

Internet Appendix

“Attitudes towards Non-compliance and the Demand for External Finance”

Table A.1

Non-Compliance and Borrowing Decisions with Discrete Definition of Non-Compliance

The table reports coefficient estimates from individual-level OLS regressions of an indicator for respondent's borrowing activity over the previous year on the respondent's non-compliance index (an indicator for positive response to at least one of the variables CLAIMING_GOVERNMENT_BENEFITS, AVOIDING_FARE, CHEATING_ON_TAXES, and ACCEPTING_A_BRIBE, defined in the Appendix); (log of) respondent's age, education, employment, income decile within the country, gender, and marital status; indicators for Protestant, Catholic, Muslim, Hindu, and Jewish religion; the respondent's willingness to tolerate risk and propensity to save; an assessment for the importance of friends in respondent's life (SOCIABILITY); and interpersonal trust. Precise definitions of the variables are outlined in the Appendix. The first two models include country and year fixed effects, while the last two models include (country) x (income decile) and year fixed effects. Standard errors in all models are adjusted for clustering at the country-level. (***), (**), and (*) indicate statistical significance at the 0.01, 0.05 and 0.10 level, respectively.

	1	2	3	4
NON-COMPLIANCE	0.030***	0.037***	0.029***	0.033***
AGE	-0.009	-0.027**	-0.011*	-0.034***
EDUCATION	-0.013**	-0.016	-0.008*	-0.004
EMPLOYMENT	-0.010**	-0.018**	-0.011**	-0.011*
INCOME	-0.018***	-0.012***		
FEMALE	0.013***	0.010**	0.012***	0.010**
MARRIED	0.009*	0.013**	0.008*	0.014*
PROTESTANT	-0.018**	-0.009	-0.013	-0.007
CATHOLIC	-0.012***	-0.015*	-0.010**	-0.013
MUSLIM	-0.014	0.004	-0.013	-0.004
HINDU	-0.020	-0.016	-0.015	-0.010
JEWISH	-0.017	0.010	-0.016	-0.007
RISK_TAKING		0.005***		0.005***
THRIFT		-0.001		-0.002
SOCIABILITY		-0.011**		-0.009*
TRUST		0.001		-0.001
Country Fixed Effects	Yes	Yes	No	No
(Country) X (Income) Fixed Effects	No	No	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Adj. R-squared	6.01	7.00	8.07	8.98
Num. Observations	163,747	43,896	163,747	43,896

Table A.2

Non-Compliance and Borrowing Decisions with Discrete Definition of Non-compliance: Robustness

The table reports coefficient estimates and t-values from individual-level OLS regressions of an indicator for respondent's borrowing activity over the previous year on the respondent's non-compliance index (an indicator for positive response to at least one of the variables CLAIMING_GOVERNMENT_BENEFITS, AVOIDING_FARE, CHEATING_ON_TAXES, and ACCEPTING_A_BRIBE, defined in Table 3). The models in Panel A are estimated over quintiles based on non-compliance propensity scores, calculated as the predicted probability for non-compliance based on the variables in the first model of Table 4. The models in Panel B are estimated over respondent's income quintiles. The models in Panel C are estimated over quintiles based on respondent's risk-tolerance. The models in Panel D are estimated over quintiles of country-level freedom of expression (based on the Voice and Accountability index in the WB Worldwide Governance Indicators). All models also include individual controls and country- and year-fixed effects. Standard errors are adjusted for clustering at the country-level. Precise definitions of the variables are outlined in the Appendix. (***), (**), and (*) indicate statistical significance at the 0.01, 0.05 and 0.10 level, respectively.

