GROWTH OPPORTUNITY, LEVERAGE, FIRM SIZE, NET WORKING CAPITAL, AND INVESTMENT OPPORTUNITY SET FOR CASH HOLDING ON MANUFACTURING COMPANIES LISTED ON BEI

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ABSTRACT

This study looks at growth potential, leverage, firm size, net working capital, and investment opportunity set on cash holding in manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2018 and 2020. The purposive sampling method was utilized to gather 61 samples of businesses. Multiple linear regression analysis is applied to analyze the data in this study. SPSS 20.0 for Windows is used in this data analysis technique. The findings show that: 1) growth opportunity, firm size, networking capital and investment opportunity set all have a simultaneous effect on cash holding, 2) growth opportunity, leverage, and networking capital both have a partial effect on cashholding and 3) firm size and investment opportunity set all have no partial effect on cash holding.

Keywords: *Cash Holding, Growth Opportunity, Leverage, Firm Size, Net Working Capital, Investment Opportunity Set*

INTRODUCTION

Financial statements are critical in the company. Because financial statements provide accurate and reliable information regarding the financial statements and assess the company's overall performance, a company's financial statements must have assets that have an essential role, namely cash. Cash is the company's most liquid asset that can be easily used or utilized freely for the company's operational funding. The presence of cash is significant in the company because, without cash, the company's operational activities cannot run. Cash management owned by the company is called cash holding (Alicia et al., 2020).

Cash holding is vital in the company's financial management system, income, and expenditure. Cash holding can control the administration within the company so that the company can invest or buy shares at any time that is profitable for operational purposes. Cash holding also has advantages and disadvantages. The advantage of cash holding is that a company can be more scalable and systematic in terms of financial expenditures so that the finances in the company can be stable, and the company can always be ready to issue cash suddenly for the benefit of the company. Whereas The weakness of cash holding is the presence of cash that is too large and too long retained, there is an indication that the company is not earning optimally so that the company cannot grow because the cash has been idle for too long. So cash holding must be adequately controlled for efficiency, and stable levels of company profits and cash levels holding company are at an optimal point (Alicia et al., 2020).

According to Andika (2017: 1480), the management of the ideal cash holding limit must be carefully considered by a financial manager considering a finance company. When a company receives cash inflows, managers must decide whether the cash is rushed to investment, profit sharing, or kept for the company itself. Several factors affect cash holding, including growth opportunity, leverage, firm size, net working capital, and investment opportunity.

The reasons for choosing the consumer goods industry sector are companies in the This sector has a relatively long cash conversion cycle because it is one of the manufacturing companies which must process raw materials into finished goods ready for sale. The company needs sufficient funds to finance operations their company, one of which is by determining the optimal level of cash. Although there have been many similar studies before, it can be seen from In the description above there is still a research gap, so that researchers are interested in conducting research This is to provide more empirical evidence about the factors that affect cash holding.

THEORETICAL BASIS

Cash Holding

According to Sher (2014:6), cash holding is the opportunity cost of allocating assets to cash to prevent or prevent companies from allocating all assets to cash. Cash holding is one of the most liquid assets quickly converted to cash, which is a short-term investment with insignificant changes (Bhanumurthy et al. 2018:261).

Growth Opportunity

According to Kartini and Arianto (2008:115), the growth opportunity is a change in total assets owned by the company. Growth Opportunity can be a benchmark for determining or considering a company's future growth rate and describing the achievements of the company's operations in the past.

Leverage

According to Kasmir (2014:112), Leverage is proving the extent of debt used to finance company assets. According to Sartono (2008:257), in financial management, Leverage is the use of assets and sources of funds for the company must incur or have fixed costs to increase investor profits; then, the company uses operating and Financial Leverage. Leverage also has a side that can increase the variability or risk of profit because the company earns lower profits than fixed costs. It can reduce profits for investors.

Firm Size

According to Riyanto (2008:313), firm size is the size of the company that the value can see of capital, sales, and assets owned. Big companies get easy access to capital in the capital market, which means the company has excellent flexibility (Sartono, 2010:249).

Net Working Capital

According to Brigham and Ehrhardt (2005), net working capital is the difference between current assets and liabilities. Net working capital is straightforward to disburse in the form of cash. Therefore this net working capital can be a substitute for cash holding.

Investment Opportunity Set

Hartono (2016:58) said that investment opportunities or Investment Opportunity sets (IOS) describe a company's breadth of investment opportunities or opportunities. Keown et al. (2010:214) state an inverse relationship between the amount of investment and dividend payments. They expect the company's dividend payment to decrease when the investment opportunity increases. Thus the cash owned by the company will experience a drastic increase which will keep the company in a very stable condition.).

HYPOTHESES

Based on the theoretical review and previous research that has been described previously, the research hypothesis can be formulated as follows:

H1: Growth Opportunity, Leverage, Firm Size, Net Working Capital, and Investment Opportunity has a significant effect on Cash Holding in Manufacturing companies listed on the Indonesia Stock Exchange for the period 2018-2020.

