



# Influence of Cash Holding and Dividend Against Firm Value on Property Company and Real Estate Listed on the Indonesia Stock Exchange

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## Abstract

The purpose of this study was to determine and analyze the effect of cash holding and dividends on firm value in property and real estate companies listed on the Indonesia Stock Exchange, either partially or simultaneously. The quantitative type of research used in this study, the research population is all property and real estate companies listed on the Indonesia Stock Exchange for the 2010-2019 period and the sample selection technique uses purposive sampling so that a sample of companies is obtained. The data collection techniques with documentation and are secondary data used in research. The data analysis technique used is panel data with the help of a statistical data processing program called Eviews 9. The results of the study, cash holding partially has a negative and insignificant effect on firm value, while dividends partially have a positive and significant effect on firm value, while simultaneously cash holding and dividends have a significant effect on firm value.

*Keywords:* Cash holding, Dividend, Firm Value

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## 1. Introduction

A company/institution/private sector is established by a person or group to carry out activities to achieve certain goals (Pinkowitz et al., 2006). In order for this goal to be realized, everyone in the company must be able to work well together, in this case the profit the company wants is to increase the value of the company or what is called firm value. In the business world, every company faces its own competition (Kusnadi, 2011; Rahmayati, 2021). Therefore, a company / agency / private sector performs an increase in performance in order to achieve certain goals. This goal can be achieved if a management manages the company properly.

The most important factor that should be given more attention by the management in running a company is the company's financial statements, one of which is in determining the amount of cash balances in the company or what is commonly called cash holding. The cash holding or what can be called a number of cash holdings owned by a company (Cheryta et al., 2018). If the cash holdings held by a company are sufficient or not in an excessive state, it can be indicated that a company has a level of liquidity (Ghazali, 2020).

Determination of a cash holding or cash holdings at an optimal point is very important to do because cash is an element of working capital that is very much needed by the company as a source for the fulfillment of all company operational activities, both by holding cash balances that are too large (excess cash holding) as well as holding too little cash balance (cash shortfall) has its own benefits for a company and its shareholders (La Rocca and Cambrea, 2019).

The most important thing in a company is a financial report, a financial report can be interpreted as a source of information on how the financial condition of a company is needed by internal (internal) companies and external (external) parties (Loncan and Caldeira, 2014). Information on the financial condition of the company is also useful for investors and shareholders for making business decisions in company investment (Mahdi and Khaddafi, 2020). In addition to the company's financial statements, another factor that can influence investment decisions is dividends (Lau and Block, 2012). Dividends can be interpreted as a part that comes from net income which will later be distributed to all shareholders in the company, an investment that can be generated from dividends has a thousand very good information about a company for the future and also has a good effect on firm value (Nisasmara and Musdholifah, 2016).

Companies have various ways to show investors that they are the right company to be an alternative investment by increasing company value and providing welfare to shareholders (Rizqia and Sumiati, 2013). An increase in dividends can mean that a company has a good income in the future. However, if dividends experience instability such as abnormal decreases and increases, then investors can conclude that one day the company will face difficulties in the future and investors will switch to other companies that distribute more dividends.

The profit earned by the company is not only distributed as dividends because in determining the amount of dividend distribution, the company must carefully consider the company's ability to pay dividends. The company is expected to determine the number of dividends that will be given to investors so that investors feel satisfied and also not burden the company so that investors do not lose confidence in the company. Dividend policy is a policy made by the company to determine whether the net profit received by a company at maturity will be distributed to shareholders or in another way, namely the net profit will be invested by the company into retained earnings, it can be said that investors will be more interested in companies that provide dividends (Fajaria and Isnalita, 2018).

It is important for the company regarding the dividend payment policy, this policy involves two parties who have an interest, namely the company's management and shareholders. If the company decides to share profits in the form of dividends, the amount of profits that are reinvested will decrease so that the company's source of funds also decreases, if the company chooses to maintain the profits it generates, it can increase the company's sources of funds (Aprilyani et al., 2021). Dividends can also be referred to as the payment of a company's profits to be distributed to shareholders, many investors who invest in the company will increase the share price which also has an impact on increasing the value of the company or firm value itself.

