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Examining the Interplay between Tax Systems and Corporate Finance across Diverse Asian Economies

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Abstract

Objective: This research examines how a country's culture affects a company's decisions regarding financing and corporate tax rates.

Methodology: We used a two-step system called the Generalized Method of Moment (GMM) to analyze data from five major Asian economies (China, India, Pakistan, South Korea, and Singapore) from 2010 to 2019.

Findings: Our findings suggest a positive correlation between corporate tax rates and debt financing. Increased corporate taxes lead to high tax deduction value, incentivizing firms to enhance their debt financing after-tax income. Furthermore, corporations in a more tax environment prefer leverage financing to exploit the tax deductibility of interest payments. However, this relationship can become negative due to the influence of national culture. In economies with a low power distance culture and less information asymmetry, managers prefer equity financing to debt financing. Reliability, moral sympathy, and trust can attract investors, shareholders, and other stakeholders' attention in these cultures. Similarly, in cultures with low uncertainty avoidance, people are less risk-averse and prefer equity financing to debt financing.

Implications: Corporate managers should consider national culture when deciding on financing patterns, especially when dealing with high corporate tax rates.

Novelty and Originality: This research stands out due to its novel approach of integrating national cultural factors as moderating variables in analyzing corporate tax rates and financing patterns. Unlike previous studies, this research provides a holistic perspective that underscores the importance of cultural context in financial decision-making processes, thereby offering new insights and practical implications for corporate managers and policymakers aiming to optimize financial strategies in culturally diverse settings.

This study is pertinent to decision sciences as it delves into corporate managers' intricate decision-making processes influenced by taxation regimes and cultural dynamics. By clarifying the moderating role of national culture on corporate financial strategies, this research provides valuable insights into the strategic considerations that underpin corporate finance decisions in diverse economic and cultural contexts.

Keywords: Corporate Tax Rate, National Culture, Firm Financing, Fixed Effect Model, Debt Financing, Equity Financing, Capital Structure

JEL Codes: G31, G32, H25, Z10

1. Introduction

Tax revenue is a significant income source for countries, which they utilize to fund various projects and offer subsidies to the public. Investments in research and development promote innovation, which plays a critical role in economic growth. Domestic production activity deductions (DPAD) also encourage businesses to introduce new ideas. Many policymakers and economists agree that the tax system of any economy needs to be reformed periodically. These reforms directly impact corporate-level decisions, closely linked to national culture and norms. Reliable cultural values can enhance firms' sustainability by fostering harmony, trust, a pleasant work environment, and profitability. Prior research by Du, et al. (2023) has shown the impact of tax incentives on corporate financing structure. The motivation for this study stems from the intricate interplay between national cultural dynamics and corporate financial strategies, particularly in the context of taxation regimes. Moreover, there is a lack of comprehensive understanding regarding how cultural traits influence corporate decisions about debt and equity financing in response to varying corporate tax rates across diverse economic environments. As a result, corporate managers confront challenges while considering corporate managerial decisions in the context of tax regimes and cultural dominion society. In this vein, this work tries to resolve this problem. However, this work examines the relationship between corporate tax rates and firm financing patterns through the lens of national culture, which adds a complex layer to this relationship. Understanding these interactions provides nuanced insights into corporate behavior and strategic financial decision-making within a diverse cultural context. In the wake of this, this study raised and answered the following research questions:

1. How do corporate tax rates influence firm financing decisions?
2. How does national culture moderate the liaison between corporate tax rates and corporate financing decisions?

Corporate managers' decisions can be influenced by their personal experiences, which may be related to national culture. "Culture, " defined by Hofstede (2001), refers to the combined programming of the mind that distinguishes one country, group, or region from others. According to Hofstede, six cultural dimensions are necessary to demonstrate the culture of any country: power distance (low versus high), individualism versus collectivism, masculinity versus femininity, uncertainty avoidance (low versus high), long-term orientation versus short-term orientation, and indulgence versus self-restraint. Such dimensions may positively or negatively influence corporate managers' decisions. Since the groundbreaking work by Modigliani and Miller (1958), firm financing decisions have been a significant issue examined under agency theory. Debt is a valuable mechanism for reducing agency costs by alleviating shareholder conflicts. Corporations mitigate these costs by financing their assets through debt and benefiting from tax relief. However, high corporate tax rates lead to high debt financing. Due to the close attachment to national culture, managers may refrain from using debt as a funding source. In summary, national culture and corporate tax influence the firm's financing structure.

Apart from the key explanatory and explained variables, several other variables are considered control variables, such as firm size, tangibility of total assets, sales growth, real interest rate, and financial

development. Furthermore, large businesses face fewer restrictions when it comes to innovating, as they have a high level of sales and good worth, allowing them to choose debt and equity financing options. Stakeholders, who may be banks or equity holders, keep a close eye on the value of businesses. Tangible assets are preferred as collateral by businesses when acquiring debt, which creates a positive relationship between the tangibility of total assets and debt financing. Additionally, having more tangible assets makes a business more attractive and encourages stakeholders to consider equity financing. Increasing sales growth boosts confidence and enables enterprises to make financing decisions more efficiently. However, too much debt can lead to volatile conditions and impeding development. Macroeconomic factors such as real interest rates and financial growth play a significant role in determining the financing patterns of firms. Businesses are less likely to opt for debt financing when policy rates are high, ultimately leading to higher interest rates for banks. Nonetheless, advancements in the financial sector offer businesses access to large amounts of funds under lenient conditions, encouraging them to consider debt financing.

This study examines how national culture affects the relationship between corporate tax rates and firm financing patterns. Data from five Asian economies (China, India, Pakistan, South Korea, and Singapore) from 2010 to 2019 was analyzed using the two-step system GMM to address endogeneity errors. The findings reveal a positive association between corporate tax rates and debt financing. However, this positive link is reversed when national culture is introduced as a moderating variable. Traditional events and long-established rituals also influence the decisions of corporate managers. Risk-averse managers tend to avoid debt financing due to financial stress. At the same time, those in regions with low power distance cultures prefer equity financing due to moral sympathy and low asymmetric information. This study significantly advances existing literature by empirically demonstrating the moderating role of national culture in the relationship between corporate tax rates and financing decisions. By employing the Generalized Method of Moments (GMM) to analyze data from China, India, Pakistan, South Korea, and Singapore over a decade, our findings reveal a nuanced understanding of how cultural dimensions such as power distance and uncertainty avoidance can pivot corporate preferences towards debt or equity financing. This research holds practical, theoretical, and empirical significance. Practically, it equips corporate managers with insights to make informed financing decisions by considering the influence of cultural dynamics. Theoretically, it emphasizes the critical role of national culture as a determinant of corporate financing patterns, thereby enriching the existing body of knowledge. Empirically, the study authenticates the moderating effect of national culture on the relationship between corporate tax rates and financing structures. This contributes to financial economics literature by introducing an innovative framework that integrates cultural variables with traditional financial determinants, offering a more comprehensive understanding of corporate financial behavior. This study is pertinent to decision sciences as it delves into corporate managers' intricate decision-making processes influenced by taxation regimes and cultural dynamics. By clarifying the moderating role of national culture on corporate financial strategies, this research provides valuable insights into the strategic considerations that underpin corporate finance decisions in diverse economic and cultural contexts.