H1a: Growth Opportunity significantly affects Cash Holding in the company Manufacturers listed on the Indonesia Stock Exchange for 2018-2020.

H1b: Leverage does not affect Cash Holding in Manufacturing companies listed on the Indonesia Stock Exchange for 2018-2020.

H1c: Firm Size does not affect Cash Holding in Manufacturing companies listed on the Indonesia Stock Exchange for 2018-2020.

H1d: Net Working Capital significantly affects Cash Holding in the company Manufacturers listed on the Indonesia Stock Exchange for 2018-2020.

H1e: Investment Opportunity has no effect on Cash Holding in the company Manufacturers listed on the Indonesia Stock Exchange for 2018-2020.

METHOD

The research method used is correlational quantitative, which is meant to investigate the extent to which variation in a variable is related to one or more other variables. This research was conducted on a manufacturing company registered on the Indonesia Stock Exchange for the period 2018-2020, with a total population in the study of 193 issuers. From the population, samples were determined by the purposive sampling method and several specific criteria determined by the researcher so that a sample of 61 companies was manufactured. Several variables analyzed are growth opportunity, leverage, firm size, net working capital, investment opportunity, and cash holding. Source of data in research obtained from the financial statements of manufacturing companies listed on the Indonesia Stock Exchange period 2018-2020, which is taken or downloaded from the www.IDX.co.id site by the following method: data collection using documentation. Research data analysis was carried out in several stages: descriptive statistical, normality, classical assumption, and hypothesis.

The criteria used as samples in this study are as follows:

1. Manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020.
2. Manufacturing companies included in the non-cyclical consumer sector listed on the IDX in 2018-2020.
3. Manufacturing companies in the non-cyclical consumer sector publish complete financial reports in a row during 2018-2020
4. Companies that have complete data for measurement of variables in research.

The author uses the multiple linear regression method because, in this study, there is more than one independent variable. The multiple linear regression method tests how much influence the independent variable has on the dependent variable so that the functional relationship between the dependent variable, namely Cash Holding. (Y) and the independent variable, namely Growth Opportunity (X1), Leverage (X2), Firm Siz (X3), Net Working Capital (X4), and Investment Opportunity (X5). In general, the multiple regression equation in this study is formulated as follows:

$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \beta5X5 + \varepsilon$

Description :

Y : Cash Holding

α: Constant

$\beta1, \beta2, \beta3, \beta4$: Regression coefficient of independent variable

X1 : Growth Opportunity

X2 : Leverage

X3 : Firm Size

X4 : Net Working Capital

X5 : Investment Opportunity

ε :Standar error

RESULTS AND DISCUSSION

a. The Effect of Growth Opportunity on Cash Holding

Based on the results of statistical analysis, it can be seen that the variable growth opportunity shows a regression coefficient of 0.248 with a sig-t value of 0.000. Results This shows that growth opportunity significantly positively affects cash holding. Thus H1 is accepted. This means that companies with higher growth opportunities will increase cash holding because the higher the growth opportunity, the higher the opportunity to get a greater return, thus encouraging the company to hold cash with a more significant amount, and the company will prefer to use funds internal rather than external to meet investment needs.

This study's results align with the trade-off theory, which explains the growth. The variable opportunity has a significant positive effect on cash holding because the company is to establish a policy using holding cash reserves in the amount where the cash will be used to finance the company's investment. Theory The next thing that is in line with this research is the pecking order theory which says: that if the level of investment opportunities is high, the company will maximize profits held and transferred to cash reserves so that the cash holding will experience an increase and the company chooses to avoid using external funds. Therefore, the results of this study are in line with the research of Arta (2020), Hengsaputri and Bangun (2020), and Andika (2017). However, it is not in line with the research of Alicia et al. (2020), Setyanimgrum & Setiawati (2021), and Mawarti et al. (2020), which stated that growth opportunity does not affect cash holding.

Effect of Leverage on Cash Holding

Based on the analysis results, it can be obtained that the regression coefficient of leverage is 0.0710 and has a significance value of 0.000 (0.000 > 0.05). Then leverage has an effect significant to cash holding. Thus it can be concluded that H1b is rejected. It means the high and low leverage reflects the cash held or held by the company. When the company's leverage is higher, the value of the cash holding is owned by the company because the company has high total debt, so the company operations financed by total debt will increase so that the use of the company's cash is decreases. With reduced use of cash, the company will increase the cash held by the company. So that the cash held by the manufacturing company in large quantities is used as a reserve fund in the event of financial distress, in addition to cash held in The large amount is used by the company to invest for profit the company so that from the investment profits, the company's debt will be paid. Vice versa, when the company's leverage is low, the cash holding it has company is also low. The higher the use of cash, the higher the cash held by the company will be lower. It is used to finance the company's operations and pay the interest expense or debt installments as well as a new investment using cash.