	Quintile 1 (Low)	Quintile 2	Quintile 3	Quintile 4	Quintile 5 (High)
Panel A: Non-Compliance Propensity Score					
NON-COMPLIANCE	0.042*** (2.88)	0.022** (2.49)	0.027*** (3.87)	0.025*** (3.28)	0.029*** (4.07)
% Non-compliant	29.64	45.76	55.93	66.97	79.92
Adj. R-squared	11.10	5.40	4.58	4.57	5.31
Num. Observations	29,181	33,344	33,337	32,807	35,078
Panel B: Personal Income					
NON-COMPLIANCE	0.040*** (5.77)	0.019*** (2.98)	0.027*** (4.13)	0.035*** (3.51)	0.029*** (3.47)
% Non-compliant	55.83	55.27	56.44	59.45	58.64
Adj. R-squared	6.83	7.42	6.26	5.89	4.27
Num. Observations	37,800	45,174	43,293	24,942	12,538
Panel C: Personal Risk-tolerance					
NON-COMPLIANCE	0.024* (1.83)	0.028* (1.96)	0.049*** (3.59)	0.037*** (3.66)	0.058*** (3.23)
% Non-compliant	55.69	68.94	65.67	70.69	58.94
Adj. R-squared	8.19	5.96	6.17	7.95	9.10
Num. Observations	10,476	7,646	10,829	9,260	7,605
Panel D: Country Freedom of Expression					
NON-COMPLIANCE	0.015 (1.55)	0.031*** (3.40)	0.041*** (5.96)	0.049*** (3.85)	0.010** (2.22)
% Non-compliant	47.14	54.09	65.48	58.55	58.86
Adj. R-squared	8.53	6.54	7.36	4.00	3.18
Num. Observations	33,380	35,549	26,833	27,947	30,396

Table A.3
Non-Compliance and Borrowing Decisions by Gender

The table reports coefficient estimates from individual-level OLS regressions of an indicator for respondent's borrowing activity over the previous year on the respondent's non-compliance index (the average of the variables CLAIMING_GOVERNMENT_BENEFITS, AVOIDING_FARE, CHEATING_ON_TAXES, and ACCEPTING_A_BRIBE, defined in Table 3); (log of) respondent's age, education, employment, income decile within the country, gender, and marital status; indicators for Protestant, Catholic, Muslim, Hindu, and Jewish religion; the respondent's willingness to tolerate risk and propensity to save; an assessment for the importance of friends in respondent's life (SOCIABILITY); and interpersonal trust. Precise definitions of the variables are outlined in the Appendix. The first column estimates the model across all male respondents, while the second model estimates the model across all female respondents from the World Values Survey. Standard errors in all models are adjusted for clustering at the country-level. (***), (**), and (*) indicate statistical significance at the 0.01, 0.05 and 0.10 level, respectively.

	Male Respondents	Female Respondents
NON-COMPLIANCE	0.011***	0.010***
AGE	-0.010	-0.006
EDUCATION	-0.018***	-0.007
EMPLOYMENT	-0.021***	-0.001
INCOME	-0.019***	-0.017***
MARRIED	0.010**	0.010*
PROTESTANT	-0.016	-0.018*
CATHOLIC	-0.006	-0.018***
MUSLIM	-0.011	-0.015
HINDU	0.009	-0.053**
JEWISH	-0.029	-0.001
Country Fixed Effects	Yes	Yes
Year Fixed Effects	Yes	Yes
Adj. R-squared	6.08	6.11
Num. Observations	80,408	83,339

Table A.4
Non-compliance and Borrowing Decisions: Non-linear Effects

The table reports coefficient estimates from individual-level OLS regressions of an indicator for respondent's borrowing activity over the previous year on the respondent's non-compliance (the average of the variables CLAIMING_GOVERNMENT_BENEFITS, AVOIDING_FARE, CHEATING_ON_TAXES, and ACCEPTING_A_BRIBE, defined in Table 3); the respondent's non-compliance squared; (log of) respondent's age, education, employment, income decile within the country, gender, and marital status; indicators for Protestant, Catholic, Muslim, Hindu, and Jewish religion; the respondent's willingness to tolerate risk and propensity to save; an assessment for the importance of friends in respondent's life (SOCIABILITY); and interpersonal trust. Precise definitions of the variables are outlined in the Appendix. The first two models include country and year fixed effects, while the last two models include (country) x (income decile) and year fixed effects. Standard errors in all models are adjusted for clustering at the country-level. (***), (**), and (*) indicate statistical significance at the 0.01, 0.05 and 0.10 level, respectively.

