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ABSTRACT

This study aims to examine the partial significance of the effect of cash flow, tax avoidance, growth opportunity, and net working capital on cash holding in financial sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021. The population in this study were 99 financial sector companies listed on the Indonesia Stock Exchange (IDX). The sampling technique used purposive sampling and obtained 61 companies. The analytical tool used in this research is panel data regression with the help of Eviews 10 statistics. The results showed that the effect of cash flow and growth opportunity had a positive and significant effect. While tax avoidance and net working capital have a negative and significant effect. The implication of this research is that to increase optimal cash holding, companies must pay attention to cash flow and growth opportunities because the results of the study show that they have a positive and significant effect on cash holding. This research contributes to the development of further research related to cash holding. The limited number of samples with limited research objects as well.

Introduction

Economic development in Indonesia has decreased due to the Covid-19 pandemic. One of the impacts is related to the availability of cash for a company. The availability of cash is crucial for a business, especially for its transactional and operational activities. Managers increase their cash for various reasons. One of them, the transaction motive, explains why businesses hold liquid assets to reduce the cost of converting those assets into cash in the event of an emergency. Many companies may benefit from holding cash, and one of the benefits is that it is used to cover unexpected costs (Suherman, 2017). Cash availability management is very important because if the available cash is too large it will hurt the company. Available cash is not used for operational business activities that can generate income. Therefore, companies need to carry out cash management properly to create stability in the amount of company cash. One way to manage cash is with Cash Holding.
Cash holding is a type of liquid asset that shows the amount of money kept by the company in petty cash, registers, or accounts in money markets or banks (Nainggolan & Saragih, 2020). Holding cash encourages companies to capture sudden market opportunities. This may be in line with the company's short-term investment policy that does not miss opportunities due to lack of liquidity (Ali, Soomro, Brohi & Soomro, 2021). Companies must maintain a limited amount of money so as not to feel short or excessive. Many Indonesian companies still experience liquidity problems because some still use internal cash warehouses (Astuti, Ristiyana & Nuraini, 2020).

For financial managers, keeping cash on hand is also important because it is a necessity if the business is to survive. When a company gets a cash inflow, internal parties must determine whether the funds will be used for investment, paying dividends to shareholders, or saved for future use. There are several reasons why businesses should implement a money management policy. One of them is the precautionary motive, which means meeting the operational needs of the business and protecting the business from the risk of default or liquidity problems.

The Covid-19 pandemic affected the financial industry. The financial sector plays an important role in a country's economic growth, it drives the growth of the real sector and could mobilise savings. The financial sector listed on the Indonesia Stock Exchange (IDX) is the latest sector classification used in this study. The implementation of the latest IDX Industrial Sector Classification on 25 January 2021.

The financial sector is an industry comprised of companies that provide financial services to business and retail customers, including mutual funds, banks, and insurance companies. The financial sector must maintain liquidity and pay attention to the need for funds for its operations. Funds allocated to productive assets can generate profits for financial firms. A firm's liquidity may be compromised if funds are allocated too much. To avoid the risk of liquidity difficulties, financial firms often keep a lot of money. The financial sector has the possibility of bankruptcy due to errors in the management of the use and provision of cash. Several financial sector companies that are delisted and threatened with bankruptcy until 2021, namely:

<table>
<thead>
<tr>
<th>Year</th>
<th>Code</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>NAGA</td>
<td>Corp. Bank Mitraniaga, Inc</td>
</tr>
<tr>
<td></td>
<td>BBNP</td>
<td>Bank Nusantara Parahyangan, Inc</td>
</tr>
<tr>
<td>2021</td>
<td>FINN</td>
<td>First Indo-American Leasing, Inc</td>
</tr>
</tbody>
</table>
Table 1 above shows that several companies experienced delisting. Corp. Bank Mitraniaga, Inc (NAGA) shares were delisted for the same reason as the Nusantara Parahyangan bank which was planned to be merged with another company. In this case, Corp. Bank Mitraniaga, Inc (NAGA) shares were merged into Corp. Bank Agris, Inc (AGRS). At the end of January 2019, the Industrial Bank of Korea (IBK) acquired 71.68% of Bank Mitraniaga shares worth 477.59 billion. With this operation, IBK became the new majority shareholder of Bank Mitraniaga. In early January 2019, IBK initially bought 5.03 billion shares or 95.79% of Corp. Bank Agris, Inc (AGRS). Under its control, Bank Agris and Bank Mitraniaga, the Financial Services Authority (OJK) allows investors to own more than 40 per cent of the bank's shares if the investor intends to merge the acquired banks. Industrial Bank of Korea (IBK) also merged with Bank Agris as the merger beneficiary. After the merger, Bank Agris changed its name to Bank IBK Indonesia.

