

Cash Holdings:  
Evidence from Firm-Level Big Data in Japan\*  
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Abstract

To investigate the status of Japanese firms' cash holdings, first, we document how the distribution of firms' cash holding has been evolving over the last two decades. Our descriptive analyses using Japanese firm-level "big data" accounting for at most 400 thousand firms over the period of 1994-2016 suggest that Japanese firms on average have increased its size-adjusted cash holding since the late 2000s. This trend has been accompanied by increasing dispersion of the size-adjusted cash holding among firms. Second, we document how firms have increased their cash holdings. The results of our panel estimation show that the sensitivity of the change in cash holdings with respect to the change in cash inflow becomes substantially larger since the late 2000s. Such a sensitivity is also found to be larger for firms holding smaller account receivables and/or inventory as well as for firms with smaller number of customer or transacting with customer showing worse creditworthiness. These results suggest firms' heterogeneous motivations to hold cash, i.e., firms' recent tendency to hold larger cash is found for the firms facing better business conditions and keeping better financial position (i.e., smaller demand for working capital), but driven also by precautionary saving motive.

*Keywords:* Cash holdings, Cash inflow, Precautionary motive

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