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Examining the Influence of Macroeconomic Policies on Corporate Finance and Investment Decisions: A Global Comparative Study Across Developed and Emerging Economies

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Abstract: This research aims to examine the primary factors influencing corporate finance and investment decisions across developed and emerging economies, exploring their interactions within distinct economic contexts to offer actionable insights for policymakers, business leaders, and investors. Employing a mixed-methods approach, the study utilises both quantitative and qualitative thematic analyses to address the research problem comprehensively. The quantitative analysis assesses macroeconomic policies and corporate finances using summary statistics, correlation, and panel regression, while the qualitative component employs word clouds and thematic charts to distil insights from interviews with financial managers and policymakers. Covering the period from 2010 to 2023, the study encompasses 500 firms—250 from developed and 250 from emerging economies—capturing the impacts of major events such as the global financial crisis, the COVID-19 pandemic, and macroeconomic shifts. Thematic analysis based on interviews with financial managers and policymakers within the quantitative sample generates qualitative data. Findings from the quantitative analysis indicate that robust corporate governance, market stability, and innovation significantly enhance financial performance and drive investment decisions in developed economies, supported by effective regulation and favourable investment climates that promote business stability and predictability. In contrast, emerging economies focus on rapid growth and industrialisation, yet continue to face challenges related to market volatility, infrastructural deficits, and governance limitations. Foreign investment, alongside technology and expertise transfer, remains essential for fostering growth in these markets. Qualitative results underscore the need for transparent and efficient business practices, facilitated by improved governance and public administration. This in-depth analysis advances the literature on corporate finance and investment decision-making in both developed and emerging economies. The findings underscore that emerging economies require prioritisation of infrastructural development, risk management, foreign investment, and governance reforms, while developed economies benefit from strong governance, market stability, innovation, and robust regulatory practices. Business leaders in developed nations are encouraged to foster innovation through R&D, technology adoption, rigorous governance, and the maintenance of market stability.

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Introduction

In business decision-making, investment decisions are essential to sustaining corporate operations. Corporate investment significantly contributes to economic development by stimulating employment, capital flow, and exports within a nation. However, various factors influence investment levels, and this study seeks to assess the dynamic impact of these determinants on corporate capital investment decisions (Farooq, Ahmed, & Khan, 2021; Su et al., 2022). These determinants encompass both firm-specific and macroeconomic factors, with this study focusing on the latter. The intricate interplay between macroeconomic policies and corporate finance underpins global economic dynamics. Corporate finances and investment strategies are shaped by monetary, fiscal, and regulatory policies, which influence corporate investment and profitability through their effects on interest rates, inflation, and exchange rates. Understanding how these policies impact developed and emerging economies is crucial, as these regions exhibit distinct economic structures, institutional frameworks, and market conditions (Darsono et al., 2022; Suteja et al., 2023). In the aftermath of the 2008 global financial crisis and the COVID-19 pandemic, effective macroeconomic management has played a pivotal role in stabilising economies and fostering sustainable growth, underscoring the importance of a nuanced analysis of policy impacts on corporate behaviour across diverse economic environments. Macroeconomic policies must therefore consider their influence on corporate finance and investment decisions. Corporate finance entails managing financial resources, investments, and capital structure in response to macroeconomic conditions. Given the volatility of markets, institutional weaknesses, and evolving financial systems, macroeconomic policies may exert distinct effects in emerging economies compared to developed ones. Consequently, a comparative analysis is essential to comprehensively understand how these policies impact corporate finance and investment in different contexts (Hoang, Arif, & Nguyen, 2020).

A key area of interest is the impact of macroeconomic policies on corporate governance and stock prices. Regulatory frameworks and economic stability play a significant role in shaping corporate governance, influencing both control mechanisms and strategic direction. Effective governance is essential for maintaining investor confidence and supporting long-term business sustainability. Stock prices are driven by investor sentiment, company valuations, and macroeconomic conditions, with government spending, interest rates, and regulatory changes exerting substantial influence. For investors and policymakers, understanding these dynamics is crucial. Macroeconomic policies directly impact corporate finance and investment, where investment decisions represent the allocation of resources toward projects promising future returns. Economic conditions shape capital expenditures, M&A, and R&D efforts. In developed economies, economic stability often encourages long-term investments, while in emerging economies, market volatility and regulatory uncertainty present additional challenges to investment planning and execution. Examining these variations is essential to understanding corporate strategy across different economic contexts (Nicolas, 2022; Qi, Ning, & Qin, 2022; Ren, Shi, & Jin, 2022).

Despite extensive research, the impact of macroeconomic policies on corporate finance and investment decisions across developed and emerging economies remains unclear. Previous studies have often neglected economic distinctions between these regions: emerging economies face higher market volatility, weaker institutions, and evolving financial systems, while developed economies benefit from stability, mature institutions, and predictable regulatory environments. A comparative approach is essential, as macroeconomic policies shape corporate behaviour differently across contexts. Additionally, the long-term effects of such policies on corporate governance, stock prices, and investment strategies in dynamic markets are underexplored (Ally, 2022; Saikrishnan & Tamilmani, 2022; Sujatmiko et al., 2023). Few studies integrate interest rate shifts, fiscal stimuli, and qualitative insights from industry practitioners and policymakers. This gap highlights the need for mixed-methods research combining robust statistical analysis with qualitative insights to deepen our understanding of global economic policies and business strategies.

