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Analysis Of The Effect Of Cash Holding And Liquidity On Company Value: The Role Of Company Size As A Moderating Variable

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ABSTRACT

The purpose of this study is to investigate how cash holdings and liquidity affect firm value in food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2023 and 2024, using firm size as a moderating variable. This study adopts a quantitative approach utilizing secondary data sourced from corporate annual reports. The sample was determined through purposive sampling, yielding 176 observations. The data were examined using multiple linear regression and Moderated Regression Analysis (MRA), with all variables converted into natural logarithmic form to satisfy classical assumption criteria. The findings indicate that cash holdings exert a positive and significant influence on firm value, and liquidity likewise has a significant impact on firm value. The moderation analysis further reveals that firm size amplifies the effect of cash holdings on firm value. In contrast, firm size does not moderate the relationship between liquidity and firm value. These findings suggest that effective cash management is essential for improving firm value, especially in larger firms, while the contribution of liquidity to firm value is not contingent upon firm size. This study implies that corporate management should place greater emphasis on efficient cash management strategies to enhance firm value and investor confidence.

INTRODUCTION

Industrial development in the current era shows rapid growth, resulting in increasingly fierce competition among business actors and investors (Ariansyah, Meidiyustiani, & Lestari, 2023). With this economic growth, every company strives to perform at its best to compete in the market. To achieve this, companies need additional capital to support their operational activities (Saputra, Yuliman, & Lesmana W, 2023). The main goals of starting a business are to maximize profits, reward shareholders, and raise the company's value (CV) as shown by its market share price.The discussion of CV is one of the important issues that can be viewed from various perspectives (Santoso et al, 2022). CV can increase or decrease depending on how the entity manages its funding sources and the strategies it implements to optimize its funds in order to attract investors (Ayem & Ina, 2023). However, in practice, not all company management understands the most effective strategies for increasing CV. Before making an investment, investors should take this into account separately (Dinilah & Nurjannah, 2025). One measure that is often used in assessing CV is Price to Book Value (PBV) (Alifian & Susilo, 2024) . This ratio indicates the extent to which the firm generates added value for its shareholders (Sukanti et al., 2023). Thus, PBV is an essential statistic for assessing a company's health and success. Changes in PBV itself are often influenced by the strategies and policies implemented by management (Heliani & Elisah, 2022).In the context of corporate performance management, several factors such as cash holdings and liquidity play a significant role in shaping a CV. Based on previous research (Alifian & Susilo, 2024; Pratiwi et al, 2024). Cash holdings (CH) denote the level of cash or cash equivalents that a firm possesses and can readily utilize for operational purposes and business strategy needs, such as investment in fixed assets or business expansion. Liquidity reflects a company’s capacity to fulfill its short-term liabilities using available funds. Both factors can affect company value directly or indirectly. In addition, *company size* (CS) also has the potential to either amplify or diminish the relationship between these variables, because large entities generally have different resources and investor appeal compared to small companies (Indra et al., 2024; Mbati & Indiraswari, 2024; Putri & Iswara, 2024).

Business strategy implementation management plays a significant role in regulating cash management and liquidity levels (Indra et al., 2024) . Excessive pressure on management to focus solely on increasing company value can also have negative effects, as it may encourage short-term decision-making such as aggressive cost-cutting or share buybacks that harm long-term growth. These conditions can create an illusion of success that ultimately threatens the sustainability and stability of the company (Adeneye & Kammoun, 2022; Apriadi & Setijaningsih, 2024; Wijaya & Rahayu, 2025). To address these issues, agency theory provides a relevant foundation. This theory explains that management share ownership can be an effective oversight mechanism, as higher ownership stakes increase managers’ incentives to enhance firm performance and preserve CV rather than pursue personal interests (Yulianti et al, 2024).

Although various studies have examined the influence of CH and liquidity on CV, the empirical results obtained show inconsistency. Some studies found that CH and liquidity have a positive effect on CV because they increase financial flexibility, support company operations, and strengthen the company's attractiveness to investors in the FnB manufacture (Yang, Di, & Periode, 2025; Yudhyani et al., 2022). However, other studies suggest that excessively high levels of liquidity can have a negative effect, as they signal the existence of idle assets that are not being used productively (Rahmawati, Suryani, & Mukharomah, 2023). Meanwhile, cash holdings have also been found to negatively affect CV, suggesting that higher CH are not necessarily accompanied by rising stock prices or more favorable investor perceptions (Prameswari & Ratnaningsih, 2023). These mixed results suggest that the effects of CH and liquidity on CV remain inconclusive, highlighting the need for further investigation that incorporates CS as a moderating variable to assess whether company scale strengthens or weakens these relationships.

