,11	0,19	1,00	
CAB	0,02	-0,04	-0,28	0,28	0,02	-0,02	-0,16	-0,11	-0,26	-0,19	-0,18	-0,08	0,04	0,00	-0,02	-0,05	-0,20	-0,22	-0,02	0,30	0,38	1,00

Table IV – Panel Regression of Leverage and Debt Maturity Choices

Panel regressions report firm fixed-effects. Market leverage, book leverage, short-term debt (STDD) and long-term to debt (LTDD) are dependent variables. Market leverage is defined as total debt divided by the result of market capitalization and total debt. Book leverage is defined as total debt divided by total assets. LTDD (long-term debt to total debt) is defined as long-term debt divided by total debt. STDD (short-term debt to total debt) is defined as short-term debt divided by total debt. CPI (corruption perception index) is an index that ranges from 0 to 10, where lower values indicate more severe corruption. CMD (capital market development) refers to the total value of shares traded during the period (% of GDP). BD (banking development) is domestic credit provided by banking sector (% of GDP). GGGD (general government gross debt (% of GDP)) - Gross debt consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future; This includes debt liabilities in the form of SDRs, currency and deposits, debt securities, loans, insurance, pensions and standardized guarantee schemes, and other accounts payable. GDPG (GDP (Growth)) means annual percentage growth rate of GDP at market prices based on constant local currency. FDI (foreign direct investment flows (% of GDP)) contains information on foreign direct investment (FDI) inflows and outflows by individual country. CAB (current account balance (% of GDP)) includes all transactions other than those in financial and capital items. CRISIS1 is a dummy variable equal a 1 for 2000 and 2001 when dot.com bubble occurred. CRISIS2 is a dummy variable equal a 1 for 2007 and 2008 when subprime crisis occurred. CRISIS3 is a dummy variable equal a 1 for 20010 and 20011 when European sovereign debt crisis occurred. CRISIS4 is a dummy variable 1 if a financial crisis occurred. TANG (tangibility) is defined as property. plant and equipment divided by total assets. PROF (profitability) is defined as earnings before interest, taxes, depreciation, and amortisation divided by total assets. SIZE is defined as logarithm of sales. MtB (market-to-book) is defined as the result of total assets minus book equity plus market capitalisation divided by total assets. The panel data regressions are estimated using firm effects. Heteroscedasticity-consistent standard errors (Huber/White) are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

VARIABLES	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model	(6) Model	(7) Model	(8) Model	(9) Model
Panel A: Market Leverage									
CPI	-0.030***	-0.033***	-0.030***						
	(-21.302)	(-23.614)	(-22.005)						
CMD	-0.004***	-0.005***		-0.005***					
	(-4.600)	(-6.442)		(-7.220)					
BD	-0.043***	-0.065***			-0.019***				
	(-12.679)	(-20.360)			(-7.175)				
GGGD	0.040***	0.018***				0.008**			
	(9.585)	(4.665)				(2.510)			
GDPG	-0.471***	-0.584***					-0.509***		
	(-25.845)	(-34.198)					(-31.840)		
FDI	-0.073***	-0.014						-0.122***	
	(-4.017)	(-0.780)						(-7.171)	
CAB	-0.002	-0.050***							-0.007
	(-0.114)	(-2.594)							(-0.356)
CRISIS1	0.043***								
	(31.046)								
CRISIS2	0.015***								
	(11.905)								
CRISIS3	0.006***								
	(4.532)								
CRISIS4		0.022***	0.016***	0.018***	0.016***	0.016***	0.020***	0.017***	0.016***
		(25.938)	(19.538)	(21.071)	(20.111)	(19.549)	(24.699)	(20.844)	(19.810)
TANG	0.220***	0.229***	0.236***	0.233***	0.233***	0.236***	0.237***	0.235***	0.235***
	(46.482)	(48.573)	(50.199)	(49.316)	(49.357)	(49.952)	(50.498)	(49.683)	(49.845)
PROF	-0.179***	-0.175***	-0.178***	-0.179***	-0.179***	-0.179***	-0.174***	-0.178***	-0.178***
	(-54.071)	(-52.921)	(-53.593)	(-53.718)	(-53.636)	(-53.542)	(-52.246)	(-53.409)	(-53.499)
SIZE	0.015***	0.011***	0.008***	0.008***	0.008***	0.007***	0.006***	0.007***	0.007***
	(20.300)	(14.797)	(10.814)	(10.862)	(11.267)	(9.524)	(8.460)	(9.515)	(9.902)
MtB	-0.067***	-0.067***	-0.069***	-0.069***	-0.070***	-0.070***	-0.068***	-0.070***	-0.070***
	(-110.824)	(-110.177)	(-114.663)	(-114.977)	(-115.711)	(-114.959)	(-111.965)	(-115.282)	(-115.502)
Constant	0.424***	0.554***	0.452***	0.263***	0.285***	0.264***	0.291***	0.273***	0.267***
	(28.160)	(41.645)	(36.738)	(29.246)	(30.505)	(29.074)	(32.424)	(30.240)	(29.666)
Observations	119.589	119.589	119.589	119.589	119.589	119.589	119.589	119.589	119.589
Number of Firms	11.209	11.209	11.209	11.209	11.209	11.209	11.209	11.209	11.209
R- squared	0.184	0.181	0.170	0.167	0.167	0.167	0.174	0.167	0.167
F statistic	1747.791	2002.053	3707.579	3621.169	3621.038	3612.004	3813.485	3621.027	3610.770
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

VARIABLES	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model	(6) Model	(7) Model	(8) Model	(9) Model
Panel B: Book Leverage									
CPI	-0.017***	-0.019***	-0.018***						
	(-11.657)	(-13.399)	(-13.372)						
CMD	0.002**	0.002**		0.001					
	(2.118)	(2.067)		(1.317)					
BD	0.005	-0.012***			0.004				
	(1.385)	(-3.677)			(1.436)				
GGGD	0.026***	0.007*				0.008**			
	(6.057)	(1.683)				(2.317)			
GDPG	-0.070***	-0.157***					-0.161***		
	(-3.773)	(-9.105)					(-9.977)		
FDI	-0.075***	-0.034*						-0.049***	
	(-4.108)	(-1.902)						(-2.893)	
CAB	0.079***	0.047**							0.065***
	(3.963)	(2.387)							(3.556)
CRISIS1	0.020***								
	(14.235)								
CRISIS2	0.001								
	(1.075)								
CRISIS3	-0.008***								
	(-5.724)								
CRISIS4		0.005***	0.004***	0.004***	0.004***	0.004***	0.005***	0.005***	0.004***
		(5.766)	(4.835)	(4.468)	(4.978)	(4.821)	(6.551)	(5.497)	(5.172)
TANG	0.198***	0.204***	0.204***	0.204***	0.204***	0.204***	0.204***	0.203***	0.204***
	(41.348)	(42.978)	(43.141)	(42.989)	(43.002)	(43.036)	(43.128)	(42.893)	(43.118)
PROF	-0.151***	-0.148***	-0.150***	-0.150***	-0.150***	-0.150***	-0.148***	-0.150***	-0.150***
	(-45.097)	(-44.275)	(-44.761)	(-44.676)	(-44.708)	(-44.779)	(-44.261)	(-44.698)	(-44.757)
SIZE	0.003***	-0.000	-0.000	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001
	(4.011)	(-0.614)	(-0.487)	(-1.221)	(-1.335)	(-1.307)	(-1.497)	(-1.185)	(-1.154)
MtB	0.010***	0.011***	0.010***	0.010***	0.010***	0.010***	0.010***	0.010***	0.010***
	(17.163)	(17.491)	(16.645)	(15.947)	(16.079)	(16.177)	(17.030)	(16.123)	(15.990)
Constant	0.249***	0.348***	0.324***	0.211***	0.207***	0.208***	0.219***	0.213***	0.210***
	(16.346)	(25.835)	(26.207)	(23.410)	(22.092)	(22.861)	(24.153)	(23.546)	(23.277)
Observations	119.589	119.589	119.589	119.589	119.589	119.589	119.589	119.589	119.589
Number of Firms	11.209	11.209	11.209	11.209	11.209	11.209	11.209	11.209	11.209
R-squared	0.042	0.040	0.039	0.037	0.037	0.037	0.038	0.037	0.037
F statistic	336.175	375.565	730.142	699.484	699.541	700.113	716.417	700.633	701.373
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