This study investigates the impact of macroeconomic policies on corporate finance and investment within developed and emerging economies, with a focus on financial management, corporate governance, stock market performance, and investment strategies. By examining mature, stable markets alongside volatile, developing ones, this research highlights how macroeconomic policies shape corporate behaviour and financial outcomes across diverse economic landscapes. Using a mixed-methods approach, the study provides practical insights for policymakers, business leaders, and investors, tailored to varied economic conditions. Expanding the literature on the interplay between macroeconomic policy and corporate governance, stock market trends, investment choices, and financial management, the findings reveal that effective governance, market stability, and innovation-driven policies support sustained economic growth. Recommendations are offered for policymakers to enhance regulatory effectiveness and for business leaders to adopt strategic financial management practices that bolster resilience and competitiveness. This research addresses existing gaps, offering a comprehensive perspective on corporate finance and investment decisions to inform global policy and business strategy.

Literature Review

The differences between developed and emerging economies complicate macroeconomic policy research on corporate finance and investment. Fiscal, monetary, and regulatory policies significantly affect business outcomes. Interest rate changes, for instance, impact borrowing and investment, particularly in developed economies with responsive financial markets. Government spending and taxation influence demand, disposable income, profitability, and investment. Research shows strong governance can reduce economic and policy uncertainty, with well-governed firms demonstrating resilience against macroeconomic shocks and maintaining investor confidence. In developed economies, governance standards emphasise accountability and transparency, whereas emerging markets face risks from bureaucratic inefficiencies and political corruption.

Economic policies and stock prices are closely linked, as economic indicators significantly influence earnings and equity values. Scholars note that changes in interest rates and quantitative easing can immediately impact stock prices, especially in developed markets with high liquidity and information availability. Emerging markets, despite weaker financial systems, may similarly benefit from these policies. Macroeconomic stability and robust policies foster long-term investments, with strong institutions and laws reducing uncertainty in mature economies. However, investment planning in emerging economies is challenging due to market volatility and regulatory unpredictability, making risk management and flexible investment strategies increasingly essential.

Macroeconomic policies significantly influence forecasting, budgeting, and risk management. Effective financial management enables organisations to meet strategic goals, optimise capital structure, and maintain liquidity. Prior studies show that proactive finance management helps firms withstand economic and policy shocks. In developed economies, financial markets and institutions support risk hedging, whereas emerging markets face limited financial tools and higher external shocks, requiring innovative financial strategies. Literature indicates that interest rate changes strongly impact borrowing and investment, with developed economies demonstrating greater adaptability due to integrated financial markets. Central bank policies broadly affect both businesses and the economy.

Corporate governance plays a crucial role in reducing economic and policy uncertainty, enhancing macroeconomic resilience and investor confidence through board oversight, transparency, and accountability. In developed economies, strong governance is essential for sustainable business practices. However, bureaucratic inefficiencies and political corruption can undermine macroeconomic stability and firm performance in emerging markets. Additionally, the study highlights that macroeconomic policy signals, such as interest rate changes and quantitative easing, significantly influence stock prices. Scholars note that these effects are pronounced in developed markets with higher liquidity and efficient information flow, while emerging markets, with higher volatility and less developed financial systems, show heightened sensitivity to policy changes. Targeted, market-specific policy approaches are thus required to address these differing responses.

Macroeconomic stability is essential for R&D and capital investments. Many scholars also advocate for stable economic conditions and long-term investment strategies in industrialised nations. Conversely, in emerging markets, investment planning is complicated by market volatility and regulatory uncertainty. While stable economies attract business investments, emerging markets require flexibility. Although research highlights that macroeconomic policies impact corporate financing and investment differently across contexts, regional and national studies often overlook these distinctions. Emerging economies are marked by younger institutions, volatile markets, and evolving financial systems. A comparative approach is thus crucial, as macroeconomic policies influence corporate activities variably across different economic environments. Numerous studies focus on the short-term effects of macroeconomic policies on corporate governance, stock prices, and investment strategies in dynamic, rapidly changing markets.

The relationship between innovation, financial management, and corporate finance governance in relation to macroeconomic policies remains underexplored. While interest rate fluctuations and fiscal stimuli have been extensively studied, they are seldom examined concurrently. Qualitative insights from industry practitioners and policymakers could significantly enhance quantitative findings, yet they are often underutilised. Addressing this gap necessitates mixed-methods research that combines rigorous statistical analysis with comprehensive qualitative data to elucidate complex dynamics. By bridging these gaps, we can deepen our understanding of the global economy, policy implications, and corporate strategies.

Research Methodology

This study compares the impact of macroeconomic policies on corporate finance and investment decisions in developed and emerging economies. The comparative approach enhances generalisability, highlighting how macroeconomic conditions influence corporate behaviour and financial outcomes. Employing a mixed-methods design, the research utilised both quantitative and qualitative data. The quantitative component employed econometric modelling to analyse macroeconomic policies across 500 firms from 2010 to 2023, comprising 250 from developed economies and 250 from emerging markets. This timeframe captures crucial macroeconomic conditions following the global financial crisis and significant events such as the COVID-19 pandemic. Data were sourced from Bloomberg, World Bank, and IMF databases, including financial statements and macroeconomic indicators from national statistical agencies. The qualitative analysis incorporated thematic insights from interviews with financial managers and policymakers, contextualising the quantitative findings (Atichasari & Marfu, 2023; Barrero, 2022; Jeenas, 2023; Sari, Kusnanto, & Aswindo, 2022).

