

# Bank Lines of Credit in Corporate Finance: An Empirical Analysis

[Get access >](#)

Amir Sufi

*The Review of Financial Studies*, Volume 22, Issue 3, March 2009, Pages 1057–1088, <https://doi.org/10.1093/revfin/hhm007>

**Published:** 31 January 2007

## Abstract

I empirically examine the factors that determine whether firms use bank lines of credit or cash in corporate liquidity management. I find that bank lines of credit, also known as revolving credit facilities, are a viable liquidity substitute only for firms that maintain high cash flow. In contrast, firms with low cash flow are less likely to obtain a line of credit, and they rely more heavily on cash in their corporate liquidity management. An important channel for this correlation is the use of cash flow-based financial covenants by banks that supply credit lines. I find that firms must maintain high cash flow to remain compliant with covenants, and banks restrict firm access to credit facilities in response to covenant violations. Using the cash-flow sensitivity of cash as a measure of financial constraints, I provide evidence that lack of access to a line of credit is a more statistically powerful measure of financial constraints than traditional measures used in the literature.

© The Author 2007. Published by Oxford University Press on behalf of The Society for Financial Studies. All rights reserved. For Permissions, please email: [journals.permissions@oxfordjournals.org](mailto:journals.permissions@oxfordjournals.org)

**Issue Section:** [Article](#)

You do not currently have access to this article.

**Sign in**

 [Get help with access](#)

### Personal account

- Sign in with email/username & password
- Get email alerts
- Save searches
- Purchase content
- Activate your purchase/trial code
- Add your ORCID iD

Sign in >

[Register](#)

### Institutional access



Sign in through your institution

[Sign in through your institution](#)

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

### Institutional account management

[Sign in as administrator](#)

## Purchase

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

## Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

Bank Lines of Credit in Corporate Finance: An Empirical Analysis - 24 Hours access

EUR €53.00

GBP £44.00

USD \$58.00

## Rental



This article is also available for rental through DeepDyve.