

Cash Management and Corporate Liquidity in the Face of Global Economic Uncertainty

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Article History	Abstract
Original Research Article	<p><i>Global economic uncertainty, driven by exchange rate volatility, inflationary pressures, supply chain disruptions, and tightening external financing, has significantly increased liquidity risk faced by firms. Under such conditions, effective cash and liquidity management becomes a critical strategic policy rather than a purely operational function. This article provides a comprehensive conceptual and empirical synthesis of corporate cash and liquidity management practices in the context of global economic uncertainty and examines their implications for corporate performance.</i></p> <p><i>Using an integrative literature review approach, this study consolidates theoretical foundations and empirical findings related to cash holding motives, working capital management, liquidity risk, and financial flexibility. The analysis demonstrates that firms respond to heightened uncertainty by strengthening precautionary liquidity buffers, tightening working capital policies, and increasing reliance on internal liquidity as a substitute for constrained external financing. However, the findings emphasize that liquidity resilience is most effectively achieved through a portfolio-based strategy that combines scenario-based cash flow forecasting, efficient management of receivables, inventories, and payables, disciplined cost control, and diversification of liquidity sources.</i></p> <p><i>The article further highlights that the relationship between liquidity management and corporate performance is non-linear and context-dependent. Adequate liquidity enhances operational resilience and strategic optionality, enabling firms to survive economic shocks and exploit emerging opportunities. In contrast, insufficient liquidity heightens financial distress risk, while excessive liquidity may generate opportunity costs and agency problems that weaken firm value. By framing liquidity management as a dynamic and adaptive strategic policy, this article contributes to the corporate finance literature and provides practical insights for managers, investors, and policymakers operating in uncertain economic environments.</i></p> <p>Keywords: Cash Management, Corporate Liquidity, Economic Uncertainty, Working Capital Management, Financial Resilience.</p>
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<p>Copyright © 2026 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited.</p> <p>Citation: Wahyu Ari Andriyanto, Jessika Rahma Safitri, Hilman Faris, & Gusti HG. Senoaji. (2026). Cash management and corporate liquidity in the face of global economic uncertainty. UKR Journal of Arts, Humanities and Social Sciences (UKRJAHS), 2(4), 42-51.</p>	

1. Introduction

Global economic uncertainty has become a defining feature of the contemporary business environment. Heightened volatility in exchange rates, inflationary pressures, monetary tightening, geopolitical tensions, and recurring

disruptions in global supply chains have collectively increased the unpredictability of corporate cash flows and financing conditions. Such uncertainty amplifies firms' exposure to liquidity risk, constrains access to external

funding, and challenges their ability to sustain operations and investment activities. Evidence from emerging markets indicates that periods of elevated economic and policy uncertainty are often associated with more cautious corporate financial behavior, particularly in relation to cash holding and liquidity management (Juliana & Budiono, 2024; Tenggara et al., 2025).

Cash and liquidity assume a strategic role that goes beyond routine treasury operations. Cash is not merely a transactional asset to settle day-to-day obligations, but a critical buffer that safeguards business continuity during adverse shocks. When uncertainty intensifies and external financing becomes more costly or rationed, internally generated liquidity becomes a primary line of defense. Prior studies highlight that firms tend to increase cash holdings under uncertain conditions as a precautionary response, allowing them to absorb cash-flow disruptions, meet short-term liabilities, and preserve strategic flexibility, including the option to defer or reschedule investment decisions (Lau & Block, 2012; Juliana & Budiono, 2024). However, excessive cash accumulation may also generate opportunity costs and agency concerns, potentially reduce firm value if not governed effectively (Bayu & Septiani, 2015).

The strategic importance of liquidity is particularly salient for firms operating in emerging economies such as Indonesia, where financial markets may be less deep and more sensitive to global shocks. Empirical evidence from Indonesian listed companies suggests that the relationship between cash holdings, liquidity, and firm performance is not linear and is influenced by factors such as working capital efficiency, corporate governance, and financing structure (Bayu & Septiani, 2015; Kristiningrum, 2024). Efficient working capital management, reflected in a shorter cash conversion cycle, has been shown to ease liquidity pressure and enhance financial resilience, especially during periods of macroeconomic stress (Wibowo, 2025; Ahmad et al., 2025). These findings underscore that liquidity management should be understood as an integrated financial strategy rather than a narrow accounting exercise.

