Accepted Manuscript

Direct and Indirect Risk-Taking Incentives of Inside Debt

Stefano Colonnello, Giuliano Curatola, Ngoc Giang Hoang

PII: S0929-1199(17)30333-4
DOI: doi:10.1016/j.jcorpfin.2017.05.012
Reference: CORFIN 1206

To appear in: Journal of Corporate Finance

Received date: 10 August 2016
Revised date: 2 May 2017
Accepted date: 24 May 2017

Please cite this article as: Colonnello, Stefano, Curatola, Giuliano, Hoang, Ngoc Giang, Direct and Indirect Risk-Taking Incentives of Inside Debt, Journal of Corporate Finance (2017), doi:10.1016/j.jcorpfin.2017.05.012

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.
Direct and Indirect Risk-Taking Incentives of Inside Debt∗

Stefano Colonnello† Giuliano Curatola‡ Ngoc Giang Hoang§

This Draft: May 2, 2017
First Draft: September 10, 2013

Abstract

We develop a model of compensation structure and asset risk choice, where a risk-averse manager is compensated with salary, equity and inside debt. We seek to understand the joint implications of this compensation package for managerial risk-taking incentives and credit spreads. We show that the size and seniority of inside debt not only are crucial for the relation between inside debt and credit spreads but also play an important role in shaping the relation between equity compensation and credit spreads. Using a sample of U.S. public firms with traded credit default swap contracts, we provide evidence supportive of the model’s predictions.

JEL Classification: G32, G34

Keywords: Inside Debt, Credit Spreads, Risk-Taking

∗A previous version of the paper circulated under the title “Executive Compensation Structure and Credit Spreads”. We would like to thank an anonymous referee, Laurent Bach, Pascal Busch, Pierre Collin-Dufresne, Michel Dubois, Alex Edmans, Matthias Efing, Rüdiger Fahlenbrach, Harald Hau, Christoph Herpfer, Nataliya Klimenko, Jules Munier, Erwan Morellec, Kjell G. Nyborg, Jean-Charles Rochet, René M. Stulz, Ping Sun, Anders B. Trolle, Philip Valta, Toni Whited, Qunzi Zhang, and seminar participants at the 11th Paris December Finance Meeting, the Annual Swiss Doctoral Workshop, the SFI Ph.D. Financial Intermediation and Stability Workshop, the 21st Annual Meeting of the German Finance Association (DGF) & 13th Symposium on Finance, Banking, and Insurance, the 2016 FMA European Conference, and the University of Zurich for insightful discussions and comments. Giulia Fantini provided valuable research assistance. We are grateful to Jan Benjamin Junge for sharing data and code. We gratefully acknowledge financial support from the Center of Excellence SAFE, funded by the State of Hessen initiative for research LOEWE.

†Otto-von-Guericke University Magdeburg and Halle Institute for Economic Research (IWH), Germany. E-mail: stefano.colonnello@iwh-halle.de.

‡Corresponding author. Goethe University Frankfurt, Germany. E-mail: curatola@safe.uni-frankfurt.de.

§Utrecht University School of Economics, Netherlands. E-mail: n.g.hoang@uu.nl.
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 | ✓ |