The remaining sections of this study are established as follows. Section 2 presents reviews of previous literature and hypotheses development, Section 3 is of theory and theorization. Section 4 explains the

details of the sample selection, research methodology, econometric models, and variables. Section 5 reports the empirical findings of the applied techniques in different tables. Section 6 explains the reported results in a systematic manner with the help of prior relevant studies. The last section discusses conclusions and policy recommendations.

2. Literature Review and Hypotheses Development

How corporate financing can be influenced by statutory tax rates and national culture is an emerging debate in recent literature on financial economics. A large amount of evidence is available in the literature that attempts to describe the role of corporate income tax in determining corporate financing patterns (Alstadsæter, et al., 2017; Asiri, et al., 2020; Devereux, et al., 2018; Dobbins & Jacob, 2016; Muthitacharoen, 2021; Ohrn 2018; Sankarganesh & Shanmugam, 2021; Sobiech, et al., 2021; Taylor, et al., 2019; Wu & Yue, 2009). However, how managers react to this financing pattern due to the increasing influence of national-level culture is still obscure. The studies mentioned above have not shed sufficient light on the moderating chemistry of national culture between corporate tax rates and firm financing patterns. Therefore, this study fills this theoretical gap. Moreover, it is still arguable how corporations respond when there is a high influence of national culture during high corporate tax rates. This section gives a direction to achieve the aim of the current research by analyzing previous studies that have been done on relevant themes. The directions may be positive or negative. To make directions unequivocally, this section assists in developing the hypothesis by assessing prior literature.

2.1 Corporate tax and corporate financing patterns

The corporate tax rate potentially influences the corporation manager's decisions regarding corporate financing patterns and has been mentioned in recent literature on financial economics (Asiri, et al., 2020; Muthitacharoen, 2021; Sankarganesh & Shanmugam, 2021; Sobiech, et al., 2021). The research of Modigliani and Miller (1958) asserted that through documenting classical theory regarding capital structure, corporate tax rates design financing patterns for firms. This theory further indicates that corporations ought to prefer more debt financing during high tax rates by considering tax advantages. This connection of tax rates with debt financing leads to a positive relationship between tax rates and debt financing. The study of Feld, et al. (2013) recommended the marginal effect of corporation taxation on the leverage ratio, which is around 27 percent. In addition, they further investigated the positive links between tax rate and debt financing during high taxation, and this effect is higher with multinational firms. Mokhova and Zinecker (2014) unveiled the impact of monetary and fiscal policies on corporate capital patterns. Furthermore, they noticed a positive link between debt preferences and high taxation policy. The study of Fuller, et al. (2024) found an inverse connection between tax uncertainty and corporate debt financing. Faccio and Xu (2015) examined the positive connection between firm tax and debt financing in another study. They further found that the corporate tax is a significant determinant of debt financing. Recent research by Sobiech, et al. (2021) described that the corporate tax is positively linked to debt financing. The high tax rates attract managers towards leverage financing due to tax benefits. Hence, the

hypothesis can be tested by assessing the previous literature on the connection between corporate tax rates and debt financing.

H1: *A significant relationship exists between corporate tax rates and firm financing patterns.*

2.2 National-level Culture and Corporate Financing Patterns

Culture significantly influences the decisions of stakeholders, managers, and shareholders in many countries. The impact of culture on choices and planning varies across borders, and each region has its specific cultural trend that might affect the financing options of a firm (Booth, et al., 2001). National culture has been identified as a crucial determinant of several corporate-level decisions (Haq, et al., 2018; Shao, et al., 2010). Corporate managers structure their financing options according to the involvement of national culture, with some cultural trends encouraging managers to consider equity financing, while others discourage them from using debt as a financing tool (Farooq, et al., 2020; Subhani, et al., 2021). For instance, risk-averse managers tend to move towards equity financing, while cultures with high uncertainty avoidance hinder managers from considering debt as a financing option (Arosa, et al., 2014). The study of Hsiao, et al. (2024) found that CSR deters firm economic performance. Moreover, in the context of national culture, the power distance and uncertainty avoidance dimensions are inverse liaisons with the firm economic situation. Subhani et al. (2024) found that firms do not prefer debt financing during inadequate governance. Additionally, a high power distance culture spreads information asymmetry problems, discouraging managers from using equity as a financing tool. A culture's long-established norms and values influence stakeholders' observations and make it challenging to choose appropriate financing. Therefore, national culture significantly impacts firm financing patterns, and managers must be aware of these impacts to make informed financing decisions.

H2: *There is a significant link between national culture and firm financing patterns.*

2.3 Corporate tax rate, national culture, and corporate financing patterns

Changes in government policies can significantly affect corporate strategies (Farooq, et al., 2022). However, effective corporate strategy can help businesses navigate volatile situations and mitigate the adverse effects of policy changes. When it comes to corporate tax rates, policy amendments can have a significant impact on corporate financing patterns. Ohrn's (2018) study found a positive correlation between corporate tax rates and debt financing. Companies tend to have higher debt ratios with higher corporate tax rates. This suggests a direct relationship between corporate tax rates and corporate debt financing. However, this relationship may be moderated by national culture to some extent. Different regions have different cultures, and the national culture can significantly affect debt-financing decisions (Subhani, et al., 2021). Moreover, managers tend to make financing decisions that align with their cultural norms and values. Although higher corporate tax rates may be linked to higher debt financing, it's important to note that higher debt ratios can lead to increased financial distress and default risk. In regions with high uncertainty avoidance, managers may make bold decisions regarding debt financing. However, in risk-averse cultures, managers may hesitate to use debt as a financing tool. In cultures that value

collectivism and have low power distance, there may be less information asymmetry, and managers may prefer equity financing (Arosa, et al., 2014; Farooq, et al., 2020). Therefore, it can be concluded that, due to national culture, companies may avoid debt financing even if corporate tax rates are high. This leads to the third hypothesis:

H3: *There is a significant moderating effect of national culture between corporate tax rate and firm financing patterns.*

Apart from the main explanatory variables, firm financing patterns are also affected by other variables known as control variables. These variables can be categorized into firm-specific control variables (such as firm size, tangibility ratio, and sales growth ratio) and country-specific control variables (such as real interest rate and financial sector development). Several studies have identified a positive correlation between firm size, firm debt, and firm equity financing (Andrieu, et al., 2018). Large firms have the luxury of making choices and tend to opt for the best options for their businesses. Similarly, gigantic firms with vast assets can choose from different options. Every enormous business has a history of struggling to win the loyalty and trust of the public and institutions by gradually accumulating more assets. Numerous scholars have observed a positive relationship between the assets' tangibility ratio and the firm's financing pattern (Lim, et al., 2020). These firms do not face strict formalities while financing their assets and can easily opt for debt and equity financing. Another factor that assists firms in making financing decisions is their ability to generate more profits by increasing sales. Several researchers have noted a positive correlation between firm sales growth ratio and firm financing pattern (Farooq, et al., 2022). This implies that high sales lead to higher profits, attracting stakeholders. However, country-oriented variables also play a role in determining firm financing decisions. The GDP deflator determines the real interest rate and affects commercial banks' lending rates. Several scholars have found an inverse relationship between real interest rates and debt financing (Akron, et al., 2020). This suggests that an increase in interest rates discourages firms from opting for debt financing instead of equity financing. On the other hand, the development of the financial sector motivates and facilitates firms to use debt as a financing tool, which shows a positive correlation between financial sector development and debt financing (Farooq, et al., 2022).

