

# Firm Size, Sales Growth, and Good Corporate Governance: in Cash Holding Management in Real Estate and Property Companies on the Indonesia Stock Exchange

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**Abstract:** *Inventory of cash on hand (cash holdings) is the cash needed to meet the needs of the company's daily operational activities. Holding large amounts of cash can provide various advantages for companies, one of which is to finance unexpected expenses. Holding excess cash also has a negative side, namely the loss of the company's opportunity to earn profits because cash that is only stored will not provide income. Therefore, 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. The purpose of this study was to determine the effect of Firm Size, Sales Growth, and Good Corporate Governance on Cash Holding. The population in this study are Real Estate and Property companies listed on the Indonesia Stock Exchange in the 2018-2021 period. Sampling was carried out by purposive sampling method and obtained as many as 191 companies that met the criteria for analysis. The data analysis method used is multiple linear regression analysis. The results of the research from testing the data show that firm size has an effect on cash holding, while sales growth, the Board of Commissioners, the Board of Independent Commissioners, and institutional ownership have no effect on cash holding in Real Estate and Property companies.*

**Keywords:** Firm Size, Sales Growth, Good Corporate Governance, Cash Holding

## I. INTRODUCTION

Cash holding is cash that the company owns or is available for investment in physical assets and for distribution to investors. Inventory of cash on hand (cash holdings) is the cash needed to meet the needs of the company's operational activities. This cash supply can be in the form of cash in the company or in the form of cash in a bank that can be easily disbursed.

Firm size can also affect cash holding. Company size is very important in the corporate business world. This is seen in determining the company's relationship with the environment outside the company, for example the growth of multinational companies in the current economy, reflects the importance of company size in the business environment (Abiodun, 2013). This is one of the proofs that the size of the company can be large or small the company will affect cash holdings.

Another factor that influences cash holding is related to sales growth. Sales growth can be a benchmark for a company. As a prediction of future growth and to find out how far the company has made sales, the company must pay attention to sales growth. The higher sales growth will affect assets and income, conversely when sales growth experiences a low number because the company's sales have decreased from the previous period it will affect company profits, assets and company debt.

Corporate governance (good corporate governance) also affects cash holdings, because corporate governance is a series of processes of policies, rules and institutions that affect the direction, management and control of the company. Corporate governance (good corporate governance) includes the relationship between stakeholders with the aim of managing the company. Corporate governance has several mechanisms that can be applied by companies, both internal and external mechanisms. The main parties that play a role in corporate governance are the shareholders, management and the board of directors. The pursuit of shareholders is protected through a corporate governance mechanism consisting of an effective board of directors who can efficiently play a supervisory and supervisory role, the independence and quality of the board (Khattak, et al. 2017).

## II. LITERATURE REVIEW

### 2.1 Agency Theory

Michael Johnson assumes that company management (agent) will act with full awareness for its own interests, not as a wise and fair party to shareholders (Sejati, et al. 2018). According to Jensen and Meckling, (1976) view of agency theory that company management as an agent for shareholders, will act with full awareness for its own interests, not as a fair and wise party to shareholders. This agency theory views that management cannot be trusted to act as well as possible for the public interest in general and shareholders in particular. (Hamdani 2016:33).

#### 2.1 Signaling Theory

According to Telly and Ansori, (2017) signal in English means a sign, or a sign. In signal theory, it is a way for companies to provide signals or signs to users of the information disclosed by the company. Signal theory is a theory that shows that every organization will try to show a positive signal in the form of information to information users or stakeholders (Oliveira, et al. 2006).

#### 2.2 Cash Holding

The availability of cash is very important in a company, especially in the transactional and operational activities of the company. According to Suherman, (2017) holding large amounts of cash can provide various advantages for companies, one of which is to finance unexpected expenses. Holding excess cash also has a negative side, namely the loss of the company's opportunity to earn profits because cash that is only stored will not provide income. Therefore, 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. The more important it is to regulate the balance of the company's cash balance, the more attention from various parties such as managers and investors have towards the company's cash holdings (Jamil, et al. 2016).

#### 2.3 Firm Size

Company size is also an important factor for investors and creditors before making investment decisions, because company size is related to the risk of an investment. Company 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 amounts of cash holdings, which can be used for reserves when the company experiences unexpected events in the future (Alicia, et al. 2020)

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

#### 2.4 Sales Growth

Increasing sales growth in the company is one of the factors creating company profitability. Because if the company has a good profit automatically good sales growth. To determine the level of profit progress, sales growth is often used as a measure in the company.

