

Internet Appendix to
“Transparency, Tax Pressure and Access to Finance”

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Table IA 1. Transparency Regressions

This table presents the estimates of a cross-sectional regression model for 14,260 firms from 37 countries. The dependent variables are measures of firm-level transparency over the period 1988-2011 for all firms for which we have at least 6 years of data. In Columns 1 and 2 the transparency measure is the correlation between firm-level (absolute) accounting accruals and operating cash flows over the entire sample period, and in Columns 3 and 4 is the (negative of) absolute value of total accruals divided by the absolute value of cash flow from operations. The independent variables are as follows: Corporate Taxes is the average value of the statutory corporate tax rates over the period 1988-2011; Audit Quality is the principal component of indicators of auditing regulation; Financial Dependence is the measure of financial dependence from Rajan and Zingales (1998); Financial Development is Stock Market Capitalization as % of GDP from Djankov et al. (2008); Initial Assets is the logarithm of the firm's Total Assets in US dollars in the first year for which Worldscope provides data; Initial Market-to-Book is the firm's market-to-book ratio in the first year for which Worldscope provides data; Initial Leverage is the firm's leverage (Total Debt divided by Total Assets) in the first year for which Worldscope provides data; and Investor Protection is the revised anti-director rights index of La Porta et al. (1998). Transparency controls included in Columns 1 and 2 are initial operating cycle, initial PPE divided by assets, and initial average cash flows divided by assets. Standard errors are corrected for clustering at the country and sector level. Asterisks (*, ** and ***) indicate statistical significance (at the 10%, 5% and 1% level, respectively).

	(1)	(2)	(3)	(4)
Corporate Taxes	-0.0181** (-2.47)	-	-0.0021** (-2.45)	-
Audit Quality	0.2760** (2.29)	-	0.0381** (2.39)	-
Financial Development	0.0004 (1.48)	-	0.0001 (1.31)	-
Corporate Taxes × Financial Dependence	0.0473*** (3.22)	0.0401** (2.59)	0.0046*** (2.91)	0.0040** (2.50)
Audit Quality × Financial Dependence	0.6209** (2.32)	0.5411** (2.19)	0.0902** (2.45)	0.0828** (2.41)
Audit Quality × Financial Development	0.0034* (1.79)	-	0.0004* (1.82)	-
Financial Development × Financial Dependence	0.0098* (1.71)	0.0082 (1.44)	0.0007* (1.79)	0.0005 (1.30)
Initial Assets	0.1893** (2.49)	0.1811** (2.29)	0.0206*** (2.91)	0.0197*** (2.75)
Initial Market-to-Book	0.0568** (2.19)	0.0501** (2.08)	0.0068** (2.15)	0.0061* (2.01)
Initial Leverage	0.0487 (1.08)	0.0427 (1.01)	0.0034 (1.12)	0.0026 (1.02)
Transparency Controls	-	-	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes
Country Fixed Effects	No	Yes	No	Yes
Number of Observations	14,260	14,260	14,260	14,260
R²	0.43	0.47	0.40	0.43

Table IA 2. Transparency Regressions – Panel Regressions

This table presents the estimates of a panel regression model for 13,703 firms from 37 countries over the period from 1989 to 2011. The dependent variables are measures of firm-level transparency calculated over the period 1989-2011 for all firms for which we have at least 6 years of data. The dependent variable, Transparency, consists of various firm-level measures of transparency: the performance-augmented modified Jones (1991) model in Columns 1 and 2, and the Dechow and Dichev (2002) measure in Columns 3 and 4. The independent variables are as follows: Corporate Taxes is the statutory corporate tax rate for each year; Financial Dependence is the measure of financial dependence from Rajan and Zingales (1998); Total Assets is the logarithm of the firm's Total Assets in US dollars in the previous year; Initial Market-to-Book is the firm's market-to-book ratio in the previous year; and Leverage is the firm's leverage (Total Debt divided by Total Assets) in the previous year. Standard errors are corrected for clustering at the firm level. Asterisks (*, ** and ***) indicate statistical significance (at the 10%, 5% and 1% level, respectively).

