

RESEARCH SEMINARS 2017

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BANK RELATIONSHIPS AND CASH HOLDINGS: EVIDENCE FROM EMERGING FIRMS IN JAPAN

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14H30

Sala de Atos Faculdade de Economia | Universidade do Algarve

This seminar will discuss a study that investigates how firm-bank relationships affect corporate cash holdings behavior. Using bank relationships and financial statement data for emerging firms in Japan, it is found that firms with a concentrated bank loan structure and with long-term main bank relationships hold more cash and show a higher propensity to save cash than those with competitive bank relationships. The effect of bank relationships on cash holdings is not evident for firms with a lower intangible assets ratio and is weakened in those with access to bond markets. The findings suggest that heterogeneous firm-bank relationships and informational asymmetries are important determinants of corporate cash holdings.

Keywords: Bank competition; Financial constraints; Hold-up problems; Lending relationships; Cash holdings

JEL Classification: G21, G31, G32

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