Does Ownership Structure Pay Attention to The

by Heru Kris

Submission date: 02-Oct-2021 08:32AM (UTC+0700)
Submission ID: 1663014978
File name: Does_Ownership_Structure_Pay_Attention_to_The_2.pdf (204.98K)
Word count: 5977
Character count: 32849

Etikonomi

Jurnal Ekonomi

The journal is published by Faculty of Economics and Business UIN Syarif Hidayatullah Jakarta, Indonesia. This journal focused on Economics, Business and Management studies. The journal is published twice a year. The journal accredited "Sinta S2" by Ministry of Research, Technology and Higher Education Republic of Indonesia No. 30/E/KPT/2018 amendment of No. 036a/KPT/2016 since May 23, 2016 (valid until December 2022). The journal indexed by ESCI, ACI, DOAJ, CrossRef, Google Scholar, ISJD LIPI, Moraref, etc.

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Contents

Etikonomi
Volume 18 (2), 2019: 209 - 220
P-ISSN: 1412-8969; E-ISSN: 2461-0771

Does Ownership Structure Pay Attention to The Corporate Cash Policy? Evidence in Indonesia Firms

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Abstract. *Cash and its use will connect to many things, such as the performance of corporate governance. This empirical research examines the interaction effect of insider ownership, institutional ownership, and independent board toward the influence of cash policy on the firm value. This research using agency theory framework, corporate governance using Indonesia listed firms' samples over 2001-2017 (197 firms, 3349 observation). Fixed effect dynamic panel regression and regression-moderated analysis used in this research. We show that these results suggest that the insider ownership, institutional ownership, and independent board strengthen the influence of the corporate cash policy on firm's value. It develops the previous research findings in Indonesia, especially in the implication of cash management from the perspective of agency theory and corporate governance.*

Keywords: *cash policy, insider ownership, institutional ownership, independent board*

JEL Classification: G32, L21

Abstrak. *Kas dan penggunaannya akan dikaitkan dengan banyak hal, termasuk kinerja tata kelola organisasi. Dalam konteks ini, struktur kepemilikan memiliki fungsi monitoring. Riset empiris menguji peran kepemilikan internal, kepemilikan institusi, dan dewan independen terhadap pengaruh kebijakan kas pada nilai perusahaan. Riset berdasar teori keagenan dan tata kelola perusahaan di Indonesia dengan sampel 197 perusahaan atau 3349 observasi, selama tahun 2001-2017. Riset menggunakan alat analisis regresi panel dinamis efek tetap dan regresi berjenjang. Penelitian ini secara umum mengindikasikan bahwa kepemilikan internal, kepemilikan institusi, dan dewan independen memperkuat pengaruh manajemen kas pada nilai perusahaan. Penelitian ini mengembangkan temuan di Indonesia khususnya manajemen kas dilihat dari teori keagenan dan tata kelola perusahaan.*

Kata Kunci: *kebijakan kas, kepemilikan internal, kepemilikan institusi, dewan independen*

How to Cite:

Kristanto HC, R. H., & Hanafi, M. M. (2019). Does Ownership Structure Pay Attention to The Corporate Cash Policy? Evidence in Indonesia Firms. *Etikonomi: Jurnal Ekonomi.* Vol. 18 (2): 209 – 220. doi: http//dx.doi.org/10.15408/etk.v18i2.10294.

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DOI: http://dx.doi.org/10.15408/etk.v18i2.10294

Introduction

Research on cash management has developed rapidly. Cash management is a critical decision. The optimal cash, the speed of optimal cash adjustment is significant for companies, especially in developing countries (Da Cruz, 2015; Chang et al., 2016). The average cash in Indonesia is 5.8% - 7%, Singapore is 14% -20%, Philippines are 14% - 32%, Malaysia is 7% - 17%, and Thailand is 8% - 14% (Da Cruz, 2015). The company's cash will be lower in countries with weak legal protection, high insider control (Pinkowitz et al., 2006; Anderson & Hamadi, 2016; Duran et al., 2016). From various management perspectives, cash reflects the decision of the manager that influence by the structure of company ownership (Shipe, 2015; Duran et al., 2016).

