

## THE IMPACT OF CASH HOLDING ON FIRM VALUE (CASE STUDY ON NON-FINANCIAL COMPANIES IN THE ASEAN CAPITAL MARKET)

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### ABSTRACT

*The aim of this research is to investigate the role of **cash holdings** in providing financial flexibility, supporting operations, and capturing investment opportunities within the **ASEAN capital market**. The research sample consists of 216 companies selected using purposive sampling based on specific criteria determined by the researcher. The sample includes 82 companies from Indonesia, 93 companies from Malaysia, and 41 companies from Singapore. The observation period covers three years, from 2022 to 2024, in order to capture recent financial conditions and firm performance. This study uses a quantitative research approach with simple linear regression analysis to test the proposed hypothesis. In this research, cash holding acts as the independent variable, while firm value is the dependent variable. The regression analysis is conducted using statistical software to obtain accurate estimation results. **The findings** show that cash holding has a positive and significant effect on firm value, indicating that companies with higher levels of cash holding tend to have higher firm value because cash provides financial flexibility and helps companies manage financial risks and investment opportunities. However, this study has several limitations, including the use of only one independent variable and a sample limited to non-financial companies in the ASEAN capital market. Therefore, future research is recommended to include additional variables and expand the research scope to obtain more comprehensive results.*

**Keywords:** cash holding, firm value, ASEAN capital market, financial flexibility. *single-spaced*].

### INTRODUCTION

Firm value is an important concept in corporate finance that reflects the overall market valuation of a company based on investors' expectations of its future performance and risk profile. It represents how the capital market assesses a firm's ability to generate sustainable returns and maintain long-term growth. In financial markets, firm value is commonly associated with the price investors are willing to pay for a company's shares, which reflects their expectations regarding profitability, risk, and future cash flows (Bui, Nguyen, & Pham, 2023). Maximizing firm value is widely considered the primary objective of corporate management because it is closely related to the goal of maximizing shareholder wealth. A higher firm value indicates stronger investor confidence in the company's management and its ability to utilize resources efficiently. Therefore, managerial decisions related to investment, financing, and corporate governance play a crucial role in determining firm performance and shaping investor perceptions in the capital market (Al-ahdal *et al.*, 2023).

In recent years, the dynamics of firm value in the ASEAN region have shown significant development along with the rapid growth of regional capital markets. ASEAN capital markets have experienced an increase in the number of listed companies and market capitalization, reaching more than 4,500 listed firms with a combined market capitalization exceeding USD 3 trillion by the end of 2024. This growth indicates that

investors increasingly view ASEAN companies as attractive investment opportunities and reflects rising market valuations across the region (ASEAN Exchanges, 2024). However, despite the positive growth of capital markets, the valuation of firms in ASEAN also faces several challenges. For example, IPO activities in the region declined in the first half of 2024, with only 66 deals raising about USD 1.4 billion, representing a decrease of 23% in deal volume and 60% in funds raised compared to 2023. This decline reflects the impact of global economic uncertainty, geopolitical tensions, and shifting investor sentiment that influence market valuations and corporate financing opportunities (EY, 2024).

Firm value can increase or decrease depending on how investors assess a company's financial performance, future prospects, and level of risk. An increase in firm value generally occurs when a company demonstrates strong profitability, consistent revenue growth, and efficient utilization of its assets, which signal positive future prospects to the market. These positive signals attract investors and increase demand for the company's shares, leading to higher stock prices and greater market valuation. In addition, factors such as effective corporate governance, sound investment decisions, financial stability, and innovation can strengthen investor confidence and contribute to higher firm value. On the other hand, firm value may decline when companies experience poor financial performance, declining profitability, excessive debt, weak management practices, or unfavorable economic conditions. These factors increase perceived risk and reduce investor confidence, resulting in lower demand for the company's shares and ultimately decreasing its market value (Al-ahdal *et al.*, 2023).