**Hypothesis 2 (H2) : Sales Growth affect the Cash Holding**

#### 2.5 Good Corporate Governance

Corporate governance (good corporate governance) also affects cash holdings, because corporate governance is a series of processes of policies, rules and institutions that affect the direction, management and control of the company. Corporate governance (good corporate governance) includes the relationship between stakeholders with the aim of managing the company. Corporate governance has several mechanisms that can be applied by companies, both internal and external mechanisms. The main parties that play a role in corporate governance are the shareholders, management and the board of directors. The pursuit of shareholders is protected through a corporate governance mechanism consisting of an effective board of directors who can efficiently play a supervisory and supervisory role, the independence and quality of the board (Khattak, et al. 2017). In this study, the independent variable good corporate governance is proxied to be 3 variables, namely the proportion of commissioners, the proportion of independent commissioners, and the proportion of institutional ownership.

##### 2.5.1 The Proportion Of The Board Of Commissioners

The board of commissioners is one of the structures of good corporate governance, the board of commissioners has the duty to carry out the oversight function of the company's directors. According to Lee and Lee, (2010) stated that a company with a small board of commissioners is expected to have small cash holdings, because a small board of commissioners tends to be more efficient in making decisions. So that supervision and decision making on management actions tend to be more efficient, this can reduce management actions that can act in their own interests.

**Hypothesis 3 (H3) : The Proportion Of The Board Of Commissioners affect the Cash Holding**

**2.5.2 The proportion of the Board of Independent Commissioners**

Independent commissioners are members of the board of commissioners who are not members of management, majority shareholders, interested parties or have direct or indirect relationships with the company or other interested parties. Independent commissioners have duties and functions in terms of supervising the company's board of directors. Therefore the role of an independent commissioner in a company is needed to make the company better (Mawardi and Nurhalis, 2018).

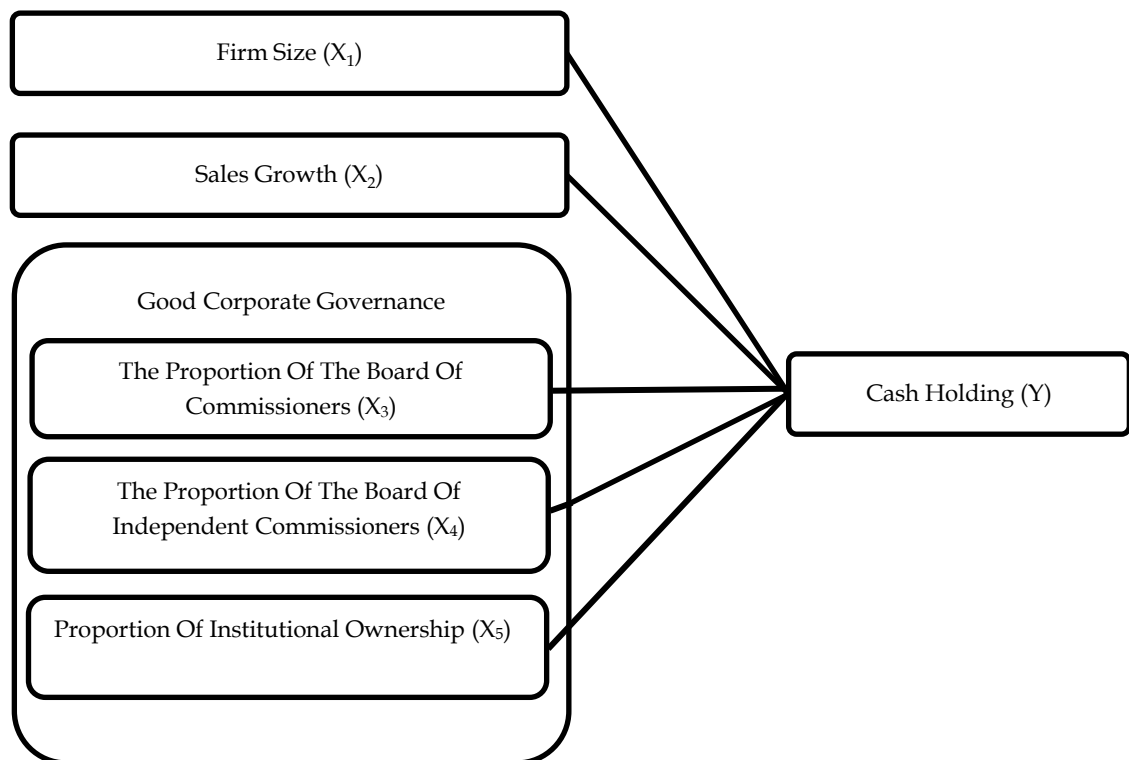
**Hypothesis 4 (H4) : The Proportion Of The Board Of Independent Commissioners affect the Cash Holding**

