FINANCIAL RESOURCES AND CORPORATE PERFORMANCE

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ABSTRACT

This study aims to determine the effect of financial resources on company performance. This study uses a sample of manufacturing companies listed on the Indonesia Stock Exchange 2012-2018. Company resources become an important part of the development the company, especially financial resources which are the main factor in carrying out the company's operational activities. The company's performance becomes benchmark for investors and creditors to assess the company's condition. The company's financial resources in this study come from cash flow, liquidity, and leverage. Cash flow used financial analysis to determine the income and expenses made by the company. Liquidity used to assess the company's ability to meet its obligations. Leverage as company debt used to finance and purchase company assets. The results showed that only free cash flow had significant effect on company performance. This happens because the company's performance is reflected in the higher will increase the amount of profit earned by investors. This shows that the company utilizes ability of the company's internal resources to utilize financial resources to create competitive advantage so that the company's performance can manage its cash flow to finance assets owned by the company. The results of this study support the resource-based theory-based view

Keywords : corporate performance, resource based view, financial resource

INTRODUCTION

A profit-oriented corporate will strive for survival and be able to compete with the corporate or other competitors. Efforts are made to stay afloat and bring benefits to achieve goals for the parties involv   ed in the corporate, both from the manager of the corporate and shareholders. However, in practice, these goals are not easily achieved. One of the causes is the change in the environment (internal and external). The corporate can consider the challenge or change as an opportunity to find new strategies to gain a competitive advantage compared to its competitors (Muharam, 2017).

The establishment of a corporate must have a clear purpose. There are several objectives of the establishment of a corporate. The first goal is to achieve maximum profit. The second goal is to want to prosper the owners of the corporate or the shareholders, whereas the third corporate goal is to maximize the value of the corporate, which is reflected in its share price. The three goals of the corporate are actually substantially not much different (Dj, Artini, & Suarjaya, 2012).

Increasing the level of competition between companies will increase the corporate's need for a competitive advantage to be able to maintain its market or even to be able to expand (Nurdin, 2015). Competitive advantages are corporate formulation strategies designed to achieve opportunities that cannot be imitated by competitors to maximize profits and profit (Pakaya 2011). Competitive advantage is the key to success for companies in an environment that is continuously undergoing changes in the environment of high competition and its increasingly rapid development. Competitive advantage can be used as a potential to explain how the corporate's long-term performance can be created and can be improved. The corporate not only has a goal to make a profit but also produces a corporate's performance to achieve long-term sustainability. The situation can be achieved with the resources owned by the corporate.

Assessing corporate performance, investors tend to refer to the results of financial statements. The size used by the corporate is different from one corporate to another corporate. The size commonly used is the corporate's financial ratio (Setiyawati & Basar, 2017). Performance is the process by which an organization manages its performance to match corporate strategy and functional strategy in realizing corporate goals (Al-Matari *et al.* 2014). Every corporate must have a short-term goal that is to generate profits and a long purpose that is to increase the value of the corporate, including for companies engaged in the manufacturing industry. In the midst of intense competition in the manufacturing industry, this industry will be more vulnerable to financial difficulties if management does not manage it well (Al-Matari, Al-Swidi, & Bt Fadzil, 2014).

The Central Statistics Agency (BPS) stated that the growth of manufacturing industry production in 2014 rose by 4.74 percent compared to 2013. The increase was mainly due to a rise in food industry production, which increased by 10.56 percent, the pharmaceutical industry,

chemical drug products, and traditional medicines, up 9.92 percent, the electrical equipment industry rose 9.84 percent, and the tobacco processing industry rose 9.38 percent (www.bps.go.id). The types of manufacturing industries that experienced production growth in the third quarter of 2014 against the third quarter of 2013 were the food industry up 5.10 percent, the tobacco processing industry up 4.35 percent, and the beverage industry up 2.65 percent. This proves that from 2013 to 2014, the beverage, food, and tobacco industries in Indonesia continued to experience an increase in productivity growth to make a meaningful contribution to economic growth in Indonesia.