LITERATURE REVIEW

This literature review was compiled to provide a theoretical and empirical basis for the variables that are the focus of this study, namely CH, liquidity, CV, and CS as a moderating variable. Through an examination of basic theories, previous research findings, and the operational definitions of each variable, this review is expected to strengthen the conceptual framework of the research and act as a guide for developing hypotheses that will be investigated further.

Research Gap

Prior studies have investigated various factors that affect company value(Indra et al., 2024) The results of these studies show that liquidity, debt policy, and CS have a significant influence on increasing CV. In addition, other elements including profitability, leverage, corporate social responsibility, and liquidity are crucial in boosting a CV. (Nadaredo, Kinasih, Pratiwi, Prajanto, & Fuad, 2025; Nataya, Purnama, & Yani, 2025) .

In the context of corporate financial management, several studies emphasize the importance of cash holdings in increasing company value. Optimally managed cash holdings are considered capable of providing financial flexibility and supporting the smooth running of company operations, particularly in the manufacturing sector (Nugroho & Surjandari, 2022; Ulfa & Andi, 2022). Similar findings are also described in other literature, which mentions that cash holdings and corporate financial policies have a direct and indirect influence on company value (Njoku & Lee, 2024; Theissen, Jung, Theissen, & Graf-Vlachy, 2023).

Beyond CH, liquidity is a crucial metric for assessing the stability and performance of a company's finances. A sufficient level of liquidity signifies a firm's ability to meet their liabilities and reflects the efficiency of its current asset management. Several studies have demonstrated that liquidity positively influences CV by enhancing investor confidence and reinforcing operational stability (Bui, Nguyen, & Pham, 2023; Houqe, Monem, & van Zijl, 2023). Moreover, CS is frequently employed as a moderating variable between these factors and CV (Kartadjumena & Mulyawati, 2024; Yulianti, Husadha, Rossa, Pangaribuan, & Yuniati, 2024). Therefore, this study is anticipated to expand the literature on the factors that determine CV in the Indonesian capital market.

Although many previous researchers have studied the relationship between CH and liquidity on CV, most of them have not included CS as a moderating variable. For example, the studies by Sukanti (2023) and Putri (2023) focused more on the direct influence between these variables without considering variations in company characteristics based on the size of the business. Large companies generally have broader access to funding, stronger reputations, and greater flexibility in carrying out operational activities compared to small companies. This condition causes the relationship between CH, liquidity, and CV to differ significantly (Keisya Novadila Putri & Imronudin, 2025; Pamungkas, Asrifah, Nurhayati, Miftahuddin, & Yoga, 2024; Panjaitan & Supriyati, 2023).

Therefore, this study uses CS as a moderating variable. This approach is consistent with prior research that confirm that CS can affect the intensity of the relationship between financial variables and CV, given that large companies have a stronger market reputation, easier access to financing, and better risk management capabilities (Indra et al., 2024; Keisya Novadila Putri & Imronudin, 2025; Sulistiyo, Sitawati, & Sutono, 2025). Thus, incorporating CS as a moderating variable in this study is expected to offer a fresh perspective to the existing literature, particularly in understanding the dynamics of internal financial factors of companies amid increasingly competitive market competition (Indra et al., 2024; Sukanti et al., 2023). The results are expected to offer added value in CV analysis beyond those reported in previous studies.

Grand Theory

This study is based on Agency Theory introduced by (MECKLING, 1976a) . The theory explains the contractual relationship between the principal (shareholders) and the agent (company management). The two parties have different objectives, which can potentially lead to agency conflict. Shareholders expect management will take steps to boost the CV, while managers often prioritize their personal interests. These differences in interests give rise to agency costs, which are the costs incurred to supervise, control, and ensure that managers' actions are in line with the objectives of the company's owners.

In the context of this study, CH are one aspect closely related to agency problems. Large CH have the potential to increase agency conflicts because they open up opportunities for managers to make unproductive investments (overinvestment) or use the funds for personal gain. This circumstance may lessen the effectiveness of financial management and contribute to the company's loss in value. Therefore, proportional cash management is important to limit opportunistic behavior by management (Afiah, Uzliawati, & Muchlish, 2023).