In various perspectives, empirical studies, cash management, and the amount of cash reflect the manager's decision (Jiang & Lie, 2016; Duran et al., 2016; Anderson & Hamadi, 2016). Effective and efficient corporate governance can handle agency problems occurred by the excess cash. Weak corporate governance has the potential for excess cash to allocate in the interest outside the effort for increasing the firm value. The level of concentration of ownership in a company will determine the distribution of power between shareholders and managers (Duran et al., 2016; Lozano & Duran, 2016). The empirical evidence of the influence of managerial ownership on the firm value shows different results (Huegen et al., 2009; Duran et al., 2016). Some researches show that institutional ownership has a negative influence on firm value, while other research gives a positive influence on firm value (Johnsen & Milton, 2003; Lozano & Duran, 2016). Some researches show that there is a positive influence between institutional ownership and firm value. Through optimal monitoring, the independent commissioner can reduce excessive risk and hazard moral behavior made by the non-independent commissioner (Coles et al., 2001; Lozano & Duran, 2016).

Various studies on cash holding firms develope from capital structure theories: trade-off theory, agency theory, pecking order theory, and market timing to explain corporate liquidity (Dittmar & Duchin, 2011). In the development of the literature on cash holding, the usage of the cash holding speed of adjustment methodology is the same approach as in testing trade-off theories in the capital structure literature (Byoun, 2008). Shipe (2015) study found that the speed of adjustment as measured from cash volatility cash holding indicated an increase in firm value measured by Tobin's Q. The results of the study also showed a significant positive relationship between cash holding speed of adjustment and firm value.

Several studies have found that in firms with weak corporate governance, they spend their cash holdings faster for inefficient investments. Weak corporate governance causes inefficient investments. It will give consequences on the profitability of the firm, as well as the value of the firm. Coles et al. (2001) argue that larger councils provide more excellent monitoring, thus improving firm performance. Lozano & Duran (2016) found a significant relationship between insider ownership and firm performance. Another study conducted by Stulz (1988) found that in a situation where insider ownership is low, there would be an increase in firm value because the right to supervise will be more formal.

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DOI: htttp://dx.doi.org/10.15408/etk.v18i2.10294

Dittmar & Duchin's research (2011) found that adjustment cost has a vital role in the adjustment cash holding. The investigation conducted by Dittmar & Duchin (2011) found various factors that play a role in adjusting cash holding: access to banks, the size of free cash flow, and the quality of corporate governance. The research by Dittmar & Mahrt-Smith (2007), Jiang & Lie (2015) found evidence that holding firms or managerial entrenchment will reduce excess cash or cash speed of adjustment faster than firms' growth. Corporate governance has a weak role in monitoring the use and management of the firm's cash that has grown.

Institutional ownership is part of the firm's shares owned by institutional investors, such as insurance firms, financial institutions (banks, financial firms, and credit), pension funds, investment banking, and other firms related to these categories. Institutional investors are more interested in the high cash holding because of the positive impact on the value and performance of the firm (Ferreira & Matos, 2008). Institutional investors will prefer and appreciate appropriate business decisions and long-term investments, continuous monitoring, and management improvements (Gillan & Starcks, 2003; Lozano & Duran, 2016). Kusnadi (2005) finds that government ownership is prevalent in Singapore companies. The companies with controlling institutional ownership tend to perform better than those with no controlling shareholder. Institutional investors will reduce opportunistic problems and agency costs and provide support for external financing and cash holding allocations on projects with positive NPV.

Jensen & Meckling (1976) also argue that smaller council size can improve communication, cohesiveness, and coordination to make the monitoring more effective. Through optimal supervision, independent commissioners can reduce excessive risk-taking and moral hazard behavior taken by non-independent commissioners (Coles et al., 2001). The higher representation of independent commissioners will improve the function of strategic control from the commissioners. In cash management literature, it reveals that managers must actively manage cash to smooth the firm's operational activities and increase firm value (Shipe, 2015). The independent board is expected to be able to take on the responsibility to monitor the management team so that they work effectively in increasing shareholder prosperity (Shipe, 2015).

