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DETERMINANTS OF CORPORATE CASH HOLDING IN HOSPITALITY SECTOR OF FRANCE: ADOPTING TWO-STEP SYSTEM GMM ESTIMATION TECHNIQUE

Dr Wisal Ahmad [1], Dr. Arif Hussain [2], Dr. Shah Wali Khan [3], Dr. Zahoor Khan [4], Dr. Shandana Shoaib[5]

Abstract

The study analyzes the impact of determinants of corporate cash holdings on the hospitality sector of France for a period of thirteen years i.e., from 2005-2018. In addition, this study also captures the sub-sectors and time effects on the cash management of the travel and leisure sector of France. The study plugs in the two-step system GMM (Generalized Method of Moments) for undertaking the estimations. Two models have been estimated i.e., the first model is without the sub-sectors and time effects, while the second model includes both the time-invariant factors. For the estimation of results, the two-step System GMM has been adopted. The determinants of cash holdings i.e., firm size, leverage, and cash flow capture a negative coefficient in the hospitality sector of France and shows that France does not retain liquid cash and supports the trade-off theory, while the positive coefficient of Capital expenditure, and growth opportunity, cash flow volatility, asset intangibility and dividends show that France retains more liquid cash and supports both pecking order and free cash flow theories. Furthermore, in Table 4, insignificant p-value in sub-sector and time effect shows that they have no individual effects on cash holding.

Keywords: *Cash holding, France, System GMM, Hospitality sector*

JEL Classification: *Z33; Z31; L83; L8.*

Introduction

France occupies the top spots, according to World Tourism Destination 2018, drawing both domestic and foreign tourists. There were 89.6 million foreign tourists in the country in 2018, up around 3% from the previous year. They made 56.2 billion in revenue each year from tourists from all around the world, 7.5% of whom came from Asian nations and the balance from other nations.

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[1] Lecturer, Institute of Business Studies and Leadership, Abdul Wali Khan University Mardan,Pakistan.
Email: wisalahmad@awkum.edu.pk
[2] Associate Professor, Institute of Business Studies and Leadership, Abdul Wali Khan University Mardan, Pakistan.
Email: arifhussain@awkum.edu.pk
[3] Associate Professor, Institute of Management Sciences Peshawar, Pakistan. Email: shah.wali@imsciences.edu.pk
[4] Associate Professor, Institute of Management Sciences Peshawar, Pakistan. Email: Zahoor.khan@imsciences.edu.pk
[5] Associate Professor, Institute of Management Sciences Peshawar, Pakistan. Email: Shandana.shoaib@imsciences.edu.pk

Their constant drive for growth and improvement was 24% stronger in 2018 than in earlier decades. The hotel industry in Hospitality Sector (HS) will have a lot of opportunities as a result of the impending Rugby World Cup in 2023, the 2023 Summer Olympics, and the 2024 Winter Olympics, especially in Paris. In 2024, a cash arrangement and management event for the Olympic paid games will be organized to fill the research gap.

Different nations preserve varying amounts of reserve capital for the development, innovation, and improvement of various projects, i-e., for the development and advancement of the rugby World Cup in 2023 and the Olympics in 2024. The hospitality sector is further divided into sub-sector which includes, Airlines, Gambling, Hotel, Restaurant and bars, Recreational services, and Tour and Tourism. Every organization must hold cash, just like a human needs blood, because doing so increases the likelihood of its survival in the marketplace. So, the development of financial institutions approaches high financial companies for loans with easier conditions. However, the lapse of A few times increases the barrier to accessing a loan. So in this regard, most bureaucrats and high-level businessmen keep the option in their budget plan to retain some amount of cash in a liquid form for the survival of the business. They divide the cash part into three categories: transaction, precautionary, and Speculative. The transaction is the first category. Companies maintain cash for routine transactions i-e., day-to-day operating activities of business.