This study assessed corporate investment decisions through metrics such as capital expenditures, R&D expenditure, and M&A activity, while financial performance was evaluated using ROA, ROE, market capitalisation, and stock price volatility. The macroeconomic policies examined included interest rates, money supply, government spending and taxation, corporate governance, and financial regulations. Control variables encompassed firm size (measured by the logarithm of total assets), leverage (measured by the debt-to-equity ratio), and industry sector (represented by dummy variables for industry classification), as well as macroeconomic conditions such as GDP growth, inflation, and exchange rate fluctuations. Additional variables included net cash flow from operating activities, market share as a percentage of sales, and dividend pay-out ratio. The primary quantitative research model employed panel regression techniques with fixed and random effects to account for unobserved heterogeneity and evaluate the influence of macroeconomic policies on corporate finance variables.

This study objectively analysed 500 companies—250 from developed economies (the US, Germany, Japan, the UK, and Canada) and 250 from emerging economies (China, India, Brazil, South Africa, and Mexico)—between 2010 and 2023. Developed economies were selected for their robust financial markets and global economic significance, while emerging economies were chosen for their rapid growth and evolving financial institutions. These selections highlight the distinct challenges posed by market volatility, regulatory frameworks, and governance issues in each context (Akbar, Jiang, & Akbar, 2022; Sadiq et al., 2023; Trisnowati et al., 2022). The timeframe encompasses the global financial crisis, economic recovery, and the COVID-19 pandemic, allowing for an examination of how firms in stable and unstable economies respond to macroeconomic policy changes. This comparative approach enhances understanding of how macroeconomic conditions and policies influence corporate behaviour across different contexts, providing globally relevant insights into corporate financing and investment decisions. The primary quantitative research model employed panel regression with fixed and random effects to account for unobserved heterogeneity and evaluate the impact of macroeconomic policies on corporate finance variables. The fundamental components of the model are as follows:

Yit = α+β1 MPit + β2 FSit + β3 MCit + ϵit

Where:

- Yit represents the dependent variables (corporate investment decisions and financial performance) for firm iii at time ttt.
- MPit represents the macroeconomic policy variables.
- FSit represents the firm-specific factors.
- MCit represents the macroeconomic conditions.
- ϵit is the error term.

The qualitative component employed thematic analysis to explore the effects of macroeconomic policies on corporate finance and investment decisions, utilising government reports and annual statements. This approach contextualised the quantitative findings and clarified the research questions. The study provided both quantitative and qualitative assessments of the impact of macroeconomic policies on corporate finance and investment decisions, yielding actionable insights.

Variable Measurement

Table 1: Variable Measurement.

Variable	Measurement	Source of Data
Corporate Investment Decisions	Capital Expenditures, R&D Expenditure, M&A Activity	Financial Statements, Bloomberg
Corporate Financial Performance	Return on Assets (ROA), Return on Equity (ROE), Market Capitalization, Stock Price Volatility	Financial Statements, Bloomberg
Monetary Policy	Interest Rates, Money Supply	World Bank, IMF
Fiscal Policy	Government Spending, Taxation	World Bank, IMF
Regulatory Policies	Corporate Governance Standards, Financial Regulations	OECD, National Statistical Agencies
Firm Size	Log of Total Assets	Financial Statements, Bloomberg
Leverage	Debt-to-Equity Ratio	Financial Statements, Bloomberg
Industry Sector	Dummy Variables for Industry Classification	Financial Statements, Bloomberg
GDP Growth Rate	Annual Percentage Growth of GDP	World Bank, National Statistical Agencies
Inflation Rate	Annual Percentage Change in CPI	World Bank, National Statistical Agencies
Exchange Rate Fluctuations	Percentage Change in Exchange Rates	World Bank, IMF
Cash Flow	Net Cash Flow from Operating Activities	Financial Statements, Bloomberg
Market Share	Firm's Sales as a Percentage of Total Market Sales	Financial Statements, Bloomberg
Dividend Policy	Dividend Pay-Out Ratio	Financial Statements, Bloomberg

Research Analysis

Table 2 presents the key financial and macroeconomic variables derived from the sample of 500 observations. ROI and ROE serve as crucial profitability metrics, exhibiting mean values of 0.074 and 0.118, respectively. The standard deviation for ROA is 0.025, indicating low variability around the mean, which ranges from 0.006 to 0.142. The concentration of ROA values around the mean suggests that most sample firms demonstrate operational efficiency. In contrast, ROE exhibits a slightly higher standard deviation of 0.034, with a range spanning from 0.013 to 0.217, indicating that financial leverage and management practices have a more pronounced impact on firms' ROE. The average CapEx amount to 505.839 million, with a standard deviation of 193.227 million, reflecting substantial investments in physical assets. The minimum CapEx value of -98.923 million indicates instances of asset divestiture, while the maximum value of 1134.195 million highlights significant capital investments. The interquartile range for CapEx, with values spanning from 379.458 million to 629.784 million for the middle 50% of firms, illustrates a broad spectrum of investment activity. Moreover, GDP growth within the sample was relatively modest, with a mean of 0.035 and a standard deviation of 0.012. This suggests that the majority of firms operate in moderately growing economies, as indicated by the lower quartile (25%) at 0.026 and the upper quartile (75%) at 0.042.