Against this background, the purpose of this article is threefold. First, it synthesizes key theoretical perspectives and empirical findings on corporate cash holding and liquidity management under conditions of global economic uncertainty. Second, it develops an integrated framework that links uncertainty, funding constraints, and operational risk to corporate liquidity decisions, including cash buffers, working capital policies, and access to external liquidity instruments. Third, it offers context-specific insights for companies in Indonesia, highlighting practical strategies that balance resilience and efficiency in managing cash and liquidity.

The contribution of this article lies in its integrative and contextual approach. While prior studies have examined cash holdings, liquidity, or working capital in isolation, this article combines these strands into a unified analytical framework that emphasizes their interaction under uncertainty. Moreover, by focusing on the Indonesian corporate context within the broader landscape of global economic instability, this study extends the emerging-market literature on liquidity management and provides a structured synthesis that is directly relevant to both academics and practitioners.

The novelty of this article stems from its emphasis on cash and liquidity management as a strategic portfolio decision rather than an isolated financial metric. Unlike prior studies that focus narrowly on cash holdings or liquidity ratios, this article highlights the interaction between cash buffers, working capital efficiency, external liquidity instruments, and risk management practices under global uncertainty. Furthermore, the article extends existing discussions by framing liquidity as a dynamic and adaptive policy that responds to changing macroeconomic conditions, financing constraints, and firm-specific characteristics. By synthesizing recent empirical evidence and theoretical arguments within this integrated perspective, the article offers a more comprehensive understanding of how firms can balance resilience and opportunity costs in managing liquidity during periods of heightened economic uncertainty.

The remainder of this article is structured as follows. The next section outlines the research method and literature review approach employed in this study. The subsequent section presents the synthesized results from prior empirical and theoretical research. This is followed by an analytical discussion that interprets the findings in the context of Indonesian firms facing global economic uncertainty. The final section concludes with managerial implications, limitations of the study, and directions for future research.

2. Conceptual Framework of Cash and Liquidity Management

2.1 Definition of Corporate Cash and Liquidity

In corporate finance, cash refers to the most liquid asset held by firms, encompassing cash on hand and demand deposits that are immediately available to meet operational and financial obligations. Cash constitutes the core component of corporate liquidity, as it can be utilized without conversion costs or timing delays. Meanwhile, corporate liquidity broadly reflects a firm's ability to meet short-term obligations as they fall due, typically measured through liquidity ratios, cash flow adequacy, and access to liquid assets or external financing facilities (Ross et al., 2019; Brigham & Ehrhardt, 2017).

Liquidity therefore extends beyond the mere level of cash balances. It also includes near-cash assets, such as marketable securities, as well as the efficiency with which firms convert operating assets—receivables and inventories—into cash through working capital management. Prior literature emphasizes that liquidity should be understood as a dynamic capability, shaped by cash flow generation, asset convertibility, and financing flexibility, rather than a static balance-sheet position (Damodaran, 2015; OECD, 2020).

From a strategic perspective, liquidity functions as a buffer against uncertainty and a mechanism that preserves managerial discretion. Firms with adequate liquidity are better positioned to absorb unexpected shocks, comply with financial commitments, and exploit investment opportunities when market conditions deteriorate. Consequently, effective cash and liquidity management plays a central role in maintaining both short-term solvency and long-term financial resilience.

2.2 Motives for Holding Cash

The theoretical foundations of corporate cash holdings are commonly explained through three primary motives: transactional, precautionary, and speculative motives. These motives collectively shape firms' optimal cash policies and explain variations in cash holdings across firms and economic conditions.

2.2.1 Transactional Motive

The transactional motive refers to the need to hold cash to facilitate routine business operations, such as paying suppliers, wages, taxes, and other operating expenses. Firms incur transaction costs when converting non-cash assets into cash or when accessing external financing. Holding cash therefore minimizes these costs and ensures smooth operational continuity. Classic corporate finance theory posits that firms with predictable cash inflows and efficient payment systems can operate with lower transactional cash balances, whereas firms facing volatile operating cycles require higher transactional liquidity (Brigham & Ehrhardt, 2017; Ross et al., 2019).

In practice, transactional cash needs are closely linked to the structure of working capital. Firms with longer cash conversion cycles, resulting from slow receivable collections or high inventory levels, tend to require higher cash balances to support daily operations.

2.2.2 Precautionary Motive

The precautionary motive arises from uncertainty surrounding future cash flows and access to external financing. Under conditions of economic volatility, firms face heightened risks of revenue shortfalls, cost increases, and credit market tightening. Holding cash serves as a self-

insurance mechanism that allows firms to absorb shocks without resorting to costly or constrained external financing (Bates et al., 2018; OECD, 2020).

