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FACTORS INFLUENCING CASH HOLDING IN THE NON-CYCLICAL CONSUMER INDUSTRY AFTER THE COVID-19 PANDEMIC

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ABSTRACT

The COVID-19 pandemic resulted in all sectors recording negative performance in the first quarter of 2020, including the consumer goods sector. In economic uncertainty due to the COVID-19 pandemic and intense competition between companies, many company experienced a significant decline and even decided to go on insolvency because they were unable to finance their operational activities. Therefore, the availability of cash or cash holding is essential to support the company's operational activities, and error in calculating cash holding can result in the company experiencing financial difficulties. This study aims to analize the effect of cash conversion cycle, cash flow, and leverage on cash holding in consumer non-cyclicals companies listed on the Indonesia Stock Exchange (BEI) for the 2020-2022. The data used in this study were collected from IDX website. Analyzed data by using Eviews version 13. Sampling method used is Purposive sampling techniques. There were 47 companies met the criteria as the sample. The data were analyzed using the panel data regression method, where the Chow test and Hausman test were carried out to select the best panel data model with result a fixed effect model as an estimated model and classical assumption test in heteroscedasticity and multicollinearity were carried out to ensure the test model is free from classical assumption problem. R^2 test, F test and t test were used to test the hypothesis. The result showed that cash conversion cycle has a negative effect on cash holding. Meanwhile, cash flow and leverage do not have an effect on cash holding. This research concludes that cash conversion cycle, cash flow and leverage do not have an effect on cash holding for non-cyclical industries after the Covid-19 period, meaning that this industry is not affected by the Covid-19 pandemic in terms of cash holding. The implication of this research is that maintaining adequate cash holding cannot be measured from the cash conversion cycle, cash flow and leverage, especially for non-cyclical industries.

Keywords: *Cash Holding, Cash Conversion Cycle, Cash Flow, Leverage. Non-Cyclical.*

1. INTRODUCTION

In making investment decisions, one aspect that investors take into consideration is company cash. Cash availability reflect the company's ability to fulfill its obligations, especially in meeting its short-term obligations. Apart from that, cash analysis is essential because the company may experience large profits even though the company is experiencing liquidity diffivulties or a cash shortage (Hanafi and Halim, 2018). Cash availability is crucial in supporting company operational activities, especially during the COVID-19 pandemic. The first case of COVID-19 was detected in Wuhan, China at the end of 2019, and in less than three months, the COVID-19 outbreak has infected more than 126 thousand people in 123 countries, including Indonesia. Finally, on March 9, 2020, WHO officialy declared the COVID-19 outbreak as a global pandemic (Media Indonesia, 2021). From an economic aspect, the COVID-19 pandemic has caused a drastic decline due to decreased in purchasing power and consumption.

This can be seen in the performance of the industrial sector in the first quarter of 2020. The COVID-19 pandemic resulted in all sectors recording negative performance in the the first quarter of 2020. Starting with the performance of consumer goods sector which fell 19.17%,

the trade, services and investment sectors corrected by 21.77%, followed by the mining sector which fell 23.54%, the financial sector which fell 26.94%, the infrastructure, utilities and transportation sector which fell 29.20% and the basic industrial & chemical sector which were corrected by 40.68% (Market Bisnis, 2020). Based on the performance sectors above, the consumer goods sector which consists of consumer non-cyclical and consumer cyclical, experienced the smallest decline compared to other industries. Even though companies in the consumer goods sector have a significant market share, competition between companies is very tight.

In economic uncertainty due to the COVID-19 pandemic and intense competition between companies, many companies experienced a significant decline and even decided to go into insolvency because they were unable to finance their operational activities. Therefore, the availability of cash or cash holding is essential to support the company operasional activites, and an error in calculating cash holding can result in the company experiencing financial difficulties. According to Gill and Shah (2012 in Najema and Asma 2019), cash holding is cash in hand or that is available to invest in asset and distribute to investors. The advantage that a company gets when it has cash holding is that it can reduce the possibility of financial distress due to uncertain economic conditions and can become a reserve fund to finance unexpected expenses. If the company holds sufficient amount of cash, it will make it easier to meet its short-term obligation and operational needs. It will be very profitable if the company has large amount of cash because it can make it easier to carry out various unexpected transaction and financing. However, holding excessive cash is also not suitable for the company because the company could lose the opportunity to gain profits from profitable investment (Zulyani and Hardiyanto, 2019). Therefore, managers need to be able to determine the availability of sufficient cash for the company.