This study aims to examine the effect of financial resources on the occurrence of corporate performance from a competitive advantage in the manufacturing industry. The results of this study can add to the literature on the importance of resources through its finances in determining competitive advantage and creating corporate performance.

THEORETICAL REVIEW

Bagian ini berisi kajian berbagai literatur dan teori yang relevan dengan isu yang diangkat. Penulis menyajikan bagian ini dengan bahasa yang padat dan ringkas sehingga mampu mengarahkan hasil sintesis teori/riset terdahulu dan konsep-konsep penting lainnya ke model penelitian dan hipotesis yang dikembangkan. Untuk menulis subbab ini dengan baik, tata cara pengutipan berdasarkan APA Style 6th edition menggunakan program Mendeley.

Resource-Based View

Resource-Based View Theory was first introduced by Wernerfelt (1984). This theory states that every corporate needs tangible and intangible assets to produce a competitive advantage in the market. Companies will be faced with increasingly difficult to maintain a competitive advantage when the level of competition is high. One way to reduce this is by managing the corporate's resources. Resource-Based View is a concept that can provide solutions to maintain a competitive advantage in a sustainable manner (Alonso & Bressan, 2016). Meanwhile according Barner (2001), if the corporate has diverse resources, the corporate will benefit based on scarce resources.

The Resource-Based View (RBV) theory is recognized as a theory that looks at the ability of a corporate's internal resources to exploit internal resources to create a competitive

advantage. The corporate's internal resources consisting of all assets, capabilities, competencies, organizational processes, information, and knowledge, can be controlled by the corporate to implement the strategies that have been formulated (Paulus & Murdapa, 2016). Meanwhile according Fahy (2000), Resource-Based View (RBV) theory explains the internal resources owned by companies. The success or failure of a corporate will be largely determined by the strengths and weaknesses that exist within the corporate's internal.

Barney (1991) grouping corporate resources into three categories, namely physical capital resources including technology used by the corporate, factories, equipment, business locations and access to raw materials, human capital resources including experience, abilities, individual intelligence within the corporate, and organizational capital resources include reporting, planning, supervision structure both within and in relations with the external environment of the corporate.

Financial Resource

Organizational resources are the basis for achieving and maintaining competitive advantage (Alimin, Ismail., Raduan, Jegak. U., & Haslinda, 2012). So to increase the corporate's competitive advantage, the corporate must be able to manage the existing resources in the corporate. Unique resources and distinguishing values strongly support the corporate's competitive advantage. For this reason, a corporate must be able to manage all its resources to create a competitive advantage and to achieve superior corporate performance. Organizational resources that can be optimized in increasing competitive advantage and organizational performance are all competencies that exist in the organization.

Ferriera, Azevedo, and Fernandez (2011), the success of a corporate is largely determined by the resources it has and the capability of a corporate that is able to turn those resources into an economic benefit. Firm resources can be both tangible and intangible. Tangible resources consist of net cash flow, leverage, and liquidity

The cash flows contained in PSAK No. 2 IAI Tahun 2009 is the inflows and outflows of cash or cash equivalents. Cash equivalents (cash equivalent) can be defined as investments that are liquid, short-term, and that can quickly be turned into cash in a certain amount without facing the risk of significant value changes. The cash flow statement classifies cash receipts based on three activities, namely operating, investing, and financing or financing activities.

Cash flow from operating activities involves the effect of cash from transactions that result in the determination of net income, such as cash receipts from the sale of goods and services, as well as cash payments to suppliers and employees to obtain inventory and pay expenses. Cash flows from investing activities generally involve long-term assets and include lending and collection of loans, and the acquisition and disposal of investments and long-term productive assets. Cash flows from financing activities include items of liability and shareholder equity and include the purchase of cash from creditors and loan repayments, as well as the acquisition of capital from the owner and the rate of return on his investment.