**2.5.3 Proportion Of Institutional Ownership**

Institutional ownership is the amount of share ownership by institutions (the intended institutions are the government, foreign institutions and financial institutions, such as insurance companies, banks and pension funds) in the company. A high level of institutional ownership will lead to greater oversight efforts by institutional investors so as to deter opportunistic behavior. Institutional ownership can generally act as a party that monitors the company (Mutmainah, 2015). In the opinion of Rahmawati (2019), the existence of share ownership by other institutions causes an increase in the effectiveness of control over all decisions taken by the company's management, so that it will reduce the actions of company management who prioritize personal interests when making decisions on the company's cash holding policy. and management will not continuously hold too much cash, so that the company's cash holding level remains optimal.

**Hypothesis 5 (H5) : Proportion Of Institutional Ownership affect the Cash Holding**

**2.6 Research Framework**



### III. INDENTATIONS AND EQUATIONS

#### 3.1 Research Design

This research is a quantitative type of research with the aim of testing the hypothesis using a causal approach, namely a causal relationship, namely the independent variable that influences and the dependent variable that is influenced. In this study using a ratio scale for all variables and the time period used is the time series.

#### 3.2 Type and Source Data

The type of data used in this study is secondary data. Secondary data is data obtained indirectly, but through intermediary media. The data used in this study were taken from the financial reports and annual reports of real estate and property companies listed on the Indonesia Stock Exchange (IDX) for 2018-2021. Data sources were obtained from the official website of the Indonesia Stock Exchange (IDX), namely [www.idnfinancials.com](http://www.idnfinancials.com) and from each company's website.

#### 3.3 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 purposif sampling metode, namely sampling based on objectives by providing certain criteria.

#### 3.4 Multiple Liniear Regression Analysis

In this study there was more than one independent variable (independent variable), therefore the authors used multiple linear regression analysis techniques. To determine the influence between the independent variable and the dependent variable, this regression model is used. This study uses the regression equation as follows:

$$Y = \alpha + \beta_1 FS + \beta_2 SG + \beta_3 DK + \beta_4 DKI + \beta_5 KI$$

Information :

- $\alpha$  = Constant
- $\beta$  = Regression Coefficient of Each Independent Variable
- CH = Cash Holding (Y)
- FS = Firm Size ( $X_1$ )
- SG = Sales Growth ( $X_2$ )
- DK = The Proportion Of The Board Of Commissioners ( $X_3$ )
- DKI = The Proportion Of The Board Of Independent Commissioners ( $X_4$ )
- KI = Proportion Of Institutional Ownership ( $X_5$ )
- $\varepsilon$  = 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	191	25,01	31,75	29,0374	1,48797
Sales Growth	191	-1,00	2,38	-0,1758	0,47655
The Proportion Of The Board Of Commissioners	191	2,00	10,00	3,8953	1,55581
The Proportion Of The Board Of Independent Commissioners	191	0,00	0,80	0,3871	0,13636
Proportion Of Institutional Ownership	191	0,05	0,98	0,5747	0,23619
Valid N (listwise)	191	0,00	0,29	0,0606	0,05606

Source : Secondary data prosseeded by the author, 2023

Based on the results of the descriptive statistical test in table 4.1, 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 25,01 and maximum value of 31,75. While the average value is 29,0374 and the standard deviation value is 1,48797.
2. Sales Growth has a minimum value of -1,00 and maximum value of 2,38. While the average value is -0,1758 and the standard deviation value is 0,47655.
3. The Proportion Of Commissioners has a minimum value of 2,00 and maximum value of 10,00. While the average value is 3,8953 and the standard deviation value is 1,55581.
4. The Proportion Of Independent Commissioners has a minimum value of 0,00 and maximum value of 0,80. While the average value is 0,3871 and the standard deviation value is 0,13636.
5. Institutional Ownership has a minimum value of 0,05 and maximum value of 0,98. While the average value is 0,5747 and the standard deviation value is 0,23619.

