

Firm Size, Firm Performance, Sales Growth, and Growth Opportunity: in Cash Holding Management in Real Estate and Property Companies on the Indonesia Stock Exchange

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Abstract: *The purpose of this study is to determine and examine the effect of firm size, firm performance, sales growth and growth opportunities on cash holdings. This research is a quantitative study using multiple linear regression analysis with the help of SPSS version 26 software. The population in this study are real estate and property companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. The sampling technique in this study used a purposive sampling method, the samples used were 63 real estate companies and data properties that met the data criteria as many as 39 data were used as research. The results of the research analysis of firm size and firm performance have an effect on cash holdings, while sales growth and growth opportunities have no effect on cash holdings of real estate and property companies for the 2018-2021 period.*

Keywords: Firm Size, Firm Performance, Sales Growth, Growth Opportunity, Cash Holding

I. INTRODUCTION

At this time, the development of competition between businesses causes companies to have a management system or good management within the company, including the management of the company's cash. Inappropriate cash management practices not only lead to a waste of company expenses, but can also hinder the company's growth and the effectiveness of the company's operational activities. One form of cash management is to determine the level of cash or cash equivalents owned by the company or determine the optimal level of cash holding for the company. (Arieskawati, 2017).

The availability of cash is very important in a company, especially in the transactional and operational activities of the company. Holding large amounts of cash can provide various benefits for companies, one of which is to finance unexpected expenses. The problem that is often faced by a financial manager is carrying out the company's operational activities while maintaining the balance of the company's cash balance. With the increasing importance of managing the balance of the company's cash balance, the more attention from various parties such as managers and investors to the company's cash holdings. (Al-Najjar, 2013; Jamil et al., 2016)

According to (Ogundipe et al., 2012) Cash Holding is defined as cash in the company or available for investment in physical assets and for distribution to investors. Because of this, Cash Holdings are seen as cash and cash equivalents that can be easily converted into cash. A sufficient amount of cash holdings indicates good liquidity of a company. Cash Holding can also be said as cash used by the company in the needs of daily activities. Cash owned by the company can be used as a tool for paying debts, buying necessities, leasing buildings and equipment, and so on. Cash Holding is cash owned by the company or has provided investment in physical assets and will be distributed to investors. (Gill & Shah, 2011). Cash Holding policy is also influenced by many factors, including Firm Size, Firm Performance, Sales Growth, and Growth Opportunity.

Firm Size also affects Cash Holding. Firm size will affect the level of cash holding of a company because the company will certainly try to maintain its operating and investment levels. Large companies have more ability to maintain high cash holdings, which can be used as reserves when the company experiences unexpected events in the future. (Alicia et al., 2020)

Another factor that influences Cash Holdings is related to Sales Growth. Sales growth is also an indicator of demand and company competitiveness in an industry. The growth of a company's sales growth can affect the ability to maintain profits in funding opportunities in the future. (Agustin Ekadjaja, 2020)

Sales Growth can be a benchmark for a company. A company must pay attention to Sales Growth to find out how far the company is in the future. If a company experiences high Sales Growth, it will increase the company's Firm Performance. So the higher Sales Growth will affect assets, income and especially affect Firm Performance which is increasing.

According to (Alicia et al., 2020) Growth opportunity is the ratio to measure how much a company is able to maintain its position in operations and in global economic development. Opportunities for growth will increase the company's cash holding, because the greater the opportunity for a company to grow, the greater the opportunity to get a greater return, so that the higher the company's ability to maintain cash as a fulfillment of investment needs in the future.

II. LITERATURE REVIEW

2.1 Signaling Theory

Signaling theory provides clues to how companies provide signals or information to users of financial statements. According to Jogiyanto (2003) information published as an announcement will provide a signal for investors in making investment decisions. Investors will first analyze whether the announcement is a positive signal or a negative signal. If the announcement contains a positive value, it is hoped that the market will react when the announcement is received by the market. (Saputra&Fachrurrozie, 2015)

2.2 Agency Theory

Agency theory describes the relationship between owners (principal) and manager (agent) in managing the company, where the owner is a surrendering entity authority to manage the company to the manager. Agency theory explains that the interests of managers are often contrary to the interests of the owner, so that conflicts often occur (Jensen and Meckling, 1976).

2.3 Cash Holding

Cash is one part of the many current assets that is the most liquid and easily changes hands in making transactions. The liquid nature of cash means that cash has the lowest rate of return compared to if the cash is invested in other assets that are more profitable, for example time deposits, buying bonds from other companies, and so on. Cash consists of coins, banknotes, checks, money orders (money orders or postal remittances). Which is usually in the form of a bank draft or bank check), and hand cash or deposit at a bank or some kind of deposit.

