The Effect of Cash Holding on Capital Structure of Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

This study discusses the factors that influence company performance in the manufacturing sector on the Indonesia Stock Exchange. The sample used was 20 companies engaged in the manufacturing sector listed on the Indonesia Stock Exchange (IDX) for five years from 2018-2022. The sampling technique used is purposive sampling and the analysis method used is panel data regression. The dependent variable used in this study is Cash Holding Ratio, while the independent variables are Current Ratio, Non-Current Ratio, Total Debt Ratio and with control variables namely Profitability, Firm Size, Dividend Rate, Liquidity. The results of this study indicate that (1) Current Ratio has no effect on Cash Holding Ratio. (2) Non-Current Ratio has no effect on Cash Holding Ratio. (3) Total Debt Ratio has no effect on Cash Holding Ratio. (4) Profitability has a negative effect on Cash Holding Ratio. (5) Firm Size has no effect on Cash Holding Ratio. (6) Dividend Rate has no effect on Cash Holding Ratio. (7) Liquidity has a positive effect on Cash Holding Ratio. The results of this study can be a consideration for companies in allocating corporate funding by paying attention to the use of debt as a source of capital to improve company performance, and consideration for investors in making decisions when investing in companies on the basis of considerations related to the level of use of debt as a source of capital in a company.

Keywords: Cash holding ratio, current ratio, non-current ratio, total debt ratio, liquidity.

ABSTRAK

Penelitian ini membahas faktor-faktor yang mempengaruhi kinerja perusahaan pada sektor manufaktur di Bursa Efek Indonesia. Sampel yang digunakan sebanyak 20 perusahaan yang bergerak dalam sektor manufaktur yang tercatat di Bursa Efek Indonesia (BEI) selama lima tahun dari 2018-2022. Teknik pengambilan sampel yang digunakan yaitu purposive sampling dan metode analisa yang digunakan yaitu panel data regression. Variabel dependen yang digunakan dalam penelitian ini adalah Cash Holding Ratio, sedangkan variabel independen adalah Current Ratio, Non-Current Rasio, Total Debt Ratio dan dengan variabel kontrol yaitu Profitability, Firm Size, Dividend Rate, Liquidity. Hasil penelitian ini menunjukkan bahwa (1) Current Ratio tidak berpengaruh terhadap Cash Holding Ratio. (2) Non-Current Ratio tidak berpengaruh terhadap

Cash Holding Ratio. (3) Total Debt Ratio tidak berpengaruh terhadap Cash Holding Ratio. (4) Profitability berpengaruh negatif terhadap Cash Holding Ratio. (5) Firm Size tidak berpengaruh terhadap Cash Holding Ratio. (6) Dividend Rate tidak berpengaruh terhadap Cash Holding Ratio. (7) Liquidity berpengaruh positif terhadap Cash Holding Ratio. Hasil penelitian ini dapat menjadi pertimbangan perusahaan dalam mengalokasikan pendanaan perusahaan dengan memperhatikan penggunaan hutang sebagai sumber modal untuk meningkatkan kinerja perusahaan, dan pertimbangan bagi investor dalam menentukan keputusan ketika berinvestasi pada perusahaan dengan dasar pertimbangan terkait tingkat penggunaan hutang sebagai sumber modal pada suatu perusahaan.

Kata Kunci*: Rasio Penyimpanan Kas, Rasio Lancar, Rasio Tidak Lancar, Rasio Total Utang, Likuiditas.*

INTRODUCTION

Business competition in Indonesia is not only limited to competition among domestic companies but has become a competition among international companies. Therefore, each company is required to make careful plans for all aspects of the company, including those related to the company's financial policies. This is because the trust of investors or creditors lies in how the company is able to produce good performance in managing its assets effectively. Thus, the company must be able to pay attention to the factors that affect the company's performance. Various industrial sectors, including the basic and chemical industry sector and the consumer goods industry sector, utilize financial decisions to improve their company's performance as manufacturing industry companies listed on the Indonesia Stock Exchange. These decisions are crucial to overcoming difficulties, challenges, measuring the success of a company, and aiming to take advantage of opportunities for sustainable and stable company development (Chen et al., 2021).

