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Religious and Cash Holding: Evidence From Indonesia

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ABSTRACT
This research examines the effect of religiosity on the cash holding. The method used to test the model is panel data regression by investigating the effect of religiosity on the cash holding of shari'a and non-shari'a companies. The results show that Religiosity (Islamic Dichotomic), showing a positive and significant coefficient on cash holdings. Companies with a high level of religiosity hold significant amounts of cash. The companies hold cash to reduce risk by reducing debt financing.
Keywords: cash holdings, religiosity, risk

A. INTRODUCTION

Indonesia is a country that has a variety of cultures, ethnicities, races, and religions. Indonesia, in 2015, the majority has the most significant number of adherents of Islam number 1, with a total of 12.9% of the Muslim population in the world. It makes many financial economists observe the interaction between religion and economics. Guiso, Sapienza, & Zingales (2003) tested the effect of people's trust on economic attitudes. (Hilary & Hui (2009) examined corporate decisions related to religion. Kumar, Page, & Spalt(2011) researched investor portfolio choices related to religious investor, Shu, Sulaeman, & Yeung (2012) examined employee stock options based on mutual fund based compensation, (McGuire, Omer, & Sharp, 2011); (Callen & Fang, 2015) examined the disclosure of company information, and (Grutton et al., 2010) examined earnings management.

Stulz & Williamson (2003) stated a document that religion is a significant determinant of how the state implements the rights of investors and creditors. Religion plays a significant role in determining corporate risk-taking. The higher the level of religiosity, the more risk aversion in corporate decision making (Hilary & Hui, 2009); (Shu et al., 2012). Based on D. L. Chen & Hungerman (2014), financial economists' observed

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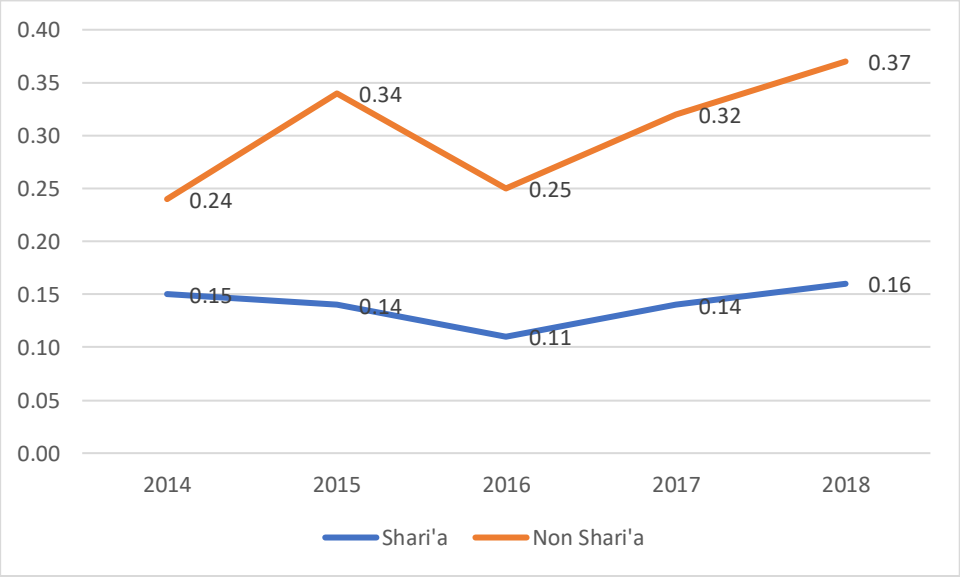
relations between religion, culture, and economics so that a better understanding of the interaction is a useful foundation for further research.