Additionally, the efficiency of management in handling short-term assets is reflected in the company's liquidity. A sufficient amount of liquidity shows the effectiveness of current asset management and the company's ability to fulfill its liability. Strong financial management is reflected in good liquidity conditions, which raise the value of the business (Mursidah, Yunina, & Rahmi, 2023; Rahmaniar & Fitrian Rizky, 2022).

In this study, CS functions as a moderating variable, as company scale can impact the extent of agency problems. Larger firms typically have more complex organizational structures, yet they are supported by stronger internal control systems and greater external oversight from various stakeholders. This condition can help reduce conflicts between shareholders and management (Evalina & Gusni, 2024). Consequently, CS may either strengthen or weaken the relationship between CH, liquidity, and CV.

Based on the Agency Theory framework, this study aims to provide a deeper insight of how internal corporate financial mechanisms, including cash holdings and liquidity, as well as the role of CS as a moderating , can contribute to optimizing company value while minimizing agency costs arising from managerial activities (Indra et al., 2024; Sukanti et al., 2023) .

Variable Concepts

1. Cash Holding
   CH represent the level of cash a company possesses and can readily deploy to support operational requirements and strategic policies. Businesses must keep their CH under check, because a shortage of cash can hamper business activities, while excess cash can cause funds to be underutilized. Efficient cash holding management will support smooth operations, financial stability, and the company's flexibility in facing uncertainty (Arifah & Africa, 2025; Fitri & Oktavianna, 2024; Salma, Hermuningsih, & Hidayat, 2024) .
2. Liquidity
   The capaciity of a business to satisfy its short liabilities using its current assets is known as liquidity. According to the pecking order idea, businesses with high liquidity typically prioritize using internal capital before turning to debt funding from outside sources. A company's ability to manage working capital and maintain short-term financial stability is reflected in its liquidity level. (Mbati & Indiraswari, 2024; Nam & Tuyen, 2024)
3. Company Value
   CV shows how investors view a company's performance, growth potential, and financial condition. One widely used measure is the PBV. A higher PBV suggests that the market holds a favorable view of the company (Oke & Ajeigbe, 2024; Shiyammurti & Ningsih, 2024).
4. Firm Size
   CS describes the operational scale and economic capacity of a business entity. Firm size is often used to indicate the strength of resources, expansion capabilities, and stability of a company. It is generally measured using total assets *(log total assets)*, as this reflects the size of the company proportionally (Alisa et.al, 2024; Fitri & Oktavianna, 2024).

The Effect of Cash Holdings on Company Value

CH serve a strategic function for companies because they can be used to maintain operational balance, deal with market uncertainty, and take advantage of investment opportunities without relying on external funding. Theoretically, Agency Theory explains that optimally managed cash can reduce the opportunity for managers to make inefficient investments. Effective cash management offers financial flexibility and signals a company's

capacity to sustain growth, thereby strengthening investors' positive perceptions of its value (Arifah & Africa, 2025; Fitri & Oktavianna, 2024; Muadz & Sastradipraja, 2024) .
H1: Cash holdings affect company value

The Effect Of Liquidity On Company Value

Liquidity refers to a company's ability to meet its short liabilities through its current assets. An adequate level of liquidity signals financial stability, which lowers default risk and enhances market confidence. From the perspective of Agency Theory, strong liquidity reduces potential conflicts between agents and principals, as the firm can fund its operations without external pressure. This condition reinforces investors' perceptions of the company's soundness and ultimately increases CV (Mbati & Indiraswari, 2024; Wildan, Munira, & Astuti, 2024; Zahra, Savitri, & Violeta, 2024)
H2: Liquidity affects company value

The Influence Of Firm Size Moderates The Relationship Between Cash Holdings And Company Value