Companies operating in perfect capital markets have no demand for cash holdings due to the availability of external funding sources without transaction costs. However, imperfect capital markets require transaction costs for corporate funding. Two basic theories, the trade-off theory and the pecking-order theory, focus on how a firm manages debt, equity, and cash holdings to fund its operations (Maramis & Jan, 2023). The more optimal the capital structure prepared by management, the better the company's performance is likely to be.

The cash holding ratio is cash or cash equivalents that exist or are available in the company, which are used for operating expenditures such as salaries or wages, purchase of raw materials and fixed assets, payment of debts, payment of dividends, and other transactions required by the company. Capital structure is the amount of debt and/or equity used by the company to finance operational activities and purchase company assets. In other words, capital structure is used as a management decision tool in considering and determining the company's long-term funding (Bates et al., 2009). The current ratio is a ratio used to measure liquidity ratios to assess the company's ability to pay short-term obligations (Hussein et al., 2023). The company can measure its ability to meet short-term obligations that are due immediately by measuring the amount of cash available to meet these obligations. The non-current ratio, also known as the long-term solvency ratio, is a financial ratio used to measure the long-term ability of a company to meet its financial obligations (Jamaludin et al., 2019). This ratio provides an overview of the extent to which the company can cover its long-term liabilities using illiquid or non-current assets.

The total debt ratio is a ratio that measures the total loans given to total assets (Kučera et al., 2021). This ratio shows the comparison of how much credit the bank provides compared to the amount of total assets owned by the bank. Abubakar (2016) stated that TDR has a positive and significant effect on bank performance. Likewise, Pradnyaswari

& Dana (2022) in their research that examines the effect between TDR and profitability shows positive and significant results on profitability. This study aims to analyze the factors that influence company performance in the manufacturing sector on the Indonesia Stock Exchange by examining the effects of Current Ratio, Non-Current Ratio, and Total Debt Ratio on the Cash Holding Ratio. The study also includes control variables, namely Profitability, Firm Size, Dividend Rate, and Liquidity.

LITERATURE REVIEW

A high Current Ratio value can indicate that the company has many current assets that can be used to pay off its current liabilities. Cash is a current asset with the most liquid nature, often used by companies to meet their obligations. Therefore, it can be seen that the higher the company's liquidity ratio, the greater the amount of cash owned by the company. This opinion is supported by research conducted by Nguyen Thanh (2019), which shows a positive relationship between Current Ratio and Cash Holding Ratio.

H1: There is a positive influence between Current Ratio and Cash Holding Ratio.

Karanović et al. (2020) stated that the Non-Current Ratio has no influence on the Company's Capital Structure. The results of this research contradict the findings of Nurlaela et al. (2019), which concluded that the Non-Current Ratio has a positive influence on Cash Holding Ratio.

H2: There is a positive influence between Non-Current Ratio and Cash Holding Ratio.

Mukhibad et al. (2020) highlight the importance of the Debt Ratio in assessing the company's ability to pay off all its debts. Lenders and shareholders need accurate information about the company's condition in fulfilling its obligations. Research conducted by Dewi and Mulyani (2020) states that the Total Debt Ratio has a negative influence on the Cash Holding Ratio.

H3: There is a negative influence between Total Debt Ratio and Cash Holding Ratio.

Wahjudi (2020) argues that the greater the profit or earnings of the company, the greater the amount of cash it has. Therefore, it can be seen that the higher the company's profitability ratio, the greater the amount of cash needed by the company. An increase in the profitability ratio also indicates an increase in the company's productivity in earning profits, resulting in an increase in the cash obtained by the company. This is supported by research conducted by Saputri and Kuswardono (2019), which states that profitability has a positive effect on Cash Holding Ratio.

