

Managerial Entrenchment and Corporate Financing Decisions:

Evidence from Japan

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Abstract

This paper investigates whether managerial entrenchment of controlling shareholders has an influential impact on corporate financing decisions. Firms with large corporate shareholders as controlling shareholders rely less on loans from financial institutions because large corporate shareholders have strong incentives to avoid leverage to entrench managers. In addition, large corporate shareholders provide trade credit to the owned firms. The results show that concentrated ownership play important roles in corporate financing decisions.

JEL classification: F40; G32; G34

Keywords: Managerial entrenchment; Controlling shareholders; loans; trade credit

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