H4: *There is a significant relationship between firm size, tangibility ratio, sales growth ratio, real interest rate, financial sector development, and firm financing patterns.*

3. Theory and Theorization

How does the volatility of corporate tax rates affect the financing patterns of business corporations? In addition, how does the national culture moderate this relationship? These questions can be best explained in the theory and theorization portion. Firm financial performance can be affected by dividend payout and investment decisions, but capital structure decisions have a significant role in determining firm progress (Nenu, et al., 2018). Discussions regarding capital structure were first started by Modigliani and Miller (1958). They asserted that the financing cost fluctuates per the debt and equity ratio. In another study, Modigliani and Miller (1963) further explored capital structure by describing different determinants of

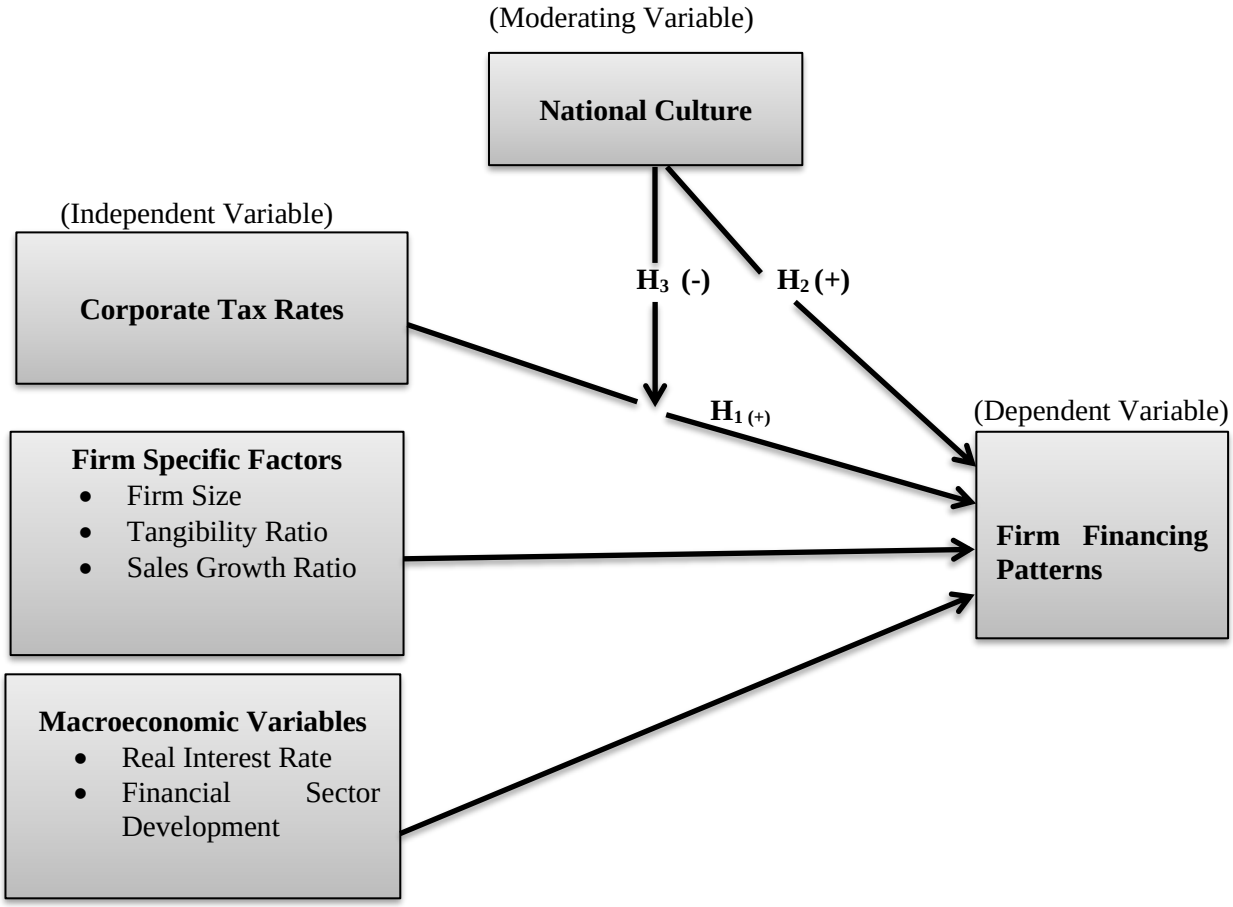
capital structure that affect the financing cost. Different capital structure theories, such as pecking order, trade-off, and agency cost theories, have expanded discussions and understanding of capital structure (Myers & Majluf, 1984). In brief, these theories justify the relationship between the main explained variables and the explanatory variables. Usually, a high corporate tax rate pushes firms toward debt financing. However, in a highly collectivist culture, people prefer to work collectively and remove the barriers to sharing information smoothly, mitigating the problem of information asymmetry. This makes equity financing easier for firms. In addition, this supports the agency cost theory while unveiling the effectiveness of agency cost. Business firms prioritize their sources of funds and use them accordingly. These funds are associated with their cost, which shows that high cost is related to high asymmetric information, and low cost is linked to low asymmetric information. Simply put, in a low power distance and highly collectivist culture, information asymmetry will be low, which leads to low information asymmetry. Similarly, the trade-off theory reveals that balancing cost and benefits should optimize the debt and equity ratio. This theory is also linked to financing costs, which means that the ratio of low financing cost will be high, and the ratio of high financing cost will be low. It is also related to the existing culture to some extent. In short, the theories mentioned above relate to financing costs, whereas culture is an exogenous determinant of the financing cost.

Based on the theories mentioned above, this study relies more on agency cost theory because, in cultures with lower power distance and low uncertainty avoidance, the reduced information asymmetry and higher trust level diminish agency costs, making equity financing more attractive. This aligns with the theory's emphasis on minimizing conflicts and costs associated with different financing options, demonstrating how cultural factors can mitigate agency problems and shape firm financial approaches.

3.1 Research Framework

In Figure 1, the dependent variable used in this study is firm financing patterns, which include two types of financing: debt financing and equity financing. On the right-hand side, we have the independent variables: corporate tax rate, firm size, tangibility of total assets, sales growth ratio, real interest rate, and financial sector development. In the middle, we have the moderating variable, national culture.