Along with the development of Islam in Indonesia, the Indonesia Stock Exchange (IDX) implemented sharia-based company regulations by issuing the JII (Jakarta Islamic Index) on July 3, 2000. Therefore, from year to year, many companies use Islamic rules on companies or called a sharia company. Some sharia company regulations according to the Financial Services Authority (OJK) are to have the principles of justice ('adl), balance (tawazun), benefit (maslahah), and universalism (naturalyah) and do not contain gharar, masyir, riba, zhulm, riswah, and objects haram. The main issue that occurs in the Islamic capital market is that sharia capital market practices are incompatible with the Shari'a and are very vulnerable to Sharia violations. It is about the ratio of total interest-based debt to total equity is less than 45%. The ratio of total interest income and other non-halal income compared to total business income is less than than 10% (ten percent) (Sharia Securities Determination Regulation No: KEP-208 / BL / 2012).

One of several methods to demonstrate the performance of company management, both Syariah and Non-Sharia, is conducting cash holding. Cash holding is cash owned by the company, which is short-term in nature. Cash holding is one of the strategies to show that the company has excellent management performance. Recently, cash holding considers as an essential variable in the view of investors and as an essential component in the balance sheet, even though Cash Holding is the most unproductive asset.

The optimal cash position is the point that the marginal cost of excess liquidity equal with the marginal cost from lack of liquidity. Management should consider the extent of the costs and the benefits of holding cash. The cash position also explains the relationship between shareholders and management, where there are differences in interests between management as an agent and shareholders as principal (agency theory). The firm's financing policy will affect the amount of cash holding because management must decide the source of funding. The firm must make an order of the funding options (pecking order theory).

The standard cash holding of both Non-Sharia and sharia companies are different. Based on the research of Y. Chen, Murgulov, Rhee, & Veeraraghavan (2016), the level of religiosity negatively effects on debt financing and investment decisions. The study shows that local governments with a high level of religiosity have a significant amount of cash. While in Indonesia, based on the pre-survey results, the cash holding of sharia and non-sharia companies can be seen as follows.



Source: Financial Statements of the Goods and Consumption Industry Sub-Sector 2014-2018

Figure 1. Growth chart of cash holding between sharia and Non-Sharia companies in the consumer goods industry sub-sector in 2014-2018

The graph shows that the cash holding of Non-Sharia companies is higher than Islamic companies. Non-Sharia companies tend to increase their cash holdings from year to year, whereas Islamic companies do not. Both have different characteristics. It will undoubtedly show the differences in the characteristics and the roles of the cash holding that needs to be explored, exploited, and optimized. At present, the exploration of cash holding and its components has been carried out thoroughly and results in different factors. Empirical studies of cash holding are still limited to the precautionary motivations and transactions.

The previous studies show that the factors that influence the company's cash holding are different, including (Harris & Raviv, 1990), (Schrand, 1999), (Olpers, 1999), (Fender, 2002), (Dittmar, Mahrt-Smith, & Servaes, 2003), (Ozkan & Ozkan, 2004), (Ferreira & Vilela, 2004), (Hoffman, 2006), (Bates, Kahle, & Stulz, 2009), (Shah, 2011), (Rizwan & Javed, 2011), (Islam, 2012), (Al-Najjar & Belghitar, 2011), (Musarat & Ullah), (Y. Chen et al., 2016), and (Hendrawaty, 2019).

Bates et al. (2009) Stated there were four main motives for holding cash. Those are transaction motives, the precautionary motive, tax motives, and agency motives. The allocation of the cash holding level is a strategic decision because if the company holds a

few cash, then the higher their risk. On the other hand, hold more cash will reduce profitability. Therefore, the companies should explore and exploit cash holding optimally.

This study tests the role of the religious variable and the company-specific variables in determining the level of cash holding. Musarat & Ullah)(2015) state that in Islamic companies, variables that influence cash holding are leverage, liquidity, variability, cash flow, dividend payment, and company size. (Y. Chen et al., 2016)Stated that the level of religiosity is negatively related to debt financing and investment decisions. Local governments with a high level of religiosity have a more considerable amount of cash. This study's purpose was to test the influence of dichotomic Islam and the set of company-specific characteristics on the company's cash holding in Indonesia.

This research can contribute to cash holdings literature. It is expected to contribute to the standard cash holdings baseline model by using the extended cash holdings determinant model (Opler, Pinkowitz, Stulz, & Williamson, 1999).

