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研究課題名(和文) Empirical Research on Cross-national Distances and Firm Risks in Multinationals

研究課題名(英文) Empirical Research on Cross-national Distances and Firm Risks in Multinationals

研究代表者

顧 俊堅 (Gu, Junjian)

筑波大学・ビジネスサイエンス系・助教

研究者番号：10820433

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研究成果の概要(和文)：本研究は、日本の多国籍企業を分析対象として、海外直接投資における国家間の差異と企業リスクの関連性について実証研究を行った。主な結果は次のとおりです。(1)投資家保護の強い国あるいは倫理観の高い国に進出する企業は、租税回避する可能性が低いことがわかった。(2)コモン・ロー国/発展途上国/地理的に日本から遠い国に投資している企業は、企業リスクが高くなるため、比較的高い監査費用を負担することがわかった。(3)国際化は、経営者予測におけるアナリスト予測の質と負の関係にあることがわかった。上記の結果は、企業リスクが進出国の特徴や国際化の程度によって変動することを示唆し、国際雑誌で公表された。

研究成果の学術的意義や社会的意義

日本金融庁は企業の海外戦略を重要視して、海外進出活動に支援しやすい環境を整備している。海外進出行動の中には高い企業リスク要因が潜み、失敗につながっていく。そして、海外進出行動に関するリスク要因(例えば、国際的差異や複雑性など)を無視すると、ネガティブな結果が生じる可能性が高まる。ゆえに、「海外進出」は社会として必要不可欠な研究キーワードだと思われる。本研究の研究手法と実証結果が、経営者のみならず、社外の利害関係者(例えば、投資者や、税務署、会計基準設定主体、監査人、研究者など)にも示唆を与えることが期待されている。

研究成果の概要(英文)：Motivated by international business and accounting literature on the effects of FDI activities, this project aims to comprehensively investigate the relation between FDI host countries' differences and firm risks in terms of audit fees, accounting quality, and tax avoidance based on the setting from Japanese multinationals.

The main findings are as follows: (1) we find that a firm with an FDI host country portfolio with more countries with high investor protection or ethical standards is less likely to engage in tax avoidance; (2) we find that firms investing in more common-law/developing/remote countries exhibit relatively higher audit fees; and (3) internationalization is negatively related to the disclosure quality of analyst forecasts on management forecasts. The findings are consistent with the notion that firm risks are associated with the characteristics of host countries and the degree of internationalization. The findings are published in several international journals.

研究分野：会計

キーワード：Firm risks Cross-national Distances Multinationals Tax avoidance Audit fees FDI Overseas expansion

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1 . 研究開始当初の背景

With the rapid development of globalization, multinationals have attracted much attention in media and academia. One prominent feature of multinationals is their foreign direct investment (FDI) activities worldwide. The cross-national distances between FDI host countries and home countries differ in many aspects, which involve great uncertainty. As a result, cross-national distances should significantly impact firm risks, which contain several risk indicators, such as audit fees, effective tax rate, and discretionary accruals.

Abundant research has found a significant positive relationship between audit fees and firm risks (Hay et al., *Contemp Account Res* 2006; Stanley, *Auditing* 2011). Also, taxation studies apply the effective tax rate to represent the firm risk (Kim et al., *J Financ Econ* 2011; Rego & Wilson, *J Account Res* 2012). Besides, current literature applies discretionary accruals as a firm risk for testing the relationship between firm characteristics and earnings quality (Dechow et al., *J Account Econ* 2010; Kuang et al., *Account Horiz* 2014). However, partly due to the data limitations, there has been very few accounting studies on audit fees, effective tax rate, and discretionary accruals in multinationals.

2 . 研究の目的

Motivated by international business and accounting literature on the effects of FDI activities, this research project aims to comprehensively investigate the relationship between FDI host country's differences and firm risk in terms of audit fees, accounting quality, and tax avoidance based on the setting from Japanese multinationals.

The Financial Services Agency of Japan in recent years has encouraged firms to improve FDI activity. If certain specific characteristics of FDI (e.g., long cross-national distances between host countries and Japan) harm interested parties through higher risks (i.e., higher audit fees, lower effective tax rate, and more discretionary accruals), then overlooking the trend of FDI development (increasing the cross-national distances of FDI) may result in amplified negative consequences.

The methods and findings of this research will have implications for managers and investors, tax policymakers, audit regulators, accounting standard makers, and other interested parties in enhancing their understanding of the cross-national distances of FDI and the effects on firm risks.

3 . 研究の方法

To clarify the relationships between different aspects of cross-national distances of FDI and several risk indicators, I will apply the empirical research method. a) First, I will build several hypotheses on the relationships between different cross-national distances of FDI and audit fees, effective tax rate, and discretionary accruals, respectively. b) Secondly, several multivariate regression models will be built to verify the hypotheses. c) Third, the propensity score matching (PSM) method will be used to control for differences in Japanese firms' characteristics between the two pair sample groups (FDI and non-FDI group). d) Finally, a battery of sensitivity tests will be used for the robustness checks.

