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The Impact of Company's Cash Reserves on Financial Leverage Consumer Cyclicals and Non-Cyclicals Sector on the Indonesia Stock Exchange

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Abstract:
The decision to leverage companies as cash reserves to advance business processes is widely practiced by companies in developing countries. Leverage describes a company's ability to use funds that have a fixed burden to increase the level of income for the owner of the company. In addition, leverage is used to measure a company's ability to pay all its obligations, both short-term and long-term, if the company is dissolved or expanded. The purpose of this study is to see the effect of financial leverage on cash reserves. The independent variable in this study is financial leverage. The dependent variables are cash reserves, while the control variables consist of operating cash flow, liquidity, company capital expenditures, cash flow volatility, dividends, company size, company life, return on assets, and tobin's q. This study was conducted by collecting data from 253 Consumer Cyclicals and non-Cyclicals sector companies in Indonesia within a span of 7 years (2015-2021) and using a panel data regression model in its testing. The results of the study presented that financial leverage, as measured by book leverage, negatively affects cash reserves. The lower the debt level, the higher the company's cash reserves, or vice versa. The novelty of this study is that it adds the Debt-to-equity ratio as one of the independent variables that are considered to be related to a company's cash reserves. The implication of the research that has been carried out is to provide direction for financial managers in monitoring risks in managing cash reserves and also assess the contribution of losses and the impact that will be obtained from each factor that supports financial leverage.

Keywords: *Cash reserves, debt, cash, liquidity, profitability*

1. Introduction

The company's policy in regulating important decisions in the company's cash reserves is one way to meet all the necessary costs in the short and emergency term. Companies that do not have sufficient cash reserves decide to choose a way of financial leverage to support their business activities, such as the allocation of cash reserves as a source in business activities, with an average competitive principal rate on Indonesian capital loans from 2018: 10.34%, 2019: 10.03%, 2020: 9.15%, 2021: 8.59% and the current year 2022: 8.42% (www.bi.go.id), making it one of the government's programs to encourage the advancement of the Indonesian economy.

The rapid development of the economy and business competition- many large companies are developing by taking advantage of every momentum of market phenomena. In rapid business competition, companies must be able to compete for business continuity and existence. The company is required to be able to control its operational activities properly, including managing the availability of cash owned by the company. Cash is not only needed to finance the company's operations but also investment (Astuti, Ristiyana, & Nuraini, 2020). Therefore, some companies take investment opportunities from the company's remaining cash reserves by taking investment opportunities such as deposits, discount interest, and other short-term investment products as other income outside the main business benefits.

Several factors are thought to affect cash reserves, including profitability, cash flow, and leverage. Profitability is suspected of having a positive effect on cash reserves. Profitability describes how much a company can make a profit (Sari, D.M., & ardian, 2019). Thus, the influence of bagging profitability on cash reserves in a company's financial leverage decision weighs the company's costs and benefits (Hamza Almustafa, 2022). The leverage factor is a comparison between assets and debts owned by the company. Leverage provides an overview of how much a company's assets can be financed

by debt and provides leverage results that have a significant negative effect on cash reserves (Kusumawati, Hendra Ts, & Nurlaela, 2020). Moreover, the influence of leverage is significantly positive on cash reserves (Nofryanti, 2014).

The sub-sector of consumer cyclicals and Non-Cyclicals in Indonesia is one of the sectors driving the development of economic growth in Indonesia, contributing to the interest in public consumption formed under any conditions. The expansion of the scale of the consumer cyclicals and non-Cyclicals business needs to be attributed to financial leverage to the company's cash reserves in the process of its development.

This study complements the literature on the effect of financial leverage on cash reserves in the consumer company sector in Indonesia. This study aims to see how significant the contribution of financial leverage is to the company's financial performance in managing cash reserves sourced from financial leverage. The novelty of this study is to add an independent variable, namely the Debt-to-equity ratio, as one of the independent variable. Ariska Trisnandari (2015) stated that the debt-to-equity ratio can show an influence on many conditions. For investors, the higher the level of debt-equity to ratio, the higher the composition of debt. So it will result in lower company performance.

