

Using a large sample of publicly listed U.S. firms over the period of 1971 to 2015, we study how firms allocate internally and externally generated funds across various uses, and how the allocation changes over time. Contrary to recent findings that internal cash flow allocated to investment declines and disappears over time, we document that the fraction of cash flow used for investment increases slightly over our sample period. Firms increasingly allocate more internal and external funds to cash savings and debt retirement. On the other hand, the allocation of both funds to working capital has declined sharply. These time trends are driven by both the change in sample composition due to the addition of newly listed firms, and the change in firms' allocation decisions over time. Finally, we find that the time-series change in allocation is closely related to a number of economic and financial factors.

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