Figure 1. Research Framework



Note: This figure shows the research framework. On the left-hand side of Figure 1, independent and control variables (both firm-specific and macroeconomic) are listed while on the right-hand side, the dependent variables are listed.

4. Material and methods

4.1 Data

The data for this study was collected from several sources, including Thomson Reuters DataStream, the Organization for Economic Cooperation and Development (OECD), and World Development Indicators (World Bank). The sample size initially consisted of 80,500 observations from 2010 to 2019. However, after refining the data, the sample size was reduced to 20038. Refining strategies included removing firms from the financial sector and those categorized under SIC codes 6000-6999. Additionally, corporations with missing data for five or more years are excluded. This rigorous data collection process ensures the reliability and validity of our findings. The final sample included data from five Asian economies: China, India, Pakistan, South Korea, and Singapore. This study focuses on the effects of corporate tax rates and culture on corporate financing patterns in both developed and developing regions. The economies selected for the study share similar cultural elements in the context of international relations, business, and cross-

cultural communications. The data collected after the financial crisis and pre-COVID-19 provide clear insights into the impacts of corporate tax rates and culture on corporate financing patterns.

4.2 Econometric Model

The equations below unveil the relationship between explained and explanatory variables and how they interact.

$$Y_{jit} = \beta_0 + \beta_1 X_{jit} + \Delta_1 MV_{jt} + \alpha_1 Z_{jit} + \gamma_1 W_{jt} + \varepsilon_{jit}. \quad (1)$$

Equation 1 is pronounced as a general equation representing the variables' alignment. Moreover, the Y_{jit} defines the dependent variable, $\beta_\circ$ depicts constant value (intercept point), X_{jit} portrays the primary independent variable, MV_{jt} represents a moderating variable, Z_{jit} illustrates firm-specific control variables, W_{jt} describes macroeconomic variables and ε_{jit} explains residuals or error terms.

$$LR_{ijt} = \beta_0 + \beta_1 CT_{jt} + \alpha_1 FS_{jit} + \alpha_2 TR_{jit} + \alpha_3 SG_{jit} + \gamma_1 IR_{jt} + \gamma_2 FD_{jt} + \mu_i + \delta_t + \varepsilon_{jit}; \quad (2)$$

$$ER_{ijt} = \beta_0 + \beta_1 CT_{jt} + \alpha_1 FS_{jit} + \alpha_2 TR_{jit} + \alpha_3 SG_{jit} + \gamma_1 IR_{jt} + \gamma_2 FD_{jt} + \mu_i + \delta_t + \varepsilon_{jit}. \quad (3)$$

Equations 2 and 3 express the link between dependent and independent variables, where LR_{ijt} stands for leverage ratio, ER_{ijt} is for equity ratio, and both are used as dependent variables. Moreover, CT_{jt} pronounces as corporate tax rate, and it uses as the independent variable, FS_{jit}, TR_{jit} and SG_{jit} are used for firm size, tangibility ratio, and sale growth ratio and use as firm-specific control variables, and IR_{jt} and FD_{jt} are country-specific variables. The μ_i demonstrates cross section fixed effect and δ_t represents time fixed effect.

$$LR_{ijt} = \beta_0 + \beta_1 UD_{jt} + \beta_2 PD_{jt} + \beta_3 ID_{jt} + \beta_4 ML_{jt} + \alpha_1 FS_{jit} + \alpha_2 TR_{jit} + \alpha_3 SG_{jit} + \gamma_1 IR_{jt} + \gamma_2 FD_{jt} + \mu_i + \delta_t + \varepsilon_{jit}; \quad (4)$$

$$ER_{ijt} = \beta_0 + \beta_1 UD_{jt} + \beta_2 PD_{jt} + \beta_3 ID_{jt} + \beta_4 ML_{jt} + \alpha_1 FS_{jit} + \alpha_2 TR_{jit} + \alpha_3 SG_{jit} + \gamma_1 IR_{jt} + \gamma_2 FD_{jt} + \mu_i + \delta_t + \varepsilon_{jit}. \quad (5)$$

Equations 4 and 5 represent the link between cultural proxies, including UD (uncertainty avoidance), PD (power distance), ID (individualism), and ML (masculinity), used as independent variables on LR_{ijt}, ER_{ijt} (leverage ratio, equity ratio) which are used as dependent variables, and the rest are the same as in Equation 2. In addition, C=6 means that the national culture has six dimensions for its representation.

$$LR_{ijt} = \beta_0 + \beta_1 CT_{jt} + \beta_2 UD_{jt} + \beta_3 PD_{jt} + \beta_4 ID_{jt} + \beta_5 ML_{jt} + \beta_6 CT_{jt} \times (\beta_7 UD_{jt} + \beta_8 PD_{jt} + \beta_9 ID_{jt} + \beta_{10} ML_{jt}) + \alpha_1 FS_{jit} + \alpha_2 TR_{jit} + \alpha_3 SG_{jit} + \gamma_1 IR_{jt} + \gamma_2 FD_{jt} + \mu_i + \delta_t + \varepsilon_{jit}; \quad (6)$$

$$ER_{ijt} = \beta_0 + \beta_1 CT_{jt} + \beta_2 UD_{jt} + \beta_3 PD_{jt} + \beta_4 ID_{jt} + \beta_5 ML_{jt} + \beta_6 CT_{jt} \times (\beta_7 UD_{jt} + \beta_8 PD_{jt} + \beta_9 ID_{jt} + \beta_{10} ML_{jt}) + \alpha_1 FS_{jit} + \alpha_2 TR_{jit} + \alpha_3 SG_{jit} + \gamma_1 IR_{jt} + \gamma_2 FD_{jt} + \mu_i + \delta_t + \varepsilon_{jit}. \quad (7)$$

Equations 6 and 7 show the moderating effect of national culture on corporate tax rates and firm financing patterns. The rest of the variables have the same function as the above equations.