The purpose and motivation of the study are to test its importance owner structure to monitoring and control of cash, optimal cash holding for firms as well as the importance of speed holding cash adjustment for the firms in increasing their firm value. Given their ownership structure, family owners can use different mechanisms to increase their control cash holding over the firm and extract private benefits from minority shareholders. Firms in Indonesia have low cash fluctuation; weak protection shareholders are volatile and included in transitioning countries (Da Cruz, 2015).

Method

The present research employed data from non-financial firms listed on the Indonesia Stock Exchange in 2001-2017, used 197 firms or 3449 observations from various sources, including Indonesian Capital Market Directory (ICMD), Bloomberg database (BNI Corner)

and Osiris database. The determination of samples uses purposive sampling method. The dependent variable in this research is the firm value measured from Tobin's Q. Tobin's Q is (market value of all standing shares + debt)/total assets. The independent variables in this research were cash (C_TA), the optimal cash holding (and cash holding the speed of adjustment. Moderating variables in this research were managerial ownership (%), institutional ownership (%), and independent commissioners (%).

The basic model for the estimation of the determination of optimal cash holding used the optimal cash model from Orlova & Rao (2018):

$$\text{Cash Holding} = \alpha_0 + \beta_1 \text{MTB}_{i,t} + \beta_2 \text{Sales Growth}_{i,t} + \beta_3 \text{Size}_{i,t} + \beta_5 \text{NWC}_{i,t} + \beta_6 \text{CapExp}_{i,t} + \beta_7 \text{Lev}_{i,t} + \beta_8 \text{Div}_{i,t} + \beta_9 \text{Age}_{i,t} + \beta_{10} \text{Industri}_{i,t} + \varepsilon_{i,t}$$

Where the cash variable is cash & cash equivalent/ total assets; MTB is the market value of equity/total assets; Sales Growth is sales_{t0} - sales_{t-1} / sales_{t0}; Size is the natural log of total assets; NWC is the net working capital/total assets, capital expenditure is capital expenditure/ total assets; leverage is total debt/total assets. Dividend is a dummy 1 for those paying for dividends. Dummy 0 is for those who do not pay dividends, while age is the natural log of firm age, industry is a dummy variable.

The determination of the standard partial adjustment cash holding model used the Dittmar & Duchin (2011) model of Orlova & Rao (2018). The standard partial adjustment cash holding model is used to partially distinguish the cash holding speed of adjustments, which is between firms or industries. The coefficient β is a cash holding speed of adjustment. The higher β coefficient shows the faster the cash holding speed of adjustment.

Standard partial adjustment cash holding model:

$$\text{Cash}_{i,t+1} - \text{Cash}_{i,t} = \beta\ (\text{Cash}^*_{i,t+1} - \text{Cash}_{i,t}) + e$$

Where variable $\text{cash}_{i,t+1}$ is the cash holding when t+1, $\text{cash}_{i,t}$ is the cash holding when t, $\text{cash}^*_{i,t+1}$ is the optimal cash holding or target cash holding, β is cash holding speed of adjustment towards target and e is the error term.

Cash and cash* are scaled by total asset. Often the optimal or target level of cash holdings can be estimated as:

$$\text{Cash}^*_i = \beta\ X_i + \text{FE}_i$$

Where X_1 is a vector of observable firm specific that determine the firms target level of cash holding, β is a vector of coefficients and FEi is the firm fixed effect.

The econometric method uncertainties arising from dynamic panel data have made it easy to achieve consensus on the speed of adjustment. Data have heterogeneity firms and long-time observation. The estimator of dynamic panel data has two essential advantages: controlling for potential endogeneity problems and addressing the dynamic nature of cash holding (Chang et al., 2015).