Empirical studies consistently document that firms increase cash holdings during periods of elevated economic and policy uncertainty. This behavior reflects rational managerial responses to uncertainty, where cash provides a real option to “wait and see” before committing to irreversible investment decisions. In such contexts, cash not only preserves operational continuity but also enhances financial flexibility and strategic optionality (Acharya et al., 2017; Juliana & Budiono, 2024).

For firms operating in emerging markets or environments with underdeveloped financial systems, the precautionary motive is often more pronounced due to limited access to stable external funding and higher exposure to macroeconomic shocks.

2.2.3 Speculative Motive

The speculative motive reflects firms' intention to hold cash in order to exploit future investment opportunities that may arise unexpectedly, particularly during economic downturns or market dislocations. Cash enables firms to acquire assets, invest in projects, or engage in strategic acquisitions at favorable prices without relying on external financing under adverse conditions (Damodaran, 2015; Myers, 2018).

This motive highlights the strategic dimension of cash holdings, where liquidity supports value creation rather than mere risk mitigation. Firms with strong governance and disciplined capital allocation are more likely to deploy speculative cash effectively. However, without appropriate governance mechanisms, speculative cash holdings may exacerbate agency problems, leading to inefficient investment or value-destroying behavior (Dittmar & Mahrt-Smith, 2017).

2.3 The Trade-off between Liquidity and Profitability

While liquidity enhances financial resilience, excessive cash holdings entail opportunity costs that may negatively affect firm profitability and value. Idle cash typically yields lower returns compared to productive investments, and excessive liquidity may signal inefficient capital allocation. This creates a fundamental trade-off between liquidity and profitability, where firms must balance the benefits of holding cash against its associated costs (Damodaran, 2015; Yun et al., 2021).

Theoretical and empirical research suggests the existence of an optimal level of cash holdings, beyond which additional liquidity no longer contributes to firm value and may even reduce it. Studies show that insufficient liquidity increases the risk of financial distress, whereas excessive

liquidity may amplify agency costs and depress returns on assets (Bayu & Septiani, 2015; Dittmar & Mahrt-Smith, 2007).

Consequently, effective cash and liquidity management requires firms to adopt a dynamic and context-dependent approach. Rather than maximizing or minimizing cash balances, firms should align liquidity policies with their risk exposure, operating characteristics, governance quality, and macroeconomic environment. In periods of heightened uncertainty, a temporary shift toward higher liquidity may be justified, whereas in stable conditions, firms may reallocate excess cash toward investment, debt reduction, or shareholder distributions.

3. Cash and Liquidity Management under Global Economic Uncertainty

3.1 Economic Uncertainty and Liquidity Risk

Global economic uncertainty fundamentally reshapes corporate liquidity risk profiles. Uncertainty increases the volatility of operating cash flows, weakens forecasting accuracy, and heightens the probability that firms will face short-term funding gaps. Liquidity risk arises when firms are unable to meet financial obligations as they mature, despite being solvent in the long run. During periods of macroeconomic instability, this risk intensifies due to the simultaneous pressure on revenues, costs, and access to external financing (OECD, 2020; Ross et al., 2019).

Prior research highlights that economic uncertainty alters managerial priorities from profit maximization toward cash preservation and risk mitigation. Firms respond by increasing cash buffers, shortening investment horizons, and tightening working capital policies. Empirical evidence shows that heightened uncertainty, measured through economic or policy uncertainty indices, is associated with higher corporate cash holdings, reflecting the dominance of the precautionary motive under volatile conditions (Bates et al., 2018; Juliana & Budiono, 2024).

In this context, liquidity management becomes a strategic function rather than a routine treasury activity. Firms must continuously assess their exposure to liquidity shocks and adjust cash policies dynamically to balance resilience against opportunity costs.

3.2 Exchange Rate Volatility and Inflationary Pressures

Exchange rate volatility constitutes a major source of liquidity risk, particularly for firms engaged in international trade or those with foreign currency-denominated costs and liabilities. Fluctuations in exchange rates can lead to sudden increases in operating expenses, debt servicing costs, and working capital requirements. For firms with limited hedging mechanisms, currency depreciation may directly erode cash reserves and strain liquidity positions.

