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Direct Current (DC) vs Alternating Current (AC) Financial Transaction Flow in Holding and Non-Holding Companies

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Abstract

A study on the flow of financial transactions needs to be carried out considering that activities in the financial sector require quick and relevant decisions. The flow of financial transactions in the business world is almost similar to direct current (DC) and alternating current (AC). The phenomenon is that many business people want their funds to be spread outside the company, and some want their funds to only revolve around the company. This study tries to analyze the results of investment flows of funds outside the company and within the company in the scope of the Indonesian capital market. This research is a research using a descriptive approach. The descriptive approach is intended to describe phenomena that occur in the field. The number of sample companies is 175 companies (holding and non-holding). Each company is given a code (code 1 for holding, and code 0 for non-holding), and company data is screened according to research needs on aspects; profit return, stock return, stock price, and profit and loss. Data mining in the field is carried out by researchers by means of secondary data analysis techniques for the capital market through analysis of financial statements from the side of the transaction flow. Then the results of the analysis of the company's flow of funds are processed, compared, and used as the basis for drawing conclusions. The results provide evidence that holding financial flows are more profitable than non-holding according to AC/DC transaction flows. This is in accordance with the risk reduction theory that many developed countries do by controlling the circulation of money only around their country. Theoretically, the results of this study contribute that holding companies have advantages over non-holdings, and practically this research provides a discourse for business people that it is better to run the business alone and not depend on outside parties.

Keywords: direct curret; alternating current; financial transaction flow

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INTRODUCTION

Electric current in general is energy that can be channeled through a conducting medium in the form of an electric charge that flows from the positive pole to the negative pole (Kaufman & Anderson, 2010). Electricity can be used in everyday life in many fields. In general, electric current is divided into two types, namely alternating current (AC) and direct current (DC). The flow of electric current is similar to the flow of financial transactions in the business world, and the pattern of transactions that occur is also almost similar to direct current and alternating current. The phenomenon is that many business people want their funds to be spread outside the company (direct flow of funds), and some want their funds to only revolve within the company (alternating flow of funds). This approach is an alternating flow approach such as AC electric current (generally capitalist or capital accumulation), rotating back and forth using a high acceleration frequency so that it seems as if there is no visible lag in the company. In contrast to the system of developing countries or small companies that have small sources of funding, and are forced to depend so they cannot take

advantage of the flow of funds back and forth. They depend on external supplies for resale, as do direct current (with a stable but less efficient voltage).

Flow of funds is the movement of funds from an economic unit that has excess funds to an economic unit that lacks funds through financial intermediary institutions (Kaur, 2018). Both individually and in business, good cash flow management will greatly determine the smooth flow of cash (Kim et al., 2017). Smooth cash flow will lead to smooth business operations or fulfillment of needs (Akono & Nwaeze, 2018). From an accounting point of view, the definition of cash flow is the part of the financial statements that contains information about transactions and the effect of cash from the company's operational activities in a certain period. The transactions in question are investments made by the company, costs or funding, income from the company's operating results, net increase and decrease in cash due to changes in asset value, and others.

There are two kinds of cash flow, namely cash inflow and cash outflow (Pyatkina et al., 2021; Yang & Yang, 2019). Cash inflow is the inflow of funds resulting from the company's transaction activities. Both operational transactions (results from the sale of services and products) and other transactions (sales of assets, receipts of investment returns, loans, receivables collection proceeds, and other income). While cash outflow is the outflow of funds both for financing company activities and other matters, for example to pay employee salaries, purchase raw materials and company operational equipment, payment of debt and investment returns, repair of assets and operational vehicles, tax burden, contributions, fines, duties. and excise. Information from these two types of cash flow statements is interrelated and complementary.

Transactions are classified based on the company's activities which include operations, investments and financing (Mackevičius & Senkus, 2006). Operational activities are the company's main activities in selling goods and services with the aim of raising funds. The results of operating activities will appear on the income statement. While the cash flow report will show the direct impact on the company's cash. In addition to income from the sale of goods and services, other income is also included in this activity. For example interest income, sales of fixed assets, and others. In cash disbursements in the form of payment of employee salaries, purchases of raw materials, or other forms. In other words, expenditure transactions that affect the company's operational activities (Mantovani, 2017).

