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Research Papers

Titles: The effect of cultural heterogeneity on cash holdings of multinational businesses

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Abstract:

This paper investigates the effect of cultural heterogeneity on corporate cash holdings by focusing on multinationals. The result shows that the level of corporate cash holdings is positively related to the degree of national cultural differences within a multinational, after controlling for other firm- and country-level factors. This positive relation is explainable by precautionary and agency motives. Further, we show that business diversification and geographical concentration can mitigate high cash holdings associated with cultural heterogeneity. Overall, these results suggest that it is important for multinational management to account for cultural heterogeneity in the context of global operations.

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