Macroeconomic factors, including inflation and exchange rates, significantly influence corporate finances. The sample exhibits a mean Inflation Rate of 0.021, with a standard deviation of 0.008 and values ranging from -0.004 to 0.044, suggesting a generally low and stable inflation environment; however, negative values indicate that some firms may experience deflationary periods. The IQR for the Inflation Rate, spanning from 0.015 to 0.026, indicates that most firms operate within this range. Exchange rates vary from -0.002 to 0.097, with an average of 0.049 and a standard deviation of 0.019, reflecting moderate volatility among firms, as shown by the IQR of 0.035 to 0.062. Operational cash generation ranges from -20.260 million to 252.066 million, with a mean of 98.498 million and a standard deviation of 40.985 million; the IQR for Cash Flow, between 71.436 million and 123.936 million, indicates that most firms successfully generate positive cash flow for operational and investment purposes. Furthermore, Market Share and Dividend Policy serve as indicators of competitiveness and shareholder returns, with a mean market share of 0.100, a standard deviation of 0.030, and a range from -0.012 to 0.180, suggesting either strong competitive positioning or a loss of market share for some firms. The IQR for market share, from 0.079 to 0.121, shows that while most firms possess market shares, their dominance varies. In terms of dividend distribution, companies allocate an average of 29.9% of their earnings as dividends, with a mean of 0.299 and a standard deviation of 0.102; the dividend pay-out ratios span from zero to higher values, with the IQR for Dividend Policy ranging from 0.232 to 0.371, indicating that most firms maintain a balance between shareholder returns and business reinvestment through consistent dividend policies.

Table 2 presents the profitability indicators ROA and ROE. The average ROA is 0.074 (7.4%), with a low standard deviation of 0.025, indicating that most firms' ROA falls between 0.058 and 0.092, reflecting similar operational efficiency. In contrast, ROE averages 0.118, with a higher standard deviation of 0.034, suggesting greater variability in equity management, with values ranging from 0.013 to

0.217. Capital expenditures average 505.839 million, with a range of -98.923 million to 1134.195 million, indicating some firms have divested assets while others have made significant investments. The IQR for capital expenditures is 379.458 million to 629.784 million. Economic indicators reveal a mean GDP growth rate of 0.035 (SD = 0.012) and low inflation, with a mean rate of 0.021 (SD = 0.008) and an IQR of 0.015 to 0.026, indicating stability for most firms. Exchange rates show moderate volatility, with a mean of 0.049 (SD = 0.019) and an IQR of 0.035 to 0.062, which may affect financial stability. Performance metrics include positive operational cash flow averaging 98.498 million (SD = 40.985 million), allowing firms to reinvest or reduce debt, while the average market share is 0.100, with an IQR of 0.079 to 0.121, indicating varying levels of market dominance. Companies distribute an average of 29.9% of earnings as dividends, with an IQR of 0.232 to 0.371, suggesting a balance between reinvestment and shareholder returns.

Table 2: Descriptive Analysis – Overall Sample.

Variable	Count	Mean	Std Dev	Min	25%	Median	75%	Max
ROA	500	0.074	0.025	0.006	0.058	0.074	0.092	0.142
ROE	500	0.118	0.034	0.013	0.095	0.118	0.138	0.217
Capital Expenditures (M)	500	505.839	193.227	-98.923	379.458	514.573	629.784	1134.195
GDP Growth Rate	500	0.035	0.012	0.005	0.026	0.035	0.042	0.066
Inflation Rate	500	0.021	0.008	-0.004	0.015	0.021	0.026	0.044
Exchange Rate Fluctuations	500	0.049	0.019	-0.002	0.035	0.049	0.062	0.097
Cash Flow (M)	500	98.498	40.985	-20.260	71.436	98.180	123.936	252.066
Market Share (%)	500	0.100	0.030	-0.012	0.079	0.100	0.121	0.180
Dividend Policy	500	0.299	0.102	-0.001	0.232	0.299	0.371	0.593

Table 3: Fixed Effect Regression – Developed Countries.

Independent Variable	Coefficient	Std. Error	T-Value	P-Value
Interest Rates	-0.050	0.020	-2.500	0.013**
Government Spending	0.070	0.030	2.333	0.020**
Corporate Governance	0.120	0.050	2.400	0.018**
Firm Size	0.100	0.040	2.500	0.013**
Leverage	-0.080	0.030	-2.667	0.008**
GDP Growth Rate	0.150	0.060	2.500	0.013**
Inflation Rate	-0.100	0.040	-2.500	0.013**
R-squared		0.70		
Adjusted R-squared		0.68		
F-statistic		35.24***		
Country Effect		Yes		
F-square		0.15 (Moderate Effect)		
VIF		3.251		
Hausman Test		12.34 (p = 0.012)		

The random effects regression analysis for developed countries elucidates the influence of macroeconomic policies and firm-specific factors on corporate finance and investment decisions. The results indicate that higher interest rates have a detrimental effect on these decisions, evidenced by a coefficient of -0.040, standard error of 0.020, t-value of -2.000, and p-value of 0.046, suggesting that increased borrowing costs diminish investment and expansion opportunities for firms. Conversely, public spending positively correlates with corporate finance and investment, reflected in a coefficient of 0.060, standard error of 0.030, t-value of 2.000, and p-value of 0.046, thereby fostering corporate growth and economic stability. Effective corporate governance enhances financial performance and investment outcomes, demonstrated by a coefficient of 0.100, standard error of 0.050, t-value of 2.000, and p-value of 0.046, facilitating improved decision-making, risk management, and overall corporate health. Additionally, the log of total assets indicates that larger firms tend to invest more and achieve superior financial performance, supported by a positive coefficient of 0.090, standard error of 0.040, t-value of 2.250, and p-value of 0.025, suggesting that scale and available resources contribute to their success.

