

CHAPTER V

CONCLUSION

5.1. Conclusions

This research is aimed to find evidences relate to the determinant of firm's cash holdings. This research used 84 Indonesian listed manufacturing firms from the year 2006 until 2014. Therefore, there are 756 firm-year observations. The research tests 6 independent variables with 1 dependent variable. Multiple regression analysis is used for the hypothesis testing. The results found that there are significant relationships of net working capital, dividend payment, sales growth, and cash from operation to firm's cash holdings. There are insignificant effects of firm size and firm age to firm's cash holdings. So, it can be concluded that:

1. Firm size has insignificant effect to firm's cash holdings in Indonesia. This result may be caused by the limitations in economies of scale that are often called diseconomies of scale. Diseconomies of scale explain after reaching a certain size, it becomes increasingly expensive to manage a gigantic organization. So, huge firms also need to hold more cash. Conglomeration or the type of business combination also can affect the relationship between firm size and firm's cash holdings.
2. Net working capital significantly affects firm's cash holdings. The effect is positive. Net working capital is representation of non-cash liquid assets. This research gives evidence that cash holdings and

non-cash liquid assets are parts of total assets, so they move inline in same directions.

3. Dividend payment significantly affects firm's cash holdings. Firms that currently pay dividend need more cash distributed to shareholders for precautionary motive purpose.
4. Sales growth is significant factor for firm's cash holdings in Indonesia. Sales growth is representation of growth and investment opportunity.
5. Cash from operations are significant determinant of firm's cash holdings. It is consistent with pecking order theory. Firms with high cash inflow from operations will retain more cash compared to firms with small amount of cash inflow from operations.
6. Firm age is not significant factor for firm's cash holdings. From this research, the result shows that older firms have more cash compared to younger firms. That might because older firms can generate more cash compared to younger firms.

5.2. Implication

This research can be used by potential investors to assess the firm's liquidity. Cash holding is a part of firm's liquidity. From this research, it is found that increasing in net working capital, sales growth, and cash from operations will boost firm's cash holdings. Dividend paying firms also hold more cash because they are reluctant to cut dividend. Cash is not a direct measurement of firm's performance, but cash can be assurance for firm's

daily business. By knowing what factors that may affect the firm's cash holdings, potential investor might have additional considerations to selecting investment.

5.3. Limitation and Suggestion

The population of this research is Indonesian manufacturing firms. Future researchers can expand the scope of population. In the future, the population can be all Indonesian listed firms, not just only manufacturing firms. From this research, there are six factors that are tested the effect to firm's cash holdings. Future research can add more variables, like capital expenditure, leverage, and corporate governance. In addition, the measurements of several variables can be changed in the next research. Firm size and firm age do not significantly affect firm's cash holdings in Indonesian manufacturing firms. Future research may change the measurement of firm size by change it to the natural log of total sales. The measurement of firm age can be diversified by grouping the age of firms in several stages not just only two groups which are younger and older. Firm age may be classified in introduction, growth, mature, shake-out, and decline stage.

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APPENDICES

Appendix I
List of Sample

No	CODE	FIRMS
1	ADES	Akasha Wira International Tbk.
2	AISA	Tiga Pilar Sejahtera Food Tbk.
3	AKKU	Alam Karya Unggul Tbk.
4	AKPI	Argha Karya Prima Industry Tbk.
5	ALKA	Alakasa Industrindo Tbk.
6	ALMI	Alumindo Light Metal Industry Tbk.
7	AMFG	Asahimas Flat Glass Tbk.
8	APLI	Asiaplast Industries Tbk.
9	ARNA	Arwana Citramulia Tbk.
10	ASII	Astra International Tbk.
11	AUTO	Astra Otoparts Tbk.
12	BATA	Sepatu Bata Tbk.
13	BIMA	Primarindo Asia Infrastructure Tbk.
14	BRNA	Berlina Tbk.
15	BTON	Betonjaya Manunggal Tbk.
16	BUDI	Budi Starch & Sweetener Tbk.
17	CEKA	Wilmar Cahaya Indonesia Tbk.
18	CPIN	Charoen Pokphand Indonesia Tbk.
19	DLTA	Delta Djakarta Tbk.
20	DPNS	Duta Pertiwi Nusantara Tbk.
21	DVLA	Darya-Varia Laboratoria Tbk.
22	EKAD	Ekadharma International Tbk.
23	ETWA	Eterindo Wahanatama Tbk.
24	FASW	Fajar Surya Wisesa Tbk.
25	GGRM	Gudang Garam Tbk.
26	GJTL	Gajah Tunggal Tbk.
27	HDTX	Panasia Indo Resources Tbk.
28	HMSP	HM Sampoerna Tbk.
29	IGAR	Champion Pacific Indonesia Tbk.
30	IKAI	Intikeramik Alamasri Industri
31	IMAS	Indomobil Sukses Internasional Tbk.
32	INAF	Indofarma (Persero) Tbk.
33	INAI	Indal Aluminium Industry Tbk.
34	INCI	Intanwijaya Internasional Tbk.
35	INDF	Indofood Sukses Makmur Tbk.
36	INDS	Indospring Tbk.
37	INTP	Indocement Tunggal Prakarsa Tbk.
38	JECC	Jembo Cable Company Tbk.
39	JKSW	Jakarta Kyoei Steel Works Tbk.
40	JPFA	JAPFA Comfeed Indonesia Tbk.
41	JPRS	Jaya Pari Steel Tbk.

