

We estimate firm-specific cash flow sensitivities of investment for a panel of manufacturing SMEs, using the generalized maximum entropy-estimator (GME). Since this estimator easily allows for slope heterogeneity, we no longer have to rely on ex-ante sample splitting, which has been common practice in this literature. The results show a wide variation in individual sensitivities in every year, demonstrating the relevance of estimating firmspecific coefficients rather than an aggregate coefficient for assumed sub-samples. On the basis of the distribution of estimated sensitivities, differences in financial profile and financing behaviour between high sensitivity firms and the remainder of the sample were analysed . The results provide evidence for the existence of financial constraints for the high sensitivity sub-sample based on financial profile, but not on the actual use of various funding sources.