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Does Level of Countries Corruption Affect Firms Working Capital Management?

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Abstract : Recent studies in finance have focused on the effect of external variables on working capital management. This study investigates the effect of corruption indexes on firms' working capital management. A large data set that covers data from 2005 to 2013 from five ASEAN countries, namely, Malaysia, Indonesia, Singapore, Thailand, and the Philippines, was selected to investigate how the level of corruption in these countries affect working capital management. The results of panel data analysis include fixed effect estimations showed that a high level of countries' corruption indexes encourages managers to shorten the CCC length. Meanwhile, the managers reduce the level of investment in cash and cash equivalents when the levels of corruption indexes increase. Therefore, increasing the level of countries' corruption indexes encourages managers to select conservative working capital strategies by reducing the level of NLB.

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