B. THEORETICAL

Opler et al. (1999) concluded that higher cash holding would lead to higher growth prospects. Companies can use dividend payments as a substitute to hold extra money by not paying dividends. Unpaid dividends can be used as a substitute for cash holding. Their study showed a negative relationship between dividend payments and cash holding (Opler et al., 1999).

(Ozkan & Ozkan (2004) emphasize the cash holding is essential to improve the company growth opportunities. The reason for holding cash was transactional motives and preventive motives. Ozkan & Ozkan (2004) studied the determinants of cash holding, and his primary focus was on managerial ownership and cash ownership associations. Managerial ownership is discussed in terms of the delegation of authority and composition of company boards in the UK. They also found that cash holding was significantly shaped by liquid assets, cash flow, bank debt, leverage, and valuable opportunities. Ozkan & Ozkan (2004) concluded that liquidity harms the company's cash holding. The companies must use securities and networking capital for cash holding to avoid shortages. The market to book ratio is defined as the book value of equity reduced from the book value of total assets to the market value of equity to the book value of total assets. Ozkan & Ozkan (2004) found that the Market to book ratio is directly proportional to cash holding. The higher ratio will produce more money and securities to avoid financial difficulties to avoid higher financing costs. Hoffman (2006) also studied the strong determinants of cash holding and

found that higher growth opportunities and higher cash flow variability led to higher cash holding.

Financial smoothness dramatically helps unexpected costs incurred, and capital investment needed when the cost of external financing is high, according to Kusnadi (2003). Keynes (1936) Showed external funds as an expensive way to obtain funds when companies cannot access internal funding for investment. Therefore, they liquidate assets, pay fewer dividends, and issue debt.

According to Dittmar et al. (2003), there is a way to find a balance between the benefits and costs of cash holding, and companies can find the ideal balance, which is also known as trade-off theory. Cash flow, leverage, net working capital, market to book ratio, company size (Shah, 2011) significantly affect the company's cash holding in Canada. Also, Fender (2002) studied the impact of firm characteristics on the cash holding in small size companies. The result is that the higher the company's cash reserves, the higher the will be asymmetric information, agency problems, and a higher debt ratio. A low cash balance causes the above characteristic levels to below. Taxes are also not as influential as marginal ownership — also, the level of cash increases following the size of the company.

According to Harris & Raviv (1990), company size plays an essential role in the company's cash holding. The size of the larger company will invest more funds into growth opportunities. Large amounts of assets, when invested in growth opportunities, will result in low cash holding. So there is an inverse relation between cash holding and company size. According to Schrand (1999), companies must bear the costs of unclear growth opportunities if their cash flows are unstable. cash holding acts as a buffer when the company is short of money from operations. So, higher cash flow will become cash holding. In addition to company size, high debt also causes more money to be spent at the due date of payment, which reduces cash holdings. Ferreira & Vilela (2004) Furthermore, Bates et al. (2009) have the same result; namely, there is an inverse relationship between leverage and cash holding. Olpers (1999) concluded that the association of leverage and cash holding is reversed because companies with high debt ratios must pay their debts by cash.

Rizwan & Javed (2011) examined cash holding companies in Pakistan. The result is that the company's cash holding increases due to cash flow, net assets, Market to book ratios, and volatility and decreases with increasing leverage.

Islam(2012) examines cash holding using tangibility (tangible assets). Tangible assets are theoretically safer (more protective) than intangible assets (intangibles assets), such as goodwill, patents, and others. If the company experiences financial difficulties, the company can sell face-to-face assets, such as land, buildings, and equipment, and can meet

obligations that are due. Companies with large tangible assets will not hold large amounts of cash (Islam, 2012). The tangible assets provide safe protection when a company is experiencing financial difficulties. Tangible assets can be sold to meet maturing obligations.

