

別紙 4

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主 論 文 の 要 旨

論文題目 Cash Policy of Japanese Corporations
(日本企業の現金政策)
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論 文 内 容 の 要 旨

Corporations' cash holding and cash policy have been always one of the emphases of academic research in the field of corporate finance. On one hand, cash is vital for a firm's survival. As the most liquid asset, it is the basis of a firm's daily operations and transactions. An adequate cash holding enables a firm to approach investment projects with much lower capital costs than external financing, and to withstand unexpected external shocks from the industries or macroeconomics, or internal shocks resulted from the misoperation. Meanwhile, if the cash holding is inadequate, the firm may have to sacrifice its valuable assets or investment opportunities to maintain the daily operation, which drastically damages the operating and cash flow stability. On the other hand, cash is also the least productive assets. It does not generate profits like inventory or equipment, nor create potential advantages in the future market shares or cash flow like goodwill or capital expenditure. Therefore, as a rational manager of a firm, it is necessary to maintain a balance between these benefits and costs.

The dissertation utilizes the data of Japanese corporations to examine the cash policies of Japanese corporations and their cash allocation. Compared to other major developed economies such as the U.S. and Germany, the Japanese market has at least two specific characteristics. First, the main bank is the

major monitor of the corporations, instead of the capital market. Second, the power of the main bank is strong and due to the strong negotiation power of the main bank, corporations may be encouraged to hold relatively high levels of cash to benefit the bank (Pinkowitz and Williamson, 2001 RFS).

This dissertation thesis consists of four chapters. Chapter 1 “Background and Literature Review” examines the previous studies on corporations’ cash holding and their cash policies. There are mainly four motives to explain why corporations are necessary to hold cash, the transaction motive, precautionary motive, agency motive, and others. Transaction motive specifies that there exists an optimal amount of cash holding for minimizing the transaction costs in the daily operation. Precautionary motive suggests that rational firms save for unexpected events that require a cash outlay. Agency motive focuses on the agency problem arising from the inconsistency of interests that managers have the incentives to make the firm grow beyond the optimal size. To avoid this situation, firms may utilize debts or dividends to limit the cash holding on a reasonable scale. Other motives include various factors that can contribute to explaining the differences in corporations’ cash holding and cash holding policies, such as tax motives, culture motives, and so on.

Following the literature reviews of cash holding, Chapter 2 examines the differences in cash policies of bank-dependent corporations and their counterparts. Bank-dependent corporations refer to the corporations that do not have outstanding corporate bonds and rely on banks for debt financing. The hypotheses tested include: (i) Bank-dependent firms hold less excess cash than their counterparts, (ii) Bank-dependent listed firms hold less excess cash than non-dependent listed firms, (iii) Bank-dependent non-listed firms hold less excess cash than non-dependent non-listed firms. The excess cash is defined as the residual of the regression. More specifically, it is the differences between the predicted change in cash holding and the actual change in cash holding. According to the hypotheses, the bank dependency has a negative effect on the cash through the constant term, and it should be consistent in the pooled sample and subgroup of listed and non-listed firms to exclude the potential influences from

being public or not.

Using the data of Japanese listed and non-listed industrial firms from 1995 to 2018, the dissertation provides the conclusion that even though the average cash holding for bank-dependent firms is slightly and not significantly higher than that of their counterparts, bank-dependent firms hold less excess cash than their counterparts.

This finding is robust in the sub-sample of listed and non-listed group. Such differences have resulted from the corporations' different cash holding motives. For bank-dependent firms, the bank as a liquidity provider can be a good substitute for holding cash so that they do not need many precautionary savings. Besides, the managers of bank-dependent firms are not able to enjoy the empire-building activities because the bank plays an important role in monitoring the companies' activities. As a result of weak precautionary and agency motives, bank-dependent corporations significantly hold less excess cash and exhibit a rather smoother cash holding during the long-term period. Meanwhile, the counterparts (non-bank-dependent firms) both have a relatively stronger agency and precautionary motives, they tend to hold less cash but more excess cash, exhibiting volatile cash holding patterns. Besides, the indications from other control variables are consistent with the conclusions in the previous academic research. For instance, both bank-dependent and non-dependent firms decrease the cash holding when total assets increase, indicating a significant characteristic of the economy to scale. Bank-dependent firms are significantly sensitive to the fluctuation of cash flow at the industry level. Besides, the different signs of the coefficient of Tobin's Q suggest that non-dependent firms have more incentives for cash saving when there are more investment opportunities.

Furthermore, chapter 3 examines the responses of Japanese corporations' cash allocation when encountering shocks, using the Great Financial Crisis in 2008 and the Abenomics starting from 2013. The Great Financial Crisis in 2008 is treated as a negative external shock while the Abenomics from 2013 is treated as a positive policy shock. Under the negative shocks, there is significant evidence that

both export-oriented and domestic-oriented firms increase the cash holding level while largely decline the cash allocated in investment. This finding is of the expectation that during a negative shock, firms have to increase the cash holding to maintain the normal operations, and a large decline in investment activities may be due to increased uncertainties or seeking for liquidity.

Meanwhile, during the period of Abenomics, there is significant evidence that both the export-oriented and domestic-oriented firms continue increasing the cash holding level and decreasing the financial leverage. Further studies using a Difference-in-Difference design are conducted to capture the potential differences in the cash allocation patterns over cash holding and investment. However, there is no significant evidence to show that during the positive shock, any subgroup of corporations chooses to increase the investment level as one might expect.

Chapter 4 explains the relationship between the data circulation and empirical research in economics and corporate finance. Data circulation describes a cyclical data flow consisting of data acquisition, data analysis, and data implementation. The chapter sketches a simplified framework of data and information flow in empirical research in economics and corporate finance. Besides, I introduce how the dissertation is tightly related to the circulation framework in detail. We mainly utilize the data from corporations, specifically, the financial data from the financial statements. After hypotheses are tested and models/theories are constructed based on the data and analysis, the government can take advantage of the models or theories to better formulate the monitoring and stimulating policies, while corporations can be also benefited from the new models or theories to increase the internal efficiency to achieve better performances. Then a new round of data collection and analysis will be conducted to testify the previous models and theories and hence, formulate a data and information flow circulation.

In the last chapter of the dissertation, we summarize the findings and conclusions in the dissertation and discuss the potential research targets in future work.