2.4 Firm Size

Firm Size is a description of the size of a company. Large companies are considered capable of increasing the value of the company, because the management is more flexible in using the assets owned by the company to increase productivity so that it will increase the value of the company. (Saputra&Fachrurrozie, 2015). In this study, firm size is measured using Ln Asset. Based on the description above, the hypothesis can be formulated as follows :

Hypothesis 1 (H1) : Firm Size affect the Cash Holding

2.5 Firm Performance

Firm performance is a description of the company's financial condition as measured by financial ratio analysis, as well as knowing the company's financial ability which reflects work achievements in a certain period (Wau, 2021). Company performance shows the ability of a company to provide benefits from assets, equity and debt. In this study, firm performance is measured using Return on Equity (ROE). Return on Equity (ROE) is a ratio that reflects a company's ability to use equity to obtain net profit after tax. Based on the description above, the hypothesis can be formulated as follows:

Hypothesis 2 (H2) : Firm Performance affect the Cash Holding

2.6 Sales Growth

Sales growth reflects the company's ability to increase its sales from time to time. The higher the growth rate of a company, the company is successful in carrying out its strategy in terms of product marketing and sales. This proves that the greater the profit that the company will get from the sale. (Widarjo&Setiawan, 2009). Based on the description above, the hypothesis can be formulated as follows:

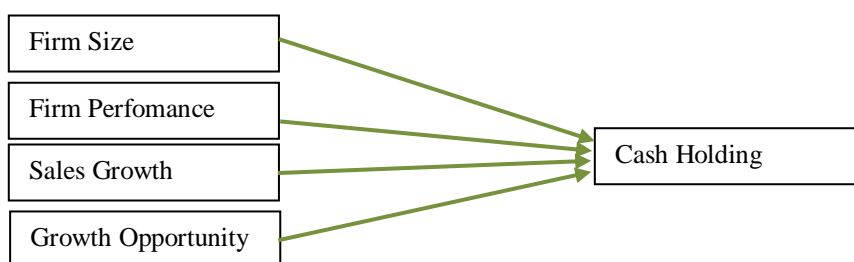
Hypothesis 3 (H3) : Sales Growth affect the Cash Holding

2.7 Growth Opportunity

Growth opportunity, namely the ratio to measure how much the company's ability to maintain its position in operations and in global economic development. Opportunities for growth will increase the company's cash holdings, because the greater the opportunity for a company to grow, the greater the opportunity to get a greater return, so that the higher the company's ability to maintain cash as a fulfillment of investment needs in the future. (Alicia et al., 2020). Based on the description above, the hypothesis can be formulated as follows:

Hypothesis 4 (H4) : Growth Opportunity affect the Cash Holding

2.8 Research Framework



III. INDENTATIONS AND EQUATIONS

3.1 Research Design

This research is a type of quantitative research with the aim of testing the hypothesis with a causal approach, namely a causal relationship, there are independent variables that influence the dependent variable that is affected.

3.2 Population and Sample

The population used in this study are real estate and property companies listed on the Indonesia Stock Exchange for the 2018-2021 period. The sampling technique uses a purposive sampling method, namely sampling based on objectives by providing certain criteria.

3.3 Type and Source Data

The type of data in this study uses secondary data in the form of annual reports and financial reports of real estate and property companies listed on the Indonesian Stock Exchange in 2018-2021. Data sources were obtained through the official website of the Indonesia Stock Exchange (IDX), namely (<https://www.idnfinancials.com/>) and from each company's website.

3.4 Multiple Linear Regression Analysis

The analytical method used to test the hypothesis in this study is a multiple linear regression analysis model. Multiple linear regression analysis is used to determine the influence between the independent variables and the dependent variable. This study uses the regression equation as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Information :

- α : Constant
- β : Regression coefficient of each independent variable
- Y : Cash Holding (Y)
- X1 : Firm Size (X₁)
- X2 : Firm Performance (X₂)
- X3 : Sales Growth (X₃)
- X4 : Growth Opportunity (X₄)
- ϵ : Error terms

IV. DATA ANALYSIS AND DISCUSSION

4.1 Descriptive Statistical Analysis

Table 1. Results of Descriptive Statistical Analysis

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Firm Size	127	25,04	31,75	29,1439	1,50737
Firm Performance	127	-15,09	19,47	1,7149	6,87125
Sales Growth	127	-0,81	0,58	-0,0965	0,28044
Growth Opportunity	127	-0,17	0,21	0,0300	0,06859
Cash Holding	127	0,00	0,19	0,0587	0,04949
Valid N (listwise)	127				

Source: Secondary data processed by the author, 2023.

