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Impact of Investment Cash Flow on Liquidity at PT. Gudang Garam, Tbk.

Nindy Alicya ¹, Arfan Ikhsan ²**Abstract**

The purpose of this research is to examine how the investment cash flow of PT Gudang Garam Tbk (a leading cigarette company in Indonesia) affects the company's liquidity. A company's operational stability and reputation are affected by its liquidity, which is a measure of a company's capacity to meet short-term commitments. This analysis relies on information from the company's annual report covering 2019-2023. This research uses linear regression analysis. Investment cash flow does not have a significant impact on company liquidity, according to research (P value > 0.05). While businesses do generate income from investments, companies typically use that cash for longer-term initiatives, so it doesn't help the company pay its bills in the short term. According to research, keeping a company's liquidity under control requires careful management of operating cash flow.

Keywords: Liquidity, Cash Flow, Investment Cash Flow, Current Ratio, PT Gudang Garam

Introduction

Liquidity plays an important role in the company's operations because it reflects the company's ability to meet its short-term commitments, such as bond installments, representative compensation, and raw material purchases. A high level of liquidity indicates that the trade has cash or resources that are easily channeled to ensure the progress of its operations. A company's failure to pay its obligations on time can damage its reputation in the eyes of financial providers and experts, reduce advertising certainty, and cause other problems. Therefore, maintaining the stability and development of the company depends on good liquidity administration. Liquidity (Gitman and Zutter, 2022) is the level of a company's ability to meet financial commitments in the short term, as well as how successful the company is in managing its current resources to ensure operations run smoothly and free from financial burdens.

Cash flow and liquidity are two important components in the health of a company's budget. Cash flow reflects the inflow and surge of stores in a period, which includes operational, speculative and financing activities. Positive and stable cash flow can increase the company's liquidity, allowing the company to pay off obligations and other commitments on time. On the other hand, insufficient cash flow can reduce the level of liquidity and increase monetary risks, including the potential for default.

As one of the leading cigarette manufacturers in Indonesia, PT Gudang Garam is an integral part of the tobacco sector in Indonesia. The company has shown significant developments in various aspects of its funding, including liquidity. The development of PT Gudang Garam's liquidity is greatly influenced by the tightness of cash flow administration, especially in operational and investment activities. Positive cash flow from core operations provides the company with the ability to adapt to meet short-term obligations. With good cash flow strategy techniques, PT Gudang Garam can maintain strong liquidity despite facing challenges from market dynamics and tight controls.

This study contributes to understanding the relationship between venture cash flow and corporate liquidity. This study also evaluates whether the efforts made by the company, such as the acquisition of fixed resources, capital ventures, or other acquisitions, have a significant effect on the company's capacity to meet its short-term commitments. By revealing this relationship, this study is expected to provide knowledge about the part of investment choices in maintaining the financial stability and liquidity of a company.

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Literature Review

Cash Flow Statement

A cash flow statement is an important part of a financial statement that provides information about cash receipts and disbursements in a period. Cash flow is a useful indicator of the financial health of the company and its ability to meet its short-term financial commitments (Weygandt et al., 2018).

One way to look at a company's liquidity and financial resource management is through the various forms of cash flow. The three main types of cash flow are operating, investing, and financing cash flow. A company's operating cash flow is the sum of all the money generated from selling goods and services and running the day-to-day business (Azmi & Puspita, 2023). The acquisition and disposal of physical assets are investing cash flows. Financing cash

flow, on the other hand, is generated from actions that impact the capital of the business, such as paying dividends or issuing shares.

Investing cash flow is part of the cash flow statement that reflects cash outflows and receipts from a company's investing activities. According to Weygandt et al., (2018), investing cash flow includes the purchase and sale of fixed assets, investments in other companies, and other activities related to long-term investments. Evaluating investing cash flow is very important because it can provide an overview of the company's potential for future growth and expansion.

Liquidity

Company liquidity can be defined as the company's capacity to meet its short-term obligations through the safe and efficient conversion of its current assets into cash (Brigham and Houston, 2023).

A company's liquidity can be measured using liquidity ratios such as the current ratio, quick ratio, and cash ratio. These ratios indicate how well a company can meet its short-term obligations with current assets, inventory, or cash and cash equivalents.

Since inventory takes a long time to convert to cash, the quick ratio determines whether a business can meet its short-term obligations without taking it into account. In contrast, the current ratio is determined by dividing current assets by current liabilities. The cash ratio also provides insight into how efficiently a business can meet its short-term obligations with the cash it has available.

Relationship between Investment Cash Flow and Liquidity

Investment cash flow has a significant impact on the survival of the company, especially in terms of raising capital. Investments in fixed assets or other large-scale assets can reduce the availability of funds for operational needs, which means it has the potential to drain liquidity if not handled properly.

Well-managed investments can improve a company's ability to meet its development goals, which in turn improves the company's liquidity and financial flexibility.

Research Methods

This research is a quantitative research, where the data collected and the numbers studied. This quantitative research uses statistical data processing to investigate the relationship between investment cash flow (independent variable) and liquidity (dependent variable).

The subject of this examination is PT Gudang Garam Tbk, a tobacco producer listed on the Indonesia Stock Exchange (IDX). This analysis focuses on the company's financial information from its official annual report, the annual report can be downloaded through the official website of the Indonesia Stock Exchange (IDX). This study uses secondary data from PT Gudang Garam's annual report from 2019 to 2023.