Leverage is an important tool in measuring the effectiveness of the use of corporate debt. By using leverage, a corporate can not only gain profits but can also cause the corporate to suffer losses because the leverage indicates that the corporate imposes a risk to shareholders so that it affects stock returns. The concept of leverage is important for investors in making stock valuation considerations. Investors generally tend to avoid risk. Risks arising from the use of leverage are additional risks charged to shareholders as a result of the use of debt by the corporate. The higher the leverage, the greater the financial risk and vice versa. Spending decisions can affect the corporate's ability to generate profits for shareholders. In the right economic conditions, a corporate that has a more significant portion of debt use than its own capital is able to create greater profits for shareholders compared to companies that have a smaller portion of debt use compared to their own capital. Conversely, in a bad economic condition, a corporate whose portion of the use of debt is bigger than its own capital will produce a smaller profit for shareholders than a corporate whose portion of debt use is smaller compared to its own capital (Prasetyorini, 2013).

Liquidity refers to the corporate's ability to meet its short-term obligations. Short term can be interpreted as a period of up to one year. This is related to the corporate's normal operating cycle, which includes the buying, production, sales, and billing cycles. Liquidity is one of the factors that determine the success or failure of a corporate. The provision of cash and resources to meet those needs also determines the extent to which the corporate bears the risk. Wild *et al*. (2010) said that liquidity is the ability to convert assets into cash or the ability to obtain cash. Short-term is conventionally considered a period of up to one year even though this period is associated with a corporate's standard operating cycle (a period that includes a cycle of buying, producing, selling and billing).

Liquidity is showing the ability of a corporate to fulfill its financial obligations that must be fulfilled immediately, or the corporate's ability to meet financial obligations when billed. Understanding liquidity, in general, refers to the corporate's ability to meet its short-term requirements. A corporate that has the power to pay, the corporate is able to fulfill all financial obligations that must be met immediately.

The higher liquidity shows the more significant current assets owned by the corporate compared to its current liabilities. Companies with a high level of liquidity mean the corporate has excess current assets sufficient to fund the corporate's operational obligations without having to borrow funds from external parties so that it will reduce the amount of debt.

Corporate Performance

Performance is an achievement of the work of a person or group of people in an organization and a certain period of time in accordance with the scope of responsibility and authority in accordance with a predetermined plan. Corporate performance is defined as the corporate's ability to achieve its goals through the use of resources efficiently and effectively so that it can describe the corporate achieving its results. Corporate performance is an indicator of the level of achievement that can be achieved and reflects the success of manager to improve performance, companies must have different values so as to increase their competitive advantage.

Performance measurement is used to determine the level of performance of a corporate. Performance measurement is an important thing to do because the results of measuring performance affect the decision making and management policies related to achieving the corporate's vision and mission. The results of performance measurements will provide information on the achievements or achievements of the corporate in carrying out the corporate's strategy. If the results experience obstacles in carrying out the policy set by the corporate beforehand, the corporate can fix the challenges that occurred before. An effective performance measurement system is a measurement system that can facilitate management to carry out the control process and motivate management to improve and improve its performance.

Hypothesis Development

Effect of Financial Resources on Corporate Performance

Financial resources as one of the important things for companies to have an important role in the funding process. High financial resources indicate that the corporate has a corporate opportunity to carry out strategic activities that can create a competitive advantage and as a long-term investment in realizing high corporate performance (Takahashi, 2009). Financial resources are considered capable as a corporate investment when a new corporate processes operational activities in the market, which will be used in the process of competition for product development and creating a competitive advantage. The process is used by companies to maintain a life cycle of sustainability that will improve corporate performance. Lee et al. (2001) states that financial resources are positively related to performance in new companies. Financial resources are used in the investment process during the period of corporate development and growth so as to create a source of competitive advantage.