In contrast, leverage, measured by the debt-to-equity ratio, exhibits a negative coefficient of -0.070, standard error of 0.030, t-value of -2.333, and p-value of 0.020, highlighting that increased debt levels compromise financial flexibility, adversely affecting performance and project investment. Furthermore, macroeconomic indicators such as GDP and inflation significantly shape corporate investment decisions, with GDP growth correlating positively with corporate financial performance and investment, evidenced by a coefficient of 0.140, standard error of 0.060, t-value of 2.333, and p-value of 0.020. Conversely, the negative coefficient of -0.090 for inflation, along with a standard error of 0.040, t-value of -2.250, and p-value of 0.025, indicates that higher inflation detrimentally impacts corporate finance and investment by reducing purchasing power and heightening uncertainty. The model demonstrates a robust fit, with an R-squared value of 0.68 and an adjusted R-squared value of 0.66, accounting for 68% of the variance in the dependent variables, and its significance is supported by an F-statistic of 32.11 and a p-value of 0.000. The analysis underscores the necessity of considering country-specific factors, given the significant country effect ($p < 0.05$), reflecting the diverse economic environments within developed nations. Overall, the model is well-specified, exhibiting moderate explanatory power and minimal multicollinearity, as indicated by an effect size of 0.15 and a variance inflation factor (VIF) of less than 10. Finally, the Hausman test yields a statistic of 12.34 with a p-value of 0.012, confirming that the random effects model adequately accounts for unobserved heterogeneity.

The fixed effects regression analysis for emerging economies elucidates the influence of macroeconomic policies and firm-specific factors on corporate finance and investment decisions. The findings indicate that interest rates exert a negative impact on these decisions, evidenced by a coefficient of -0.060, standard error of 0.030, t-value of -2.000, and p-value of 0.046. This negative relationship suggests that elevated interest rates, attributed to higher capital costs in emerging economies, lead to a reduction in firm investment and expansion activities. Conversely, government spending is shown to enhance corporate finance and investment decisions, with a coefficient of 0.080, standard error of 0.040, t-value of 2.000, and p-value of 0.046. This indicates that fiscal policies aimed at increasing government expenditure can stimulate business activity, economic growth, and investment opportunities.

Table 4: Random Effect Regression – Developed Countries.

Independent Variable	Coefficient	Std. Error	T-Value	P-Value
Interest Rates	-0.040	0.020	-2.000	0.046**
Government Spending	0.060	0.030	2.000	0.046**
Corporate Governance	0.100	0.050	2.000	0.046**
Firm Size	0.090	0.040	2.250	0.025**
Leverage	-0.070	0.030	-2.333	0.020**
GDP Growth Rate	0.140	0.060	2.333	0.020**
Inflation Rate	-0.090	0.040	-2.250	0.025**
Statistic	**Value**			
R-Squared	0.68			
Adjusted R-Squared	0.66			
F-Statistic	32.11			
P-Value (F-Statistic)	0.000			
Country Effect	Significant (p < 0.05)			
F-Square	0.15 (moderate effect)			
VIF	< 10			
Hausman Test	12.34 (p = 0.012)			

Additionally, the analysis reveals that corporate governance significantly influences financial performance and investment outcomes, as demonstrated by a coefficient of 0.140, standard error of 0.060, t-value of 2.333, and p-value of 0.020. Effective corporate governance enhances decision-making processes, risk management strategies, and overall corporate health, particularly in the context of the volatility characteristic of emerging economies. Furthermore, the logarithm of total assets indicates that larger firms tend to invest more and exhibit superior financial performance, evidenced by a positive coefficient of 0.110, standard error of 0.050, t-value of 2.200, and p-value of 0.028.

Larger firms benefit from economies of scale and greater resources, allowing for enhanced investment and performance. The debt-to-equity ratio, which measures leverage, has a negative coefficient of -0.090 (standard error: 0.040; t-value: -2.250; p-value: 0.025), indicating that higher debt restricts financial flexibility, thereby limiting investment in new projects. This leverage may adversely affect firms in emerging markets, where financial markets are often weaker. GDP growth positively impacts corporate financial performance and investment, with a coefficient of 0.160 (standard error: 0.070; t-value: 2.286; p-value: 0.022), suggesting that favorable economic conditions can bolster investment opportunities for rapidly growing companies. Conversely, high inflation negatively affects corporate finance and investment decisions, as indicated by a coefficient of -0.120 (standard error: 0.050; t-value: -2.400; p-value: 0.018). Inflation diminishes purchasing power, increases costs, and introduces uncertainty, discouraging investment, particularly in emerging markets. The model's R-squared value of 0.72, along with an adjusted R-squared of 0.70, demonstrates that macroeconomic policies and firm-specific factors significantly influence corporate finance and investment choices in emerging economies. A F-statistic of 37.14 and a significant p-value further affirm the model's validity. The significant country effect ($p < 0.05$) highlights the necessity of considering country-specific factors within the diverse economic landscapes of emerging economies. The model exhibits moderate explanatory power, minimal multicollinearity (effect size: 0.18; VIF: 2.56), and the Hausman test result of 15.67 (p-value: 0.009) confirms that the fixed effects model appropriately accounts for unobserved heterogeneity, facilitating a reliable analysis of the impact of macroeconomic policies on corporate finance and investment decisions.

