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The Effect of Cash Flows, Leverage, and Asimetry Information on Company Cash Holding in Manufacturing Companies Listed in Indonesia Stock Exchange

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Abstract:- The purpose of this research is to obtain empirical evidence about the effect of cash flow, leverage, and information asymmetryon cash holding at manufacturing companies listed in Indonesia Stock Exchange in 2015-2017. This research used a purposive sampling technique to collect data and consisted of 66 manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017. The statistical method used in this research is used multiple linear regression analysis methods. In this research used the Eviews program 9.0 version. The results of the research based on the tests that have been carried out state that cash flows had a significant positive effect on cash holding, leverage had a significant negative effect on cash holding, while information asymmetry not had a significant effect on cash holding.

Keywords:- *Cash Holding, Cash Flow, Leverage, Information Asymmetry.*

I. INTRODUCTION

Cash is the most liquid asset that is owned by the company. Cash held by the company can be used to finance operational activities, improve company performance in sales and profit growth, pay off the obligations that the company has in crucial circumstances (Gill & Shah, 2012, in Simanjuntak, 2017, p. 26). Holding cash in excessive amounts can cause losses to the company because the cash does not generate any income because it is only stored, and too long in holding cash can cause risks beyond the control of the company, such as declining exchange rates of foreign exchange. On the one hand, storing cash (cash holding) too little can disrupt the company's liquidity to pay unexpected costs at maturity.

There are three objectives and motives for why companies do cash holding (Ali et al. 2016, p. 1). First, the transaction motive to meet the needs of incoming cash flow and outflow cash, the company will hold cash. Second, the motive of speculation (speculative motive) of the company holds cash in the hope that there will be an increase in interest rates in the future. The three precaution motives of the company hold cash on the basis of the belief that the company will be able to pay its unexpected obligations in the future.

There are theories that can explain cash holding, namely free cash flow theory, pecking order theory, trade off theory, and agency theory. The trade of theory stipulates that a company must decide the minimum level in holding cash, namely by measuring the benefits of holding cash and marginal costs. The goal is to connect cash and to reduce the financial problems to find the best policy in investment even though the company is in financial constraintsMyers (1984 in Ali et al. 2016, p. 2) states that Pecking order funding starts from retained earnings balance then debt and issues new shares. To finance a new investment the company pays back the debt to get cash.

Free cash flow theory explains that managers must hold cash in order to increase the assets of the company to gain the power and to control over investment decisions of a company (Jensen, 1986 in Tayem, 2017, p. 144). If a company has held a lot of cash then there is no need to increase external funds.

Agency Theory. This theory is based on the relationship among the shareholders / owners (principals) and management (agents). According to this theory, the relationship among the principal and the agent is usually difficult to create due to conflicts of interest (Asyik, 2016, h.31-32).

In this study, we will discuss several factors that can influence cash holding, namely cash flow, leverage, and asymmetry information. Research is limited to manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period 2015-2017. The selection of manufacturing companies is because cash holding is a method of valuing a company's liquidity, in which manufacturing companies have a long cash conversion cycle because there is a process of changing raw materials into finished goods.

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II. THEORETICAL REVIEW

A. Free Cash Flow Theory

Jensen (1986), in Simanjuntak (2017, p. 27) states that company managers must hold cash to raise company assets and gain power and control over their company's investment decisions. If a company already has large amounts of cash, there is no need to increase external funds. In general, stakeholders want excess cash to be channeled to stakeholders in the form of dividend distribution, but the company's management goals hold the cash for investment or funding for certain projects. But it is not uncommon for companies that are afraid to carry out activities that add value to the company because the project is too risky to take.

B. Pecking Order Theory

Gitman and Zutter (2015 in Simanjuntak, 2017, p. 27) state that a pecking order theory is funding that initially starts from the retained earnings balance followed by debt and the latter issues new shares. According to this theory, pecking order theory is a capital structure policy in which companies have the freedom to choose safer funding sources first, namely internal funding, and if the funding is not sufficient, companies can use other riskier sources, namely external funding with the use of debt as second funding source and equity as the last funding source. This theory also states that cash holding does not have an optimal level, but cash as a link between retained earnings and the company's investment needs.