The performance parameters of the corporate that received the attention of investors and creditors were earnings and cash flow. The cash flow statement reports cash receipts and disbursements during a period originating from operating, investing, and financing activities. The benefits of cash flow statements are to predict failures, estimate risk, predict lending, assess the corporate, and provide additional information on the capital market. Lee et al. (2001) states that the information presented by cash flow is more useful in assessing or analyzing decisions, both regarding stock investments and other cash flow forecasting purposes. The existence of earnings and cash flow information is seen by users of information as complementary to evaluate corporate performance. Cash flow and profit information contain information if there is a market reaction at the time of the announcement. Based on the description above, the hypothesis is proposed as follows:

H1a: Free Cash Flow has a positive effect on Corporate Performance

Long Term Debt Ratio (LDER) is a comparison between the amount of long-term debt with total own capital owned by the corporate. The comparison will illustrate how the relationship between long-term loans with their own capital provided by the corporate owner. This ratio is also used to measure how much long-term debt guaranteed by each rupiah of its own capital. The greater this ratio shows the high ability of the corporate's own capital to guarantee the long-term debt. The level of ROA will increase along with the increase in LDER

due to the corporate's financial condition, which is able to meet long-term debt obligations taken by the corporate to increase profits. Corporate performance can also be influenced by the size of the leverage generated by the corporate. Leverage can be understood as an estimator of the risks inherent in a corporate, which means that the greater the leverage indicates the greater investment risk. Companies with low leverage ratios have smaller leverage ratios. Based on the description above, the hypothesis is proposed as follows:

H1b: Leverage has a positive effect on Corporate Performance

Liquidity shows the corporate's ability to pay off short-term debt using current assets. Companies that have a high level of liquidity avoid the risk of paying off short-term debt. Companies that have high liquidity will affect the profits obtained. Companies with a high level of liquidity will increase the likelihood of dividends in the form of cash, thus attracting investors to invest their capital. A high level of capital will reduce the number of debt owed by the corporate so that the interest expense that must be paid by the corporate will be smaller, which will cause the greater profit obtained and the impact to pay high taxes.

Liquidity is one of the factors that determine the success or failure of a corporate in relation to profitability. The need for cash and other sources to meet the need to carry out corporate operations will determine how the corporate bears the risk of paying off short-term debt. Anwar (2011) Liquidity shows the corporate's ability to pay off short-term debt using current assets. Companies that have a high level of liquidity avoid the risk of paying off short-term debt. Companies that have high liquidity will affect the profits obtained. Companies with a high level of liquidity will increase the likelihood of dividends in the form of cash, thus attracting investors to invest their capital. A high level of capital will reduce the number of debt owed by the corporate so that the interest expense that must be paid by the corporate will be smaller, which will cause the greater profit obtained and the impact to pay high taxes. Liquidity is one of the factors that determine the success or failure of a corporate in relation to profitability. The need for cash and other sources to meet the need to carry out corporate operations will determine how the corporate bears the risk of paying off short-term debt:

H1c: Liquidity has a positive effect on Corporate Performance

Based on the background description, problem formulation, and theoretical review, the conceptual framework of the research can be described as follows:
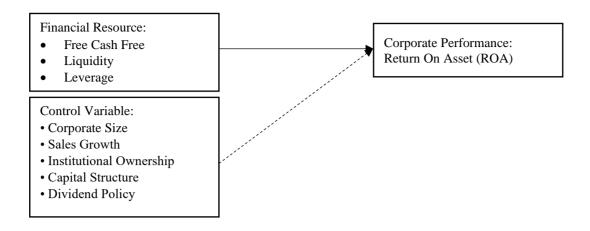
Financial Resource:
- Free Cash Free
- Liquidity
- Leverage

Control Variable:
• Corporate Size
• Sales Growth
• Institutional Ownership
• Capital Structure
• Dividend Policy

Corporate Performance:
Return On Asset (ROA)

Figure 1. Research Model

METHODOLOGY

This type of research is quantitative research with secondary data from the financial statements of the manufacturing companies studied. Quantitative analysis is research that emphasizes testing theories through measuring research variables with numbers and analyzing data with statistical procedures. Secondary data is data obtained by researchers indirectly through intermediary media or data that has been collected by data collection agencies and published to the public who use data for a research.