2. Literature Review

2.1. Cash Reserves

The company's cash reserves are the difference in cash inflows minus cash outflows that occurred in the previous period (Subramanyam, 2017). Cash flow reflects how much cash the company manages to earn and spend. The amount of cash owned by the company also reflects how much money will be distributed to shareholders, so cash flow is one of the investors' concerns in making investment decisions. Cash flow that has relevance to the quality of profit is operating cash flow. This is because this cash flow comes from the company's main activities which can ultimately affect the information in the company's income statement (Wijayanti & Paramita, 2020).

2.2. Leverage

Leverage explains the use of debt ratio as an addition to external funds of companies that have fixed expenses in the hope of generating maximum profits (Mahawyahrti & Budiasih, 2017). Companies are more inclined to use debt as outside funding because it has lower costs when compared to the emission costs of issuing new shares (Wikartika & Fitriyah, 2018). The selection of debt as a funding option is expected to generate an additional operating profit that is greater than the interest paid (Putri et al., 2017). However, high levels of leverage are not a problem for investors when the company can maintain its profit persistence (Putri et al., 2017; Supriono, 2021). So that if this happens, the company is considered capable of using its debt efficiently and can maintain profitability as evidence of good management to shareholders.

2.3. Debt to Equity Ratio

Debt to equity ratio is one of the company's financial ratios, namely the solvency ratio. According to (Darmawan, 2020: 75) Debt to equity ratio is a debt ratio used to measure the comparison between total debt and the company's cash reserves. In other words, how much of the company's capital is financed by debt or how much the company's debt affects cash management. According to Darmawan (2020:76), debt to equity ratio is measured by comparing total debt with total cash or capital.

2.4. Cash Flow, Company Size, Liquidity, Cash Flow Volume

Cash flow sourced from operating activities is the most important cash flow to finance the company's operations, pay off its liabilities in a timely manner, pay dividends, and make new investments or expansions independently, without relying on outside spending, namely through third-party loans or new capital deposits from owners (Kartikahadi et al., 2016).

Company size is a picture of the size or size of assets owned by a company in terms of total assets, total sales, and average turnover within the company (Natalia & Fera, 2017). The larger a company is, the greater its cash holdings since large companies were considered successful in the past (Kariuki et al., 2015).

Liquidity is the extent to which an asset can be sold in the market without affecting the price of the asset. Assets that can be easily sold are known as current assets, which include receivables and inventories (Basheer, 2014).

Cash flow volatility is the movement of up and down in cash flow where if a company's cash flow volatility is unstable, the business may be short of cash. Cash flow volatility is a change in up and down or volatility in cash flow uncertainty that guides the company's cash retention policy and is also an indication of the company's future cash flow (Rahmawati, 2013).

2.5. Conceptual Framework

There is a significant positive influence on financial leverage as a substitute for cash reserves in developing countries. The higher the financial leverage ratio, the lower the cash reserves of the company. The greater the cost of debt, the worsening the company's financial performance (Hamza Almustafa, 2022). Financial leverage gives an idea of how much a company is financed by debt. Based on the results of research that shows negative values, leverage has the opposite effect on cash reserves. Companies that have a high level of leverage demonstrate the company's ability to obtain external funding through debt issuance. Meanwhile, companies that have a lower level of financial leverage indicate that the company's funding comes from its own capital. Therefore, companies with a high level of financial leverage will have a low level of cash reserves (Mustika Setia Mentari, 2021). Control variables significantly influence financial leverage on

cash reserves, using current assets, capital expenditure, cash cycle, cash flow, leverage, and market book-to-ratio (Najema, 2019). According to (Darmawan, 2020) Debt to equity ratio is a debt ratio used to measure the ratio between total debt and total equity. If the company has debt, the company must pay the principal and interest on the loan from the company's cash availability, especially if the company is late in payment. There will usually be a penalty for late payment so that the money that must be paid by the company becomes higher than the incoming money from the loan (Meiganada Puspa Putri, 2020). Therefore, based on the explanation above, the conceptual framework in this study is described as follows:

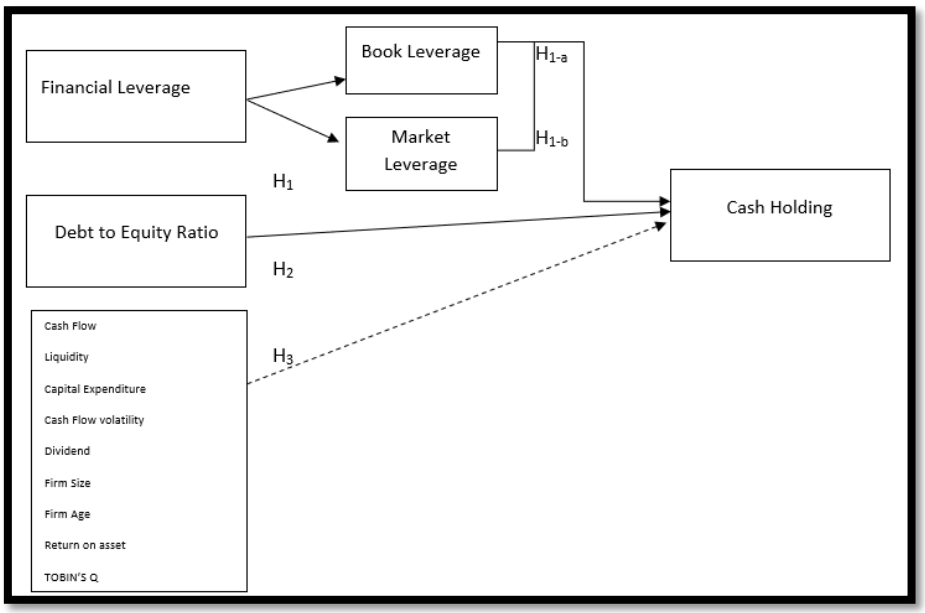

Figure 1: Conceptual Outline Chart

2.6. Hypothesis Development

Companies that have a high level of leverage demonstrate the company's ability to obtain external funding through debt issuance. Whereas companies that have a lower level of leverage indicate that the company's funding comes from its own capital. So, a company with a high level of leverage will have a low cash holding rate. The leverage result has a significant negative effect on cash reserves (Mustika Setia Mentari Suci, 2019). Financial leverage in the form of book leverage and market leverage has a significant negative effect on the company's cash reserves (Hamza Almustafa, 2022). (Tuffahati et al.2020) tested the effect of leverage on cash using a sample of 64 consumer goods sector companies listed on the IDX from 2016 to 2019 and found results that leverage had a positive effect on cash.

- H_1: There is an effect of *financial leverage* on the company's cash reserves.

The debt-to-equity ratio has a significant negative influence on cash reserves. This indicates that increasing the debt-to-equity ratio value will reduce the company's cash reserves (Meiganada Puspa Putri, 2020). A similar point from (Saleh Afif, Prasetiono, 2016) shows that the Debt-to-Equity Ratio has a negative influence on cash holding. Consistent results are also found in the research results (Iis Wahyuni, Soeratno, Suyanto, 2017), negatively affecting cash reserves.

- H2: There is an effect of Debt-to-equity ratio in financial leverage on cash reserves.

The effect of operating cash flow, liquidity, capital expenditure, cash flow volatility, dividends, firm size, firm age, return on assets, and tobin's q, which is a control variable, also has a significant influence on cash reserves. The control variables used in the previous study were returned on assets, capital expenditure, cash cycle, cash flow, leverage, and the market book to the ratio (Hapsari, 2015). However, only variable returns on assets and leverage give positive results to cash reserves. Where there are differences from the results of research from Najma., (2019), return on assets and leverage have a positive effect, but capital expenditure has no effect on cash reserves. Operating cash flow volatility shows how volatile the company's cash is in each financial statement reporting period. The higher volatility value of operating cash flows generated illustrates that the company's operating cash flow is increasingly volatile to the company's performance (Andi & Setiawan, 2019).

- H_3: There is an effect of operating cash flow, liquidity, capital expenditure, cash flow volatility, dividends, firm size, firm age, return on assets and tobin's q on cash reserves.

