

Accepted Manuscript

Operating Performance and Aggressive Trade Credit Policies

Travis Box , Ryan Davis , Matthew Hill , Chris Lawrey

PII: S0378-4266(18)30041-4  
DOI: [10.1016/j.jbankfin.2018.02.011](https://doi.org/10.1016/j.jbankfin.2018.02.011)  
Reference: JBF 5305

To appear in: *Journal of Banking and Finance*

Received date: 17 January 2017  
Revised date: 5 January 2018  
Accepted date: 18 February 2018

Please cite this article as: Travis Box , Ryan Davis , Matthew Hill , Chris Lawrey , Operating Performance and Aggressive Trade Credit Policies, *Journal of Banking and Finance* (2018), doi: [10.1016/j.jbankfin.2018.02.011](https://doi.org/10.1016/j.jbankfin.2018.02.011)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



## Operating Performance and Aggressive Trade Credit Policies

Travis Box, Ryan Davis, Matthew Hill and Chris Lawrey<sup>5</sup>

We examine the operating performance improvements associated with the extension of trade credit. Our results suggest a positive and significant relation between future profitability and contemporaneous trade credit provision. Further findings indicate significantly higher margins, revenues and market shares for firms that extend more trade credit than industry competitors with similar characteristics, operational necessities and financial distress levels. These inferences are robust to several econometric concerns such as the joint determination of trade credit extension and firm performance. Overall, our results imply that aggressive trade credit policies can provide firm management with a unique channel to improve product market performance.

JEL Classifications: G31, G32, G39, M49.

*Keywords:* Trade credit; Supplier financing; Working capital; Operating performance

Trade credit management is an important aspect of working capital policy and corporate strategy (Sartoris and Hill (1983)). By decoupling the delivery of materials from the receipt of payment, the

<sup>5</sup> Box (corresponding author), [tbox@bus.olemiss.edu](mailto:tbox@bus.olemiss.edu), University of Mississippi, Post Office Box 1848, University, Mississippi, 38677; Davis, [davisrl@uab.edu](mailto:davisrl@uab.edu), University of Alabama at Birmingham; Hill, [mdhill@astate.edu](mailto:mdhill@astate.edu), Arkansas State University; Lawrey, [clawrey@southalabama.edu](mailto:clawrey@southalabama.edu), University of South Alabama.

Download English Version:

<https://daneshyari.com/en/article/7356596>

Download Persian Version:

<https://daneshyari.com/article/7356596>

[Daneshyari.com](https://daneshyari.com)