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## FIRM-SPECIFIC DETERMINANTS OF CORPORATE CASH HOLDINGS: EVIDENCE FROM MALAYSIAN LISTED CONSUMER COMPANIES

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### Abstract:

Examining the factors that affect the liquidity of consumer companies listed on the stock exchange in Malaysia is the primary objective of this study. It examines how factors including leverage, current ratio, firm size, and return on assets (ROA) impact a company's cash on hand. The research covers the years 2020–2025 and includes 324 consumer cyclical and non-cyclical enterprises listed in Malaysia. The final sample was 1,750 firm-year observations retrieved from LSEG Workspace after data screening and cleaning. Statistical packages used for data analysis in SPSS included descriptive statistics, multiple regression, and Pearson correlation. There is statistical significance in the regression model, according to the results. Companies with higher levels of debt tend to have lower levels of cash on hand because of the strong negative correlation between leverage and corporate cash holdings. There is a robust correlation between increased corporate cash holdings and both the current ratio and ROA. This indicates that more cash is kept by more profitable and liquid enterprises. There is a

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negative correlation between firm size and corporate cash holdings, suggesting that bigger companies are less likely to have considerable cash reserves. Taken together, the findings show that corporate cash holding decisions are heavily impacted by firm-specific financial features. This study contributes to the body of knowledge in corporate finance by elucidating previously unknown factors that affect the cash on hand of publicly traded consumer companies in Malaysia.

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Corporate Cash Holdings; Current Ratio; Firm Size; Leverage; Malaysia, Return on Assets



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## Introduction

Corporate cash holdings are capturing growing attention in corporate finance, as cash fuels business resilience, powers daily operations, and unlocks the agility needed to seize new opportunities. By keeping healthy cash reserves, companies can confidently cover immediate expenses, seize new investment opportunities, and weather sudden economic storms. In recent years, corporate cash holdings have taken centre stage as companies navigate a world shaped by economic uncertainty, inflation, soaring financing costs, and unpredictable supply chain disruptions. These have made liquidity management more relevant, with firms having high liquidity ratios being more likely to withstand financial distress and better equipped to make profitable investments without taking too much debt from the outside (Chung et al., 2023; Das et al., 2024). The danger with holding large cash reserves is that they may be lost opportunities, as they will not normally generate much return and will reduce the efficiency of investments. As a result, it is crucial to establish an appropriate level of corporate currency holdings in order to make effective financial administration decisions.

Companies' choices on how much cash to keep on hand are impacted by both macroeconomic factors and internal factors, according to recent empirical findings. The ideal amount of cash differs from one company to another based on factors such as their financial situation, operating climate, and financing requirements (Akhtar, 2025; Yilmaz, 2024), while enterprises can boost their cash reserves to make themselves more financially flexible during uncertain times. Leverage, liquidity, profitability, and company size are some of the key variables that have been identified in prior research as influencing corporate cash holdings. However, the results

from empirical studies are still not definitive, and the strength and direction of these connections vary among nations, sectors, and types of organizations. The results indicate that different industries and economic climates need for different investigations into the variables impacting cash on hand.

Because of its relatively developed capital market and its status as one of the most important rising economies in Southeast Asia, Malaysia is an intriguing case study for the study of corporate cash holdings. Uncertainty over the economy, changes in consumer habits, inflation, and financing are ongoing challenges for Malaysian listed companies. Those difficulties take on further significance in the consumer goods industry, where company success is intimately related to consumer spending, disposable income, and the state of the economy as a whole. Companies in the consumer non-cyclical sector are often more stable since they supply necessities rather than discretionary expenditure, whereas companies in the consumer cyclical sector are more vulnerable to shifts in consumers' discretionary spending. Despite their differences, both industries rely on strong liquidity management to keep running smoothly and affordably.

Although there has been a lot of research on corporate cash holdings generally and among non-financial enterprises in developed nations, there is a lack of data that focuses on consumer companies listed in Malaysia. Consumer cash-holding habits in Malaysia have been little studied because most prior research has focused on manufacturing enterprises, non-financial firms, or large cross-industry samples. Moreover, existing studies report inconsistent findings regarding the effects of leverage, liquidity, profitability, and firm size on corporate cash holdings, suggesting that these relationships may vary across industries and institutional settings (Khatib et al., 2022; Kwan et al., 2023; Yilmaz, 2024; Akhtar, 2025). This creates a research gap concerning whether these commonly examined firm-specific determinants similarly explain cash-holding decisions among Malaysian Consumer Cyclical and Consumer Non-Cyclical companies, particularly during the pandemic and post-pandemic period. Therefore, this study addresses this gap by providing recent empirical evidence from Malaysian listed consumer companies over the period 2020–2025.