VARIABLES	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model	(6) Model	(7) Model	(8) Model	(9) Model
Panel C: LTDD									
CPI	-0.012***	-0.011***	-0.009***						
	(-5.281)	(-4.733)	(-4.291)						
CMD	0.006***	0.005***		0.002**					
	(4.798)	(3.718)		(2.020)					
BD	-0.008	0.001			0.021***				
	(-1.392)	(0.260)			(4.991)				
GGGD	0.022***	0.038***				0.036***			
	(3.211)	(6.130)				(6.744)			
GDPG	-0.031	0.020					-0.057**		
	(-1.065)	(0.723)					(-2.217)		
FDI	-0.066**	-0.078***						-0.072***	
	(-2.240)	(-2.686)						(-2.615)	
CAB	-0.084***	-0.080**							-0.038
	(-2.634)	(-2.530)							(-1.290)
CRISIS1	-0.013***								
	(-5.936)								
CRISIS2	-0.011***								
	(-5.519)								
CRISIS3	0.003								
	(1.104)								
CRISIS4		-0.008***	-0.006***	-0.006***	-0.006***	-0.006***	-0.005***	-0.005***	-0.006***
		(-5.439)	(-4.403)	(-4.728)	(-4.531)	(-4.901)	(-3.933)	(-3.760)	(-4.382)
TANG	0.180***	0.176***	0.174***	0.175***	0.177***	0.175***	0.174***	0.174***	0.174***
	(23.459)	(23.103)	(23.018)	(23.067)	(23.259)	(23.111)	(23.006)	(22.893)	(22.901)
PROF	0.045***	0.044***	0.044***	0.044***	0.044***	0.043***	0.044***	0.044***	0.044***
	(8.404)	(8.137)	(8.145)	(8.199)	(8.229)	(8.007)	(8.231)	(8.175)	(8.144)
SIZE	0.015***	0.017***	0.018***	0.018***	0.017***	0.017***	0.018***	0.018***	0.018***
	(12.075)	(14.146)	(16.282)	(15.639)	(14.568)	(15.196)	(15.998)	(15.962)	(16.152)
MtB	-0.003***	-0.003***	-0.004***	-0.004***	-0.004***	-0.003***	-0.004***	-0.004***	-0.004***
	(-3.440)	(-3.464)	(-3.927)	(-4.230)	(-3.972)	(-3.577)	(-3.863)	(-4.045)	(-4.105)
Constant	0.333***	0.282***	0.281***	0.225***	0.202***	0.210***	0.226***	0.227***	0.223***
	(13.645)	(13.070)	(14.196)	(15.529)	(13.494)	(14.417)	(15.577)	(15.627)	(15.471)
Observations	119.589	119.589	119.589	119.589	119.589	119.589	119.589	119.589	119.589
Number of Firms	11.209	11.209	11.209	11.209	11.209	11.209	11.209	11.209	11.209
R-squared	0.021	0.021	0.020	0.019	0.020	0.020	0.020	0.020	0.020
F statistic	68.857	77.700	143.664	141.257	144.756	148.211	141.397	141.720	140.851
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

VARIABLES	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model	(6) Model	(7) Model	(8) Model	(9) Model
Panel D: STDD									
CPI	0.012***	0.011***	0.009***						
	(5.287)	(4.740)	(4.298)						
CMD	-0.006***	-0.005***		-0.002**					
	(-4.795)	(-3.713)		(-2.018)					
BD	0.008	-0.001			-0.021***				
	(1.392)	(-0.257)			(-4.994)				
GGGD	-0.022***	-0.038***				-0.036***			
	(-3.220)	(-6.137)				(-6.755)			
GDPG	0.032	-0.020					0.057**		
	(1.074)	(-0.710)					(2.229)		
FDI	0.066**	0.077***						0.071***	
	(2.235)	(2.679)						(2.611)	
CAB	0.083***	0.079**							0.038
	(2.624)	(2.521)							(1.279)
CRISIS1	0.013***								
	(5.924)								
CRISIS2	0.011***								
	(5.519)								
CRISIS3	-0.003								
	(-1.104)								
CRISIS4		0.008***	0.006***	0.006***	0.006***	0.006***	0.005***	0.005***	0.006***
		(5.432)	(4.397)	(4.723)	(4.525)	(4.897)	(3.925)	(3.756)	(4.377)
TANG	-0.180***	-0.176***	-0.174***	-0.175***	-0.177***	-0.175***	-0.174***	-0.174***	-0.174***
	(-23.455)	(-23.100)	(-23.014)	(-23.063)	(-23.256)	(-23.107)	(-23.002)	(-22.889)	(-22.897)
PROF	-0.045***	-0.044***	-0.044***	-0.044***	-0.044***	-0.043***	-0.044***	-0.044***	-0.044***
	(-8.403)	(-8.137)	(-8.145)	(-8.199)	(-8.229)	(-8.006)	(-8.232)	(-8.174)	(-8.143)
SIZE	-0.015***	-0.017***	-0.018***	-0.018***	-0.017***	-0.017***	-0.018***	-0.018***	-0.018***
	(-12.068)	(-14.136)	(-16.271)	(-15.628)	(-14.557)	(-15.184)	(-15.987)	(-15.951)	(-16.140)
MtB	0.003***	0.003***	0.004***	0.004***	0.004***	0.003***	0.004***	0.004***	0.004***
	(3.443)	(3.467)	(3.932)	(4.235)	(3.977)	(3.582)	(3.867)	(4.051)	(4.111)
Constant	0.667***	0.718***	0.719***	0.775***	0.797***	0.790***	0.774***	0.773***	0.776***
	(27.294)	(33.304)	(36.294)	(53.632)	(53.139)	(54.248)	(53.428)	(53.290)	(53.767)
Observations	119.589	119.589	119.589	119.589	119.589	119.589	119.589	119.589	119.589
Number of Firms	11.209	11.209	11.209	11.209	11.209	11.209	11.209	11.209	11.209
R-squared	0.021	0.021	0.020	0.019	0.020	0.020	0.020	0.020	0.020
F statistic	68.828	77.669	143.595	141.176	144.680	148.156	141.326	141.637	140.767
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Table V – Panel Regression of Leverage and Debt Maturity Choices with Interaction Effects

Panel regressions report firm fixed-effects. Market leverage, book leverage, short-term debt (STDD) and long-term to debt (LTDD) are dependent variables. Market leverage is defined as total debt divided by the result of market capitalization and total debt. Book leverage is defined as total debt divided by total assets. LTDD (long-term debt to total debt) is defined as long-term debt divided by total debt. STDD (short-term debt to total debt) is defined as short-term debt divided by total debt. CRISIS4 is a dummy variable 1 if a financial crisis occurred. CPI (corruption perception index) is an index that ranges from 0 to 10, where lower values indicate more severe corruption. CMD (capital market development) refers to the total value of shares traded during the period (% of GDP). BD (banking development) is domestic credit provided by banking sector (% of GDP). GGGD (general government gross debt (% of GDP)) - Gross debt consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future; This includes debt liabilities in the form of SDRs, currency and deposits, debt securities, loans, insurance, pensions and standardized guarantee schemes, and other accounts payable. GDPG (GDP (Growth)) means annual percentage growth rate of GDP at market prices based on constant local currency. FDI (foreign direct investment flows (% of GDP)) contains information on foreign direct investment (FDI) inflows and outflows by individual country. CAB (current account balance (% of GDP)) includes all transactions other than those in financial and capital items. CRISIS 4 is a dummy variable 1 if a financial crisis occurred. TANG (tangibility) is defined as property, plant and equipment divided by total assets. PROF (profitability) is defined as earnings before interest, taxes, depreciation, and amortisation divided by total assets. SIZE is defined as logarithm of sales. MtB (market-to-book) is defined as the result of total assets minus book equity plus market capitalisation divided by total assets. The panel data regressions are estimated using firm effects. Heteroscedasticity-consistent standard errors (Huber/White) are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

VARIABLES	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model	(6) Model	(7) Model	(8) Model
Panel A: Market Leverage								
CPI	-0.031***	-0.034***	-0.031***	-0.034***	-0.035***	-0.036***	-0.034***	-0.036***
	(-21.918)	(-23.912)	(-21.672)	(-23.856)	(-24.799)	(-25.438)	(-24.111)	(-25.339)
CMD	-0.015***	-0.005***	-0.017***	-0.004***	-0.001*	-0.003***	-0.001	0.000
	(-13.748)	(-6.190)	(-18.154)	(-5.827)	(-1.725)	(-3.463)	(-1.616)	(0.598)
BD	-0.067***	-0.065***	-0.064***	-0.070***	-0.064***	-0.065***	-0.066***	-0.065***
	(-20.108)	(-20.474)	(-19.961)	(-21.864)	(-19.955)	(-20.454)	(-20.564)	(-20.379)
GGGD	0.026***	0.016***	0.019***	0.014***	0.009**	0.027***	0.030***	0.032***
	(6.191)	(4.295)	(5.075)	(3.556)	(2.204)	(6.957)	(7.927)	(8.373)
GDPG	-0.623***	-0.581***	-0.602***	-0.585***	-0.552***	-0.642***	-0.506***	-0.510***
	(-30.309)	(-34.002)	(-35.102)	(-34.110)	(-32.291)	(-33.155)	(-30.074)	(-29.977)
FDI	0.026	-0.030*	-0.003	0.006	0.002	0.025	-0.151***	0.022
	(0.992)	(-1.686)	(-0.148)	(0.320)	(0.108)	(1.427)	(-6.543)	(1.215)
CAB	-0.070***	-0.053***	-0.060***	-0.063***	-0.070***	-0.112***	-0.083***	-0.132***
	(-3.290)	(-2.720)	(-3.090)	(-3.239)	(-3.619)	(-5.793)	(-4.243)	(-6.538)
CRISIS4*CPI	0.001***	0.003***						
	(3.539)	(24.920)						
CRISIS4*CMD	0.012***		0.016***					
	(10.674)		(28.292)					
CRISIS4*BD	0.005***			0.011***				
	(2.812)			(23.916)				
CRISIS4* GGGD	-0.014***				0.017***			
	(-5.133)				(16.727)			
CRISIS4* GDPG	0.034					0.252***		
	(1.434)					(14.863)		
CRISIS4* FDI	-0.037						0.192***	
	(-1.529)						(12.075)	
CRISIS4* CAB	0.008							0.051***
	(0.521)							(4.287)
TANG	0.225***	0.227***	0.224***	0.226***	0.226***	0.227***	0.226***	0.225***
	(47.821)	(48.268)	(47.774)	(48.046)	(47.915)	(48.172)	(47.835)	(47.540)
PROF	-0.176***	-0.176***	-0.177***	-0.176***	-0.177***	-0.175***	-0.177***	-0.177***
	(-53.157)	(-53.100)	(-53.402)	(-53.096)	(-53.224)	(-52.801)	(-53.214)	(-53.214)
SIZE	0.012***	0.011***	0.012***	0.011***	0.012***	0.011***	0.012***	0.013***
	(15.971)	(15.732)	(17.036)	(15.655)	(16.507)	(15.285)	(17.286)	(17.454)
MtB	-0.066***	-0.066***	-0.066***	-0.066***	-0.067***	-0.067***	-0.067***	-0.067***
	(-108.858)	(-109.548)	(-109.027)	(-109.717)	(-109.804)	(-111.137)	(-110.394)	(-110.416)
Constant	0.541***	0.551***	0.531***	0.561***	0.555***	0.568***	0.538***	0.542***
	(39.898)	(41.444)	(39.994)	(42.098)	(41.534)	(42.144)	(40.369)	(40.543)
Observations	119,589	119,589	119,589	119,589	119,589	119,589	119,589	119,589
Number of Firms	11,209	11,209	11,209	11,209	11,209	11,209	11,209	11,209
R-squared	0.183	0.153	0.182	0.181	0.149	0.150	0.154	0.152
F statistic	1347.874	1996.818	2014.970	1991.855	1962.291	1956.334	1948.736	1935.842
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