They procure the raw materials through public bids and neighborhood marketplaces, pay full-time, part-time, and daily wage employees, hire construction contractors, payments of rent etc. In the Precautionary motive, companies retain cash for unpredictable situations and unexpected contingencies, such as lockdowns, market fluctuations, and medical bills for accident workers, and the last one is the speculative motive. Such as there's a risk that interest rates will increase in the future, which would increase investment returns. In this case, the investor's financial reserves enable him to take advantage of such a lucrative investment opportunity. Trading a financial instrument with a high level of risk in the hopes of receiving a significant profit is speculation. The motive is to gain maximum advantage from volatility in the market. Different authors suggest different countries retain different levels of reserve cash i-e 10-15 percent of reserve cash in Swiss non-financial companies for the period of 1995-2004 (Drobetz & Gruinnger, 2017). Bigelli & Vidal, 2012 retain liquid cash @ 10% In Italy companies. 9.9% retain cash in the United Kingdom (Ozkan & Ozkan),

RESEARCH OBJECTIVES

To explore the determinants of cash holding that might positively or negatively influence the Hospitality sector of France.

To investigate subsectors in the Hospitality sector of France that may positively or negatively affect cash holding.

The impact of cash holding by theories about the trend that will benefit them financially in the literature?

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RESEARCH QUESTIONS

What is the impact of determinants of cash holding that might positively or negatively influence the Hospitality sector of France?

What is the impact of the sub-sectors of cash holding in the Hospitality sector of France?

What is the impact of cash holding by theories about the trend that will benefit them financially in the literature?

LITERATURE REVIEW

Theories

TRADE-OFF THEORY

This theory proclaims that high Up's level Authority, primary responsibility is to enhance the profitability of Investor through weighing the marginal cost and benefits (Martinez et al., 2013). Miller & Orr (1966) also analyzed that some financial Institutions offer a loan to large organizations with minimum interest rates, to gain economies of scale while for small organizations; it is a mandatory option to retain a portion of liquid cash for survival in markets. Ferreira & Vilela (2004) argue that if the organization retains liquid cash then may derive three opportunities: The first opportunity is, reducing the chances of liquidation and financial distress, The second opportunity is, utilizing the funds for any advances projects, i.e., investment in Joint ventures and amalgamations, and last opportunities is, removing the extra transaction cost incurred from acquire the funds from the financial market.

PECKING ORDER THEORY

According to the pecking order theory which was developed by (Myer & Majluf, 1984), businesses prioritize their financing options (internal financing to debt financing) and reserve equity financing as a last resort. Priority is given to internal resources, when they are exhausted, then funds are acquired from less risky debts, if not available, then funds from risker debts. When it makes no sense to do so, equity is issued. According to this theory, organizations follow a hierarchy of financing options and favor internal funding when it is available. If external financing is needed, debt is favored above equity in this theory, to reduce the cost of financing they suggest retaining earnings as the top priority, Secondly on less risker debts, thirdly high risker debts and the last option is the issuance of shares.

FREE CASH FLOW THEORY

According to this theory which was developed by (Jensen, 1986), there are often two relationships in business: the relationship is between the Principal (Owner of the business) and the agent (Runner of the business), also known as the CEO. According to this view, the management of business uses finances for unsuccessful ventures. When managers finance unprofitable projects with free cash

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flow, they don't necessarily benefit stakeholders as much as they would if they just distributed the extra money as dividends. Shah et al., (2021) proclaim that a high management team may misuse the liquid cash may damage the worthiness of the business.

Table 1: *Supporting Theories with Signs*

Variables	Trade off Theory	Pecking Order Theory	Free cash flow theory
Firm size (F.Sz)	Negative (N)	Positive (P)	(P)
Leverage (Lvrg)	(P)/(N)	(N)	(N)
Capital Expenditure (C.Exp)	(N)	(P)	(N)
Growth Opportunity (G.opp)	(N)	(P)	(N)
Liquidity (Ldty)	(N)	-	-
Cash Flow (C. Flow)	(N)	-	(P)
Asset Intangibility (A.Int)	(P)	(P)	-
Cash flow volatility (C. F,Vlty)	(P)	-	-
Dividends (Dvnds)	(N)	-	-

Hypothesis developments

Firm Size

Firm Size (F.Sz) especially, in the hospitality sector of France is laying high variation. Its capital structure is different for different organizations, but most companies registered on the Paris Stock Exchange retain less liquid cash. So, due to its registered indexes in stock exchanges, the financial institution offers loan with the least cost of interest which support the trade-off theory. According to this statement, there is an inverse relationship between F.Sz and cash holding. i-e (Olper et al, 1999; Al-Najjar & Balghitar, 2011; Mumtaz et al, 2020). However, as per statements of Pecking order theory and Free cash flow theory, some scholars argue that if they retain a portion of liquid cash then their liquidation and financial distress will be minimized, and utilize cash for highly valuable projects which leads to high profits for the investor as well as other stakeholders (Ferriera & Vilela, 2004). While some of them found an insignificant relationship between cash holding and F.Sz. Guney et al, (2007). As shown below, the hypothesis is assumed.