This study uses a population of manufacturing companies listed on the Indonesia Stock Exchange for the 2012-2018 period as many as 133 companies. Samples were obtained as many as 19 manufacturing companies that met the criteria and were used by researchers as research samples with 95 observations. The analytical tool used to test the hypothesis in this study is multiple linear regression (OLS Regression) with testing using IBM SPSS ver 25.

The determination of the sample in this study using a purposive sampling method is sampling with certain criteria. The criteria used are Manufacturing Companies listed on the Indonesia Stock Exchange for the period 2012-2018. The criteria in this study are as follows:

1. Manufacturing companies listed on the Indonesia Stock Exchange in 2012-2018.
2. Manufacturing companies listed on the Indonesia Stock Exchange in a row during the study period 2012-2018.
3. Manufacturing companies that provide complete financial statement information during the 2012-2018 research period.

4. Manufacturing companies that use the rupiah in financial statements in a row during the 2018 research period.

Manufacturing companies that have positive profits and distribute dividends per share in a row during the 2018 research period.

Liquidity

Liquidity is the corporate's ability to meet its short term obligations that are past due. The formula used is:

$$\text{Liquidity} = \frac{\text{Cash and Equivalent}}{\text{Total Asset}}$$

Leverage

Leverage is related to funding sources and can be measured by leverage ratio. Leverage ratio is a ratio that measures the proportion of debt used to finance its. The formula used is:

$$\text{Leverage} = \frac{\text{Long Term Debt}}{\text{Total Asset}}$$

Variable Operationalization

Dependent Variable

The dependent variable in this study is corporate performance. The measurement used in this study is to use return on assets (ROA). The formula used is:

$$\text{Return On Asset} = \frac{\text{Earning After Tax (EAT)}}{\text{Total Asset}}$$

Independent Variable

The independent variable in this study is financial resources measured by free cash flow, liquidity, and leverage (Tunyi, Agyei-Boapeah, Areneke, & Agyemang, 2019). As for each formula used:

Free Cash Flow

The amount of net cash flow from operating activities is an indicator that shows whether the corporate's main operations can generate sufficient cash flow to maintain the corporate's operating ability, pay off loans and pay dividends. The formula used is:

$$FCF = \frac{\text{Operating Cash Flow-Capital Expenditure}}{\text{Total Asset}}$$

Control Variable:

The control variables in this study are Corporate Size (SIZE), Sales Growth (GROWTH), Institutional Ownership (IC), Capital Structure (DER), and Dividend Policy (DPR). As for each formula used is:

Firm Size

Firm size is measured using the natural logarithm of total assets. The use of logarithms is used to reduce fluctuations in absolute values and prevent heteroscedasticity, and by converting total assets into logarithms, the data from total assets will be normally distributed. In this case, the measurement of corporate size refers to research (Wiranata, 2013). Where in this study the size of the corporate is proxied by the value of total assets. The formula used is as follows:

$$SIZE = \log(\text{Total Asset})$$

Sales Growth

The growth rate is a chance for the corporate to grow in the future. The level of corporate sales will indicate that the corporate's performance is good. The higher level of corporate sales indicates the corporate's strength in competing in the market is good enough so that the corporate's revenue also increases and can also improve corporate performance. On research (Pantow, Murni, & Trang, 2015) measure sales growth by using changes in the corporate's total sales. The formula used is as follows:

$$\text{Sales Growth} = \frac{\text{Total Sales (t)-Total Sales (t-1)}}{\text{Total Sales (t-1)}}$$