VARIABLES	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model	(6) Model	(7) Model	(8) Model
Panel B: Book Leverage								
CPI	-0.018***	-0.019***	-0.019***	-0.019***	-0.020***	-0.020***	-0.020***	-0.020***
	(-12.639)	(-13.533)	(-12.843)	(-13.515)	(-13.742)	(-13.823)	(-13.593)	(-13.794)
CMD	-0.002**	0.002**	-0.002*	0.002**	0.003***	0.002***	0.003***	0.003***
	(-1.968)	(2.439)	(-1.727)	(2.472)	(3.522)	(2.958)	(3.407)	(3.821)
BD	-0.013***	-0.012***	-0.012***	-0.013***	-0.012***	-0.012***	-0.012***	-0.012***
	(-3.938)	(-3.706)	(-3.573)	(-3.959)	(-3.660)	(-3.709)	(-3.727)	(-3.717)
GGGD	0.013***	0.007*	0.007*	0.006	0.007*	0.009**	0.009**	0.010**
	(3.017)	(1.783)	(1.701)	(1.621)	(1.795)	(2.279)	(2.458)	(2.530)
GDPG	-0.159***	-0.153***	-0.164***	-0.154***	-0.144***	-0.162***	-0.139***	-0.138***
	(-7.639)	(-8.844)	(-9.431)	(-8.880)	(-8.321)	(-8.297)	(-8.199)	(-8.047)
FDI	-0.010	-0.035*	-0.032*	-0.029	-0.028	-0.025	-0.051**	-0.025
	(-0.388)	(-1.953)	(-1.802)	(-1.615)	(-1.541)	(-1.415)	(-2.168)	(-1.402)
CAB	0.035	0.044**	0.046**	0.042**	0.038*	0.033*	0.038*	0.034*
	(1.614)	(2.230)	(2.340)	(2.155)	(1.926)	(1.704)	(1.914)	(1.680)
CRISIS4*CPI	0.000	0.001***						
	(0.139)	(4.405)						
CRISIS4*CMD	0.004***		0.004***					
	(3.977)		(6.918)					
CRISIS4*BD	0.003			0.002***				
	(1.496)			(4.352)				
CRISIS4* GGGD	-0.008***				0.002*			
	(-3.041)				(1.703)			
CRISIS4* GDPG	-0.010					0.042**		
	(-0.407)					(2.475)		
CRISIS4* FDI	-0.019						0.027*	
	(-0.770)						(1.703)	
CRISIS4* CAB	0.009							-0.000
	(0.563)							(-0.025)
TANG	0.203***	0.204***	0.204***	0.204***	0.204***	0.204***	0.204***	0.203***
	(42.592)	(42.887)	(42.831)	(42.860)	(42.797)	(42.837)	(42.799)	(42.676)
PROF	-0.149***	-0.149***	-0.149***	-0.149***	-0.149***	-0.148***	-0.149***	-0.149***
	(-44.341)	(-44.332)	(-44.383)	(-44.332)	(-44.375)	(-44.283)	(-44.374)	(-44.383)
SIZE	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	0.000
	(-0.038)	(-0.321)	(-0.162)	(-0.344)	(-0.083)	(-0.342)	(-0.028)	(0.053)
MtB	0.011***	0.011***	0.011***	0.011***	0.011***	0.011***	0.011***	0.011***
	(17.650)	(17.550)	(17.741)	(17.528)	(17.434)	(17.208)	(17.386)	(17.380)
Constant	0.340***	0.346***	0.342***	0.348***	0.346***	0.349***	0.344***	0.344***
	(24.767)	(25.749)	(25.469)	(25.841)	(25.644)	(25.672)	(25.588)	(25.530)
Observations	119,589	119,589	119,589	119,589	119,589	119,589	119,589	119,589
Number of Firms	11,209	11,209	11,209	11,209	11,209	11,209	11,209	11,209
R-squared	0.040	0.053	0.040	0.052	0.053	0.040	0.040	0.040
F statistic	252.059	374.364	376.833	374.324	372.932	373.212	372.932	372.680
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

VARIABLES	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model	(6) Model	(7) Model	(8) Model
Panel C: LTDD								
CPI	-0.012***	-0.011***	-0.012***	-0.011***	-0.010***	-0.010***	-0.011***	-0.010***
	(-5.053)	(-4.690)	(-5.104)	(-4.638)	(-4.437)	(-4.357)	(-4.638)	(-4.370)
CMD	0.008***	0.005***	0.009***	0.004***	0.003**	0.004***	0.003***	0.003**
	(4.376)	(3.742)	(5.731)	(3.384)	(2.516)	(3.137)	(2.844)	(2.342)
BD	0.004	0.001	0.001	0.003	0.001	0.001	0.002	0.001
	(0.715)	(0.284)	(0.172)	(0.541)	(0.245)	(0.288)	(0.316)	(0.275)
GGGD	0.025***	0.039***	0.038***	0.038***	0.037***	0.035***	0.034***	0.033***
	(3.657)	(6.230)	(6.083)	(6.146)	(5.645)	(5.702)	(5.527)	(5.420)
GDPG	0.015	0.020	0.027	0.016	-0.001	0.042	-0.006	-0.005
	(0.455)	(0.738)	(0.961)	(0.575)	(-0.020)	(1.352)	(-0.231)	(-0.170)
FDI	-0.086**	-0.071**	-0.081***	-0.085***	-0.087***	-0.091***	-0.020	-0.090***
	(-1.984)	(-2.448)	(-2.817)	(-2.960)	(-3.025)	(-3.159)	(-0.548)	(-3.103)
CAB	-0.067*	-0.080**	-0.077**	-0.073**	-0.066**	-0.059*	-0.070**	-0.051
	(-1.951)	(-2.535)	(-2.446)	(-2.328)	(-2.100)	(-1.874)	(-2.232)	(-1.561)
CRISIS4*CPI	-0.002***	-0.001***						
	(-2.882)	(-5.504)						
CRISIS4*CMD	-0.003*		-0.006***					
	(-1.670)		(-6.052)					
CRISIS4*BD	-0.003			-0.003***				
	(-0.971)			(-4.269)				
CRISIS4* GGGD	0.017***				-0.003			
	(3.843)				(-1.645)			
CRISIS4* GDPG	0.020					-0.090***		
	(0.514)					(-3.290)		
CRISIS4* FDI	0.013						-0.077***	
	(0.338)						(-2.984)	
CRISIS4* CAB	-0.011							-0.020
	(-0.440)							(-1.025)
TANG	0.178***	0.177***	0.177***	0.177***	0.177***	0.176***	0.177***	0.177***
	(23.249)	(23.170)	(23.306)	(23.247)	(23.293)	(23.132)	(23.218)	(23.242)
PROF	0.044***	0.044***	0.044***	0.044***	0.044***	0.044***	0.044***	0.044***
	(8.164)	(8.174)	(8.231)	(8.188)	(8.231)	(8.130)	(8.222)	(8.230)
SIZE	0.016***	0.016***	0.016***	0.016***	0.016***	0.016***	0.016***	0.016***
	(13.662)	(14.026)	(13.790)	(13.940)	(13.695)	(13.958)	(13.732)	(13.646)
MtB	-0.004***	-0.004***	-0.004***	-0.003***	-0.003***	-0.003***	-0.003***	-0.003***
	(-3.650)	(-3.584)	(-3.690)	(-3.511)	(-3.419)	(-3.163)	(-3.367)	(-3.340)
Constant	0.293***	0.282***	0.290***	0.281***	0.285***	0.277***	0.287***	0.286***
	(13.329)	(13.104)	(13.444)	(12.990)	(13.178)	(12.703)	(13.339)	(13.241)
Observations	119,589	119,589	119,589	119,589	119,589	119,589	119,589	119,589
Number of Firms	11,209	11,209	11,209	11,209	11,209	11,209	11,209	11,209
R-squared	0.039	0.047	0.045	0.038	0.049	0.051	0.038	0.049
F statistic	53.573	77.760	78.291	76.745	75.441	76.124	75.962	75.302
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

