

ABSTRACT

The purpose on this study is to provide empirical evidence relating to the determinants that influence the decision of cash holdings. The determinants that affect the amount of cash holdings consists of firm size, leverage, investment opportunity set, cash flows, dividen, capital expenditure, size of the board directors and the independece of the board commissioners. This study also aimed to understand the motives behind the level of corporate cash holdings and the theories that maybe able to explain the underlying reasons why firms hold so much cash.

This study uses secondary data collected from Indonesia Stock Exchange. The reserach data is the annual financial statement of the firms in the non-financial sector for the period 2011-2015. Of the 2,029 firms in the non-financial sector acquired 430 firms that met the criteria of the sample. This study using Ordinary Least Square (OLS) regression.

Based on the result of hypothesis test, there is a negative and significant effect between firm size, leverage, investment opportunity set, capital expenditure, and the independece of the board commissioners on cash holdings. On the other hand, there is a positive and significant effect between cash flows, dividen and size of the board directors on cash holdings. The significant result of the hypothesis test showed that the determinants of cash holdings is mostly consisten with the pecking order theory and free cash flow theory.

Keywords : cash holdings, firm size, leverage, investment opporuniy set, cash flows, dividen, capital expenditure, size of the board directors, the independence of the board commissioners.