This research examines the relationship between leverage, current ratio, return on assets (ROA), firm size and corporate cash holdings in the consumer cyclical and consumer non-cyclical sectors in Malaysian listed companies. This study uses secondary financial data from 1,750 firm-year observations between 2020 and 2025. It applies multiple regression analysis to find the main factors that influence corporate cash holdings. This study provides fresh empirical insights into liquidity management in emerging markets, from a Malaysian perspective, through the lens of the consumer sector in both the pandemic and post-pandemic era.

The findings are important to the corporate finance literature in the following ways. The first aspect of this study is that it contributes to the knowledge on cash holdings in the corporate sector with a special focus on the Malaysian listed consumer companies, which have been under-studied. In addition, the study offers new evidence based on recent post-pandemic data that documents firms' cash management operations within a changing economic landscape. Lastly, the results can inform corporate managers in developing effective liquidity management strategies, help investors assess the financial flexibility of firms and help policymakers understand the financial resilience of Malaysian listed companies.

The paper is organised as follows. In Section 2, the literature is reviewed, and research hypotheses are formulated. The research method is discussed in Section 3. The empirical results and discussion are presented in Section 4. Section 5 summarises the study and suggests further research.

## Literature Review

### *Corporate Cash Holdings*

Corporate cash holdings, also known as cash and cash equivalents, describe the amount of cash and cash equivalents that companies have on hand to fund their operations, manage their finances, and make investments. Money, the most liquid asset that a company has. Opler et al. (1999) and Ferreira and Vilela (2004) supported that firms that have adequate cash can satisfy their current cash requirements, embrace investment opportunities, and anticipate unforeseen changes in the economy. In recent years, due to economic uncertainties, inflationary pressures, reduced financing availability, and business disruptions that occurred during the pandemic, it is becoming increasingly critical for companies to have enough cash or liquid resources (Chung et al., 2023; Das et al., 2024). Besides, Almeida et al. (2004) and Bates et al. (2009) argue that firms that have adequate liquidity resources have a greater capacity to cover their operating expenses, to smooth financial shocks and to engage in new investment projects with less extensive reliance on external funds. Dittmar & Mahrt-Smith (2007) and Akhtar (2025) supported that too much cash may not lead to the efficient allocation of investments, as a significant portion of the cash may generate relatively low returns and may result in managers having conflicting interests with those of the shareholders due to their capacity as agents. Therefore, there are several important issues that managers need to face regarding their finances, the most crucial of which is how much cash is to be retained by the organisation. Previous research has explored the factors specific to the company regarding cash on hand, including size of the company, profitability, liquidity and leverage (Ozkan & Ozkan, 2004; Khatib et al., 2022; Yilmaz, 2024).

### *Theoretical Foundation*

Theories like the Trade-Off Theory, the Pecking Order Theory, and the Agency Theory are often used to explain why companies decide to hold on to cash. These theories offer different views on why companies keep cash on hand, and they have been used in many studies that look at what factors affect companies' cash holdings. Business owners should weigh the pros and cons of keeping cash on hand when deciding how much of a buffer to keep on hand, according to the Trade-Off Theory put forward by Opler et al. (1999). Having sufficient cash on hand ensures companies reduce financial risk, make the most of investment opportunities, and cut down on expensive outside funding. But cash typically offers a lower-than-average return; having too much of it can decrease a company's value. The relevance of the Trade-Off Theory in accounting for the cash holding behaviour of companies has been further supported in recent studies in the context of both economic uncertainty and creating optimum investment opportunities while cutting down on expensive outside funding (Akhtar, 2025; Das et al., 2024; Yilmaz, 2024).