H4: There is a positive influence between Profitability and Cash Holding Ratio.

Simanjuntak and Wahyudi (2017) argue that the larger the size of the company, the greater the cash it has because it has a large source of funding and a large level of sales. Large companies also have more needs, making them store more cash to meet company needs. Therefore, it can be seen that the larger the size of a company, the greater the level of cash it has. Liestyasih and Wiagustini (2017) argue that large companies are generally already at the maturity stage, so they have the ability to maintain high cash holdings. This is also supported by research conducted by Zefanya Elnathan and Susanto (2020), which states that Firm Size has a positive effect on Cash Holding Ratio.

H5: There is a positive influence between Firm Size and Cash Holding Ratio.

Companies with a high Dividend Rate can be considered healthy, meaning that the company's cash is able to cover its short-term debt, making the company free from the

threat of bankruptcy. In addition, the remaining cash, reduced by short-term debt, can be used for other purposes, especially for cash dividend payments. If company management reduces dividends or does not pay dividends regularly, it can be a sign that the company is experiencing financial difficulties (lack of cash). Previous research by Marlina and Danica (2009) shows that Dividend Rate influences Cash Holding Ratio.

H6: There is an influence between Dividend Rate and Cash Holding Ratio.

A high Current Ratio value can indicate that the company has many current assets that can be used to pay off its current liabilities. Cash is a current asset with the most liquid nature, often used by companies to meet their obligations. Therefore, it can be seen that the higher the company's liquidity ratio, the greater the amount of cash owned by the company. This opinion is supported by research conducted by Susanto & Kurniawan (2023), which shows a positive relationship between Liquidity and Cash Holding Ratio.

H7: There is a positive influence between Liquidity and Cash Holding Ratio.

METHODS
Research Design

The design used in this study is a hypothesis test to examine the effect of independent variables, namely Current Ratio, Non-Current Ratio, Total Debt Ratio, Profitability, Firm Size, Dividend Rate, and Liquidity, on Cash Holding Ratio, measured using cash divided by total assets. The unit of analysis is manufacturing companies listed on the Indonesia Stock Exchange with annual reports available for the required data in the period 2018 to 2022. The sampling criteria are explained in Table 1. The analysis method employed by this research is panel data regression, utilizing Eviews 10.0 software. Furthermore, this study analyzes and tests several variables, which are detailed in Table 2.

Table 1. Sampling Criteria

Description	Total
Manufacturing companies listed on the Indonesia Stock Exchange for five years (period 2018 - 2022)	149
Manufacturing companies that match the variables	20
Total research sample	20
Total observation data (x 5 years)	100

Table 2. Sampling Criteria

Variables	Variable Code	Instrument
Cash Holding Ratio	**CHR**	Cash / Total Assets
Capital Structure	**CS**	
Current Ratio	**STD**	Current Debt / Total Asset
Non-Current Ratio	**LTD**	Non-Current Debt / Total Asset
Total Debt Ratio	**TD**	Total Liabilities / Total Assets
Control Variable		
Profitability	**ROA**	Net Profit / Total Asset
Firm Size	**SIZE**	Log (Revenue)
Dividend Rate	**DY**	Cash Dividends/Stock Price
Liquidity	**LIQ**	Current Assets / Current Debt

The data used in this study is secondary data, specifically report data obtained indirectly or through company websites that have published general company reports and are accessible. The data source, serving as the sample for this study, was obtained from the company's annual reports listed on the Indonesia Stock Exchange website (www.idx.co.id) during the period 2018 to 2022. The research data consists of manufacturing companies, particularly those listed on the Indonesia Stock Exchange (IDX), denominated in rupiah.