Moreover, refer to Al-Najjar & Belghitar (2011), company size, tangibility, and growth opportunities are determinants of cash holding to companies in the system finance in Saudi Arabia. The results of research by Musarat & Ullah), (2015), in Islamic companies, variables that influence cash holding are leverage, liquidity, variability, cash flow, dividend payment, and company size. Y. Chen et al. (2016) stated that the level of religiosity is associated with debt financing and investment decisions.

C. METHODOLOGY

The population is all the companies listed in Indonesia Stock Exchange. The sample criteria used in this study are all sectors except the financial sector (finance) because the financial sectors are regulated sectors. The next criterion is at least they have been Initial Public Offering, at least in 2009. The third criterion, they have \ all related variable data for the period 2011-2018. Fourth, the variable data related to the research interests collected were not outlier data. The outlier detection by the rules of ESD (Extreme Studentized Deviation). The ESD rule is the most popular outlier detector, which states that any data outside the standard deviation of the t average is an outlier. The most common t value is 2.

The purpose of econometrics in this study is to estimate the coefficient ß by using a basic model $Yi,t = a_0 + ßIXi,t + e_i$. The coefficient ß is estimated using panel data regression analysis. Table 1 presents the statistical testing model.

$$\mathbf{Cash_{i,t} = \alpha + \beta_1 ID_{i,t} + \beta_2 Lev_{i,t} + \beta_3 Size_{i,t} + \beta_4 CFlow_{i,t} + \beta_5 DDIVDPS_{i,t} + \beta_6 CR_{i,t} + \beta_7 MBR_{i,t} + \beta_8 Tangible_{i,t}}$$

i and t refer to the company that has Islam dichotomic.

Overall, determining the operational definitions of the variables used in this study are as follows:

Table 1. Variable Definitions for Cash Holding Estimation

Variables	Symbol and Formula
Cash Holding	Cash Holdings = (Cash + Short-term investments) / Total assets
Religiosity	A dummy variable is one if the Sharia company,

	0 if not
Leverage	Leverage = total debt / total assets
Size	Size = Ln Total Assets
Cash Flow	Cash Flow = (net income + depreciation) / total assets
Dividen	Dividend = dummy variable, value 1 if paying dividends, 0 if not
Liquidity	Liquidity = current assets / current debt
Market to book ratio	MBR = market value of equity /book value of equity
Tangible	Tangible = (current assets) / total assets

D. RESULTS AND DISCUSSION

1. Descriptive Statistics

This study observes the characteristics of the companies for eight years. The number of listed companies was 193. The research variables used to estimate cash holdings are prepared by integrating the variables used in previous research. A description of the research variables for estimating cash holdings is presented in table 2 below.

Table 2. Description of All Sample Research Variables for Estimating Cash Holding

	Mean	Maximum	Minimum	Std. Dev.
CASH_HOLDING	0.188	38.347	0.000	1.563
RELIGIOSITY	-	1.000	0.000	-
LEVERAGE	0.563	11.844	0.000	0.726
SIZE	18.435	31.077	1.625	5.911
TANGIBLE	0.253	1.000	-185.774	5.549
CFLOW	0.102	72.902	-15.926	2.284
LIQUIDITY	12.952	2759.209	0.000	90.711
DIVIDEND	-	1.000	0.000	-
MARKET TO BOOK RATIO	1.080	13.019	-10.343	1.649

Obs	1,536

This table presents statistical description information (Mean, median, maximum, minimum, and standard deviation) of research variables from 1536 company years (observation). These variables are: Cash Holdings = (Cash + Short-term investments) / Total assets, Religiosity = dummy variable is 1 if the Sharia company, 0 if not. Leverage = total debt / total assets. Company Size = Ln Total Real Assets, Tangible = (total current assets) / total assets, Cash Flow = (net income + depreciation) / total assets, Liquidity = current assets / current debt, Dividend Payment = dummy variable, value 1 if paying dividends, 0 if not, and market to book ratio = market value of equity per sheet / book value of equity per sheet.

