

Investment – Cash Flow Sensitivity and Factors Affecting Firm's Investment Decisions

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Corporate financial structure and financing resources are very important for a firm in their investment decisions and value enhancement. Firms may seek for the cheapest financing resources while maximizing their return from investment. By using panel data analysis, this paper demonstrated the investment-cash flow sensitivity and the others factors affecting the firm's investment decisions. Result shows that there is significant negative investment-cash flow sensitivity. This implied that firms underinvest due to information asymmetry. This study also found others factors such as the former year's firm's tangibility, size, dividend, investment opportunity as well as debt level can significantly affect the firm's investment decisions. Depreciation and financial constraint were found no impact on the firm's investment decisions. These findings have significant implications for firm's value enhancement in financing and investment decisions.

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