Table 1: Description of Variables

Variables	Used as	Description	Reference
Corporate financing patterns are divided into leverage ratio (LR) and equity ratio (ER).	DV	The leverage ratio and equity ratio are common sources of financing. The leverage ratio is a bank or other financial institution loan calculated by total debt over total assets. The equity ratio is enumerated as total equity over total assets. Moreover, in the equity ratio, corporations raise capital by selling shares.	(Al-Haddad, et al., 2023 ; Farooq, et al., 2020; Subhani, et al., 2021)
Corporate tax rate (CT)	IV	Simply put, "tax" refers to the money the public gives to the government. Similarly, the corporate tax is a direct tax form imposed by the government on the income of corporations. The statutory tax rate imposed by central authorities on businesses' net income. Many economies form a policy about tax rates and execute it equally for all business entities.	(Dobbins & Jacob, 2016; Ohrn, 2018)
National Culture (NC)	MV	Culture is an umbrella term that comprises the social norms, values, beliefs, knowledge, laws, art, capabilities, customs, habits, and behavior of individuals in human society. Hofstede (2001) introduced the term national culture through different cultural dimensions (power distance: low vs. high, individualism vs. collectivism, masculinity vs. femininity, uncertainty avoidance: low vs. high, long-term orientation vs. short-term orientation, indulgence vs. self-restraints).	(Farooq, et al., 2020; Zhou, et al., 2023)
Firm size (FS)	CV	The magnitude of a business entity is the size of a business unit. It means the volume of activities turned out by an individual firm. Business size significantly affects profitability and efficiency. Total sales are measured by taking a natural log of the total sales.	(Adelino, et al., 2017)
Tangibility ratio (TR)	CV	The most common and fundamental assets in business are tangible assets. They are the main assets in most companies and are easy to calculate and understand. These assets have a finite value and are in physical shape. The	(AL-Gharaibeh, et al., 2023; Salim & Yadav, 2012; Vy & Phan, 2017)

		tangibility of total assets is measured by total fixed assets divided by total assets.	
Sales growth ratio (SG)	CV	The sales growth rate reveals the business's capacity to generate revenue by selling over a specified period. Companies use this growth rate to observe internal achievements and problems, and investors and other stakeholders use it to analyze the business's status. Sales growth is computed as current year sales minus last year's sales divided by last year's sales.	(Huynh & Petrunia, 2020)
Real interest rates (IR)	CV	The interest rate is the money the lender charges to the borrower. We see in our daily lives that banks lend money and charge an extra amount at the time of return. This is called the nominal interest rate, and it is not inflation-adjusted. The GDP deflator measures the real interest rate, and it is inflation-adjusted.	(Akron, et al., 2020)
Financial development (FD)	CV	The World Bank systematically measured financial sector development based on depth, access, and efficiency to determine the overall situation of the financial sector.	(Castro, et al., 2015)

Source: https://databank.worldbank.org/source/world-development-indicators

Note: This table shows the overall summary of all variables in the shape of measurement, relevant role in the study, and reference.

4.3 Methodology

Initially, we estimated our econometric model through Pooled Ordinary Least Square (POLS). Usually, we assume the same intercept of all entities, but after acquiring the POLS results, we check their validity. For this purpose, we apply the Bruesch Pagan approach, where we build H0, which means that if the p-value is more significant than 0.05, we accept the null hypothesis. It further describes that the intercept of all entities is the same, but here, in our case, we found that the p-value is less than 0.05, which rejects the null hypothesis. After that, we applied the Random Effect Model, where we employed a Hausman test to check the validity of the Random Effect Model. We examined a null hypothesis, meaning the random effect is preferred if we get a p-value greater than 0.05. However, we rejected the null hypothesis and accepted an alternative hypothesis. Then, we applied the Fixed Effect Model.

A stationer series has its mean and variance constant, but its covariance depends upon its lag value. Moreover, series should be time-invariant and not related to time. If any series has such properties, then that series will be recognized as a stationer series. How can we detect if a series is stationary or non-stationary?

Moreover, we assume an equation that further represents applied methodologies.

$$Y_t = \alpha + \beta Y_{t-1} + \varepsilon. \tag{8}$$

If β is more significant than one, every previous value increases the current value, and we get the ultimate result that the series will explode. We will not consider this case. If β is less than 1, it shows that prior values are less than current values, and consecutively, it will reduce more and more. The consistency will die out gradually. It further means that their relationship will be weaker and weaker, and we can say there is no trend in this series. It means this series is stationary. If β is equal to one, the previous value is reflected in the current value, and every lag value depends on the current value and is consistently dependent and will persist. The lag effect of the current value will never end. It indicates the presence of a unit root. The equations below show the econometric treatment of the unit root test. Previous studies used these equations (Farooq, et al., 2020).

$$Y_t = \beta Y_{t-1} + \varepsilon. \tag{9}$$

Subtract Y_{t-1} on both sides.

$$Y_t - Y_{t-1} = \beta Y_{t-1} + Y_{t-1} + \varepsilon; \tag{10}$$

$$\Delta Y_t = (\beta - 1) Y_{t-1} + Y_{t-1} + \varepsilon_t. \tag{11}$$

$\Delta Y_t = \mathbf{\Gamma} Y_{t-1} + \varepsilon$ (This equation was proposed by Dickey Fuller) "None" means no trend and no constant.

$$\Delta Y_t = \alpha + \mathbf{\Gamma} Y_{t-1} + \varepsilon; \text{ (Intercept)} \tag{12}$$

$$\Delta Y_t = \alpha + \phi t + \mathbf{\Gamma} Y_{t-1} + \varepsilon. \text{ (Time Trend and Intercept)} \tag{13}$$

ΔY_t is the dependent variable, and we will take the lag of DV as the independent variable for the model's fitness.

$$\Delta Y_t = \alpha + \phi t + \mathbf{\Gamma} Y_{t-1} + \sum_{i=1}^{M} \phi \Delta Y_{t-i} + \varepsilon. \text{ (Augmented Dickey Fuller)} \tag{14}$$

Table2: Panel Unit Root Tests

	Im, Pesaran and Shin W-stat		ADF - Fisher Chi-square	
Variables	**Statistic**	**Prob.**	**Statistics**	**Prob.**
Equity Ratio	-6.359***	0.000	5257.18***	0.040
Leverage Ration	-8.629***	0.010	5282.87***	0.003
Corporate Tax Rate (-1)	-47.181***	0.001	7808.05**	0.060
Tangibility of Total Assets	-19.800***	0.050	5571.15***	0.001
Sales Growth Ratio	-46.269**	0.071	9848.86***	0.000
Firm Size	-12.632***	0.000	5670.12***	0.000
Real Interest Rate	-65.188***	0.020	12486.5**	0.060
Financial Development (-1)	-97.922**	0.080	17649.1***	0.011

Note: The probability values show that all variables are stationary at level 1. Note: ***, **, * report the level of statistical significance at 1 %, 5 %, and 10 % relatively. Source: Own calculation.

As further moving, the study employed a unit root approach to diagnose the error of data stationarity. The above Table 2 reported statistics of Augmented Dickey Fuller and Im, Pesaran & Shin W-stat disclose that the probability value is less than 0.05, meaning the data is stationary at level. The panel Augmented

Dickey-Fuller (ADF) test is a statistical test used to determine whether a time series has a unit root, indicating non-stationarity. It extends the panel Dickey-Fuller test by including lagged differences of the variable to account for autocorrelation. The null hypothesis states that the series has a unit root, while the alternative hypothesis suggests it is stationary. Panel unit-root tests generally focus on cross-sectional dependence between units and define the null and alternative hypotheses related to stationarity. Accurately specifying these aspects is essential for achieving reliable results. Such considerations help ensure that the tests align well with the properties of the data being analyzed. Moreover, it is mandatory to detect the error of endogeneity because the current study's econometric model is an assortment of country- and firm-specific variables. Such an assortment may have a high probability that the error terms may be associated with explanatory variables. This endogeneity error may also occur due to omission of variables, unsuitable assessment of variables, and simultaneity effect. Given that we employed the Wald approach to detect the endogeneity error, its probability statistics validate the presence of endogeneity, and the results are reported in Table 3. The regression estimation brings biased results with endogeneity error. To address this error, we further employed a two-step-system GMM (Generalized Method of Moment) to handle this error. This approach was introduced by (Holtz-Eakin, et al., 1988), and few other studies have used this approach recently (Farooq, et al., 2020; Subhani, et al., 2021). The study of Arellano and Bond (1991) introduced GMM methodology first.

