

Accepted Manuscript

Cash savings and capital markets

R. David McLean, Mengxin Zhao

PII: S0927-5398(18)30011-2
DOI: <https://doi.org/10.1016/j.jempfin.2018.02.001>
Reference: EMPFIN 1033

To appear in: *Journal of Empirical Finance*

Received date: 2 February 2017
Revised date: 3 November 2017
Accepted date: 15 February 2018



Please cite this article as: McLean R.D., Zhao M., Cash savings and capital markets. *Journal of Empirical Finance* (2018), <https://doi.org/10.1016/j.jempfin.2018.02.001>

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.

Cash Savings and Capital Markets^ψ

R. David McLean

Mengxin Zhao

October 2017

Abstract

A growing literature argues that firms plan their cash policies while considering dynamics in the supply of capital. Evidence from the U.S. shows firms making large equity issues when stock prices are high for the purpose of building precautionary cash savings. We confirm this U.S. evidence, and find these effects internationally in countries like the U.S. where external finance is more accessible. In these countries, the relation between precautionary motives and cash savings disappears if the proceeds from net equity issues are removed from cash. In contrast, high precautionary motive firms do not build cash with equity issues in countries where external finance is costlier, suggesting the benefits of holding cash are outweighed by issuance costs. Our findings show that access to equity finance has a first order impact on cash policy.

^ψWe thank Dan Bradley, Ying Duan, Mara Faccio, Jarrad Harford, Mike Hertz, Cliff Holderness, Edie Hotchkiss, Kai Li, Ron Masulis, Jeffrey Pontiff, Mathijs van Dijk, Alex Zhang, and seminar participants at Boston College, Boston University, Hitotsubashi University, Northeastern University, Securities Exchange Commission (SEC), Texas A&M, Purdue University, and the University of South Florida and conference participants at the European Finance Association (Cambridge) for helpful comments. McLean is at Georgetown University and Zhao is at Securities and Exchange Commission. Send correspondence to dm1448@georgetown.edu or mengxin.zhao@ualberta.ca. *The Securities and Exchange Commission, as a matter of policy, disclaims responsibility for any private publication or statement by any of its employees. The views expressed herein are those of the author and do not necessarily reflect the views of the Commission or of the author's colleagues upon the staff of the Commission."

Download English Version:

<https://daneshyari.com/en/article/7360479>

Download Persian Version:

<https://daneshyari.com/article/7360479>

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