The Effect of Company Sizes and Net Working Capital on Cash Holding With Profitability as Intervening Variables in Food and Beverage Sub Sector Companies Registered in Indonesia Stock Exchange

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Abstract,
The COVID-19 pandemic that has hit the world including Indonesia since early 2020 has had The purpose of this study was to determine and analyze the influence of company size and net working capital towards holding cash with profitability as an intervening variable. This Research uses quantitative methods with 2013-2017 observation years. The research sample consisted of 15 food and beverage sub-sector companies listed on the Indonesia Stock Exchange, while the method used was purposive sampling. The analytical method used is multiple linear regression and path analysis. The results showed the size of the company had a negative and not significant effect on profitability, net working capital was positive and not significant on profitability. Company size, net working capital, and profitability have a positive and significant influence on cash holding. Profitability is not able to mediate the effect of company size on cash holding.But profitability is able to mediate the effect of net working capital on cash holding.

Keywords: Company Size, Net Working Capital, Profitability, Cash Holding

INTRODUCTION

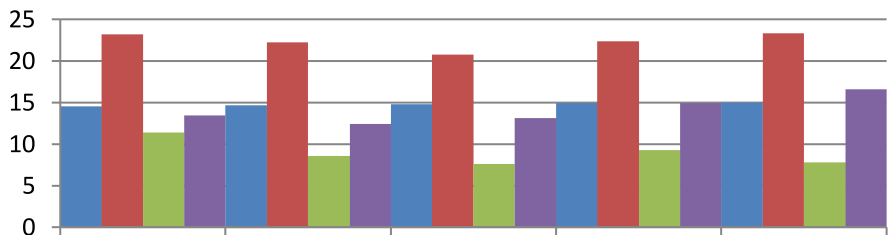
One of the characteristics of a company is said to be good when a company has a good level of liquidity. Liquidity is the ability of a company to meet its short-term obligations that have matured (Riyanto,1998:25). One way to minimize the company's liquidity risk is to maintain a *cash holding level.* According to Gill and Shah (2012), *Cash holding* is cash contained in a company to be invested in physical assets and to be distributed to investors as dividends. *Cash holding is* used as a reserve for the company in carrying out its operational activities and to fulfill the company's *financial* obligations on time.

The size of the *company's cash holding is* influenced by several factors such as the size of the company, *net working capital,* and profitability. According to Suhartono (2016:122) profitability is the ability of companies to earn profits concerning sales, total assets, and own capital. If Profitabilitas companies higher then the level of *cash holding* companies also will be high, as profitability has close ties to the increased *cash holding* companies (Simanjuntak and Wahyudi, 2017). The research conducted by Hapsari (2015) states that profitability has a positive and significant effect on *cash holding*. However, research conducted by Jamil, *et al* (2016) shows different results, where profitability has a negative and not significant effect on *cash holding*.

Factors other that may affect *the cash holding* is *net working capital. Networking capital* can determine the level of *cash holding* companies because cash is part of *networking capital* so that when cash increases, *networking capital* will also increase (Wiradharma, *et al,* 2017). The research conducted by Jinkar (2013) found that *networking capital* had a positive and significant effect on *cash holding,* while research conducted by Simanjuntak and Wahyudi (2017) stated that *networking capital* had a negative and significant effect on *cash holding*.

In addition to profitability and *net working capital,* company size can also affect the *company's cash holding* level. The greater the size of the company, the higher the profit generated by the company (Oktaviany, *et al*, 2019), if profits are high, the company can increase its cash holdings. Afif's research (2016) states that company size has a positive and significant effect on *cash holding,* while the research of Liestyasih and Wiagustini (2017) found that company size has a negative and significant effect on *company cash holding*.

The following is the data of average company size, *working capital,* profitability, and *cash holding* companies in the food and beverage sub-sector listed on the Stock Exchange in 2013-2017:



	2013	2014	2015	2016	2017
Ukuran Perusahaan	14.56	14.68	14.78	14.89	15.01
Net Working Capital	23.18	22.24	20.76	22.34	23.29
Profitabilitas	11.4	8.55	7.62	9.3	7.81
Cash Holding	13.45	12.41	13.15	14.93	16.58

The picture above shows that in 2014 the size of the company increased by 14.68% while *cash holding* decreased and in 2016 the size of the company and *cash holding* both increased. Furthermore, *networking capital* and profitability in 2014 decreased by 22.24% and 8.55%, and this was followed by a decrease in *cash holding,* then in 2015 *net working capital* and profitability again declined but *cash holding* increased. This shows an inconsistent relationship between company size, *net working capital,* and profitability towards *cash holding*. whereas in theory when company size, *net working capital* and profitability increase, *cash holding* will also increase.