H1: The association of F.Sz and cash holding is deemed to be negative/Positive.

Leverage

Leverage (Lvrg) Companies with high levels of debt ratios are riskier than those with internal sources of funding since even a small error can send a prosperous business into insolvency or collapse. Therefore, holding cash is required in this regard. The scholar found a positive relationship between cash holding and Lvrg (Bashir, 2014; Mumtaz et al. 2020) However, other empirical findings indicated a negative correlation between cash holdings and Lvrg since those with cash can access the financial markets more readily and at lower interest rates. (Ferreira & Vilela, 2004; D'Mello et al., 2008). As shown below, the hypothesis is assumed.

H2: The association of Lvrg and cash holding is deemed to be negative/positive.

Capital Expenditure

One of the essential components of the company is capital expenditure. Continuous investment is necessary for market survival, especially for the Airline industry in France, such as the purchase of raw materials during peak seasons, achievements of economies of scale, Renovation of existing businesses, adoption of new complex technology equipment, and improvement of current machines and yards. Singal (2005) cites capital expenditure as the primary component of business. Maheshwari and Rao, (2017) stated that the Hospitality sector retains less cash and may easily approach towards capital market.

There is a negative relationship between cash holding and capital expenditure, although high flow in cash retains a high level of precautionary cash to cope with unpredictable situations. So, in these circumstances retaining liquid cash is an important tool for investment in advanced projects. As shown below, the hypothesis is assumed.

H3: The association of Capital expenditure and cash holding is deemed to be negative/positive.

Growth Opportunities: Different countries have different strategic policies for investment in advanced projects, especially in the Hospitality sector in France. According to the statement of trade-off theory, a multi-dimensional company retains excess liquid to utilize for advanced projects which leads to high profits (Kuzey, 2014). As follows the statement of trade-off theory, the phenomena of pecking order theory also estimated the positive relationship between cash holding and growth opportunity (Kim et al, 2011; Kuzay 2014). Furthermore, in the opposite direction, the statement of free cash flow shows an inverse relationship between growth opportunity and cash holding because the excess cash reserve the Management Team utilizes for less worthwhile projects reduces the confidence and profits of the companies. So, Ferriera & Vilela (2004) found a contrary association between Growth opportunity and cash holding. As shown below, the hypothesis is assumed.

H4: The association of G.Opp and cash holding is deemed to be negative/positive.

Liquidity: Liquidity is a near replacement of liquid cash. In case of non-availability of cash, companies may use liquidity to meet their obligation. Liquidity includes cash in banks, short-term account receivables, inventories, Cheques, foreign exchanges, corporate bonds, Government bonds, disposable of damaged materials, damage of old oils, and sold-out old vehicles and parts. Bates et al, (2009) define liquidity as an alternate source that may easily converted into cash without wasting time. Most scholars found an inverse relationship between cash holding and liquidity, as shown below, the hypothesis is assumed.

H5: The association of Liquidity and cash holding is deemed to be negative

Cash Flow: Cash flow is the net amount of liquid cash in and out of the organization. Cash flow may further be divided into three sub-parts. Cash flow in and out from operating, financing, and investment activities.

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However, the most important cash flow in and out is in operating activities, because it leads the direction towards day-to-day activities and reduces transaction costs. According to the statement of pecking order theory retaining liquid cash saves the opportunity cost (Ferriera & Vilela, 2004; Drobetz & Graninger, 2007; Ozkan & Ozkan, 2004). Whereas the statement of Trade off theory proposes the cash flow negatively supports the (Hardin et al, 2009: Kim et al, 2013), as shown below, the hypothesis is assumed.