42	KAEF	Kimia Farma (Persero) Tbk.
43	KBLI	KMI Wire and Cable Tbk.
44	KBLM	Kabelindo Murni Tbk.
45	KDSI	Kedawung Setia Industrial Tbk.
46	KICI	Kedaung Indah Can Tbk.
47	KLBF	Kalbe Farma Tbk.
48	LION	Lion Metal Works Tbk.
49	LMPI	Langgeng Makmur Industri Tbk.
50	LMSH	Lionmesh Prima Tbk.
51	LPIN	Multi Prima Sejahtera Tbk.
52	MERK	Merck Tbk.
53	MLIA	Mulia Industrindo Tbk.
54	MRAT	Mustika Ratu Tbk.
55	MYOR	Mayora Indah Tbk.
56	MYTX	Apac Citra Centertex Tbk.
57	NIPS	Nipress Tbk.
58	PICO	Pelangi Indah Canindo Tbk.
59	PRAS	Prima Alloy Steel Universal Tbk.
60	PSDN	Prasidha Aneka Niaga Tbk.
61	PYFA	Pyridam Farma Tbk.
62	RICY	Ricky Putra Globalindo Tbk.
63	RMBA	Bentoel Internasional Investama Tbk.
64	SCCO	Supreme Cable Manufacturing & Commerce Tbk.
65	SCPI	Merck Sharp Dohme Pharma Tbk.
66	SIMA	Siwani Makmur Tbk.
67	SIPD	Sierad Produce Tbk.
68	SKLT	Sekar Laut Tbk.
69	SMCB	Holcim Indonesia Tbk.
70	SMGR	Semen Indonesia (Persero) Tbk.
71	SMSM	Selamat Sempurna Tbk.
72	SPMA	Suparma Tbk.
73	SQBB	Taisho Pharmaceutical Indonesia Tbk.
74	SRSN	Indo Acidatama Tbk.
75	STTP	Siantar Top Tbk.
76	SULI	SLJ Global Tbk.
77	TCID	Mandom Indonesia Tbk.
78	TIRT	Tirta Mahakam Resources Tbk.
79	TOTO	Surya Toto Indonesia Tbk.
80	TRST	Trias Sentosa Tbk.
81	TSPC	Tempo Scan Pacific Tbk.
82	ULTJ	Ultrajaya Milk Industry & Trading Co. Tbk.
83	UNVR	Unilever Indonesia Tbk.
84	VOKS	Voksel Electric Tbk.

Appendix II SPSS Results

Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CASH	756	.00028	1.03148	.1269064	.1857966
SIZE	756	23.08	33.09	27.6729	1.62719
NWC	756	-1.970985	.853896	.14018066	.288031343
DIVDUMM	756	.00	1.00	.4669	.49924
SALES	756	-.91	5.91	.1464	.35866
CFO	756	-.55	1.70	.0846	.16341
AGE	756	.00	3.58	2.7404	.38728
Valid N (listwise)	756				

Normality Test Before Transformation

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		756
Normal Parameters ^{a,b}	Mean	0E-7
	Std. Deviation	.15517755
	Absolute	.148
Most Extreme Differences	Positive	.148
	Negative	-.086
Kolmogorov-Smirnov Z		4.081
Asymp. Sig. (2-tailed)		.000

a. Test distribution is Normal.

b. Calculated from data.

