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### **Research Papers**

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Titles: The impact of cultural distance on fund transfers in the internal capital market

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Abstract:

This paper examines how cultural distance affects fund transfers in the internal capital market of multinational firms. The results show that a larger cultural distance significantly reduces internal fund transfers to foreign subsidiaries. These results are robust to alternative measures of cultural distance and different econometric specifications. External shocks do not affect the results. Further analysis shows that the negative cultural impact is driven mainly by the dimensions of power distance, individualism, and uncertainty avoidance. Furthermore, the effect of cultural distance on internal fund transfers is independent of subsidiary productivity, and a larger cultural distance exacerbates the negative impact of corporate diversification on firm value. Overall, our findings highlight the important role that culture plays in multinationals' global operations.

Link : <https://doi.org/10.1016/j.jbankfin.2024.107224>

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