H6: The association of cash flow and cash holding is deemed to be negative

Cash Flow Volatility: The Hospitality sector is one of the most risk-oriented sectors because a bit mistakes in their cash flow activities may damage the value of the firms. Therefore, such types of companies retain more cash. In case of emergency, they may use the funds to save the additional cost (Ozkan & Ozkan, 2004). Various researcher focuses on retaining more cash to avoid unpredictable situation which supports the Precautionary motive of cash holding (Al-Najjar & Balghitar, 2004; Bigelli & Vidal, 2012; Less & Powell, 2011). On the contrary, the inverse result is found by (Paskelian et al 2010). As shown below, the hypothesis is assumed.

H7: The association of cash flow volatility and cash holding is deemed to be negative

Intangible Asset: Some parts of the hospitality sector are considered Intangible asset because it provides timely services for valuable customers. They have direct connections with customers especially in the airline industry because they are a very capital-intensive company. It provides up-to-date services for their customers otherwise switch to rival companies. So, in this regard, they retain liquid cash to cope with unpredictable customers.

In the same way rest of the sub-sectors Hotels, tours and Travel, Recreational services, and Restaurants and bars retain massive cash to cope with sensitive customers. So, the relationship here between Asset Intangibility and cash holding is positive (Antoniou et al, 2013). Whereas, (Teruel et al, 2011) also found a negative relationship because they argue that Companies registered with the Paris Stock Exchange in France retain less cash because most investors prefer to purchase shares, preferred, and shares and bonds from these sectors as compared to other sectors. As shown below, the hypothesis is assumed.

H8: The association of Asset Intangibility and cash holding is deemed to be negative

Dividends: All those companies who pay dividends to their investor in every Financial Year retain less cash because they may easily access capital with minimum transaction costs (Al-Najjar & Belghitar, 2011). Although some other scholars argue that as a precautionary motive retain liquid cash for payments of continuous payment of dividends, in case of some unpredictable situations companies sustain loss but they will pay a dividend from their retained earnings and protect their companies from competitors.

A positive relationship is found by the following researchers (Bates et al, 2009; Kim et al, 2011; Maheshwari & Rao, 2017). As shown below, the hypothesis is assumed.

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H9: The association of Dividend and cash holding is deemed to be Negative/Positive.

Research Methodology

Population and sample size

The population of the study is the hospitality sector of France. The sample size is derived from the hospitality sector of France for the period from 2005 to 2018 with a total 364 numbers of observations. The secondary source of data has been collected from Thomson Reuters Data Stream. The selection of the Base year "2005" was due to the registrations of Thomson Reuters's data streams with ICB (International Classification Benchmark). ICB is an Institution to registers a company all over the world sector-wise.

Dependent and Independent Variable

Cash and its equivalents are used as Dependent Variables; Cash holding is one of the most important tools to operate its businesses. Without cash businesses flopped or bankrupted or liquidated. Gain the economies of scale; holding cash is mandatory, especially in the hospitality sector of France. The proxy for the dependent variable is Cash and its equivalents divided by Total Assets.

The Independent variable is Firm size (F.Sz), Leverage (Lvrg), growth opportunity (G.Opp), Capital Expenditure (C.Exp) Liquidity (Ldty), Cash flow (C.flow), Asset Intangibility (A.Int), Cash flow Volatility (C.F.Vlty) and Dividends (Dvnds).

The proxy for measurement of Independent Variable is: F.Sz is the natural log of Total Assets, Lvrg is Total liability over total assets, and G.opp is market over book values. C.Exp is C.Exp to Total assets, C.V.Vlty is the Standard deviation of cash flow over total assets, and Ldty is Net working capital (NWT) minus cash over total assets. C. flow is operating cash flow to total assets. A.Int is Asset intangibility over total assets, and Dvnds is used as, if the organization regularly dividends, then 1 otherwise 0.

Two-Step System GMM Model

The two-Step System Generalized Method of Moments (GMM) is augmented by Roodman, 2009. Two-step System GMM is a dynamic panel data estimator. The Two-way system GMM estimator is responsible for first when there are large cross-sectional data while fewer time. The second one, when the independent variables are correlated with error terms, and the last one is when there is serial or autocorrelation exists. To cope with the above-mentioned problems, a Two-Step System GMM is developed.

