

DETERMINANT FACTORS OF CASH HOLDING: EVIDENCE FROM INDONESIA

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Abstract— This study analyzed the effect of profitability, net working capital, cash conversion cycle, dividend policy, and leverage on cash holding in consumer goods industry companies' period 2019-2021. Determining the optimal level of cash holding is essential for a company, as excessively high cash holding can result in missed investment opportunities and returns, while low cash holding can disrupt operational activities and debt default or bankruptcy. The sample in this study was taken using a purposive sampling method. The objects in this study are 20 consumer goods industry companies that were listed on the IDX consecutively during 2019-2021. Secondary financial report data was evaluated using multiple linear regression. The result of this research indicates that profitability (ROA), net working capital (NWC), and dividend policy (DPR) have a significant positive effect on cash holding, leverage (DTA) has a significant negative effect on cash holding, and cash conversion cycle (CCC) has no effect cash holding. According to the findings, profitability, net working capital, dividend policy, and leverage can be used as a point of reference to predict a company's cash holding. We suggest the company more effectively and efficiently manage its assets to generate substantial profits and consequently optimize its cash holding. This study was conducted in the consumer goods industry sector, which had the greatest average level of cash holding. This research differs because it estimates cash holding by combining financial ratios primarily from an asset perspective and management policy (dividend policy).

Keywords: Cash; Dividend; Leverage; Net Working Capital; Profitability

1. INTRODUCTION

1.1 Background

The consumer goods industry sector has a significant impact on the Indonesian economy. The development in the consumer goods industry sector can be reflected in its financial performance, one of which is the sales volume. The sales volume of companies in the consumer goods industry sector heavily depends on household consumption by the public.

Household consumption expenditure in Indonesia experienced a slowdown of -2.63% in 2020, caused by people reducing their consumption due to the COVID-19 pandemic. However, in 2021, it rebounded with a growth rate of 2.02%. Nevertheless, household

consumption expenditure has not yet returned to pre-pandemic levels, which had a growth rate of 5.04% in 2019.

In order to generate sales, companies in the consumer goods industry sector must incur a variety of operational and sales-generating expenditures. The availability of cash is crucial for any company, whether held in banks or kept within the company. The consumer goods industry sector is that it had the highest average cash holding level during the research period, with 14.15% in 2019, 12.73% in 2020, and 15.48% in 2021. Cash is the most liquid asset compared to others and serves the purpose of facilitating a company's operational activities. The company's cash management policy can be measured by determining its cash holding level. Cash holding is the proportion of cash and cash equivalents to total assets (Doan, 2020). Cash holding represents available cash or cash equivalents held by the company to finance its operational activities, meet short-term company obligations that are due, or fund unexpected expenditures, as well as for future investments (Rahman, 2021).

The company's policy of holding cash is one way to protect the company from liquidity problems. An example of a company in the consumer goods industry sector facing liquidity issues is PT Martina Berto Tbk. (MBTO). According to news from Tempo on August 4, 2021, PT Martina Berto Tbk. decided to sell assets to increase its working capital due to declining sales. The company's management stated that they could no longer add debt to the bank. The short-term bank debt of PT Martina Berto by the end of 2020 was Rp 156,810,838,912. The amount of cash and cash equivalents available in the company was Rp 2,199,931,138, while the total assets of the company were Rp 982,882,686,717. There was a liquidity problem in PT Martina Berto because there was not enough cash available to repay its short-term bank debt. The comparison between the cash available in the company and the total assets was 0.22%. This figure is below the average cash holding of the consumer goods industry in 2020, which was 12.73%, and below the average cash holding of the cosmetics and household subsector, which was 5.11%. Due to this liquidity problem, the company's operational activities were hindered, leading to a decline in sales. This is supported by the statement from the Director of Martina Berto, who stated, The plan to divest the assets is driven by the Company's disrupted cash flow due to declining sales as the Company is unable to fulfill orders. The decrease in sales also affects the shareholders who expect to receive high returns, while PT Martina Berto incurred larger losses in 2020 compared to 2019, as seen from the loss per share in 2020, which was 189.92, compared to 62.57 in 2019. As a result of the asset divestment conducted by MBTO in 2021, the cash holding level, which had previously declined to 0.22% in 2020, increased to 0.40% in 2021.