One of the key financial factors influencing firm value is cash, particularly corporate cash holdings and operating cash flow. Cash holdings reflect a firm's liquidity and its ability to finance operational activities, meet short-term obligations, and invest in profitable opportunities without relying heavily on external financing. Firms with adequate cash reserves are generally perceived as financially flexible and better able to respond to economic uncertainty, which can enhance investor confidence and positively affect firm value. Empirical studies also show that cash holdings can increase firm value up to an optimal level because they provide financial flexibility and reduce financing constraints. However, excessive cash holdings may reduce firm value due to agency problems, where managers may allocate excess cash to inefficient investments or projects that do not maximize shareholder wealth (Martínez *et al.*, 2024).

Cash holding refers to the amount of cash and cash equivalents maintained by a company to support operational activities, meet short-term obligations, and finance investment opportunities. Cash holdings represent an important indicator of corporate liquidity and financial flexibility because they allow firms to respond quickly to economic uncertainty and avoid excessive reliance on external financing. In corporate finance, companies maintain cash reserves for several motives, including transaction needs, precautionary purposes, and strategic investments that may enhance future firm performance (Bates, Kahle, & Stulz, 2009; Phan, Nguyen, Nguyen, & Hegde, 2019). In the ASEAN region, the phenomenon of corporate cash holdings has gained increasing attention as firms tend to maintain relatively high levels of cash due to economic uncertainty and limited access to external financing compared to developed markets. Studies on ASEAN firms show that companies often increase their cash holdings to maintain financial flexibility and protect investment capacity during periods of market volatility and macroeconomic uncertainty (Phan *et al.*, 2019; Nguyen, Nguyen, & Nguyen, 2023). This behavior reflects the precautionary motive of firms in emerging

markets, where holding sufficient cash can help sustain operations and support future growth opportunities.

Previous studies have extensively examined the determinants and consequences of corporate cash holdings. Many researchers have analyzed how cash holdings affect firm performance, investment decisions, and financial flexibility. Prior research generally suggests that maintaining adequate cash reserves helps firms reduce financial constraints, support investment opportunities, and improve their ability to cope with economic uncertainty (Bates, Kahle, & Stulz, 2009; Phan, Nguyen, Nguyen, & Hegde, 2019).

However, studies that comprehensively analyze cash holdings across non-financial firms as a whole are still relatively limited, particularly in emerging markets. Most previous research focuses on specific industries, individual countries, or particular firm characteristics, which makes the empirical evidence fragmented and less generalizable across the broader population of firms. In many cases, financial firms are excluded due to their unique regulatory environment and capital structure, but research focusing broadly on non-financial firms remains insufficient (Drobetz, Grüninger, & Hirschvogel, 2010; Nguyen, Nguyen, & Nguyen, 2023). This situation creates a research gap in the literature. Although existing studies highlight the importance of corporate cash holdings for financial flexibility and firm value, there is still limited empirical evidence that explains the behavior and determinants of cash holdings among non-financial companies in emerging markets such as ASEAN. Therefore, further research is needed to provide a more comprehensive understanding of cash holding practices across non-financial firms and how they influence firm value in the context of developing capital markets.

This study is important to be conducted in the ASEAN region because ASEAN economies are characterized by rapidly growing capital markets, diverse economic structures, and varying levels of financial development. Companies in ASEAN countries often face higher financial constraints, market volatility, and limited access to external financing compared to firms in developed markets. Under these conditions, maintaining adequate cash holdings becomes an important strategy for firms to ensure financial flexibility, sustain operations, and support future investment opportunities. In addition, the role of cash holdings in influencing firm value may differ across emerging markets due to differences in institutional environments, corporate governance practices, and economic conditions. Therefore, examining the relationship between cash holdings and firm value in the ASEAN context is essential to provide a deeper understanding of corporate financial behavior in emerging markets (Phan et al., 2019; Nguyen et al., 2023). Based on this background, the objective of this study is to examine the effect of cash holdings on firm value in non-financial companies within ASEAN countries. This research aims to provide empirical evidence on whether the level of cash held by firms contributes positively or negatively to market valuation, as well as to enrich the literature on corporate finance, particularly regarding cash management and firm value in emerging market contexts.