They can solve the problem by removing the autocorrelation problems through first-order serial correlation (AR 1) and second-order serial correlation (AR 2). It also removes the heteroscadicity problem through orthogonal conditions. Furthermore, they may also remove the endogeneity problem by fitting the instruments.

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Regression Model

For the estimation of valid results, the following regression model is derived:

$CS_{i,t} = a + \underline{\delta_0 CS_{i,t-1}}$[6] $+ \delta_1 F.Sz_{i,t} + \delta_2 Lvrg_{i,t} + \delta_3 G.Opp_{i,t} + \delta_4 C.Exp_{i,t} + \delta_5 Ldty_{i,t} + \delta_6 C.flow_{i,t} + \delta_7 A.Int_{i,t} + \delta_8 C.F.Vlty + \delta_9 Dvnds_{i,t} + \gamma_i + \mu_t + \varepsilon_{i,t}$

Descriptive Statistics

In Table 2: Descriptive statistics includes observations, Mean, Standard Deviation, Minimum value, and Maximum values. A total 365 numbers of observations are included in the studies. The mean value of CS is 66.30 % means that the hospitality sector of France retains 66% cash holding, the mean value of lvrg is 0.518 indicating that the Hospitality sector of France 51% acquires funds from Financial Institutions. The mean value of C.Exp is 0.055 indicating that the Hospitality sector of France retains 5% liquid cash for their Capital expenditure.

The mean value of G. Opp 1.47 indicates that the market value of 1.47 is higher than the book value. The mean value of Lqty -117.22 indicates that the Hospitality sector in France is a liquidity constraint company.

The average C.Flow stands at 35.162, highlighting a key metric in evaluating financial trends. With a mean C.F.Vlty of 53.626, it suggests that a significant portion, 53%, of the risk in the hospitality sector in France is concentrated. Meanwhile, the mean A.Int at 10.1 underscores the strategic financial planning, revealing that the sector holds 11% of its assets in liquid cash for Asset Intangibility. Additionally, the Dvnds mean value of 57 underscores the sector's commitment to stakeholders, as 57% of the hospitality industry in France allocated funds to dividends for investors. This comprehensive analysis provides a nuanced understanding of the financial landscape in the French hospitality sector.

Table 2 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
C.S	364	66.305	279.437	0.000	3217.295
F.Sz	364	5.117	1.882	0.000	7.487
Lvrg	364	0.518	0.259	0.000	1.441
C.Exp	364	0.055	0.058	0.000	0.548
G.Opp	364	1.472	6.538	-103.06	54.23
Lqty	364	-117.224	1358.416	-21818.071	0.352
C. Flow	364	35.162	36.56	-0.526	1279
C.F. Vlty	364	53.626	54.878	-0.526	192.81
A. Int	364	1.164	1.715	0.000	475.389
Dvnds	364	0.577	0.495	0.000	1.000

**** p<.01, ** p<.05, * p<.1*

Table 3 Pearson Correlation Matrix and Variance Inflation Factor

Variables	CS	F.Sz	Lvrg	C. Exp	G.Opp	Lqty	C. Flow	C.F.Vlty	A.Int	Dvnds	VIF
CS	1.000										1.16
F.Sz	0.066	1.000									2.85
Lvrg	-0.002	0.071	1.000								2.66
C. Exp	0.013	0.264	0.154	1.000							1.08
G.Opp	-0.023	0.002	-0.033	-0.001	1.000						1.01
Lqty	0.020	-0.067	0.002	-0.011	-0.002	1.000					1.01
C.Flow	-0.012	-0.143	-0.105	-0.050	0.088	0.005	1.000				1.01
C.F. Vlty	0.061	0.206	0.063	0.119	0.027	0.021	-0.013	1.000			1.09
A. Int	0.590	0.109	0.057	0.013	-0.020	0.020	-0.013	0.064	1.000		1.02
Dvnds	0.141	0.283	0.334	0.083	0.001	-0.050	-0.061	-0.091	0.086	1.000	1.16

*** $p<.01$, ** $p<.05$, * $p<.1$

Table 3

Portrays the correlation matrix among the variables, All the values lying between 0.1 to 0.3 indicate that there are low degrees of correlation, and the further Variance Inflation Factor (VIF) column also validates the multicollinearity issue in the model.