Data Analysis Method

Panel data multiple linear regression analysis is a combined regression analysis between cross section data and time series data to predict intercept and slope values. As based on research, the independent variables used are Current Ratio (β_1), Non-Current Ratio (β_2), Total Debt Ratio (β_3), and Control Variables namely Profitability (β_4), Firm Size (β_5), Dividend Rate (β_6), Liquidity (β_7) against Cash Holding Ratio as measured using cash divided by total assets. With the regression equation is as follows:

$$CHR = \beta_0 + \beta_1 STD + \beta_2 LTD + \beta_3 TD + \beta_4\ ROA + \beta_5 SIZE + \beta_6\ DY + \beta_7\ LIQ + \varepsilon$$

Description:

CHR	= Cash Holding Ratio
$\beta_1 STD$	= Current Ratio
$\beta_2 LTD$	= Non-Current Ratio
$\beta_3 TD$	= Total Debt Ratio
$\beta_4 ROA$	= Profitability
$B_5\ SIZE$	= Firm Size
$B_6\ DY$	= Dividend Rate
$B_7\ LIQ$	= Liquidity
ε	= Error

In the Chow test, there are choices that must be determined, namely the common effect model and the fixed effect model. The Chow test results are useful for determining the right model to use in panel data regression. The following are the hypotheses in the Chow test:

H_0 : The appropriate model is the common effect model.

H_a : The correct model is the fixed effect model.

The decision-making criteria for determining the effect model in the data analysis are as follows. First, if the cross-section probability of the chi-square is less than α 0.05, then the null hypothesis (Ho) is rejected. This indicates that the appropriate model to use is the fixed effect. Furthermore, it can be continued by conducting the Hausman test. On the other hand, if the cross-section probability of the chi-square is greater than α 0.05, then the null hypothesis (Ho) is accepted. In this context, the more appropriate model to use is the common effect, and the Hausman test is not required. The determination of this model plays an important role in ensuring the validity and accuracy of the data analysis conducted.

Table 3. Chow Test Results

Testing	Prob. Chi-Square	Description
Chow Test	0.0000*	Fixed Effect Model (FEM)
Hausman Test	0.0000*	Fixed Effect Model (FEM)

* Significant α 5%

The Chow test processing results show that the Fixed Effect Model (FEM) is the chosen model, so there is no need to conduct the Hausman test to determine whether the right model is the Random Effect Model (REM) or FEM. From the processing results, the probability value of the prob chi-square is 0.0000 < 0.05, so that Ho is rejected, Ha is

accepted, and it can be concluded that the selected model is FEM, as shown in Table 3. Thus, it can be concluded that FEM is the right model.

The Hausman test is used to determine the best and more appropriate model used in this study between the fixed effect model or the random effect model and to see whether the model used has heterogeneity in the characteristics of each model. This test is carried out with the following hypothesis:

H_0: The right model is *Random effect*

H_a: The right model is *Fixed effect*

In determining the most appropriate model for data analysis, there are decision-making criteria that need to be considered. First, if the cross-section probability of the chi-square is less than α 0.05, then the null hypothesis (H0) is rejected. This result indicates that the most appropriate model to use is the fixed effect model. Conversely, if the cross-section probability of the chi-square is greater than α 0.05, then the null hypothesis (H0) is accepted. In this situation, the most appropriate model to use is the random effect model. Decision-making based on these criteria is important to ensure the suitability of the model in analyzing the data accurately and validly. Based on the test results above, the Adjusted R-Squared value in Model 1 (CHR) is 0.741188 or 74.12%, which means that the ability of the independent variables, namely STD, LTD, TD, ROA, SIZE, DY, and LIQ z, is able to explain the behavior of the dependent variable, namely CHR, by 74.12%, and the remaining 25.88% is explained by other variables not included in the model (Table 4).