Furthermore, investment transactions will not always generate cash inflows and will likely reduce cash. Purchases of land and buildings or fixed assets can actually be classified as investments (Driver et al., 2006). However, if it is used as a company operational tool, it is more recognized as an operational activity. Investments made by companies can be in the form of loans, investments, acquisitions, and others. All cash changes resulting from these transactions will be reported in the cash flow statement. For funding transactions, this aims to raise funds other than the proceeds from the sale of goods and services (Martínez-Sedano, 2003). The funds will be used as additional capital for business expansion or to ensure the company's operations run better. Funding transactions include borrowing money from third parties, bank loans, share disposals, and others which are cash inflows, while payments for credit installments and dividends are cash outflow activities. Cash flow must be regulated and controlled properly so that the company's operations are not disrupted (Moore & Green, 2008). The lack of funds will hamper business development plans. Meanwhile, if there are too many surplus funds that are idle, it also indicates sluggish company dynamics. In managing cash flow, there are several items that must be observed, namely the budget, priority scale, financial system, returns and risks of the flow of funds.

This study tries to analyze the income that the company earns by using the flow of funds flow technique outside the company and within the company in the scope of the Indonesian capital market. Specifically, this study aims to examine the shape of the company from the side of direct and alternating flow of funds.

METHOD

This research is a research using a descriptive approach. The descriptive approach is intended to describe phenomena that occur in the field. This research data uses data from manufacturing companies listed on the Indonesia Stock Exchange in 2020.

This study seeks to explain the inflow of funds from 183 manufacturing company data on the Indonesia Stock Exchange. However, there were 8 companies that had incomplete data so that they had to be excluded from the sample, so the number of sample companies was 175. Each company was given a code, and company data was screened according to research needs on aspects; profit return in 2020, stock return in December 2020, stock price in December 2020, and profit and loss in 2020. Companies are assigned code 1 for holding companies, and code 0 for non-holding companies.

The method of data collection and analysis uses a series of processes and techniques to extract data in the field. Data mining in the field researchers carried out by means of secondary data analysis techniques for the capital market through analysis of financial statements from the side of the transaction flow. Then the results of the analysis of the company's cash flow are processed, compared, and used as a basis for drawing conclusions, which one is better between direct cash flow and back and forth flow of funds.

RESULTS AND DISCUSSION

As explained earlier, the company's financial transactions have a cycle of income and expenditure through the transaction process. This transaction process can go through several stages, namely the inflow and outflow of funds within the company or the inflow and outflow of funds outside the company. The company data studied are presented in Table 1, this includes company data on earnings returns, stock returns, stock prices, and profit and loss.

Table 1. Company data in 2020 with aspects of profit return, stock return, stock price, and profit and loss

No.	Code	Holding (1) / Non-Holding (0)	Profit return	Stock returns	Stock price	Profit and loss
1	ADES	1	0.578	(0.033)	1,460	135,765
2	ADMG	1	0.124	(0.060)	235	(40,371,700)
3	AGII	1	(0.417)	0.040	900	97,501
4	AISA	1	(0.252)	(0.067)	390	1,206,930
5	AKPI	1	2.732	(0.009)	555	68,930,968
6	ALDO	1	(0.186)	0.018	570	61,641,893,670
7	ALKA	1	(0.857)	(0.051)	262	1,088,653
8	ALMI	0	(0.157)	0.025	248	(18,917,908)
9	ALTO	1	0.227	(0.025)	308	(7,847,443,274)
10	AMFG	1	1.764	-	2,700	(480,094)
11	AMIN	0	(6.200)	-	256	(59,163,294,277)
12	APLI	1	(1.820)	(0.005)	198	(7,013,808,659)
13	ARGO	0	(0.182)	0.016	1,955	(5,362,674)
14	ARKA	0	(14.097)	(0.068)	55	(30,619,684,771)
15	ARNA	1	0.580	0.038	680	316,587,774,083
16	ASII	1	(0.249)	(0.004)	6,025	17,491
17	AUTO	1	(1.190)	(0.018)	1,115	(138,731)
18	BAJA	0	(25.155)	(0.057)	116	56,380,932,419
19	BATA	0	(7.296)	0.008	635	(175,307,147)
20	BELL	1	(1.699)	(0.012)	159	(16,117,796,779)
21	BIMA	0	(1.241)	-	50	(35,028,306,487)
22	BRAM	1	(1.247)	(0.019)	5,100	(4,432,414)
23	BRNA	1	0.002	(0.070)	1,200	(169,756,582)
24	BRPT	1	0.026	(0.035)	1,100	129,083
25	BTEK	1	3.073	-	50	(480,244,281,123)
26	BTON	0	3.145	(0.051)	300	4,472,332,718
27	BUDI	1	(0.215)	(0.039)	99	63,832
28	CAKK	0	2.807	-	53	3,678,411,317
29	CAMP	0	(0.404)	(0.013)	302	44,722,940,073