VARIABLES	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model	(6) Model	(7) Model	(8) Model
Panel D: STDD								
CPI	0.012***	0.011***	0.012***	0.011***	0.010***	0.010***	0.011***	0.010***
	(5.059)	(4.697)	(5.111)	(4.645)	(4.444)	(4.364)	(4.644)	(4.378)
CMD	-0.008***	-0.005***	-0.009***	-0.004***	-0.003**	-0.004***	-0.003***	-0.003**
	(-4.375)	(-3.737)	(-5.725)	(-3.380)	(-2.512)	(-3.134)	(-2.839)	(-2.338)
BD	-0.004	-0.001	-0.001	-0.003	-0.001	-0.001	-0.002	-0.001
	(-0.710)	(-0.281)	(-0.169)	(-0.538)	(-0.242)	(-0.285)	(-0.312)	(-0.272)
GGGD	-0.025***	-0.039***	-0.038***	-0.039***	-0.037***	-0.035***	-0.034***	-0.033***
	(-3.667)	(-6.238)	(-6.091)	(-6.153)	(-5.653)	(-5.710)	(-5.535)	(-5.429)
GDPG	-0.015	-0.020	-0.026	-0.016	0.001	-0.042	0.007	0.005
	(-0.449)	(-0.725)	(-0.949)	(-0.562)	(0.032)	(-1.341)	(0.243)	(0.182)
FDI	0.086**	0.071**	0.081***	0.085***	0.087***	0.091***	0.020	0.089***
	(1.985)	(2.442)	(2.810)	(2.953)	(3.018)	(3.152)	(0.547)	(3.096)
CAB	0.067*	0.079**	0.076**	0.073**	0.066**	0.058*	0.070**	0.051
	(1.943)	(2.526)	(2.437)	(2.319)	(2.091)	(1.866)	(2.223)	(1.555)
CRISIS4*CPI	0.002***	0.001***						
	(2.881)	(5.499)						
CRISIS4*CMD	0.003*		0.006***					
	(1.674)		(6.048)					
CRISIS4*BD	0.003			0.003***				
	(0.965)			(4.265)				
CRISIS4* GGGD	-0.017***				0.003			
	(-3.836)				(1.643)			
CRISIS4* GDPG	-0.019					0.090***		
	(-0.506)					(3.290)		
CRISIS4* FDI	-0.014						0.076***	
	(-0.345)						(2.977)	
CRISIS4* CAB	0.011							0.020
	(0.437)							(1.021)
TANG	-0.177***	-0.176***	-0.177***	-0.177***	-0.177***	-0.176***	-0.177***	-0.177***
	(-23.245)	(-23.166)	(-23.302)	(-23.243)	(-23.289)	(-23.128)	(-23.214)	(-23.238)
PROF	-0.044***	-0.044***	-0.044***	-0.044***	-0.044***	-0.044***	-0.044***	-0.044***
	(-8.163)	(-8.174)	(-8.231)	(-8.188)	(-8.231)	(-8.130)	(-8.222)	(-8.230)
SIZE	-0.016***	-0.016***	-0.016***	-0.016***	-0.016***	-0.016***	-0.016***	-0.016***
	(-13.653)	(-14.016)	(-13.781)	(-13.930)	(-13.685)	(-13.949)	(-13.722)	(-13.636)
MtB	0.004***	0.004***	0.004***	0.003***	0.003***	0.003***	0.003***	0.003***
	(3.653)	(3.587)	(3.692)	(3.514)	(3.422)	(3.166)	(3.370)	(3.343)
Constant	0.707***	0.717***	0.710***	0.719***	0.715***	0.723***	0.712***	0.714***
	(32.159)	(33.282)	(32.975)	(33.307)	(33.111)	(33.204)	(33.081)	(33.075)
Observations	119,589	119,589	119,589	119,589	119,589	119,589	119,589	119,589
Number of Firms	11,209	11,209	11,209	11,209	11,209	11,209	11,209	11,209
R-squared	0.032	0.039	0.045	0.048	0.049	0.051	0.048	0.049
F statistic	53.551	77.731	78.263	76.718	75.417	76.100	75.934	75.277
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Table VI – Panel Regression of Leverage and Debt Maturity Choices by Country Category (I)

Panel regressions report firm fixed-effects. Developed and developing countries are defined according World Bank. Low financial liberalization countries means their capital markets in 2000 had less 18 years of financial liberalization. Market leverage, book leverage, short-term debt (STDD) and long-term to debt (LTDD) are dependent variables. Market leverage is defined as total debt divided by the result of market capitalization and total debt. Book leverage is defined as total debt divided by total assets. LTDD (long-term debt to total debt) is defined as long-term debt divided by total debt. STDD (short-term debt to total debt) is defined as short-term debt divided by total debt. CPI (corruption perception index) is an index that ranges from 0 to 10, where lower values indicate more severe corruption. CMD (capital market development) refers to the total value of shares traded during the period (% of GDP). BD (banking development) is domestic credit provided by banking sector (% of GDP). GGGD (general government gross debt (% of GDP)) - Gross debt consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future; This includes debt liabilities in the form of SDRs, currency and deposits, debt securities, loans, insurance, pensions and standardized guarantee schemes, and other accounts payable. GDPG (GDP (Growth)) means annual percentage growth rate of GDP at market prices based on constant local currency. FDI (foreign direct investment flows (% of GDP)) contains information on foreign direct investment (FDI) inflows and outflows by individual country. CAB (current account balance (% of GDP)) includes all transactions other than those in financial and capital items. CRISIS 4 is a dummy variable 1 if a financial crisis occurred.. TANG (tangibility) is defined as property. plant and equipment divided by total assets. PROF (profitability) is defined as earnings before interest, taxes, depreciation, and amortisation divided by total assets. SIZE is defined as logarithm of sales. MtB (market-to-book) is defined as the result of total assets minus book equity plus market capitalisation divided by total assets. The panel data regressions are estimated using firm effects. Heteroscedasticity-consistent standard errors (Huber/White) are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

VARIABLES	(1) USA	(2) Developed Countries	(3) Developing Countries	(4) EMU Countries	(5) Common Law Countries	(6) Non-Common Law Countries	(7) High Financial Liberalization Countries	(8) Low Financial Liberalization Countries
Panel A: Market Leverage								
CPI	0.053**	-0.034***	0.037***	-0.042***	0.003	-0.047***	-0.024***	-0.022***
	(2.455)	(-20.835)	(9.370)	(-11.508)	(0.874)	(-25.658)	(-12.094)	(-9.185)
CMD	-0.020***	-0.017***	-0.033***	-0.048***	-0.007***	-0.042***	-0.019***	-0.028***
	(-3.048)	(-14.075)	(-9.971)	(-6.060)	(-3.692)	(-20.655)	(-15.161)	(-10.673)
BD	-0.168***	-0.045***	-0.193***	-0.030***	-0.054***	-0.061***	-0.025***	-0.141***
	(-4.459)	(-11.887)	(-18.336)	(-2.962)	(-10.423)	(-12.354)	(-5.683)	(-21.335)
GGGD	-0.189***	-0.022***	0.246***	0.052***	-0.007	0.079***	-0.064***	0.177***
	(-3.768)	(-4.425)	(24.328)	(2.677)	(-0.811)	(14.641)	(-10.791)	(20.252)
GDPG	-2.119***	-0.769***	-0.145***	-0.456***	-0.730***	-0.500***	-0.977***	-0.152***
	(-7.445)	(-27.662)	(-3.648)	(-6.116)	(-16.631)	(-20.681)	(-30.918)	(-4.889)
FDI	3.669***	0.184***	-1.248***	0.062	0.027	-0.181***	0.197***	-0.889***
	(5.449)	(6.420)	(-9.639)	(0.642)	(0.694)	(-3.474)	(6.646)	(-10.018)
CAB	-	-0.328***	0.073*	0.008	0.254***	-0.150***	-0.024	-0.038
		(-12.081)	(1.824)	(0.105)	(7.761)	(-4.706)	(-0.727)	(-1.218)
CRISIS4*CPI	-0.044***	0.001	-0.006***	0.010***	0.001*	0.001**	0.003***	-0.002**
	(-6.511)	(1.473)	(-3.405)	(5.288)	(1.936)	(1.971)	(5.578)	(-2.228)
CRISIS4*CMD	0.024***	0.015***	0.012**	0.036***	0.013***	0.014***	0.019***	0.019***
	(5.092)	(12.304)	(2.476)	(4.842)	(6.976)	(6.726)	(14.132)	(6.472)
CRISIS4*BD	0.044	-0.002	0.009**	-0.031***	-0.006*	0.020***	-0.025***	0.017***
	(1.487)	(-0.751)	(2.051)	(-4.027)	(-1.743)	(8.779)	(-7.186)	(5.300)
CRISIS4*GGGD	0.249***	-0.001	0.065***	-0.003	0.019***	-0.038***	0.032***	0.033***
	(4.338)	(-0.163)	(8.995)	(-0.277)	(2.849)	(-11.179)	(6.419)	(5.867)
CRISIS4*GDPG	0.674***	0.343***	-0.552***	-1.636***	-0.017	0.091***	0.288***	-0.400***
	(2.866)	(9.337)	(-9.744)	(-13.470)	(-0.297)	(3.185)	(5.932)	(-9.801)
CRISIS4*FDI	-	-0.168***	1.180***	0.010	-0.168***	0.119**	-0.168***	0.551***
		(-6.350)	(7.655)	(0.132)	(-4.166)	(2.464)	(-5.902)	(5.945)
CRISIS4*CAB	-	-0.011	0.006	-0.339***	0.085***	-0.161***	-0.147***	-0.047**
		(-0.580)	(0.216)	(-5.290)	(3.102)	(-5.833)	(-5.261)	(-2.025)
TANG	0.128***	0.235***	0.195***	0.196***	0.205***	0.247***	0.225***	0.216***
	(9.713)	(40.282)	(24.675)	(12.802)	(29.616)	(38.510)	(34.076)	(32.251)
PROF	-0.200***	-0.149***	-0.346***	-0.185***	-0.231***	-0.138***	-0.133***	-0.326***
	(-26.873)	(-42.235)	(-39.489)	(-20.807)	(-43.256)	(-33.036)	(-36.150)	(-46.305)
SIZE	0.019***	0.013***	0.019***	0.026***	0.012***	0.016***	0.012***	0.018***
	(9.620)	(15.120)	(14.401)	(11.823)	(11.283)	(16.495)	(12.470)	(16.203)
MtB	-0.046***	-0.066***	-0.060***	-0.059***	-0.057***	-0.070***	-0.060***	-0.071***
	(-39.996)	(-92.886)	(-49.410)	(-33.627)	(-63.473)	(-83.197)	(-80.782)	(-67.316)
Constant	0.240	0.565***	0.190***	0.388***	0.280***	0.529***	0.509***	0.418***
	(1.164)	(33.554)	(6.810)	(11.209)	(8.103)	(32.996)	(24.390)	(21.696)
Observations	20,681	87,192	32,397	15,830	50,704	68,885	69,340	50,249
Number of Firms	1,873	8,113	3,096	1,450	4,693	6,516	6,394	4,815
R-squared	0.223	0.183	0.233	0.221	0.184	0.204	0.181	0.218
F statistic	359.212	980.802	493.651	225.859	576.015	888.158	772.512	702.740
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