Table 4. Coefficient of Determination and Simultaneous Test (F-Test)

Testing	Model	Model	Value
Coefficient of Determination	Adjusted R-Squared	Model 1 (CHR)	0.741188
Effects Test	**Model**	**Prob.**	**Conclusion**
Prob. (F-Statistic)	Model 1 (CHR)	0,00000	H₀ is rejected

The processing results for testing the entire model are displayed with a statistical F value of 11.90449. The probability value of F is 0.000 < 0.05, so Ho is rejected, and Ha is accepted. Therefore, it can be concluded that there is at least one independent variable that has a significant effect on the dependent variable, namely CHR. The T-test is carried out in stages by measuring whether each independent variable (Current Ratio, Non-Current Ratio, Total Debt Ratio) has an influence on the dependent variable (Cash Holding Ratio). The following is the T-test:

H0: β1 ≤ 0 (There is no effect or there is a negative effect of the independent variable on the dependent variable)

Ha: β1 > 0 (There is a positive influence of the independent variable on the dependent variable)

RESULTS

Description of Research Objects

The description of the research object provides a brief overview of the manufacturing company information that is the subject of the research. The focus of the exploration is on 20 manufacturing companies listed on the Indonesia Stock Exchange over a substantial period from 2018 to 2022. Data were obtained through (www.idx.co.id) and the websites of each company. The sample collection technique employs judgment sampling based on the following categories: [1] manufacturing companies listed on the Indonesia Stock Exchange for five years, namely from 2018 to 2022; [2] manufacturing companies that have the required information for research variables in their financial statements. Furthermore, the estimation results with the Fixed Effect Model are presented in Table 5.

Table 5. Estimation Results with Fixed Effect Model

	Dependent Variable: CHR?			
Independent Variable	**Coefficient**	**Tstat**	**Prob**	**Conclusion**
C	0.608580	0.833225	0.4074	
STD?	-0.001925	-0.580561	0.5633	(-) Not Sig.
LTD?	-0.001031	-0.315402	0.7534	(-) Not Sig .
TD?	-0.054754	-0.555980	0.5799	(-) Not Sig.
ROA?	-0.149966	-2.313398	0.0235	(-) Sig.
RIZE?	-0.035660	-0.587992	0.5584	(-) Not Sig.
DY?	-5.56E-09	-0.469922	0.6398	(-) Not Sig.
LIQ?	1.33E-09	2.052391	0.0437	(+) Sig.
R-squared		0.809159		
Adjusted R-squared		0.741188		
F-stat		11.90449		
Prob F-stat		0,000000		

Descriptive Statistics

Table 6. Descriptive Analysis Test Results

	CHR	DY	LIQ	LTD	ROA	SIZE	STD	TD
Mean	0.119	614493.0	29067654	3.889	0.262	12.597	4.495	0.422
Median	0.103	80044.96	3304221.	3.355	0.190	12.505	4.030	0.425
Maximum	0.369	9259074.	1.97E+08	9.900	0.810	14.100	9.890	0.790
Minimum	0.002	5.600000	211081.9	0.110	0.030	10.920	1.000	0.160
Std. Dev.	0.094	1699335.	46164271	2.437	0.174	0.996	2.506	0.137
Skewness	0.646	4.064839	1.835833	0.538	1.205	0.131	0.637	0.213
Kurtosis	2.518	19.25029	5.551661	2.153	4.247	1.619	2.185	2.558
Jarque-Bera	7.926	1375.681	83.30045	7.808	30.695	8.221	9.5468	1.574
Probability	0.019	0.000	0.000	0.020	0.000	0.016	0.0085	0.455
Sum	11.944	61449302	2.91E+09	388.890	26.19000	1259.650	449.500	42.19
Sum Sq. Dev.	0.890	2.86E+14	2.11E+17	587.835	2.999	98.318	621.866	1.856
Observations	100	100	100	100	100	100	100	100

Source: Data processed (E-views 10.0)