3. Methodology

3.1. Variables and Variable Measurement

The variables and measurements used in this study intend to determine the influence between independent variables and control variables on dependent variables, each of which is described as follows:

Kind Variable	Name Variable	Symbol	Definition of Operational Variables	Reference
Dependent Variables	Cash and Cash Equivalents	CASH	Cash and Cash Equivalents/Total Assets Cash and Cash Equivalents/(Total Assets – Cash)	(Almustafa & Kalash, 2022a)
Independent Variables	Book Leverage	BECAME	Amount of Debt/Number of Assets	(Almustafa & Kalash, 2022b)
	Market Leverage	MLEV	Amount of Debt/(Amount of Debt + Market Capitalization)	(Almustafa & Kalash, 2022b)
	Debt to Equity Ratio	THE	Amount of Debt/Amount of Equity	(Meiganda Pusta, n.d.)
Control Variables	Operating Cash Flow	CF	(Profit before tax + depreciation)/total assets	(Almustafa & Kalash, 2022b)
	Liquidity	Liquidity	(Working Capital – cash)/total asset	(Almustafa & Kalash, 2022b)
	Capital Expenditure	CAPEX	Capex/Total Assets	(Almustafa & Kalash, 2022b)
	Cash Flow Volatility	CF-VOL	Standard deviation Cash balance for 3 years / total assets	(Height et al., n.d.)
	Dividend	DIV	Dividend payment 1-year current period	(Ovami, n.d.)
	Firm Size	In FSIZE	LOG Market capitalization	(Almustafa & Kalash, 2022b)
	Firm Age	FAGE	Company Lifespan	(Almustafa & Kalash, 2022b)
	Return on Asset	ROA	Net profit/Total Assets	(Almustafa & Kalash, 2022b)
	Tobin's q	Q	(Market Cap Value + Debt)/Total Asset	(Dan & Wijaya, n.d.)

Table 1: Variable Identification and Measurement

3.2. Sampling Method

The sampling method used for this study was purposive sampling. The considerations taken because this research focuses on certain objectives, namely companies with certain criteria. This research sample includes Consumer sector companies listed on the Indonesia Stock Exchange for 7 years (2015 - 2021). The selection of data used as a sample is based on the following criteria:

- Companies listed on the Indonesia Stock Exchange for the Period 2015 - 2021
- Availability of company financial statements
- Availability of data related to measurements on each variable used.

The data collection method used is a secondary data collection method where the data obtained is taken from a source that has published the data. The source of data from the study was obtained from the website of the Indonesia Stock Exchange (https://www.idx.co.id/) and the website of each company that was sampled. Data observations were taken from 253 companies in the consumer sector with an observation period of 2015 - 2021, and from the criteria that have been set, the number of observations taken was as many as 34.

Information	Sum
Consumer sector companies listed on the Stock Exchange Indonesia period 201 5-2021	253
Companies with USD financial statements	(4)
Incomplete company based on data related to the measurement of Variables	(215)
Number of companies worth sampling	34

Table 2: Sampling Criteria

There are stages in testing the regression model in this study which is described as follows:

3.3. Chow Test

The results of the chow test have two options that must be determined, namely, common effect or fixed effect. In this study, the chow test was useful for determining which model is better and more appropriate. The chow test is based on the null hypothesis, where there is no individual heterogeneity, and the alternative hypothesis, where there is

heterogeneity on the cross-section. The hypotheses in the chow test are mentioned as follows:

- H_0: The correct model is a common effect
- H_a: The right model is fixed effect

As for the decision-making criteria:

If the probability of cross–section of chi-square < 0.05, H_0 is rejected. If the probability of cross–section of chi-square > 0.05, H_0 is accepted.

3.4. Uji Hausman Test

Hausman test results have two options that must be determined, namely random effect or fixed effect. In this study, Hausman tests were useful for determining which model is better and more appropriate. The hypotheses in the Hausman test can be mentioned as follows:

- H_0: The correct model is a random effect
- H_a: The right model is fixed effect

As for the decision-making criteria:

If the cross–section probability of a random < 0.05, H_0 is rejected if the probability of a cross–section of a random > is 0.05, H_0 is accepted.