Result and Discussion

Table 1 shows that cash & cash equivalent/total assets in the sample firms have an average of 0.0889, which means that the average cash of the firm is 8.89% of the total assets.

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DOI: htttp://dx.doi.org/10.15408/etk.v18i2.10294

MTB_TA or the market value of total equity assets that are indicators that the firm's market value has an average of 0.8115, it means that the average market value of the firm is lower than the book value. The optimal cash average in Indonesia is quite low compared to Da Cruz (2015) findings in Southeast Asian countries. The estimated speed of adjustment to optimal cash is 9.888%. The findings indicate that the speed of adjustment to optimal cash in Indonesia is quite low when compared to other countries, such as China, Belgium that ranges from 20% to 40% (Chang et al., 2015; Jiang & Lie, 2015; Anderson & Hamadi, 2016).

Table 1. Descriptive Statistics

	Mean	Maximum	Minimum	Std. Dev
C_TA	0.0889	0.7235	0.0059	0.0969
MTB_TA	0.6115	2.1689	0.0042	0.5403
Sales	0.0229	2.1663	0.0082	0.9150
Size	6.0824	8.4707	2.7533	0.7625
NWC_TA	0.4103	0.8076	0.0029	0.3062
CE_TA	0.0487	0.7844	0.0000	0.0622
Debt_TA	0.2924	0.6634	0.0004	0.2055
DIV	0.4580	1.0000	0.0000	0.4983
LogAge	6.0824	6.0031	2.7533	0.7625
Optimal Cash	0.0572	0.8130	0.0010	0.0207
Speed Adj	0.0988	0.8534	0.0092	0.1485
Independent Board	0.3593	0.4541	0.0000	0.1526
Insider Ownership	0.0251	0.5845	0.0000	0.0663
Institutional Ownership	0.2645	0.8579	0.0000	1.4196

Source: Data processing

The dynamic estimation model used fixed-effect cross-section specifications shows in Table 2. Results show that the R-square is 80.71%, and the adjusted R-square is 79.37%. Predictive ability with this model looks better than other models. The normality test shows that the residuals normally distribute with the Jarque-Berra value of 285.66614 and probability value of 0.000. Residual heteroscedasticity does not occur, and residuals are homoscedasticity. The correlogram test shows no autocorrelation and partial correlation. The use of lag cash/total assets in the regression model shows the best result until the lag model 1. The prediction results of the firm's cash determination show that variables market to book, sales growth, net working capital, capital expenditure, debt, dividends, previous year's cash C_TA (-1) affect the firm's cash. Variable size and LOGAGE or firm's age does not significantly affect the firm's cash.

Cash prediction results show that the market to book value will increase the firm's cash amount by 0.16%. The testing result indicates a positive relationship between the market to book value and cash. It is consistent with the findings of Anderson & Hamadi (2016). Sales

growth will increase the firm's cash amount by 2.9%. The variable sales growth prediction is consistent with the findings of Shipe (2015). Higher working capital will increase the firm's cash amount.

Table 2. Summary of Prediction Model of Cash Holding in Indonesian Firms

	Panel Cross-Section Fixed		Dynamic Panel Least Square		Dynamic Panel Fixed Effect	
Variables	**Coefficient**	**t-Stat.**	**Coefficient**	**t-Stat.**	**Coefficient**	**t.Stat.**
Constanta	0,0469***	3,6308	0,0000	0,0069	0,0217***	1,9048
MTB	0,0043***	4,7047	0,0071***	8,0357	0,0019**	2,3234
Sales	-0,0001	-0,756	0,0073**	1,9105	0,0029**	1,9217
Size	0,0034	1,5225	-0,000	-0,554	0,0003	0,1233
NWC_TA	0,0938***	18,097	0,0314***	8,3085	0,0623***	13,190
CE_TA	-0,0018	-0,192	0,0950***	5,2151	0,0271***	3,2815
Debt_TA	-0,0132***	-4,446	-0,018***	-3,424	-0,006**	-2,426
DIV	0,0100***	6,3687	0,0131***	5,0035	0,0062***	4,5481
LOGAGE	-0,0187***	-5,803	0,0165***	2,9814	0,0023	0,7244
C_TA(-1)	-	-	-	53,355	0,3753***	27,186
R-square	0,7238		0,5830		0,8071	
Adjusted R^2	0,7059		0,6635		0,7937	
F-statistic	40,397		0,5818		60,146	
Prob (F-stat.)	0000		0000		0000	
DW-Stats.	1,2793		2,2299		2,1296	
N	3349		3152		3152	

