

An Empirical Study of Trade Credit

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<https://hdl.handle.net/2324/2236016>

出版情報 : Kyushu University, 2018, 博士 (経済学), 課程博士

バージョン :

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氏 名 : 南 澔 澈

論 文 名 : An Empirical Study of Trade Credit
(企業間信用に関する実証分析)

区 分 : 甲

論 文 内 容 の 要 旨

Previous studies suggest that trade credit is widely used as a financing instrument, especially when firms do not access to bank debt (Petersen and Rajan, 1997). This is because information asymmetry is significantly reduced over the course of long-term business relations between suppliers and customers. Once constrained firms receive trade credit, the information of suppliers is transmitted to banks (Biais and Gollier, 1997) and outside investors (Aktas, de Bodt, Lobe, and Statnik, 2012; Goto, Xiao, and Xu, 2015). This nature of trade credit weakens the sensitivity of investments of constrained companies to internal funds (Guariglia and Mateut, 2006). In addition, suppliers may have an incentive to rescue financially distressed clients to prevent violation of valuable relationships (Cuñat, 2007). Those facts motivate this dissertation to address the following questions: (1) Can accounts payable create firm value when liquidity shortage occurs in the financial market? (2) Does trade credit have more value in countries where long-term relationship is beneficial? (3) Do suppliers increase accounts receivable when their customers falls into financial constraints?

Chapter 1 presents literature review and thereafter discusses these research motivations. The literature review stresses that trade credit serves as an alternative financing source for firms that have suffered from limited access to the external capital market. In addition, trade credit has information production effects since suppliers can closely monitor customers over the course of business. Besides, financial insurance is provided by trade credit in order to avoid violation of valuable long-term business relationships. These facts give rise to the prediction that accounts payable is positively associated with firm value especially during a liquidity shock. However, a few empirical studies provide evidence of value creation effects of trade credit. I conjecture this is because endogeneity and reverse causality problems exist between accounts payable and firm value since poorly performing firms may rely on accounts payable. To address the concern, this dissertation adopts quasi-experimental setting. Chapter 1 also points out that only few studies have examined whether suppliers increase trade credit supply when their customers fall into financial distress.

Chapter 2 investigates value creation of accounts payable during an external shock in financial market. By using data from 40 countries, this chapter provides evidence that during the global financial crisis (year 2008 and 2009) accounts payable is positively associated with firm value. Furthermore, this positive value effect is evident only in countries where long-term relationship is beneficial, identified by legal origin and Hofstede's (2001) long-term orientation and uncertainty avoidance indices.

Chapter 3 further examines value effects of trade credit in liquidity crisis in single country settings (Japan and South Korea). A single country analysis is less likely vulnerable to country-specific characteristics such

as legal systems, political regimes, and cultural uniqueness. For the study of Japan, I adopt the banking crisis (1992 to 2002) as well as the global financial crisis, as external shocks that seriously harm the Japanese financial market. The results generally support the hypothesis that during the external liquidity shocks, accounts payable is positively related to firm value. South Korea is also an advantageous experimental laboratory, since it enables a short-term event study. On May 20, 2010, the South Korea government announced that North Korea had sunk South Korea naval ship, and the stock market showed a significant price drop in the subsequent days. By using Fama-French-Carhart 4 factors model, I found that portfolios composing firms with less accounts payable experience a significant value reduction during the North Korea shock.

Chapter 4 examines suppliers' liquidity provision by trade credit when their customers fall into financial constraints. Analyses so far stand on the view that suppliers have an incentive to provide liquidity to financially constrained companies. This chapter shows that customers' financial constraints measures, such as KZ-index, are positively related to accounts receivable of suppliers. Moreover, the positive relation becomes strong as the supplier has a long-term relation with its customers. This finding suggests that suppliers have an incentive to rescue customers when loss of the business relation is costly.

Chapter 5 concludes the dissertation. The results suggest that accounts payable is positively associated with firm value during liquidity shocks. This positive value effect is evident in countries where long-term relationship is beneficial. Furthermore, we provide empirical evidence that suppliers' accounts receivable is positively associated with customers' financial constraints. This dissertation contributes to the trade credit literature in several ways. First, we provide empirical evidence of value effects of accounts payable. Second, to the best of my knowledge, this is the first research to show that accounts payable creates value in countries where long-term relation is valuable. Finally, we contribute to the literature by relating suppliers' liquidity provision to customers' financial constraints.