The value of the company can be reflected in its share price, the market price of the shares that appear when a seller and buyer transaction occur is called the company's market value (Oncioiu et al., 2021). Because property and real estate companies are still the biggest contributors to the Indonesian economy, besides seeing the population in Indonesia growing, there will be more developments such as bridges, housing and office buildings, so to see how much investor interest in the property and real estate sector is, researchers are interested. to conduct research by studying property and real estate companies listed on the Indonesia Stock Exchange.

## 2. Literature Review

### 2.1 Firm value

Firm value or company value is a certain condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years, since the company was founded until now. Increasing the value of the company is in accordance with the wishes of the owners, because with the increase in the value of the company, the welfare of the owners will also increase (Sukmawardini and Ardiansari, 2018). The value of the company can be written with the PER formula which can be calculated as follows (Winarto, 2015):

$$PER = \frac{\text{Stock price}}{\text{Earnings per share}} \times 100\%$$

### 2.2 Cash Holding

Cash or cash equivalents are investments that are highly liquid, short-term and fast to be converted into cash in a certain amount without facing the risk of significant changes in value. Cash Holding is the amount of cash holdings owned by the company. If the cash owned by the company is sufficient or not excessive, it can indicate the company's liquidity (Moin et al., 2020). Cash holding is measured based on the amount of cash and cash equivalents divided by the total book value of assets. Cash holding is calculated by the log of the year-end balance sheet cash or cash equivalents:

$$\text{Cash holding} = \frac{\text{Cash} + \text{Cash Equivalent}}{\text{Total Assets}}$$

### 2.3 Dividend

Dividend is the distribution of company profits or revenues determined by the board of directors to be distributed to shareholders where the profits can be in the form of cash dividends or stock dividends that can maximize the value of the company (Juma'h and Pacheco, 2008). Dividends with the calculation of Dividend Payout Ratio (DPR) or what can be abbreviated as DPR is a comparison between dividends per share and per share. In this study it can be measured by the equation:

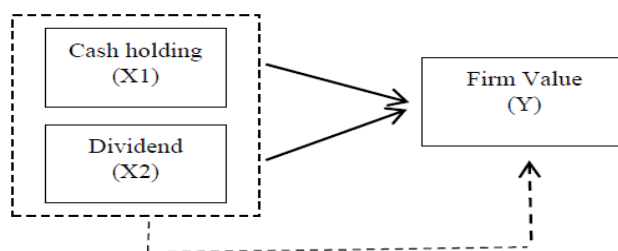
$$DPR = \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

### 3. Materials and Methods

The locations in this study are property and real estate companies listed on the Indonesia Stock Exchange and can be accessed through the official website [www.idx.co.id](http://www.idx.co.id). The type of research used is a quantitative approach, which is to examine the effect of cash holding and dividends on the firm value of property and real estate companies listed on the Indonesia Stock Exchange (IDX). The population in this study are all property and real estate companies listed on the Indonesia Stock Exchange during the period 2010 to 2019 as many as 65 companies, the sampling method in this study uses the purposive sampling method, namely the sampling is selected based on predetermined criteria. So that 10 samples of companies were found in this study.

The type of data used in this study is secondary data in the form of time series data, which means that it can be grouped by sequence in a predetermined time span. The data used in this study is panel data sourced from secondary data obtained by taking data from the publications of the Indonesia Stock Exchange (IDX). The data collection used in this research is the documentation method and collects various data through books, journals, data from the internet related to this research variable. In this study, the authors obtained are financial statements of property and real estate companies listed on the Indonesia Stock Exchange and can be accessed through the website [www.idx.co.id](http://www.idx.co.id) and the websites of the companies used as research samples

Data collection techniques use literature studies by reviewing and analyzing related research topics. Documentation techniques to obtain data on the realization of receivable management income from 2012-2016 aimed at estimating Non-Tax State Revenue (PNBP) at KPKNL Bandung. The framework underlying this research can be seen in Figure 1.