Meanwhile, the positive impact of the company's cash holding level can be seen in PT Darya-Varia Laboratoria Tbk. (DVLA) in 2021. According to DVLA's 2021 annual report published on the Indonesia Stock Exchange, DVLA's cash holding level increased by 14.62% from 13.38% in 2020 to 28% in 2021. This increase was due to the cash and cash equivalents balance as of December 31, 2020, which was Rp 265.312 billion, rising by Rp 317.983 billion or 119.85%, resulting in a cash and cash equivalents balance of Rp 583.296 billion as of December 31, 2021. One of the factors contributing to this increase was the increase in customer receipts, amounting to Rp 397.006 billion. The positive impacts of DVLA's high cash holding in 2021 are as follows: (1) The corporation increased capacity to accommodate expanding product demand. DVLA's 2021 Annual Report guarantees safe and sufficient raw material inventories, (2) The company's debts were manageable. As of year-end, the current ratio was 0.39 and the debt-to-asset ratio was 0.34, (3) Dividends were rising significantly. On June 28, 2022, Beritasatu reported that PT Darya-Varia Laboratoria Tbk (DVLA) will

distribute Rp 127.2 billion from its 2021 net profit of Rp 123.2 billion. This dividend also rose 3.6% from 2021.

The conclusion drawn from the preceding example is that insufficient cash holding leads to liquidity issues for the company, compelling it to make decisions such as asset divestment and impeding operational activities, ultimately resulting in a sales decline. Investors are unable to accomplish the desired return due to the company's losses, as evidenced by the stock price at the end of 2019 and 2020, which did not increase significantly. However, after the company sold its assets in 2021, MBTO's stock price increased by Rp 144. This rise in stock price reflects investor reaction (Malik et al., 2023). MBTO's liquidity issues increase the risk of debt default for its creditors due to its inability to pay its short-term debts. On the other hand, a company with an optimal cash balance can guarantee smooth operations, such as meeting customer demand, paying out dividends to shareholders, and avoiding financial difficulty. Prolonged financial difficulties can lead to the company's insolvency (Dewi et al., 2023).

Optimal cash holding must be maintained by companies to avoid excess or deficiency and should be maintained within the limits determined by the company (Ridha et al., 2019). Keeping a large amount of cash also entails certain disadvantages. One of them is the opportunity cost for the company to earn additional income from investments. This is due to the idle cash nature, where cash will not generate any income if left idle or unused. Companies are not allowed to continuously hold a large amount of cash as it can lead to an increasing amount of idle cash, ultimately affecting the company's chances of earning optimal profits (Alicia et al., 2020). Therefore, companies should have good cash management to achieve a balance in their cash balances—neither too much nor too little. In practice, cash holding is used by companies to finance daily transactions, financial investments, internal investments such as business expansion, or to keep it as a precautionary measure.

According to previous studies, higher profitability indicates faster returns and profits, benefiting investors. Increased profitability improves asset productivity, generating net income and increasing cash flows for the company (Angelia, 2020; Irwanto et al., 2019). Other studies state that larger net working capital indicates more cash (Nainggolan & Saragih, 2020; Wulandari & Setiawan, 2019). Wulandari and Setiawan (2019) also argue that the shorter the cash conversion cycle, the faster cash revenue is received, but it negatively impacts cash on hand. The pecking order theory suggests that dividend payment positively impacts cash holding, as companies that pay dividends tend to hold more cash to avoid cash shortages (Putri, 2021). A higher debt ratio will increase the risk of default and higher interest expenses. Thus, Angelia (2020) finds that cash holding is negatively related to leverage, as insufficient internal funds may lead to debt issues.