Table 2 shows that the average value of cash holdings is 0.188, which means that 18.8% of the company's assets are cash and short-term investments. The average value of leverage is 0.563, which means that, on average, 56.3% of companies finance total assets using debt. The average value of the company size is 18,435. The average value of tangible is 0.253, which means that 25.3% of company assets are tangible assets. The average value of the cash flow variable is 0.102, which means that the company's ability to generate cash is 10.2% of assets. The average value of the liquidity variable is 12.952, which means that the company guarantees one incessant debt by using its current assets at 12.952. The average value of the market to book ratio variable is 1.080.

Table 3. Description of Research Variables for Sharia and Non-Sharia Company Samples for Estimating Cash Holding

Variable	Non-Sharia				Non-Sharia			
	Mean	Maximum	Minimum	Std. Deviation	Mean	Maximum	Minimum	Std. Deviation
Cash Holding	0.217	38.348	0.000	1.784	0.094	0.769	0.000	0.146
Leverage	0.495	11.844	0.000	0.647	0.783	8.308	0.000	0.894
Size	18.302	30.899	1.626	5.979	18.774	31.077	2.735	5.648
Tangible	0.157	1.000	-185.774	6.338	0.570	1.000	0.000	0.246
CFLOW	0.159	72.902	-2.627	2.523	-0.069	2.192	-15.926	1.189
Liquidity	15.956	2,759.209	0.000	103.200	3.088	247.361	0.000	13.977
Dividend	-	1.000	0.000	-	-	1.000	0.000	-
MBR	1.177	13.019	-3.358	1.565	0.750	10.599	-10.343	1.851

This table presents statistical description information (Mean, median, maximum, minimum, and standard deviation) of research variables from 1536 company years (observation). These variables are: Cash Holdings = (Cash + Short-term investments) / Total assets. Leverage = total debt / total assets. Company Size = Ln Total Real Assets, Tangible = (total current assets) / total assets, Cash Flow = (net income + depreciation) / total assets, Liquidity = current assets / current debt, Dividend Payment = dummy variable, value 1 if paying dividends, 0 if not, and market to book ratio = market value of equity per sheet / book value of equity per sheet.

Sharia companies have short-term cash, and higher than the cash, and short-term investments of non-Sharia companies. The cash holdings of Sharia companies are also higher compared to non-Sharia companies. The cash flow variables for Sharia companies are higher than the ability to generate cash from Non-Sharia companies. The guarantee one incessant debt using their current assets is higher for non-Sharia companies. The market to book ratio of Sharia companies is higher than non-Sharia companies.

Moreover, the leverage of Sharia companies is lower compared to non-bank companies. The size of a Sharia company is smaller than the size of a non-Sharia company. The tangible assets of Sharia companies are also smaller than the tangible asset of Non_Sharia companies. The liquidity for Sharia companies is lower than the liquidity of Non-Sharia companies. Sharia-companies that pay a dividend are 66 companies, while the number of non- Sharia 68 companies that pay a dividend are companies.

2. Baseline Regressions

Table 4 presents the estimation results of the panel regression model.

Table 4. Summary of Estimates of Regression Model Estimates

Variable Dependent: Cash Holdings

Estimates	Panel Least Square			Period Fixed		
	Coef	t-Stat		Coef	t-Stat	
C	0.037	0.282		0.021	0.162	
RELIGIOSITY	0.202	2.683	***	0.208	2.764	***
LEVERAGE	0.503	9.376	***	0.510	9.488	***
SIZE	-0.015	-2.797	***	-0.014	-2.616	***
CFLOW	-0.012	-0.944		-0.012	-0.913	
DIVIDEN	0.021	0.378		-0.005	-0.088	
LIQUDITY	-0.000	-0.554		-0.000	-0.579	
MARKET TO BOOK RATIO	0.018	0.942		0.020	1.039	
TANGIBLE	-0.131	-19.576	***	-0.131	-19.524	***
Adjusted R-squared	0.399			0.399		
Sum squared resid	2,242.693			2,229.892		
N	1,536			1,536		

This table presents statistical description information (Mean, median, maximum, minimum, and standard deviation) of research variables from 1536 company years (observation). These variables are: Cash Holdings = (Cash + Short-term investments) / Total assets. Leverage = total debt / total assets. Company Size = Ln Total Real Assets, Tangible = (total current assets) / total assets, Cash Flow = (net income + depreciation) / total assets, Liquidity = current assets / current debt, Dividend Payment = dummy variable, value 1 if paying dividends, 0 if not, and market to book ratio = market value of equity per sheet / book value of equity per sheet.