If the value of VIF is less than 0.8, means there is no issue of multicollinearity in the model (Gujarati, 2004).

Table 3 Regression model 1 (GMM result)

VARIABLE	COEFFICIENT	P.VALUE	SIGNIFICANCE
L. CS	**0.417**	**0.000**	***
F.Sz	**-16.528**	**0.000**	***
Levrg	**-18.851**	**0.046**	*
C-Exp	**126.052**	**0.000**	***
G-OPP	**0.346**	**0.003**	***
Lqty	**0.038**	**0.853**	
C-Flow	**-284.291**	**0.000**	***
C.F.Vlty	**0.001**	**0.000**	***
A.Int	**4.504**	**0.000**	***
Dvnd	**86.992**	**0.000**	***
Constant	**62.164**	**0.000**	***
AR (1)	**0.05**	**-**	**-**
AR (2)	**0.47**	**-**	**-**
Hensen Test	0.100	-	-

Table 4 Regression model 2 (GMM result)

VARIABLE	COEFFICIENT	P.VALUE	SIGNIFICANCE
L1. CS	**0.417**	**0.000**	***
F.Sz	**-18.167**	**0.015**	***
Levrg	**-59.98**	**0.034**	***
C.Exp	**163.67**	**0.001**	***
G.opp	**0.756**	**0.303**	***
Lqty	**0.189**	**0.175**	
C-Flow	**-349.78**	**0.000**	***
C.F.Vlty	**0.001**	**0.666**	***
A.Int	**4.74**	**0.000**	***
Dvnd	**7.77**	**0.000**	***
Constant	**0.000**	**0.000**	***
AIRLINES	**461.32**	**0.054**	**-**
RESTAURANT & BAR	**-131.55**	**0.225**	**-**
HOTELS	**24.87**	**0.205**	**-**
RECREATIONAL SERVICES	**-28.92**	**0.306**	**-**
GAMBLING	**6.698**	**0.696**	**-**
AR (1)	**0.245**	**-**	**-**
AR (2)	**0.519**	**-**	**-**
Hensen Test	**0.100**	**-**	**-**

Table 4, portrays the regression models. Model 1 indicates only the determinants i.e., F.Sz, Levrg, C.exp, G.opp, C. Flow, C.F.Vlty, A.Int and Dvnds that positively or negatively affect cash holding in the hospitality sector of France. In Table 4, Sub-sectors were also added along with the determinants that may positively or negatively affect cash holding. Insignificant value of sub-sectors Airlines, Restaurant & bar, Hotels, Gambling, and Recreational services is found in model 4 mentioning that individual sub-sectors do not affect cash holding in the Hospitality sector of France. AR 1 & 2 both value indicates that there is no issue of autocorrelation problems. Furthermore, the Hensen over-identification test is used in models is indicates that there is no issue of endogeneity issue.

Explanation

Firm Size: Firm Size (F.Sz) in both regression Tables 3 and 4, validates that there is a negative association with cash holding and supports the trade-off theory in the hospitality sector of France. The negative coefficient of F.Sz prevail that large organization does not retain liquid cash for their operating activities whereas, they may easily approach a financial institution for funds with the least cost of interest. The same result is found in (Olper et al, 1999; Al-Najjar & Balghitar, 2011; Mumtaz et al, 2020).

Leverage: Leverage (Lvrg) in both Tables no 3 and 4, prevail a negative association with cash holding and supports the trade-off theory. The hospitality sector in France has debt-intensive

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companies and does not retain cash for operating activities. They acquire funds from Financial Institutions for their investments. The same result is found with (Ferreira & Vilela, 2004; D'Mello et al., 2008).

Capital Expenditure: The capital expenditure (C.Exp) in both Tables 3 & 4, convey that the hospitality sectors in France are competitive as compared to other sectors, in this regard, they continuously require investment for various fixed assets. The positive coefficient of C.Exp validates that for investment in fixed assets, they retain some portion of cash and gain opportunities from competitors and support the pecking order theory. The same result is found with (Riddick & Whited, 2009).