Therefore, this study predicts factors that affect a company's cash holding are profitability, net working capital, cash conversion cycle, dividend policy, and leverage. The first factor influencing cash holding is profitability. Profitability is the company's ability to generate profits in a specific period (Weygandt et al., 2019). Research by Angelia (2020) and Sari and Ardian (2019) argue that profitability has a positive influence on cash holding. However, research by Romel and Ekadjaja (2023) states that profitability does not affect cash holding. On the other hand, according to Ridha et al. (2019), profitability has a negative influence on cash holding.

The second factor influencing cash holding is net working capital. Net Working Capital is the result of comparing current assets minus current liabilities divided by total assets (Adistia & Priyanto, 2019). Net Working Capital is part of current assets that can be used to finance the company's operations without disturbing the company's liquidity. Net working

capital compares the company's investment in current assets for operational activities without disturbing the company's liquidity to cover the amount of current liabilities (short-term debt) against the company's assets (Wulandari & Setiawan, 2019). A higher net working capital value indicates that the company has a large proportion of net working capital compared to total assets. With a larger net working capital, the company can generate higher sales and cash. With a large amount of cash and cash equivalents, the proportion of cash and cash equivalents to total assets increases, leading to higher cash holding (Wulandari & Setiawan, 2019). However, based on research by Liadi and Suryanawa (2018), net working capital does not affect cash holding.

The third factor is the cash conversion cycle. The Cash Conversion Cycle is the number of days needed to generate cash from the company's operations, derived from accounts receivable collections plus inventory sales minus accounts payable payments (Wulandari & Setiawan, 2019). A lower value of the cash conversion cycle indicates that the company needs a shorter time to generate cash from the overall operational process, from purchasing raw materials to sales. The less time the company needs to generate cash from operational activities, the faster the cash turnover within the company. A fast cash turnover indicates that the company can generate cash in a shorter time, leading to a larger amount of cash and cash equivalents in the company. With increasing cash and cash equivalents, the proportion of cash and cash equivalents to total assets increases, leading to higher cash holding (Wulandari & Setiawan, 2019).

The fourth factor that we estimate could affect cash holding is dividend policy. The measure used in this study to assess dividend policy is the Dividend Payout Ratio (DPR). DPR is the percentage of profits distributed to shareholders in the form of cash dividends (Weygandt et al., 2019). A higher Dividend Payout Ratio indicates a larger proportion of profits distributed by the company. Dividends are distributed to investors, including in the form of cash dividends. The larger the cash dividends distributed to investors, the more significant the cash reserve the company will create to ensure smooth dividend payments, driven by the company's transaction motive of holding cash to finance business transactions. Companies usually plan dividend distribution well in advance. Therefore, the company starts creating cash reserves to anticipate dividend distribution from the previous year. The larger the cash reserve set aside for dividend payments, the higher the cash and cash equivalents balance, resulting in a higher proportion of cash and cash equivalents to total assets and, consequently, higher cash holding. This is supported by the research conducted by Putri (2021).

Leverage is a financial metric used to describe how much a company relies on external financing sources to fund its operations (Romel & Ekadjaja, 2023). Leverage indicates the level of a company's debt in financing its operations, and higher leverage shows that the company's financing relies less on internal funding (Angelia, 2020). In this study, leverage is measured using the Debt to Asset Ratio (DTA). Companies with lower Debt to Asset Ratios indicate that a significant portion of the company's financing comes from equity to purchase its assets. A financing structure dominated by equity means that the company has less external financing or debt. With less external financing, the company's obligations to pay installments and interest on loans become smaller. This reduces the cash outflow for loan payments, resulting in a larger balance of cash and cash equivalents. A larger cash balance increases the proportion of cash and cash equivalents to total assets, leading to increased cash holding. This indicates that leverage has a negative impact on cash holding.

Previous studies with contradictory findings regarding the factors that affect cash holding and the significance of cash holding to the company's internal and external

stakeholders prompted researchers to investigate empirical evidence regarding the impact of profitability, net working capital, cash conversion cycle, dividend policy, and leverage on cash holding.