Inflation further compounds liquidity challenges by increasing input costs, compressing profit margins, and reducing real cash balances. Persistent inflationary pressures often prompt central banks to tighten monetary policy, which raises borrowing costs and amplifies liquidity constraints. As inflation accelerates, firms may experience mismatches between rising costs and delayed revenue adjustments, increasing short-term cash flow pressures (Brigham & Ehrhardt, 2017; Damodaran, 2015).

To mitigate these risks, firms increasingly integrate cash management with risk management strategies, such as selective hedging and currency exposure monitoring. Effective liquidity management under exchange rate volatility requires aligning cash holdings, debt maturity structures, and operational cash flows to reduce sensitivity to macroeconomic shocks.

3.3 Supply Chain Disruptions and Demand Contraction

Global economic uncertainty is frequently accompanied by supply chain disruptions and fluctuations in market demand. Disruptions, arising from geopolitical conflicts, pandemics, or logistical bottlenecks, can delay input deliveries, increase inventory costs, and lengthen production cycles. These conditions intensify working capital requirements and lock cash in inventories, thereby weakening liquidity positions.

Simultaneously, uncertainty often leads to demand contraction as consumers and businesses postpone spending. Declining sales volumes reduce cash inflows and increase the risk of receivable defaults, especially when customers face their own liquidity constraints. Empirical studies suggest that firms with inefficient working capital management are particularly vulnerable under such conditions, as prolonged cash conversion cycles exacerbate liquidity stress (Shin & Soenen, 1998; Zimon & Tarighi, 2021).

In response, firms tend to prioritize liquidity preservation through stricter credit policies, inventory optimization, and renegotiation of payment terms with suppliers. These measures aim to accelerate cash inflows and defer cash outflows without undermining long-term operational relationships. The effectiveness of such strategies underscores the critical role of working capital management as a core component of liquidity resilience during periods of economic disruption.

3.4 Tightening of External Financing Conditions

Economic uncertainty is often associated with tighter external financing conditions, as financial institutions become more risk-averse and capital markets experience heightened volatility. Credit availability may decline, borrowing costs increase, and covenant restrictions become

more stringent. Under these circumstances, firms face higher refinancing risks and reduced flexibility in managing short-term liquidity needs (Myers, 2018; Graham et al., 2015).

Research indicates that firms respond to tightening financing conditions by relying more heavily on internal liquidity and precautionary cash holdings. Cash thus serves as a substitute for external financing, allowing firms to sustain operations and investment activities when access to credit is constrained. However, excessive dependence on internal liquidity may also limit growth opportunities if firms become overly conservative in their financial policies (Acharya et al., 2017).

Accordingly, effective liquidity management under financing constraints requires a balanced approach that combines internal cash buffers with diversified external funding sources. Firms that proactively manage credit lines, maintain strong relationships with financial institutions, and preserve financial flexibility are better positioned to navigate periods of external financing stress.

4. Strategic Cash and Liquidity Management Practices

4.1 Cash Flow Forecasting and Cash Budgeting

Cash flow forecasting and cash budgeting constitute the foundation of strategic cash and liquidity management, particularly under conditions of heightened economic uncertainty. Accurate cash flow forecasts enable firms to anticipate liquidity shortages, identify funding gaps, and plan timely corrective actions. In uncertain environments, traditional static budgeting approaches become insufficient, as cash inflows and outflows are subject to significant volatility.

Prior literature emphasizes the importance of scenario-based cash forecasting, where firms project cash flows under multiple economic conditions, optimistic, baseline, and adverse scenarios, to assess liquidity resilience (Brigham & Ehrhardt, 2017; OECD, 2020). Such approaches enhance managerial awareness of downside risks and reduce reliance on reactive liquidity measures. Firms that integrate short-term cash forecasting with rolling budgets are better equipped to adjust operational and financial decisions dynamically, thereby strengthening their capacity to withstand cash flow shocks.

Effective cash budgeting also supports strategic alignment between operating activities, financing decisions, and investment planning. By linking cash forecasts with working capital policies and financing strategies, firms can transform cash management from a passive monitoring function into a proactive decision-making tool.

4.2 Working Capital Management

Working capital management represents one of the most cost-efficient mechanisms for enhancing corporate liquidity. Rather than increasing cash holdings through external financing, firms can unlock internal liquidity by improving the efficiency with which current assets and liabilities are managed. Extensive empirical evidence indicates that effective working capital management is closely associated with improved liquidity positions and financial performance, particularly during periods of economic stress (Shin & Soenen, 1998; Zimon & Tarighi, 2021).