4 . 研究成果

4.1. Regarding this project, the main achievements in the year 2019 are as follows:

First, one paper related to this project was published in *Sustainability* (an SSCI Journal with Impact Factor 2.592, which ranks Q2). Based on the sample of Japanese multinational firms, this paper studies a possible risk of foreign direct investment in host countries with long cross-national distances. We expect and find that firms with longer cross-national distances (in terms of economic, political, administrative, cultural, demographic, knowledge, and geographic perspectives) tend to take an unsustainable tax policy. It suggests that one risk of investment in a host country with great cross-national distance from the home country is unsustainable tax policies.

Second, two related papers were accepted and presented at the American Accounting Association (AAA) Annual Conference (the leading international accounting conference). One paper discusses the effect of accounting standards differences on accounting quality, and the other discusses the relationship between tax avoidance and cross-country differences. We received several insightful comments from the commentators and participants.

4.2. Regarding this project, the main achievements in the year 2020 are as follows:

Three papers related to this project were published. The first one was published in the *Journal of Business Ethics* (SSCI 2019 IF 4.141 Q1; FT Top 50), which investigates the conditions under which country portfolios are more likely to modify tax behavior. Using data on Japanese multinational firms, we find that a firm with an FDI host country portfolio with more countries with strong (high) investor protection (ethical standards) is less likely to engage in tax planning. Moreover, further analyses show that the effect is more pronounced in host countries with low indulgence degrees. This paper contributes to the literature by highlighting that investor protection and ethical standards in host countries are external monitoring mechanisms for regularizing multinational tax behavior.

The second one was published in *Economic Research-Ekonomska Istraživanja* (SSCI 2019 IF 2.229 Q2), contributing to the literature on accounting quality by investigating the effect of voluntary international financial reporting standards (IFRS) adoption on income smoothing and conditional conservatism. Specifically, we find that voluntary IFRS adoption by firms with similar motivation as International Accounting Standards Board (IASB) reduces (enhances) income smoothing (conditional conservatism). Our results are consistent with the notion that voluntary IFRS adoption with similar motivation as IASB can improve accounting quality by increasing motivation to follow the IFRS guidelines.

The third one was published in the *Journal of Multinational Financial Management* (SSCI 2019 IF 1.965 Q2), which investigates the effects of FDI characteristics on audit pricing and the influence of industry homogeneity on these effects. Based on the sample of listed Japanese firms, we show that firms investing in more common-law/developing/remote countries exhibit relatively higher audit fees. In addition, we show that the relation is less pronounced in firms with high industry homogeneity. These results are consistent with the inference that investing in more common-law/developing/remote countries increases firm risks/audit efforts, leading to high audit fees. Our results contribute to the literature on the determinants of audit fees and have implications

for different groups of stakeholders.

4.3. Regarding this project, the main achievements in the year 2021 are as follows:

Three selected papers related to this project were published. The first one was published in *Management International Review* (SSCI 2020 IF 2.015 Q3), which studies the relation between firm internationalization and the likelihood of voluntary IFRS adoption. We document that Japanese MNEs with a higher internationalization degree are more likely to adopt IFRS or the US Generally Accepted Accounting Principles (GAAP). This result suggests that pressures from foreign stakeholders to introduce a single set of accounting standards would be higher in Japanese multinational firms with a higher degree of internationalization.

The second one was published in *Research in International Business and Finance* (SSCI 2020 IF 4.091 Q1), which enhances understanding of the effects of CEOs' overseas background on financial misconduct risks. We show that firms hiring CEOs who worked/studied in host countries with large differences from the home country's economic/cultural environment bear lower misconduct risks. The cross-sectional analyses show that the effects are more pronounced in firms hiring a younger CEO. The results are consistent with the inference that CEOs' overseas experiences mitigate misconduct risks by improving the efficiency of corporate governance.

The third one was published in the *Pacific-Basin Finance Journal* (SSCI IF 2.514 Q2), which examines the effects of internationalization on the reliance of analyst forecasts on management forecasts. Using the data from Japanese firms, we document that internationalization is negatively associated with the disclosure quality of analyst forecasts on management forecasts. The result is consistent with the notion that firms with higher internationalization bear more risks in terms of complexity and uncertainty.

5. 主な発表論文等

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1. 発表者名 顧 俊堅
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3. 学会等名 European Accounting Association Annual Congress 2019 (国際学会)
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〔図書〕 計0件

〔産業財産権〕

〔その他〕

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6. 研究組織

	氏名 (ローマ字氏名) (研究者番号)	所属研究機関・部局・職 (機関番号)	備考
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7. 科研費を使用して開催した国際研究集会

〔国際研究集会〕 計0件

8. 本研究に関連して実施した国際共同研究の実施状況

共同研究相手国	相手方研究機関			
中国	Fudan University	Harbin Institute of Technology	Xi ' an Jiaotong University	他1機関
米国	University of Houston			
オーストラリア	University of Melbourne			