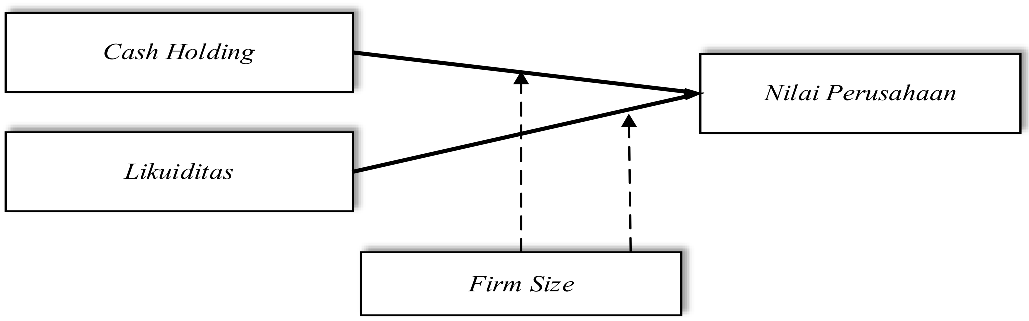
CS can also strengthen the association between CH and CV. In large companies, high cash levels signal the ability to take advantage of strategic opportunities, support expansion, and maintain long-term stability. Within the framework of Agency Theory, stronger oversight of large companies can reduce the potential for cash misuse. Conversely, in small companies, high cash levels can raise doubts about the efficient use of assets. Thus, CS strengthens the positive influence of CH on CV (Fitri & Oktavianna, 2024; Mbati & Indiraswari, 2024; Muadz & Sastradipraja, 2024)
H3: Company size moderates the relationship between cash holdings and company value.

The Effect Of Company Size Moderates The Relationship Between Liquidity And Company Value

Liquidity is essential for improving CV, although its impact may vary between large and small firms. Larger companies typically possess greater current asset capacity and more advanced managerial systems, allowing for more effective liquidity management. From an Agency Theory perspective, stronger oversight in large firms can reduce the risk of fund misuse, thereby reinforcing the effect of liquidity on CV. Accordingly, CS is expected to strengthen the positive relationship between liquidity and CV (Burhani & Ika Prajawati, 2023; Dewi & Putri, 2025; Felicia & Viriany, 2023) .
H4: Company size moderates the relationship between liquidity and company value

Research Framework

Figure 1. Research framework



METHODS

Research Approach

This study seeks to examine a firm value model influenced by capital structure, cash holdings, and liquidity, with firm size serving as a moderating variable in the relationships between these factors and CV. The empirical analysis is grounded in Agency Theory as proposed by (MECKLING, 1976b), seeking to offer a more thorough comprehension of the relationships between the variables. A quantitative approach is employed, focusing on hypothesis testing through the analysis of measurable numerical data.

Population and Sample

All manufacturing companies in the FnB subsector that were listed on the IDX between 2023 and 2024 make up the study's population. The sample was chosen through purposive sampling, a method that selects units based on specific criteria established by the researcher. These criteria include companies that publish annual financial statements in rupiah, are not subject to delisting or trading suspension during the study period, and consistently disclose annual financial reports throughout the observation period. The study utilizes secondary data derived from annual financial reports published on the official IDX website and the respective company websites.

Data Analysis Techniques

The statistical analysis methods used in this study consist of two main stages, namely classical assumption testing and regression analysis, which includes multiple linear regression and moderated regression analysis (MRA). All stages are carried out to guarantee that the model is suitable and capable of producing precise estimation results.

Normality Test

This test is used to assess whether the residuals of the regression model are normally distributed. This test is performed using a Normal Probability Plot and significance values. The model is considered to satisfy the normality assumption if the residual points align with the diagonal line and the significance value is less than 0.05.

Multicollinearity Test

This test is applied to identify whether correlations exist among the independent variables. When the tolerance value is greater than 0.10 or the Variance Inflation Factor (VIF) is less than 10, a regression model is deemed multicollinearity-free.

Heteroscedasticity Test

The Glejser approach, which entails regressing the independent variables on the absolute values of the residuals, is used to perform the heteroscedasticity test. The model is deemed heteroscedasticity-free if the resulting significance value is higher than 0.05.

Autocorrelation Test

Autocorrelation is tested using Durbin-Watson. The model is declared free of autocorrelation if the Durbin-Watson value is within the range of no autocorrelation. This test is commonly used for time series data but is optional for non-time series data.

Multiple Linear Regression Analysis

This analysis is employed to evaluate the impact of CH, and liquidity on CV without involving moderating variables. This stage provides a basic overview of the direct effect of each independent variable on the dependent variable.