Bank Nusantara Parahyangan, Inc (BBNP) shares were delisted due to shareholder MUFG Bank Ltd's plan to merge with Corp. Bank Danamon, Inc (BDMN). The merger is carried out because MUFG Bank is required to fulfil the ownership policy based on Financial Control Regulation (POJK) No. 39 of 2017, one of which is a merger. In an official notification letter signed by the Head of IDX's Corporate Valuation Division, the delisting of First Indo American Leasing Tbk (FINN) was carried out because the company did not show significant business recovery. In addition, First Indo American Leasing Tbk (FINN) shares were also closed for two years since the start of stock exchange trading.

Table 2.
Data on Financial Companies Threatened with Bankruptcy Until 2021

<table>
<thead>
<tr>
<th>Code</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>BFIN</td>
<td>Corp. BFI Finance Indonesia, Inc</td>
</tr>
<tr>
<td>VRNA</td>
<td>Corp. Verena Multi Finance, Inc</td>
</tr>
<tr>
<td>WOMF</td>
<td>Wahana Ottomitra Multiartha, Inc</td>
</tr>
<tr>
<td>BDMN</td>
<td>Corp. Bank Danamon Indonesia, Inc</td>
</tr>
<tr>
<td>ADMF</td>
<td>Corp. Adira Dinamika Multi Finance</td>
</tr>
<tr>
<td>IMJS</td>
<td>Corp. Indomobil Multi Jasa, Inc</td>
</tr>
<tr>
<td>CFIN</td>
<td>Corp. Clipan Finance Indonesia, Inc</td>
</tr>
<tr>
<td>HDFA</td>
<td>Corp. Radana Bhaskara Finance</td>
</tr>
</tbody>
</table>
Table 2 above shows that several companies are threatened with bankruptcy. Financial companies do some of their business by providing cash loans to customers. This makes the provision of Cash Holding in the company very important. Companies usually store large amounts of Cash Holding to carry out urgent activities that can be carried out to generate profits. However, this can negatively impact such as bankruptcy due to less-than-optimal fund management. An example of a finance company threatened with bankruptcy is Corp. Adira Dinamika Multi Finance. The company finances motor vehicle credit payment funds. This means that the company provides large funds in the form of receivables or current assets, which have a large risk such as not getting debt repayments from customers known as bad credit.

This research is a development of previous research by Ali et al. (2021) entitled "Determinants of Cash Holding: Evidence from The Non-Bank Financial Sector of Pakistan". In Ali et al.'s research (2021) the behaviour of non-bank finance in holding cash is the same as non-financial companies in other studies. Although financial companies are very different from non-financial companies, the variables that determine the cash holdings of non-financial companies also apply to non-bank financial companies. Ali et al. (2021) which has limitations on the use of non-bank financial sector samples. By ignoring banks. Ali et al.'s research (2021) did not consider the cash holding of sample companies before and during the Covid-19 pandemic. This is the consideration of researchers using a wider sample, namely the financial sector to explore the extent to which company cash has changed.


**Literature Review**

**Trade-Off Theory**

According to the trade-off theory, there are two concepts of holding cash, namely the costs and benefits of holding cash obtained by holding the optimal amount of cash (Modigliani & Miller, 1963). According to the trade-off theory, a company's cash...
management should be done by considering costs and benefits or costs and benefits. The right decision in cash management is by the company's objectives, namely increasing company value (Romadhoni, Kufepaksi & Hendrawati, 2017).

**Pecking Order Theory**

Pecking order theory explains that the source of financing the company's operations comes from three sources, namely internal funding, debt issuance and issuance of new shares (Myers & Majluf, 1984). Companies prioritise risk-free financing, namely internal financing. If internal payments are insufficient, the company will issue debt and equity as the final financing. This theory explains the financial behaviour of firms where they tend to prioritise internal financial resources over external financial resources.

**Agency Theory**

Agency theory is a theory that arises from the conflict of interest between principals (shareholders) and agents (management) (Jensen & Meckling, 1976). Shareholders only provide facilities and funds to run the business, but they are not directly involved in its operations. Shareholders certainly hope that management can make policies and act following the interests of shareholders, but in reality, management always acts in their interests because management must also have personal interests. There is no agency problem in companies with simple capital and financial structures because management acts as the sole owner (Jensen & Meckling, 1976).