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Results and Discussion

Investment Cash Flow

Investment cash flow data at PT Gudang Garam is as follows:

Table 1. PT Gudang Garam Investment Cash Flow

Year	Investment Cash Flow
2019	Rp. 4,781,278
2020	Rp. 5,048,267
2021	Rp. 4,844,167
2022	Rp. 5,349,857
2023	Rp. 5,507,607

Source: Financial Report of PT Gudang Garam

From 2019 to 2023, PT Gudang Garam's investment cash flow data shows that the investment flow value fluctuates. There was an investment cash flow of IDR4,781,278 in 2019 and IDR4,781,278 in 2020. The investment cash flow decreased slightly to IDR4,844,167 in 2021 but jumped to IDR5,349,857 the following year. The investment cash flow peaked in 2023 at IDR5,507,607. This amount is the highest figure for the five-year period.

Current Ratio

The current ratio is the company's short-term obligation to meet its current liabilities (Purba et al., 2023).

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

current ratio results of PT Gudang Garam are as follows:

Table 2. Current Ratio of PT Gudang Garam

Year	Current assets	Current Liabilities	Current Ratio
2019	Rp52,081,133	Rp25,258,727	206.2%
2020	Rp49,537,929	Rp17,009,992	291.2%
2021	Rp59,312,578	Rp28,369,283	209.1%
2022	Rp55,445,127	Rp29,125,010	190.4%
2023	Rp54,115,182	Rp29,536,433	183.2%

Source: Researcher, based on formula and data

With a current ratio of 206.2% in 2019, the company was able to cover its short-term debts with its liquid assets. A significant improvement in the company's liquidity is indicated by a sharp increase in this ratio in 2020, mainly due to a decrease in current liabilities. However, the current ratio declined after

2020, reaching a low of 183.2% in 2023. This decline may have been due to the company's current assets decreasing or its short-term liabilities increasing.

Coefficient of Determination

Table 3. Coefficient of Determination

SUMMARY OUTPUT	
<i>Regression Statistics</i>	
Multiple R	0.3425
R Square	0.1173
Adjusted R Square	-0.1769
Standard Error	0.4709
Observations	5

Source: output spss

The R Square value of 0.1173 means that investment cash flow affects liquidity by 12%, while the rest is influenced by other factors.

Regression Equation Model

The results of the simple regression analysis are as follows

Table 4. Simple Regression

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	4.566616961	3.816455057	1,19656	0.317419
X	-4.71279E-07	7.46272E-07	-0.63151	0.572544

variable y: current ratio

Source: output spss

The regression equation of the results is:

$$Y = 4.5666 - 0.000000471279 \times X$$

In this equation: Y is the current ratio (dependent variable), X is the investment cash flow (independent variable)

Based on the test results, variable X (investment cash flow) with a coefficient of -4.71279E-07 and a P value of 0.572544. It seems that the impact of investment cash flow on the current proportion (Y) is not very significant, because the P value > 0.05. The negative coefficient indicates an inverse relationship between investment cash flow and the current proportion, but because it is not significant, this relationship cannot be used as a strong conclusion. In addition, the intercept of 4.5666 is also no less important than the P value of 0.3174. It can be concluded from this model that investment cash flow and the current ratio of PT Gudang Garam are not significantly affected.

F Test

Table 4. F test results

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0.0884	0.0884	0.3988	0.5725
Residual	3	0.6651	0.2217		
Total	4	0.7535			

Dependent Variable y (current ratio)

Source: Researcher

The result of the F test value is 0.3988 and the Significance F is 0.5725. The Significance F value > alpha 0.05, which means that there is no significant relationship between investment cash flow and the current ratio at a 95% confidence level.

The F test shows that Ha (alternative hypothesis) is rejected because it states that there is an impact of the influence of investment cash flow on liquidity. From the results of the F test, the results state that, accepting Ho (null hypothesis) which states that there is no significant influence between the investment cash flow variable on the current ratio.

DISCUSSION

Investment cash flow does not significantly affect the current ratio of PT Gudang Garam, by the null hypothesis (Ho) of this study. This hypothesis is accepted based on the results of the analysis which show that although the company obtains cash flow from its investment activities, it does not directly contribute to increasing the current ratio. The company's liquidity, as measured by the current ratio, is more influenced by the management of operational cash flow and short-term liabilities faced by the company. Although PT Gudang Garam made investments in the hope of better financial performance, the analysis of investment cash flows revealed that not all of this cash was immediately available to pay short-term obligations. This finding suggests that funds from investment cash flows are often allocated to long-term projects, which can ultimately reduce the company's liquidity flexibility. Therefore, although the company looks strong in terms of investment cash flows, its impact on the current ratio is not significant.

The results of this analysis highlight that companies should not only focus on investment cash flow but also pay attention to the more urgent management of operational cash flow to maintain liquidity. At PT Gudang Garam, careful management of operational and investment cash flow is needed to ensure that the company can meet its short-term obligations without facing liquidity problems. Acceptance of Ho in this study provides important insights into the importance of implementing a comprehensive financial strategy to maintain stable liquidity.

Conclusion

According to the research findings, the current ratio of PT Gudang Garam is not affected by the relationship between investment cash flow and liabilities. Although investment cash flow plays an important role in the company's financial performance, the analysis revealed that the funds are more often used for long-term projects, so they do not directly help meet short-term obligations.

Thus, companies need to pay more attention to operational cash flow management to maintain optimal liquidity. Acceptance of the null hypothesis in this study emphasizes the importance of implementing a comprehensive financial strategy, which includes investment and operational cash flow management, to ensure that companies can meet short-term obligations and avoid liquidity problems.

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