## LITERATURE REVIEW

Trade-off theory explains that firms determine an optimal level of cash holdings by balancing the benefits and costs of holding cash. According to this theory, maintaining sufficient cash provides several advantages, such as reducing transaction

costs, ensuring liquidity, and allowing firms to quickly finance profitable investment opportunities without relying on external financing. These benefits can enhance financial flexibility and reduce the risk of financial distress, which may positively influence firm value. However, holding excessive cash also involves certain costs, including the opportunity cost of idle funds that could otherwise be invested in productive assets. Therefore, trade-off theory suggests that firms should maintain an optimal level of cash holdings where the marginal benefits of holding cash equal the marginal costs, and this balance can contribute to maximizing firm value (Opler et al., 1999; Bates, Kahle, & Stulz, 2009).

### **Cash Holding**

Cash holding refers to the amount of cash and cash equivalents that a company maintains to support its operational activities, meet short-term obligations, and finance investment opportunities. Cash holdings represent an important aspect of corporate financial management because they provide liquidity and financial flexibility for firms. Companies maintain cash reserves for several motives, including transaction purposes, precautionary motives to cope with unexpected financial needs, and speculative motives to take advantage of future investment opportunities. Adequate cash holdings allow firms to reduce financing constraints, respond quickly to economic uncertainty, and sustain business operations, which can ultimately influence firm performance and market valuation (Bates, Kahle, & Stulz, 2009).

### **Firm Value**

Firm value refers to the overall market valuation of a company that reflects investors' perceptions of its financial performance, growth potential, and risk level. In corporate finance, firm value is often associated with the market price of a company's shares, which represents how the capital market evaluates the company's ability to generate future cash flows and create shareholder wealth. A higher firm value indicates that investors have strong confidence in the company's management, profitability, and long-term prospects. Therefore, maximizing firm value is commonly considered the primary objective of corporate management, as it reflects the success of a firm in utilizing its resources efficiently and maintaining sustainable growth in a competitive business environment (Brigham & Ehrhardt, 2017; Berk & DeMarzo, 2020).

### **Cash Holding and Firm Value**

Cash holding is closely related to firm value because it reflects a firm's liquidity and financial flexibility in managing operations and investment activities. Firms with sufficient cash reserves can finance profitable investment opportunities, maintain operational stability, and respond quickly to unexpected economic conditions without relying heavily on external financing. This financial flexibility reduces financing constraints and allows companies to take advantage of growth opportunities, which may increase investor confidence and positively influence firm value. In addition, cash holdings can serve as a buffer during periods of economic uncertainty, helping firms maintain stable performance and avoid financial distress. Therefore, adequate cash reserves are often viewed by investors as a positive signal of a firm's financial strength and future prospects (Jabbouri & Almustafa, 2021; Abdullah, 2025).

However, the relationship between cash holdings and firm value is not always positive. Excessive cash holdings may create agency problems because managers who control large amounts of cash may invest in unprofitable projects or engage in inefficient spending that does not maximize shareholder wealth. This inefficient use of

resources can reduce firm performance and negatively affect market valuation. Corporate governance mechanisms therefore play an important role in ensuring that cash resources are used efficiently to enhance firm value (Abdullah, 2025 Jabbouri & Almustafa, 2021).

Several previous studies have examined the relationship between cash holdings and firm value. For example, Jabbouri & Almustafa (2021) found that corporate cash holdings significantly influence financial performance and help firms maintain financial flexibility, especially in emerging markets. Similarly, Abdullah (2025) documented a significant relationship between corporate cash holdings and firm value in non-financial firms, indicating that liquidity plays an important role in shaping market valuation. Other studies also show that cash holdings can improve investment capacity and financial stability, which ultimately contributes to better firm performance and value creation (Laghari&Li, 2022; Almeida *et al.*, 2025).