The results of this study support the research of Alicia et al. (2020), Arta (2020), Margaretha & Dewi (2020), and Andika (2017) but are different from the research of Elnathan & Susanto (2020), which states that leverage has no significant effect on cash holding.

Effect of Firm Size on Cash Holding

Based on the statistical analysis results, the firm can be seen. Variable size shows a regression coefficient of -0.003 with a sig-t value of 0.976. According to Jinkar (2013), firm size has no effect on cash holding for several reasons:

1. Firm size is related to an investment opportunity, better explained by the growth opportunity variable.
2. Most companies in Indonesia are companies conglomerates or families whose ultimate owner is one.
3. Because of the proxies that are used.

The cash holding proxy is cash/total assets, while the size is the logarithm of assets. Therefore, the hypothesis that firm size affects cash holding is rejected. These results indicate that firm size does not affect cash holding; thus, H1c is rejected. The results of this study support research conducted by Ferreira & Vilela (2004) and Ogundipe et al. (2012), who revealed that negative relationship between firm size and cash holding. This research is also in line with the trade-off theory, which states that firm size has an inverse relationship with cash holding; the bigger the company, the less cash holding the company. This happens because large companies prefer to invest in growth opportunities than Haris &

Raviv's (1990) cash holdings. In addition, research This also supports the results of research conducted by Darmawan & Nugroho (2021), Jinkar (2013), Margaretha & Dewi (2020), and Zulyani & Hardiyanto (2019), who revealed that firm size has no significant effect on cash holding. However, the research results This is different from the results found by Alicia et al. (2020), Arta (2020), Irwanto et al. (2019), and Monica & Suhendah (2020), which state that firm size affects cash holding.

Effect of Net Working Capital on Cash Holding

Based on the panel data regression test, net working capital has a positive effect against cash holding. Every increase in net working capital will increase cash holding, characterized by a regression coefficient value of 0.131. This occurs because increased net working capital leads to higher cash balances. After all, highly liquids tend to have higher cash balances and vice versa for companies with lower liquidity (Anjum & Malik, 2013). Companies that have High net working capital should hold small amounts of cash. This is done because net working capital can be a substitute for cash so that the need for the company's operations tends to be fulfilled, and the company can use cash reserves to invest in other assets.

The results of this study are not different from the research of Ogundipe et al. (2012), which explains that net working capital is used as a proxy for investment in current assets used as a substitute for cash. When needed, net working capital can be liquidated quickly to cover the company's cash shortage (Ferreira & Vilela, 2004). This research also supports the research that has been done by Marfuah & Zulhilmi (2014), Sari & Zoraya (2021), Jinkar (2013), and Setyaningrum & Setiawati (2021) states that net working capital affects cash holding. However, different from the research results of Hengsaputri & Bangun (2020) and Arta (2020), which state that net working capital has a significant negative effect on cash holding, while the results of Andika's research (2017) state that net working capital does not affect on cash holding.

Effect of Investment Opportunity Set on Cash Holding

Based on the results of statistical analysis, it can be seen that the variable investment opportunity set shows a regression coefficient of 0.004 with a sig-t. Value of 0.493. These results indicate that the investment opportunity set does not affect cash holding. Thus, H1e is rejected. Companies that have significant investment opportunity sets tend to hold large amounts of cash as a precautionary motive to avoid corporate bankruptcy. Companies with large investment opportunities will have greater costs if the company experiences bankruptcy. If the company invests more and more, then the company holds larger cash to run the company's operational activities and reduce the cost of corporate bankruptcy. Companies with investment Small opportunity sets tend to hold large amounts of cash to be placed in investment projects. The company wants to convince investors that the company can carry out the desired project, even though the project has a net present value (NPV).

However, in this study, it is stated that the investment opportunity set is not influenced by the high and low cash holding levels. This is due to the assets owned by the company are higher than the debt owed by the company. The results of this study are the same as the research results of Monica & Suhendah (2020), which state that investment opportunity set does not affect cash holding. However, the research results do not reflect the same as research by Gunawan et al. (2021) and Sanjaya & Yadnyana (2016), which states that the investment opportunity set has a significant effect on cash holding.

CONCLUSION

From the explanation and explanation of the data analysis above, it can be concluded:

1. Based on the results of the study indicate that growth opportunity, leverage, firm size, net working capital, and investment opportunity set simultaneously have a significant effect significant to cash holding.
2. Based on the results of the study, it shows that growth opportunity, leverage and net working capital partially has a significant effect on cash holding.
3. Based on the results of the study indicate that the firm size and investment opportunity set partially has no effect on cash holding.

Based on the description that has been described above, the suggestions which can be stated are as follows:

1. The period in this study is relatively short, only 3 years so that the data used are not reflects the condition of the company in the long term, future suggestions increase the observation period
2. This study only uses five independent variables, which are still present variables that have not been used/researched and have contributions that can affect cash holdings. suggestions in the future add another variable

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