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THE INFLUENCE OF GROWTH OPPORTUNITY, NET WORKING CAPITAL, LEVERAGE, AND PROFITABILITY ON CASH HOLDING

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Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh *Growth Opportunity, Net Working Capital, Leverage,* dan Profitabilitas terhadap *Cash Holding* pada perusahaan sektor *Healthcare* yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2017 - 2024. Sektor *Healthcare* dipilih karena karakteristik uniknya yang padat modal dan memiliki potensi pertumbuhan tinggi. Teknik pengambilan sampel menggunkan metode *purposive sampling.* Penelitian ini menggunakan pendekatan kuantitatif dengan data sekunder yang diperoleh dari laporan keuangan 20 perusahaan sampel. Analisis data dilakukan dengan menggunakan metode regresi linier berganda yang diolah melalui program SPSS 25. Berdasarkan hasil analisis, ditemukan bahwa variabel *Growth Opportunity* berpengaruh negatif dan signifikan terhadap *Cash Holding*, variabel *Net Working Capital,* dan Profitabilitas memiliki pengaruh positif dan signifikan terhadap *Cash Holding*. Sementara itu, variabel *Leverage*, tidak memiliki pengaruh terhadap *Cash Holding*. Saran untuk penelitian selanjutnya adalah menggunakan variabel yang lebih beragam, menambah jumlah sampel agar hasil penelitian yang dilakukan akan lebih baik dan menambah periode tahun penelitian agar hasil yang didapatkan lebih relevan.

Kata Kunci: *Cash Holding*, *Growth Opportunity*, *Leverage*, *Net Working Capital,* Profitabilitas

Abstract

This study aims to analyze the impact of Growth Opportunity, Net Working Capital, Leverage, and Profitability on Cash Holding in healthcare sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2017 - 2024. The healthcare sector was chosen due to its unique capital-intensive characteristics and high growth potential. The sampling technique used is purposive sampling. This research employs a quantitative approach with secondary data obtained from the financial statements of 20 sample companies. Data analysis is done using multiple linear regression methods processed through SPSS 25 software. Based on the analysis results, it was found that the Growth Opportunity variable has a negative and significant impact on Cash Holding, while the Net Working Capital and Profitability variables have a positive and significant impact on Cash Holding. Meanwhile, the Leverage variable has no effect on Cash Holding. Suggestions for future research include using more diverse variables, increasing the sample size

to enhance the quality of research results, and extending the research period to make the findings more relevant.
***Keywords**: Cash Holding, Growth Opportunity, Leverage, Net Working Capital, Profitability*

A. INTRODUCTION

In the midst of economic volatility, sudden regulatory changes, or unexpected crises (e.g. the COVID-19 pandemic that affected almost all sectors, including healthcare), adequate cash serves as a "cushion" to keep the company operating and avoid bankruptcy due to liquidity difficulties. Without cash, companies can struggle even if they make profits on paper. Companies with sufficient cash are more free to make profitable investment decisions without having to rely on external funding that may be expensive or difficult to obtain (e.g., bank loans or the issuance of new shares). This could mean buying new, state-of-the-art medical equipment, developing innovative pharmaceutical products, acquiring other hospitals or clinics, or expanding service networks (Wibawa & Nareswari, 2020).

Cash is the most fluid asset and has a liquid nature, so it is needed by companies in carrying out their operational activities. In addition to cash transactions that have been planned by a business to run its business, there are also cash funding that is held or in an entity known as cash holding. Investment decisions are one of the most important decisions that have a direct impact on operational activities. The risks and rewards of short-term and long-term investments differ. A company's performance can be affected if financial managers differentiate between short-term and long-term investments without conducting thorough research. This can lead to capital shortages or disruptions to business operations. Effective cash management and optimization cash holding is crucial for operational continuity and long-term growth in the sector. In addition, strict regulations and high operational costs (e.g., the purchase of expensive medical equipment, salaries of experts) also affect the capital structure and profitability level of the company, which in turn impacts their decisions in cash holding (Camelia & Akbar, 2024). Studying this sector during the period 2017-2024 it provides detailed insights into the financial trends of healthcare companies amidst different healthcare policies and economic developments in Indonesia.