Table 3: Wald Test for Endogeneity Existence

Test	**Statistic**	**D.f.**	**Prob.**
F-statistic	1673.793	(6, 20206)	0.000
Chi-square	10042.76	9	0.000
Testing of Null Hypothesis= C(n) =0			
Restriction terms		**Value**	**Std. error**
C-(1)		0.157***	0.011
C-(2)		0.001***	0.000
C-(3)		0.213***	0.005
C-(4)		-0.024***	0.004
C-(5)		0.019***	0.001
C-(6)		-0.004***	0.000

Note: The significant probability values ($p<0.05$) of F-statistics and Chi-square statistics indicate the acceptance of the alternative hypothesis, which states that the error term is endogenous with explanatory variables. Source: own Calculation. Note: ***, **, * report the level of statistical significance at 1 %, 5 %, and 10 % relatively.

5. Results

This section briefly summarizes descriptive statistics, correlation analysis, and regression analysis of various applied techniques. Moreover, we will observe the variables' association, strength, and relationship.

Table 4 Descriptive Statistics

	Mean	**Median**	**Std. Dev.**	**Max.**	**Min.**	**Observations**
LR	0.320	0.316	0.168	0.899	0.090	20038
ER	0.416	0.404	0.176	0.897	0.000	20038

CT	31.086	25.000	10.585	48.300	17.000	20038
UD	46.730	40.000	23.572	85.000	8.000	20038
PD	73.081	77.000	8.583	80.000	55.000	20038
ID	28.566	20.000	13.700	48.000	14.000	20038
ML	54.798	56.000	10.339	66.000	39.000	20038
TR	0.381	0.375	0.204	0.895	0.000	20038
SG	0.090	0.069	0.253	0.918	-0.919	20038
FS	2.364	2.317	0.790	5.677	0.017	20038
IR	3.164	3.585	2.447	8.321	-4.367	20038
FD	0.580	0.541	0.172	0.858	0.170	20038

Abbreviations: LR=Leverage ratio, ER=Equity ratio, CT=Corporate tax, UD=Uncertainty avoidance, PD=Power distance, ID=Individualism, ML=Masculinity, TR=Tangibility ratio, SG=Sales growth, FS=Firm size, IR=Interest rate and FD=Financial development. **Note:** Table 4 shows the overall summary of descriptive analysis.

The reported results in descriptive statistics disclose the value of mean, median, maximum, minimum, and observations. Moreover, in column 2, the mean statistics of leverage value is 0.320, which demonstrates that 32 percent of corporate firms finance their assets through debt financing. The standard deviation value is 0.168, which discloses the dispersion of data from its mean value. The maximum value is 0.899, which shows that firms finance their assets up to 89 percent through debt. The minimum value is 0.090, which describes that the minimum percentage of having debt financing is 9 percent. However, in column 3, the average value of equity ratio is 0.416, which means that average firms use 41 percent equity financing. The standard deviation of the equity ratio is 0.176, which shows the scattering of data from its average value. The maximum value is 0.897, and its minimum value is 0.000. Moreover, in column 4, the mean value of the corporate tax is 31.087, which means that the average trend of the tax rate is 31 percent. The standard deviation value is 10.585, representing data dispersion from its mean value. The maximum statistic is 48.300, and the lowest value is 17.00. The average trend of uncertainty avoidance, power distance, individualism, and masculinity are 46.730, 73.081, 28.566, and 54.798, respectively. The mean values of firm-specific variables are 0.381, 0.090, and 2.364, respectively. Moreover, the macroeconomic variables' average values are 3.164 and 0.580, respectively. In brief, Table 4 shows the fundamental features of the data set.

Table 5 describes the strength, associations, and relationships among variables. In column 2, the leverage ratio is highly and negatively correlated with the equity ratio and less associated with the carbon tax rate, uncertainty avoidance, power distance, individualism, masculinity, tangibility ratio, sales growth ratio, firm size, interest rate, and financial development. In column 3, the equity ratio is less and negatively correlated with CT, PD, ID, ML, TR, SG, FS, IR, and FD and positively correlated with UD. In column 4, the carbon tax rate is highly and positively associated with ID and negatively associated with FD, but it has less strength of association with UD, PD, ML, TR, SG, FS, and IR. Moreover, the rest of the firm and country-specific variables have different association trends, which have been observed many times in various studies.

Table 5 Correlations

	LR	ER	CT	UD	PD	ID	ML	TR	SG	FS	IR	FD
LR	1.000											
ER	-0.697	1.000										
CT	0.091	-0.108	1.000									
UD	-0.002	0.051	-0.194	1.000								
PD	0.041	-0.090	0.331	-0.912	1.000							
ID	0.071	-0.086	0.957	-0.264	0.392	1.000						
ML	0.053	-0.104	0.171	-0.834	0.907	0.138	1.000					
TR	0.265	-0.038	0.108	0.071	-0.050	0.070	-0.015	1.000				
SG	-0.016	-0.024	0.008	-0.088	0.099	0.009	0.112	-0.01	1.000			
FS	0.044	-0.211	-0.367	-0.036	0.041	-0.368	0.120	-0.03	0.089	1.00		
IR	-0.003	-0.009	0.3571	-0.001	-0.037	0.318	-0.127	0.021	-0.13	-0.14	1.00	
FD	-0.078	0.119	-0.7436	0.545	-0.553	-0.641	-0.597	-0.10	-0.08	0.24	-0.24	1.0

Abbreviations: LR=Leverage ratio, ER=Equity ratio, CT=Corporate tax, UD=Uncertainty avoidance, PD=Power distance, ID=Individualism, ML=Masculinity, TR=Tangibility ratio, SG=Sales growth, FS=Firm size, IR=Interest rate and FD=Financial development.
Note: Table 5 shows the correlation statistics among the variables.

Table 6 explains the relationship between corporate tax rates and firm financing. The results indicate that the corporate tax rate positively correlates with the leverage ratio and negatively correlates with the equity ratio, as determined by the fixed effect and two-step system GMM approaches employed by Faccio and Xu (2015) and Sobiech, et al. (2021). In addition, specific variables such as tangibility ratio have a positive correlation with leverage ratio, while sales growth ratio has a negative correlation with leverage ratio. On the other hand, tangibility and sales growth ratios negatively correlate with equity ratios. Firm size is positively correlated with leverage ratio and negatively correlated with equity ratio. Among the macroeconomic variables, the interest rate has a negative correlation with the leverage ratio and a positive correlation with the equity ratio. Financial sector development is directly correlated with debt financing and negatively correlated with equity financing. The adjusted R-square value of 0.466 percent indicates the accuracy of the model.