The result of this study will contribute to the literature and practical field. In the literature contribution, this study will give insight into the determinant factors of cash holding, especially in emerging markets (i.e. Indonesia). Also, in practical contribution, this study proves that to effectively manage cash, companies should have low leverage, high profitability, high net working capital, and a high dividend policy. Therefore, companies should focus on strategic decisions and actions that could improve those aspects.

1.2 Research Problem

The research problem in this study are:

1. Does profitability, as measured by Return on Assets, have a positive effect on cash holding?
2. Does net working capital have a positive effect on cash holding?
3. Does the cash conversion cycle have a negative effect on cash holding?
4. Does dividend policy have a positive effect on cash holding?
5. Does leverage, as measured by Debt to Asset Ratio, have a negative effect on cash holding?

The remainder of the paper is organized as follows. The next section describes the prior literature most closely related to the research question in this study. Section 2 describes the research methodology, including the sample selection criteria along with the calculation of variables we use in the study. Section 3 presents the results of the tests. Section 4 concludes the study.

1.3 Literature Review and Hypotheses

1.3.1 Agency Theory

Managers in companies with low investment opportunities tend to hold cash rather than pay it out to shareholders (Nainggolan & Saragih, 2020). Due to the divergent interests of shareholders and managers, agency theory can influence the level of cash on hand. Shareholders desire dividend distributions, while managers tend to hoard and retain cash for increasing production activities and anticipating unanticipated events (Romel & Ekadjaja, 2023)

1.3.2 Cash Holding

Cash holding is the proportion of cash and cash equivalents to total assets (Doan, 2020). Cash holding represents the cash or cash equivalents held by the company to finance operational activities, meet short-term obligations, and unexpected expenses, and for investment purposes (Rahman, 2021). Determining the optimal level of cash holding is crucial for a company because excessively high cash holding can result in failed investment opportunities and returns, while excessively low cash holding can disrupt operational activities and make meeting obligations difficult (Irwanto et al., 2019).

1.3.3 Profitability

Profitability is a measure of a company's ability to generate profit using assets and manage its operations efficiently (Rahman, 2021). Profitability reflects a company's ability to generate profits over a specific period. Higher profitability indicates that the company can provide significant returns (Saputri & Kuswardono, 2019). In this study, profitability is

measured using Return on Assets (ROA). ROA tells us how much profit a company is able to generate for each euro of assets invested. In other words, ROA informs us about the profit a company can generate from each unit of invested assets (Palepu et al., 2013). The greater the ROA, the better, as it indicates that assets generate returns and profits more rapidly. Measuring with ROA reveals that the greater the ROA value, the greater the return for investors (Efendi & Ngatno, 2018). Consequently, increased profitability will improve asset productivity in generating net income, resulting in increased cash flows for the company (Angelia, 2020; Irwanto et al., 2019; D. M. Sari & Ardian, 2019). Based on the theoretical framework and previous research results, the following hypothesis is proposed:

Ha1: Profitability, as measured by Return on Assets, has a positive effect on cash holding

1.3.4 Net Working Capital

Net Working Capital is the result of the comparison between current assets and current liabilities divided by total assets (Adistia & Priyanto, 2019). Net Working Capital is a part of current assets that can be used to finance company operations without disrupting its liquidity (Rahman, 2021). If a company's net working capital is larger, it means the company has more cash because its assets exceed its liabilities (Nainggolan & Saragih, 2020). If the result of net working capital is negative (deficit in net working capital), the company is suspected to be facing liquidity problems. Thus, net working capital has a positive effect on cash holding (Wulandari & Setiawan, 2019). Based on the theoretical framework and previous research results, the following hypothesis is proposed:

Ha2: Net Working Capital has a positive effect on cash holding

1.3.5 Cash Conversion Cycle

The Cash Conversion Cycle is the time it takes for a company from the moment it spends money to purchase raw materials to the moment it collects money from the sale of finished goods (Astuti et al., 2020). In addition, the cash conversion cycle is the number of days required to generate cash from the company's operational activities, including the collection of accounts receivable and the sale of inventory, minus the payment of accounts payable. The shorter the required cash conversion cycle, the more advantageous it is for the company, as it will receive cash revenue more rapidly. Consequently, the currency conversion cycle has a negative impact on cash on hand (Wulandari & Setiawan, 2019). Based on the theoretical framework and previous research results, the following hypothesis is proposed:

Ha3: Cash Conversion Cycle has a negative effect on cash holding

1.3.6 Dividend Policy

In this study, dividend policy is proxied by the Dividend Payout Ratio (DPR). DPR is the percentage of profits distributed in cash (Gunawan & Harjanto, 2020). Companies that decide to pay dividends usually create a cash reserve or have sufficient cash holding to ensure smooth dividend payments. In line with the pecking order theory, there is a positive relationship between dividend payment and cash holding, meaning that companies paying dividends to shareholders will have high cash holding (Putri, 2021).

Companies that pay dividends may hold a large amount of cash to avoid cash shortages after dividend payments. Thus, dividend payment has a positive effect on cash holding (Murtini & Ukru, 2021). Based on the theoretical framework and previous research results, the following hypothesis is proposed:

Ha4: Dividend Policy has a positive effect on cash holding

1.3.7 Leverage

Leverage is a ratio that analyzes the financing done by a company, represented as the comparison between debt and equity, as well as the company's ability to pay interest and other fixed expenses (Alicia et al., 2020). In this study, leverage is proxied using the Debt to Asset Ratio. The Debt to total asset ratio is used to measure the extent to which total assets are funded by creditors (Kurniawan & Suryaningsih, 2019). The higher this ratio, the more it indicates that the company has higher debt to finance its assets. With a high level of debt, the company's chances of defaulting on its obligations, both short-term and long-term, increase. Additionally, having high debt can result in higher interest expenses (Christella & Osesoga, 2019). Cash holding is inversely related to leverage, so the relationship between these variables is negative because if internal funds are insufficient, the company will use its liquid reserves, namely cash holding, before issuing debt (Angelia, 2020). Based on the theoretical framework and previous research results, the following hypothesis is proposed:

Ha5: Leverage, as measured by Debt to Asset Ratio, has a negative effect on cash holding.

The research model used in this study is as follows:

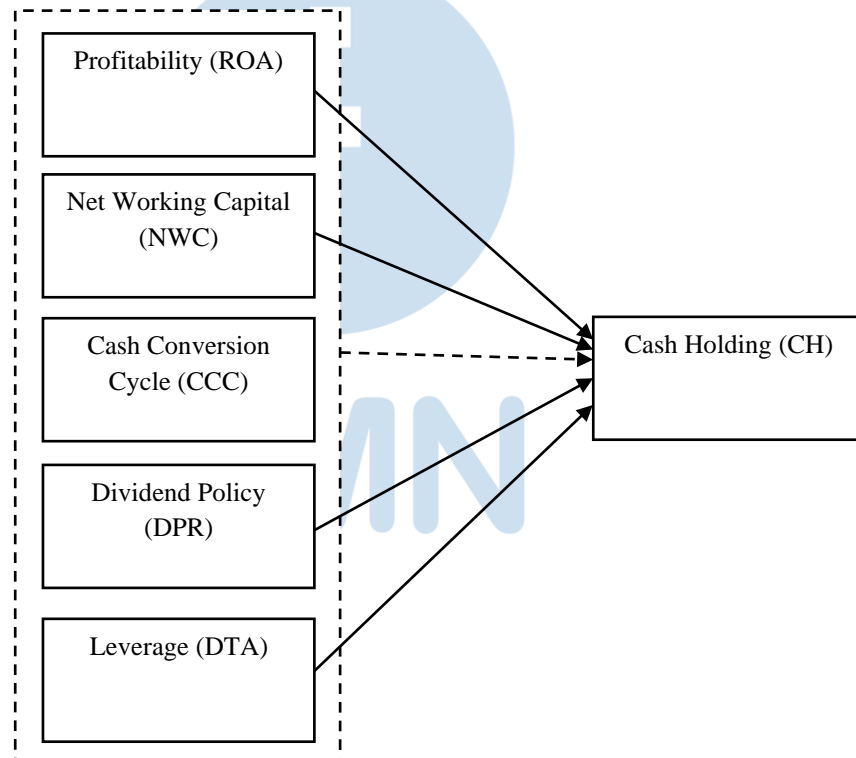


Figure 1. Research Model

2. RESEARCH METHODOLOGY AND DATA ANALYSIS

2.1 Research Method

This study used secondary data, which consists of financial data of consumer goods companies listed on the Indonesia Stock Exchange. We use a purposive sampling method with criteria as stated in Table 1. To reduce data bias due to outliers and to ensure the validity of specific variables (i.e. profitability and dividend policy), this study only allows profit firms that distribute cash dividends, and did not have stock splits/reverse as samples.

This financial information was obtained from financial statements for the years 2019 to 2021. The financial statements were obtained from www.idx.co.id and the companies' respective websites.

Hypothesis testing is conducted using multiple linear regression as follows:

$$CH = a + \beta_1 ROA + \beta_2 NWC - \beta_3 CCC + \beta_4 DPR - \beta_5 DTA + e$$

Description:

CH	: Cash Holding
α	: Constanta
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$: Coefficient
ROA	: Profitability
NWC	: Net Working Capital
CCC	: Cash Conversion Cycle
DPR	: Dividend Policy
DTA	: Leverage
e	: Standard Error

3. RESULT AND DISCUSSION

The result of sample selection using purposive sampling is as follows:

Table 1. Sample Selection

Criteria	Firm years
Consumer goods firms listed in the Indonesia Stock Exchange from 2019 to 2021:	
Firm-year observations:	162
Less did not publish financial statements	(3)
Less did not experience positive net income consecutively during 2019-2021	(48)
Less did not distribute cash dividends consecutively during the period 2020-2022 based on the profits of the years 2019-2021	(39)
Less conduct stock split/reverse split during 2019-2021	(12)
Final observations	60

The final results of the sample are 20 firms with 3 periods (2019-2021) or 60 firm-year observations.

3.1 Descriptive Statistic

Table 2. Descriptive Statistic Result

	N	Range	Minimum	Maximum	Mean	Std. Deviation
CH	60	.6114	.0097	.6211	.1824	.1364
ROA	60	.4108	.0060	.4169	.0991	.0693
NWC	60	1.0204	-.1511	.8692	.3361	.2566
CCC	60	413.9979	17.6720	431.6699	133.3168	98.5381
DPR	60	3.4105	.0822	3.4926	.5809	.5136
DTA	60	.5527	.1443	.6969	.4011	.1539
Valid N (listwise)	60					

3.2 Hypotheses Tests

After passing the normality test and classical assumption test, we ran the data using multiple linear regression. The results are as follows:

Table 3. Regression Results

Model		Coefficients ^a			t	Sig.
		Unstandardized	Std.	Standardized		
		Coefficients	Error	Coefficients		
	B		Beta			
1	(Constant)	.192	.059		3.280	.002
	ROA	.425	.157	.216	2.708	.009
	NWC	.130	.057	.245	2.288	.026
	CCC	9.159E-5	.000	.066	.795	.430
	DPR	.092	.021	.345	4.369	.000
	DTA	-.402	.093	-.454	-4.318	.000
R	0.836					
Adjusted R Square	0.671					
F	25.103					
Sig. F	0.000					

The t-test result for the profitability (ROA) variable is 2.708 with a significance level of 0.009. This significance value is less than 0.05 and indicates a positive t-value. Therefore, it can be concluded that the ROA variable has a significant positive effect on cash holding (Angelia, 2020; Nainggolan & Saragih, 2020; Rahman, 2021; Saputri & Kuswardono, 2019), hence Ha1 is accepted. This result proves that companies with higher ROA generate more profit, leading to increased internal cash generation. This can result in higher cash holdings if the company lacks immediate investment opportunities or prefers to be more conservative. Additionally, a company with a strong profitability track record may hold more cash to protect against unforeseen circumstances or economic challenges.

