

## International Evidence on Financial Derivatives Usage

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First published: 28 April 2009

<https://doi.org/10.1111/j.1755-053X.2009.01033.x>

*The authors gratefully acknowledge research funding by the Richard H. Jenrette Business Education Fund, Maastricht Research School of Economics of Technology and Organizations (METEOR), Lancaster University, Lancaster University Management School, and the Global Competency Centre of PricewaterhouseCoopers as well as support by Mike Pacey, Global Reports, Standard & Poor's Global Rating Service, and Thomson Financial in establishing the data set. We are indebted to an anonymous referee, Yiorgos Allayannis, Allesandro Beber, Philip Brown, Jennifer Conrad, John Graham, Wayne Guay, David Haushalter, Ugur Lel, Bernadette Minton, Alexander Triantis, and seminar participants at the 2003 meetings of the European Finance Association, the 2004 meetings of the American Finance Association, the 2004 CEPR Summer Symposium in Financial Markets, Duke University, Erasmus University Rotterdam, Goethe University Frankfurt, ISCTE, Katholieke Universiteit Leuven, Lancaster University, London School of Economics, Tilburg University, University of North Carolina, University of Porto, University of South Carolina, University of Texas at Austin, Warwick Business School, and Washington University for helpful comments and suggestions. We also thank Kevin Aretz, Nishad Kapadia, Joao Pereira, Yaw-Heui Wang, and Idlan Zakaria for providing excellent research assistance.*



PDF

### Abstract

*Theory predicts that nonfinancial corporations might use derivatives to lower financial distress costs, coordinate cash flows with investment, or resolve agency conflicts between managers and owners. Using a new database, we find that traditional tests of these theories have little power to explain the determinants of corporate derivatives usage. Instead, we show that derivative usage is determined endogenously with other financial and operating decisions in ways that are intuitive but not related to specific theories for why firms hedge. For example, derivative usage helps determine the level and maturity of debt, dividend policy, holdings of liquid assets, and international operating hedging.*

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