The test results from descriptive analysis provide information containing the least, greatest, mean, and standard deviation values. The least value represents the smallest value, the maximum value represents the largest value, the mean value represents the average value, and the standard deviation indicates the dispersion of inspection information, revealing homogeneous or heterogeneous variants. The results of the descriptive analysis testing can be seen in Table 6. Based on the descriptive statistical analysis in Table 6, several variables exhibit characteristics that can be interpreted. First, the Cash Holding Ratio has an average of 0.119450 with a standard deviation of 0.094837, indicating a relatively low variation in the proportion of cash held by the company. Second, the Dividend Rate has an average of 614493.0 and a standard deviation of 1699335, suggesting high variation in the level of dividends paid. Furthermore, the Liquidity variable shows an average of 29067654 with a standard deviation of 46164271,

indicating that the level of liquidity of companies tends to vary. Other variables, such as Non-Current Ratio, Profitability, Firm Size, Current Ratio, and Total Debt Ratio, also have their respective means and standard deviations, providing an idea of the variation and characteristics of each variable in the analysis dataset.

Data Analysis

This study uses panel data regression analysis (Fixed Effect Model) to test and analyze the effect of independent variables, including Current Ratio, Non-Current Ratio, Total Debt Ratio on the dependent variable, namely Cash Holding Ratio with control variables, namely Profitability, Firm Size, Dividend Rate, Liquidity. The results of this regression equation can be described as follows:

$$CHR_{it} = 0.608580 - 0.001925STD - 0.001031LTD - 0.054754TD - 0.149966ROA$$
$$- 0.035660SIZE - 5.56E\text{-}09DY + 1.33E\text{-}09LIQ + \varepsilon$$

The results of the Fixed Effect Model regression test in the table, with an error rate of 5% on each variable, provide an understanding of the impact of changes in the independent variable on the dependent variable. First, the constant (α) of 0.608580 indicates that if STD, LTD, TD, ROA, SIZE, DY, and LIQ have a value of 0 (zero), then CHR will increase by 0.608580. Furthermore, the coefficients $\beta1$ to $\beta7$ provide information on the sensitivity of CHR to changes in each variable. For example, $\beta1$ = -0.001925 indicates that if STD increases by 1 unit, CHR will decrease by 0.001925. Similarly, other variables, such as LTD, TD, ROA, SIZE, DY, and LIQ, each have coefficients that indicate the direction and magnitude of changes in CHR due to a one-unit change in the variable. These results provide insight into the dynamics of the relationship between variables in the context of the Fixed Effect model. In addition, the T-test is carried out in stages to measure whether the independent variable (Current Ratio, Non-Current Ratio, Total Debt Ratio) has an influence on the dependent variable (Cash Holding Ratio) with control variables (Profitability, Firm Size, Dividend Rate, Liquidity). The results of this T-test are as shown in Table 7.

Table 7. Estimation Results with Fixed Effect Model

Independent Variable	Coefficient	Tstat	Prob	Conclusion
Dependent Variable: CHR?				
C	0.608580	0.833225	0.4074	
STD?	-0.001925	-0.580561	0.5633	(-) No Sig
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LIQ?	1.33E-09	2.052391	0.0437	(+) Sig
R-squared		0.809159		
Adjusted R-squared		0.741188		
F-stat		11.90449		
Prob F-stat		0,000000		

Source: Data processed (E-views 10.0)

Based on the results of statistical testing of the proposed hypotheses, several conclusions can be drawn. First, in hypothesis H1 which states that STD has no effect on CHR, a probability value of 0.5633 is obtained, which is greater than the alpha level of

significance of 0.05. Therefore, hypothesis H1 is accepted, implying that STD has no significant effect on CHR. The same thing happens for hypotheses H2 and H3 which test the effect of LTD and TD on CHR. Both hypotheses are also accepted because the probability values of 0.7534 and 0.5799 respectively are greater than alpha. However, for hypothesis H4 which states that ROA negatively affects CHR, the test results show a probability value of 0.0235, which is less than alpha 0.05. Therefore, hypothesis H4 is rejected, indicating that ROA has a negative effect on CHR. Meanwhile, for hypotheses H5 (SIZE has no effect on CHR), H6 (DY has no effect on CHR), and H7 (LIQ has a positive effect on CHR), the test results show a probability value of 0.5584, 0.6398, and 0.0437, respectively. The three hypotheses are accepted because the probability value is greater than alpha. Thus, SIZE and DY have no significant effect on CHR, while LIQ has a positive effect on CHR.