Table 4 shows that of religiosity effect on cash positively. The company intends to reduce risk by reducing debt financing. Estimation results in this research are by the results of previous research by Y. Chen et al (2016).

The leverage coefficient is significant and positive in both models. This result shows a coefficient sign that is not by the prediction that companies with high debt cause more money spent at the time of payment, which reduces cash holdings. This study contradicts the studies of Olpers (1999) , Ferreira & Vilela, (2004) and Bates et al. (2009). According to Oplers (1999), Ferreira & Vilela, (2004), and Bates et al. (2009), leverage is inversely associated with the cash holdings because companies with high leverage must pay installments by cash.

The firm size (Size) is significant and positive in both models. These results confirm the findings of Harris & Raviv (1990), Schrand (1999), Opler et al., (1999), and the company size plays a vital role in corporate cash holdings. The larger company will invest more funds into growth opportunities. Large companies deserve to accumulate cash because the profits generated more. This finding contradicts the information asymmetry hypothesis, the transaction cost hypothesis, and the economies of scale in asset management.

The cashflow (CFLOW) coefficient is not significant to cash holdings. The cashflow can not predict the cash holding needs. The results contradict with the study of Ferreira & Vilela (2004).

Dividend Payments are negatively and not significantly related to cash holdings in both models. The results of this research confirm from previous research of Olpers (1999). Companies can use dividend payments as a substitute to hold extra money by not paying dividends. Unpaid dividends can be used as a substitute for cash holdings. The results of this research contradict to Shah, (2011) and Kim et al (2011).

Liquidity is negative and not significant for cash holdings. The results of this research confirm the research results of Ozkan & Ozkan (2004). Liquidity harms the company's cash holding. The companies must use securities and networking capital for cash holdings to avoid shortages of cash owned by the company.

Based on the results of the study, the Market to Book Ratio is positively and not significantly related to cash holdings. Ozkan & Ozkan (2004) stated that the Market to Book Ratio ratio is directly proportional to cash holdings. The higher the market-to-book ratio, the more cash needed to avoid financial collapse and financing costs.

Tangible assets (TANGIBLE) are still assets that can protect companies from the risk of financial difficulties, so the relationship is negative with cash holdings. These findings support the findings of Islam (2012). Tangible assets are theoretically safer (more

protective) than intangible assets (intangible assets), such as goodwill, patents, and others. If the company experiences financial difficulties, the company can sell fixed assets, such as land, buildings, and equipment, and can meet obligations that are due. Companies with substantial tangible assets will not hold large amounts of cash. Tangible provides safer protection when a company is experiencing financial difficulties, and tangible assets can be sold to meet obligations that are due.

3. Further Investigation

Table 5. Summary of Estimated Results of Regression Models of Sharia and Non-Sharia Companies