According to Myers & Majluf (1984), management's choice to fund investments with internal funds rather than borrowing or issuing new shares is because managers prefer to do so. This is because such funding results in reduced transaction costs and information asymmetry. So, more profitable companies will have more cash to retain because they are cheap resource that can be utilised in the future. This theory is also supported by recent empirical research (Akhtar, 2025; Yilmaz, 2024), which supports the idea that firms with better quality operating performance usually end up becoming internally financed rather than externally financed.

The other possible explanation is agency theory, which takes into account the agency problem between shareholders and management (Bo & Li, 2025). Managers might want to keep bigger cash balances since the more liquid money they have, the more choices they have when making investments and financing decisions. Jensen (1986) and Dittmar and Mahrt-Smith (2007) argue that cash holding is likely to cause inefficient investment or overinvestment by the company, which can greatly decrease the company's value. While a flexible financial position may have its benefits, companies should consider the agency costs that can result from holding too much cash on hand. All three theories are combined to understand how a company's distinctive financial characteristics influence its cash holding decisions.

### ***Leverage and Corporate Cash Holdings***

Leverage is frequently examined as one of the factors that influence the quantity of cash that companies hold, as the funding of the business is a direct determinant of its liquidity. More levered companies tend to hold smaller cash cushions because they have to service more debt, and they can raise more capital more easily. Opler et al. (1999) and Ferreira and Vilela (2004) argue that creditors will be more vigilant over highly leveraged companies, and this will make managers reluctant to have more cash to play with. The results of the latest studies have revealed a definite negative relationship between leverage and cash holdings of the company, which corresponds to the Trade-Off Theory (Akhtar, 2025; Yilmaz, 2024). But some research suggests that highly leveraged companies can hold extra cash to avoid refinancing risk and financial distress in the event of economic uncertainty (Bates et al., 2009; Das et al., 2024). The mixed results suggest that the relationship between leverage and corporate cash holdings is country-, industry-, and institution-specific. The extent of the effect of leverage on the corporate cash-holding decision of consumer companies in Malaysia is likely to be significant because they have different financing structures and economic conditions.

**H1:** Corporate cash holdings are significantly affected by leverage.

### ***Current Ratio and Corporate Cash Holdings***

A company's liquidity can be quantified by analysing its current ratio, which expresses its capacity to satisfy its short-term obligations with current assets. Companies that are well-positioned financially are more likely to be nimble enough to respond to changes in the market and hold onto sufficient cash on hand to fund ongoing operations and potential investments. Non-cash current assets like inventories and trade receivables can act as substitutes for cash, which may lead companies to hold less cash (Ferreira & Vilela, 2004). As a result, earlier research has found mixed results about how liquidity relates to corporate cash holdings. According to research conducted by Kiracı and Vasigh (2024), Akhtar (2025), and Zaputra and Yanti (2025), companies that are financially stable and well-prepared for economic volatility are more likely to have a large cash reserve.

Opler et al. (1999) and Ozkan and Ozkan (2004) propose that large companies with large non-cash liquid assets should have smaller cash holdings because such non-cash assets can be sold for cash when it is required. The mixed empirical results indicate that the impact of liquidity on cash holdings may vary across firms depending on their working-capital management strategies, industry characteristics and financing environment. In Malaysia's consumer company context, the current ratio has a significant influence on their cash holdings since there is a high requirement for working capital for inventory or day-to-day needs.

**H2:** The current ratio has a significant effect on corporate cash holdings.

### ***Return on Assets (ROA) and Corporate Cash Holdings***

The return on assets (ROA) is an established metric for evaluating a company's profitability since it shows how well the business can turn its assets into earnings. The Pecking Order Theory states that profitable companies will have more cash because their internally generated cash is a relatively cheap source of funds as compared to external debt or equity (Myers & Majluf, 1984). As a result, more profitable businesses should be able to withstand future investment opportunities with less help from outside investors. On the other hand, successful companies can reduce their cash on hand by paying out dividends or investing in more business (Ferreira & Vilela, 2004). Most empirical findings suggest that profitability is positively linked with cash holdings of firms, and they have been observed to accumulate cash on their balance sheets by raising internally generated cash (Yilmaz, 2024; Akhtar, 2025; Al Barak, 2025). Nevertheless, other studies suggest that the relationship may vary depending on firms' investment opportunities, dividend policies, financing constraints, and economic conditions (Bates et al., 2009; Ozkan & Ozkan, 2004). The relationship between corporate cash holdings and profitability among consumer companies listed in Malaysia is still an empirical subject that needs further examination, especially in emerging markets like Malaysia, given these conflicting findings.

**H3:** The return on assets has a significant impact on corporate cash holdings.

### ***Firm Size and Corporate Cash Holdings***

It is not new knowledge that firm size affects the holding of cash by a firm. Access to capital markets, diversification of operations, and financial institution relations are likely to be easier for larger firms and result in lower costs of external financing for larger firms compared to smaller firms (Opler et al., 1999; Ozkan & Ozkan, 2004). A smaller amount of precautionary cash reserves may be necessary for larger enterprises due to the fact that they face fewer financing limitations. The inverse is true for bigger companies: they need more cash on hand to fund all of their operations and investments, which means they are always expanding (Li, Han & Mi, 2024; Ferreira & Vilela, 2004). Thus, varied findings have been reported in the literature about the relationship between firm size and cash on hand. The impact of company size differs between sectors and economic contexts, according to recent empirical research (Yilmaz, 2024; Akhtar, 2025; Aurelia & Wirianata, 2025). These inconsistent findings suggest that firm size influences corporate cash-holding decisions through differences in financing accessibility, operational complexity, and investment requirements. Malaysian consumer listed firms differ significantly in terms of size, operational scale, and financial resources, which suggests that firm size should have a significant impact on cash holdings.

**H4:** Firm size has a significant effect on corporate cash holdings.

Firm size, profitability, liquidity, and leverage are some of the variables that determine a company's cash holdings, according to the research. Companies' cash management practices remain a mystery, as research from various nations, sectors, and academic institutions has yielded contradictory findings. Further, there is a dearth of recent data that focuses on consumer companies listed in Malaysia. The purpose of this research is to fill a gap in the literature by analyzing the effects of leverage, current ratio, return on assets, and firm size on corporate cash holdings in consumer cyclical and non-cyclical industries in Malaysia using data from 2020 to 2025.

## Methodology

### *Research Design*

This study delves into what drives corporate cash holdings among Malaysian consumer companies, drawing on a quantitative research approach and secondary data. By using statistical tools, the research uncovers how cash reserves relate to specific financial factors within these firms. The spotlight is on companies listed on Bursa Malaysia in both the Consumer Cyclical and Consumer Non-Cyclical sectors.

### **Sample Selection and Data Collection**

The initial sample consisted of 324 Malaysian listed Consumer Cyclical and Consumer Non-Cyclical companies covering the period from 2020 to 2025. The period from 2020 to 2025 was selected to capture corporate cash-holding behaviour during both the COVID-19 pandemic and the subsequent post-pandemic period. This timeframe provides a relevant setting for examining cash-holding decisions as firms experienced substantial changes in operating conditions, liquidity needs, and financing conditions during and following the pandemic. Accordingly, the study period allows the analysis to reflect firms' cash-management behaviour across a period of heightened economic uncertainty and subsequent economic adjustment. Financial data were obtained from LSEG Workspace, formerly known as Refinitiv Workspace. Following data screening, data cleaning, removal of missing values, and winsorisation of outliers, the final sample comprised 1,750 firm-year observations.

### *Variable Measurement*

This study uses corporate cash holdings as the dependent variable. The independent variables are leverage, current ratio, return on assets (ROA), and firm size.

**Table 1: Measurement of Variables**

| <b>Variable</b>             | <b>Type</b> | <b>Measurement</b>                     | <b>Source</b> |
|-----------------------------|-------------|----------------------------------------|---------------|
| Corporate Cash Holding (CH) | Dependent   | Cash and Cash Equivalents/Total Assets | Refinitiv     |
| Leverage (LEV)              | Independent | Total debt / Total assets              | Refinitiv     |
| Current Ratio (CR)          | Independent | Current Assets/ Current Liabilities    | Refinitiv     |
| Return on Assets (ROA)      | Independent | Net income / Total assets              | Refinitiv     |
| Firm Size (SIZE)            | Independent | Natural logarithm of Total Assets      | Refinitiv     |

Source: Authors' own compilation based on LSEG Refinitiv database and previous literature.