VARIABLES	(1) USA	(2) Developed Countries	(3) Developing Countries	(4) EMU Countries	(5) Common Law Countries	(6) Non-Common Law Countries	(7) High Financial Liberalization Countries	(8) Low Financial Liberalization Countries
Panel B: Book Leverage								
CPI	0.002	-0.015***	0.005	-0.011***	0.000	-0.031***	-0.015***	-0.016***
	(0.083)	(-9.143)	(1.125)	(-3.433)	(0.024)	(-18.074)	(-7.333)	(-6.709)
CMD	-0.004	-0.005***	-0.000	-0.012*	0.005**	-0.010***	-0.004***	-0.005*
	(-0.436)	(-3.897)	(-0.129)	(-1.687)	(2.560)	(-5.573)	(-2.718)	(-1.762)
BD	-0.043	0.002	-0.039***	0.015*	-0.012**	-0.003	-0.006	-0.034***
	(-0.874)	(0.521)	(-3.404)	(1.655)	(-2.044)	(-0.610)	(-1.269)	(-5.258)
GGGD	-0.100	-0.031***	0.200***	-0.012	0.018*	0.033***	-0.036***	0.142***
	(-1.505)	(-6.228)	(18.144)	(-0.717)	(1.743)	(6.472)	(-5.799)	(16.440)
GDPG	-0.862**	-0.229***	0.070	-0.210***	-0.030	-0.177***	-0.295***	0.071**
	(-2.295)	(-8.377)	(1.600)	(-3.122)	(-0.623)	(-7.844)	(-9.055)	(2.290)
FDI	1.262	0.078***	-0.161	-0.034	0.002	-0.267***	0.068**	-0.536***
	(1.420)	(2.770)	(-1.142)	(-0.396)	(0.055)	(-5.495)	(2.219)	(-6.086)
CAB	-	-0.066**	0.171***	0.032	0.121***	0.040	0.043	-0.024
		(-2.463)	(3.908)	(0.494)	(3.320)	(1.330)	(1.244)	(-0.770)
CRISIS4*CPI	-0.015*	-0.000	0.002	-0.000	0.001	-0.001**	-0.000	-0.000
	(-1.662)	(-0.201)	(0.936)	(-0.004)	(1.288)	(-1.981)	(-0.715)	(-0.384)
CRISIS4*CMD	0.005	0.006***	-0.009*	0.017**	0.002	0.008***	0.005***	0.012***
	(0.783)	(5.474)	(-1.769)	(2.506)	(0.964)	(3.855)	(3.538)	(4.275)
CRISIS4*BD	0.010	-0.001	0.002	-0.004	0.002	0.008***	0.001	-0.003
	(0.253)	(-0.652)	(0.439)	(-0.512)	(0.411)	(3.896)	(0.170)	(-0.900)
CRISIS4*GGGD	0.114	-0.001	0.045***	0.005	-0.002	-0.014***	-0.002	0.031***
	(1.507)	(-0.296)	(5.627)	(0.439)	(-0.261)	(-4.441)	(-0.345)	(5.476)
CRISIS4*GDPG	0.117	0.122***	-0.231***	-0.490***	-0.204***	0.025	0.130***	-0.274***
	(0.378)	(3.374)	(-3.736)	(-4.487)	(-3.313)	(0.946)	(2.594)	(-6.763)
CRISIS4*FDI	-	-0.073***	-0.173	0.065	-0.069	0.177***	-0.045	0.166*
		(-2.804)	(-1.026)	(0.915)	(-1.539)	(3.932)	(-1.535)	(1.805)
CRISIS4*CAB	-	-0.021	0.010	0.035	0.077**	-0.074***	-0.032	0.014
		(-1.142)	(0.320)	(0.605)	(2.526)	(-2.876)	(-1.095)	(0.625)
TANG	0.205***	0.215***	0.168***	0.216***	0.219***	0.186***	0.222***	0.173***
	(11.741)	(37.501)	(19.433)	(15.756)	(28.531)	(31.164)	(32.610)	(26.073)
PROF	-0.150***	-0.112***	-0.368***	-0.136***	-0.183***	-0.124***	-0.097***	-0.323***
	(-15.221)	(-32.358)	(-38.451)	(-17.040)	(-30.978)	(-31.858)	(-25.571)	(-46.211)
SIZE	-0.006**	0.000	0.008***	0.011***	-0.002	0.004***	0.001	0.005***
	(-2.209)	(0.424)	(5.614)	(5.482)	(-1.394)	(3.868)	(0.912)	(4.175)
MtB	0.022***	0.009***	0.018***	0.007***	0.021***	0.002***	0.010***	0.013***
	(14.392)	(12.579)	(13.795)	(4.151)	(20.933)	(3.067)	(13.528)	(12.931)
Constant	0.437	0.326***	0.085***	0.142***	0.203***	0.352***	0.341***	0.247***
	(1.607)	(19.684)	(2.799)	(4.566)	(5.294)	(23.558)	(15.842)	(12.920)
Observations	20,681	87,192	32,397	15,830	50,704	68,885	69,340	50,249
Number of Firms	1,873	8,113	3,096	1,450	4,693	6,516	6,394	4,815
R-squared	0.037	0.038	0.082	0.052	0.048	0.043	0.035	0.074
F statistic	48.043	172.697	145.547	43.474	129.266	155.737	128.474	202.914
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

VARIABLES	(1) USA	(2) Developed Countries	(3) Developing Countries	(4) EMU Countries	(5) Common Law Countries	(6) Non-Common Law Countries	(7) High Financial Liberalization Countries	(8) Low Financial Liberalization Countries
Panel C: LTDD								
CPI	-0.010	-0.017***	-0.002	0.028***	-0.015**	-0.010***	-0.002	-0.026***
	(-0.270)	(-6.282)	(-0.345)	(4.567)	(-2.424)	(-3.413)	(-0.649)	(-6.828)
CMD	-0.012	0.004*	0.041***	0.015	0.007**	0.008**	0.004*	0.018***
	(-1.040)	(1.924)	(8.190)	(1.125)	(2.397)	(2.404)	(1.956)	(4.310)
BD	0.016	0.016***	0.004	0.085***	0.026***	-0.022***	0.024***	-0.043***
	(0.249)	(2.578)	(0.219)	(4.820)	(3.003)	(-2.816)	(3.202)	(-4.192)
GGGD	0.009	0.028***	0.064***	0.025	0.031**	0.030***	0.029***	-0.007
	(0.112)	(3.263)	(4.108)	(0.763)	(2.056)	(3.408)	(2.914)	(-0.539)
GDPG	-0.108	0.194***	-0.211***	-0.212*	0.178**	-0.027	0.080	-0.077
	(-0.228)	(4.170)	(-3.462)	(-1.656)	(2.471)	(-0.691)	(1.489)	(-1.583)
FDI	1.146	-0.033	0.454**	-0.005	0.031	-0.591***	0.030	-0.783***
	(1.022)	(-0.686)	(2.290)	(-0.033)	(0.486)	(-6.999)	(0.594)	(-5.673)
CAB	-	-0.052	-0.060	0.219*	0.099*	-0.305***	-0.029	-0.236***
		(-1.138)	(-0.982)	(1.757)	(1.837)	(-5.891)	(-0.499)	(-4.915)
CRISIS4*CPI	-0.012	0.000	-0.003	-0.002	0.001	-0.003***	-0.001	-0.007***
	(-1.046)	(0.273)	(-0.929)	(-0.700)	(1.264)	(-3.069)	(-1.094)	(-4.272)
CRISIS4*CMD	0.008	0.001	-0.030***	-0.014	0.002	-0.013***	0.001	-0.004
	(1.002)	(0.668)	(-4.079)	(-1.059)	(0.798)	(-3.645)	(0.360)	(-0.844)
CRISIS4*BD	0.028	-0.013***	0.013*	0.013	-0.018***	0.001	-0.006	0.017***
	(0.560)	(-3.502)	(1.924)	(0.983)	(-2.984)	(0.354)	(-0.943)	(3.596)
CRISIS4*GGGD	-0.017	0.024***	-0.000	0.003	0.015	0.017***	0.013	-0.002
	(-0.182)	(4.546)	(-0.030)	(0.162)	(1.360)	(3.098)	(1.575)	(-0.188)
CRISIS4*GDPG	0.135	-0.279***	0.272***	0.347*	-0.176*	0.043	0.057	-0.067
	(0.346)	(-4.534)	(3.129)	(1.662)	(-1.925)	(0.922)	(0.697)	(-1.057)
CRISIS4*FDI	-	-0.046	-0.275	-0.066	-0.122*	0.377***	-0.134***	0.451***
		(-1.030)	(-1.163)	(-0.483)	(-1.840)	(4.801)	(-2.771)	(3.133)
CRISIS4*CAB	-	0.047	-0.102**	0.295***	0.052	0.071	0.110**	-0.099***
		(1.527)	(-2.269)	(2.687)	(1.143)	(1.580)	(2.325)	(-2.751)
TANG	0.107***	0.181***	0.181***	0.134***	0.189***	0.174***	0.184***	0.177***
	(4.879)	(18.546)	(14.924)	(5.126)	(16.595)	(16.764)	(16.443)	(16.968)
PROF	0.022*	0.037***	0.092***	0.040***	0.063***	0.031***	0.032***	0.075***
	(1.771)	(6.296)	(6.861)	(2.620)	(7.186)	(4.609)	(5.145)	(6.900)
SIZE	0.019***	0.012***	0.018***	0.016***	0.015***	0.016***	0.013***	0.017***
	(5.839)	(8.345)	(8.891)	(4.302)	(8.353)	(10.136)	(7.871)	(9.913)
MtB	-0.009***	-0.004***	-0.008***	-0.002	-0.006***	-0.000	-0.006***	-0.001
	(-4.454)	(-3.697)	(-4.206)	(-0.569)	(-4.340)	(-0.346)	(-4.827)	(-0.906)
Constant	0.536	0.414***	0.047	-0.031	0.388***	0.257***	0.319***	0.290***
	(1.563)	(14.667)	(1.107)	(-0.526)	(6.815)	(9.864)	(9.010)	(9.667)
Observations	20,681	87,192	32,397	15,830	50,704	68,885	69,340	50,249
Number of Empresa	1,873	8,113	3,096	1,450	4,693	6,516	6,394	4,815
R-squared	0.020	0.021	0.041	0.032	0.029	0.021	0.020	0.023
F statistic	9.199	36.717	27.422	10.309	29.886	31.111	29.786	34.057
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