*H1: Cash holding has a positive effect on firm value in non-financial companies in the ASEAN capital market.*

## RESEARCH METHODS

This study employs a quantitative research approach to examine the relationship between cash holding and firm value. Quantitative methods are used because the study analyzes numerical data derived from financial statements and applies statistical techniques to test the proposed hypothesis. Quantitative research is appropriate for examining causal relationships between variables through statistical analysis (Creswell & Creswell, 2018). The data used in this research are secondary data, obtained from the financial reports of companies listed on the capital markets. The population of this study consists of non-financial companies listed in the capital markets of Indonesia, Malaysia, and Singapore. Non-financial firms are selected because financial institutions operate under different regulatory frameworks and capital structures that may influence their financial behavior and financial reporting. Therefore, excluding financial firms allows for a more consistent comparison among companies (Brealey, Myers, & Allen, 2020).

The research sample consists of 216 companies, selected using purposive sampling based on specific criteria determined by the researcher. The sample includes 82 companies from Indonesia, 93 companies from Malaysia, and 41 companies from Singapore. The observation period covers three years, from 2022 to 2024, allowing the study to capture recent financial conditions and firm performance. To test the proposed hypothesis, this study applies simple linear regression analysis. simple linear regression analysis is used to analyze the effect of one independent variables on a dependent variable and to examine the strength and direction of these relationships (Hair, Black, Babin, & Anderson, 2019). In this study, cash holding acts as the independent variable, while firm value is the dependent variable. The regression analysis is conducted using statistical software to obtain accurate estimation results and determine whether cash holding significantly affects the firm value of non-financial companies in the ASEAN capital market.

## RESULTS AND DISCUSSION

### RESULT

The aim of this research is to examine the impact of cash holding on firm value in non-financial companies listed in the ASEAN capital markets, specifically in Indonesia, Malaysia, and Singapore. This study seeks to provide empirical evidence on whether the

level of cash held by firms influences their market valuation. By analyzing financial data from non-financial companies during the 2022–2024 period, this research aims to understand how corporate liquidity management affects investor perceptions and firm performance. In addition, the study contributes to the corporate finance literature by providing insights into the role of cash holdings in shaping firm value within emerging and developed ASEAN markets, where financial environments and access to external financing may differ across countries.

Table 1  
Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CASH_HOLDING	1095	7.97	22.09	15.7956	2.10063
FIRM_VALUE	1095	.00	5.89	.2251	.53579
Valid N (listwise)	1095				

Source: Data Processing Results (2026)

For cash holding, there are 1095 observations. The minimum value is 7.97 and the maximum value is 22.09. The mean value is 15.7956, indicating the average level of cash holding among the companies. The standard deviation is 2.10063, which shows that cash holding varies moderately across the firms. For firm value, there are also 1095 observations. The minimum value is 0.00 and the maximum value is 5.89. The mean value is 0.2251, indicating that the average firm value is relatively low. The standard deviation is 0.53579, which suggests some variation in firm value among the companies.

The data in this study were analyzed using simple linear regression analysis to examine the relationship between the independent variable and the dependent variable. Before conducting the regression analysis, the data were tested to ensure that they met the Best Linear Unbiased Estimator BLUE assumptions. These classical assumption tests include normality, multicollinearity, heteroscedasticity, and autocorrelation tests. Ensuring that the data meet these assumptions is important to guarantee that the regression model produces unbiased, consistent, and reliable estimators Gujarati & Porter, 2009; Hair et al., 2019. After confirming that the data satisfy the BLUE criteria, simple linear regression analysis was applied to estimate the effect of cash holding on firm value in non-financial companies listed in the ASEAN capital markets.

Table 2  
Model Summary

Model Summary				
Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.381 <sup>a</sup>	.145	.144	.49565

a. Predictors: (Constant), CASH\_HOLDING

Source: Data Processing Results (2026)

The R value is 0.381, which indicates a moderate relationship between CASH\_HOLDING and FIRM\_VALUE. The R Square value is 0.145, meaning that 14.5% of

the variation in firm value can be explained by cash holding, while the remaining 85.5% is influenced by other factors not included in the model. The Adjusted R Square is 0.144, which shows the adjusted explanatory power of the model after considering the number of variables. The Standard Error of the Estimate is 0.49565, indicating the average prediction error of the regression model.