	1	2	3	4
NON-COMPLIANCE	0.020***	0.023***	0.020***	0.020***
NON-COMPLIANCE (squared)	-0.001**	-0.001	-0.001**	-0.001
AGE	-0.007	-0.024*	-0.010	-0.030***
EDUCATION	-0.012**	-0.015	-0.008	-0.003
EMPLOYMENT	-0.010**	-0.017**	-0.011**	-0.011*
INCOME	-0.018***	-0.013***		
FEMALE	0.013***	0.011**	0.013***	0.011**
MARRIED	0.010**	0.014**	0.009**	0.015**
PROTESTANT	-0.017*	-0.008	-0.012	-0.006
CATHOLIC	-0.012**	-0.013*	-0.010**	-0.012
MUSLIM	-0.013	0.006	-0.012	-0.003
HINDU	-0.019	-0.013	-0.015	-0.008
JEWISH	-0.017	0.012	-0.016	-0.006
RISK_TAKING		0.005***		0.005***
THRIFT		-0.001		-0.003
SOCIABILITY		-0.011**		-0.009*
TRUST		0.001		0.000
INTERCEPT	0.351***	0.419***	0.153***	0.332***
Country Fixed Effects	Yes	Yes	No	No
(Country) X (Income) Fixed Effects	No	No	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Adj. R-squared	6.07	7.12	8.13	9.09
Num. Observations	163,747	43,896	163,747	43,896

Table A.5
Distribution of the Non-compliance Variable

The table reports the distribution of respondent's non-compliance (the average of the variables CLAIMING_GOVERNMENT_BENEFITS, AVOIDING_FARE, CHEATING_ON_TAXES, and ACCEPTING_A_BRIBE, defined in Table 3) across various levels of non-compliance.

Non-compliance level	Percent (%)
1	42.9
[1, 2]	19.9
[2, 3]	13.4
[3, 4]	10.1
[4, 5]	5.7
[5, 6]	4.0
[6, 7]	1.8
[7, 8]	1.1
[8, 9]	0.5
[9, 10]	0.6
<i>Total [1, 10]</i>	<i>100</i>

Table A.6
Cross-correlations of CEO Personal Characteristics

The table reports correlations of the following CEO characteristics – mortgage amount (measured at the time of origination); NON-COMPLIANT_CEO (an executive with at least one legal infraction); estimated CEO wealth; indicators for military service, female gender, an MBA-degree, people born during an NBER defined recession, and people who began their career during an NBER defined recession; CEO materialism, an indicator variable set to 1 if the individual owns any of the following assets: vehicle with a list price greater than \$75k, boat longer than 25 feet, or home worth more than 2 times the median home prices in the Core Based Statistical Area of his firm’s headquarters; and the purchase price of the home expressed (in millions). (*) indicates statistical significance at the 0.10 level.

	1	2	3	4	5	6	7	8	9	10
1. MORTGAGE	1.00									
2. NON-COMPLIANT_CEO	0.11*	1.00								
3. WEALTH	0.06*	-0.03	1.00							
4. MILITARY	0.01	0.04	0.05	1.00						
5. FEMALE	-0.04	-0.05	-0.05	-0.06*	1.00					
6. MBA_DEGREE	0.10*	-0.05	0.00	0.12*	-0.13*	1.00				
7. BORN_IN RECESSION	-0.02	0.03	0.02	-0.07*	0.06*	-0.05	1.00			
8. WORKED_IN RECESSION	-0.03	-0.08*	0.03	0.01	-0.09*	0.01	-0.04	1.00		
9. MATERIALISM	0.06*	-0.07*	-0.02	0.03	0.01	0.00	0.02	0.11*	1.00	
10. HOUSE_PURCHASE_PRICE	0.89*	0.09*	0.04	0.02	-0.04	0.07*	-0.04	-0.02	0.08*	1.00