Several factors, such as cash conversion cycle, cash flow and leverage can influence cash holding. The first factor that influences cash holding is the cash conversion cycle. According to Zutter and Smart (2022), the cash conversion cycle is the number of days it takes a company to get cash from when the company purchases inventory to collect cash on customer receivables. The study by Sanjaya and Widiasmara (2019), Gionia and Susanti (2020), Astuti et al., (2019) shows a significant negative effect between the cash conversion cycle and cash holding. However, research conducted by Liadi and Suryanawa (2018), Arora (2019) gave different results, namely that the cash conversion cycle did not have a significant effect on cash holding. The second factor that influences cash holding is cash flow. Cash flow is the flow of cash in and out of a company in a period (Subramanyam, 2014). Arora (2019), Hayati (2020), Sari and Ardian (2019) said that cash flow is considered to have a positive effect on cash holding. However, there is a difference with the result of research conducted by Giona and Susanti (2020), Siregar et al., (2022), Astuti et al., (2019) stated cash flow does not have a significant effect on cash holding. The third factor that influences cash holding is leverage. Leverage shows how much a company is financed by debt. Maulana et al., (2022), Najema and Asma (2019) stated that leverage has a negative and significant effect on cash holding. However, the results of this study are different from Siregar et al., (2022), Rustam and Rasyid (2022) which states that leverage has no influence on cash holding.

Based on the phenomena and results of previous research which still have different opinions, this research focuses on the consumer non-cyclicals companies. This study aims to analize the effect of cash conversion cycle, cash flow and leverage on cash holding in concumer non-cyclicals companies listed on the Indonesia Stock Exchange (BEI) after Covid-19 Pandemic namely for the 2020-2022. This research can be a reference for investors in making

investment decisions and can provide information for companies in managing cash holding, especially in non-cyclical companies so the companies can improve their performance.

Trade-Off Theory

Trade-off theory or which is often known as balancing theory is a theory that states that in determining the optimal level of cash holding, companies will compare marginal cost with marginal benefits obtained from holding cash (Jebran et al., 2019). By assuming that the manager's goal are consistent with the company goals i.e maximing shareholder wealth, which is achieved through optimizing company value, the manager will manage the company's level of cash availability so that it is at an optimal level by comparing the cost and benefit of holding cash (Eneh et al., 2019). Cash holdings are considered optimal if there is a balance between costs and benefits or if the benefits received from holding cash are greater than the cost incurred. The optimal level of cash holding means that the company keeps sufficient amount of cash, not too little or too much.

Holding too little amount of cash will cause the company to incur cost to disburse cash from marketable secutiries, which are often known as transaction cost (Stefany and Ekadjadja, 2019). However, when the company holds cash in such a large amount, it will incur opportunity ciost in form of interest, where the company loses the opportunity to gain additional profits from shares or other investment with large return (Jebran et al., 2019). Apart fro that, according to Ferreira and Antonio (2004 in Liadi and Suryanawa 2018), there are several benefits that companies get from holding cash, like reducing the risk of financial distress, fulfilling investment policies, and minimizing cost of external funding.

Pecking Order Theory

In contrast to the trade-off theory which believes that companies have an optimal cash levels, the pecking order theory states that there is no optimal cash level and cash functions as a buffer between retained earnings and investment needs (Zulyani and Hardiyanto, 2019). So there will be remaining money when investment needs are smaller than the company profits and this remaining money will become cash available in the company (Yongki et al., 2021). This shows that if a company has a cash inflow that is greater than its cash outflow, the company will have a high cash holding. There are three types of company funding sources, which are internal funds, external funds in the form of debt and external funds in the form of issuing new shares.

In fulfilling their operational and investment activities, companies tend to use internal funds than external funds. This is because internal funds require lower costs than external funds, avoid intervention from external funds providers and the presence of asymmetric information (Arora, 2019). Apart form that, companies tend to use funding sources from those with the most negligible risk to the greatest, namely internal funds, external funds in the form of debt and external funds in the form of issuing new shares (Sari and Ardian, 2019). So when the company's internal funds are insufficient, the company will use external funds in the form of debt first and will use external funds in the form of issuing new shares if external funds in the form of debt are insufficient.