Growth Opportunity: The growth opportunity (G.Opp) in regressions Tables 3 & 4, found a positive association with cash holding in the hospitality sector of France and supports both trade-off and pecking order theory. They retain liquid cash for their growth and further investment in highly sophisticated technology; to gain a competitive position in markets.

The hospitality sector in France continuously searches for new sight of businesses across and inside borders and invests in multiple projects. The same result is found is found with (Kim et al, 2013; Uyar & Kuzey, 2014)

Liquidity: The liquidity (Lqty) in both tables 1 & 2 found an insignificant relationship with cash holding. Generally, the hospitality sector of France has liquidity constraints companies.

Cash Flow: Cash flow (C. Flow) in both Tables: 3 & 4 found a negative association with cash holding. The negative coefficient of C. flow in the hospitality sector of France prevails that they do not retain liquid cash for operating activities while may easily approach the financial market. The same result is found in (Lian et al, 2011).

Cash Flow Volatility: Cash flow Volatility (C.F.Vlty) in Table 3 found a positive association with cash holding, prevails that there is high risk in the Hospitality sector of France and retains liquid for financial activities. The same result is found in Bates et al, 2014). In Table 4, an insignificant association is found with cash holding.

Asset Intangibility: Asset Intangibility (A.Int) in both tables 3 & 4, found a positive association with cash holding. The positive coefficient prevails, in the hospitality sector of France adds value for business and also increases the credibility of customers retaining massive liquid cash for the activities and further supports the pecking order theory with precautionary motives. The same result is found in (Antoniou et al, 2013).

Dividends: Dividends (Dvnds) in both Tables no 3 & 4 found a positive association with cash holding. The positive coefficient prevails that in hospitality sector of France retains massive liquid cash for payment of dividends to investors. The same result is found in (Bates et al, 2009; Kim et al, 2011; Maheshwari & Rao, 2017).

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Conclusion

This study analyzed the impact of determinants of corporate cash holding in the hospitality sector of France. They cover the periods from 2005-2018.

The selection of "2005" is a base year due to the registration of Thomson Reuters Data Stream with ICB (International Classification Benchmark). The determinants of cash holding include i-e., Firm size, leverage, capital expenditure, growth opportunity, cash flow, cash flow volatility, asset intangibility and dividends. For the estimation of a good result, two Tables is incorporated, Table 3 is estimated the determinants of cash holding and Table 2 Sub-sector and time effect will also be discussed along with the determinants of cash holding. The estimation result prevails that capital expenditure, growth opportunity, cash flow volatility; Asset Intangibility and Dividend are found positive association with cash holding means that the Hospitality sector in France retains liquid cash for the said projects.

While Firm size, leverage and cash flow prevail negative association with cash holding means that as the size of a firm increase in the hospitality sector of France retains less cash, leverage prevail that they acquire the funds from financial markets and for operating the cash flow they also acquire the funds from financial markets.

In Table 4, there is no effect of sub-sector and time. Furthermore, in both tables 3 and 4, there is no issue of autocorrelation and endogeneity because the two-step system GMM controls these problems. The practical and Managerial implication of the study is valuable for all the stakeholder of the company. Stakeholder includes Top Management teams, owner, investors, Government, and employees. The top management team enhances the operating activities of the business through cash holding.

They utilize the funds for sophisticated advanced projects and increase the wealth of owners and other investor parties. A few mistakes in business operating activities from the management side will lead to bankruptcy, liquidation, and financial- distress. The theoretical implication of the study is incorporated under the umbrella of three theories, i.e., Trade-off theory, pecking order theory, and free cash flow theory. Firm size, leverage, and cash flow explain the phenomenon of trade-off theory while capital expenditure, growth opportunities, cash flow volatility, Asset Intangibility, and Dividend identify the pecking order and free cash flow theory.

Future Research

Our present study is focused on determinants of corporate cash holding over a period from 2005-2018 in the hospitality sector of Franc. In this study, the researcher analyzes the determinants of cash holding and then, further explores its sub-sectors in the hospitality sector of France. Another scholar may extend the current periods or may add some more independent variables along with current variables. Such as Stock exchange, GDP, Interest rate, Exchange Rate, environmental, social, and corporate governance effect on cash holding.

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