



The influence of political relationships and cultural environment on debt contracts

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ABSTRACT

This study takes global listed companies from 1999 to 2018 as the research object to explore whether companies with political connections will be affected by cultural differences in the countries where creditors belong, thereby affecting the setting of debt contract conditions. The empirical results show that the debt contract conditions between a company and its creditors vary depending on whether the company has political connections. However, after taking into account the national cultural characteristics of creditors, the influence of politically connected enterprises on debt contract conditions changes. For example, under the national cultural characteristics of high power distance, uncertainty avoidance, masculinity, and long-term orientation, politically connected enterprises cannot enjoy preferential debt contract conditions for borrowing debt. Politically connected companies enjoy preferential debt contract conditions only under the national cultural characteristics of high permissiveness.

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