OVERSEAS TRANSFER OF PRODUCTION AND SIMULTANEOUS HOLDINGS OF CASH AND DEBT

By GENICHIRO OKAMOTO

SUMMARY

Using the propensity score matching, this study measures the impact of overseas transfer of production on the debt and cash policy of firms. As a result of analyses, we find that firms which move production offshore face the divided capital market and tend to hold more debt and cash simultaneously. From a standpoint of capital efficiency, simultaneous holdings are not necessarily good for firms. So, government should implement appropriate measures to alleviate an incompleteness of the capital market.

©Japan Society of Monetary Economics 2017