CHAPTER V

CONCLUSION AND IMPLICATIONS

A. Conclusion

Drawing from the research findings and discussion regarding the impact of capital expenditure, firm size, growth opportunities, leverage, and profitability on cash holdings, the following conclusions can be made:

1. Capital expenditure has no significant impact on cash holdings, indicating that it does not influence the amount of cash a company retains.
2. Firm size negatively influences cash holdings, suggesting that larger companies tend to hold less cash.
3. Growth opportunities positively influence cash holdings, meaning that companies with higher growth prospects are likely to maintain more cash.
4. Leverage negatively affects cash holdings, implying that an increase in leverage is bound with a decrease in the company’s cash reserves.

B. Implications

Rooted on the conclusions presented above, here are some implications of this study:

1. Capital expenditure does not affect cash holdings, so the company does not consider capital expenditure as a factor influencing the amount of cash holdings. This result shows that the company's financial management uses external funding sources, like loans or issuing bonds,

to finance long-term investments. This approach helps them keep their internal cash stable. As a result, companies can maintain financial flexibility without sacrificing liquidity. Cash management must be aligned with the company's financing structure, where companies with relatively small fixed assets and low capital expenditure ratios are more likely to choose external financing as their primary strategy.

2. Firm size is an important factor in determining cash holding policies. Large companies have easier access to external funding sources and stable cash flows, so they do not need to hold large amounts of cash. Large companies can allocate available funds to other productive activities without holding excess cash, provided that financial conditions and access to capital markets remain stable. This finding reinforces the relevance of the trade-off theory, which states that larger companies have a higher ability to manage liquidity needs optimally. This study proves that company size reduces the amount of cash holdings.
3. Growth opportunities are one of the important considerations in determining a company's cash retention policy. Companies with high growth opportunities need to maintain adequate cash levels to ensure the availability of funds to support future strategic investments and business expansion. Therefore, companies need to design adaptive cash management strategies that align with the dynamics of growth opportunities they face, including avoiding reliance on expensive

external financing. The findings of this study reinforce the trade-off theory that companies with high growth prospects are more cautious in maintaining internal liquidity to avoid missing out on investment opportunities that could enhance the company's value sustainably. This study demonstrates that growth opportunities can increase a company's cash holdings.

4. Leverage has a negative effect on a company's cash holdings, so companies with high debt levels tend to hold lower amounts of cash because they rely more on external financing as a source of funding. Therefore, companies need to optimally manage their capital structure and cash flow to meet their debt obligations without holding excessive cash. Proper management will help balance liquidity and financial efficiency, especially for companies with high leverage. By utilizing external financing wisely, companies can allocate funds more productively without sacrificing their ability to meet short-term obligations. Companies with high debt ratios can optimize the use of external funds to improve financial efficiency. However, they must maintain minimum liquidity levels to avoid default risks that disrupt operational stability.

C. Limitations and Research Recommendations

1. The results show that adjusted R^2 result was 82% of capital expenditure, firm size, growth opportunity, leverage, and profitability influence cash holding. The remaining 18% is influenced by other variables not

included in the scope of this study. Subsequent research may consider adding variables influencing a company's cash holdings, such as dividend payment and corporate governance.

2. Further research should also consider macroeconomic factors such as inflation, interest rates, or capital market volatility, as these may influence companies' decisions in determining the level of cash holdings.
3. Future research should also incorporate specific industry effects, as these factors may play a significant role in shaping corporate cash-holding behavior.