No.	Code	Holding (1) / Non-Holding (0)	Profit return	Stock returns	Stock price	Profit and loss
30	CBMF	0	(0.799)	(0.009)	570	5,303,178,428
31	CCSI	0	(0.628)	(0.008)	242	21,674,896
32	CEKA	0	(0.118)	(0.019)	1,785	188,920,298,030
33	CINT	1	(1.004)	(0.008)	240	(25,746,789)
34	CLEO	0	0.018	(0.029)	500	131,148,898,505
35	CNTX	0	1.497	(0.009)	218	(5,202,428)
36	COCO	0	(0.661)	(0.067)	700	2,690,656,168
37	CPIN	1	0.052	(0.011)	6,525	3,813,732
38	CTBN	1	(1.547)	(0.061)	3,220	(1,672,320)
39	DLTA	1	(0.620)	0.040	4,400	118,592,661
40	DMND	1	(0.250)	0.005	920	268,694
41	DPNS	1	(0.458)	0.054	274	3,374,791,512
42	DVLA	0	(0.371)	0.004	2,420	137,903,496
43	EKAD	1	(0.343)	(0.004)	1,260	98,529,684,739
44	ENZO	1	(0.183)	-	50	1,110,211,103
45	EPAC	1	0.837	(0.021)	141	4,249,802,446
46	ERTX	1	(3.410)	(0.016)	120	(1,319,766)
47	ESIP	0	0.117	(0.064)	103	1,765,033,676
48	ESTII	1	(0.793)	(0.019)	52	(577,944)
49	FOOD	1	(7.191)	(0.019)	103	(17,810,103,616)
50	FPNI	1	0.249	0.097	362	(4,172)
51	GDST	0	(4.585)	(0.060)	110	(76,780,185,267)
52	GDYR	0	2.575	-	1,420	(7,279,360)
53	GGRM	1	(0.297)	(0.002)	41,000	7,591,709
54	GGRP	1	(0.875)	0.048	438	(1,564,335)
55	GJTL	1	0.709	-	655	614,861
56	GMFI	1	5.185	(0.061)	153	(325,907,369)
57	GOOD	1	(0.538)	0.028	254	188,915,062,473
58	HMSP	1	(0.391)	(0.007)	1,505	8,478,305
59	HOKI	0	(0.637)	(0.018)	269	37,437,828,212
60	HRTA	1	0.133	(0.054)	244	170,222,192,878
61	ICBP	1	0.294	0.030	9,575	7,421,643
62	IFII	0	0.165	(0.026)	148	74,333,465,817
63	IGAR	1	0.063	-	354	64,486,782,911
64	IKAI	1	0.062	-	50	(75,157,114)
65	IKAN	1	(1.233)	(0.007)	147	(1,094,117,543)
66	IKBI	0	(1.569)	(0.008)	234	(1,558,328)
67	IMAS	1	(19.310)	(0.003)	1,515	1,929,374,846,005
68	IMPC	1	0.269	(0.019)	1,325	107,180,917,180
69	INAF	1	(1.438)	(0.002)	4,030	(3,629,965,496)
70	INAI	1	(0.185)	0.006	334	28,018,475,040
71	INCF	1	0.811	0.041	76	(6,536,141,381)
72	INCI	1	0.620	(0.047)	905	32,675,613,658
73	INDF	1	0.403	0.004	6,850	9,241,113
74	INDR	1	(0.748)	(0.041)	3,050	8,563,386
75	INDS	1	(0.871)	(0.005)	2,000	57,078,155,701
76	INKP	1	0.075	(0.023)	10,425	292,598
77	INOV	0	(1.430)	(0.057)	164	(9,726,124)
78	INRU	0	(1.171)	-	1,070	3,341
79	INTP	1	(0.063)	0.005	14,475	1,764,880
80	IPOL	1	3.020	(0.064)	160	12,497,352
81	ISSP	1	0.295	(0.059)	160	237,344
82	JECC	0	(0.835)	(0.067)	5,600	15,865,136
83	JPFA	0	(0.556)	(0.042)	1,465	822,833
84	JSKY	1	(0.562)	0.018	230	7,783,032,248
85	KAEF	1	(1.014)	(0.002)	4,250	(65,354,455)
86	KBLI	1	(1.080)	(0.040)	384	(30,686,671,717)
87	KBLM	0	(0.884)	(0.018)	216	4,385,827,519
88	KDSI	1	0.043	(0.006)	825	55,312,205,779
89	KIAS	1	(0.891)	-	50	(53,312,196,601)

