

Cash is King? Detection of the Global Market in a Financial Crisis

Chong-Chuo Chang ¹

Abstract

This study collects as research samples the enterprises in countries where financial crises have occurred from 1994 to 2011. We examine whether an enterprise with higher cash holdings could quickly recover the operating performance after a financial crisis. To enhance the depth and contribution of this project, we consider the financing constraints, corporate governance, and levels of financial development. Finally, the endogeneity problem is also controlled, and variables for different industry-adjusted operating performance and cash holdings are substituted to obtain more robust empirical results. We find that enterprise with higher cash holdings can quickly recover the operating performance after a financial crisis, and the results hold after accounting for the various robustness tests.

Keywords: Cash Holdings, Financial Crisis, Speed of Recovery

JEL Codes : G01, G30, G32

¹ **Corresponding Author:** Department of Banking and Finance, National Chi Nan University, Taiwan, aaron@ncnu.edu.tw