C. Trade Off Theory

This theory states that company managers must decide the minimum level in holding cash, by measuring the benefits of holding cash and marginal costs. The aim is to connect cash and to reduce financial problems to find the best policy in investment even though the company is in financial constraints (Ferreia & Vilela, 2004 in Ali et al., 2016, p. 2). Koh et al. (2014, in Simanjuntak, 2017, p. 26) states that the trade off theory is the most optimal level, this is because debt generally adds benefits because the interest paid on the debt will be a tax deduction. But debt also has costs associated with the possibility of bankruptcy. Therefore it is important for a company to take into account the benefits of taxes and bankruptcy costs.

D. Agency Theory

This theory is based on the relationship between shareholders / owners (principals) and management (agents). According to this theory, the relationship between the principal and the agent is usually difficult to create due to conflicts of interest (Asyik, 2016, h.31-32). Agency theory does not stipulate that the relationship between the principal and the agent must be harmonious. When a company makes a high risk investment, it is often said to be an agency problem. Agency costs can be interpreted as costs due to differences in desires from shareholders and management.

E. Cash Holding

According to PSAK No.2 (Ikatan Akuntan Indonesia, 2017), cash flows can be defined as follows:
"Cash flows are inflows and outflows of cash and cash equivalents. Cash consists of cash on hand and demand deposits. Cash equivalents are investments that are highly liquid, short-term, which can quickly be converted into cash in an amount that can be determined and have the risk of insignificant changes in value. "

According to Ali et al. (2016, p. 1) explains that cash is an important asset for a lot of companies. Cash is one of the most important things that can be found in the assets section of each company's balance sheet.

Gill et al. (2012 in Ali et al. 2016, p. 1) cash holding can be defined as follows:

"Cash holding is defined as cash in hand or readily available for investment in physical assets and to distribute to investors"

From the definition above, the researcher concluded that a cash holding is cash available in hand or available to be invested in fixed assets and distributed to investors. Therefore holding cash is needed for company liquidity, namely paying company obligations in a timely manner, especially when the company is experiencing financial difficulties. Ogundipe L et al., (2012 in Mesfin, 2016, p. 50) states that cash holding provides benefits and costs at the same time, and it is very important to finance the growth of the company.

According to Keynes (1936, in Ali et al. 2016, p. 1), there are three main motives of the company in having cash, as follows:

- *Transactionary Motive*

Transaction motives are motives for meeting the needs of cash inflows and outflows so the company will hold cash. This motive also aims to meet the company's needs, such as payment of employee salaries, purchasing raw materials, paying taxes, and much more. Companies must have a lot of cash in at a high cost to convert non-cash assets into cash. Whereas when opportunity costs are higher, companies are more likely to hold less cash, because companies have the opportunity to fund better investments.

- *Precautionary Motive*

The company holds cash to anticipate that the company will be able to pay its unexpected obligations in the future. According to Kariuki (2015, p. 20) this motive aims to provide the amount of cash balance in the company to be able to meet urgent cash needs. If all company transactions can be predicted correctly, then the amount of cash held for guarding motives can be low.

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➢ *Speculative Motive*

The motive for speculation is the motive that aims to take advantage of the economic situation in the company's country, such as the decline in prices of the company's main raw materials, so managers can make purchases with cash held, or when the rupiah exchange rate is strengthening against the dollar, companies can exchange it with the hope that in the future the exchange rate will show a positive movement.

Cash consists of coins, paper, demand deposits, checks, and quasi / deposit money (Yanuar, 2016, p.151), and there are also currencies (Weygandt Kimmel Kieso, 2018, h.7-2). Having enough cash in the company will help in the running of operations, but when too much cash is available the company will lose the opportunity to invest. Fulfilling future cash demand and financing unexpected costs is also a benefit of having a high level of cash.