The test to choose the most appropriate model to evaluate the model in this study, several tests can be done, first by testing using the Chow Test where the hypothesis of zero (H_0) is a common effect model obtained by the Probability value of Chi-square less than 0.05. Thus, the null hypothesis (H_0) is rejected, so the model better used is an estimate with the Individual Effect represented by the Fixed Effect Model. Then the next test is to compare the fixed effect with the random effect, where the test uses the Hausman test. Based on the results of Hausman's test where the null hypothesis (H_0) is a Random effect model, in the linear model obtained, the Probability value of Chi-square is smaller than 0.05 so that the null hypothesis (H_0) is rejected, and then the better model used is an estimate with Fixed effect.

3.5. Data Analysis Methods

3.5.1. Uji Goodness of Fit (R^2)

This test aims to see how much influence independent and control variables have in explaining their dependent variables. This analysis test uses an adjusted value of R^2 because the number of independent variables is more than one. If the adjusted value R^2 indicates a value close to 1, it means that the independent variable and the control are able to explain the dependent variable. As for the decision-making criteria:

- If the adjusted value of R^2 approaches 1, the ability of independent variables and controls to describe the dependent variable is higher.
- If the adjusted value of R^2 approaches 0, the ability of independent variables and controls to describe the dependent variable gets lower.

Based on the test results showing model testing to see whether the model studied is the goodness of fit, this study uses the value of the coefficient of determination and the global test (F test). The coefficient of determination test for linear models has been seen in the Adj R^2 value of 0.873429. This value shows the ability of independent variables to explain the behavior of cash reserves by 87.3%, while the rest is explained by other variables that were not included in the study. These results show that the linear model is excellent, as well as in the linear model, which yields an adj value of R^2 of 91.65%.

3.5.2. F-test

This test is performed to test whether independent variables simultaneously have a significant influence on the dependent variables.

The hypothesis in the F test is mentioned as follows:

$\square_0 : \square_1 = \square_2 = \square_3 = 0$

This means that together independent variables do not affect dependent variables.

$\square\square : \square_1 \neq \square_2 \neq \square_3 \neq 0$

This means that together independent variables affect the dependent variables for the decision-making criteria:

If sig. F < 0.05, H_0 declined.

If sig. F > 0.05, H_0 is accepted.

The global test for linear models is indicated by the prob value of Fstat of 0.00000 < 0.05 (alpha 5%), and then it is concluded statistically at a 95% confidence level that there is at least one independent variable that affects cash reserves in the linear model, so based on this test the model studied is very good.

4. Results and Discussion

4.1. Statistical Descriptive Analysis

Book leverage has an average value of 0.210848, a median of 0.217850, and a standard deviation of 0.138578. The maximum value of book leverage is 0.554900, owned by PT Dharma Satya Nusantara Tbk, and the minimum value of 0.000400, owned by PT BISI International Tbk.

Market leverage has an average value of 0.217524, a median of 0.123800, and a standard deviation of 0.228720. The maximum value of market leverage is 0.802800, owned by PT Millennium Pharmacon International Tbk, and the minimum value of 0.000100, owned by PT Hanjaya Mandala Sampoerna Tbk.

The debt-to-equity ratio has an average value of 0.527955, a median of 0.392400, and a standard deviation of 0.518504. The maximum value of the Debt to equity ratio is 2.700700, owned by PT Midi Utama Indonesia Tbk, and the minimum value is 0.000624 500, owned by PT BISI International Tbk.

Cash Flow has an average value of 0.166144, a median of 0.119700, and a standard deviation of 0.150278. The maximum value of cash flow is 0.799700, owned by PT Multi Bintang Indonesia Tbk, and the minimum value of 0.012500, owned by PT Millennium Pharmacon International Tbk.

Liquidity has an average value of 0.166421, a median of 0.131200, and a standard deviation of 0.131253. The maximum value of liquidity is 0.606900, owned by PT BISI International Tbk, and the minimum value of 0.003100, owned by PT Dharma Satya Nusantara Tbk.

Capital expenditure has an average value of 0.052878, a median of 0.043750, and a standard deviation of 0.036085. The maximum value of capital expenditure is 0.173900, owned by PT Garudafood Putra Putri Jaya Tbk, and the minimum value is 0.001980.002000, owned by PT Chitose Internasional Tbk.