VARIABLES	(1) USA	(2) Developed Countries	(3) Developing Countries	(4) EMU Countries	(5) Common Law Countries	(6) Non-Common Law Countries	(7) High Financial Liberalization Countries	(8) Low Financial Liberalization Countries
Panel D:STDD								
CPI	0.010	0.017***	0.002	-0.028***	0.015**	0.010***	0.002	0.026***
	(0.268)	(6.288)	(0.351)	(-4.560)	(2.421)	(3.422)	(0.655)	(6.828)
CMD	0.012	-0.004*	-0.042***	-0.015	-0.007**	-0.008**	-0.004*	-0.018***
	(1.045)	(-1.922)	(-8.204)	(-1.130)	(-2.392)	(-2.415)	(-1.953)	(-4.320)
BD	-0.016	-0.016***	-0.003	-0.085***	-0.026***	0.022***	-0.024***	0.043***
	(-0.250)	(-2.578)	(-0.208)	(-4.818)	(-3.006)	(2.822)	(-3.203)	(4.205)
GGGD	-0.009	-0.028***	-0.064***	-0.025	-0.031**	-0.030***	-0.030***	0.007
	(-0.106)	(-3.269)	(-4.110)	(-0.762)	(-2.058)	(-3.417)	(-2.918)	(0.534)
GDPG	0.111	-0.194***	0.212***	0.212*	-0.178**	0.027	-0.080	0.077
	(0.234)	(-4.171)	(3.473)	(1.659)	(-2.469)	(0.701)	(-1.491)	(1.588)
FDI	-1.154	0.033	-0.455**	0.006	-0.032	0.592***	-0.030	0.783***
	(-1.029)	(0.686)	(-2.294)	(0.036)	(-0.489)	(7.004)	(-0.594)	(5.673)
CAB	-	0.052	0.060	-0.220*	-0.099*	0.305***	0.028	0.236***
		(1.137)	(0.977)	(-1.760)	(-1.837)	(5.880)	(0.497)	(4.909)
CRISIS4*CPI	0.012	-0.000	0.003	0.002	-0.001	0.003***	0.001	0.007***
	(1.048)	(-0.278)	(0.935)	(0.697)	(-1.267)	(3.070)	(1.089)	(4.284)
CRISIS4*CMD	-0.008	-0.001	0.030***	0.014	-0.002	0.013***	-0.001	0.004
	(-0.998)	(-0.667)	(4.068)	(1.063)	(-0.798)	(3.649)	(-0.360)	(0.840)
CRISIS4*BD	-0.027	0.013***	-0.013*	-0.013	0.018***	-0.001	0.006	-0.018***
	(-0.559)	(3.504)	(-1.935)	(-0.983)	(2.988)	(-0.365)	(0.945)	(-3.609)
CRISIS4*GGGD	0.017	-0.024***	0.000	-0.003	-0.015	-0.017***	-0.013	0.002
	(0.177)	(-4.543)	(0.011)	(-0.158)	(-1.364)	(-3.088)	(-1.575)	(0.174)
CRISIS4*GDPG	-0.135	0.279***	-0.269***	-0.347*	0.176*	-0.042	-0.057	0.068
	(-0.344)	(4.534)	(-3.102)	(-1.664)	(1.925)	(-0.912)	(-0.697)	(1.074)
CRISIS4*FDI	-	0.046	0.275	0.065	0.122*	-0.378***	0.134***	-0.451***
		(1.027)	(1.162)	(0.480)	(1.839)	(-4.809)	(2.767)	(-3.136)
CRISIS4*CAB	-	-0.047	0.102**	-0.295***	-0.051	-0.071	-0.110**	0.099***
		(-1.526)	(2.273)	(-2.684)	(-1.140)	(-1.581)	(-2.323)	(2.750)
TANG	-0.107***	-0.181***	-0.181***	-0.135***	-0.189***	-0.174***	-0.184***	-0.177***
	(-4.861)	(-18.542)	(-14.923)	(-5.136)	(-16.589)	(-16.764)	(-16.438)	(-16.968)
PROF	-0.022*	-0.037***	-0.092***	-0.040***	-0.063***	-0.031***	-0.032***	-0.076***
	(-1.762)	(-6.287)	(-6.882)	(-2.619)	(-7.173)	(-4.619)	(-5.135)	(-6.916)
SIZE	-0.019***	-0.012***	-0.018***	-0.016***	-0.015***	-0.016***	-0.013***	-0.017***
	(-5.848)	(-8.344)	(-8.874)	(-4.296)	(-8.357)	(-10.119)	(-7.869)	(-9.900)
MtB	0.009***	0.004***	0.008***	0.002	0.006***	0.000	0.006***	0.002
	(4.438)	(3.691)	(4.225)	(0.574)	(4.330)	(0.364)	(4.821)	(0.923)
Constant	0.464	0.586***	0.952***	1.031***	0.612***	0.743***	0.681***	0.710***
	(1.352)	(20.799)	(22.317)	(17.355)	(10.758)	(28.562)	(19.225)	(23.699)
Observations	20,681	87,192	32,397	15,830	50,704	68,885	69,340	50,249
Number of Firms	1,873	8,113	3,096	1,450	4,693	6,516	6,394	4,815
R-squared	0.020	0.021	0.042	0.032	0.030	0.022	0.020	0.023
F statistic	9.184	36.702	27.431	10.303	29.863	31.100	29.766	34.060
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Table VII – Panel Regression of Leverage and Debt Maturity Choices by Country Category (II)

Panel regressions report firm fixed-effects. Developed and developing countries are defined according World Bank. Low financial liberalization countries means their capital markets in 2000 had less 18 years of financial liberalization. Market leverage, book leverage, short-term debt (STDD) and long-term to debt (LTDD) are dependent variables. Market leverage is defined as total debt divided by the result of market capitalization and total debt. Book leverage is defined as total debt divided by total assets. LTDD (long-term debt to total debt) is defined as long-term debt divided by total debt. STDD (short-term debt to total debt) is defined as short-term debt divided by total debt. CPI (corruption perception index) is an index that ranges from 0 to 10, where lower values indicate more severe corruption. CMD (capital market development) refers to the total value of shares traded during the period (% of GDP). BD (banking development) is domestic credit provided by banking sector (% of GDP). GGGD (general government gross debt (% of GDP)) - Gross debt consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future; This includes debt liabilities in the form of SDRs, currency and deposits, debt securities, loans, insurance, pensions and standardized guarantee schemes, and other accounts payable. GDPG (GDP (Growth)) means annual percentage growth rate of GDP at market prices based on constant local currency. FDI (foreign direct investment flows (% of GDP)) contains information on foreign direct investment (FDI) inflows and outflows by individual country. CAB (current account balance (% of GDP)) includes all transactions other than those in financial and capital items. CRISIS1 is a dummy variable equal a 1 for 2000 and 2001 when dot.com bubble occurred. CRISIS2 is a dummy variable equal a 1 for 2007 and 2008 when subprime crisis occurred. CRISIS3 is a dummy variable equal a 1 for 20010 and 20011 when European sovereign debt crisis occurred. TANG (tangibility) is defined as property. plant and equipment divided by total assets. PROF (profitability) is defined as earnings before interest, taxes, depreciation, and amortisation divided by total assets. SIZE is defined as logarithm of sales. MtB (market-to-book) is defined as the result of total assets minus book equity plus market capitalisation divided by total assets. The panel data regressions are estimated using firm effects. Heteroscedasticity-consistent standard errors (Huber/White) are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