Institutional Ownership

Institutional ownership is the proportion of share ownership owned by the institution. The existence of shareholders, such as institutional ownership, has an important meaning in providing management supervision so that it can encourage the improvement of more optimal supervision of management performance. Institutional ownership is measured by using the

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ratio between the number of shares owned by the institution and the number of shares of the corporate in circulation as a whole (Wiranata, 2013). The formula used is as follows:

$$\text{Institutional Ownership} = \frac{\text{Total Institutional Shares}}{\text{Outstanding Shares}}$$

Capital Structure

DER (*Debt to Equity Ratio*) is a variable that defines how much proportion of a corporate's capital comes from loans or loans (Novita & Sofie, 2015). The formula used is as follows:

$$\text{Debt Equity Ratio} = \frac{\text{Sales}}{\text{Equity}}$$

Dividend Policy

Dividend Payout Ratio (*DPR*) is a ratio that shows the percentage of each profit earned distributed to shareholders in cash (Yaniatie & Destriana, 2010). The formula used is as follows:

$$\text{Dividend Per Share} = \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

The Statistical Test Applied in The Research

The analysis used in this study is multiple linear regression with the following regression models:

$$ROA = \alpha + \beta 1 FCF + \beta 2 LIQ + \beta 3 LEV + \beta 4 SIZE + \beta 5 GROWTH + \beta 6 KI + \beta 7 DER + \beta 8 DPR + \varepsilon$$

Description:

ROA	: Return On Asset
α	: constant
FCF	: Free Cash Flow
LIQ	: Liquidity
LEV	: Leverage
GROWTH	: Sales Growth
SIZE	: Corporate Size
KI	: Institutional Ownership
DER	: *Debt Equity Ratio*
DPR	: *Dividend Per Share*

ε   : error

THE RESULTS OF STATISTICAL TESTS

Descriptive Statistical Analysis

The data used in this study is in the form of financial data from a sample of manufacturing companies listed on the Indonesia Stock Exchange in the period 2012-2018. Descriptive statistics aim to provide a description or description of the data seen from the minimum, maximum, average (mean), standard deviation of each research variable. Descriptive statistical test results can be seen as follows:

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	133	.0002	.9400	.1217	.1202
FCF	133	-.2307	.7335	.0640	.1161
LIQ	133	.0021	.4668	.1350	.1077
LEV	133	.0154	.3987	.0951	.0760
LN SIZE	133	2.4078	2.6769	2.5272	.0639
GROWTH	133	-.4709	.4214	.0859	.1220
KI	133	.0514	.9774	.6279	.2021
DER	133	.1248	2.6546	.6341	.4743
DPR	133	.0000	4.9180	.5551	.7381
Valid N (listwise)	104				

Table 1 illustrates the descriptive statistics used in this study. This table shows the value of Corporate Performance (ROA) consisting of a minimum value of 0.002 at the Merck Tbk corporate, and a maximum value of 0.9400 Unilever Indonesia Tbk companies in 2017 and has a mean value of 0.1217 and a standard deviation of 0.1202. On the variable financial resources consisting of net cash flow (FCF), Liquidity (LIQ), and Leverage (LEV). In Net Cash Flow (FCF) with a minimum value of -0.2307 which occurred in the corporate Asahimas Flat Glass Tbk in 2016, and a maximum value of 0.7334 that occurred in Unilever Indonesia Tbk corporate in 2017 and has a mean value of 0.0640 and a standard deviation of 0.1161. In Liquidity (LIQ) there is a minimum value of 0.0021 in the corporate Arwana Citramulia Tbk in 2016, and a maximum value of 0.4668 in the corporate Lion Metal Works Tbk in 2012 and has a mean of 0.1350 and a standard deviation of 0.1077. At Leverage (LEV) has a minimum value of 0.0154 Kalbe Farma Tbk corporate and a maximum value of 0.3987 Mayora Indah Tbk corporate in 2012 and a mean value of 0.0951 and a standard deviation of 0.0760. This study also uses control variables consisting of Corporate Size (Growth), Sales Growth (Growth), Institutional Ownership (IC),