Estimates	Syariah						Non-Syariah					
	Panel Least Square		Period Fixed		Random Fixed		Panel Least Square		Period Fixed		Random Fixed	
	Coef	t-Stat	Coef	t-Stat	Coef	t-Stat	Coef	t-Stat	Coef	t-Stat	Coef	t-Stat
C	-0.031	-0.215	-0.030	-0.203	-0.031	-0.215	0.140	4.226***	0.138	4.040***	0.140	4.189***
LEVERAGE	1.125	13.224***	1.125	13.215***	1.125	13.222***	-0.030	-3.673***	-0.029	-3.558***	-0.030	-3.641***
SIZE	-0.017	-2.571***	-0.017	-2.462***	-0.017	-2.570***	0.004	3.227***	0.004	3.229***	0.004	3.199***
TANGIBLE	-0.087	-10.188***	-0.087	-10.185***	-0.087	-10.186***	-0.175	-6.109***	-0.174	-6.003***	-0.175	-6.056***
CFLOW	-0.012	-0.789	-0.011	-0.738	-0.012	-0.789	-0.006	-1.013	-0.006	-1.094	-0.006	-1.004
LIQUDITY	-0.000	-0.383	-0.000	-0.391	-0.000	-0.383	0.001	2.945***	0.001	2.857***	0.001	2.919***
DIVIDEN	0.012	0.176	-0.020	-0.274	0.012	0.176	0.018	1.546	0.0173	1.459	0.018	1.533
MARKET TO BOOK RATIO	0.016	0.604	0.018	0.682	0.016	0.604	-0.010	-2.593	-0.010	-2.570	-0.010	-2.570
Adjusted R-squared	0.450		0.449		0.449		0.220		0.206		0.220	
Durbin-Watson stat	0.964		0.962		0.964		0.347		0.346		0.347	
Sum squared resid	2,046.387		2,034.698		2,046.387		5.992		5.982		5.992	
N	1,176		1,176		1,176		376		376		376	

Dependent Variable: Cash Holdings

This table presents a regression estimate of company characteristics for cash holdings from 1536 companies a year. Research variables are: Cash Holdings = (Cash + Short-term investments) / Total assets. Leverage = total debt / total assets. Company Size = Ln Total Real Assets, Tangible = (total current assets) / total assets, Cash Flow = (net income + depreciation) / total assets, Liquidity = current assets / current debt, Dividend Payment = dummy variable, value 1 if paying dividends, 0 if not, and market to book ratio = market value of equity per sheet / book value of equity per sheet. T-statistic values that are heteroscedasticity robust white (1980) are presented in the column after the coefficient, *** = significant at the 1% level, ** = significant at the 5% level, and * = significant at the 10% level.

Table 5 shows the Leverage, Size, and Tangible have a significant effect on the Cash Holding of Sharia companies. Increased leverage will increase the company's cash holding. The leverage coefficient is significant and positive in all three models. This result shows a coefficient sign that is not by the prediction that companies with high debt cause more

money spent at the time of payment, which reduces cash holdings. The estimation results in this study contradict the results of previous research from Olpers (1999), Ferreira & Vilela (2004), and Bates et al. (2009). According to Olpers (1999), Ferreira & Vilela (2004) and Bates et al. (2009), leverage is inversely proportional to cash holdings because companies with high debt ratios must pay their debts with cash balances. Increasing the size and tangible will reduce the cash holding of a Sharia company.

Firm size (SIZE) is significant and negative in all three models. The findings are in line with the information asymmetry hypothesis, the transaction cost hypothesis and the economies of scale in managing assets. It was contrary to the findings of Harris & Raviv (1990), Opler et al (1999) and Schrand (1999) that a larger company size will invest more funds into growth opportunities. Large companies deserve to accumulate cash because the profits generated more. Tangible assets (TANGIBLE) are still assets that can protect companies from the risk of financial difficulties, so the relationship is negative with cash holdings. These findings support the findings of Islam (2012). Tangible assets are theoretically safer (more protective) than intangible assets, such as goodwill, patents, and others. If the company experiences financial difficulties, the company can sell fixed assets, such as land, buildings, and equipment and can meet obligations that are due. Companies with large tangible assets will not hold large amounts of cash. Tangible provides safer protection when a company is experiencing financial difficulties, tangible assets can be sold to meet obligations that are due.

