

The influence of cash flow volatility on capital structure and zero leverage
by maturity ¹

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Current Draft: 20th October, 2014

¹We thank participants at Mona Yaghoubi's PhD proposal and Victoria University of Wellington Brown Bag seminar. All remaining errors are our own.

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Abstract

The empirical literature on the relationship between capital structure and firm cash flow volatility is inconclusive. Using a conditional cash flow volatility measure along with considering the fact that proportional capital structure measures have nonlinear relationships with explanatory factors, we find firms with high cash flow volatility (i) use less debt, (ii) are more likely to use zero debt, and (iii) use shorter maturity debt.

Keywords: Capital structure, cash flow volatility, zero leverage, debt maturity

JEL Classification Codes: G32—Financing Policy,