Capital Structure (DER), and Dividend Policy (DPR). The size of the corporate has a minimum value of 2.4078, Lionmesh Prima Tbk in 2012 and a maximum value of 2,6769 Astra International Tbk in 2018 with a mean of 2,5272 and a standard deviation of 0.0639. On the Growth of Sales (Growth) the minimum value of -0.4709 is the corporate Merck Tbk in 2018 and the maximum value of 0.4214 companies of Lionmesh Prima Tbk in 2017 with a mean value of 0.0859 and a standard deviation of 0.1220. In Institutional Ownership (KI) there is a minimum value of 0.0514 Wismilak Inti Makmur Tbk corporate in 2018 and a maximum value of 0.9774 Sekar Laut Tbk corporate in 2018 with mean0.6279 and standard deviation 0.2021. In the Capital Structure (DER) the minimum value of 0.1248 companies is Duta Pertiwi Nusantara Tbk in 2016 and a maximum value of 2.6546 Unilever Indonesia Tbk companies in 2017 with a mean of 0.6341 and a standard deviation of 0.4743. In the Dividend Policy (DPR) has a minimum value of 0.0000 companies Arowana Citramulia Tbk in 2018, Duta Pertiwi Nusantara in 2018, Gudang Garam Tbk in 2017-2018, Kalbe Farma Tbk in 2018, Mayora Indah Tbk in 2018, Trias Sentosa Tbk in 2018, Tempo Scan Pacific Tbk in 2018, and a maximum value of 4.9180 Mayora Indah Tbk companies in 2016 and a mean value of 0.5551 and a standard deviation of 0.7381.

Table 2. Correlation

	ROA	FCF	LIQ	LEV	LnSize	Growth	KI	DER	DPR
ROA		.775***	-.127	-.165*	.105	.048	.124	.385***	.083
FCF	.507***		-.075	-.218**	.076	-.049	.125	.392***	.138
LIQ	-.051	-.022		-.199**	-.475***	-.205**	.028	-.373***	.030
LEV	-.278***	-.173**	-.110		.245**	.094	-.071	.471***	.098
LnSize	.186**	.077	-.465***	.079		.139	.132	.355***	-.002
Growth	.150	-.056	-.175**	.002	.161*		-.003	.084	-.064
KI	.031	.042	.064	-.062	.051	-.021		.183**	.025
DER	-.079	-.037	-.500***	.424	.443***	.237**	.103		.089
DPR	.074	.297***	-.102	-.039	.046	-.181**	.061	.127	

[a] Pearson Correlation (above) dan Spearman (button).
* The coefficient is significant at the level 10% (2-tailed test)
** The coefficient is significant at the level 5% (2-tailed test)
*** The coefficient is significant at the level 1% (2-tailed test)

Table 2 shows the correlation coefficients of the variables studied using Pearson and Spearman. The Pearson correlation matrix outlined in Table 2 shows net cash flow (FCF) having a positive and significant relationship at the one percent level. At the same time, leverage (LEV) has a negative and significant level of ten percent, and liquidity has a negative and not significant relationship to corporate performance. The Spearman correlation matrix shows net

cash flow (FCF) has a positive and significant relationship at the one percent level. In contrast, leverage (LEV) has a negative and significant at one percent level, and liquidity has a negative and not significant relationship to corporate performance. This study also uses control variables such as corporate size (Ln Size), sales growth (Growth), institutional ownership (KI), capital structure (DER), and dividend policy (DPR).