F. Cash Flow

Cash flow is a source of liquidity, cash flow also reduces the need for excessive cash (Ferreira & Vilela, 2014 in Rehman & Wang, 2015, p. 23). The company prefers to use internal funding sources first, if the internal funding source is insufficient, the company will choose the safest external funding source, this is because of the information asymmetry (Myers & Majluf, 1984 in Tayem, 2017, p. 147) . Cash flow is cash inflows from operating cash with expenditures needed to maintain operating cash flows in the future. If the incoming cash flow is more than the cash flow that comes out, then a positive net cash flow occurs, on the contrary if the incoming cash flow is less than the cash flow that comes out, then it shows a negative net cash flow. Clean and positive cash flows make the company's cash amount rise, whereas negative net cash flows give the company's cash impact to decline. Various studies have been conducted before to find out the relationship among cash flow and cash holding including: Research conducted by Rehman & Wang (2015, p. 28) who found a negative and significant relationship among cash flow and cash holding. Tayem (2017, p. 153), Saleh Afif & Prasetiono (2016, p. 10), Maheshwari & Rao (2017, p. 10) found a significant positive relationship among cash flow and cash holding.

G. Leverage

Leverage is a ratio between total debt and total assets owned by the company. Leverage can provide information on how much the total assets of the company are borne by the company's debt. If the leverage value is higher, it means the higher the value of the debt held by the company. Ali et al., (2016, p. 7) states that leverage is an event where companies buy more assets on credit assuming that the income provided from the use of these assets will be higher than the cost of the purchase. Companies that have a large debt ratio, the company's cash reserves will be small, because the company must pay its debt obligations.According to Kieso et al. (2018, p. 5-4) Liabilities or debt is an obligation reported in the company's balance sheet. Debt accounts will appear when the company makes purchases of goods or assets by means of credit, when the company pays the seller then the debt in the balance sheet will decrease.

H. Information Asymmetry

Information asymmetry or information asymmetry is where one party has more or better information than the other party, or information asymmetry can also be said to be an information discontinuation (Isniawati, Rahmawati, Budiatmanto 2016, h.102). cash will be needed for the operational purposes of the company, where the company has a lot of cash or high cash holding, the company will carry out more operational activities to support the company's performance, in this case research and development (R & D) according to Chung et al. (2015). According to research results from Cheryta, Moeljadi and Indrawati (2018, p.89) information asymmetry has no effect on cash holding. According to research conducted by Chung et al. (2015) Information asymmetry has an influence and has a negative relationship with cash holding.

Information asymmetry is referred to as one of the conditions in which management / agents have more information than shareholders / principals. Earnings management is a real example of information asymmetry, where management wants to provide the best performance in financial statements and modify it while shareholders expect openness, transparency and truth in financial statements (Barus & Setiawati 2015, p.33).

The usual agency problem is caused by information asymmetry between managers and company shareholders. Managers will tend to make large cash holdings because cash is needed for internal and external corporate funding. The existence of agency problem means that there is a high cash barrier carried out by managers and also the existence of information asymmetry (Ginglinger and Shaddour, 2007 in Wijaya, Bandi and Hartoko, 2010, p. 172).

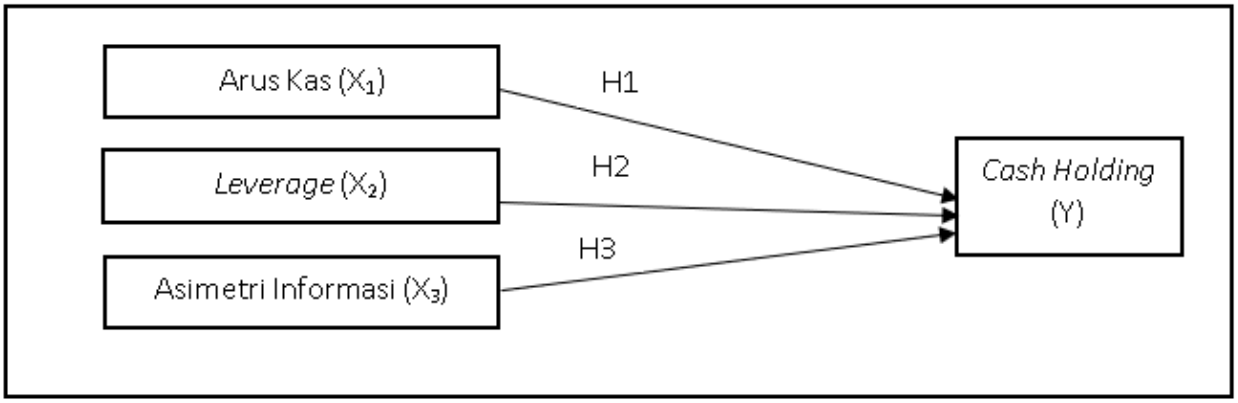

Fig 1:- Conceptual Framework

From the research model above, hypotheses are formed as follows:

- H1: Cash Flow has a positive effect on Cash Holding
- H2: Leverage has a negative effect on Cash Holding
- H3: Asymmetry information has a positive effect on Cash Holding

III. METHODOLOGY

The research subjects used manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period. The annual report can be obtained from www.idx.co.id. The data in the study were processed using a panel data model that is by combining time series data with time data (cross section). Time series data is a combination of research within a certain period of time. Data crossing is a set of sample data that has been obtained in a certain time (Widarjono, 2017, p. 9). Sampling in this study uses a purposive sampling technique that is sampling techniques for specific purposes, this technique leads to the selection of samples where the population and objectives of the study have been known by researchers from the beginning. The criteria used as samples in this study are as follows:

- Manufacturing companies listed on the Indonesia Stock Exchange in the period 2015-2017
- Manufacturing companies that present annual financial reports using the rupiah currency in the period2015-2017
- Manufacturing companies that have not moved sectors outside manufacturing in the period 2015-2017 ,
- Manufacturing companies that do not conduct IPOs in the period 2015-2017,
- Manufacturing companies that always experience profits in the 2015-2017 period,
- Manufacturing companies that are not delisted, relisting during the period 2015-2017,
- Manufacturing companies that provide complete financial statement data in the 2015-2017 period

Based on the sample criteria that have been determined, the number of samples that meet the requirements is 66 companies with a total of 198 company data for three years as samples in this study. This study uses two types of variables, namely the dependent variable and independent variables. Independent variable is a variable that can be examined to determine its effect on the dependent variable. In this study the independent variable is cash flow, leverage, and information asymmetry. While the dependent variable is a variable that can be influenced by independent variables. The dependent variable used in this study is cash holding. This study use two variables, namely the dependent variable and the independent variable.

The dependent variable is a variable that can be influenced by other variables. While the independent variable is an independent variable that can affect the dependent variable. The dependent variable that is used in this study is cash holding and variable-independent in this study are cash flow, leverage, and information asymmetry.

➢ *Dependent Variable*

The dependent variable used in this study is cash holding. Cash holding is the amount of cash in the company that is ready to be exchanged to physical assets as an investment and to meet the needs of the company. According to Kariuki (2015) cash holding can be measured using the following formula:

$$Cash\ Holding = \frac{Cash\ and\ Cash\ Equivalent}{Total\ Asset}$$

➢ *Independent Variables*

Cash flow or cash flow is the first independent variable in this study. Cash flow is the cash flow that enters and exits within the company. Cash inflows are obtained from company revenues while cash outflows are expenses made by the company. According to Tayem (2017) cash flows can be measured using the following formula:

$$Cash\ Flow = \frac{EBIT + Depreciation}{Total\ Asset}$$

Leverage is the second independent variable in this study. Leverage is an indicator that describes the level of a company's dependence on external funding. According to Tayem (2017) leverage can be measured using the Debt to Total Asset Ratio (DAR) formula as follows:

$$Leverage = \frac{Total\ Debt}{Total\ Asset}$$

➢ *Information Asymmetry*

According to Cheryta et al (2018) information asymmetry can be calculated using stock prices. The highest share price is reduced by the lowest share price in year i divided by the highest share price plus the lowest share price in year i divided by two. Here's the formula:

$$Information\ Asymmetry\ (IA) = \frac{Ask-Bid}{(Ask+Bid)/2}\ x\ 100$$

- Ask Price: the highest stock price at the company x in the year i
- Bid Price: the lowest stock price at the company x in the year i

IV. STATISTICAL TEST RESULT

Descriptive statistical tests are used to illustrate the summary of research data such as minimum values, maximum, mean, and standard deviation. The results of the statistical test can be seen in Table 1 as follows:

	CASH	CF	LEV	IA
Mean	0.120998	0.140465	0.392018	0.145204
Median	0.077499	0.114415	0.377826	0.120855
Maximum	0.630442	0.799709	0.819719	0.487592
Minimum	0.002051	0.016857	0.070740	0.000000
Std. Dev.	0.116946	0.112532	0.178119	0.097684
Observations	198	198	198	198