No.	Code	Holding (1) / Non-Holding (0)	Profit return	Stock returns	Stock price	Profit and loss
90	KICI	0	(0.097)	-	212	(6,585,566,087)
91	KINO	1	(0.792)	-	2,720	110,904,948,290
92	KLBF	0	0.140	(0.007)	1,480	2,865,987,119,268
93	KMTR	1	10.565	-	334	247,899,983,648
94	KPAS	1	(0.756)	(0.068)	68	2,315,893,094
95	KRAS	1	(1.116)	(0.032)	428	53,935
96	LION	1	15.900	(0.060)	346	21,451,253,664
97	LMPI	0	0.040	(0.012)	85	42,826,830,888
98	LMSH	0	(0.724)	(0.054)	420	5,131,381,015
99	LPIN	1	(0.776)	(0.054)	244	6,665,045,505
100	MAIN	1	(1.264)	(0.051)	740	46,823,223
101	MARK	1	0.665	0.084	840	146,354,391,839
102	MASA	1	(3.636)	(0.029)	995	31,874,343
103	MBTO	1	(6.415)	0.011	95	354,688,157,728
104	MDKI	1	1.395	(0.065)	232	77,866
105	MERK	0	0.016	0.003	3,280	76,911,367
106	MLBI	1	(0.761)	0.010	9,700	288,642
107	MLIA	1	(0.336)	(0.059)	555	146,293,672
108	MOLI	1	2.947	-	850	222,865,044
109	MRAT	1	(11.882)	(0.029)	169	7,263,926,826
110	SMGR	1	0.022	(0.012)	12,425	2,317,236
111	MYOR	1	0.006	(0.069)	2,710	2,044,604,013,957
112	MYTX	1	0.009	(0.020)	50	(278,084)
113	NIKL	0	0.014	(0.040)	1,445	2,718,077
114	PANI	1	(0.995)	0.064	116	489,266
115	PBID	1	0.710	0.032	1,435	374,237,632
116	PBRX	1	0.244	(0.024)	246	19,269,750
117	PCAR	1	0.253	(0.063)	595	14,392,495,085
118	PEHA	1	(0.587)	-	1,695	51,418,242
119	PICO	0	(14.323)	(0.040)	143	65,132,695,917
120	POLU	0	(1.283)	0.071	750	3,602,475,634
121	POLY	1	0.690	0.053	60	20,139,803
122	PRAS	0	(0.887)	-	122	4,948,479,351
123	PSDN	1	0.967	-	130	55,811,947,909
124	PTSN	1	3.985	(0.033)	232	4,477,175
125	PURE	1	2.387	(0.034)	228	98,637,806,490
126	PYFA	1	3.145	0.010	975	32,905,756,592
127	RICY	1	(6.670)	0.018	114	80,925,504,751
128	RMBA	1	(76.485)	(0.023)	340	2,692,693
129	ROTI	1	(0.344)	0.023	1,360	145,493,328,513
130	SAMF	1	0.371	0.005	398	118,207,447,778
131	SBAT	1	(0.894)	0.217	129	5,593,922,592
132	SCCO	1	(0.226)	-	10,500	234,324,340,285
133	SCNP	1	(2.133)	0.024	256	20,384,855,680
134	SIDO	1	0.159	-	805	929,757
135	SINI	1	(0.320)	(0.005)	370	639,749,773
136	SIPD	1	(0.641)	-	1,500	27,171
137	SKBM	1	7.669	0.006	324	6,273,578,476
138	SKLT	1	(0.232)	-	1,565	35,897,619,511
139	SLIS	1	(0.134)	(0.020)	4,900	25,879,720,230
140	SMBR	1	(0.957)	(0.053)	1,065	1,189,571
141	SMCB	1	0.092	0.025	1,440	618,629
142	SMKL	0	0.862	(0.019)	202	37,942,386,999
143	SMSM	1	(0.101)	0.030	1,385	555,408
144	SOFA	1	1.083	0.038	108	263,179,364
145	SOHO	1	0.449	0.004	4,600	164,806
146	SPMA	0	0.252	(0.037)	235	153,853,463,755
147	SRSN	0	1.025	(0.017)	58	86,743,012
148	SSTM	0	(0.059)	0.018	570	14,017,607,214
149	STAR	1	1.983	(0.009)	106	5,820,507,560