4.2.1 Accounts Receivable Management

Accounts receivable constitutes a significant component of working capital and directly affect the timing of cash inflows. Under conditions of economic uncertainty, delayed payments and customer defaults become more prevalent, increasing liquidity risk. Firms therefore tend to adopt stricter credit policies, enhanced credit risk assessments, and incentives for early payment to accelerate cash collections.

Research suggests that reducing the average collection period can significantly improve liquidity without compromising long-term customer relationships, provided that credit policies are applied selectively and based on risk segmentation (Hill et al., 2012). Effective receivables management thus serves as a critical lever for stabilizing cash inflows during volatile economic periods.

4.2.2 Inventory Management

Inventory management plays a dual role in liquidity management. Excessive inventory ties up cash and increases holding costs, while insufficient inventory may disrupt production and sales. Economic uncertainty often amplifies this trade-off, as supply chain disruptions and demand volatility complicate inventory planning.

Studies indicate that firms adopting more disciplined inventory control systems, such as demand-driven planning and inventory turnover monitoring, are better able to preserve liquidity under uncertain conditions (Shin & Soenen, 1998; Zimon & Tarighi, 2021). By reducing inventory days and improving turnover rates, firms can release cash previously locked in operational cycles, thereby strengthening short-term liquidity without resorting to external funding.

4.2.3 Accounts Payable Management

Accounts payable represent a key source of spontaneous financing. Extending payment terms, when managed carefully, allows firms to delay cash outflows and improve liquidity positions. However, aggressive delays may

damage supplier relationships and disrupt supply continuity.

The literature emphasizes the importance of strategic payables management, where firms negotiate payment terms aligned with their liquidity needs while preserving long-term supplier trust (Hill et al., 2012). Effective coordination between receivables, inventory, and payables management shortens the cash conversion cycle and enhances overall liquidity resilience.

4.3 Cost Efficiency and Expenditure Control

Cost efficiency and expenditure control are integral components of liquidity management, particularly during periods of economic uncertainty. When revenue streams become volatile, controlling cash outflows becomes as critical as stabilizing inflows. Firms often respond by implementing selective cost reduction strategies that prioritize liquidity preservation without undermining core operational capabilities.

Prior research highlights that indiscriminate cost-cutting may erode long-term competitiveness. Therefore, effective expenditure control focuses on identifying non-essential or low-value activities while safeguarding investments that support operational efficiency and future growth (Damodaran, 2015; Ross et al., 2019). By aligning cost structures with cash flow capacity, firms can maintain positive operating cash flows and reduce short-term liquidity pressure.

4.4 Diversification of Liquidity Sources

Relying solely on internal cash reserves exposes firms to heightened liquidity risk when economic uncertainty persists. Consequently, diversification of liquidity sources constitutes a key strategic practice in corporate liquidity management. External liquidity instruments, such as revolving credit facilities, trade credit, and short-term debt, complement internal cash buffers and enhance financial flexibility.

Theoretical and empirical studies indicate that firms with access to diversified liquidity sources are better positioned to absorb shocks and maintain operational continuity during financing constraints (Acharya et al., 2017; Myers, 2018). Importantly, external liquidity should be secured proactively, as access to credit often deteriorates precisely when firms need it most.

An integrated liquidity strategy therefore combines internal cash management, efficient working capital practices, disciplined cost control, and diversified financing channels. Such an approach enables firms to navigate economic uncertainty while balancing liquidity resilience and profitability considerations.

5. Impact of Liquidity Management on Corporate Performance

5.1 Corporate Operational Resilience

Effective liquidity management plays a critical role in strengthening firms' operational resilience, particularly under conditions of heightened economic uncertainty. Operational resilience refers to a firm's ability to sustain core business activities, meet short-term obligations, and maintain production and service delivery despite adverse shocks. Adequate liquidity enables firms to absorb temporary disruptions in cash inflows, manage unexpected cost increases, and prevent operational interruptions that may escalate into financial distress.

Prior studies emphasize that firms with stronger liquidity positions are better able to stabilize operations during downturns, as they can continue financing working capital needs without relying excessively on external funding (OECD, 2020; Ross et al., 2019). Liquidity buffers allow firms to honor contractual commitments to employees, suppliers, and creditors, thereby preserving trust and continuity across the value chain. Conversely, liquidity shortages often force firms into reactive decisions, such as fire sales of assets or abrupt production cuts, which can permanently impair operational capacity (Brigham & Ehrhardt, 2017).