Table 6 Impact of the corporate tax rate on firm financing

	Fixed Effect Model				GMM			
	LR as dependent variable (1)		ER as dependent variable (2)		(1)		(2)	
	Coefficient	**Prob.**	**Coefficient**	**Prob.**	**Coefficient**	**Prob.**	**Coefficient**	**Prob.**
Constant	0.129***	0.000	0.740***	0.000	-1.742***	0.000	5.051***	0.000
CT	0.001***	0.010	-0.008**	0.085	0.030***	0.000	-0.057***	0.000
TR	0.214***	0.000	-0.127***	0.000	0.389***	0.000	-0.306***	0.005
SG	-0.019***	0.000	0.024**	0.086	-0.887***	0.000	2.072***	0.000
FS	0.024***	0.000	-0.086***	0.000	0.607***	0.000	-1.502***	0.000
IR	-0.001***	0.000	0.000**	0.072	-0.033***	0.000	0.053***	0.001
FD	0.041**	0.055	-0.069***	0.004	-0.729***	0.002	1.413***	0.007
Adj. R-squared			0.695	0.725		0.466		0.437

S.E. of Regression			0.942	0.093		0.268		0.580
Prob (F-statistics)			0.000	0.000				
Prob (J-statistics)						0.489		0.670

Abbreviations: LR=Leverage ratio, ER=Equity ratio, CT=Corporate tax, UD=Uncertainty avoidance, PD=Power distance, ID=Individualism, ML=Masculinity, TR=Tangibility ratio, SG=Sales growth, FS=Firm size, IR=Interest rate and FD=Financial development.
Source: Authors own calculations. **Note:** ***, **, * report the level of statistical significance at 1 %, 5 %, and 10 % relatively.

Table 7 Impact of national culture on firm financing

	Fixed Effect Model				**GMM**			
	LR as dependent variable (1)		**ER as dependent variable (2)**		**(1)**		**(2)**	
	Coefficient	**Prob.**	**Coefficient**	**Prob.**	**Coefficient**	**Prob.**	**Coefficient**	**Prob.**
Constant	0.128***	0.007	0.584***	0.000	7.794***	0.000	0.345***	0.045
UD	-0.145***	0.057	0.414**	0.087	-0.065***	0.000	0.007***	0.055
PD	0.005***	0.003	-0.004***	0.009	0.573***	0.000	-0.073***	0.031
ID	0.002***	0.000	-0.003***	0.000	0.148***	0.000	-0.021***	0.016
ML	0.005***	0.000	-0.004***	0.000	0.418***	0.000	-0.055***	0.026
TR	0.210***	0.000	-0.018***	0.002	0.246***	0.000	-0.006***	0.036
SGR	-0.023***	0.000	0.0057***	0.023	-2.079***	0.000	-0.087***	0.044
FS	0.017***	0.000	-0.064***	0.000	0.013*	0.093	-0.063***	0.000
IR	-0.001***	0.012	0.077***	0.020	-0.432***	0.000	-0.047***	0.064
FSD	0.120***	0.004	0.030***	0.040	-14.013***	0.000	-1.655***	0.046
Adj. R-squared			0.088	0.090		0.057		0.052
S.E. of Regression			0.163	0.169		0.755		0.181
Prob (F-statistics)			0.000	0.000				
Prob (J-statistics)						0.321		0.567

Abbreviations: ER= Equity ratio, LR= Leverage ratio, UD=Uncertainty avoidance, PD=Power distance, ID=Individualism, ML=Masculinity, TR=Tangibility ratio, SG=Sales growth, FS=Firm size, IR=Interest rate and FD=Financial development.
Source: Authors own calculations. **Note:** ***, **, * report the level of statistical significance at 1 %, 5 %, and 10 % relatively.

The relationship between national culture and firm financing is presented in Table 7. The statistics show that high uncertainty avoidance does not encourage firms to use debt as financing. This means an increase in uncertain avoidance culture will reduce the debt financing ratio. On the other hand, a high power distance culture encourages managers to use debt financing, which results in a positive and significant link between high power distance and debt financing. Similarly, firms tend to use more debt financing than equity financing in the presence of invalidism and masculinity cultures, which also shows a positive relationship. However, it is important to note that the adjusted R-square value is low at 0.05 due to non-firm-specific variables.

Table 8: National culture as a moderating variable between corporate tax rate and firm financing

	Fixed Effect				GMM			
	LR as dependent variable (1)		ER as dependent variable (2)		(1)		(2)	
	Coefficient	**Prob.**	**Coefficient**	**Prob.**	**Coefficient**	**Prob.**	**Coefficient**	**Prob.**
C	0.114***	0.003	0.596***	0.000	-0.492***	0.014	1.102***	0.000
CT	0.003***	0.015	-0.003***	0.023	0.131***	0.000	-0.096***	0.002
CT*UD	-0.005***	0.011	0.009***	0.002	-0.000**	0.046	0.000**	0.092
CT*PD	-0.000***	0.040	0.000***	0.004	-0.009***	0.000	0.006***	0.000
CT*ID	-0.007***	0.036	0.000***	0.000	-0.005***	0.000	0.003***	0.000
CT*ML	-0.000***	0.000	0.000***	0.000	-0.009***	0.000	0.006***	0.000
TR	0.211***	0.000	-0.018***	0.001	0.163***	0.000	0.028***	0.032
SG	-0.023***	0.000	0.005***	0.028	-3.618***	0.000	2.825***	0.000
FS	0.017***	0.000	-0.064***	0.000	0.594***	0.005	-0.051***	0.000
IR	-0.001***	0.027	0.000*	0.134	-0.193***	0.000	0.139***	0.000
FD	0.109***	0.008	-0.006**	0.086	-4.282***	0.000	3.142***	0.000
Adj. R-squared			0.088	0.090		0.311		0.285
S.E. of Regression			0.163	0.169		0.843		0.665
Prob (F-statistics)			0.000	0.000				
Prob (J-statistics)						0.381		0.421

Abbreviations: LR=Leverage ratio, ER=Equity ratio, CT=Corporate tax, UD=Uncertainty avoidance, PD=Power distance, ID=Individualism, ML=Masculinity, TR=Tangibility ratio, SG=Sales growth, FS=Firm size, IR=Interest rate and FD=Financial development. **Source:** Authors own calculations. **Note:** ***, **, * report the level of statistical significance at 1 %, 5 %, and 10 % relatively.

Table 8 shows that national culture has a moderating effect on the relationship between corporate tax rates and firm financing patterns. The statistics of all coefficient interaction terms (such as UD, PD, ID, and ML) significantly impact firm financing decisions. Additionally, UD, PD, ID, and ML are negatively linked with leverage ratio but positively connected with equity ratio (Arosa, et al., 2014; Farooq, et al., 2020). All other control variables' relationships were described earlier and reported in Tables 6 and 7.

