

Does “one belt, one road” policy affect listed firms’ investment efficiency?

Abstract

This article takes the “one belt, one road” policy as an exogenous shock to test the impact of the “one belt, one road” policy on the investment efficiency of listed firms in emerging capital markets with the sample period from 2010 to 2017 by using a difference-in-difference method. We find that the investment efficiency of listed firms in the participating countries has been significantly improved, compared with listed firms in the unparticipating countries, especially for the improvement of under-investment behavior. Furthermore, we find that the “one belt, one road” policy is more effective for the listed firms facing shortage of free cash flow and the listed firms with more foreign direct investment. The research is useful for fully understanding the impact of the “one belt, one road” policy, and provide some suggestions for China's future policy development.

Keywords: One Belt One Road; Investment efficiency, Free cash flow, Foreign Investment