Was bail-out a success? Evidence from the investment-cash flow relationship (Article)

Ismail, M.A.¹ (mailto:mohadis@ukm.my), Ibrahim, M.H.² (mailto:mansorhi@econ.upm.edu.my), Zainal, M.-P.³ (mailto:mmpisal@inceif.org), Yusoff, M.⁴ (mailto:mohammed.yusoff@iiu.edu.my)

Faculty of Economics and Management, Universiti Kebangsaan Malaysia, 43600 UKM Bangi, Selangor D.E., Malaysia
International Centre for Education in Islamic Finance, Malaysia
Department of Economics, Islamic International University of Malaysia, Malaysia

View additional affiliations

Abstract

The 1997-1998 Asian financial crisis affected the balance sheets of many Malaysian firms, which increased the financial constraints on such firms. To counter the impacts, the Malaysian government carried out various directed policy measures known collectively as the bail-out policy. The present paper examines the success of the policy to reduce the financial constraints. The present paper uses panel estimation methods to analyze the relationship between firms’ investments and their cash flows. The sample of study is split into two subsamples, consisting of the periods before and after the financial crisis, respectively. The success of the policy is measured based upon the easing of financial constraints faced by Malaysian firms. Using annual financial data, consisting of unbalanced panel from the period of 1988 to 2005, the results found favour the bail-out policy. This finding indicates the success of the bail-out policy to reduce the severity of financial constraints.

Author keywords

Bail-out, Cash flow, Financial constraints, Investment, Panel data

ISSN: 01261962  Document Type: Article  Publisher: Penerbit Universiti Kebangsaan Malaysia

Original language: English

References (42)


Ismail, M.A. (mailto:mohammed.yusoff@iiu.edu.my), Yunus, M.M.