The phenomenon related to cash holding occurred in PT Indofarma Tbk where Indofarma's financial statements showed a significant decline in profit since 2020 to record large losses in 2021 and 2022, and continued to swell in the first semester of 2023. Indofarma's President Commissioner for the 2021 period, Laksono Trisnantoro, revealed that the Board of Commissioners had suspected problems since 2021 and proposed an external audit, but it was not realized until the BPK audit in 2023 found indications of fraud. Management changes occurred several times during the period. It was also revealed that Indofarma's transformation plan to become the focus of medical devices and herbs in the Pharmaceutical SOE Holding was canceled due to the company's condition in 2023. The company also downsizing (layoffs) and is in the handling of an Asset Management Company (PPA). This chaos has an impact on the arrears of Indofarma employees' salaries. The Deputy Minister of SOEs stated that the current focus is PKPU (Postponement of Debt Payment Obligations) and handling fraud cases. The special staff of the Minister of SOEs said that the parent company, Bio Farma, had previously helped overcome the salary problem, but now the situation is getting more difficult because of the large amount of funds that have been sucked into Indofarma. The revelation of an online loan case that ensnared Indofarma up to Rp 1.26 billion through the personal names of employees is an indication of desperation in finding short-term funding sources to cover the cash shortage. The government's plan to sell Indofarma's remaining assets to resolve staffing issues also indicates that the company is short of cash and must liquidate assets to meet urgent obligations (CNBC Indonesia, 2024).

Therefore, the aim of this study is to close this gap new empirical evidence on how growth opportunities, net working capital, leverage, and profitability affect cash holding in healthcare sector companies in Indonesia during the period, thereby providing a more relevant and specific understanding.

Literature Review

1. Theory Trade-Off

In the context of financial management, The theory trade-off explains how a company manages the amount of cash it has on hand (cash holding) involves careful consideration the balance between costs and benefits in cash holding. Overall, the theory aims to find the best investment policies that link cash management to reducing financial problems, even when companies face financial constraints. Theory Trade-Off states the company seeks to balance the benefits and costs of using debt and cash ownership. Regarding cash holding, to offset the liquidity benefits companies tend to keep efficient cash balances (e.g., to fund investments, pay dividends, or deal with cash flow uncertainty) with the cost of holding cash (Maxentia et al. 2022).

2. Theory Pecking Order

Theory pecking order Explain how a company will tend to choose to use funding from within the company first over external funding (Zefanya & Susanto, 2020). This can happen because funding using external funds creates more costs and more complicated processes. According to pecking order theory, cash holdings does not have an optimal rate just like the optimal level of debt. Cash acts as a buffer between investment needs and profit balances and there is no optimal cash rate. Theory pecking order It also explains the asymmetry of information between shareholders and the company's management, which creates a financing hierarchy from internal financing with the lowest asymmetric costs to external financing with higher asymmetric costs (Myers & Majluf, 1983).

3. Cash Holding

The term that refers to the total cash or cash equivalent assets held by a company or individual at a given time is Cash Holdings. This can include cash that is physically in the company's cash, as well as balances stored in bank accounts or investments that are easily cashed out such as short-term deposits. Cash holding It is usually used for purposes such as paying debts, paying employees, financing daily operational needs, and preparing emergency funds. Can be measured by dividing

cash and cash equivalent by total assets is a way of measuring cash holding (Darmawan & Nugroho, 2021). The formula is as follows:

$$\text{Cash Holding} = \frac{\text{Cash and cash equivalents}}{\text{Total Assets}}$$

4. Growth Opportunity

Growth opportunity is the ability to maintain the position of the company's business operations and economic growth. The greater the company's growth opportunities, the greater its profits. According to pecking order theory, significant growth opportunities will encourage businesses to prioritize those with greater capital. The goal is to ensure the availability of funds to take advantage of every investment opportunity that arises (Alicia et al. 2020). To calculate this variable, divide the total amount of assets for the current year by the total amount of assets for the past year and divide the result by the total number of years that have passed (Kusno & Jonnardi, 2020). Along with research Maxentia et al. (2022) and Devita & Rasyid, (2025) states that growth opportunity affects cash holding. So that from this statement, the following hypotheses can be produced:

H1: Growth Opportunity affects on Cash Holding

$$\text{GO} = \frac{\text{Total Assets t} - \text{Total Assets (t} - 1)}{\text{Total Assets (t} - 1)}$$

5. Net Working Capital

Net working capital is an important component that functions to support business operations without sacrificing integrity. The ratio of the total current assets to the total current liabilities, then divided by the total current liabilities is net working capital. For this research, current liabilities have a maturity period of one year, while active resources can be converted to cash in less than one year. Research by Astuti et al. (2020) and Putri & Selfiyan, (2023) generates Net Working Capital has a significant positive effect on cash holding. Following research hypotheses can be formulated:

H2: Net Working Capital affects cash holding.

$$\text{NWC} = \frac{\text{Current Aset} - \text{Current Liabilities}}{\text{Total Assets}}$$

6. Leverage

This ratio is obtained by comparing the company's total liabilities to its total assets. When the value of leverage This indicates a high level of financing through debt, it can be concluded that the payment of company asset ownership relies more on debt. Based on theory pecking order, companies have a tendency to finance their investments first by using funds from retained earnings, before choosing to go into debt. This strategy causes a reduction in available cash (Devita & Rasyid, 2025). This will then show that the company has leverage high will have a level cash holding low. In line with studies on research (Hastuti et al. 2023) leverage has a significant negative impact on the cash holding company. Therefore, the following hypothesis and formula are obtained:

H3: Leverage affects cash holding.

$$\text{DAR} = \frac{\text{Total liabilities}}{\text{Total Assets}}$$

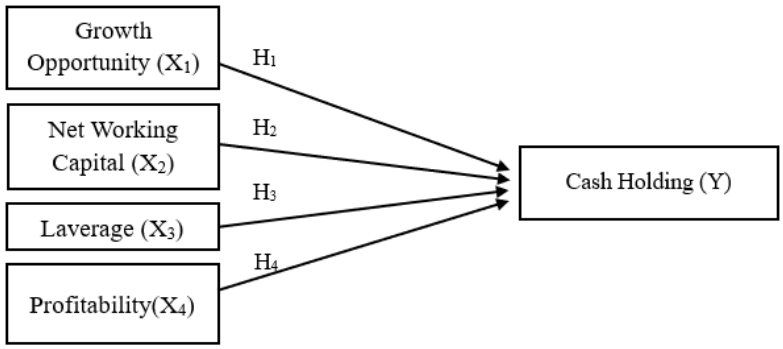
7. Profitability

The financial performance indicator demonstrates company's the capabilities to generate return is profitability. A high level of profitability reflects operational effectiveness and greater profit potential. Viewed from trade-off theory, the high profits that the company earns will save more money to smooth daily transactions. Likewise with pecking order theory, If the company has a level of profitability high then has a low debt level because the company profitability has a large source of internal funds, namely cash. This study proxy's profitability with the ROA ratio (Return on Asset). This indicator measures a company's ability to generate revenue by comparing profits with total assets (Silvy & Rasyid, 2021). In study by Erawati et al. (2025) and Camelia & Akbar (2024) profitability has a positive and significant influence on Cash Holding. Therefore, following hypothesis and formula are obtained:

H4: Profitability affects cash holding.

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Conceptual Framework



Picture 1. Conceptual Framework

B. METHOD

This study used quantitative analysis of financial data from company financial reports. The population consisted of 35 companies operating in the healthcare sector and listed on the Indonesia Stock Exchange (IDX). For a sample of 20 companies and is longitudinal (panel data), covering the time period 2017 – 2024. So a research sample of 20 companies multiplied by 8 years was obtained, namely 160 observations for the research. In this study, sample selection was carried out using a purposive sampling method based on certain criteria that have been determined by the researcher. With the following criteria:

1. Healthcare sector companies listed on the Indonesia Stock Exchange (IDX) in 2017 – 2024.
2. Healthcare sector companies that do not publish their full financial statements or Annual Report from 2017 – 2024

Meanwhile, in the data processing process, a data processing program is used, namely SPSS 25.0. The analysis techniques used are descriptive statistical analysis, classical assumption test, multiple linear regression test, hypothesis test and determination coefficient.

C. RESULTS AND DISCUSSIONS

Normality Test

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			160
Normal Parameters[a, b]	*Mean*		.0000000
	Hours of deviation		.08288069
Most Extreme Differences	*Absolute*		.097
	Positive		.097
	Negative		-.064
Test Statistic			.097
Asymp. Sig. (2-tailed)			.001c
Monte Carlo Sig. (2-tailed)	*Itself.*		.088d
	99% Confidence Interval	*Lower Bound*	.080
		Upper Bound	.095

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Based on 10000 sampled tables with starting seed 2000000.

Source: SPSS 25 processing results

The normality test using the Monte Carlo One-Sample Kolmogorov-Smirnov Test method shows that the residual model is normally distributed because the significance (Sig. 2-tailed) is approximately 0.088.