Source: Summarized from Eviews Result 2018

Note *=significant at the level of 10%, ** = significant at 5%, *** = significant at 1%.

The net working capital variable affects the firm's cash is also consistent with the finding by Venkiteshwaran (2011), Orlova & Rao (2018). Increased capital expenditure will also increase the firm's cash amount to 2.71% of the firm's total assets. The positive relationship of capital expenditure with firm cash is consistent with the findings of Venkiteshwaran (2011), and Orlova & Rao (2018). Larger firm's debt will reduce the firm's cash amount by 0.63% of total assets. Negative debt relation with cash is consistent with the findings of Shipe (2015), Orlova & Rao (2018). The higher dividend will increase the firm's cash amount. The positive relationship between dividends and cash is consistent with Venkiteshwaran (2011). The coefficient of cash/total assets (-1) indicates that higher cash in the previous year will increase the firm's cash.

In this analysis, using trade-off theory, agency theory, corporate governance of cash, the optimal level of cash holdings for firms is dynamic rather than static. The results of the proposed hypothesis testing show in Table 3. The results show that cash, cash holding,

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optimal cash holding, cash holding speed of adjustment have a positive effect on Tobin's Q. The testing with a variety of different proxies shows the same results, namely cash/ total assets, cash holding, cash holding speed of adjustments positively are related to Tobin's Q. These results indicate that the higher the cash value, cash holding, optimal cash holding, and cash holding speed of adjustment and the firm will increase the firm value.

Table 3. Moderated Regression Result

Independent Variables	Tobin's Q		
	Coef.	t-Stat	F-statistic
Cash/Total Asset	0,6277	8,412***	34,19
Optimal Cash	2,8450	6,932***	44,37
Speed.Adj	0,0035	2,507**	38,76
Insider Ownership	-0,035	-0,346	32,89
Insider Ownership * Cash/Total Asset	-0,997	-1,848*	32,77
Insider Ownership * Optimal Cash	0,009	7,9046***	33,67
Insider Ownership * Speed.Adj	-0,004	-0,251	32,81
Institutional Ownership	-0,000	-0,211	36,23
Institutional Ownership * Cash/Total Asset	0,476	2,814***	33,67
Institutional Ownership * Optimal Cash	-0,014	-0,060	43,91
Institutional Ownership * Speed.Adj	-0,000	-0,133	38,31
Independent Board	-0,023	-0,774	33,19
Independent Board * Cash/Total Asset	0,886	2,371**	33,68
Independent Board * Optimal Cash	6,016	3,285***	43,92
Independent Board * Speed.Adj	-0,003	-0,278	38,34

Note. *10%, **5%, *** 1%.
Source: Data processing

Cash decisions and optimal cash holding are the decision that must be made by the manager in maintaining the capability of the firm's liquidity and operational liquidity. Many firms are significantly different in optimal cash and cash level, which are affected by many factors. The cash holding policy is related to the efficiency of firm management because it affects the firm's daily operations, investment, financial behavior, dividend payment, and other activities. The optimal level of cash is not the same across firms or over time (Chang et al., 2016; Shipe, 2015; Anderson & Hamadi, 2016; Lozano & Duran, 2016). Firms continuously need to adjust their cash levels to achieve the level of cash that balances the benefits and costs of liquidity.