Table 3. Estimated Coefficients and p-values

Variable	Coefficients	p-value
FCF	10.065	0.000***
LIQ	-0.440	0.661
LEV	-1.087	0.279
LnSize	0.011	0.991
Growth	1.274	0.205
KI	0.118	0.906
DER	1.522	0.131
DPR	-0.217	0.828
Adjusted R²	0.596	

* The coefficient is significant at the level 10% (2-tailed test)
** The coefficient is significant at the level 5% (2-tailed test)
*** The coefficient is significant at the level 1% (2-tailed test)

From table 3, it can be seen that the sig value of the Free Cash Flow variable is smaller than the standard error set in this study by 5% (0.05). This shows that Free Cash Flow shows a significance value of 0,000. The significance value of 0,000 is less than 0.05, which means that the Free Cash Flow variable partially has a significant effect. This is because operating cash is the amount of cash flow originating from operating activities that are primarily obtained from the main income-generating activities of the corporate. This cash flows generally originate from transactions and other events that affect the determination of net profit or loss. Therefore, this operating cash can assess the corporate's performance (Shinta & Laksito, 2014).

From the regression test table, it can be seen that the sig value of the Liquidity variable is greater than the standard error set in this study by 5% (0.05). This shows that Liquidity shows a significance value of 0.661. The significance value of 0.661 is greater than 0.05, which means that the variable liquidity is partially insignificant, which indicates that the variable liquidity partially results in this study found no significant positive effect on corporate performance. This shows that liquidity is not too considered by the corporate's external parties in evaluating a corporate and has no significant positive effect on changes in the corporate's stock price. The smaller the cash holdings that are adjusted to these conditions, the impact on improving the

corporate's performance is caused by the existence of excessive cash value. In accordance with the Wulandari (2014) which states that liquidity has no effect on firm value. This is because the higher the corporate's liquidity, which is above the optimal point, will actually reduce the value of the corporate because there are idle assets that are not utilized by the corporate's management.

From the regression test table, it can be seen that the sig value of the Leverage variable is greater than the standard error set in this study by 5% (0.05). This shows that the Leverage regression coefficient shows a significance value of 0.279. The significance value of 0.279 is greater than 0.05 which means that the Leverage variable is not significant which indicates that the Leverage variable has no effect on corporate performance in accordance with Syari (2014) states there is no influence between leverage on corporate performance. This shows that companies in financing their assets tend to use their own capital (internal financing) that comes from retained earnings and share capital rather than using debt. Companies in financing their assets tend to use their own capital (internal financing) that comes from retained earnings and share capital rather than using debt. The adequacy of funds owned by the corporate to finance its assets obtained from its own capital makes the corporate reduce the proportion of debt. The use of excessive debt will reduce the benefits received from the use of debt because the benefits received are not proportional to the costs incurred, so that a low proportion of debt can increase the value of the corporate and conversely an increase in debt can reduce the value of the corporate (Prasetyorini, 2013).

This study also uses Corporate Size (SIZE), Sales Growth (GROWTH), Institutional Ownership (IC), Capital Structure (DER), and Dividend Policy (DPR) as control variables. The results of multiple regression analysis on the regression equation by entering the control variable into the equation model, namely Corporate Size (SIZE) which has a significant value of 0.991, shows no effect on corporate performance, Sales Growth (GROWTH) which has a significant value of 0.205, indicates no effect on corporate performance, Institutional ownership (IC) which has a significant value of 0.906 shows no effect on corporate performance, Capital Structure (DER) which has a significant value of 0.131 indicates an effect on corporate performance, and Dividend Policy (DPR) which has a significant value of 0.828 shows no effect on corporate performance.

CONCLUSION

From the results of the research that has been explained, it can be seen that financial resources are Free Cash Flow, Leverage, and Liquidity. The Free Cash Flow variable has a significant effect, while Leverage and Liquidity have no effect on corporate performance. The results of this study reinforce the results of empirical testing that Free Cash Flow has a significant effect, while Leverage and Liquidity have no effect on corporate performance in manufacturing companies. This happens because the corporate is able to manage financial resources can generate net cash flow so that the corporate's performance is high.

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