DISCUSSION

Based on testing with the t-test, the effect of each independent variable (current ratio, non-current ratio, total debt ratio) on the dependent variable, namely cash holding ratio, with control variables, namely profitability, firm size, dividend rate, and current ratio, can be interpreted. Based on the regression test results, this study shows that the current ratio has no effect on the cash holding ratio. The results of this study are not in line with the research of Nguyen Thanh (2019), showing that there is a positive relationship between the current ratio and cash holding ratio.

The regression test results of this study shows that the non-current ratio has no effect on the cash holding ratio. The results of this study are not in line with the research of Nurlaela et al., (2019), which shows that the non-current ratio has a positive influence on the cash holding ratio. Moreover, based on the regression test results, this study shows that the total debt ratio has no effect on the cash holding ratio. The results of this study are not in line with Dewi and Mulyani's (2020) research, showing that the total debt ratio has a negative effect on the cash holding ratio.

Based on the results of the regression test, this study shows that profitability has a significant negative effect on the cash holding ratio. The results of this study are not in line with the research of Saputri and Kuswardono (2019), showing that profitability has a positive effect on the cash holding ratio. In addition, based on the regression test results, this study shows that firm size has no effect on the cash holding ratio. The results of this study are not in line with the research of Zefanya Elnathan and Susanto (2020), showing that firm size has a positive effect on the cash holding ratio.

The regression test results shows that the dividend rate has no effect on the cash holding ratio. The results of this study are not in line with the research of Marlina and Danica (2009), showing that the dividend rate has an influence on the cash holding ratio. Lastly, based on the regression test results, this study shows that liquidity has a significant positive effect on the cash holding ratio. The results of this study are in line with Susanto & Kurniawan's (2023) research, showing a positive relationship between liquidity and cash holding ratio.

This study was conducted with the aim of examining the effect of the current ratio, non-current ratio, total debt ratio, profitability, firm size, dividend rate, and liquidity on cash holding ratio, measured using cash divided by total assets. The research sample includes 20 companies in the manufacturing sector listed on the Indonesia Stock Exchange during the 2018-2022 period. Based on the results of the analysis and discussion, several decisions were obtained. First, the current ratio has no effect on the cash holding ratio. Second, the non-current ratio also has no effect on the cash holding ratio. Third, the total debt ratio has no effect on the cash holding ratio. Fourth, profitability has a negative effect on the cash holding ratio. Fifth, firm size has no effect on the cash holding ratio. Sixth, the dividend rate has no influence on the cash holding ratio. Finally, liquidity has a positive influence on the cash holding ratio. These results provide an important picture of the factors that influence the company's policy of holding cash.

CONCLUSION

The results of this study are essential considerations for companies in managing their financial performance and policies. Based on the findings related to the influence of factors such as Current Ratio, Non-Current Ratio, Total Debt Ratio, Profitability, Firm Size, Dividend Rate, and Liquidity on Cash Holding Ratio, companies need to consider a more strategic approach. Therefore, steps that can be taken include reducing the use of debt ratios, maintaining solid financial performance, and anticipating changing economic conditions to prevent the risk of declining company performance. In this case, management needs to adjust financial policies more wisely, especially in the use of debt, liquidity management, and cash management, to ensure company performance is maintained amid fluctuating economic conditions.

For investors, the results of this study provide deeper insight into the factors that influence company performance in the manufacturing sector. Information about Current Ratio, Non-Current Ratio, Total Debt Ratio, Profitability, Firm Size, Dividend Rate, and Liquidity on Cash Holding Ratio can help investors make more informed investment decisions. With a better understanding of the underlying condition of the company, investors can plan investments more intelligently, anticipate risks, and maximize potential future profits. This information provides a more accurate picture of the company's financial health, helping investors make smarter and more measured investment decisions.

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