Moderated Regression Analysis

MRA is employed to assess whether CS strengthens or weakens the relationship between the independent variables (CH and liquidity) on CV. The technique used is the interaction method, which involves forming interaction variables by multiplying each independent variable by the moderating variable (CS). The significance of the interaction coefficient is the basis for assessing the existence of a moderating effect.

$$Y = \beta 0 + \beta 1\ X1 + \beta 2\ X2 + \beta 3Z + \beta 4\ (X1 \times Z) + \beta 5\ (X2 \times Z) + €$$

Explanation:

- X1 = Cash Holding
- X2 = Liquidity
- Y = Firm Value
- Z = Firm Size (Moderator)
- β0 = constant
- β1, β2 = regression coefficients of independent variables
- β3 = regression coefficient for the moderating variable (firm size)
- β4, β5 = interaction coefficient (moderating effect)
- ϵ = error term (residual)

RESULTS

NORMALITY TEST

Table 1 Normality Test

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			176
Normal Parameters [a,b]	Mean		.000000
	Std. Deviation		.86084527
Most Extreme Differences	Absolute		.052
	Positive		.039
	Negative		-,052
Test Statistic			.052
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.288
	99% Confidence Interval	Lower Bound	.276
		Upper Bound	.299

According to the test results, the significance level of 0.05 is exceeded by the Asymp. Sig. (2-tailed) value of 0.200. Furthermore, the Monte Carlo analysis yields a significance value of 0.288. These findings confirm that the residuals are normally distributed. With the assumption of normality fulfilled, the model used in this research is suitable for proceeding to the stage of testing other classical assumptions and regression analysis.

Multicollinearity Test
Table 2 Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-,727	3.235		-,225	.822		
	LN_X1	.105	,050	,162	2,099	,037	,947	1,056
	LN_X2	-0.008	.067	-,010	-,128	.899	.872	1,147
	LN_Z	,408	,963	,033	,423	,673	,919	1,088

a. Dependent Variable: LN_Y

The test results show that the LN_X1 variable has a tolerance of 0.947 with a VIF of 1.056, the LN_X2 variable shows a tolerance of 0.872 and a VIF of 1.147, and the LN_Z variable records a tolerance of 0.919 with a VIF of 1.088. These findings indicate the absence of strong linear relationships among the independent variables in the regression model.

Heteroscedasticity Test
Table 3 Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.008	1.860		-1,079	,282
	LN_X1	,010	,029	,027	,347	,729
	LN_X2	-0.034	.038	-,072	-,887	.376
	LN_Z	,826	,554	,117	1,491	,138

a. Dependent Variable: ABS_RES

The results show that the significance values for the LN_X1, LN_X2, and LN_Z variables are 0.729, 0.376, and 0.138, respectively, all of which exceed the 0.05 significance threshold. This indicates that none of the independent variables have a significant relationship with the absolute residuals. Accordingly, the model is free from heteroscedasticity, implying that the residual variance is constant (homoscedastic). This outcome confirms that the model satisfies one of the classical assumptions, thereby ensuring that the estimated regression coefficients are valid and appropriate for subsequent hypothesis testing.

Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R-Square	Standard Error of the Estimate	Durbin-Watson (DW)
1	.295[a]	.087	.071	.75811	1,834

a. Predictors: (Constant), LAG_Z, LAG_X1, LAG_X2
b. Dependent Variable: LAG_Y

Considering the possibility of autocorrelation in the research data, the model was adjusted using the Cochrane–Orcutt method by creating lagged variables for each independent variable. The results show a DW value of 1.834. With 176 observations and four independent variables, this DW value falls between the upper limit (du) and 4 − du, indicating the absence of both positive and negative autocorrelation in the regression model. Therefore, it can be concluded that, after applying the Cochrane–Orcutt transformation, the model is free from autocorrelation.

Multiple Linear Regression Test

Model Summary

Model	R	R Square	Adjusted R-Square	Standard Error of the Estimate
1	.362[a]	.131	.120	.80831

a. Predictors: (Constant), LN_X2, LN_X1

The findings show an R-square value of 0.131, indicating that 13.1% of the variation in CV (LN_Y) is explained by CH and liquidity, whereas variables not included in the research model are responsible for the remaining 86.9%.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.089	2	7,544	11,547	,000[b]
	Residual	99,966	153	,653		
	Total	115,054	155			

a. Dependent Variable: LN_Y
b. Predictors: (Constant), LN_X2, LN_X1

Based on the F-test results, the calculated F value is 11.547 with a significance level of less than 0.001. Since this value is below the 0.05 threshold, it can deduce that CH and liquidity together significantly affect CV.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.417	.220		6,434	,000
	LN_X1	,306	,064	,413	4,742	,000
	LN_X2	-,235	,077	-,267	-3,059	.003