Table 1:- Statistic Test Result

Based on the results of descriptive statistics for 2015-2017, and the amount of data used is 66 data, indicating that Cash Flow has a minimum sample data of 0.016857, with a maximum sample data of 0.799709, the average of the sample data is 0.140465, and the standard deviation is 0.112532. Leverage has a minimum sample data of 0.070740 and a maximum sample data value of 0.819719, the average of the sample data is 0.392018, and the standard deviation is 0.178119. The information asymmetry variable has a minimum sample data value of 0.000000, the maximum sample data value is 0.487592, the average of the sample data is 0.145204, and the standard deviation is 0.097684. Whereas for the dependent variable, the cash holding has a minimum value of 0.02051, the maximum of the sample data is 0.630442, the average of the sample data value is 0.120998, and the standard deviation is 0.116946.

➢ *Estimated Panel Data Model*

The likelihood test, better known as the chow-test, aims to determine which test of the common effect model or fixed effect model is the best and right for estimating panel data seen from the probability value of cross section F (Widarjono, 2017, h.362). The chow test or chow-test uses a significance probability value of 5% ($\alpha = 0.05$).

The results of the chow test are shown in Table 2 as follows:

Redundant Fixed Effects Tests

Equation: Untitled

Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	11.021698	(65,129)	0.0000
Cross-section Chi-square	372.241928	65	0.0000

Table 2:- Likelihood Test Result
Source: Results of data processing using Eviews version 9.0

From the results of the chow test in list 2 above, it can be seen that the probability of cross section F obtained is 0.0000 which means that cross section F <0.05 means that HH is rejected, so the model of fixed effect is better used instead of the model of common effect in panel data regression analysis. The above test results indicate that the next stage of testing is needed, namely the hausman test, which can show a better research model among the fixed effect model or the random effect model.

The Hausman test is the next step after the chow test. Hausman test is done to choose between fixed effect models or random effect models seen from the random cross section probability values (Widarjono, 2017, p. 364). The Hausman test uses a significance probability of 5% (α = 0.05). The results of Hausman test are shown in Table 3 as follows:

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.619868	3	0.8919

Table 3:- Hausman Test Result
Source: Results of data processing using Eviews version 9.0

In accordance with the results of the hausman test data in List 3, it can be seen the results of the random crossection probability obtained is 0.8919, which means the cross-section random> 0.05 which means that H0 is accepted so the random effect research model is more suilist for this study.

Lagrange-multiplier test or LM-test is a test that compares which research model is best used in research. The model to be tested is random effect model and common effect model (Widarjono, 2017, p. 363). In the lagrange multiplier test the significance probability level is 5% (α = 0.05).The results of the lagrange multiplier test are shown in Table 4 as follows:

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	117.2219	0.997975	118.2199
	(0.0000)	(0.3178)	(0.0000)

*Mixed chi-square asymptotic critical values:
1% 7.289
5% 4.321
10% 2952

Table 4:- Lagrange Multiplier Test Result
Source: Results of data processing using E-views Version 9.0

Based on the lagrange test results in list 4, the Breush-Pagan cross-section has an output of 117.2219. the output results are greater than the chi-square which has a significance level of α = 0.05, which is 4.321. From the output results above it can be concluded that Ha is accepted so that it is better to use random effect modell than the common effect model.

➢ *Multiple Regression Analysis*

The next step after estimating the panel data model is multiple linear regression analysis which has a 95% confidence level. Testing of multiple regression analysis is done to see whether the independent variables have influences on the dependent variable. The independent variable in this study is cash flow, leverage, information asymmetry, and the dependent variable used in this study is a cash holding. The test results of multiple regression analysis will be presented in Table 5 as follows:

Dependent Variable: CASH
Method: Panel EGLS (Cross-section random effects)
Date: 12/13/18 Time: 12:39
Sample: 2015 2017
Periods included: 3
Cross-sections included: 66
Total panel (balanced) observations: 198
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.204550	0.027697	7.385312	0.0000
CF	0.150339	0.075173	1.999917	0.0469
LEV	-0.293919	0.051942	-5.658631	0.0000
IA	0.072674	0.042563	1.707424	0.0893

Effects Specification	S.D.	Rho
Cross-section random	0.089432	0.7784
Idiosyncratic random	0.047715	0.2216