**Figure 1.** The Framework

Based on the background and the formulation of the problems proposed in this study, the research hypotheses can be arranged as follows:

H1: Cash Holding has a significant effect on Firm Value in property & real estate companies listed on the Indonesia Stock Exchange.

H2: Dividends have a significant effect on Firm Value in property & real estate companies listed on the Indonesia Stock Exchange.

H3: Cash Holding and Dividend simultaneously have a significant effect on Firm Value in property & real estate companies listed on the Indonesia Stock Exchange.

The data analysis technique used in this study is multiple linear regression analysis which aims to determine the effect of the independent variable on the dependent variable. The test can use the E-views 9 software by using the selection of panel data regression models such as CEM, REM, FEM, assumption testing and hypothesis testing.

Descriptive analysis is used to analyze the data that has been collected and researched by looking at the standard deviation values, mean, variance, maximum, minimum, range, sum, skewness and kurtosis. Descriptive analysis is used to determine cash holding and dividends on firm value in property and real estate companies for the period 2010 to 2019. To analyze panel data, it is necessary to test the right model specifications to describe the data. The tests are:

- Chow test is a test to determine what model to choose between the common effect model or the fixed effect model.
- Hausman test is a test used to select the best model between the fixed effect model or the random effect model.
- Lagrange Multiplier, Lagrange Multiplier test is a test to choose which model is the best, whether the common effect model or the random effect model.
- Classic assumption test : Normality Test, Autocorrelation Test, Multicollinearity Test, Heteroscedasticity Test.
- Hypothesis Testing : T test, F test, R2 test.

## 4. Results and Discussion

### 4.1 Results

Panel data regression can be done with three models, namely common effect, fixed effect, and random effect. Each model has its own advantages and disadvantages. The choice of model depends on the assumptions used by the researcher which one is the best that can be tested statistically. Then enter the Chow, Hausman and Lagrange multiplier tests. Based on the selection of the regression model above, the best used for this research is the Random Effect Model.

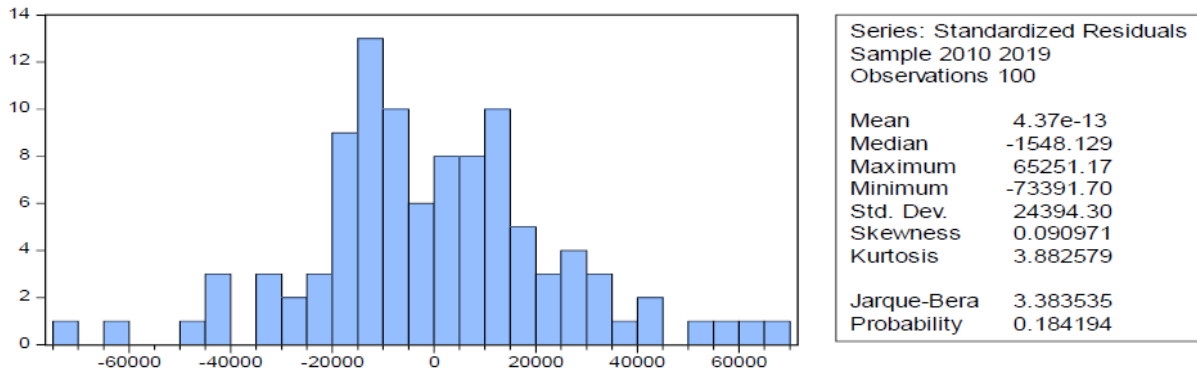


Figure 2. Histogram of Normality Test

The normality test is the first test performed in the classical assumption test. From the histogram results in Figure 2, the normality test with a probability of  $0.184194 > 0.05$ , it can be concluded that the data is normally distributed. The next test is the multicollinearity test. Multicollinearity in the regression model is the existence of a significant pattern of relationships between independent variables so that it can cause a bias towards the pattern of relationships between the independent variables and the dependent variable.

