Accepted Manuscript

Customer risk and corporate financial policy: Evidence from receivables securitization

Laura Xiaolei Liu, Mike Qinghao Mao, Greg Nini

PII:	S0929-1199(17)30356-5
DOI:	doi:10.1016/j.jcorpfin.2017.09.020
Reference:	CORFIN 1269
To appear in:	*Journal of Corporate Finance*
Received date:	31 May 2017
Revised date:	8 September 2017
Accepted date:	23 September 2017

Please cite this article as: Laura Xiaolei Liu, Mike Qinghao Mao, Greg Nini , Customer risk and corporate financial policy: Evidence from receivables securitization. The address for the corresponding author was captured as affiliation for all authors. Please check if appropriate. Corfin(2017), doi:10.1016/j.jcorpfin.2017.09.020

Customer Risk and Corporate Financial Policy: Evidence from Receivables Securitization

LAURA XIAOLEI LIU, MIKE QINGHAO MAO and GREG NINI *

ABSTRACT

The risk of customers affects corporate financial policy by limiting the ability of firms to securitize customer receivables. We find that firms with riskier receivables, based on the credit risk and diversification of the firms' principal customers, have lower financing capacity and lower leverage in their asset-backed securitizations. Because securitizations are designed to create a very safe claim by separating the risk of the securitized assets from the risk of the originating firms, increases in the risk of the receivables directly inhibit originating firms' ability to securitize assets and indirectly inhibit the originating firms' access to external finance. The study highlights a novel link between the financing of supplier firms and the financial health of their customers and shows how an increase in risk can limit access to external capital.

Key words: capital structure, asset backed securitization, customer-supplier relationship, special purpose entity

* Liu (laura.xiaolei.liu@gsm.pku.edu.cn) is from Guanghua School of Management at Peking University, Mao (mao@ese.eur.nl) is from Erasmus School of Economics at Erasmus University Rotterdam, and Nini (gpn26@drexel.edu) is from The LeBow College of Business at Drexel University. We thank Wan-Chien Chiu, Edie Hotchkiss, Jay Li, Xiaoran Ni, Xiaoyun Yu; and participants at China International Conference in Finance, Basel Credit Risk Conference, 2nd Shanghai Risk Forum for helpful comments.