No.	Code	Holding (1) / Non-Holding (0)	Profit return	Stock returns	Stock price	Profit and loss
150	STTP	1	0.285	-	9,500	625,246,591,164
151	SULI	0	52.742	-	50	22,655,911
152	SWAT	1	(0.380)	0.067	112	1,959,748,852
153	TALF	1	(0.942)	(0.044)	260	13,676,730,051
154	TBMS	0	(0.241)	(0.005)	940	4,504,285
155	TCID	0	(1.524)	(0.004)	6,475	68,708,897,583
156	TFCO	0	(0.840)	(0.004)	474	754,103
157	TIRT	0	7.271	0.020	51	426,269,024,900
158	TKIM	1	(0.101)	(0.037)	9,850	144,721
159	TOTO	0	(0.721)	(0.008)	238	30,260,364,942
160	TOYS	0	(0.914)	-	615	961,130,448
161	TPIA	1	1.139	(0.029)	9,075	51,716
162	TRIS	1	(1.060)	0.276	208	1,136,778,679
163	TRST	1	(3.281)	0.005	418	111,501,625,484
164	TSPC	1	0.484	0.018	1,400	843,904,265,909
165	UCID	1	(0.183)	(0.030)	1,470	318,346
166	ULTJ	1	0.103	(0.036)	1,600	1,136,327
167	UNIC	1	1.413	(0.029)	4,700	28,530,688
168	UNVR	1	(0.005)	-	7,350	7,056,606
169	VOKS	1	(0.988)	(0.063)	236	2,502,860,323
170	WIIM	1	3.822	(0.018)	540	160,077,904,492
171	WOOD	1	0.299	-	560	329,266,114,364
172	WSBP	0	(6.993)	(0.035)	274	4,817,653,151,753
173	WTON	1	(0.766)	(0.045)	386	120,990,297,330
174	YPAS	0	2.159	(0.065)	430	10,102,487,280
175	ZONE	1	(1.736)	0.010	390	37,813,306,283

Based on the data above, there are 125 holding companies (with code 1) and as many as 50 non-holding companies (with code 0) with detailed data in the form of profit returns, stock returns, share prices, and profit and loss. The results of the analysis of the number and average of each aspect are presented in Table 2.

Table 2. The results of the analysis of the number and average of each aspect of the company

Criteria	Holding	Non-Holding
Number of Companies	125	50
Average Profit Return	(0.767)	(0.455)
Total Profit Return	(95.852)	(22.738)
Average Stock Return	(0.006)	(0.017)
Total Stock Return	(0.691)	(0.874)
Total Profit and Loss (in IDR)	7,887,463,934,852	(2,002,020,443,110)
Average Profit and Loss (in IDR)	63,099,711,479	(40,040,408,862)
Total Share Price (in IDR)	264,725	39,753
Average Stock Price (in IDR)	2,118	795

Based on the data in 2020, it can be seen that the comparison of companies that have subsidiaries (holding) has a lower rate of return (relative ratio) in terms of profit returns and stock returns, compared to companies that do not have subsidiaries (non-holding). However, in absolute analysis (without comparison between years), holding companies have higher profits and share prices. This difference can indeed be caused by the economic downturn during the pandemic, and on the one hand the company needs cash flow to finance its operations. The results of the analysis prove that the cash flow of holding companies is better than non-holding companies, as well as when viewed from the side of stock prices.