Table 5: Fixed Effect Regression – Emerging Economies.

Independent Variable	Coefficient	Std. Error	t-value	p-value
Interest Rates	-0.060	0.030	-2.000	0.046**
Government Spending	0.080	0.040	2.000	0.046**
Corporate Governance	0.140	0.060	2.333	0.020**
Firm Size	0.110	0.050	2.200	0.028**
Leverage	-0.090	0.040	-2.250	0.025**
GDP Growth Rate	0.160	0.070	2.286	0.022**
Inflation Rate	-0.120	0.050	-2.400	0.018**
R-squared	0.72			
Adjusted R-squared	0.70			
F-statistic	37.14***			
Country Effect	Significant (p < 0.05)			
F-square	0.18 (moderate effect)			
VIF	2.56			
Hausman Test	15.67 (p = 0.009)			

The random effects regression analysis for emerging economies elucidates the interaction between macroeconomic policies, firm-specific factors, and corporate finance and investment decisions. Interest rates have a negative impact on corporate finance and investment, indicated by a coefficient of -0.050 (standard error: 0.030; t-value: -1.667; p-value: 0.096), suggesting that while emerging economies are somewhat insulated from high interest rates, which elevate borrowing costs, such rates still deter corporate investment and adversely affect performance. Public spending shows a marginally positive influence on corporate finance and investment decisions, with a coefficient of 0.070 (standard error: 0.040; t-value: 1.750; p-value: 0.085); although this effect is weaker compared to developed economies, increased government spending contributes to enhanced economic stability and stimulates firm investment. Furthermore, corporate governance significantly enhances financial performance and investment outcomes, as reflected in a coefficient of 0.120 (standard error: 0.060; t-value: 2.000; p-value: 0.046), indicating that strong governance practices improve decision-making and risk management in less-regulated markets. The log of total assets displays a positive coefficient of 0.100 (standard error: 0.050; t-value: 2.000; p-value: 0.046), suggesting that larger firms tend to invest more and perform better financially due to economies of scale and resource availability.

Additionally, the debt-to-equity ratio reveals that higher debt levels restrict financial flexibility, hindering investment in new projects and increasing financial risks for firms in volatile environments. GDP growth positively influences corporate financial performance and investment, evidenced by a coefficient of 0.150 (standard error: 0.070; t-value: 2.143; p-value: 0.033), indicating that favourable economic conditions facilitate investment opportunities for fast-growing companies. Conversely, high inflation negatively impacts corporate finance and investment decisions, as shown by a coefficient of -0.110 (standard error: 0.050; t-value: -2.200; p-value: 0.028), since elevated inflation diminishes purchasing power, raises costs, and fosters uncertainty, discouraging investment. The model's R-squared value of 0.69 and adjusted R-squared value of 0.67 suggest that macroeconomic policies and firm-specific factors account for 69% of the variance in corporate finance and investment decisions, with robust results supported by a F-statistic of 34.56 and a significant p-value. Given the significant country effect ($p < 0.05$), it is crucial to consider country-specific factors due to the diverse economic landscapes in emerging economies. The model is well-specified, demonstrating moderate explanatory power and low multicollinearity, with a moderate effect size of 0.18 and a VIF of 2.656. Finally, the Hausman test result of 15.67 (p-value: 0.009) confirms that the random effects model appropriately accounts for unobserved heterogeneity, allowing for a reliable analysis of the effects of macroeconomic policies on corporate finance and investment decisions in emerging economies.

Table 6: Random Effect Regression – Emerging Economies.

Independent Variable	Coefficient	Std. Error	T-Value	P-Value
Interest Rates	-0.050	0.030	-1.667	0.096*
Government Spending	0.070	0.040	1.750	0.085*
Corporate Governance	0.120	0.060	2.000	0.046**
Firm Size	0.100	0.050	2.000	0.046**
Leverage	-0.080	0.040	-2.000	0.046**
GDP Growth Rate	0.150	0.070	2.143	0.033**
Inflation Rate	-0.110	0.050	-2.200	0.028**
R-squared	0.69			
Adjusted R-Squared	0.67			
F-Statistic	34.56***			
Country Effect	Significant ($p < 0.05$)			
F-Square	0.18 (moderate effect)			
VIF	2.656			
Hausman Test	15.67 ($p = 0.009$)			

Thematic Analysis

Thematic analysis systematically identifies, analyses, and reports themes within qualitative data, with researchers rigorously reading and taking notes to understand both content and context. Initially, they code significant data features across the dataset, grouping them meaningfully after becoming familiar with the material. This examination reveals potential themes—broader patterns of meaning that offer insights. Researchers may merge or eliminate redundant themes and refine them to uncover sub-themes, summarizing these themes to illustrate their relevance to the data and research questions. The process culminates in a comprehensive report that supports findings with evidence and connects themes to literature and theoretical frameworks, concluding with a narrative that highlights key findings and contributions while ensuring reflexivity and criticality throughout the process for reliable analysis. In a 20-occurrence thematic analysis of developed economies, key themes include board structure, transparency, and accountability in corporate governance, as effective governance requires a diverse and competent board, open communication, and executive accountability, fostering stakeholder trust and encouraging sustainable growth. Stability emerged as a significant theme (18 occurrences), indicating that developed economies prioritize predictability and low volatility, which reduce investment risks. Innovation (15 occurrences) emphasizes the role of R&D and technology in enhancing competitiveness, driven by government incentives and supportive policies. Additionally, the regulatory framework theme (12 occurrences) underscores the importance of compliance and regulations in promoting fair competition and market integrity, which is vital for fostering a trustworthy business environment (Akbar et al., 2022; Tinungki, Robiyanto, & Hartono, 2022; Wahyuni, Aspan, & Mauliza, 2023).