Next, the Leverage, Size, Tangible, and liquidity variables also have a significant effect on the Cash Holding of Non-Sharia companies. Increased leverage will reduce the company's cash holding. The LEVERAGE coefficient is significant and negative in all three models. This result shows the coefficient sign that is by the prediction that companies with high debt cause more money spent at the time of payment, which reduces cash holdings. The estimation of Non-Sharia companies are in line with the results of previous research from Olpers, (1999), Ferreira & Vilela (2004), and Bates et al. (2009). According to Olpers (1999), Ferreira & Vilela (2004) and Bates et al. (2009), leverage is inversely proportional to cash holdings. The companies with high debt ratios must pay their debts with cash balances. Increasing the Size will increase Cash Holding. Firm size (SIZE) is significant and positive on all three models. The findings contradict the information asymmetry hypothesis, the transaction cost hypothesis and the economies of scale in managing assets. It is in line with the findings of Harris & Raviv (1990), Opler et al. (1999), and Schrand (1999) that a larger company size will invest more funds into growth opportunities.

Large companies deserve to accumulate cash because the profits generated more. The tangible increase will reduce Non-Sharia company cash holding. Tangible assets (TANGIBLE) are still assets that can protect companies from the risk of financial difficulties, so the relationship is negative with cash holdings. These findings support the findings of Islam (2012). Tangible assets are theoretically safer (more protective) than intangible assets, such as goodwill, patents, and others. If the company experiences financial difficulties, the company can sell fixed assets, such as land, buildings, and equipment, and can meet obligations that are due. Companies with substantial tangible assets will not hold large amounts of cash. Tangible provides safer protection when a company is experiencing financial difficulties; tangible assets can be sold to meet obligations that are due. LIQUIDITY is positive and significant towards cash holdings in Non-Sharia companies. The results of the research contradict the research results of Ozkan & Ozkan (2004). Liquidity has a positive impact on the company's cash holding. The companies must use securities and networking capital for cash holdings to avoid shortages of cash owned by the company.

E. CONCLUSION

This study was designed to examine the effect of the religious and characteristics of companies on cash holdings. The results of this study prove that the variable Religiosity (Islamic Dichotomic) shows a positive and significant coefficient on cash holdings. Companies with a high level of religiosity have large amounts of cash. The company will reduce risk by reducing debt financing. Positive and significant leverage coefficient on cash holdings. The result shows a coefficient sign contradicts the prediction. The study found the companies with high debt cause more money spent at the time of payment. The size of the company (Size) is positive and significant for cash holdings. Company size plays an essential role in corporate cash holdings. The size of a larger company will invest more funds into growth opportunities. Large companies deserve to accumulate cash because the profits generated more. This finding contradicts the information asymmetry hypothesis, the transaction cost hypothesis, and the economies of scale in asset management. While the Cashflow coefficient is negatively related and not significant to cash holdings. The results indicate that high cash-flow companies do not have high cash holding. Likewise, with dividend payments, dividend payments are negatively and insignificantly related to cash holdings. Companies can use dividend payments as a substitute for holding extra money by not paying dividends. Unpaid dividends can be used as a substitute for cash holdings. The Liquidity Coefficient is also negative and not significant towards cash holdings. Liquidity

harms the company's cash holding. It shows that companies must use securities and networking capital for cash holdings to avoid shortages of cash owned by the company. Market to Book Ratio is positively and not significantly related to cash holdings. The market-to-book ratio is proportional to cash holdings. The higher the market-to-book ratio, the more money and securities are needed to avoid financial fallout and financing costs. Tangible assets are still assets that can protect companies from the risk of financial difficulties, so the relationship is negative with cash holdings. Tangible assets are theoretically safer (more protective) than intangible assets, such as goodwill, patents, and others. If the company experiences financial difficulties, the company can sell fixed assets, such as land, buildings, and equipment, and can meet obligations that are due. Companies with substantial tangible assets will not hold large amounts of cash. Tangible provides safer protection when a company is experiencing financial difficulties, and tangible assets can be sold to meet obligations that are due.

Nevertheless, this research does not apply multigroup analysis that the sample between small and large companies to know each performance. The next research must differentiate companies based on company size so that cash holdings can be known between large and small companies. For further research, it can add other variables that can be used, such as sales growth, cash conversion cycle, and Good Corporate Governance (GCG).

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