

**TAREK MILOUD**  
INSEEC Business School, France

## **DETERMINANTS OF CASH HOLDINGS IN HIGH-GROWTH SMES**

### **Abstract:**

Cash holdings are essential for high-growth SMEs accessing the capital markets. However, these SMEs often have excess liquidity. This raises the question of what determines liquidity. However, the main reasons why high-growth SMEs hold cash are not well understood. Drawing on the finance, governance, and innovation literature, we argue that six main factors explain why SMEs hold cash, i.e. firm size, leverage, cash flow volatility, dividend payout, R&D, and corporate governance. We investigate which factors are most influential in explaining why these firms hold cash based on a dynamic panel of 258 French high-growth SMEs listed on the Euro Next Paris stock market during the 2010-2020 period. We find that leverage, dividend payout, and governance factors decrease cash holdings, whereas cash flow volatility increases them. Our study identifies the factors that influence the cash holdings of SMEs, factors that managers and entrepreneurs can use to manage cash holdings.

### **Keywords:**

Corporate cash holdings; Cash determinants; Governance mechanisms; SMEs; firm characteristics

**JEL Classification:** G15