Table A.7**CEO Non-compliance and Personal Home Mortgage: Including Regional Controls**

The table reports coefficient estimates and t-statistics from individual-level OLS regressions of CEO mortgage amount (in 2010 dollars) on an indicator variable for a Non-compliant CEO (an executive with at least one legal infraction); an indicator variable for a Non-compliant CEO with traffic violations only; and an indicator variable for a Non-compliant CEO with at least one non-traffic violation. All other independent variables include estimated CEO wealth; indicators for military service, female gender, an MBA-degree, people born during an NBER defined recession, and people who began their career during an NBER defined recession; CEO materialism, an indicator variable set to 1 if the individual owns any of the following assets: vehicle with a list price greater than \$75k, boat longer than 25 feet, or home worth more than 2 times the median home prices in the Core Based Statistical Area of his firm's headquarters; the purchase price of the home (in 2010 dollars); and the average income, (Log) of average annual mortgage payments, the fraction of people employed in Finance, and (Log) of the home-ownership rate in the CEO PUMA of residence over the 1988-2012 period. Precise definitions of the variables are outlined in the Appendix. (***), (**), and (*) indicate statistical significance at the 0.01, 0.05 and 0.10 level, respectively.

	1	2	3	4
NON-COMPLIANT_CEO	0.446*** (2.90)			
NON-COMPLIANT_CEO_TRAFFIC		0.524*** (3.04)		0.524*** (3.07)
NON-COMPLIANT_CEO_OTHER			0.284** (2.07)	0.280** (2.00)
WEALTH	0.457 (1.55)	0.458 (1.55)	0.448 (1.51)	0.458 (1.55)
MILITARY	-0.340* (-1.68)	-0.351* (-1.73)	-0.321 (-1.57)	-0.351* (-1.73)
FEMALE	0.438 (1.33)	0.440 (1.34)	0.342 (1.04)	0.439 (1.34)
MBA_DEGREE	0.345*** (2.87)	0.356*** (2.96)	0.326*** (2.70)	0.356*** (2.96)
BORN_IN RECESSION	-0.035 (-0.29)	-0.032 (-0.27)	-0.029 (-0.23)	-0.032 (-0.26)
WORKED_IN RECESSION	0.006 (0.04)	0.002 (0.01)	-0.030 (-0.21)	0.001 (0.01)
MATERIALISM	0.018 (0.15)	0.012 (0.10)	-0.008 (-0.07)	0.011 (0.09)
HOUSE_PURCHASE_PRICE	0.952*** (69.74)	0.951*** (69.53)	0.957*** (70.15)	0.951*** (69.47)
AVERAGE_INCOME	-0.022 (-0.05)	0.021 (0.05)	-0.011 (-0.03)	0.023 (0.06)
AVERAGE_MORTGAGE	0.356 (1.34)	0.325 (1.23)	0.281 (1.05)	0.323 (1.22)
FRACTION_IN_FINANCE	-9.031*** (-2.74)	-9.367*** (-2.85)	-9.354*** (-2.82)	-9.381*** (-2.84)
HOME_OWNERSHIP	-0.760 (-1.41)	-0.728 (-1.36)	-0.553 (-1.02)	-0.726 (-1.35)
Adj. R-squared	0.87	0.87	0.87	0.87
Num. Observations	756	712	620	756

Figure A.1

Quadratic-regression of Borrowing and Non-compliance

The figure presents a graphical display of the non-compliance and borrowing relationship tabulated in model (1) of Table A.4.