Normality Test After Transformation

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		756
Normal Parameters ^{a,b}	Mean	0E-7
	Std. Deviation	.55648032
Most Extreme Differences	Absolute	.041
	Positive	.035
	Negative	-.041
Kolmogorov-Smirnov Z		1.139
Asymp. Sig. (2-tailed)		.149

a. Test distribution is Normal.

b. Calculated from data.

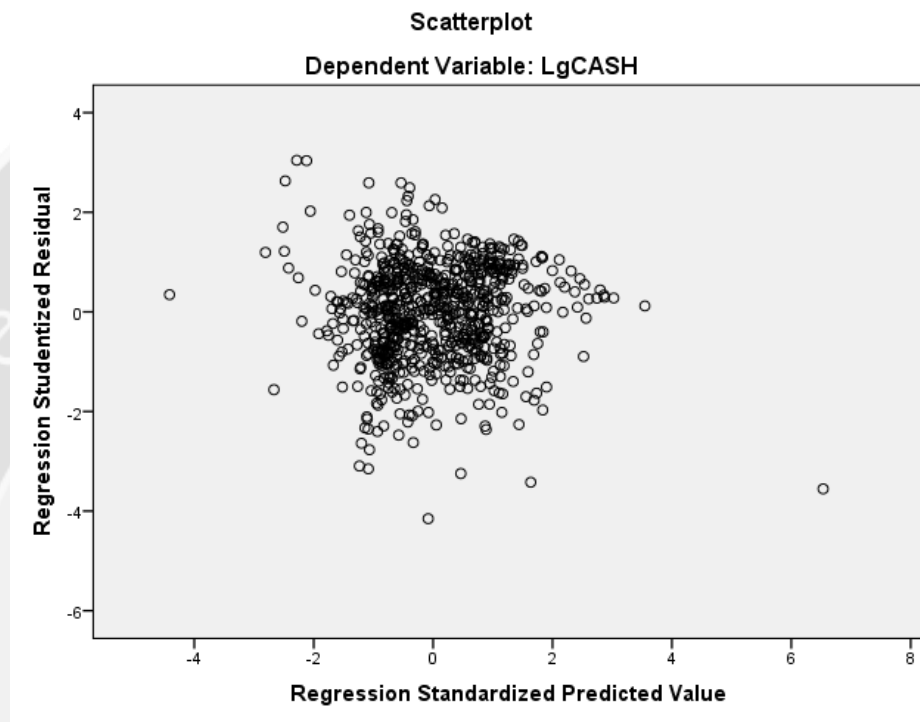
Multicollinearity Test

Coefficients^a

Model	Collinearity Statistics		
	Tolerance	VIF	
1	SIZE	.735	1.360
	NWC	.858	1.165
	DIVDUMM	.695	1.439
	SALES	.999	1.001
	CFO	.851	1.175
	AGE	.850	1.177

a. Dependent Variable: LgCASH

Heteroscedasticity Test



Autocorrelation Test

Durbin-Watson Test

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.534 ^a	.285	.279	.55870	1.999

a. Predictors: (Constant), AGE, SALES, NWC, CFO, SIZE, DIVDUMM

b. Dependent Variable: LgCASH

Regression Result

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.534 ^a	.285	.279	.55870

a. Predictors: (Constant), AGE, SALES, NWC, CFO, SIZE, DIVDUMM

b. Dependent Variable: LgCASH

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	93.251	6	15.542	49.789	.000 ^b
	Residual	233.801	749	.312		
	Total	327.052	755			

a. Dependent Variable: LgCASH

b. Predictors: (Constant), AGE, SALES, NWC, CFO, SIZE, DIVDUMM

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.424	.390		-3.650	.000
	SIZE	-.023	.015	-.056	-1.550	.122
	NWC	.317	.076	.139	4.167	.000
	DIVDUMM	.328	.049	.249	6.717	.000
	SALES	.096	.057	.053	1.698	.090
	CFO	1.252	.135	.311	9.281	.000
	AGE	.153	.057	.090	2.690	.007

a. Dependent Variable: LgCASH