MARKET SHARE AND CASH HOLDINGS: THE ROLE OF PREDATORY PRESSURE AND EXPECTED AGENCY ISSUES IN LISTED FIRMS

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This paper investigates the impact of market share on the level and the value of cash holdings. Using a sample of listed European firms, the authors find that market share reduces (increases) cash holdings when predatory pressure is high (low). This result is consistent with the notion that the (strategic) hedging motive drives cash holdings of high market share firms only when predatory pressure curbs agency problems associated with increasing market share. The conflict between hedging and agency motives concerning market share is also reflected in shareholder wealth. The authors find that cash holdings are most valuable when predatory pressure is high