Volatility cash flow has an average value of 0.035779, a median of 0.030650, and a standard deviation of 0.024969. The maximum value of volatility cash flow is 0.152600, owned by PT Hanjaya Mandala Sampoerna Tbk, and the minimum value of 0.003100, owned by PT Indofood Sukses Makmur Tbk.

Dividends have an average value of 941988.3, a median of 152473.0, and a standard deviation of 2390527. The maximum value of dividends is 13934906, owned by PT Hanjaya Mandala Sampoerna Tbk, and the minimum value is 0.0000001, owned by PT Buyung Poetra Sembada Tbk.

Firm size has an average value of 6.862117, a median of 6.859800, and a standard deviation of 0.891368. The maximum value of the firm age is 10.14090, owned by PT. Garudafood Putra Putri Jaya Tbk and a minimum value of 5.082900 owned by PT Millennium Pharmacon International Tbk.

Firm age has an average value of 45.91176, a median of 39.00000, and a standard deviation of 28.49205. The maximum value of the firm age is 120,0000, owned by PT Tunas Ridean Tbk. and the minimum value of 7,000000, owned by PT. Tunas Ridean Tbk. Nippon Indosari Corpindo Tbk.

Return on assets has an average value of 0.199276, a median of 0.115900, and a standard deviation of 0.289886. The maximum value of return on assets is 0.526595, owned by PT Multi Bintang Indonesia Tbk 1.450900, and the minimum value is 0.000200, owned by PT. Multi Bintang Indonesia Tbk. PT. Chitose International Tbk.

Tobin's q has an average value of 25.36147, a median of 1.231800, and a standard deviation of 297.5296. The maximum value of Tobin's q is 3881,597, owned by PT Garudafood Putra Putri Jaya Tbk, and the minimum value is 0.358900, owned by PT Astra Otoparts Tbk.

	BECAME	MLEV	CF	CYLINDER	CAPEX	CFVOL	DIV	FSIZE	FAGE	ROA	Q	THE
Mean	0.2108	0.2175	0.1661	0.1664	0.0528	0.0357	941988.3	6.8621	45.91176	0.1992	25.36147	0.5279
Median	0.2178	0.1238	0.1197	0.1312	0.0437	0.0306	152473.0	6.8598	39.00000	0.1159	1.231800	0.3924
Max	0.5549	0.8028	0.7997	0.6069	0.1739	0.1526	13934906	10.1409	120.0000	0.5265	3881.597	2.7007
Min	0.0004	0.0001	0.0125	0.0031	0.0019	0.0031	0.000001	5.0829	7.000000	0.0002	0.358900	0.0062
Std. Dev.	0.1385	0.2287	0.1502	0.1312	0.0360	0.0249	2390527.	0.8913	28.49205	0.2898	297.5296	0.5185

Table 3: Descriptive Statistics

4.1.1. Individual Test (T-test)

Tests are performed to assess whether each independent variable has a significant influence on the dependent variable. Decision-making criteria:

- -If sig.t < 0.05, H_0 is rejected
- -If sig.t > 0.05, H_0 is accepted
- H_1: There is an effect of financial leverage on cash reserves.

In the test here, we divide 2 independent variables of financial leverage into 2 measures. The first is financial leverage measured from book leverage, and the second is financial leverage measured from market leverage.

- $H_{1\text{-}a}$: The test results showed that in the linear model, book leverage produced a coefficient value of -0.321158 with a probability value of 0.0009 smaller than 0.05 (Alpha 5%), so it was decided that the BLEV linear model had a significant negative effect on cash reserves. This is because when the book leverage ratio increases where the company has high debt, the company tends to optimize its cash reserves to invest in projects that can generate optimum profits because the company must cover the cost of debt owned due to having high book leverage.
- $H_{1\text{-}b}$: The test results showed that in the linear model, market leverage produced a coefficient value of -0.0000414 with a probability value of 0.9994 greater than 0.50 (Alpha 5%), so it was decided on the MLEV linear model to have no influence on cash reserves. This is because the decline or increase in the capital market will not affect

cash reserves, or the capital market will experience an increase or decrease due to changes in stock prices and also the number of shares outstanding, where the increase in stock prices is caused by the value of the company which is considered high by investors which cause the appreciation of the stock price, and the value of the company can be measured broadly and not only measured only through the company's owned cash reserves.

- H_2: There is an effect of debt-to-equity ratio on cash reserves

The test results showed that in the linear model, DER produced a coefficient value of 0.5494 with a probability value of 0.0074, smaller than 0.05 (Alpha 5%), so it was decided that the DER linear model had a significant positive effect on cash reserves. This is due to the occurrence of company profits which causes the acquisition of retained earnings and will have an impact on increasing cash reserves. The company tends to repay the debt it has to be able to reduce the cost of debt, which results in reduced cash reserves and a decreased DER ratio.

- H_3: There is an effect of operating cash flow, liquidity, capital expenditure, cash flow volatility, dividends, firm size, firm age, return on assets and tobin's q on cash.

The test results showed that in the linear model, operating cash flow produced a coefficient value of -0.045123 with a probability value of 0.7118 greater than 0.50 (Alpha 5%), so it was decided that in the linear model, cash flow had no effect on cash reserves. This is because the increase in operating activities that should have an impact on increasing cash reserves, may not have an impact on cash reserves because the cash flow released from investment activities is very large for the company.

The test results showed that in the linear model, liquidity produced a coefficient value of -0.054580 with a probability value of 0.4197, smaller than 0.05 (Alpha 5%), so it was decided on the linear model that liquidity affects cash reserves. This is because if the lower cash reserves are caused by the use for short-term debt repayment, it will cause the liquidity ratio, namely current assets/current debt, to increase.

The test results showed that in the linear model, capital expenditure produced a coefficient value of -0.167062 with a probability value of 0.0498 smaller than 0.05 (Alpha 5%), so it was decided that the linear capital expenditure model negatively affects cash reserves. This is because the higher use of capex will cause cash reserves to decrease.

The test results showed that in the linear model, cash flow volatility resulted in a coefficient value of 0.371184 with a probability value of 0.0002 smaller than 0.05 (Alpha 5%), so it was decided on a linear model that cash flow volatility had a positive effect on cash reserves. This is because if the fluctuation in the company's operating cash flow is high, which means that the company is in the growth phase, the fluctuating operating cash flow fluctuations cause a significant increase or decrease in cash reserves.

The test results showed that in the linear model, dividends produce a coefficient value of 0.00000000379 with a probability value of 0.5979 greater than 0.5 (Alpha 5%), so it is decided that the linear dividend model has no effect on cash reserves. This is because the company will distribute dividends if it is in a profit position or there is an increase in retained earnings balance so that the company can estimate how much dividends will be distributed in line with the balance of profit earned due to the net profit generated. Therefore, cash reserves will not affect dividends.

The test results showed that in the linear model, a firm size produced a coefficient value of 0.016256 with a probability value of 0.4602 smaller than 0.0 50 (Alpha 5%), so it was decided that the linear firm size model had no effect on cash reserves. This is because companies in the consumer sector in Indonesia are stable sectors, so companies with a large size in their industry do not require large cash reserves.

The test results showed that in the linear model, firm age produced a coefficient value of 0.008230 with a prob value of 0.0000 smaller than 0.05 (Alpha 5%), so it was decided on the linear firm age model to affect cash reserves. This shows that the higher the firm age of a company, the more it improves the performance of cash reserves.

The test results show that in the linear model, the return on assets produces a coefficient value of -0.129005 with a probability value of 0.1777 greater than 0.05 (Alpha 5%), so it is decided that the linear return on asset model has no effect on cash reserves. This is because an increase or decrease in the company's profit will not always increase the company's cash reserves because the occurrence of profits in the company tends to expand if the company's condition is in the growth phase and distribute dividends if the company is in the maturity phase.

The test results showed that in the linear model, tobin's q produced a coefficient value of -0.001505 with a probability value of 0.6765 greater than 0.05 (Alpha 5%), so it was decided that the linear tobin's q model had no effect on cash reserves. This is because, in the measurement of tobin's q ratio, there is a capital market denominator where the capital market has no effect on cash reserves. This is because the decline or increase in the capital market will not affect cash reserves, or the capital market will experience an increase or decrease due to changes in stock prices and also the number of shares outstanding, where the increase in stock prices is caused by the value of the company which is considered high by investors who cause the appreciation of stock prices, and the value of the company can be measured broadly and not only measured only through the company's cash reserves.