Firms should allocate the firm's holding cash at the optimal level, where at the optimal level, cash holding is used to maximize shareholder welfare. Either way, they should not only maximize the welfare of the managers or management or controlling shareholders. The test results indicate that the faster the firm adjusts to optimal cash, the more increasing the firm value will be. The result of this research supports several previous studies, such as those from (Orlova & Rao, 2018; Lozano & Duran, 2016; Shipe, 2015). The benefits of the cash

holding speed of adjustment to the optimal target level include suppressing over investment, maintaining cash reserves, and serving as substantial economic condition smoothing. These are the indication of proper cash management (Orlova & Rao, 2018; Shipe, 2015). Chang et al. (2016), Lozano & Duran, (2016) found that the cash holding speed of adjustment would reduce transaction costs, a trade-off between costs and benefits that would increase the value of the firm. The research from Shipe (2015), Lozano & Duran (2016) found the results of speed of adjustment as measured by the cash volatility cash holding, thus indicating an increase in firm value measured by Tobin's Q.

We find characteristics of insider ownership firms that influence their cash holding policy, and we posit that insider ownership firms have various cash policy. Thus we analyze the indirect effects of being an insider ownership firm on cash holding by including moderating variables in our models. The results show that the higher the insider ownership of the firm, the weaker the relationship between cash holding and firm value. This result indicates that insider ownership strengthens the relationship between optimal cash holding and firm value. Meanwhile, insider ownership does not moderate the relationship of cash holding speed of adjustments to firm value.

The results of insider ownership testing reinforce the relationship between optimal cash holding and firm value. Results indicate that insider ownership accurately controls cash management because the average insider ownership is low and therefore minimizing the indulgence of personal interests. These results are consistent with findings by Lozano & Duran (2016), who found significant interacts and relationship between insider ownership and firm performance. The findings of the insider ownership reinforce the relationship between optimal cash holding and firm value. It is consistent with the finding by Anderson & Hamadi (2016) that there is an indication that dispersed insider ownership will minimize managers using excess cash holding. Referring to the theories and empirical evidence, the effect of insider ownership can be increasing the firm value is consistent with the efficient monitoring hypothesis or convergence of interest hypothesis (Jensen & Meckling, 1976; Lozano & Duran, 2016).

The results show that insider ownership of a firm does not interact with the cash holding speed of adjustments and firm value. There is a tendency that insider ownership neither pays close attention nor controls the speed of adjusting to optimal cash. This research indicates that firm in Indonesia look at the family business, and cash can be transferred easy between firms or group business. It is consistent with the finding by Shipe (2015). There are indications that managers pay more attention to optimal cash for operational liquidity and a firm's liquidity.

The testing results of the institutional ownership have more interaction effect between cash and firm value. This result indicates that more substantial institutional ownership reinforces the relationship between cash and the firm value. The institutional ownership can control the cash management to managers for conducting good corporate governance and increasing corporate value. The results also show that institutional ownership does not moderate the relationship between optimal cash holding and firm value. There is an

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DOI: htttp://dx.doi.org/10.15408/etk.v18i2.10294

indication that institutional ownership is unwilling or reluctant to exercise optimal cash management control, and there is a tendency only to control the firm's cash. Institutional ownership has more trust in the managerial capabilities of the firm, thus controlling the firm's cash management to become very weak (Graves & Waddock, 1990; Lozano & Duran, 2016). This result is consistent with the finding by Da Cruz (2015). Meanwhile, institutional ownership tends to be only short-lived and more concerned with the firm's stock price on the market and will retrieve it during the high-price season.

Institutional ownership does not moderate the relationship between cash holding speed of adjustments and firm value. There is an indication that institutional ownership is reluctant to over profoundly control the firm's optimal cash management. Optimal cash management is the responsibility of financial managers. Institutional ownership trusts the managerial capabilities of the firm, turning the control of the firm's optimal cash management very weak. Institutional ownership tends to be associated with low performance. Institutional ownership is often involved in various business groups for those legally separated from the firm, either formally or informally (Da Cruz, 2015). Institutional investors are different from individual investors who do not interfere in the internal affairs of firms with shares. Insignificant results of an institutional framework with weak investor protection lead us to consider the need to carry out more in-depth analyses in future research. To observe whether this institutional effect remains over a more extended period (Lozano & Duran, 2016).