Weighted Statistics

R-squared	0.182770	Mean dependent var	0.035620
Adjusted R-squared	0.170132	S.D. dependent var	0.052056
S.E. of regression	0.047422	Sum squared resid	0.436270
F-statistic	14.46242	Durbin-Watson stat	1.723417
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.283610	Mean dependent var	0.120998
Sum squared resid	1.930131	Durbin-Watson stat	0.389546

Table 5:- Results of multiple Regression Analysis
Source: Results of data processing using E-views Version 9.0

In accordance with the results of processing data in list 5, it is obtained that the regression equation model in this study are:
CASH = 0.204550 + 0.150339 CF - 0.293919LEV + 0.072674 IA + ε
Information:
CASH : Cash Holding
CF : Cash Flow
LEV : Leverage
IA : Information Asymmetry
ε : Error

The regression equation model above is able to show the effect of independent variables on the dependent variable, namely cash holding (CASH). The results of the above equation are obtained by the value constant of 0.204550 which means that the value of the cash holding will be 0.204550 when the variable cash flow (CF), leverage (LEV), information asymmetry (IA) is equal to zero or constant.

The coefficient of variable cash flow (CF) is 0.150339, which means that if the cash flow variable (CF) goes up one unit then the cash holding (CASH) will rise by 0.150339 if the other independent variable has zero or constant value. Conversely, if the cash flow variable (CF) goes down one unit then the value of cash holding (CASH) will decrease by 0.150339 if the other independent variable has zero or constant value.

The coefficient of leverage variable (LEV) is -0.293919, which means that if the leverage variable (LEV) rises by one unit then the dependent variable namely cash holding (CASH) will decrease by 0.293919 if the other independent variable has zero or constant value. Conversely, if the leverage variable (LEV) goes down one unit then the variable holding cash (CASH) rises by 0.293919 if the other independent variable has a value of zero or constant.

Regression coefficient value of information asymmetry (IA) variable is 0.072674, which means that if information asymmetry (IA) rises by one unit then the

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dependent variable namely cash holding (CASH) will increase by 0.072674 if the other independent variable has zero or constant value. Conversely, if the information asymmetry (IA) goes down one unit then the holding cash (CASH) will decrease by 0.072674 if the other independent variable has a value of zero or constant.

The next test is the F test, the F test is conducted to determine the effect of significance between the independent variables and the dependent variable which is done simultaneously or together. This study uses the F test to determine the effect of cash aurs, leverage, asymmetry information on cash holding. The probability level used in ji F is 0.05. If the resulting value has a value below 0.05, the independent variable has an influence on the cash holding. Conversely, if the value is above 0.05, the independent variable has no effect on the cash holding. The results of Test F can be seen in Table 6 below:

Dependent Variable: CASH
Method: Panel EGLS (Cross-section random effects)
Date: 12/13/18 Time: 12:39
Sample: 2015 2017
Periods included: 3
Cross-sections included: 66
Total panel (balanced) observations: 198
Swamy and Arora estimator of component variances

Weighted Statistics			
R-squared	0.182770	Mean dependent var	0.035620
Adjusted R-squared	0.170132	S.D. dependent var	0.052056
S.E. of regression	0.047422	Sum squared resid	0.436270
F-statistic	14.46242	Durbin-Watson stat	1.723417
Prob(F-statistic)	0.000000		

Unweighted Statistics			
R-squared	0.283610	Mean dependent var	0.120998
Sum squared resid	1.930131	Durbin-Watson stat	0.389546

Table 6:- Result of F Test
Source: Results of data processing using Eviews version 9.0

Based on the simultaneous test results (Test F) in list 6, the probability value (F-statistic) is obtained at 0.000000. if a significant value is compared with a predetermined constant, it means that the probability value (F-statistic) is smaller than the significance level of 0.05, which is 0.000000 <0.05, it can be concluded that H_0 is rejected and Ha is accepted. This shows that cash flow, leverage, and asymmetry information can affect cash holding.