Based on the background description and the existence of a *research* gap from previous research, the following problem statements are made:

1. Does the size of the company affect profitability?
2. Does *net working capital* affect profitability?
3. Does profitability affect *cash holding*?

4. Does company size affect *cash holding*?
5. Does *net working capital* affect *cash holding*?
6. Does company size affect *cash holding* through profitability?
7. Does *net working capital* affect *cash holding* through profitability?

LITERATURE REVIEW

1. Effect of company size on profitability

Company size is a big picture of the size of a company that is shown from the total assets owned by the company. Large size companies have large resources with large operational activities so that they are directly able to show that the company has a large potential in making a profit (Octaviani, *et al,* 2019). According to Ardiana and Chabachib (2018), company size has a positive and significant effect on profitability.

2. The effect of *net working capital* on profitability

Net working capital is current assets that can be used to finance company operational activities without disrupting company liquidity. Sufficient working capital is very important for the long-term survival of the company, in the absence of working capital the company's operational activities will Tegan GGU and this will have an impact on profitability as companies (Parmita, 2017). Also with adequate working capital, the company can operate economically and efficiently so that the company can obtain high profitability. Supriadi and Puspitasari (2011) stated that *net working capital* has a positive and significant effect on profitability.

3. Effect of profitability on *cash holding*

Profitability is the company's ability to make a profit. Profitability has a close relationship with increasing the *company's cash holding* (Simanjuntak and Wahyudi, 2017). Companies that have ting kat high profitability had a chance to make the profit he gets into retained earnings and may also add cash holdings company. Hapsari (2015) states that profitability has a positive and significant effect on *cash holding*.

4. Effect of company size on *cash holding*

The greater the size of the company, the greater the total assets owned by the company. The size of the company will affect the size of the operating cash flow obtained by the company. Companies with large sizes will automatically have a large operational cash flow (Rahmawati, 2013). Syafrizaliadhi and Arfianto (2014), stated that company size had a positive and significant effect on *cash holding*.

5. The effect of *net working capital* on *cash holding*

Cash is part of *net working capital* so that when cash increases, *net working capital* will also increase (Wiradharma, *et al,* 2017). In addition, in certain conditions current assets except cash cannot be a substitute for cash at any time for example in times of crisis, therefore corporate finance managers usually make cash reserves to maintain company liquidity

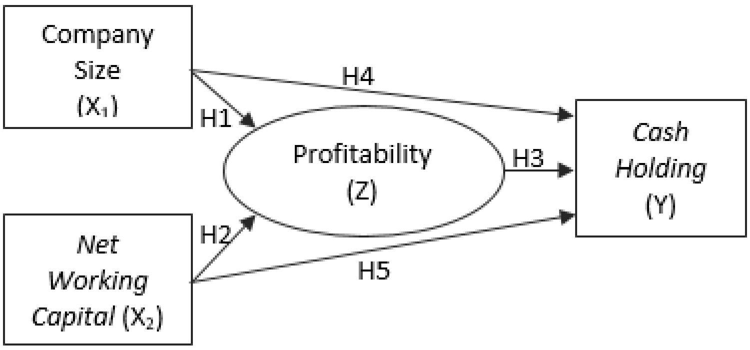
6. The effect of company size on *cash holding* with profitability as an intervening variable

The size of the company can be interpreted as the size of a company that is measured by the number of assets it has. Large size companies have great potential to increase profitability (Octaviani, *et al,* 2019). Companies that have high levels of profitability have the opportunity to make the profits they get as additional *cash holding*. D ith so the larger the company, the greater the company's ability to result in profits that will impact the company's cash holdings increase.

