Product Market Competition and Debt Choice

Sabri Boubaker
South Champagne Business School, France
&
Institut de Recherche en Gestion (EA 2354), Université Paris Est, France
sabri.boubaker@get-mail.fr

Walid Saffar
School of Accounting and Finance,
The Hong Kong Polytechnic University, Hong Kong
walid.saffar@polyu.edu.hk

Syrine Sassi
South Champagne Business School, France
syrine.sassi@get-mail.fr

Abstract
Motivated by prior research on the informational and monitoring role of product market competition, we examine how competitive pressure affects firms’ choice between bank debt and public debt. Using a sample of 3,675 U.S. firms over the period 2001–2013, we find that competitive pressure from the product market leads firms to rely less on bank debt financing. In a natural experiment setting, we also find that there is a significant decrease in firm reliance on bank debt after large import tariff reductions. In additional analyses, we show that the effect of competitive pressure on debt choice is more pronounced for firms with greater exposure to competition, higher financial constraints, and weaker governance practices. Moreover, we find that product market competition is associated with long-term maturity debt. Taken together, our study generates the important insight that external governance pressure from the product market acts as an alternate governance mechanism for bank debt monitoring.

Keywords: Product market competition; Import tariffs; Debt structure; Corporate governance.

JEL Classifications: G18; G21 G32

* We gratefully acknowledge the helpful comments and suggestions from Yangyang Chen, C.S. Agnes Cheng, Aytaç Erdemir, Philip T. Fliers, Bill Francis, Sadok El Ghoul, Omrane Guedhami, Iftekar Hassan, Kose John, Karen Lai, Meziane Lasfer, Mujtaba Mian, Jeffrey Ng, Marc Steffen Rapp, Tim Riddiough, Wael Rouatbi, and Samir Saadi. Our paper has also benefited from comments from seminar participants at Paris Est University, Vietnam National University, 2016 Paris Financial Management Conference (Paris, France), 2016 Vietnam Symposium on Banking and Finance (Hanoi, Vietnam), 2017 Global Finance Conference (New York, USA), 2017 European Financial Management Association Annual Meeting (Athens, Greece), and 2017 World Finance Conference (Sardinia, Italy). All errors are our own responsibility.
دریافت فوری متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات