

Effect Of Free Cash Flow And Leverage On Sticky Cost Behavior In Food And Beverage Companies Listed On The Idx In 2018-2022

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Abstract

This study aims to determine the effect of free cash flow and leverage on sticky cost behavior in food and beverage companies listed on the IDX in 2018-2022. The type of data used in this study is quantitative data obtained from financial statements. Data collection is carried out by accessing the official website of the Indonesia Stock Exchange. In this study, the data source used is secondary data. The research instruments used in this study use the documentation method. The results of the study using statistical calculations through the eviews version 12 application regarding the influence of free cash flow and leverage on sticky cost behavior, the author draws the conclusion that free cash flow has an effect on sticky cost behavior while leverage has no effect on sticky cost behavior.

Keywords: Free Cash Flow, Leverage, Sticky cost

INTRODUCTION

Food and beverage companies are one of the main sectors in Indonesia's economy that have always shown steady growth. Companies in this sector operate in a challenging business environment, which includes changing consumer demand, increased competition, and raw material prices. In the midst of these challenges, cost management has become very important to maintain and improve the company's probability. One of the important aspects of cost management is the "Sticky cost" behavior.

Anderson et al., (2003) in Sidabutar D (2018) stated that sticky cost behavior related to managers' decisions can arise when managers make decisions and adjust the volume of resources to fluctuating output demand. Fluctuating demand causes a number of resources to go unused, for example, unemployed employees

Free Cash Flow is the remainder of the cash flow calculation after deducting operational costs and working capital. According to Elsa et al., (2021) in their research stated that Free Cash Flow has no effect on sticky cost. This means that when free cash flow increases, sticky cost does not occur. Meanwhile, according to Lee, (2018) in Taurisia et al., (2023) stated that FCF has a positive effect on cost stickiness, the higher the FCF, the higher the cost control for efficiency purposes so that it can increase the level of cost stickiness.

Leverage is a ratio to measure how much a company is financed by debt. So the higher the Leverage, the greater the company's debt, so the third party funds that enter the company will be larger. According to Elsa I (2021) in her research stated that leverage has no effect on sticky cost behavior where when sticky cost behavior increases/decreases does not affect the increase or decrease of leverage. Meanwhile, according to evelyn (2018) in her research stated that leverage has a negative effect on sticky costs.

RESEARCH METHODS

This research is a quantitative research using the type of explanatory research. The research will be carried out by accessing financial statement data listed on the Indonesia Stock Exchange (IDX) which provides information on the company's financial statements by accessing the official website of the Indonesia Stock Exchange, namely www.idx.co.id. The source of data in this study is secondary data.

The population used in this study is all food and beverage companies listed on the Indonesia Stock Exchange in 2018-2022 as many as 89 companies. Sampling in this study was carried out using the purposive sampling method. The researcher's criteria for purposive sampling in this study are as follows:

Table 1 Sample Selection Criteria

NO	SAMPLE CRITERIA	SUM
1	POPULATION (All food and beverage companies registered during the period 2018-2022)	89
2.	Food and beverage companies that are not listed consecutively during the 2018-2022 period	(67)
3	Food and beverage companies that did not publish financial statements consecutively during the 2018-2022 period	(1)
4.	Not presenting the necessary data regarding the research variables during the 2018-2022 period in food and beverage companies	(11)
The number of samples used in the study and met the criteria		10
Total observation data in 2018-2022 (10 x 5)		50

Based on data from www.idx.co.id food and beverage companies listed on the Indonesia Stock Exchange in 2018-2022, there are 89 companies. The companies are selected according to the criteria that have been determined, so there are 10 companies that are used as samples in this study.

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistical analysis in this study is to provide an overview or description of each of the research variables, namely free cash flow and leverage as independent variables and sticky cost behavior as a dependent variable in this study.

Table 2 Descriptive Statistics

	X1	X2	Y
Mean	0.064207	0.378489	0.031251
Median	0.062367	0.428964	0.030644
Maximum	0.282574	0.638523	0.243313
Minimum	-0.088949	0.097914	-0.176869
Std. Dev.	0.074959	0.154445	0.067566
Skewness	0.546621	-0.298958	0.346668
Kurtosis	3.776690	1.635149	5.266810
Jarque-Bera	3.746725	4.625673	11.70655
Probability	0.153606	0.098980	0.002870
Sum	3.210331	18.92446	1.562574
Sum Sq. Dev.	0.275323	1.168815	0.223693
Observations	50	50	50

Source : eviews output 12 in the author's process, 2024

Based on table 2 above, it can be concluded that descriptive statistics with a sample number of 50, Variable x1 (free cash flow) has an average free cash flow value showing a result of 0.064207 and a standard deviation value of 0.074959. The x2 variable (leverage) from the data above can be seen that the results show that the amount of leverage with the debt ratio measure in food and beverage companies for the 2018-2022 period ranges from 0.097914 to 0.638523. The sticky cost (Y) in the table shows a minimum value of -0.176869 and a maximum value of 0.2433. This value shows that sticky costs in food and beverage companies for the 2018-2022 period range from -0.176869 to 0.2433.

Panel Data Regression

a. Chow test

The Chow Test is a test to determine which type of model to choose, whether Common Effect or Fixed Effect is used to regress the panel data. If based on the Chow Test Model selected is Common Effect, then a Panel Data Regression Test will be immediately carried out

Table 3 Chow Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.701891	(9,38)	0.7031
Cross-section Chi-square	7.689130	9	0.5658

Source : eviews output 12 in the author's process, 2024

Based on table 3 on the results of the chow test, common effect model vs fixed effect model above, the probability value (P-value) of cross section F is obtained of $0.7031 \geq 0.05$, so the common effect model is a more appropriate model to use.

The Common Effect Model is the simplest panel data model approach because it only combines time series and cross section data

.Table 4 Common Effect Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.054088	0.026946	2.007307	0.0505
X1	-0.242741	0.126943	-1.912208	0.0620
X2	-0.019159	0.061611	-0.310966	0.7572
R-squared	0.072728	Mean dependent var		0.031251
Adjusted R-squared	0.033270	S.D. dependent var		0.067566
S.E. of regression	0.066433	Akaike info criterion		-2.527135
Sum squared resid	0.207424	Schwarz criterion		-2.412413
Log likelihood	66.17837	Hannan-Quinn criter.		-2.483448
F-statistic	1.843159	Durbin-Watson stat		1.959499
Prob(F-statistic)	0.169577			

Source : eviews output 12 in the author's process, 2024

Based on the regression results with the Common Effect Model (CEM), it shows that there is a constant value of 0.054 with a probability of 0.050.

Normality Test

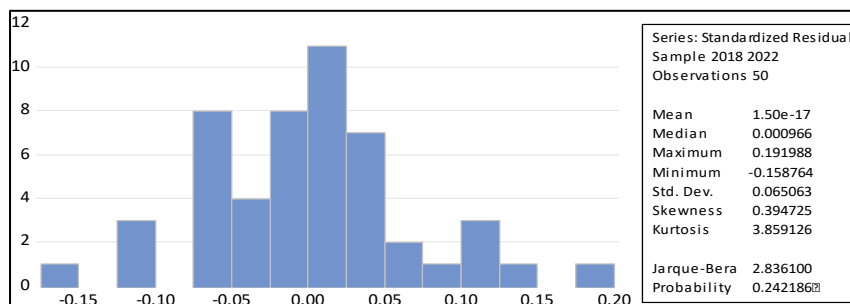


Figure 1 Normality test

Based on the figure of graph 1, it can be seen that the normality test has a probability value of 0.242186 where the probability value is greater than 0.05, namely $0.242186 > 0.05$, so it can be said that the data is normally distributed.

Hypothesis Test

a. Prep test (t test)

The t-test aims to determine the influence of each independent variable consisting of free cash flow and leverage on sticky cost behavior. Real rate $10\% = 0.10$

1. The results of the t-test on the free cash flow variable obtained a regression coefficient of -0.242 and a probability value of 0.06 where $0.06 < 0.10$. It can be concluded that free cash flow has a negative influence on cost stickness.
2. The results of the t-test on the leverage variable obtained a regression coefficient of -0.019 and the leverage value has a probability of 0.75 where $0.75 > 0.10$ which is greater than 0.10. It can be concluded that leverage has no effect on cost stickness.

b. Determination Coefficient Test (R²)

Based on the results of the hypothesis test, the value of the Adjusted Rsquared determination coefficient was obtained 0.032 or 3.32% while the remaining 96.68% (100% - 3.32%) was explained by other factors that were not included in this research model.

CONCLUSION

Based on the results of the hypothesis testing that has been carried out, the researcher gives the following conclusions:

1. Free cash flow. has a negative influence on cost stickness. When free cash flow is low, companies will face limitations in the resources available to cover day-to-day operational costs. This can cause companies to have difficulty adjusting costs.
2. Leverage has no effect on cost stickness. In agency theory, management has the task of running the company and paying interest expenses not only based on management decisions but based on agreements between the company and third parties in accordance with the applicable contract, so that the high and low leverage is not related to costs due to fluctuations in the company's activity volume and the management does not need to make decisions to adjust costs

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