The next test that must be done is the T Test. The T test is conducted to test whether there is influence or not between the independent variables towards the dependent variable which is done partially or separately. The T test has a significance level of 0.05. The results of the T test can be seen from Table 7 below, as follows:

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Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.204550	0.027697	7.385312	0.0000
CF	0.150339	0.075173	1.999917	0.0469
LEV	-0.293919	0.051942	-5.658631	0.0000
IA	0.072674	0.042563	1.707424	0.0893

Table 7:- Result of T- Test
Source: Results of data processing using E-views Version 9.0

Based on the results of the tests that have been conducted, the cash flow variable has a significance probability level of 0.0469. when compared with the significance level then 0.0469 <0.05 and has a coefficient of 0.150339 which means that cash flow has a significant positive effect on company's cash holding. Holding large amounts of cash in a company can show the level of company performance. If the company has cash flows in good and optimal conditions, the company will not have problems in holding large amount of cash.

Based on the results of testing that has been done, the leverage variable has a significance probability level of 0.0000. When compared with the significance level of 0.0000 <0.05 and has a coefficient of -0.293919 which means that leverage has a significant positive effect on company's cash holding. Companies with a high degree of leverage will have a large dependence on third party (external) funding to finance their assets. External funding is usually in the form of loan funds, where loan funds also have interest that must be paid by the debtor. Companies with high leverage will hold cash in small amounts, because leverage can replace the position of cash in the company to finance the company's operations, especially in financing assets.

Based on the results of testing that has been done, the asymmetry information variable has a significance probability level of 0.0893. When compared with the significance level then 0.0893> 0.05 and has a coefficient of 0.072674 which means that information asymmetry does not have a significant effect on cash holding. The state of information asymmetry is where the management will be more concerned with their own interests than the interests of shareholders, but in fact the interests of shareholders are also important for management and this will trigger managers to provide true and complete information to shareholders. shareholders have an important role in the company, therefore managers will consider their own interests or the welfare of shareholders. So, information asymmetry will be less, or it can be said that agency problems do not occur within the company, which results in increased cash holding because one of the uses of the cash holding is to be distributed to investors and shareholders in the form of dividends. Improving shareholder welfare one way is to distribute dividends from existing profits.

The last test that can be done is the correlation determination test (R2). Test coefficient of determination is done to see how much the ability of the independent variable in explaining the dependent variable (Ghozali, 2018). The closer the value of the coefficient of multiple determination to one, the better the ability of the independent variable, namely cash flow, leverage, information asymmetry in explaining the information which is needed to predict the variance caused by the dependent variable, namely the cash holding. Conversely, if the resulting value is close to zero, it can be interpreted the lower the ability of variable cash flow, leverage, and information asymmetry in showing the cash holding variable. The results of the multiple determination coefficient test will be presented in Table 8 as follows:

Dependent Variable: CASH
Method: Panel EGLS (Cross-section random effects)
Date: 12/13/18 Time: 12:39
Sample: 2015 2017
Periods included: 3
Cross-sections included: 66
Total panel (balanced) observations: 198
Swamy and Arora estimator of component variances

Weighted Statistics

R-squared	0.182770	Mean dependent var	0.035620
Adjusted R-squared	0.170132	S.D. dependent var	0.052056
S.E. of regression	0.047422	Sum squared resid	0.436270
F-statistic	14.46242	Durbin-Watson stat	1.723417
Prob(F-statistic)	0.000000		

Table 8:- Determination Correlation Test Results
Source: Results of Data Processing using E-views Version 9.0

Based on the results of the coefficient of determination test above, the adjusted R^2 value is 0.1701 which means that 17.01% of the cash flow variable, leverage, asymmetry information can explain the dependent variable, namely cash holding. While the remaining 82.99% cash holding variables can be explained by other independent variables which are not present in this study. With this it can be concluded that the relationship of the dependent variable with the independent variable in this study is not too strong.

V. RESULTS & DISCUSSION

Based on the results of tests that have been conducted, it can be seen that cash flow has a positive effect and has a significant effect on cash holding, which can be seen from the results of the significance value in the t test which is equal to 0.0469 which means 0.0469 is smaller than 0.05. and has a coefficient of 0.150339. The results of testing the hypothesis are consistent with the research conducted by previous researchers where the results of testing the hypothesis show that cash flow has a positive significant effect towards cash holding. It means that cash flows can have a significant positive effect on companies that implement cash holding. These results are consists with the results from the previous' studies, namely researched conducted by Saleh Afif and Prasetiono (2016), Tayem (2017), Maheshwari & Rao (2017) which states that cash flows has a positive direction also have a significant effect on cash holding. But there are differences with the research conducted by Shabbir et al. (2016), and Rasic & Stanisic (2017) where cash flows have a positive and not significant effect on cash holding. Different from the research conducted by Rehman et al. (2015) with the results of the study showing that cash flows have a negative and significant effect on cash holding.