The t-test result for the NWC variable is 2.288 with a significance level of 0.026. This significance value is less than 0.05 and indicates a positive t-value. Thus, it can be concluded that the NWC variable has a significant positive effect on cash holding, hence Ha2 is accepted. This finding is in line with the research by Astuti et al. (2020); Murtini & Ukru (2021); Romel & Ekadjaja (2023); Wulandari & Setiawan (2019), which shows that net working capital has a significant positive effect on cash holding. According to the detailed data sample, a higher NWC indicates excess inventory, indicating a significant portion of a company's assets are tied to unsellable products, which can take time to convert into usable cash.

The t-test result for the CCC variable is 0.795 with a significance level of 0.430. This significance value is greater than 0.05 and indicates a positive t-value. Therefore, it can be concluded that the CCC variable does not have a significant effect on cash holding, hence Ha3 is rejected. This result is consistent with the research by Liadi and Suryanawa (2018). From the 40 observations with CCC values below the average, 25 observations (62.5%) have lower Days Inventory values than the previous year, 24 observations (60%) have lower Days Receivable values and 27 observations (67.5%) have lower Days Payable values. Despite the increase in receipts from customers by 10.03% and the increase in payments to suppliers by 9.51%, these changes did not lead to a significant increase in cash holding. Among the 40 observations, 15 experienced a decrease in cash holding by -5.08%, while 25 observed an increase of 4.87%. The 15 observations with decreased cash holding also experienced a larger increase in assets by 20.65%, compared to the 8.13% increase in assets for the 25 observations with increased cash holding. This is also evident in the expenditure for fixed asset acquisition, where the 15 observations experienced an 11.50% increase, while the 25 observations had a 1.11% increase. As a result, the average cash holding for the 40

observations with CCC values below the average (17.80%) was not greater than the overall average cash holding of 18.22%. Therefore, it can be concluded that the cash conversion cycle does not have a significant effect on cash holding, as the faster cash conversion cycle that increases cash turnover in the company is not sufficient to significantly affect the increase in cash and cash equivalents, as it is also influenced by the expenditure for fixed asset acquisition and the magnitude of the increase in the total assets of the company.

The t-test result for the DPR variable is 4.369 with a significance level of 0.000 which indicates a positive t-value. Hence, it can be concluded that the DPR variable has a significant positive effect on cash holding (Murtini & Ukru, 2021; Putri, 2021; L. P. Sari et al., 2019), hence Ha4 is accepted. The majority of samples are mature companies and in profitable condition. Established companies with stable cash flow might prioritize higher dividend payouts to attract income-seeking investors. Also, companies need to ensure they have enough liquidity to maintain consistent dividend payments, manage financial risk, signal financial stability, meet investor expectations, and maintain operational flexibility.

The t-test result for the DTA variable is -4.318 with a significance level of 0.000. This significance value is less than 0.05 and indicates a negative t-value. Therefore, it can be concluded that the DTA variable has a significant negative effect on cash holding, hence Ha5 is accepted. This finding is consistent with the research by Alicia et al. (2020); Murtini & Ukru (2021); Nainggolan & Saragih (2020); Saputri & Kuswardono (2019). According to the data sample, this result proves that companies with less debt often adopt conservative financial practices as we can see from the average DTA value. The average is 0.4011, which means that the average sample finances its assets mostly using equity. These strategies collectively support the accumulation of cash reserves, due to the lower cost of debt, providing a robust financial buffer and enhancing the firm's stability.

4. CONCLUSION

On the basis of the aforementioned research, it can be concluded that profitability, net working capital, and dividend policy have a substantial positive effect on cash holding. Moreover, leverage has a substantial negative impact on cash holding. However, the cash conversion cycle does not have a significant effect on cash holding. This research has a number of limitations. First, the sample size for this study is only twenty companies, so the findings cannot be generalized to all companies listed on the Indonesia Stock Exchange. Second, there are other variables that could influence cash holding. This is evident from the adjusted R Square value of 0.671, or 67.1%. Future research could extend the research period and companies sector so that the results can be more generalized and add other independent variables that are expected to affect the cash holding, such as firm size and growth opportunity.

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