6. Discussion

This section discusses the results of the regression analysis, which reveal how corporate tax rates affect corporate financing decisions. We also examine how national culture moderates the relationship between corporate tax rates and firm financing decisions. To estimate the econometric models, we used Fixed-Effect and two-step system Generalized Method of Moment models, and their statistics are presented in Tables 6, 7, and 8, which can be found in the previous section.

The findings presented in Table 6 elucidate the intricate relationship between corporate tax rates and firms' financing strategies. A positive correlation between corporate tax rates and leverage financing was observed, aligning with the notion that higher taxes incentivize debt financing due to the tax deductibility of interest payments. This relationship underscores the strategic financial behavior of firms, as they

leverage the tax benefits associated with debt to enhance after-tax income. This phenomenon is consistent with prior research, which has similarly highlighted the proclivity of firms to increase debt financing in high-tax environments. Additionally, our analysis reveals that firm-specific characteristics significantly influence financing decisions. The tangibility of total assets and firm size is positively associated with leverage financing, suggesting that firms with substantial tangible assets can utilize them as collateral to secure loans. This collateralization reduces lenders' perceived risk, facilitating access to debt financing. With their established reputation and reliability, larger firms are better positioned to negotiate favorable loan terms and conditions, further incentivizing leverage financing. Conversely, sales growth negatively affects leverage financing, indicating a preference for equity financing as sales volumes increase. This preference can be attributed to the enhanced confidence and autonomy manager's experience with equity financing, as it mitigates the constraints and obligations associated with debt. The shift towards equity financing in periods of sales growth highlights a strategic choice to maintain financial flexibility and reduce reliance on external debt.

In conclusion, corporate tax rates emerge as a pivotal determinant of firm financing decisions, driving a preference for leverage financing due to the associated tax benefits. This study contributes to the existing literature by delineating the moderating role of firm-specific variables in this relationship, thereby providing a comprehensive understanding of the factors influencing corporate financial strategies. The integration of national cultural dynamics as a moderating variable offers novel insights, emphasizing the importance of contextualizing financial decisions within the broader cultural framework (Du, et al., 2023; Farooq, et al., 2020).

The country-specific variables, such as the interest rate (IR) and the financial sector's (FD) development, significantly influence corporate financing decisions. The interest rate has an inverse effect on debt financing, as higher rates increase financial distress and debt costs, discouraging corporate managers from utilizing debt as a financing tool. In contrast, the development of the financial sector fosters accessible financing policies for businesses, encouraging firm managers to adopt debt financing. The availability of funds under favorable conditions attracts businesses to leverage financing, highlighting the critical role of a well-developed financial sector in shaping corporate financial strategies. Table 8 delves into the moderating effect of national cultural factors on uncertainty avoidance (UD), power distance (PD), individualism (ID), and masculinity (ML) on the relationship between corporate tax rates and firm financing decisions. While numerous studies have established a positive correlation between corporate tax rates and leverage financing and a negative correlation with equity financing, our findings suggest that cultural dynamics significantly influence these relationships in Asian economies.

Uncertainty avoidance (UD) is negatively associated with debt financing but positively correlated with equity financing. Risk-averse managers in high uncertainty avoidance cultures tend to avoid debt due to the associated financial distress and costs, instead favoring equity financing as a safer alternative. This preference underscores the critical role of cultural attitudes toward risk in shaping corporate financing decisions. Power distance (PD) demonstrates a positive relationship with debt financing. Managers are more inclined towards equity financing in cultures with low power distance, where information

asymmetry is minimal. Conversely, hierarchical structures and more significant information asymmetry in high power distance cultures may lead managers to prefer debt financing, leveraging its control and stability. Individualism (ID) affects financing decisions by fostering teamwork-oriented approaches in less individualistic cultures. This collectivist mindset facilitates closer relationships with stakeholders, mitigating information asymmetry and promoting equity financing over debt financing. This dynamic highlights how cultural values emphasizing collaboration and trust can influence corporate financial strategies. Masculinity (ML) is positively connected with debt financing and inversely linked with equity financing. In masculine cultures, where competitiveness and assertiveness are valued, managers may be more inclined to use debt financing to drive aggressive growth and expansion strategies. This contrasts with feminine cultures, where a focus on relationships and quality of life may lead to a preference for equity financing.

In summary, national culture exerts a profound and innovative impact on the relationship between corporate tax rates and firm financing decisions. Understanding how cultural dimensions moderate these relationships provides valuable insights for corporate managers and policymakers. By considering cultural factors, they can tailor financing strategies that align with the cultural context, enhancing financial performance and strategic decision-making in diverse economic environments.

7. Conclusion

Previous studies have focused on the impact of corporate tax rates on firm financing, but few have explored the role of national culture in these decisions. Our research aims to fill this gap by examining the moderating effect of national culture on the relationship between corporate tax rates and financing decisions. Our empirical analysis using the Fixed Effect Model and the two-step Generalized Method of Moments (GMM) reveals several pivotal findings that underscore the intricate relationship between corporate tax rates and firm financing decisions. Conversely, our results demonstrate an inverse relationship between corporate tax rates and equity financing. High corporate tax environments disincentive equity financing, possibly due to the non-deductibility of dividend payments, making debt a more attractive option for financing. This finding reinforces that tax considerations are critical in shaping corporate capital structure decisions. Furthermore, our study delves into the moderating effect of national culture on these relationships. We discovered that in economies characterized by high levels of risk aversion, low individual goal orientation, and low power distance culture, there is a discernible negative relationship between corporate tax rates and firm debt financing. In such cultural contexts, the inherent preference for stability and aversion to financial risk diminishes the attractiveness of debt financing, even in high-tax scenarios. Managers in these environments may prioritize equity financing due to its perceived stability and lower risk profile. These findings underscore the necessity of incorporating national cultural dimensions into the analysis of corporate financing decisions. The cultural context influences managerial preferences and strategies and moderates the impact of macroeconomic factors such as corporate tax rates on firm behavior.

7.1 Policy Recommendations

The policy implications of this study highlight the necessity for corporate managers to integrate national cultural traits into their firm-level decision-making processes. Managers should tailor their strategies to align with cultural norms, enabling efficient performance in various economic contexts. Adopting appropriate financing structures that resonate with under-analyzed economies' cultural characteristics can enhance operational efficacy. Additionally, managers must remain cognizant of the sensitivity and influence of national culture when making strategic decisions. From a regulatory perspective, governments are advised to design tax structures that reflect the cultural dynamics of their respective states, ensuring that fiscal policies are culturally congruent and supportive of corporate financial behavior.

7.2 Study Limitations and Future Recommendations

This study faced some limitations while conducting it, which are the following: The geographical scope might restrict the generalizability of the findings to a broader context. Quantifying and incorporating national cultural traits into the financial decision-making model was complex. In this vein, future research can be conducted on a broader range of countries.

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