Based on the results of the descriptive statistical tests in table 1, there is information regarding the minimum, maximum, average, and standard deviation values of each of the variables studied in this study.

1. Firm size has a minimum value of 25,04 and a maximum value of 31,75. While the average value is 29,1439 and the standard deviation value is 1,50737.
2. Firm performance has a minimum value of -15,09 and a maximum value of 19,47. While the average value is 1,7149 and the standard deviation value is 6,87125.
3. Sales growth has a minimum value of -0.81 and a maximum value of 0.58. While the average value is -0,0965 and the standard deviation value is 0,28044.
4. Growth opportunity has a minimum value of -0,17 and a maximum value of 0,21. While the average value is 0,3000 and the standard deviation value is 0,06859.
5. Cash holding has a minimum value of 0,00 and a maximum value of 0,19. While the average value is 0,0587 and the standard deviation value is 0,04949.

4.2 Classic Assumption Test

4.2.1 Normality Test

Table 2. Normality Test Result

Information	Unstandardized Residual
Asymp. Sig. (2-tailed)	,062

Source: Secondary data processed by the author, 2023.

Based on the table of normality test results, the Sig 2-tailed value using Kolmogorov-Smirnov shows that 0.062 is greater than 0.05. So it can be concluded that the data is normally distributed.

4.2.2 Multicollinearity Test

Table 3. Multicollinearity Test Result

Variables	Collinearity Statistics		Information
	Tolerance	VIF	
Firm Size	,888	1,126	There is No Multicollinearity
Firm Performance	,866	1,155	There is No Multicollinearity
Sales Growth	,940	1,064	There is No Multicollinearity
Growth Opportunity	,941	1,063	There is No Multicollinearity

Source: Secondary data processed by the author, 2023.

Based on the table of multicollinearity test results, it can be seen that all independent variables have a Tolerance Value (TV) value greater than 0.10 and the Variance Inflation Factor (VIF) is less than 10, so it can be concluded that the variables in the equation model used in this study do not occur multicollinearity.

4.2.3 Heteroscedasticity Test

Table 4. Heteroscedasticity Test Result

Variables	Sig (2-Tailed)	Information
Firm Size	.128	There is No Heteroscedasticity
Firm Performance	.245	There is No Heteroscedasticity
Sales Growth	.417	There is No Heteroscedasticity
Growth Opportunity	.831	There is No Heteroscedasticity

Source: Secondary data processed by the author, 2023.

Based on the table it can be seen that all the independent variables in the study showed a Sig value greater than 0.05. So it can be concluded that all independent variables in this study were free from symptoms of heteroscedasticity.

4.2.4 Autocorrelation Test

Table 5. Autocorrelation Test Result

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,501 ^a	,251	,226	,04353	1,335

Source: Secondary data processed by the author, 2023.

The autocorrelation test results table above shows that the Durbin-Watson value is 1.335. The Durbin-Watson value of the research data is between -2 and 2, so it can be concluded that there is no autocorrelation in the regression model equation.

4.3 Hypothesis Test

4.3.1 Multiple Linear Regressions

Table 6. Multiple Linear Regression

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-26,462	7,933		-3,336	0,001
Firm Size	0,011	0,003	0,336	4,034	0,000
Firm Performance	0,002	0,001	0,282	3,345	0,001
Sales Growth	0,006	0,014	0,034	0,419	0,676
Growth Opportunity	-0,019	0,058	-0,027	-0,333	0,740

Source: Secondary data processed by the author, 2023.

Based on the table, the regression equation can be arranged as follows:

$$CH = \alpha + \beta_1FS + \beta_2FP + \beta_3SG + \beta_4GO + \epsilon$$

Based on the regression equation, it can be interpreted as follows:

1. A constant value of -26.462 means that if the variables firm size (FS), firm performance (FP), sales growth (SG), growth opportunity (GO) do not change or are considered constant (value 0), then cash holding is -26.462.
2. The regression coefficient on the variable firm size shows a value of 0.011 and is positive. This shows that if Firm Size increases by 1 unit, the cash holding level will increase by 0.011, and vice versa if FS decreases by 1 unit, the cash holding level will increase by 0.011.
3. The regression coefficient on the firm performance variable shows a value of 0.002 and is positive. This shows that if FS increases by 1 unit, the cash holding level will increase by 0.002 and vice versa if FS decreases by 1 unit, the cash holding level will increase by 0.002.

