Accepted Manuscript

Switching to Bonds When Loans Are Scarce: Evidence from Four U.S. Crises

Manisha Goel, Michelle Zemel

PII: S0929-1199(17)30761-7
DOI: doi:10.1016/j.jcorpfin.2018.05.006
Reference: CORFIN 1373

To appear in: *Journal of Corporate Finance*

Received date: 14 December 2017
Revised date: 6 May 2018
Accepted date: 26 May 2018

Please cite this article as: Manisha Goel, Michelle Zemel , Switching to Bonds When Loans Are Scarce: Evidence from Four U.S. Crises. Corfin (2018), doi:10.1016/j.jcorpfin.2018.05.006

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.

ACCEPTED MANUSCRIPT

Switching to Bonds When Loans Are Scarce: Evidence from Four U.S. Crises

Manisha Goel* Michelle Zemel†

Pomona College

May 2018

Abstract

To what extent do public firms switch to bonds when bank credit supply falls, and how do their real outcomes compare to those of other firms? Examining four U.S. crises during 1988-2011 shows that only 8.4% of debt-receiving firms broke their reliance on loans and switched to bonds. These were high quality firms that, despite incurring large costs, did not suffer significantly more in output, investment, and employment than predominantly bond-issuing firms. Most firms either received loans, or no debt, and fared significantly worse. Thus, public firms do not widely substitute bonds for loans, remaining vulnerable to bank health fluctuations.

JEL Classifications: E44, G01, G30

Keywords: Financial Crises, Corporate Finance, Banks, Bonds, Employment, Output, Investment

ACCEPTED MANUSCRIPT

*manisha.goel@pomona.edu

†Corresponding Author: Michelle Zemel. Email: michelle.zemel@pomona.edu. Telephone: (909) 607-8840. Address: 425 N. College Ave. Pomona College, Claremont CA 91711. We have benefited from valuable feedback received from seminar participants at Pomona College, Davidson College, and Claremont Graduate University, and conference participants at the Liberal Arts Macroeconomics Workshop, Southern Economic Association meetings, and the Midwest Finance Association meetings. Discussions with Lamont Black, Matthew Botsch, Jean Helwege, and Gonca Senel were also helpful. We thank the editor, Jeffry Netter, and an anonymous referee for their helpful comments. We acknowledge financial support from Pomona College.

Download English Version:

https://daneshyari.com/en/article/7357039

Download Persian Version:

https://daneshyari.com/article/7357039

Daneshyari.com