Table 1. Multicollinearity Test

	$X_1$	$X_2$
$X_1$	1.000000	0.061896
$X_2$	0.061896	1.000000

Based on the Table 1, the test results of the correlation coefficient value, each variable has a coefficient value of  $< 0.9$ , it can be concluded that the model does not experience multicollinearity problems.

Based on the results of Table 2, it shows that  $X_1$  and  $X_2$  each have a probability value  $> 0.05$ , which means that there is no heteroscedasticity problem.

Table 2. Heteroscedasticity Test

Heteroskedasticity Test: Harvey			
F-statistic	1.662141	Prob. F(2,97)	0.1951
Obs*R-squared	3.313538	Prob. Chi-Square(2)	0.1908
Scaled explained SS	3.982252	Prob. Chi-Square(2)	0.1365

Test Equation:

Dependent Variable: LRESID2

Method: Least Squares

Date: 06/28/21 Time: 17:46

Sample: 1 100

Included observations: 100

Variable	Coefficient	Std. Error	t-Statistic
C	19.13828	0.351583	54.43466
X1	-2.95E-05	1.63E-05	-1.806987
X2	1.39E-06	3.93E-06	0.354449
R-squared	0.033135	Mean dependent var	18.80102
Adjusted R-squared	0.013200	S.D. dependent var	2.447573
S.E. of regression	2.431366	Akaike info criterion	4.644324
Sum squared resid	573.4193	Schwarz criterion	4.722479

Log likelihood	-229.2162	Hannan-Quinn criter.	4.675955
F-statistic	1.662141	Durbin-Watson stat	1.952220
Prob(F-statistic) 0.195090			

Autocorrelation can be detected by Durbin Watson test with the help of dL and dU tables. With  $K = 2$  and sample data  $n = 100$  then  $dL = 1.6337$  and  $dU = 1.7152$ . Table 3 shows the Durbin Watson value of  $1.8974 > 1.7152$  from the dU limit. with the formula  $dU < DW < 4 - dU$  written as  $1.7152 < 1.8974 < 2.2848$ , it can be concluded that there is no autocorrelation.

**Table 3.** Autocorrelation Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1469.603	3067.810	0.479040	0.6330
X1	0.043691	0.142138	0.307384	0.7592
X2	-0.048268	0.035285	-1.367927	0.1746
RESID(-1)	0.467380	0.104039	4.492355	0.0000
RESID(-2)	0.137083	0.101739	1.347400	0.1811
R-squared	0.278921	Mean dependent var		4.37E-13
Adjusted R-squared	0.248560	S.D. dependent var		24394.30
S.E. of regression	21146.36	Akaike info criterion		22.80503
Sum squared resid	4.25E+10	Schwarz criterion		22.93529
Log likelihood	-1135.251	Hannan-Quinn criter.		22.85775
F-statistic	9.186765	Durbin-Watson stat		<b>1.897478</b>
Prob(F-statistic)	0.000003			

Based on the Table 4, the form of the equation can be written as follows:  $Y = 111184.7 - 0.043036X_1 + 0.189249X_2 + e$ . From the regression equation above, it can be concluded that:

$\alpha = 111184.7$  means that if  $X_1$  and  $X_2$  are 0 then  $Y$  is 111184.7.

$\beta_1 = -0.043036$  means that with every 1% increase in  $X_1$  it will decrease  $Y$  by 0.043036 because the effect is negative.

$\beta_2 = 0.189249$  means that with every 1% increase in  $X_2$  it will increase  $Y$  by 0.189249.

By using a significant level of 5% or 0.05. if the value of  $\text{sig.t} > 0.05$  then  $H_0$  is accepted, meaning that there is no significant effect on the independent variable with the dependent variable. And vice versa if the value of  $\text{sig.t} < 0.05$  then  $H_1$  is accepted, meaning that there is a significant influence between the independent variables on the dependent variable.

