

COMPETITIVE POSITION AND CASH HOLDINGS:  
EVIDENCE FROM JAPANESE LISTED FIRMS

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《SUMMARY》

This paper empirically analyzes the relationship between firms' competitive position and cash holdings. Firms with a low competitive position have a lower expected cash flow. Therefore, such firms set aside cash from cash flows to avoid default. We estimate a linear cash demand function using two measures for a competitive position. We find a negative relationship between a competitive position and cash holdings, which is consistent with our empirical hypothesis, and larger responses for those who face financial constraints. The results show that firms choose a cash holding policy that is closely linked to their competitive position.

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