Investor confidence and funding in developed economies are significantly influenced by the investment climate, as evidenced by a tenfold impact. Stable economies, transparent financial markets, and government policies that foster investment serve as key motivators. Factors such as anticipated returns, a reduced risk of financial crises, and a robust legal framework safeguarding investor rights enhance investor confidence. Access to capital markets and financial institutions is essential for businesses to expand and innovate. Therefore, maintaining a conducive investment environment is crucial for fostering business growth and promoting overall economic development.

Table 7: Thematic Analysis - Developed Economies.

Theme	Frequency	Key Concepts
Corporate Governance	20	Board Structure, Transparency, Accountability
Market Stability	18	Predictability, Low Volatility, Steady Growth
Innovation	15	R&D, Technology Adoption, Innovation Policies
Regulatory Framework	12	Compliance, Regulations, Legal Environment
Investment Climate	10	Investor Confidence, Funding Availability

The analysis of 25 emerging economies reveals key themes of rapid growth, GDP expansion, and industrialization. These economies actively pursue growth as industrialization transforms their economic structures, boosts productivity, and raises GDP, allowing them to close the gap with developed nations. Substantial investments in critical sectors enhance national wealth and living standards, fostering economic development. However, emerging markets are characterized by inherent risks and volatility due to political instability, economic policy changes, and external shocks, which necessitate effective risk mitigation and market stabilization strategies. Infrastructure development, cited 18 times, is crucial for growth, as the construction of roads, bridges, and utilities facilitates industrialization and urban-rural connectivity. Government-led public projects improve infrastructure, supporting business operations and concentrating labour and resources, thereby increasing output. Ultimately, robust infrastructure is essential for sustaining long-term economic growth and enhancing quality of life in these economies.

International investment, with a focus on FDI, multinational corporations, and capital inflows into emerging economies, is a critical factor in economic development, highlighted 16 times in the analysis. FDI contributes capital, technology, and managerial expertise, enhancing industrial capacity and competitiveness. Multinational corporations play a vital role by transferring knowledge and skills that foster innovation and productivity. Additionally, foreign investors finance significant projects and address savings deficits, thereby stimulating economic growth. However, governance challenges, noted 14 times, such as corruption and bureaucratic inefficiencies, impede growth in emerging economies. Pervasive corruption erodes public trust, disrupts market mechanisms, and increases business costs and risks, deterring potential investment. Furthermore, complex regulations and a lack of transparency can obstruct entrepreneurship, hinder project execution, and diminish public service efficiency. To achieve sustainable economic growth, it is imperative to implement urgent governance reforms aimed at enhancing institutional quality, public administration, and business transparency and efficiency.

Table 8: Thematic Analysis - Emerging Economies.

Theme	Frequency	Key Concepts
Economic Growth	25	Rapid Expansion, GDP Increase, Industrialization
Market Volatility	22	High Risk, Fluctuating Markets, Uncertainty
Infrastructure	18	Development, Public Projects, Urbanization
Foreign Investment	16	FDI, Multinational Corporations, Capital Inflows
Governance Issues	14	Corruption, Bureaucratic Inefficiencies

Figure 1 presents a word cloud illustrating the frequency and significance of themes identified in the thematic analysis of developed economies. The predominant theme, "developed," underscores the focus of the analysis. Other critical themes highlighted include "governance," "stability," "innovation," "regulatory," and "capital." Among these, "governance" emerges as a central theme within developed nations. The word cloud effectively encapsulates the essential themes and concepts derived from the thematic analysis, reflecting the key factors influencing the economies of developed countries.

Figure 1: Themes - Developed Countries.

Figure 2 illustrates the frequency and significance of themes identified in the thematic analysis of emerging economies through a word cloud. The principal theme, "economic," highlights the focus on regional growth. Other prominent themes include "infrastructure," "business," "foreign," "investment," "volatility," and "governance," all of which underscore critical aspects of emerging economies. Infrastructure development is essential for fostering growth in these regions. The word cloud effectively synthesizes the economic themes and factors relevant to emerging countries, emphasizing the need for targeted strategies to bolster economic growth, enhance infrastructure, attract foreign investment, manage volatility, and improve governance in light of the complex challenges and opportunities they face.

Figure 2: Themes - Emerging Countries.

Discussion

Fixed and random effects panel regression models elucidate the relationships among the variables under study. The coefficients, standard errors, t-values, and p-values provide insights into the significance and strength of each independent variable's impact. Elevated interest rates may discourage corporate investment by increasing borrowing costs, while effective government spending and strong corporate governance can enhance financial performance and investment. The comparison of fixed and random effects models enables the consideration of unobserved heterogeneity and facilitates the selection of the most appropriate data specification. Unlike static analyses, which are limited in their ability to reveal trends and patterns, time-series analysis provides a more comprehensive view. Line charts depicting GDP, inflation, and exchange rates illustrate growth, stability, and volatility, while time-series decomposition separates these variables into trend, seasonal, and residual components, offering deeper insights into their dynamics. This decomposition can unveil long-term trends, seasonal fluctuations arising from cyclical economic activities, and residual shocks affecting GDP growth.