The enormous independent board, it will make a stronger interaction effect between cash, optimal cash, and firm value. This result is consistent with Lozano & Duran (2016), and Anderson & Hamadi (2016). Research by Black et al. (2006) found that there was a positive role between the independent board, board of commissioners, and firm performance. The board of commissioners plays a vital role in countries with weak investor protection and emerging markets (Claessens & Yurtoglu, 2012; Chang et al., 2016). Through the optimal supervision, independent commissioners can reduce excessive risk-taking and moral hazard behavior, taken by the non-independent commissioners. The study conducted by Coles et al. (2001) found that the higher the representation of independent commissioners would improve the function of strategic control from the commissioner. Through close supervision, the independent commissioners can reduce the excessive risk of the behavior of the commissioners. The independent board is expected to be able to carry out the responsibility to monitor the management team to work effectively in order to increase shareholder prosperity (Shipe, 2015).

The independent board does not moderate the relationship between cash holding speed of adjustment and firm value. The argument that can derive from these findings is the tendency of the independent board to pay more attention, control the firm's optimal cash position compared to the speed of the firm in adjusting cash to cash. These findings are in line with those by Hermalin & Weisbach (2003) stated that independent commissioners would generate information asymmetry; whereas firm managers have excessive information compared to the board of commissioners. The board of commissioners has limited information about firm operations and irrelevant skills trends. Such conditions will have an impact on the reluctance of the board of commissioners, making them uncritical and inactive in exercising control according to the role and task of monitoring.

Table 4. The Robustness Checks Estimation Cash Holding

Dependent variable: Cash/Total Asset	F-stat	R^2	Adj R^2	Sign
Panel CSF	40.397	0.72	0.70	***
Dynamic Panel LS	488.12	0.58	0.58	***
Dynamic Panel Fixed Effect	60.146	0.80	0.79	***

Note: *10%, ** 5%, *** 1%.

The estimator of dynamic panel data has two essential advantages: controlling for potential endogeneity problems and addressing the dynamic nature of cash holding (Chang et al., 2015; Lozano & Duran, 2016). The test support used the dynamic panel for estimates of optimal cash holding. The cash holding speed of adjustment, deviation standard of cash is relevant to estimates cash management in Indonesian the firm. The robustness test shows in Table 4 and Table 5.

Table 5. Robustness Checks Cash Management and Firm Value

Dependent Variable: Tobin's Q	F-stat	R^2	Sign
Cash/Total Asset	34.19	0.68	***
Optimal cash holding (estimation)	44.38	0.73	***
Standard Partial Speed of Adjustment	38.77	0.71	***
$Cash_{i,t+1} - Cash_{i,t} = \beta(Cash^*_{i,t+1} - Cash_{i,t}) + e$			
Standard Deviasi Target Cash	37.66	0.70	***
SDTC, $Cash_i = Cash_{i,t0}/Asset_{i,t-1} - Cash_{i,t0}/Asset_{i,t0}$			

Note: *10%, ** 5%, ***1%.

Conclusion

There is still a limited amount of research in Indonesia about optimal cash and the optimal speed of adjustment that uses the incorporation of agency theory and corporate governance. The results show that cash, cash holding, cash, cash holding speed of adjustment are positively related to firm value. These findings make optimal cash management guidance and the speed of adjusting to optimal cash in increasing firm value. Greater insider ownership further strengthens the relationship between optimal cash holding and firm value. The present research shows that the interaction of corporate governance also demonstrates mixed results. Insider ownership can manage cash and optimal cash to increase firm value. The independent board is capable of monitoring cash and optimal cash. Corporate governance does not interact with the effect between cash holding speed of adjustment and firm value. These results give a clue to the weaknesses of corporate governance about monitor and control cash holding speed of adjustment in Indonesia firms.

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