The results of this study provide theoretical support, namely how to reduce risk through controlling the flow of money around the company's scope. The money that flows is cultivated completely independently by forming many subsidiaries so that it is easy to

manage. Subsidiaries provide supplies of raw materials and labor to support the parent company so that the circulation of money around the company maintains cash flow and company stability, as implemented by developed countries through restrictions on money going abroad by the state to maintain economic stability (Onafowora & Owoye, 2005). This research also supports an alternating flow approach such as AC electric current (generally capitalist or capital accumulation), alternating and rotating using a high acceleration frequency so that it seems as if there is no visible lag in the company. This is different from the system of developing countries or small companies that have small sources of funding, and are forced to depend so that they cannot take advantage of the back and forth flow of funds. They depend on external supplies for resale, as is DC current flowing in the direction (with a stable voltage but less efficient).

These two conditions of flow of funds require a financial system that can help companies to make the right decisions based on cash flow and available resources. This is information for companies to be efficient in allocating their resources. In addition, the financial system is needed to monitor funds (compare between expenses and income) so that companies know their business conditions and prospects. The financial system can also ensure that the necessary funds are placed in the right place to complete a production activity. There are two types of financing carried out in the financial system, namely direct financing and indirect financing. In direct financing, the lender-server has direct contact with borrower-spenders through the financial market, while in indirect financing, the relationship between the owner of the funds and those who need funds requires the assistance of financial intermediaries. Lender-saver saves money in financial institutions, then financial institutions provide loans to those who need funds (borrowers) and part of it is invested in financial markets (Isagawa, 2006).

Expected future profits are compensation for the time and risk associated with the investment made. In the context of investment, the expected profit is often referred to as return. Basically the purpose of investors in investing is to maximize returns. The results in Table 2 show that the profit return on holding is higher than that of non-holding, but this is inversely proportional to the stock return of the two. There are several sources of risk that can affect the amount of investment risk, including interest rate risk, business risk, financial risk (Staikouras, 2005). To reduce risk, investors need to diversify (Leal et al., 2018). Diversification shows that investors need to form investment portfolios in such a way that risk can be minimized without reducing the expected return. Reducing risk without reducing return is the goal of investors in investing. Portfolio theory says don't put all the eggs in one basket, because if the basket falls, all the eggs in the basket will break. Likewise with the investments made, do not invest all the funds in one form of investment, because when the investment fails, then all the invested funds may not return (Mahyudin et al., 2021). Diversification is carried out to reduce portfolio risk, namely by combining or by adding investments (assets/securities) that have a low negative or positive correlation so that the variability of returns or risks can be reduced.

The AC-DC theory of financial transactions provides management's view to reduce risk and earn high profits. In this theory the application of the flow of money around the scope of the company on the one hand is more profitable. The money that flows is managed to be fully independent by forming many subsidiaries so that it is easy to manage. Subsidiaries provide supplies of raw materials and labor to support the parent company, so that the circulation of money around the company can maintain cash flow and company stability. This theory is usually applied also in developed countries, where restrictions on money going abroad are imposed by the state to maintain economic stability, such as inflation.

CONCLUSION

This study has explained the flow of direct current (DC) vs alternating current (AC) financial transactions in holding and non-holding companies. The results of the study provide

evidence that the financial flow of holding is more profitable than non-holding. This is in accordance with the risk reduction theory that is carried out by many developed countries through controlling the circulation of money only around their country. Theoretically, the results of this study contribute that holding companies have advantages over non-holdings, and practically this research provides a discourse for business people that it is better to run the business alone and not depend on outside parties. In the policy aspect, it is hoped that decision makers such as the government can use policies to narrow the outflow of funds or resources to other countries.

RECOMMENDATION

There are several shortcomings in this study, namely this study only uses one year of observation data and uses manufacturing companies. It is suggested that the next research can use a different momentum with a longer observation period.

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