## ***Data Analysis***

IBM SPSS Statistics Version 29 was used to analyse the data. Descriptive statistics were used to describe the variables, presenting the mean, standard deviation, minimum and maximum values (Field, 2018). Pearson correlation analysis was then conducted to determine the correlation between the variables and assess multicollinearity (Hair et al., 2019). Lastly, a multiple linear regression analysis was conducted to examine the relationship between corporate cash holdings and leverage, current ratio, return on assets (ROA), and the size of the firm.

There were a number of diagnostic tests before running the regression analysis to determine if the model was valid. We used skewness and kurtosis statistics to test for normality and checked for multicollinearity using tolerance values and the Variance Inflation Factor (VIF). The results indicated that all the regression assumptions were satisfied, meaning that the model was appropriate for hypothesis testing (Hair et al., 2019; Kim, 2013).

The following is the estimated regression model:

$$CH = \beta_0 + \beta_1LEV + \beta_2CR + \beta_3ROA + \beta_4SIZE + \varepsilon$$

where:

CH = Corporate Cash Holdings

LEV = Leverage

CR = Current Ratio

ROA = Return on Assets

SIZE = Firm size

$\beta_0$  = Constant

$\beta_1$ – $\beta_4$  = Regression coefficients

$\varepsilon$  = Error term

Multiple linear regression was employed because the primary objective of this study is to examine the overall association between firm-specific financial characteristics and corporate cash holdings across the pooled firm-year observations. The analysis therefore treats the observations as a pooled sample and estimates the average relationship between leverage, current ratio, ROA, firm size, and corporate cash holdings over the study period. This approach is consistent with the study's focus on identifying the direction and statistical significance of firm-specific determinants rather than estimating firm-specific or time-specific effects. Nevertheless, as the dataset contains repeated observations of firms over time, the use of pooled multiple regression may not fully account for unobserved firm-level heterogeneity and within-firm dependence. This limitation is acknowledged, and future studies may extend the analysis using panel-data techniques such as fixed-effects or random-effects models.

## **Result and Discussion**

### ***Descriptive Statistics***

Descriptive statistics were done to provide a general description of the variables employed in this study. Table 2 presents the minimum, maximum, mean and standard deviation of corporate cash holding (CH), leverage (LEV), current ratio (CR), return on assets (ROA) and size of the

firm (SIZE). The results show that, on average, Malaysian listed consumer companies keep about 12.7% of their total assets in cash and cash equivalents. A standard deviation of 0.1127 shows there is a lot of variation in how firms hold cash. The average leverage ratio is 0.1826, which means these firms use a moderate amount of debt financing. Meanwhile, the mean current ratio of 3.9328 suggests that the firms generally possess adequate liquidity to meet their short-term obligations. However, the relatively high standard deviation indicates substantial differences in liquidity positions across firms. The average return on assets (ROA) is 0.0459, implying that the sampled firms generate a moderate level of profitability. In addition, the average firm size of 18.2459 demonstrates variation in the operational scale of Malaysian listed consumer companies. Overall, the descriptive statistics show adequate variability, confirming the variables are suitable for further statistical analysis.

**Table 2: Descriptive Statistics**

| Variable         | N     | Minimum | Maximum | Mean    | Std Deviation |
|------------------|-------|---------|---------|---------|---------------|
| Cash Holdings    | 1,750 | 0.0000  | 0.5321  | 0.1272  | 0.1127        |
| Leverage         | 1,750 | 0.0000  | 0.6039  | 0.1826  | 0.1569        |
| Current Ratio    | 1,750 | 0.2435  | 36.4544 | 3.9328  | 5.4040        |
| Return on Assets | 1,750 | -0.3307 | 0.3429  | 0.0459  | 0.0978        |
| Firm Size        | 1,750 | 13.9872 | 22.7104 | 18.2459 | 1.6693        |

### *Correlation Analysis*

Pearson correlation coefficients for the variables in this study are shown in Table 3. Corporate cash holdings (CH) are significantly and negatively related to leverage ( $r = -0.206$ ,  $p < 0.001$ ) and firm size ( $r = -0.286$ ,  $p < 0.001$ ). That is, larger companies and companies that have higher debt levels tend to have less cash.

Corporate cash holdings show significant positive correlations with the current ratio ( $r = 0.188$ ,  $p < 0.001$ ) and return on assets (ROA) ( $r = 0.148$ ,  $p < 0.001$ ). This means that firms with better liquidity and higher profitability usually keep more cash on hand.

Leverage has the highest correlation with the current ratio ( $r = -0.403$ ,  $p < 0.001$ ) among the independent variables. This is significantly below the typical threshold of 0.80 (Hair et al., 2019), so the problem of multicollinearity is not a significant problem. Therefore, the regression analysis included all of the independent variables.

**Table 3: Pearson Correlation Matrix**

| Variable               | CH       | LEV      | CR       | ROA    | SIZE |
|------------------------|----------|----------|----------|--------|------|
| Cash Holdings (CH)     | 1        |          |          |        |      |
| Leverage (LEV)         | -0.206** | 1        |          |        |      |
| Current Ratio (CR)     | 0.188**  | -0.403** | 1        |        |      |
| Return on Assets (ROA) | 0.148**  | -0.064** | -0.019   | 1      |      |
| Firm Size (SIZE)       | -0.286** | 0.192**  | -0.082** | -0.013 | 1    |

Note: \*\*\*  $p < 0.01$ ; \*\*  $p < 0.05$

### Multiple Regression Analysis

Table 4 shows the results of a multiple regression analysis that looks at how leverage, current ratio, return on assets (ROA), and firm size affect corporate cash holdings in Malaysian listed consumer companies.

The results indicate that the multiple regression model is statistically significant ( $F = 69.891$ ,  $p < .001$ ). This means that leverage, current ratio, return on assets, and firm size together help explain differences in corporate cash holdings. The model's  $R^2$  is 0.138, and the adjusted  $R^2$  is 0.136, so about 13.8% of the variation in corporate cash holdings is explained by these factors. Additionally, the results show that leverage has a significant negative relationship with corporate cash holdings ( $\beta = -0.095$ ,  $p < .001$ ), which supports H1. The current ratio has a significant positive relationship with corporate cash holdings ( $\beta = 0.132$ ,  $p < .001$ ), supporting H2. Return on assets (ROA) also has a significant positive effect ( $\beta = 0.141$ ,  $p < .001$ ), supporting H3. Firm size is negatively related to corporate cash holdings ( $\beta = -0.255$ ,  $p < .001$ ), supporting H4.

All Variance Inflation Factor (VIF) values are between 1.007 and 1.239, and tolerance values are between 0.807 and 0.993. These meet the recommended thresholds of VIF less than 10 and tolerance greater than 0.10 (Hair et al., 2019), so multicollinearity is not an issue in this regression model.

**Table 4: Multiple Regression Results**

| Variable      | B      | $\beta$ | t       | Sig.   | VIF   |
|---------------|--------|---------|---------|--------|-------|
| Constant      | 0.435  | -       | 15.623  | < .001 | -     |
| Leverage      | -0.068 | -0.095  | -3.853  | < .001 | 1.239 |
| Current Ratio | 0.003  | 0.132   | 5.418   | < .001 | 1.197 |
| ROA           | 0.162  | 0.141   | 6.320   | < .001 | 1.007 |
| Firm Size     | -0.017 | -0.255  | -11.244 | < .001 | 1.038 |

  

| Model Summary  | Value  |
|----------------|--------|
| R              | 0.372  |
| $R^2$          | 0.138  |
| Adjusted $R^2$ | 0.136  |
| F-statistic    | 69.891 |
| Model p-value  | <0.001 |

### Discussion

The findings indicate that firm-specific financial characteristics significantly influence corporate cash-holding decisions among Malaysian listed consumer companies. Specifically, leverage, current ratio, return on assets (ROA), and firm size exhibit significant relationships with corporate cash holdings, demonstrating that firms adjust their cash-holding decisions according to their financing structure, liquidity position, profitability, and operational scale.

The impact of leverage on a company's financial reserves is significantly detrimental. A smaller level of cash reserves is usual for companies with greater debt obligations since a larger portion of their financial resources goes toward paying off debt. Additionally, firms with greater access

to debt financing generally require smaller precautionary cash balances. This result is consistent with the Trade-Off Theory and with those of Opler et al. (1999), Akhtar (2025) and Yilmaz (2024) that found a negative relationship between leverage and cash holdings of the firm.