##### 4.2 Classic Assumption

###### 4.2.1 Normality Test

Table 2. Results of Normality Test

N	191
Asymp. Sig. (2-tailed)	0,000
Monte Carlo Sig. (2-tailed)	0,005

Source : Secondary data prosseeded by the author, 2023

Based on the table of normality test results, the Sig 2-tailed value using Kolmogorov-Smirnov show that 0,000. A good regression model is one that has a normal distribution of data or that is close to normal. The normality test in this study uses the Central Limit Theorem (CLT. If the sample is with  $n > 30$ , the CLT approximation will be more accurate or closer to the normal distribution (Lind, Marchal and Wathen, 2014)

Based on the results of the CLT test, it was found that  $186 > 30$ . This indicates that the data has been normally distributed because the value of  $n > 30$ .

**4.2.2 Multicollinearity Test**

Table 3. Results of Multicollinearity Test

Variables	Collinearity Statistics		Information
	Tolerance	VIF	
Firm Size	0,860	1,163	There is No Multocollinearity
Sales Growth	0,973	1,028	There is No Multocollinearity
The Proportion Of The Board Of Commissioners	0,855	1,170	There is No Multocollinearity
The Proportion Of The Board Of Independent Commissioners	0,979	1,021	There is No Multocollinearity
Proportion Of Institutional Ownership	0,962	1,039	There is No Multocollinearity

Source : Secondary data prosseeded by the author, 2023

Based on the table of multikolinearity test results, it can be seen that all independent variables have a Tolerance Value greather than 0,01 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. Results of Heteroscedasticity Test

Variables	Sig (2-Tailed)	Information
Firm Size	0,287	There is No Heteroskedasticity
Sales Growth	0,175	There is No Heteroskedasticity
The Proportion Of The Board Of Commissioners	0,901	There is No Heteroskedasticity
The Proportion Of The Board Of Independent Commissioners	0,894	There is No Heteroskedasticity
Proportion Of Institutional Ownership	0,448	There is No Heteroskedasticity

Source : Secondary data prosseeded by the author, 2023

Based on the table of heteroscedasticity test results, it can be seen that all the independent variables in the study showed a Sig value greather than 0,05. So it can be conclude that all independent variables in this study were free from symptoms of heterocedasticity.

**4.2.4 Autocorrelation Test**

Table 5. Results of Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	0,299 <sup>a</sup>	0,089	0,065	0,05422	1,098

Source : Secondary data processed by the author, 2023

The autocorrelation test results table above show that the Durbin-Watson value is 1,098. 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 Regression

Table 5. Multiple Linear Regression

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(constant)	-0,233	0,08		-2,919	0,004
Firm Size	0,009	0,003	0,251	3,323	0,001
Sales Growth	0,004	0,008	0,033	0,46	0,646
The Proportion Of The Board Of Commissioners	0,002	0,003	0,043	0,562	0,575
The Proportion Of The Board Of Independent Commissioners	-0,003	0,029	-0,007	-0,096	0,924
Proportion Of Institutional Ownership	0,026	0,017	0,107	1,502	0,135

Source : Secondary data processed by the author, 2023

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

- a. The constant value is -0.233 which means that if there is no firm size, sales growth, board of commissioners, independent board of commissioners and institutional ownership then cash holding will decrease by -0.233%.
- b. The firm size regression coefficient shows a positive value of 0.009 which means that if a company has a high company size, cash holding tends to increase by 0.009%..
- c. The sales growth regression coefficient shows a positive value of 0.004 which means that if a company has a good increase in sales, cash holdings will tend to increase by 0.004%.
- d. The board of commissioners regression coefficient shows a positive value of 0.002 which means that if a company has a sufficient board of commissioners, cash holdings will tend to increase by 0.002%.
- e. The independent board of commissioners regression coefficient shows a negative value of -0.003, which means that if a company has more independent commissioners, cash holdings will tend to decrease by -0.003%.
- f. The institutional ownership regression coefficient shows a positive value of 0.026 which means that if a company has increased institutional ownership, it will affect cash holding so that the company will tend to increase by 0.026%.