a. Dependent Variable: LN_Y

Furthermore the t-test analysis reveals that LN_X1 variable has a regression coefficient of 0.306 with a significance level of less than 0.001. This demonstrates that LN_X1 exerts a positive and significant effect on LN_Y, implying that an increase in LN_X1 is associated with an increase in CV. In contrast, the LN_X2 variable shows a regression coefficient of –0.235 with a significance value of 0.003, which is below the 0.05 threshold. This result indicates that LN_X2 has a negative and significant effect on LN_Y, suggesting that higher values of LN_X2 tend to reduce CV.

Moderated Regression Test

Model Summary

Model	R	R Square	Adjusted R-Square	Standard Error of the Estimate
1	.412[a]	.170	.142	.79793

a. Predictors: (Constant), INT_X2Z, LN_Z, LN_X1, INT_X1Z, LN_X2

Based on the MRA, the Adjusted R-square value is 0.142, indicating that LN_X1, LN_X2, LN_Z, and the interaction terms INT_X1Z and INT_X2Z collectively explain 14.2% of the variation in LN_Y, while the remaining 85.8% is attributable to factors beyond the research model.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.550	5	3,910	6,141	,000[b]
	Residual	95,504	150	,637		
	Total	115,054	155			

a. Dependent Variable: LN_Y

b. Predictors: (Constant), INT_X2Z, LN_Z, LN_X1, INT_X1Z, LN_X2

The simultaneous test results yield an F value of 6.141 a level of significance lower than 0.001, indicating that the moderated regression model is statistically valid and that all variables in the model jointly influence LN_Y.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-19.376	10.627		-1,823	,070
	LN_X1	-7,088	2,957	-9,579	-2,397	,018
	LN_X2	3,428	4,062	3,890	,844	,400
	LN_Z	6,276	3,196	,531	1,964	,051
	INT_X1Z	2,232	,892	10,005	2,502	,013
	INT_X2Z	-1,106	1,231	-4,103	-,898	.371

a. Dependent Variable: LN_Y

Furthermore, the partial test results indicate that LN_X1 has a significant effect on LN_Y, with a significance value of 0.018 (< 0.05), whereas LN_X2 does not significantly affect LN_Y, as reflected by a significance value of 0.400 (> 0.05). The moderating variable LN_Z also shows no direct effect on LN_Y, given its significance value of 0.051 (> 0.05). However, the interaction analysis reveals that INT_X1Z has a significance value of 0.013 (< 0.05), indicating that LN_Z moderates the relationship between LN_X1 and LN_Y. In contrast, the interaction term INT_X2Z has a significance value of 0.371 (> 0.05), suggesting that LN_Z fails to moderate the link between LN_X2 and LN_Y.

DISCUSSION

The Effect of Cash Holding on Company Value

The hypothesis concerning the influence of CH on CV is accepted**,** because the test results for LN_X1 have a significance value of < 0.001 (< 0.05). This indicates that the value of a corporation is significantly impacted by CH.

These findings are supported by (Yudhyani et al., 2022) ,(Arifah & Africa, *2025)*, and *(Fitri & Oktavianna, 2024)* that shows CH increase a CV. These studies show that companies with adequate cash levels are considered to have better financial flexibility, enabling them to maintain operational stability and cope with economic uncertainty.

Theoretically, these findings support Agency Theory, which explains that optimal cash management can reduce potential agency conflicts between management and shareholders. Adequate cash holdings provide companies with the space to finance operational activities and investments without excessive reliance on external funding, thereby minimizing the risk of inefficient decision-making. These conditions contribute to increased investor confidence and ultimately increase company value.

In addition, optimally managed CH also give investors a favorable indication of the company's capacity to maintain liquidity and business continuity ( ). Therefore, adequate CHare seen as one of the strategic factors that could raise the market's perception of the CV.

The Effect of Liquidity on Company Value

The hypothesis on the impact of liquidity on CV is supported, as the LN_X2 test shows a significance value of 0.003, which is below the 0.05 threshold, indicating that liquidity significantly influences CV.

