

Corporate Cash Holding and Mutual Funds Flow: Global Evidence

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Abstract : This study investigates the impact of corporate cash holdings on equity mutual fund flow using large international sample from 23 countries. Building on the economic mechanisms of what drives investors' decisions when they construct their portfolio, we argue that corporate cash holding level has a significant effect on future cash flow. We find that there is a negative relationship between mutual fund flow and corporate cash holdings which indicate the significant role cash holding decisions have on mutual fund industry. Finally, we present evidence that the negative relationship between fund money sensitivity and level of cash in listed firms varies based on the region of the market. Overall, to explain these results, we highlight the important implications for investors and fund managers in mutual fund industry.

Keywords : corporate cash holdings, mutual funds, fund flow, region effect

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