#### 4.3.2 F Test

Table 6. Results of Normality Test

Variables	Sum of square	df	Mean Square	F	Sig.
Regression	0,053	5	0,011	3,623	0,004 <sup>b</sup>
Residual	0,544	185	0,003		
Total	0,597	190			

Source : Secondary data prosseed by the author, 2023

This test is intended to test the magnitude of the influence of the independent variables jointly on the dependent variable and determine whether the regression model is fit or not. Simultaneous significance test was used to test the effect of all independent variables, namely firm size, sales growth, board of commissioners, independent board of commissioners and institutional ownership on the dependent variable, namely cash holding.

Based on the results of the table 6 F test, the regression results obtained Fcount of 3.623. The statistical value shows a significance value of 0.004 with a value of  $\alpha = 0.05$ , so  $0.000 < 0.05$ . This shows that the regression model is declared fit (goodness of fit).

#### 4.3.3 T Test

Table 7. Results of Normality Test

Variables	t	Sig	Information
Firm Size	3,323	0,001	<b>Hypothesis accepted</b>
Sales Growth	0,46	0,646	Hypothesis is rejected
The Proportion Of The Board Of Commissioners	0,562	0,575	Hypothesis is rejected
The Proportion Of The Board Of Independent Commissioners	-0,096	0,924	Hypothesis is rejected
Proportion Of Institutional Ownership	1,502	0,135	Hypothesis is rejected

Source : Secondary data prosseed by the author, 2023

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

- a. Based on the results of the firm size T-test analysis, it shows a significance value of 0.001. The significance value is less than 5% or 0.05, so H1 is accepted. Which means firm size affects cash holding.
- b. Based on the results of the sales growth T-test analysis, it shows a significance value of 0.646. The significance value is greater than 5% or 0.05, then H2 is rejected. Which means sales growth has no effect on cash holding.
- c. Based on the results of the T-test analysis, the proportion of commissioners showed a significance value of 0.575. The significance value is greater than 5% or 0.05 then H3 is rejected. Which means the proportion of the board of commissioners has no effect on cash holding.
- d. Based on the results of the T-test analysis, the proportion of independent commissioners showed a significance value of 0.924. The significance value is greater than 5% or 0.05, then H4 is rejected. Which means the proportion of Independent commissioners has no effect on cash holding.
- e. Based on the results of the T-test analysis, the proportion of institutional ownership shows a significance value of 0.135. The significance value is greater than 5% or 0.05, then H5 is rejected. Which means the proportion of institutional ownership has no effect on cash holding.



#### 4.3.4 Determination Coefficient Test

Table 8. Results of Normality Test

R	R Square	Adjusted R Square	Std. Error of the Estimate
0,299 <sup>a</sup>	0,089	0,065	0,05422

Source : Secondary data prosseed by the author, 2023

In this study the coefficient of determination uses the Adjusted value. The test results in Table 8 show that the coefficient of determination or Adjusted is 0.065. This shows that the 6.5% cash holding (CH) variance in Real Estate and Property indexed companies listed on the Indonesia Stock Exchange (IDX) during the 2018-2021 period can be explained by firm size, sales growth, board of commissioners, independent board of commissioners and institutional ownership while 93.5% is influenced by other variables not analyzed in this study.

## V. CONCLUSION

### Conclusion

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

1. Firm size affects cash holding, this shows that firm size is one of the determining factors for cash holding.
2. Sales growth does not affect cash holdings, this shows that sales growth is not a determining factor for cash holding.
3. The proportion of the board of commissioners does not affect cash holding, this shows that the proportion of the board of commissioners is not a determining factor for cash holding.
4. The proportion of independent commissioners does not affect cash holding, this shows that the proportion of independent commissioners is not a determining factor of cash holding.
5. The proportion of institutional ownership does not affect cash holding, this shows that the proportion of institutional ownership is not a determining factor for cash holding.

### Limitation

This research has necessary limitations and weaknesses in the future, including:

1. This research only comes from real estate and property companies that are available on the Indonesian stock exchange in the 2018-2021 period.
2. not all real estate and property companies available on the Indonesian stock exchange in the 2018-2021 period provide a complete annual report.

### Suggestion

Based on the conclusions and limitations of this study, researchers provide the following recommendations:

1. For further researchers, they can conduct research with sector samples other companies, as well as adding independent variables that can be clarifying research on cash holding in general thorough.

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