

Title: Investment and Financing in Brazil

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ABSTRACT

This paper refers to the study of the firms' financing in Brazil, in the first half of the 90's. Since the historical importance of the self-financing for the Brazilian firms is known, we aimed at identifying the variables which financed the investment spending for a sample with 596 firms from 1900 to 1994.

We used the investment model developed by Fazzari, Hubbard & Petersen (1988) and Fazzari & Petersen (1993) which revealed, when applied either to the American economy or to other economies, the importance of the internal financing as an empirical proof of the information asymmetry hypothesis. In this article, we treated the financing-investment relation by investigating the resources which the firms in Brazil invested from 1990 to 1994, a period that was marked by great transformations in the economy regulatory mark.

The proposed work methodology proceeds as follows. In section 1 we introduced the Brazilian economic context in the beginning of the 90's. In section 2 we summarized the investment theory to evaluate which version would be the best model to be tested in Brazil. In section 3 we debated two econometric studies which discuss the investment financing in Brazil. The first one carried out in 1986 with a firms' sample for the period from 1970 to 1976 and the second carried out by us with a sample provided by SERASA¹. With the support of the methodological discussion in section 2 and of the collected evidences, we concluded the article making two evaluations: a theoretical and an empirical ones. The former is about the choice of the most adequate investment model to be applied to the SERASA sample and the latter is about the evidences related either to earlier studies made in Brazil or to the international ones.

¹ SERASA - firm specialized in economic-finance and cadastral information and analysis.