7. Effect of *net working capital* to *cash holdng* with profitability as variab e l intervening

Networking capital is used to carry out company operational activities, so working capital can directly affect the profitability of the company. Profitability acquired companies that can become retained earnings and can also add *cash holding* companies. Companies prefer to use retained earnings to finance their operational activities rather than issuing relatively expensive equity (Silean and Prasetiono, 2017).

Conceptual framework



Research Hypothesis

H_1 : Company size has a positive and significant effect on profitability
H_2 : *Net working capital has a positive and significant effect on profitability*
H_3 : Profitability has a positive and significant effect on cash holding
H_4 : Company size has a positive and significant effect on cash holding.
H_5 : *Net working capital has a positive and significant effect on cash holding.*
H_6 : Company size has a positive and significant effect on cash holding through profitability..
H_7 : *Net working capital has a positive and significant effect on cash holding through profitability*

METHODS

The type of research used is quantitative research with causal associative research methods. The location of this study conducted in the Indonesia Stock Exchange (IDX) with data retrieval via the official website www.idx.co.id. The population in this study are food and beverage sub-sector companies listed on the Stock Exchange in the 2013-2017 study period. The determination of the sample in this study is to use *purposive sampling* to obtain a sample of 15 companies.

The data analysis technique used is the classical assumption consisting of tests of normality, multicollinearity, autocorrelation, and heteroscedasticity. Next is the Hypothesis test consisting of the coefficient of determination test, Simultaneous test, and Partial test. Then analyze A path to test the effect of intervening variables.

DISCUSSION

Classic Assumptions Test

The Classic Assumption Test used in this study is the normality test, multicollinearity test, autocorrelation test, and heteroskedasticity test. The test results show that the research data do not have a classic assumption deviation:

Hypothesis testing

Table 1. Hypothesis Test Model I

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	.216	.127		1,710	.92
1	Company Size	-.009	.009	-.127	-1,090	279
	Net Working Capital	.083	.060	.162	1,390	.169

Dependent Variable: Profitability

1. Effect of Company Size on Profitability

The coefficient value of the Enterprise Size variable (X1) is -0.009 and the probability value is 0.279 so it can be said that Company Size has a negative and not significant effect on profitability, so H1 is rejected.

2. The Effect of *Net Working Capital* on Profitability

The coefficient value of the *Net Working Capital* variable (X2) is 0.083 and the probability value is 0.169, it can be said that *Net Working Capital* has a positive but not significant effect on profitability, so H1 is rejected.

Table 2. Hypothesis Testing Model II

Coefficients a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	- .244	.117		- 1,923	.058
	Company Size	.019	.008	.203	2 .480	.016
	Net Working Capital	.321	.055	.481	5847	.000
	Profitability	.576	.107	.444	5,409	.000

a. Dependent Variable: Cash Holding

1. Effect of Profitability on *Cash Holding*

The coefficient value of the Profitability variable (Z) is 0.576 and the probability value is 0,000, so it can be said that Profitability has a positive and significant effect on *Cash Holding,* so that H3 is accepted.

2. Effect of Company Size on *Cash Holding*

The coefficient value of the Company Size variable (X1) is 0.019 and the probability value is 0.016, so it can be said that Company Size has a positive and significant effect on *Cash Holding* , so H4 is accepted.

3. The Effect of *Net Working Capital* on *Cash Holding*

The coefficient value of the *Net Working Capital* variable (X2) is 0.321 and the probability value is 0.000, it can be said that *Net Working Capital* has a positive and significant effect on *Cash Holding* , so that H5 is accepted.

Path Path Analysis

Path analysis is done by using a sobel test to prove the effect of Company Size and Net Working Capital on Cash Holding through Profitability. Sobel test results can be seen in the following table:

Table 3 Sobel Test Results

	T-count	T-table
X1 → Z → Y	- 4,059	1,667
X2 → Z → Y	2,235	

1. Effect of company size on *cash holding* through profitability

Based on the sobel test results, the calculated t-value of -4.059 while the t-table of 1.667. Thus, t-count <t-table means that profitability is not able to mediate the effect of company size on *cash holding*. Then H6 is rejected.

2. The Effect of *Net Working Capital* on *Cash Holding* through Profitability

Based on the sobel test results, the t-count value was 2.235 while the t-table was 1.667. Thus, t-> t-table means that profitability is able to mediate the influence of *Net Working Capital* on *Cash Holding*. Then H7 is accepted.