Cash Holding

In reporting, cash is generally presented as cash and cash equivalent. Cash and cash equivalents are short-term and very liquid investments that can be converted into cash and mature in less than or equal to three months (Weygandt et al., 2019). Companies use cash to finance their operational activities, such as purchasing inventory, paying salaries, paying

maturing debt and other transactions. Therefore, cash is essential for a company, company must have sufficient cash holding, which means not holding too little or too much cash. Cash holding is a term used to describe the cash available in a company. According to Gill and Shah (2012 in Najema and Asma 2019), cash holding is the cash available either in the company's hands or for investment in assets or distribution to investors. The level of cash holding in a company is regulated and managed by managers. Making decisions regarding the company's optimal cash holding level becomes an important task for managers. By having cash holding, a company has several advantages, such as reducing the risk of financial distress, financing its operational activities and becoming a reserve fund for the company in anticipation of unexpected costs.

Cash Conversion Cycle

A company's operating cycle generally begins with purchasing supplies or raw materials and ends when the company succeeds in obtaining cash either from cash sales or collecting receivables when customer make purchases on credit. The time span a company requires from purchasing inventory to receiving cash from collecting receivables from customers is called the cash conversion cycle (Zutter and Smart, 2022). In this research, cash conversion cycle is proxied by adding days in inventory to days in receivables and subtracting it with days in payables (Gionia and Susanti, 2020). The longer the cash conversion cycle indicated, the longer the company takes to get cash. When a company requires a long period to obtain cash, the company generally has a small amount of cash because the cash owned by the company is used to finance operational activities and obligations that will mature as a result of cash held in trade receivables (Sanjaya and Widiasmara, 2019). Therefore, the longer a company's cash conversion cycle, the lower the company cash holding. This is supported by research by Astuti et al., (2019) which found that the cash conversion cycle has a significant negative effect on cash holding. Based on the explanation above, the following hypothesis can be concluded:

H1 = Cash conversion cycle has a negative effect on cash holding

Cash Flow

In this research, cash flow is proxied by adding up earning after tax with depreciation and dividing by total assets (Siregar et al., 2022). Cash flow in company consists of cash inflow and cash outflow. The result of the difference between cash inflow and cash outflow is called cash flow (Subramanyam, 2014). A company is said to have positive cash flow if the company cash inflow is greater than its cash outflow. The greater the company's cash flow, the company will hold large amount of cash to finance their operational activities and maturing obligations (Hayati, 2020). This is supported by research by Arora (2019) which states that there is a positive effect between cash flow and cash holding. Also supported by the pecking order theory where companies tend to use internal funds to finance their operational activities and investment needs. So companies with large amount of cash flow will hold large amount of cash. Thus, the hypothesis built in this research is:

H2 = Cash flow has a positive effect on cash holding

Leverage

Leverage in this research is proxied by the ratio of total debt to total asset or debt to asset ratio (Maulana et al., 2022). Leverage describes the use of external funds in the form of debt to finance company assets (Hery, 2018). When using leverage, apart from creating an obligation to pay the principal, it will also incur costs in the form of interest expenses that must be paid. Companies with a high leverage will have lower cash holding, because the cash is used to pay the principal of debt along with the interest (Maulana et al., 2022). Apart from

that, the level of ease with which a company can obtain external funds can be seen from the company leverage. Companies with a high leverage indicate that it is easy for the company to obtain external funds so that the company keeps a small amount of cash (Najema and Asma, 2019)., Based on the explanation above, the following hypothesis can be concluded:
H3 = Leverage has a negative effect on cash holding

2. RESEARCH METHOD

This research uses a descriptive research design with a quantitative approach. The data collected is a panel data which is a combination of time series and cross-section data. This research uses secondary data from company in consumer non-cyclicals sector listed on Indonesia Stock Exchange (BEI) in 2020-2022. The data required is annual financial report obtained through the Indonesia Stock Exchange website. The data will be processed using Microsoft Excel and analyzed using Eviews 13 software. In this research, the sample was selected using non-probabilitu sampling techniques and the purposive sampling method, which is a sample selection method based on specific criteria. The criteria set for sampling were 1) Consumer non-cyclicals companies listed on Indonesia Stock Exchange (BEI) during 2020-2022, 2) Consumer non-cyclicals companies that publish financial reports in 2020-2022, 3) Consumer non-cyclicals companies which present financial report in Rupiah (IDR), 4) Consumer non-cyclicals companies that have net profits during 2020-2022, 5) Consumer non-cyclicals companies that do not move or change types of business outside of consumer non-cyclicals during 2020-2022. Companies that meet the criteria are 47 companies with a total of 141 data. The operationalization of the variables and measurements used in this research is as follows:

Table 1. Operationalization of variables and measurement
Source: compiled by Authors

Variables	***Sources***	***Measurement***	***Scale***
Cash Holding	Maulana et al., (2022)	$\text{CH} = \frac{Cash\ and\ Cash\ Equivalent}{Total\ Asset}$	Ratio
Cash Conversion Cycle	Gionia and Susanti (2020)	CCC = days of inventory + days of receivables – days of payable $Days\ of\ Inventory = \frac{Inventory}{COGS/365}$ $Days\ of\ Receivable = \frac{Account\ Receivable}{Sales/365}$ $Days\ of\ Payable = \frac{Account\ Payable}{COGS/365}$	Ratio
Cash Flow	Siregar et al., (2022)	$\text{CF} = \frac{Earning\ After\ Tax + Depreciation}{Total\ Asset}$	Ratio
Leverage	Maulana et al., (2022)	$LEV = \frac{Total\ Liabilities}{Total\ Asset}$	Ratio

3. RESULTS AND DISCUSSIONS

Before the regression analysis is carried out, test will be carried out to select the panel data model and classical assumption test. There are three panel data model that can be used, namely the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM). To determine the most appropriate panel data model to use, Chow test,

Hausman test and Lagrange Multiplier test will be carried out. The Chow test is carried out to determine which model is most appropriate between the common effect model and fixed effect model (Basuki and Prawoto, 2023). The result of the Chow test will show that the common effect model is more appropriate to use if the cross-section F statistic probability value is above 0.05, but the fixed effect model will be more appropriate to use if the cross-section F statistic probability value is below 0.05. The result of Chow test are shown in table below:

Table 2. Chow Test Result
Source: Output from Eviews 13

Effects Test	**Statistic**	**d.f.**	**Prob.**
Cross-section F	8.941810	(46,91)	0.0000
Cross-section Chi-square	240.882196	46	0.0000

Based on the results of the Chow test in table 2, it can be seen that the cross-section F statistic probability value is 0.0000 which is still below 0.05. It can be concluded that the appropriate panel data model to use is the fixed effect model. If the result of the Chow test show that the appropriate panel data model to use is the fixed effect model, then a Hausman test will be carried out. The Hausman test is carried out to determine which model is most appropriate between the fixed effect model and random effect model (Basuki and Prawoto, 2023). If the hausman test result show that the cross-section random probability value is above 0.05, then the random effect model is more appropriate to use. Meanwhile, if the Hausman test result show that the cross-section random probability value is below 0.05, then the fixed effect model is more appropriate to use. The result of Hausman test are shown in the table below:

Table 3. Hausman Test Result
Source: Output from Eviews 13

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Prob.**
Cross-section random	13.416798	3	0.0038

Based on the results of the Hausman test in table 3, it can be seen that the cross-section random probability value is 0.0038 which is still below 0.05. It can be concluded that the appropriate panel data model to use is fixed effect model. By selected the fixed effect model in the Hausman test, there is no need to carry out further testing which is the Langrage Multiplier test.

In multiple regression analysis, it is necessary to test classical assumptions to test whether the regression equation is free from classical assumption problems. In panel data regression, fixed effect model use the Ordinary Least Square (OLS) approach. According to Basuki and Prawoto (2023), in the panel data regression model with the ordinary least square approach, not all clasiccal assumption test need to be carried out. The classical assumption test used in regression analysis with the ordinary least square approach are the multicollinearity test amd heteroscedasticity test. The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model (Ghozali, 2021). If the correlation coefficient value between independent variabels is above 0.80, there is multicollinearity in the research model (Ajija et al., 2019). The result of the multicollinearity test are presented in the following table:

Table 4. Multicollinearity Test Result
Source: Output from Eviews 13

	CCC	CF	LEV
CCC	1	-0,2011	-0,3553
CF	-0,2011	1	-0,0877
LEV	-0,3553	-0,0877	1

Legends : CCC = Cash Coversion Cycle; CF : Cash Flow: Lev : leverage

on the results of the multicollinearity test in table 4, it can be seen that non of the correlation coefficient values between independent variables in this study are above 0.80, it can be concluded that this research is free from symptoms of multicollinearity between variables. The heteroscedasticity test is carried out to determine whether there are differences in variance from the residuals from one study to another in the regression model (Ghozali, 2021).