**Cash Holding**

Cash Holding is a type of liquid asset that indicates the amount of money a company has in petty cash, registers, or accounts in money markets and banks. Cash assets include cash, bank money, government bonds, and market investments. Determining the company's cash reserves is one of the important decisions that financial managers must make (Ali & Ullah, 2016).

**Cash Flow**

Cash flow is a financial report that provides information about cash flows and outflows for a certain period (Suherman, 2017). Cash flow shows information about the company's cash inflow and cash outflow in a period (Murdijaningsih, Febrianti & Cahyo, 2021). According to Trade-off theory, cash flow is a liquid asset that is ready to be used, among others, as a substitute for cash. Companies with high cash flow will reduce the need for a company to hold cash in carrying out company operations (Octavia & Susanti, 2021).
Tax Avoidance
Tax Avoidance is an effort by taxpayers that does not violate tax laws to reduce the tax burden. A common symptom of tax avoidance is people's efforts to limit or suppress the use of taxable goods (Irwanto, Agustina & An, 2019). Tax Avoidance is a controversial activity because although the company as a taxpayer has the right to reduce its tax burden according to the law, this activity is deliberately regulated and designed to minimise the tax payable, which in turn can be considered an illegal act. After all, it violates the spirit of the law (Kurniawan & Nuryanah, 2017).

Growth Opportunity
According to Alicia, Putra, & Fortuna (2020), Growth Opportunity is a ratio that measures the ability of a company to maintain its position in operations and world economic development. Growth opportunities improve the company's cash position because the greater the opportunity to grow, the more likely it is to generate a higher rate of return and the more likely the company is to hold cash to meet future investment needs. Meanwhile, according to Irwanto et al. (2019), Growth Opportunity is the most important because it will determine how the company will develop in the future.

Net Working Capital
According to Nainggolan & Saragih (2020), Net Working Capital is the ratio between current assets and current liabilities of the company. Because the amount of assets owned by the company is greater than the debt it has, the company's working capital increases the amount of cash it has, so that the funds embedded in working capital exceed the needs, causing idle funds. Conversely, if working capital is too little or small, the company will be less able to meet consumer demand. Net Working Capital also known as net working capital, is the proportion of current assets that can be used to finance a business without reducing its liquidity (Yumarda, Wardi & Farwitawati, 2021).

Method
This type of research is quantitative. The population in this study were financial sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021, totalling 99 companies. The sample in this study was taken using the purposive sampling technique to obtain a representative sample with the following criteria:

b. Financial sector companies that are consistently listed on the Indonesia Stock Exchange (IDX) during 2019-2021.

c. Financial sector companies that consistently report financial statements during the 2019-2021 research period.


Based on the purposive sampling method, a sample of 61 companies was obtained. The total sample in this study was 183 samples obtained from the company's financial statements. This study uses secondary data. The data in this study comes from the official website of the Indonesia Stock Exchange (IDX), namely www.idx.co.id. This study uses data in the form of annual reports of financial sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021. This study uses panel data regression. The formula for testing panel data regression is as follows (Basuki & Prawoto, 2017):

\[ Y = \alpha + b_1X_{1it} + b_2X_{2it} + b_3X_{3it} + b_4X_{4it} + e \]

Description:
- \( Y \) = Cash Holding
- \( \alpha \) = Constanta
- \( X_1 \) = Cash flow
- \( X_2 \) = Tax Avoidance
- \( X_3 \) = Growth Opportunity
- \( X_4 \) = Net Working Capital
- \( b_{1,2,3,4} \) = Regression coefficient of each variable \( i \) = Company
- \( t \) = Time
- \( e \) = Error term