1. Effect of Company Size on Profitability

The results of testing the first hypothesis are obtained that company size has no effect on profitability. The size of the company can be seen from the total assets owned by the company. The greater the size of the company, the greater the company's assets. The size of the company has no effect on profitability, this is due to the addition of assets the addition of assets that cannot be matched by the company's ability to manage its assets optimally in generating profitability.

The results of this study are consistent with the research of Prasanjaya & Ramantha (2013), Azlina (2009), and Putra & Badjra's (2015) research.

2. The Effect of *Net Working Capital* on Profitability

The second hypothesis testing results obtained that *net working capital* has a positive but not significant effect on profitability, meaning that the greater the *net working capital* , the lower the profitability of the company. Working capital (*net working capital*) required by each company to fund its operations, so that the *net working capital* can directly affect the level of profitability obtained by the company. However, if the working capital available in a company is excessive compared to its needs, the company will lose the opportunity to make a profit and this will reduce the company's profitability because cash is only stored without being used productively .

The results of this study are consistent with research conducted by Kusumo & Darmawan (2018), Octaviany & Syahputra (2015), and research by Chotimah and Susilowibowo (2014).

3. Effect of Profitability on *Cash Holding*

The third hypothesis testing results obtained that profitability has a positive and significant effect on *cash holding,* meaning that the greater the profitability, the greater the *company's cash holding* . Profitability is a ratio to measure a company's ability to generate profits, companies with profitability high will maintain a high level of liquidity as well, or in other words, companies with high profitability levels have the opportunity to make profits are obtained as additional *cash holding* company.

The results of this study are consistent with research conducted by Simanjuntak & Wahyudi (2017), Ogundipe *et.al* (2012) *,* and the study of Hapsari (2015).

4. Effect of Company Size on *Cash Holding*

The fourth hypothesis results found that company size has a positive and significant effect on *cash holding,* meaning that the larger the size of the company, the greater the *company's cash holding* . The larger the size of the company, the greater the assets of the company, the size of the company will affect the size of the operating cash flow obtained by the company. Large size companies are considered capable of hoarding cash because the company has been able to achieve success in the past. So that the larger the size of a company, the greater the amount of *cash* *holding* companies that can be used as reserves when unexpected things happen in the future and to finance the company's investment.

The results of this study are consistent with research by Liadi & Suryanawa (2018), Syafrizaliadhi & Arfianto (201 4), and Ali, *et al* (2015).

5. The Effect of *Net Working Capital* on *Cash Holding*

The fifth hypothesis testing results obtained that *net working capital* has a positive and significant effect on *cash holding,* meaning that the greater the *net working capital* , the greater the *company's cash holding* . Cash is part of *net working capital* so that when cash rises, *net working capital* will also increase . In certain conditions, current assets except cash cannot be a substitute for cash at any time, for example during a crisis. Therefore, company managers usually create cash reserves to maintain company liquidity.

The results of this study are in accordance with the research of Hapsari (20 15), Wiradharma *et , al* (20 17), and Sapitri (2016).

6. Effect of Company Size on *Cash Holding* through Profitability

Based on the sixth hypothesis testing states that profitability is not able to mediate the effect of company size on *cash holding*. The size of the company's assets cannot increase the profitability of the company because the company is not able to manage its assets optimally so that this will have an impact on decreasing the *company's cash holding* .

7. The Effect of *Net Working Capital* on *Cash Holding* Profitability

Based on testing the seventh hypothesis states that profitability is not able to mediate the effect of *net working capital* on *cash holding*. The large *net working capital of a* company can increase the profitability that a company will produce due to its abundant resources. With high profitability, the company has the opportunity to make profits obtained in addition to the *company's cash holding* .

CONCLUSION

Based on the results of the analysis and discussion, the conclusions of this study are:

1. The size of the company has no effect on profitability
2. The greater the *net working capital* , the lower the profitability of the company
3. The greater the profitability, the greater the *cash holding*
4. The larger the size of the company, the greater the *cash holding*
5. The greater the *net working capital* , the greater the *cash holding*
6. Profitability is not able to mediate the effect of company size on *cash holding*
7. Profitability is able to mediate the effect of *net working capital* on *cash holding*

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