

Essays in Corporate Finance

Francesca Toscano

Dottorato di Ricerca in Economia del Settore Pubblico

Università degli Studi di Salerno

Dipartimento di Scienze Economiche e Statistiche

Maggio 2015

Abstract

This project includes three essays in Corporate Finance.

The first part of the thesis investigates the relationship between Financial Development and Economic Growth for a set of 77 countries over the period 1960-1995. Borrowing the methodology suggested by Beck, Levine and Loayza (2000), I study the previous relationship using a cross-country regression model and a panel technique. My results suggest that Private Credit, defined as credits by financial intermediaries to the private sector divided by GDP, has a positive impact over Economic Growth. My findings also point out that Economic Growth is positively affected by openness to trade and average years of schooling. The relationship between Financial Development and Economic Growth is independent of the degree of financial development as well as the initial level of income of a given country. Differently from other papers, I can study whether the finance-growth nexus is persistent over time: using a similar dataset for an extended period, 1960-2010, I show that the impact of Private Credit over Growth is significative also in the most recent past.

The second part of the thesis explores the stock-prices comovements for a set of 7 countries over the period 2000-2014. The study explores how the volatilities and correlations in one country, mainly Italy, are affected by the volatilities and correlations in another country. Differently from other papers, I focus on a larger set of countries and on a sample period that allows to distinguish between the Pre Great Recession period and the Post Great Recession period. The analysis is conducted by considering several GARCH models, for the volatility comovements, and MGARCH models, for the correlation comovements. The best GARCH model in my setting is the EGARCH model which provides information on the impact of positive innovations on volatility. Among the MGARCH models, I focus on the CCC model and the DCC model. My results point out that the strenght of the relationship among countries is amplified after a crisis event, which is consistent with most of the "contagion" literature.

The last part of the thesis analyzes the relationship between long-term debt and average investment during the 2007 crisis. Very few papers have analyzed the real effects of debt maturity. To analyze the impact of the debt structure on firms' performance I use a matching approach methodology (Abadie-Imbens estimator) which allows to distinguish between a treatment group and a control group: the first one refers to the group of firms whose long-term debt

is maturing at the time of the crisis, while, on the other hand, the control group refers to those firms that are out of the treatment but have similar firm characteristics like cash flow, size, Q, cash holdings and long-term leverage. My results show that firms with debt maturing during the period of the crisis experience a much more pronounced fall in investment. Results are tested using a Parallel Trend Test which allows to better define whether the results are driven by the maturity argument or not.