4. The regression coefficient on the variable sales growth (SG) shows a value of 0.006 and is positive. This shows that if sales growth increases by 1 unit, the cash holding level will increase by 0.006, and vice versa if sales growth decreases by 1 unit, the cash holding level will increase by 0.006.
5. The regression coefficient on the growth opportunity (GO) variable shows a value of -0.019 with a negative sign. This shows that if the growth opportunity increases by 1 unit, the cash holding level will decrease by 0.019, and vice versa if the growth opportunity decreases by 1 unit, the cash holding level will increase by 0.019.

4.3.2F Test

Table 7. F Test

Variables	Sum of Square	df	Mean Square	F	Sig.
Regression	774,111	4	193,528	10,213	0,000 ^b
Residual	2311,873	122	18,950		
Total	3085,984	126			

Source: Secondary data processed by the author, 2023.

Based on the table, it shows that the significance value (0.000) is smaller than the significance level α (0.05), so it can be concluded that the variables firm size (FS), firm performance (FP), sales growth (SG), and growth opportunity (GO)) simultaneously affect the cash holding.

4.3.3 T Test

Table 8. T Test

Variables	t	Sig	Information
Firm Size	4,034	0,000	Hypothesis accepted
Firm Performance	3,345	0,001	Hypothesis accepted
Sales Growth	0,419	0,676	Hypothesis is rejected
Growth Opportunity	-0,333	0,740	Hypothesis is rejected

Source: Secondary data processed by the author, 2023.

Based on the table, it can be explained as follows :

- a. The firm size variable has a significant value of 0.000, which means it is less than 0.05 or 5%. Thus it can be concluded that H1 is accepted, meaning that firm size has an effect on cash holding
- b. The firm performance variable has a significant value of 0.001 which means it is less than 0.05 or 5%. Thus it can be concluded that H2 is accepted, meaning that firm performance affects cash holding.
- c. The sales growth variable has a significant value of 0.676 which means it is greater than 0.05 or 5%. Thus it can be concluded that H3 is rejected, meaning that sales growth has no effect on cash holding.
- d. The growth opportunity variable has a significant value of 0.740 which means it is greater than 0.05 or 5%. Thus it can be concluded that H4 is rejected, meaning that growth opportunity has no effect on cash holding.

4.3.4 Determination Coefficient Test

Table 9. Determination Coefficient Test

R	R Square	Adjusted R Square	Std. Error of the Estimate
,501 ^a	,251	,226	4,35313

Source: Secondary data processed by the author, 2023.

Based on the table, the coefficient of determination (Adjusted R2) is 0.226. This means that 22.6% of the variation in the dependent variable on stock prices can be explained by the independent variables firm size (FS), firm performance (FP), sals growth (SG), and growth opportunity (GO). While the rest (77.4) is explained by other variables outside the model studied.

V. CONCLUSION

Conclusion

Based on the results of the analysis and discussion in the previous chapter, the following conclusions can be drawn:

- a. Firm size affects cash holding. This shows that firm size is one of the determining factors for cash holding.
- b. Firm performance affects cash holding. This shows that firm performance is one of the determining factors for cash holding.
- c. Sales growth has no effect on cash holding. This shows that sales growth is not a determining factor for cash holding.
- d. Growth opportunity has no effect on cash holding. This shows that growth opportunity is not a determining factor for cash holding.

Limitations

This research still has limitations, so it is necessary to pay attention to previous researchers. The limitations of the existing research are as follows:

1. This research only comes from real estate and property companies listed on the Indonesia Stock Exchange for a period of only four years 2018-2021.
2. The results of the coefficient of determination test (Adjusted R Square) show that the independent variable explains the variation of the dependent variable, namely cash holding of 0.226 or 22.6% while the remaining 77.4% is explained by other variables not included in this study.

Suggestion

Based on the conclusions and limitations of this study, the researcher provides recommendations for consideration in further research, namely :

1. For further researchers, they can conduct research by expanding the sample of other corporate sectors, and researchers can extend the research period, for example five years or more so that the results can better describe long-term conditions and provide more accurate results.
2. For future researchers, they can add and use other independent variables that can clarify research on cash holdings as a whole, so that more factors are known that are thought to influence cash holdings.

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