**Results and Discussions**

Based on the results of data analysis using Eviews-10, it can be seen that the \( X_1 \) coefficient value is -0.003932; 0.043734; \( X_2 \) coefficient value is -0.003932; -0.085356; -0.049957; \( X_3 \) coefficient value is -0.085356; -0.116629; \( X_4 \) coefficient value is 0.043734; -0.049957; -0.116629. It is concluded that the coefficient is less than 0.8, which means that there are no symptoms of multicollinearity in the analysis. The results of the heteroscedasticity test using the Gletjser test with the help of Eviews-10 show that the probability value for each independent variable is greater than \( \alpha \) (0.05). Therefore, it can be concluded that there are no symptoms of heteroscedasticity in the analysis. The regression model equation gives the following meaning: The
constant of 9.839037 indicates that if cash holding, cash flow, tax avoidance, growth opportunity, and net working capital do not change or are constant, then cash holding in financial companies listed on the Indonesia Stock Exchange (IDX) averages 9.839037. The X1 regression coefficient of 0.807392 indicates that cash flow is positive towards cash holding. This means that if the amount of cash flow increases, the cash holding in financial companies listed on the Indonesia Stock Exchange (IDX) will increase by 0.807392 per cent, assuming other variables remain constant. The regression coefficient X2 of -0.153852 indicates that tax avoidance has a negative value on cash holding. This can be interpreted that if the amount of tax avoidance increases, then cash holding in financial companies listed on the Indonesia Stock Exchange (IDX) will decrease by 0.153852 per cent, assuming other variables remain constant. The regression coefficient X3 of 0.080892 indicates that growth opportunity is positive towards cash holding. This means that if the growth opportunity increases, then cash holding in financial companies listed on the Indonesia Stock Exchange (IDX) will increase by 0.080892 per cent, assuming other variables remain constant. The regression coefficient X4 of -0.034668 indicates that net working capital has a negative value on cash holding. This means that if net working capital increases, then cash holding in financial companies listed on the Indonesia Stock Exchange (IDX) will decrease by 0.034668 per cent, assuming other variables remain constant. Based on the calculation of panel data regression analysis, the adjusted coefficient of determination (Adjusted R Square) is 0.225554 or 22.56%. This shows that the percentage of variation in cash holding that can be explained by the variation of the four independent variables, namely cash flow, tax avoidance, growth opportunity, and net working capital is 22.56%, while the remaining 77.44% is explained by other variables outside the research variables, among others, firm size, leverage, and cash conversion cycle. The F statistical test resulted in an Fcount of 14.25167. The Ftable value with degrees of freedom: df1 = k-1 and df2 = n-k (n = 183, k = 5) or df1 = 4 and df2 = 178 with a confidence level of 95% shows the number 2.42. So Fcount is greater than Ftable (14.25167 > 2.42). Thus, the regression model of the influence of cash flow variables, tax avoidance, growth opportunity, and net working capital on cash holding is feasible to use.

Discussion

The Effect of Cash Flow on Cash Holding

Based on the results of hypothesis testing, the cash flow variable has a coefficient value of 5.501001 and a significant level of 0.0000 smaller than α = 0.05. The results of this study prove that cash flow has a positive and significant effect on cash holding, so the
first hypothesis is accepted. This means that if the level of cash flow increases, the cash holding in financial companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021 will increase. If cash flow decreases, cash holding in financial sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021 will decrease. This positive effect indicates that companies hold more money when they have greater cash flow. This is following the pecking order theory, which states that companies have a large enough amount of money when they have a larger cash flow. This is because cash holding in the company is used for company operations, investment, and financing. If the company has a low cash holding, it will have an impact on cash inflows and cash outflows that have decreased. This is in line with the research of Aftab et al. (2018), Sethi & Swain (2019), and Jebran et al. (2019) who found a positive and significant relationship between cash flow and Cash Holding.

**Effect of Tax Avoidance on Cash Holding**

Based on hypothesis testing, it can be seen that the tax avoidance variable has a coefficient value of -3.221889 and a significant level of 0.0015 smaller than \( \alpha = 0.05 \). The results of this study prove that tax avoidance has a negative and significant effect on cash holding, so the second hypothesis is rejected. That is, this study found that the value of CETR is negatively correlated with the company's cash holding value. A higher CETR value indicates the company's tendency not to avoid taxes, so the company's cash holding value will decrease when the company does not do so. If the company does tax avoidance or the CETR value is low, the cash holding will increase. This finding supports the study conducted by Chen (2014) in Tambunan & Septiani (2017) which concluded that tax avoidance has a negative impact on the amount of cash held by the company. This is due to higher agency costs when cash held is not used for the benefit of shareholders. The results of this study are not in accordance with the results of research by Khuong et al. (2019), Hanlon & Maydew (2013), and Foley, C. F (2007). However, in line with Tambunan & Septiani's (2017) research, it states that there is a negative and significant relationship between tax avoidance and cash holding.

**Effect of Growth Opportunity on Cash Holding**

Based on hypothesis testing, it can be seen that the growth opportunity variable has a coefficient value of 2.069065 and a significant level of 0.0400 smaller than \( \alpha = 0.05 \). The results of this study prove that growth opportunity has a positive and significant effect on cash holding, so the third hypothesis is accepted.
This means that if the level of growth opportunity increases, cash holding in financial companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period will increase. Companies with good growth potential use liquid assets (eg. cash) as collateral to reduce the likelihood of financial difficulties and take advantage of good investment opportunities first when external financing is more expensive. Large growth opportunities are expected to encourage companies to pursue policies that favour high cash flows over investment opportunities. Growth opportunities increase the company's cash wealth, because the greater the company's opportunity to grow, the greater the opportunity to generate higher profits in the future. This is in line with the research of Sethi & Swain (2019), Aftab et al. (2018), and Ali et al. (2021) who found a positive and significant relationship between growth opportunity and cash holding.