Several methods can be used to carry out heteroscedasticity test, such as the White test, Harvey test, Glejser test, etc. This research uses the Glejser test in heteroscedasticity testing. If the probability value of all independen variables is greater than 0.05, the regression model is free from heteroscedasticity or does not contain heteroscedasticity (Ghozali, 2021). The result of heteroscedasticity testing with the Glejser test are shown in the table below:

Table 5. Heteroscedasticity Testing with Glejser Test Result
Source: Output from Eviews 13

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.042214	0.027866	1.514899	0.1333
CCC	-1.92E-05	0.000121	-0.159231	0.8738
CF	-0.070479	0.067931	-1.037512	0.3022
LEV	-0.005236	0.047950	-0.109198	0.9133

After testing to select the most appropriate panel data model to use, the result was that the appropriare pandel data model to be used in this research was the fixed effect model and the classical assumption test to ensure that the regression equation in this study was free from multicollinearity and heteroscedasticity. So the next test is carried out using multiple regression analysis and testing to test the hypothesis consisting of the R^2 test, F test and t test.

This research uses regression analysis in the form of multiple regression analysis because the number of independent variables used in this research is more than one. In multiple regression analysis, the coefficient value of each independent variable is obtained through the result of panel data model testing, which provide the conclusion that the most appropriate panel data model to use is the fixed effect model. The following are the result of multiple linear regression test with a fixed effect model:

Table 6. Multiple Linear Regression Test with Fixed Effect Model
Source: Output from Eviews 13

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.261894	0.068629	3.816101	0.0002
CCC	-0.000722	0.000297	-2.427662	0.0172
CF	-0.017036	0.167301	-0.101830	0.9191
LEV	-0.139371	0.118093	-1.180185	0.2410

Based on table 6, the multiple linear regression equation can be arranged as follow:
$CH = 0.261894 – 0.000722CCC – 0.017036CF – 0.139371LEV + \varepsilon$

The constant value based on the multiple regression equation above is 0.261894. This is shows that if the cash conversion cycle, cash flow and leverage variables have a value equal to zero, the cash holding variable will have a value 0.261894. The cash conversion cycle variable has a regression coefficient value of -0.000722. This is means that if the cash conversion cycle value increases by one unit and the values of other variables are considered constant, the cash holding value will decrease by -0,000722 units. The cash flow regression coefficient value is -0.017036, which means that is the cash flow value increases by on enit and the values of other variables are considered constant, then the cash holding value will decrease by -0.017036 unit. The leverage variable has a regression coefficient value of -0.139371. This means that if the leverage value increases by one unit and the values of other variables are considered constant, then the cash holding value will decrease by -0.139371 unit.

The determinant (R^2) test is generally used to measure how far the regression model explains variations in the dependent variable that can be explained by variations in the independen variable (Ajija et al., 2019). The results of the R^2 test are presented in the following table:

Table 7. R^2 Test Result
Source: Output from Eviews 13

R-squared	0.868481
Adjusted R-squared	0.797663

It can be seen that the adjusted R-square value is 0.797663 or 79.7663%. This shows that the independent variables used in this study which is cash conversion cycle, cash flow and leverage can explain 79.7663% of the dependent variable namely cash holding, while the rest 20.2337% is explained by other variables which are not included in this research.

The F test is carried put to test the influence of independent variable simultaneously on the dependent variables (Ghozali, 2021). The following are the result of the F test:

Table 8. F Test Result
Source: Output from Eviews 13

F-statistic	12.26356
Prob(F-statistic)	0.000000

The result of the F test show an F-statistic probability value of 0.000000 which is smaller than the significance level 0.05. It can be concluded that there is at least one independent variable that have an influence on the cash flow.