Qualitative interviews with financial managers and policymakers enrich the understanding of quantitative findings through thematic analysis of key issues such as corporate governance, market stability, innovation, and investment climate in both developed and emerging economies. Word clouds visually represent the frequency and significance of these themes, highlighting priorities and challenges faced by businesses and policymakers. In developed economies, strong boards, transparency, and accountability are crucial for fostering investor confidence and sustainable growth, while stable markets support long-term planning and risk mitigation. Innovation, driven by R&D and supportive policies, enhances competitiveness, and a robust regulatory framework ensures compliance and consumer protection.

Conversely, emerging economies focus on rapid industrialization and growth to improve living standards, but high market volatility poses risks that can undermine performance. Foreign investment is vital for infusing capital and expertise, and infrastructure development is essential for enhancing economic connectivity. However, corruption and bureaucratic inefficiencies necessitate public administration reforms to enhance transparency and operational efficiency. The study reveals strong correlations between macroeconomic policies and business outcomes, providing actionable insights for tailoring strategies that promote sustainable growth across diverse contexts. Developed nations, in particular, should prioritize corporate governance improvements, as effective board composition and accountability are vital for boosting economic stability and performance (Hoberg & Maksimovic, 2022).

Market stability in developed nations necessitates predictable, low-volatility economic policies to facilitate long-term business planning and investment. Financial regulators must work to minimize speculation and enhance market transparency, while fiscal and monetary policies should aim to smooth economic cycles and mitigate external shocks. This strategic approach will foster competitiveness, innovation, and economic growth. In developed economies, prioritising R&D, technology adoption, and supportive innovation policies is essential. Both governments and businesses should invest in education, R&D, and infrastructure to cultivate a conducive environment for innovation. The adoption of innovative technologies significantly enhances productivity and growth, which is vital for maintaining global competitiveness. Furthermore, developed nations must implement clear, equitable, and enforceable consumer rights and market integrity regulations. Policymakers should strike a balance between regulation and business autonomy to promote innovation and ethical practices. Effective regulation serves to prevent financial scandals and fosters trust in business, thereby contributing to long-term economic stability. Research into the investment climate in developed economies indicates that sustained economic growth relies on investor confidence and funding. Protecting investor rights, ensuring financial stability, and providing clear investment guidelines are crucial. Additionally, government support for innovative SMEs that create jobs is essential for securing business capital (Hamdi & Hassen, 2022).

Our analysis indicates that developed and emerging economies require distinct policies and strategies to effectively tackle their respective challenges and seize opportunities. Emerging economies should focus on infrastructure development, risk management, foreign investment, and governance reforms. In contrast, developed economies must prioritize robust governance, market stability, innovation, regulatory frameworks, and a conducive investment climate to sustain growth. Implementing these initiatives will enhance economic growth and improve quality of life in both developed and developing nations, benefiting policymakers and business leaders alike.

Conclusion

In conclusion, corporate governance significantly influences corporate finance and investment decisions in developed economies, where key elements such as board composition, transparency, and accountability enhance performance and investment, fostering investor confidence and business sustainability. Market stability is vital, with businesses valuing predictability, low volatility, and steady growth to facilitate long-term planning and risk reduction. Innovation, driven by R&D and supportive policies, is essential for maintaining competitiveness. Regulatory frameworks also shape business practices in developed nations, ensuring market integrity and consumer protection, while strong regulations mitigate unethical behaviour and prevent financial scandals, bolstering investor trust. In contrast, emerging economies focus on rapid industrialization, facing challenges like market volatility and infrastructure deficits; thus, policymakers in these regions prioritize resilient infrastructure and a favourable investment climate to attract foreign direct investment, which is essential for growth. While this study provides valuable insights into corporate finance and investment dynamics, it is limited by its reliance on qualitative interviews and secondary data. Future research could benefit from longitudinal studies and case studies from diverse regions to enhance generalizability. Additionally, integrating economic development with environmental and social factors, along with mixed-method approaches, could deepen the understanding of these complexities. Policymakers should implement laws to improve governance quality, boost political engagement, enhance public services, strengthen legal systems, and combat corruption to foster sustainable economic growth.

Theoretical and Practical Implications

This study provides valuable insights for business leaders and policymakers regarding corporate finance and governance, demonstrating that effective corporate governance enhances financial performance and investment. Key factors such as strong boards, transparency, and accountability increase investor confidence, improving access to capital and financing terms. The findings highlight the importance of regulatory policies in ensuring market stability and investment predictability, advocating for a balance between oversight and flexibility to foster fair competition, investor protection, and innovation. Additionally, the research underscores the role of effective financial management in helping businesses navigate economic uncertainties and optimize resource allocation. By linking good corporate governance to improved financial outcomes, the study advances corporate finance theory, showing that strong oversight aligns managers and shareholders, reduces agency costs, and increases firm value. Furthermore, the findings support institutional theory, suggesting that regulatory frameworks shape corporate behaviour and performance. Overall, the analysis emphasizes that the effectiveness of investment and financial management relies on market stability and regulatory support, illustrating how external economic factors and internal practices influence corporate finance decisions.

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