**Effect of Net Working Capital on Cash Holding**

Based on hypothesis testing, it can be seen that the net working capital variable has a coefficient value of -2.978434 and a significant level of 0.0033 smaller than α = 0.05. The results of this study prove that net working capital has a negative and significant effect on cash holding, so the fourth hypothesis is rejected. This means that if net working capital increases, cash holding in financial companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period will decrease. In general, cash holdings are found to decrease with an increase in net working capital. If the calculation of the company's net working capital is low, the company will hold more cash. Conversely, if the net working capital calculation is high, the company will hold less cash.

According to Ferreira & Vilela (2004) in Murtini & Ukru (2021), because net working capital can be easily converted into cash when needed with cheaper conversion costs, companies that have high net working capital do not need to hold much cash. Conversely, companies that have high net working capital can liquidate net working capital quickly when they are short of cash.

Banking companies or the financial sector are usually first, focused on lending and investment. They use the money received from customers for loans to other parties or for investment. Therefore, they usually use the funds for operating and investment activities, so cash reserves tend to be small. Second, they must maintain a high level of liquidity to fulfil customer needs and day-to-day obligations. They must be prepared to honour customer withdrawal requests. Therefore, they tend to use available funds to meet liquidity needs and maintain low cash reserves. Third, they often obtain funding from the capital market or from issuing securities. They use funds from the capital market to finance transactions and investments instead of keeping them in cash. This can lead to low cash reserves. The results of this study are not the results of
research from Suherman (2017), Wulandari & Setiawan (2019), and Abbas et al. (2020). However, in line with the research of Aftab et al. (2018), Rukh & Rehman (2013) stated that there is a negative and significant relationship between net working capital and cash holding.

**Conclusion**

Based on the results of the analysis and discussion, the following conclusions can be made:

Cash Flow has a positive and significant effect on cash holding in financial companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 research period. This can be seen from the results of testing the t-test hypothesis which shows that the significant cash flow variable is 0.0000 smaller than 0.05 and the t-count value of 5.501001 is greater than the t-table value of 1.65346 which means rejecting H0 and accepting Ha. So the first hypothesis is accepted. So that the first hypothesis is accepted.

Tax avoidance has a negative and significant effect on cash holding in financial companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 research period. This can be seen from the results of testing the t-test hypothesis which shows that the significant tax avoidance variable, namely 0.0015, is smaller than 0.05 and the t-count value of -3.221889 is smaller than the t-table value of 1.65346, which means accepting H0 and rejecting Ha. So, the second hypothesis is rejected. So the second hypothesis is rejected.

Growth Opportunity has a positive and significant effect on cash holding in financial companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 research period. This can be seen from the results of the t-test hypothesis testing which shows that the significant growth opportunity variable is 0.0400 equal to 0.05 and the t-count value of 2.069065 is greater than the t-table value of 1.65346 which means rejecting H0 and accepting Ha. So the third hypothesis is accepted.

Net Working Capital has a negative and significant effect on cash holding in financial companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 research period. This can be seen from the results of the t-test hypothesis testing which shows that the significant variable of net working capital, namely 0.0033, is smaller than 0.05 and the t-count value of -2.978434 is smaller than the t-table value of 1.65346, which means rejecting H0 and accepting Ha. So the fourth hypothesis is rejected.
Suggestions

Suggestions that can be used as consideration for future researchers or studies include the following:

Based on the results of the study, companies need to pay attention to factors that can affect the occurrence of cash holding, especially cash flow and growth opportunity as a consideration about cash holding. In this study, growth opportunity has a positive and significant effect on cash holding, which means that the higher the growth opportunity will affect the cash held by the company. Therefore, growth opportunities can be used as a factor for further research. Whether this factor will affect the cash held by the company.

Suggestions for future researchers are expected to develop research on companies in other sectors listed on the Indonesia Stock Exchange (IDX) and use independent variables that have not previously been used. This is because the value of the adjusted R Squared is only 22.56% which means there are still 77.44% of other factors that can affect cash holding, including firm size, leverage, and cash conversion cycle.

Adding to the research observation period in the long term. This is done to determine the extent to which the independent variables affect the cash holding of a company.

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