Independent Variables	Dependent Variables		
	Cash Reserves		
	Linear		
	Coefficient	Probability	Conclusion
Constant	-0.132117	-	-
CASHt-1	0.202438	0.0004	Significant Positives
BECAME	-0.321158	0.0009	Significant Negatives
MLEV	-4.14E-05	0.9994	Insignificant
THE	0.061908	0.0074	Significant Positives
CF	0.045123	0.7118	Insignificant
CYLINDER	-0.054580	0.4197	Insignificant
CAPEX	-0.167062	0.0498	Significant Negatives
CF_VOL	0.371184	0.0002	Significant Positives
DIV	3.79E-09	0.5979	Insignificant
FSIZE	0.016256	0.4602	Insignificant
FAGE	0.008230	0.0000	Significant Positives
ROA	-0.129005	0.1777	Insignificant
Q	-0.001505	0.6765	Insignificant

Table 4: Individual Test Results (T-test)

4.2. Research Regression Models

The panel data regression model previously used by (Almustafa & Kalash, 2022b) can be written as follows:

Cash = 0.202438 $CASH_{t-1}$ + (-0.321158 BLev/ -4.14E-05 MLev/ 0.061908 DER) + 0.045123 CF + -0.054580 LIQ + -0.167062 CAPEX + 0.371184 CF_Vol + 3.79E-09 DIV + -0.016256 FSize + 0.008230 Fage + -0.129005 ROA + -0.001505 Q

Information:

$CASH_{t-1}$ = Cash Equivalents
Blev = Book Leverage
MLev = Market Leverage
DER = Debt to Equity Ratio
CF = Operating Cash Flow
LIQ = Liquidity
CAPEX = Capital Expenditure
CF_Vol = Cash Flow Volatility
DIV = Dividend
FSize = Firm Size
FAge = Firm Age
ROA = Return on Asset
Q = Tobin's q

5. Conclusion

Based on the results of the tests carried out, the following conclusions were obtained:

Independent financial leverage variables such as debt-to-equity ratio and book leverage in linear model tests negatively affect cash reserves. The variable control of capital expenditure has a negative influence on cash reserves. The volume of cash flow and firm age has a positive influence on cash reserves the higher the firm age of a company further improves the performance of cash reserves. Likewise, the Debt-to-equity ratio in this research update has an effect on cash reserves.

5.1. For Fund Managers

Financial managers can manage the risk management of cash reserves and assess the contribution of losses to be obtained on costs and benefits in financial leverage, and financial managers can find out the influence of financial ratios that affect the company's cash reserves.

5.2. For Investor

Investors can assess the financial performance of a company against debt. Since the company's decision to Financial Leverage in business capital financing can contribute to installment costs and interest, they are the company's obligations that affect the company's cash flow which can have a positive or negative impact on the company's profit. Besides, other financial ratios can also have an influence on financial performance, which has an impact on company value.

6. Implication

6.1. For Fund Managers

Financial managers can manage the risk management of cash reserves and assess the contribution of losses to be obtained on costs and benefits in financial leverage, and financial managers can find out the influence of financial ratios that affect the company's cash reserves.

6.2. For Investors

Investors can assess the financial performance of a company against debt. The company's decision to Financial Leverage in business capital financing can contribute to installment costs and interest, which are the company's obligations that affect the company's cash flow and can have a positive or negative impact on the company's profit. Other financial ratios can also have an influence on financial performance, which has an impact on company value.

7. Research Limitations and Suggestions for Further Research

Based on the results of research that has been carried out, several limitations have been found that can be considered for related parties, including the company's need to manage its cash reserves optimally because if you consider the source of funding from financial leverage, it can contribute to the costs obtained by the company. Further research is expected to add variables to show other factors that can affect cash reserves. Furthermore, research can take samples from sub-sectors only so that the research is more detailed and better reflects the actual situation in the sub-sector company (Mawarti et al., 2020).

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