VARIABLES	(1) USA	(2) Developed Countries	(3) Developing Countries	(4) EMU Countries	(5) Common Law Countries	(6) Non-Common Law Countries	(7) High Financial Liberalization Countries	(8) Low Financial Liberalization Countries
Panel A: Market Leverage								
CPI	0.029	-0.035***	0.023***	-0.045***	-0.000	-0.042***	-0.024***	-0.020***
	(1.327)	(-21.478)	(6.405)	(-13.436)	(-0.109)	(-22.650)	(-12.299)	(-8.874)
CMD	-0.021***	-0.001	-0.038***	-0.005	0.005***	-0.031***	0.001	-0.034***
	(-3.166)	(-0.578)	(-14.631)	(-0.906)	(4.303)	(-18.524)	(0.661)	(-15.728)
BD	-0.268***	-0.040***	-0.131***	-0.034***	-0.049***	-0.018***	-0.040***	-0.080***
	(-9.725)	(-10.516)	(-13.306)	(-3.826)	(-10.171)	(-3.598)	(-9.748)	(-12.414)
GGGD	-0.091**	-0.027***	0.247***	0.079***	0.057***	0.070***	-0.062***	0.215***
	(-2.285)	(-5.207)	(24.187)	(3.655)	(6.439)	(13.970)	(-10.792)	(25.162)
GDPG	-2.093***	-0.554***	-0.273***	-0.938***	-0.463***	-0.345***	-0.858***	-0.168***
	(-6.717)	(-24.530)	(-7.823)	(-13.299)	(-13.569)	(-15.255)	(-30.464)	(-6.492)
FDI	4.298***	-0.014	-0.438***	-0.047	-0.144***	-0.198***	0.013	-0.622***
	(6.317)	(-0.718)	(-4.797)	(-1.297)	(-5.148)	(-7.344)	(0.683)	(-8.649)
CAB	-0.523**	-0.272***	0.156***	-0.231***	0.301***	-0.176***	-0.057**	-0.014
	(-1.965)	(-10.735)	(4.111)	(-4.147)	(10.015)	(-6.469)	(-2.013)	(-0.488)
CRISIS1	-0.031***	0.031***	0.046***	0.020***	0.043***	0.046***	0.029***	0.051***
	(-3.702)	(18.876)	(16.588)	(5.278)	(20.957)	(24.293)	(16.434)	(22.696)
CRISIS2	0.056***	0.013***	0.018***	0.022***	0.021***	0.023***	0.007***	0.034***
	(8.583)	(8.751)	(6.856)	(6.157)	(10.093)	(14.109)	(4.143)	(17.170)
CRISIS3	0.083***	0.026***	-0.004*	0.015***	0.001	0.007***	0.034***	-0.001
	(4.855)	(13.833)	(-1.693)	(2.732)	(0.504)	(3.628)	(15.978)	(-0.338)
TANG	0.128***	0.236***	0.183***	0.207***	0.197***	0.240***	0.228***	0.205***
	(9.715)	(40.408)	(22.991)	(13.445)	(28.402)	(37.358)	(34.401)	(30.569)
PROF	-0.200***	-0.150***	-0.354***	-0.181***	-0.235***	-0.141***	-0.132***	-0.331***
	(-26.870)	(-42.404)	(-40.292)	(-20.271)	(-43.937)	(-33.734)	(-36.009)	(-47.049)
SIZE	0.019***	0.015***	0.025***	0.023***	0.016***	0.021***	0.014***	0.024***
	(9.662)	(16.285)	(17.754)	(9.905)	(14.354)	(20.167)	(13.420)	(20.559)
MtB	-0.046***	-0.067***	-0.060***	-0.061***	-0.057***	-0.071***	-0.060***	-0.070***
	(-39.967)	(-93.147)	(-50.011)	(-34.547)	(-63.942)	(-83.458)	(-80.605)	(-67.212)
Constant	0.543***	0.526***	0.090***	0.418***	0.195***	0.373***	0.496***	0.245***
	(2.745)	(28.078)	(3.221)	(10.496)	(5.537)	(19.319)	(22.298)	(11.664)
Observations	20.681	87.192	32.397	15.830	50.704	68.885	69.340	50.249
Number of Firms	1.873	8.113	3.096	1.450	4.693	6.516	6.394	4.815
R-squared	0.223	0.181	0.233	0.210	0.186	0.204	0.180	0.221
F statistic	384.425	1248.716	635.003	272.345	748.357	1138.471	985.192	920.523
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

VARIABLES	(1) USA	(2) Developed Countries	(3) Developing Countries	(4) EMU Countries	(5) Common Law Countries	(6) Non-Common Law Countries	(7) High Financial Liberalization Countries	(8) Low Financial Liberalization Countries
Panel B: Book Leverage								
CPI	-0.009	-0.015***	0.001	-0.015***	-0.001	-0.027***	-0.016***	-0.013***
	(-0.323)	(-9.692)	(0.338)	(-4.945)	(-0.177)	(-15.632)	(-7.896)	(-5.513)
CMD	-0.007	0.002**	-0.015***	0.002	0.005***	-0.004**	0.002**	-0.010***
	(-0.783)	(2.188)	(-5.276)	(0.322)	(4.300)	(-2.509)	(2.391)	(-4.784)
BD	-0.089**	0.002	0.006	0.015*	-0.006	0.025***	-0.007	0.008
	(-2.436)	(0.480)	(0.535)	(1.939)	(-1.044)	(5.196)	(-1.594)	(1.276)
GGGD	-0.069	-0.035***	0.201***	0.005	0.068***	0.033***	-0.044***	0.168***
	(-1.316)	(-6.905)	(18.047)	(0.280)	(6.922)	(7.186)	(-7.467)	(19.799)
GDPG	-1.036**	-0.162***	0.085**	-0.343***	0.033	-0.086***	-0.260***	0.093***
	(-2.519)	(-7.325)	(2.238)	(-5.443)	(0.871)	(-4.087)	(-8.956)	(3.617)
FDI	1.592*	-0.001	-0.255**	0.013	-0.042	-0.200***	0.018	-0.470***
	(1.774)	(-0.074)	(-2.559)	(0.415)	(-1.361)	(-8.013)	(0.914)	(-6.589)
CAB	-0.406	-0.055**	0.155***	0.058	0.125***	0.057**	0.048	0.034
	(-1.158)	(-2.201)	(3.756)	(1.169)	(3.755)	(2.257)	(1.629)	(1.157)
CRISIS1	-0.014	0.007***	0.033***	0.001	0.015***	0.027***	0.004**	0.032***
	(-1.270)	(4.142)	(10.806)	(0.304)	(6.647)	(15.439)	(2.324)	(14.148)
CRISIS2	0.018**	0.003**	0.006**	0.008**	0.008***	0.002	0.000	0.009***
	(2.118)	(2.000)	(2.081)	(2.443)	(3.536)	(1.120)	(0.235)	(4.612)
CRISIS3	0.043*	0.007***	-0.020***	0.000	-0.018***	-0.006***	0.009***	-0.017***
	(1.909)	(3.867)	(-7.306)	(0.069)	(-6.275)	(-3.509)	(3.907)	(-8.297)
TANG	0.205***	0.217***	0.153***	0.220***	0.214***	0.180***	0.225***	0.163***
	(11.742)	(37.713)	(17.574)	(16.025)	(27.837)	(30.156)	(32.913)	(24.381)
PROF	-0.150***	-0.112***	-0.379***	-0.135***	-0.186***	-0.126***	-0.096***	-0.328***
	(-15.221)	(-32.334)	(-39.525)	(-16.908)	(-31.388)	(-32.477)	(-25.440)	(-47.032)
SIZE	-0.006**	0.001	0.016***	0.009***	0.001	0.008***	0.001	0.011***
	(-2.203)	(0.557)	(10.097)	(4.445)	(0.690)	(7.890)	(0.838)	(8.955)
MtB	0.022***	0.009***	0.018***	0.006***	0.021***	0.002**	0.010***	0.014***
	(14.397)	(12.449)	(13.921)	(3.860)	(20.739)	(2.500)	(13.559)	(13.241)
Constant	0.590**	0.325***	-0.026	0.167***	0.141***	0.226***	0.351***	0.100***
	(2.259)	(17.675)	(-0.859)	(4.680)	(3.601)	(12.605)	(15.299)	(4.811)
Observations	20.681	87.192	32.397	15.830	50.704	68.885	69.340	50.249
Number of Firms	1.873	8.113	3.096	1.450	4.693	6.516	6.394	4.815
R-squared	0.037	0.037	0.085	0.050	0.049	0.045	0.035	0.079
F statistic	51.469	218.610	195.290	54.262	171.079	209.643	163.099	277.432
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

