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WORKING PAPER

Trade credit and company performance during the 2008 financial crisis^{*}

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Abstract

We investigate whether the 2008 financial crisis had an impact on companies' trade credit, and whether changes in trade credit mitigated the crisis' impact on firm profitability. We document that the availability of trade credit decreased, and that this decline is more pronounced, the higher companies' pre-crisis reliance on short-term debt. We further report evidence that the redistribution hypothesis holds during crisis periods. Finally, we show that the crisis had a negative impact on company performance, but that this impact was lower (greater) for firms which report an increase in trade receivables (payables) in crisis compared to pre-crisis periods.