The findings of this study support the findings by (Mbati & Indiraswari, 2024), (Wildan et al., 2024), and (Zahra et al., 2024), which indicate that liquidity has a positive effect on CV. These studies highlight that firms with optimal liquidity levels tend to be more attractive to investors, as they are perceived as financially stable and exposed to lower risk.

Theoretically, these findings align with Agency Theory, which contends that substantial liquidity might reduce the likelihood of agency disputes. A firm’s ability to fulfill short-term obligations without reliance on external financing reflects effective current asset management and sound managerial performance. As a result, investors are more confident in the company's financial situation, which eventually raises the firm's value.

Company size moderates the relationship between cash holdings and company value

The hypothesis regarding the moderating role of CS on the link between CH and CV is accepted, as evidenced by the INT_X1Z interaction test, which yields a significance value of 0.013 (< 0.05). This indicates that CS has been proven to strengthen the relationship between CH and CV.This finding suggests *CH* has a greater beneficial effect on CV in larger firms than in smaller ones. Large companies generally have better monitoring, transparency, and governance systems, so high cash holdings are more trusted by investors as a strategic resource to support growth and financial stability. Conversely, in small companies, high cash holdings may be perceived as inefficient and do not always increase company value.

Theoretically, this finding is align with Agency Theory, which asserts that large companies have stronger control and monitoring mechanisms, such as better governance structures ( ), stricter audits, and higher market pressure. These conditions reduce the likelihood of managers misusing company cash for personal gain, so cash holdings in large companies are more likely to be used for productive investments that add value for shareholders. Thus, agency conflicts can be minimized, and CV can increase.

The results of this study support the findings of (Fitri & Oktavianna, 2024) ,(Mbati & Indiraswari, 2024) and (Muadz & Sastradipraja, 2024) which state that company size strengthens the relationship between CH and CV. These studies demonstrate that good cash management is more successful in enhancing market perception and raising the value of large businesses.

Moreover, recent empirical evidence further supports the role of CS as a moderating variable in the link between financial factors and corporate cash behavior. *(Ulfida & Rizka, 2025)* discover that the association between liquidity and CH is considerably moderated by CS, with the moderating effect becoming stronger at certain levels of liquidity. These results suggest that company scale shapes how cash is managed and utilized in operational activities. Similarly, *(Maryanti, Nabila, Hermawan, & Rahayu, 2026)* report that CS strengthens the relationship between various financial determinants and CH, confirming that CS functions not only as a control variable but also as a factor that influences the strength of relationships among financial variables in manufacturing firms.

Company size moderates the relationship between liquidity and company value.

The hypothesis regarding the role of CS in moderating the effect of liquidity on CV was rejected, because the significance value of the INT_X2Z interaction was 0.371 > 0.05, indicating that the correlation between liquidity and CV was not affected by CS.

This outcome is consistent with research (Marliyana, Pramono, Wahyuni, & Santoso, 2024) and (Putri et al, 2025), which also discovered that CS did not mitigate the impact of liquidity on CV. These studies demonstrate that, for both large and small businesses, the effect of liquidity on CV is comparatively constant.

From a theoretical perspective, these results can be interpreted through the lenses of Agency Theory and Signaling Theory. Liquidity serves as a strong financial signal to investors, reducing the relevance of CS in this context. In other words, investors tend to place greater emphasis on the effectiveness of current asset management than on the company's scale. Even smaller firms that manage liquidity efficiently can convey signals comparable to those of larger firms, rendering the moderating role of CS insignificant.

The implication is that companies cannot rely solely on company size to increase the impact of liquidity on CV. What is more important is the efficiency and quality of liquidity management, as this is what truly influences investor perception and market valuation of the company.

CONCLUSION

This study examines the influence of CH and liquidity on CV, with CS acting as a moderating variable, in FnB manufacturing companies listed on the IDX during the 2023–2024 period. The results indicate that CH has a positive and significant effect on CV, while liquidity also shows a significant impact on CV.

The moderated regression analysis reveals that CS strengthens the relationship between CH and CV, indicating that the effect of CH becomes stronger in larger firms. In contrast, CS does not serve as a moderator in the link between liquidity and CV, suggesting that the ability of liquidity to enhance CV is not dependent on CS.

Overall, these findings confirm that effective cash management is a crucial driver of CV, particularly in larger companies, whereas liquidity is not always the primary determinant of FV. These results imply that management should place greater emphasis on efficient cash management strategies to improve market perceptions and enhance firm value.

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