The t-Test is carried out to partially test the influence of the independent variable on the dependent value (Ghozali, 2021). The result of the t test are presented in the following table:

Table 9. t-Test Result
Source: Output from Eviews 13

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.261894	0.068629	3.816101	0.0002
CCC	-0.000722	0.000297	-2.427662	0.0172
CF	-0.017036	0.167301	-0.101830	0.9191
LEV	-0.139371	0.118093	-1.180185	0.2410

Based on the test result, the cash conversion cycle has a coefficient and probability value of -0.000722 and 0.0172 respectively. This indicated that the cash conversion cycle has a negative significant effect on cash holding or it could be said that the cash conversion cycle has a negative effect on cash holding. So the hypothesis, which states that the cash conversion cycle has a negative effect on cash holding (H1) is accepted. The result of this research are in line with research by Sanjaya and Widiasmara (2019), Gionia and Susanti (2020) and Astuti et al. (2019) who found that the cash conversion cycle has a negative significant effect on cash holding. This indicates that the longer the company's cash conversion cycle, the lower the company cash holding because the cash owned by the company will be used fo finance operational activities and maturing obligations. However, this is different from Liadi and Suryanawa (2018) and Arora (2019) research which states that cash conversion cycle does not have a significant effect on cash holding.

Cash flow has a coefficient and probability value of -0.017036 and 0.9191 respectively. These result show that cash flow has an negative insignificant effect on cash holding or it could be said that cash flow has no influence on cash holding. So the hypothesis which states that cash flow has a positive effect on cash holding (H2) is rejected. The level of cash holding of a company is not influenced by cash flow, this is because companies that have subsidiaries tend to find it easier to obtain external funds, so internal funds such as cash flow does not have much effect on the company. This is in line with research conducted by Gionia and Susanti (2020), Astuti et al., (2019) and Siregar et al., (2022) which stated that cash flow does not have a significant effect on cash holding. However, this is different from research conducted by Arora (2019), Sari and Ardian (2019) and Hayati (2020) which stated that cash flow has a positive influence on cash holding.

Leverage has a coefficient and probability value of -0.139371 and 0.2410 respectively. The results of this test show that leverage has negative insignificant effect on cash holding or it could be said that leverage has no effect on cash holding. So the hypothesis which stated that leverage has a negative effect on cash holding (H3) is rejected. This result is in contrast to research conducted by Najema and Asma (2019) and Maulana et al., (2022) which states that leverage has a negative significant effect on cash holding. However, this aligns with research conducted by Siregar et al., (2022) and Rustam and Rasyid (2022) which stated that leverage has no influence on cash holding. This is because the cash obtained by the company from external funds in the form of debt will usually be used for investment or other activities that have productive value and higher return than holding cash.

4. CONCLUSIONS AND SUGGESTIONS

The study aims to analyze the effect of cash conversion cycle, cash flow and leverage on cash holding in consumer non-cycliclas companies listed on Indonesia Stock Exchange (BEI) in 2020-2022. Based on the result of this research, it can be concluded that cash conversion cycle has a negative effect on cash holding. Meanwhile, cash flow and leverage do not have an effect on cash holding in consumer non-cyclicals companies listed on Indonesia Stock Exchange (BEI) in 2020-2022 that is after Covid-19 Pandemic. There are several limitations in this research need to be reviewed and considered for further research, namely the short periode of sample data, only three years from 2020-2022. This research concludes that the cash conversion cycle, cash flow and leverage on cash holding in non-cyclical industries after the Covid-19 period have no influence. This industry has been able to maintain their cash holdings by managing cash conversion cycles, cash flow and good debt management so that these three factors do not affect their cash holdings after the Covid-19 pandemic. Debt

management is very closely related to the cash flow cycle and cash flow. The key to this success is due to company management being able to manage debt properly. For investors, the cash holding condition in this industry is a positive signal for making investment decisions or purchasing shares.

The implication of this research is that companies must manage their cash conversion cycle because it can effect their cash holding. Companies must maintan their cash conversion cycle level because if the company's cash conversion cycle increases, it will cause the company cash holding to decrease. Managing the cash conversion cycle can be done by sell inventory as quickly as possible, collect receivables quickly and pay debts slowly. To sump up, to maintain adequate cash holding, especially in non-cyclical industries, it is necessary to manage the cash conversion cycle, cash flow and leverage, especially in maintaining an appropriate debt ratio.

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