VARIABLES	(1) USA	(2) Developed Countries	(3) Developing Countries	(4) EMU Countries	(5) Common Law Countries	(6) Non-Common Law Countries	(7) High Financial Liberalization Countries	(8) Low Financial Liberalization Countries
Panel C: LTDD								
CPI	-0.011	-0.016***	0.003	0.023***	-0.012**	-0.015***	0.000	-0.031***
	(-0.302)	(-6.064)	(0.607)	(3.924)	(-2.043)	(-4.860)	(0.084)	(-8.711)
CMD	-0.009	0.003*	0.034***	-0.005	0.005**	0.010***	0.002	0.021***
	(-0.783)	(1.768)	(8.446)	(-0.592)	(2.561)	(3.499)	(1.477)	(6.359)
BD	0.018	0.002	-0.005	0.061***	0.010	-0.044***	0.017**	-0.048***
	(0.390)	(0.342)	(-0.334)	(4.012)	(1.262)	(-5.227)	(2.453)	(-4.829)
GGGD	0.019	0.041***	0.042***	-0.019	0.045***	0.028***	0.032***	-0.031**
	(0.284)	(4.781)	(2.696)	(-0.529)	(3.092)	(3.446)	(3.247)	(-2.301)
GDPG	0.061	0.058	-0.227***	-0.115	0.088	-0.110***	0.094**	-0.198***
	(0.117)	(1.524)	(-4.241)	(-0.956)	(1.574)	(-3.012)	(1.976)	(-4.897)
FDI	0.953	-0.053*	0.348**	0.050	0.004	-0.195***	-0.054*	-0.420***
	(0.841)	(-1.675)	(2.491)	(0.816)	(0.078)	(-4.472)	(-1.662)	(-3.753)
CAB	0.131	-0.071*	-0.072	0.378***	0.074	-0.262***	0.028	-0.265***
	(0.296)	(-1.671)	(-1.236)	(3.974)	(1.497)	(-5.923)	(0.587)	(-5.761)
CRISIS1	-0.018	-0.010***	-0.022***	-0.025***	-0.023***	-0.006*	-0.011***	-0.013***
	(-1.325)	(-3.736)	(-5.060)	(-3.981)	(-6.851)	(-1.891)	(-3.503)	(-3.546)
CRISIS2	-0.005	-0.010***	-0.020***	0.014**	-0.006*	-0.014***	-0.002	-0.019***
	(-0.501)	(-4.085)	(-4.987)	(2.252)	(-1.810)	(-5.302)	(-0.852)	(-6.082)
CRISIS3	-0.024	-0.008**	0.012***	0.018*	-0.018***	0.015***	-0.003	0.004
	(-0.846)	(-2.566)	(3.047)	(1.912)	(-4.401)	(4.924)	(-0.742)	(1.366)
TANG	0.107***	0.179***	0.189***	0.137***	0.190***	0.178***	0.183***	0.182***
	(4.880)	(18.292)	(15.485)	(5.229)	(16.709)	(17.035)	(16.310)	(17.389)
PROF	0.022*	0.038***	0.098***	0.040***	0.065***	0.032***	0.032***	0.079***
	(1.771)	(6.408)	(7.245)	(2.619)	(7.353)	(4.718)	(5.212)	(7.175)
SIZE	0.019***	0.013***	0.013***	0.010***	0.014***	0.015***	0.013***	0.015***
	(5.843)	(8.200)	(6.114)	(2.605)	(7.180)	(9.201)	(7.314)	(8.220)
MtB	-0.009***	-0.004***	-0.008***	0.000	-0.007***	-0.001	-0.006***	-0.002
	(-4.453)	(-3.590)	(-4.473)	(0.036)	(-4.462)	(-0.629)	(-4.766)	(-1.165)
Constant	0.533	0.427***	0.104**	0.150**	0.415***	0.321***	0.322***	0.348***
	(1.617)	(13.647)	(2.427)	(2.214)	(7.148)	(10.273)	(8.526)	(10.652)
Observations	20.681	87.192	32.397	15.830	50.704	68.885	69.340	50.249
Number of Firms	1.873	8.113	3.096	1.450	4.693	6.516	6.394	4.815
R-squared	0.020	0.021	0.041	0.032	0.030	0.022	0.020	0.023
F statistic	9.854	42.898	37.596	14.497	38.837	40.612	36.631	44.293
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

VARIABLES	(1) USA	(2) Developed Countries	(3) Developing Countries	(4) EMU Countries	(5) Common Law Countries	(6) Non-Common Law Countries	(7) High Financial Liberalization Countries	(8) Low Financial Liberalization Countries
Panel D: STDD								
CPI	0.011	0.016***	-0.003	-0.023***	0.012**	0.015***	-0.000	0.031***
	(0.301)	(6.069)	(-0.602)	(-3.919)	(2.042)	(4.868)	(-0.077)	(8.712)
CMD	0.009	-0.003*	-0.034***	0.005	-0.004**	-0.010***	-0.002	-0.021***
	(0.792)	(-1.766)	(-8.462)	(0.592)	(-2.555)	(-3.510)	(-1.475)	(-6.368)
BD	-0.018	-0.002	0.005	-0.061***	-0.010	0.044***	-0.017**	0.048***
	(-0.390)	(-0.344)	(0.336)	(-4.012)	(-1.264)	(5.228)	(-2.456)	(4.834)
GGGD	-0.018	-0.041***	-0.042***	0.019	-0.045***	-0.028***	-0.032***	0.030**
	(-0.275)	(-4.787)	(-2.699)	(0.530)	(-3.097)	(-3.452)	(-3.254)	(2.293)
GDPG	-0.055	-0.058	0.228***	0.115	-0.088	0.111***	-0.095**	0.199***
	(-0.107)	(-1.527)	(4.268)	(0.956)	(-1.573)	(3.028)	(-1.979)	(4.914)
FDI	-0.963	0.053*	-0.350**	-0.050	-0.004	0.195***	0.054*	0.420***
	(-0.850)	(1.671)	(-2.505)	(-0.816)	(-0.084)	(4.472)	(1.659)	(3.747)
CAB	-0.129	0.071*	0.071	-0.378***	-0.074	0.261***	-0.028	0.265***
	(-0.292)	(1.670)	(1.223)	(-3.977)	(-1.495)	(5.908)	(-0.588)	(5.752)
CRISIS1	0.018	0.010***	0.021***	0.025***	0.023***	0.006*	0.011***	0.012***
	(1.329)	(3.731)	(5.048)	(3.979)	(6.845)	(1.879)	(3.498)	(3.536)
CRISIS2	0.005	0.010***	0.020***	-0.014**	0.006*	0.014***	0.002	0.019***
	(0.501)	(4.088)	(4.990)	(-2.254)	(1.810)	(5.304)	(0.855)	(6.081)
CRISIS3	0.024	0.008**	-0.012***	-0.018*	0.018***	-0.015***	0.003	-0.004
	(0.837)	(2.569)	(-3.058)	(-1.911)	(4.401)	(-4.928)	(0.747)	(-1.372)
TANG	-0.107***	-0.179***	-0.189***	-0.137***	-0.190***	-0.178***	-0.183***	-0.182***
	(-4.861)	(-18.289)	(-15.485)	(-5.238)	(-16.702)	(-17.035)	(-16.305)	(-17.390)
PROF	-0.022*	-0.038***	-0.098***	-0.040***	-0.065***	-0.032***	-0.032***	-0.079***
	(-1.762)	(-6.398)	(-7.268)	(-2.618)	(-7.340)	(-4.728)	(-5.202)	(-7.193)
SIZE	-0.019***	-0.013***	-0.013***	-0.010***	-0.014***	-0.015***	-0.013***	-0.015***
	(-5.853)	(-8.201)	(-6.096)	(-2.599)	(-7.185)	(-9.186)	(-7.315)	(-8.207)
MtB	0.008***	0.004***	0.008***	-0.000	0.007***	0.001	0.006***	0.002
	(4.436)	(3.584)	(4.494)	(-0.031)	(4.452)	(0.647)	(4.760)	(1.183)
Constant	0.467	0.573***	0.896***	0.849***	0.585***	0.679***	0.678***	0.652***
	(1.418)	(18.298)	(20.923)	(12.500)	(10.090)	(21.710)	(17.952)	(19.946)
Observations	20.681	87.192	32.397	15.830	50.704	68.885	69.340	50.249
Number of Firms	1.873	8.113	3.096	1.450	4.693	6.516	6.394	4.815
R-squared	0.020	0.021	0.041	0.032	0.030	0.022	0.020	0.023
F statistic	9.838	42.884	37.616	14.490	38.805	40.601	36.608	44.293
p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Table A1 – Definitions and Data Sources of Country-Level Variables

Variable	Description	Source
Financial Liberalization	Number of years between the formal regulatory date change after which foreign investors officially have the opportunity to invest in domestic equity securities and the beginning of out sample, 2000.	Bekaert *et al (2005)*
Common Law	Common Law is a dummy variable equal to 1 when a country adopts the common law system.	NationMaster.com
Developed Country	Developed economy is a dummy variable equal to 1 when the country is classified as developed	World Bank
Corruption Perception Index	Index that ranges from 0 to 10, where lower values indicate more severe corruption.	Transparency International
Capital Market Development	A proxy for capital market development measured by the total value of shares traded during the period (% of GDP)	World Bank
Banking Development	A proxy for banking development measured by domestic credit provided by banking sector (% of GDP)	World Bank
General Government Gross Debt (% of GDP)	Gross debt consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future; This includes debt liabilities in the form of SDRs, currency and deposits, debt securities, loans,	International Monetary Fund
GDP (Growth)	Annual percentage growth rate of GDP at market prices based on constant local currency.	World Bank
Foreign Direct Investment Flows (% of GDP)	Contains information on foreign direct investment (FDI) inflows and outflows by individual country	UNCTAD
Current Account Balance (% of GDP)	Includes all transactions other than those in financial and capital items.	International Monetary Fund

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