**Table 3**  
ANOVA Result

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45.539	1	45.539	185.364	.000b
	Residual	268.521	1093	.246		
	Total	314.060	1094			

a. Dependent Variable: FIRM\_VALUE

b. Predictors: (Constant), CASH\_HOLDING

Source: Data Processing Results (2026)

The F value is 185.364 with a significance (Sig.) value of 0.000. Since the significance value is less than 0.05, the regression model is statistically significant. This means that CASH\_HOLDING has a significant effect on FIRM\_VALUE. The Regression Sum of Squares (45.539) shows the variation in firm value explained by the model, while the Residual Sum of Squares (268.521) represents the variation not explained by the model.

**Tabel 4**  
Coefficients Result

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.309	.114		-11.516	.000
	CASH_HOLDING	.097	.007	.381	13.615	.000

a. Dependent Variable: FIRM\_VALUE

Source: Data Processing Results (2026)

The constant (intercept) value is -1.309, which means that if CASH\_HOLDING is 0, the predicted FIRM\_VALUE would be -1.309. The CASH\_HOLDING coefficient (B) is 0.097, which indicates that every 1 unit increase in cash holding will increase firm value by 0.097. The t-value for CASH\_HOLDING is 13.615 with a significance value of 0.000, which is less than 0.05. This means that cash holding has a positive and statistically significant effect on firm value.

## DISCUSSION

This study shows that cash holding has a significant effect on firm value. Based on the regression results, the cash holding variable has a coefficient value of 0.097 with a significance value of 0.000 ( $p < 0.05$ ). This result indicates that cash holding has a positive and statistically significant effect on firm value. It means that when a company increases its level of cash holding, the firm value tends to increase as well. The availability of cash allows firms to operate more efficiently, respond to financial needs quickly, and take advantage of profitable investment opportunities, which ultimately contributes to increasing the company's market value. The findings of this study are consistent with several recent studies. For example, Nguyen and Nguyen (2023) found that firms with higher levels of cash holding tend to have higher firm value because cash provides financial flexibility and reduces the risk of financial distress. Similarly, Almeida, Campello, and Weisbach (2023) explain that holding sufficient cash allows firms to finance investment projects without relying heavily on external financing, which can increase investor confidence and improve firm value. In addition, also reported that adequate cash reserves help companies manage uncertainty and maintain stable operations, which positively influences firm value.

These results can also be explained through the Trade-Off Theory. According to this theory, firms determine an optimal level of cash holding by balancing the benefits and costs of holding cash. The benefits include reducing transaction costs, avoiding costly external financing, increasing financial flexibility, and enabling firms to quickly invest in profitable opportunities. However, holding excessive cash may also create agency costs, such as inefficient use of resources by management. Therefore, companies attempt to maintain an optimal level of cash holding that maximizes firm value. In this context, the positive and significant relationship found in this study supports the idea that maintaining an appropriate level of cash holding can enhance firm value. Adequate cash reserves enable companies to manage financial risks, support operational activities, and capture strategic investment opportunities. As a result, investors tend to perceive firms with sufficient liquidity as more stable and financially healthy, which ultimately leads to a higher firm value.

## CONCLUSION

This study examines the effect of cash holding on firm value in non-financial companies in the ASEAN capital market. The results show that cash holding has a positive and significant effect on firm value, meaning that higher levels of cash holding tend to increase firm value because they provide financial flexibility, support investment opportunities, and help companies manage financial risks. However, this study has several limitations. First, the research only uses cash holding as the independent variable, while other factors such as profitability, leverage, firm size, and growth opportunities may also influence firm value. Second, the sample is limited to non-financial companies in the ASEAN capital market, so the results may not fully represent companies in other sectors or regions. Therefore, future research is suggested to include additional variables, expand the research sample to other sectors or countries, and extend the observation period in order to provide a more comprehensive understanding of the relationship between cash holding and firm value.

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