**Table 4.** Random Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	111184.7	3563.668	31.19951	0.0000
X1	-0.043036	0.165351	-0.260268	0.7952
X2	0.189249	0.039806	4.754273	0.0000

The effect of cash holding on firm value regression results shows that the t-count is  $-0.260268$ , while the t-table value with  $\alpha = 5\%$  and  $df = (nk)$ ,  $df = 100 - 3$ ,  $df = 97$  where the t-value the table is  $-1.9847$  which means the t-count value is greater than the t-table value ( $-0.2602 > -1.9847$ ), then if viewed from the probability value, which is  $0.7952 > 0.05$  then  $H_0$  is accepted. This means that cash holding has no significant effect on firm value. The effect of dividends on firm value, the results of panel data regression analysis show that the t-count for the independent variable dividend is  $4.7542$  while the t-table value with  $\alpha = 5\%$  and  $df = (nk)$ ,  $df = 100 - 3$ ,  $df = 97$  where the t-table value is  $1.9847$  which means that the t-count value is greater than the t-table value ( $4.7542 > 1.9847$ ), then when viewed from the probability value of  $0.0000$  which is smaller than  $0.05$  then  $H_1$  is accepted. This shows that dividends have a significant effect on firm value.

By using a significant level of 5% or 0.05. if the value of  $\text{sig.F} > 0.05$  then  $H_0$  is accepted, meaning that simultaneously there is no significant effect on the independent variable with the dependent variable. And vice versa if the value of  $\text{sig.F} < 0.05$  then  $H_1$  is accepted, meaning that simultaneously there is a significant influence between

the independent variables on the dependent variable. The calculated F value is 11.30213 for the F table with a level of  $\alpha = 5\%$  or 0.05 of 3.0882. Thus, F Count > F table (11.30213 > 3.0882), then also seen from the probability value which is 0.000039 < 0.05. So  $H_0$  is rejected. This shows that the cash holding ( $X_1$ ) and dividend ( $X_2$ ) variables together or simultaneously have a significant effect on firm value. While the remaining 81.11% is explained by other factors outside the model such as managerial ownership, company size, board size, leverage, audit delay, firm age and other financial ratios.

## 4.2 Discussions

The results of the analysis of this study indicate that cash holding has a significant negative effect on firm value. With a probability value higher than  $\alpha$ , it can be concluded that  $H_0$  is accepted and  $H_1$  is rejected, which means that the cash holding variable has no significant effect on firm value. This explains that changes in the value of the cash holding will not significantly affect firm value. Because the optimal cash held in the company is not used to develop larger profits, even though if the company takes the opportunity to use the cash to increase profits, investors will be very interested in the company's financial statements. In theory, increasing cash holding will have a significant effect on firm value, However, the research above states that cash holding has a negative and insignificant effect. This study is in line with research conducted (Cheryta et al., 2018) which proves that cash holding has a negative and insignificant effect on firm value.

Dividends have a significant effect on firm value. This can illustrate that the higher the dividend, the higher the firm value. It is explained that the probability value is smaller than  $\alpha$ , so it can be concluded that  $H_0$  is rejected and  $H_1$  is accepted, meaning that the dividend variable has a significant effect on firm value. Dividends can also be interpreted as payment of company profits to shareholders, the number of investors who invest in the company can increase share prices which also have an impact on increasing firm value. This research is in line with research conducted on (Sari & Patrisia, 2020).

Cash holding and dividend simultaneously to firm value. Based on the results of the analysis of the calculated F value and F table so that  $H_0$  is rejected and  $H_1$  is accepted. This shows that the cash holding ( $X_1$ ) and dividend ( $X_2$ ) variables together or simultaneously have a significant effect on firm value. This is in line with research conducted by (Febriana et al., 2020).

## 5. Conclusion

Based on the results of research on the effect of cash holding and dividends on firm value in property and real estate companies listed on the Indonesia Stock Exchange for the period 2010 to 2019, it can be concluded that cash holding has a negative and insignificant effect on firm value while dividends have a significant effect on firm value. This explains that changes in dividends will significantly affect firm value. Meanwhile, cash holding and dividends have a significant effect on firm value simultaneously.

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