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EIBA 2022 Conference Proceedings

C2.5.02: International Finance, Politics & Society

Time: Saturday, 10/Dec/2022: 4:15pm - 5:45pm · Location: B2-030
Session Chair: Lars Oxelheim, Lund University, Sweden

The influence of populist embossed governments on the loan ratios of public project finance loans.

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This thesis examines the influence of populist embossed governments on the loan ratios of public project finance loans. The findings show a significant positive effect of populism on the loan ratio measured on the financing data of public infrastructure projects. The model is based on 16,150 infrastructure projects in 174 countries. Moreover, left-wing populism has a significant effect on the loan ratio, whereas right-wing populism is not significant. I hypothesise a mitigating effect of institutional quality on the loan ratio. However, the result implies rather an interaction effect between populism and institutional quality than a direct effect on the loan ratio.

Electing to Defer: Political Real Options and Project Investment Financing Around the World

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Research in strategy and related fields has largely ignored the possibility that competitive elections create near-term policy risk that firms might exploit by creating real options to defer staged investment projects pending their closeness and the potential for adverse policy outcomes. In response, we develop and test hypotheses derived from a "political real options" theoretical framework assuming that firms will defer full commitment to their investments during election periods when electoral outcomes are uncertain and their strategic scope makes deferral feasible. We find support for our hypotheses in analyses of financing trends in 3,030 greenfield infrastructure projects worth an estimated US\$15.2 trillion and announced for construction and operation from 1998-2020 in 80 countries experiencing 269 national executive elections.

Breaking news? The determinants of the volume and tone of media coverage of tax-motivated international relocations of corporate headquarters

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While many general determinants of multinational enterprises' (MNEs) media coverage and tone of that coverage have already been identified, prior research has remained silent on the volume and the tone of media attention that a legal but ethically and socially questionable corporate act receives. We aim to start filling this gap by exploring the variation in media attention and tone that announcements of tax-motivated headquarter (HQ) relocations receive. Drawing on HQ relocation research, institutional theory, and social norm theory, we hypothesize that the volume and tone of media attention that the announcement of a tax-motivated HQ relocation receives is contingent on a relocating firm's exposure to the domestic public, the characteristics of the relocation and its destination country, and whether the relocating firm is operating in an industry vital to national security. We find some support for our framework in negative binomial regression analyses and fractional response analyses of 142 US firms over the period 1982-2017.

Formal Versus Informal Institutions and the Competitive Impact of Mergers and Acquisitions

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While prior studies considered firm- and industry-level factors when considering the competitive impact of mergers and acquisitions on rivals, institutional factors remain underexplored. Our study attempts to reconcile how differences in the degree of development of the institutional environments where acquiring, target, and rival firms operate shape rivals' expected performance to the M&A announcements of their competitors. We show that formal and informal institutions have opposite effects: while large differences in informal institutions between the acquirer and the target make a M&A more difficult to implement and thus positively impact rivals, the opposite happens for differences in formal institutions. In addition, rivals' own institutional environments affect their ability to handle the competitive threats from the M&As of competitors and therefore mitigate the main effects.