Credit Control Rights and Resource Allocation within Firms

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September 2016

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- Main finding (Nini et al. (2012)): creditor intervention **adds value** by improving **operating performance**

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- Main findings:
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    - Establishments in peripheral industries
    - Unproductive establishments
- More broadly: provides direct link between corporate financing and labor policies (see also Falato and Liang (2016))

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  - ... and may hold only **very close** to the threshold (>1,000 observations are still a lot)

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     - Orthogonality of covenant violation with other measures of investment opportunities, industry cycles, etc.

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- Baseline result:

	Δ Log(Employment)		
	(1)	(2)	(3)
Covenant violation	-0.068	-0.044	-0.034
	(-3.90)	(-5.54)	(-3.75)
Industry fixed effects	Yes	Yes	No
Year fixed effects	Yes	Yes	Yes
Controls	No	Yes	Yes
Firm fixed effects	No	No	Yes
N	43,480	31,071	31,071

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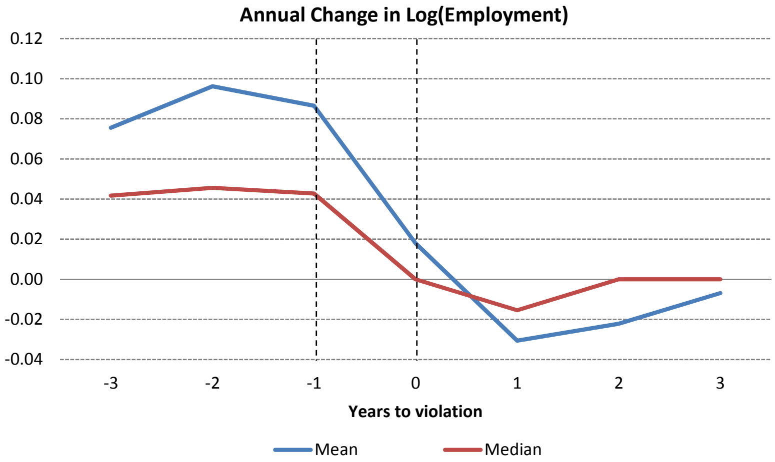

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  "Census variables are measured as of March 12 each year. For this reason, if a violation occurs at first or second (third or fourth) quarters of year t, we measure the annual change in employment from year t to $t+1$ ($t+1$ to $t+2$)"

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  2. Can you use the data to explore **why** creditors add value over and above shareholders and boards and **when** (vs. Falato and Liang (2016))?
     - Do creditors have superior turnaround experience ("worst-case-experts?")? Do they have expertise with establishments of certain type, industries or geographies?

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