The second Independent variable is leverage, after the t test or partial iji is done, the results of the t test show that the leverage variable has a negative effect and has a significant effect on the cash holding, which that shown from the results of the significance test in the t test which is 0.0000. When compared with the significance level, 0.0000 is smaller 0.05 and has a coefficient of -0.293919. Companies that have a high degree of leverage will have a large dependence on third party (external) funding to finance their assets. External funding is usually in the form of loan funds, where loan funds also have interest that must be paid by the debtor. Companies with high leverage will hold cash in small amounts, because leverage can replace the position of cash in the company to finance the company's operations, especially in financing assets.

The results of testing the hypothesis are in line with the expectations of previous researchers where the results of testing on the hypothesis show leverage has a negative and significant effect on cash holding. These results are in accordance with previous studies, namely Ali et al. (2016), Saleh Afif (2016), Marfuah (2015), Rehman et al. (2015), Shabbir et al. (2016), Rasic & Stanisic (2017), and Maheshwari & Rao (2017) which states that leverage has a negative and significant effect on cash holding. But it is different from the results of research previously conducted by Simanjuntak and Wahyudi (2017), Suherman (2017) which states that leverage has a negative and not significant direction towards cash holding. Different from

Tayem (2017) 's research results, the results of leverage are positively related and has the significant effect on cash holding.

The third Independent variable is information asymmetry, after a partial t test, the results of the t test show that information asymmetry does not has a effect of significant on the cash holding which can be seen from the results of the significance value in the t test which is equal to 0.0893. When compared with the significance level, 0.0893 is greater than 0.05 and has a coefficient of 0. 072674. The results of this study are contrary to the research of Chung, Kim, Sang Kim, and Zhang (2015) information asymmetry has an influence and has a negative relation to cash holding and according the results of research conducted by Wijaya, Bandi and Hartoko (2010) information asymmetry has not affect on cash holding. According to this study, information asymmetry has no effect on cash holding, this is because managers are more concerned with the interests or welfare of shareholders in the company. This makes managers tend to increase existing cash holding to share it with shareholders or investors, so managers no longer prioritize their own interests, especially to finance projects or investments, etc. By providing the right information, quality and right or honest, investors or outsiders will trust the information in the company and will place investments in the company.

VI. CONCLUSION

The purpose of this research is to obtain empirical evidence regarding the effect of cash flow, leverage, and information asymmetry on cash holding in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period. This study uses 66 data of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for three consecutive years, the total sample of this study amounted to 198 data.

Based on the results of the partial testing that has been done, it can be concluded that cash flows have significant and positive effect on the cash holding on the manufacturing's firms in Indonesia. Based on results from partial testing that has been done, it can be concluded that Leverage have a significant and negative effect on cash holding on the manufacturing's firms in Indonesia. Based on the results of partial tests that have been done, it can be concluded that information asymmetry does not have a significant influence on the cash holding manufacturing companies in Indonesia.

Research that has been carried out still has several limitations, these limitations include:

- The researcher only uses three independent variables namely cash flow, leverage, and information asymmetry
- This research period is limited to the period 2015-2017, causing the data used for this study not to fully reflect the true condition of the company in the long term.
- The selection of samples in this study uses manufacturing companies that are listed on the Indonesia Stock Exchange, so that the research is not detailed to one sector only, but to all sectors within the manufacturing company.

Based on the limitations and weaknesses mentioned above, there are some suggestions from researchers for further research. These suggestions include:

- For further research, advanced researchers should add or use other variables to examine cash holding in addition to the independent variables that have been used in this study so that they can obtain more varied results and can expand any factors that can affect cash holding. Examples of other variables that can be used are the cash conversion cycle, profitability, growth opportunity, net working capital, dividend payment.
- For further research, it is better to add a period of observation with a year that is longer or different from this study. This is to observe whether company data that is processed can reflect the condition of the company according to reality or not
- Subsequent research can only take samples from the sub-sector so that the research is more detailed and better reflects the actual conditions in the sub-sector companies.

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