The current ratio shows that the cash holdings of a firm are strongly positively correlated with it, suggesting that the more liquid a firm is, the more cash it will hold. A company with higher liquidity has more financial flexibility to pay its bills and have enough cash for current operations and investments. This confirms the results obtained by Kiracı and Vasigh (2024) and Akhtar (2025) that liquidity is one of the significant factors affecting corporate cash holdings, especially in the case of uncertain economic conditions.

Return on assets (ROA) positively affects how much cash companies hold. When firms are more profitable, they generate more cash internally, which helps them save for future investments and growth. This result supports the Pecking Order Theory, which says that companies prefer to use their own funds before looking for outside financing (Myers & Majluf, 1984). It also matches the findings of Yilmaz (2024) and Akhtar (2025), who observed that more profitable firms usually keep more cash on hand.

The largest standardised coefficient ( $\beta$ ) of all the explanatory variables is for firm size in this study, which means that it is the most influential determinant of corporate cash holdings in this study. A negative relationship implies that larger firms tend to hold lower amounts of cash as they have access to capital markets, banking relationships and borrowing costs that are less risky and more favourable than smaller firms. This means that the bigger the company, the fewer financing constraints it will have and the lower the precautionary cash reserves will be. In line with the empirical findings given by Yilmaz (2024) and Opler et al. (1999), this conclusion lends credence to the Trade-Off Theory.

Overall, the findings provide empirical support for both the Trade-Off Theory and the Pecking Order Theory within the context of Malaysian listed consumer companies. The negative relationships of leverage and firm size with corporate cash holdings are consistent with the Trade-Off Theory, suggesting that firms with greater access to external financing and lower financing constraints have less need to maintain precautionary cash reserves. In contrast, the positive relationship between ROA and cash holdings supports the Pecking Order Theory, as more profitable firms are able to accumulate internally generated funds and rely less on external financing. The positive relationship between the current ratio and cash holdings further indicates that firms with stronger liquidity positions tend to maintain greater cash reserves. Taken together, these findings demonstrate that corporate cash-holding behaviour among Malaysian Consumer Cyclical and Consumer Non-Cyclical companies cannot be explained by a single theoretical perspective. Instead, both financing accessibility and internal funding capacity play complementary roles in shaping firms' cash-holding decisions.

## Conclusion

The study focuses on the effect of leverage, current ratio, return on assets (ROA) and firm size on cash holdings of Malaysian public consumer firms in the years 2020-2025. All four financial variables of the firm are shown to have significant effects in making cash-holding decisions of the firm. Specifically, more leverage and larger size are negatively related to corporate cash holdings, whereas the current ratio and the ROA are positively related. The influence of the

explanatory variables on corporate cash holdings is most stark when considering the size of the business, with larger firms having lower cash holdings, which is consistent with the availability of external financing and the reduction in financing constraints.

The findings provide empirical support for both the Trade-Off Theory and the Pecking Order Theory, demonstrating that firms' financing structures, liquidity positions, profitability, and operational scale play important roles in determining corporate cash-holding behaviour. This study is an extension of the current literature of corporate finance literature, with the unique factor of studying companies listed on the Malaysian Stock Exchange that have faced consumer. The study takes the existing corporate finance literature and extends it by studying Malaysian consumer-facing listed companies in an emerging market context. The results shed light on the influence of the firm-specific financial determinants on the cash holding policy of Malaysian consumer-sector firms.

From a practical standpoint, the results give important insights for corporate managers in designing efficient liquidity management strategies that balance operational liquidity and finance decisions. The results may also assist investors in assessing firms' financial strength and cash management practices, while providing policymakers with a better understanding of the financial characteristics that influence corporate cash-holding behaviour in Malaysia.

This study is subject to several limitations. First, the analysis focuses only on Malaysian listed Consumer Cyclical and Consumer Non-Cyclical companies; therefore, the findings may not be generalisable to firms in other sectors or countries. Second, the model includes only four firm-specific financial determinants, which are leverage, current ratio, ROA, and firm size, while other factors may also influence corporate cash-holding decisions. Third, the study employs pooled multiple regression and therefore does not explicitly control for unobserved firm-specific or time-specific effects. Future studies may incorporate additional determinants, extend the analysis to other industries or countries, and employ panel-data techniques such as fixed-effects or random-effects models to account for the longitudinal structure of firm-level data.

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