	(1)	(2)	(3)	(4)
Corporate Taxes	-0.0025*** (-3.40)	-0.0022*** (-2.91)	-0.0037*** (-2.97)	-0.0035** (-2.50)
Corporate Taxes × Financial Dependence	0.0031*** (3.22)	0.0030*** (2.90)	0.0042*** (3.07)	0.0039** (2.59)
Total Assets	0.0107*** (4.25)	0.0102*** (4.01)	0.0123*** (4.29)	0.0115*** (4.07)
Market-to-Book	0.0610** (2.50)	0.0528** (2.19)	0.0575** (2.48)	0.0516** (2.15)
Leverage	0.0146 (1.10)	0.0119 (1.05)	0.0157 (1.07)	0.0141 (1.00)
Firm Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	No	Yes	No	Yes
Number of Observations	194,108	194,108	194,108	194,108
R²	0.32	0.35	0.29	0.30

Table IA 3. Investment Regressions – OLS Estimations

This table presents OLS estimates for 14,260 firms from 37 countries. The dependent variable is the mean ratio of Capital Expenditure to Total Assets in the previous year calculated in 1989-2011. Transparency is a firm-level independent variable measured as the correlation between firm-level (absolute) accounting accruals and operating cash flows over the entire sample period in Columns 1 and 2 (T1), (negative values of) Abnormal Accruals Measure of Jones (1991) as modified by Francis et al. (2005) in Columns 3 and 4 (T2), and the qualitative transparency index in Columns 5 and 6; Transparency × Financial Dependence is the interaction between measures of Transparency and financial dependence drawn from Rajan and Zingales (1998); Transparency × Financial Development is the interaction between measures of Transparency and Stock Market Capitalization as percent of GDP; Corporate Taxes is the statutory tax rate; Initial Assets is the logarithm of each firm's Total Assets in US\$ in the first year for which Worldscope provides accounting data; Initial Market-to-Book is the value of the firm's market-to-book ratio in the first year for which Worldscope provides data; and Initial Leverage is the value of the firm's leverage (calculated as Total Debt divided by Total Assets) in the first year for which Worldscope provides data. Standard errors are corrected for clustering at the country and sector level. Asterisks (*, ** and ***) indicate statistical significance (at the 10%, 5% and 1% level, respectively).

	(1)	(2)	(3)	(4)	(5)	(6)
Transparency	0.0328*** (3.01)	0.0229** (2.51)	0.2420*** (2.80)	0.2008** (2.43)	0.0112*** (3.90)	0.0095*** (3.22)
Corporate Taxes	-0.0010* (-1.91)	-	-0.0014* (-1.89)	-	-0.014* (-1.85)	-
Financial Development	0.0003 (1.51)	-	0.0002 (1.27)	-	0.0002 (1.35)	-
Transparency × Financial Dependence	0.1429** (2.58)	0.1280** (2.37)	0.6570** (2.62)	0.5011** (2.41)	0.0161** (2.49)	0.0144** (2.22)
Transparency × Financial Development	0.0003** (2.21)	0.0002* (1.76)	0.0023* (1.91)	0.0021* (1.87)	0.0019* (1.87)	0.0018* (1.81)
Corporate Taxes × Financial Dependence	-0.0005 (-1.25)	-0.0004 (-1.11)	-0.0009* (-1.71)	-0.0008 (-1.60)	-0.0009 (-1.37)	-0.0007 (-1.24)
Financial Dependence × Financial Development	0.0004 (1.08)	0.0003 (0.92)	0.0003 (1.19)	0.0003 (1.08)	0.0007* (1.79)	0.0007* (1.75)
Initial Assets	-0.0041*** (-5.37)	-0.0039*** (-5.21)	-0.0038*** (-5.27)	-0.0037*** (-5.05)	-0.0037*** (-5.41)	-0.0032*** (-5.07)
Initial Market-to-Book	0.0104** (2.34)	0.0101** (2.32)	0.0156** (2.19)	0.0142** (2.07)	0.0140** (2.19)	0.0135** (2.06)
Initial Leverage	-0.0030 (-1.25)	-0.0027 (-1.16)	-0.0031 (-1.18)	-0.0030 (-1.15)	-0.0029 (-1.27)	-0.0026 (-1.18)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Country Fixed Effects	No	Yes	No	Yes	No	Yes
Number of Observations	14,260	14,260	13,703	13,703	12,332	12,332
R²	0.34	0.37	0.39	0.41	0.21	0.27