Multikolinieritas test

Tabel 3. Multikolinieritas test

Coefficients[a]

Model		*Collinearity Statistics*	
		Tolerance	VIF
1	*Growth Opportunity*	.979	1.021
	Net Working Capital	.902	1.109
	Leverage	.776	1.289
	Profitabilitas	.760	1.316

a. *Dependent Variable: Cash Holding*

Source: SPSS 25 processing results

If we look at all the values of the independent variables, all tolerance values are above 0.10 and all VIF values are below 10. It can be concluded that all independent variables are free from multicollinearity problems or none of the independent variables are affected by multicollinearity.

Heteroskedastisitas Test

Tabel 4. Heteroskedastisitas Test

Coefficients[a]

Model		*Unstandardized Coefficients* B	*Std. Error*	*Standardized Coefficients Beta*	t	*Sig.*
1	*(Constant)*	.760	.102		7.434	.000
	Growth Opportunity	.086	.060	.114	1.436	.153
	Net Working Capital	-.249	.142	-.144	-1.747	.083
	Leverage	-.191	.180	-.094	-1.059	.291
	Profitabilitas	-.330	.420	-.071	-.785	.434

a. Dependent Variable: ABS_RES1
Sumber: Hasil pengolahan SPSS

Base on tabel 4, it is observed that the probability values for each variabler are greater than 0,05. Therefore, the decision is to accept H0, indicating that there are no signs of heteroskedasticty.

T Test

Table 5. Hypothesis (T Test)

Coefficients[a]

Model		*Unstandardized Coefficients* B	*Std. Error*	*Standardized Coefficients Beta*	t	*Sig.*
1	*(Constant)*	.084	.015		5.731	.000
	Growth Opportunity	-.024	.009	-.185	-2.744	.007
	Net Working Capital	.067	.020	.230	3.267	.001
	Leverage	.034	.026	.098	1.295	.197
	Profitabilitas	.353	.060	.447	5.834	.000

a. *Dependent Variable: Cash Holding*

Source: SPSS 25 processing results

a. *Growth Opportunity*, because t counts (-2.744) > t table (1.97539) in absolute terms (2.744 > 1.97539) and Sig. Value (0.007) < 0.05, H1 has proven acceptable.
b. *Net Working Capital,* because t-calculated (3.267) > t-table (1.97539) and Sig. Value (0.001) < 0.05, H2 has proven acceptable.

c. *Leverage,* because t-calculates (1.295) < t-table (1.97539) and Sig. Value (0.197) > 0.05, H3 was rejected.

d. Profability, because t-count (5.834) > t-table (1.97539) and Sig. Value (0.000) < 0.05, H4 has proven acceptable.

Coefficient of determination (R2)

Table 4. Determination Coefficient Test Results (R2)

Model Summaryb

Model	R	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	.555a	.309	.286	.083854

a. *Predictors: (Constant), Net Working Capital, Growth Opportunity, Leverage,* Profitabilitas
b. *Dependent Variable: Cash Holding*

Source: SPSS 25 processing results

The R Square value of 0.309 indicates a 30.9% variation in cash holding. Thus, most (100% - 30.9% = 69.1%) of the variation in cash holding is likely explained by other factors not included in this study's model.

D. CONCLUSIONS

The research findings show that the Growth Opportunity variable has a negative and significant impact on cash holding. This indicates that companies in the healthcare sector with various prospects use their cash for profitable investments. The Net Working Capital variable has a positive and significant impact on cash holding. Therefore, their cash holding decrease while their net working capital increases. The Leverage variable has no significant impact on cash holding. This is because businesses have the flexibility to use external financing to obtain funds if needed. The Profitability variable has a positive and significant impact on cash holding. In general, profitability provides financial resources that enable businesses to increase their cash flow. This research has limitations, namely the selection of research objects in health sector companies listed on the Indonesia Stock Exchange (IDX) period 2017-2024, This research only focuses on and

proves the influence on measuring the variables of growth opportunity, net working capital, leverage, profitability, and cash holding.

E. SUGGESTIONS

Based on the above conclusions, there are several suggestions from researchers that need to be considered and are expected to use various variables, it is hoped that the next research can increase the number of samples so that the results of the research carried out will be better, it will better for the next research to be more updated and add to the period of the research year so that the results obtained are more relevant the results of the research conducted will be better, it would be better for further research to be more updated and to add research period so the results obtained will be more relevant.

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