Thus, liquidity management should be viewed as a core pillar of operational resilience, enabling firms not only to survive short-term disruptions but also to stabilize performance during prolonged periods of uncertainty.

5.2 Corporate Survival and the Ability to Exploit Opportunities

Beyond sustaining operations, liquidity management significantly influences firms' ability to survive economic downturns and capitalize on emerging opportunities. During crises or periods of market dislocation, asset prices often decline, competitors weaken, and strategic opportunities arise. Firms with sufficient liquidity can act decisively by investing, expanding market share, or acquiring distressed assets at favorable valuations.

Theoretical perspectives suggest that liquidity provides firms with strategic optionality, allowing them to defer irreversible investments under uncertainty while retaining the capacity to act when conditions improve (Myers, 2018; Damodaran, 2015). Empirical evidence supports this view, showing that firms with stronger cash positions are more likely to maintain investment activities and avoid value-destroying financing constraints during downturns (Acharya et al., 2017).

However, the relationship between liquidity and performance is not unconditionally positive. Excessive cash

accumulation may signal managerial conservatism or inefficient capital allocation, potentially suppressing long-term returns. Therefore, the performance benefits of liquidity depend on firms' ability to deploy cash strategically and align liquidity policies with investment opportunities and governance mechanisms (Dittmar & Mahrt-Smith, 2017).

5.3 Empirical Evidence from Prior Studies

A substantial body of empirical research has examined the relationship between liquidity management and corporate performance, yielding nuanced and context-dependent findings. Studies from both developed and emerging markets consistently demonstrate that liquidity is a significant determinant of firm performance, particularly during periods of economic stress.

Empirical evidence indicates that efficient working capital management, reflected in shorter cash conversion cycles and improved receivables and inventory turnover, is positively associated with profitability and financial stability (Shin & Soenen, 2016; Kiyamaz et al., 2024). Firms that manage working capital effectively are better able to maintain liquidity without excessive reliance on idle cash holdings, thereby enhancing both resilience and efficiency.

Research focusing on cash holdings reveals a non-linear relationship between liquidity and firm value. Moderate levels of cash are generally associated with higher firm value and improved performance, while excessive or insufficient cash holdings tend to reduce value due to opportunity costs or heightened financial distress risk (Bayu & Septiani, 2015; Yun et al., 2021). These findings support the notion of an optimal liquidity range that balances risk mitigation and profitability.

Moreover, studies examining periods of elevated economic and policy uncertainty find that firms increase cash holdings as a precautionary response, and that such behavior can mitigate the negative impact of uncertainty on investment and performance (Bates et al., 2018; Juliana & Budiono, 2024). Evidence from emerging markets further suggests that liquidity management is particularly critical in environments characterized by volatile macroeconomic conditions and limited access to stable external financing.

Overall, the empirical literature underscores that liquidity management influences corporate performance through multiple channels, operational continuity, financial flexibility, and strategic responsiveness, rather than through a single direct mechanism.

6. Discussion and Managerial Implications

6.1 Discussion: Integrating Liquidity Management, Uncertainty, and Performance

The discussion of this study reinforces the view that cash and liquidity management should be treated as a strategic

and adaptive financial policy, particularly in the context of global economic uncertainty. The synthesis of prior sections indicates that liquidity does not merely serve as a short-term solvency tool, but rather as a central mechanism through which firms manage risk, preserve operational continuity, and sustain long-term performance.

The findings highlight a recurring trade-off faced by firms: while higher liquidity enhances resilience against cash flow shocks and financing constraints, excessive liquidity may generate opportunity costs and agency problems. This trade-off becomes more pronounced under conditions of heightened uncertainty, where firms tend to prioritize precautionary cash holdings and defer investment decisions. Consistent with the real options perspective, liquidity increases the value of managerial flexibility, allowing firms to delay irreversible commitments until uncertainty subsides (Damodaran, 2015; Myers, 2018).

Moreover, the analysis underscores that liquidity outcomes are strongly shaped by working capital efficiency and access to diversified funding sources, rather than by cash balances alone. Firms that rely exclusively on cash accumulation without improving internal cash generation and working capital discipline may experience diminishing returns from liquidity. In contrast, firms that integrate cash management with receivables, inventory, and payables optimization are better positioned to maintain liquidity at lower cost, thereby improving both resilience and profitability (Shin & Soenen, 2016; Kiyamaz et al., 2024).

Overall, the discussion suggests that the impact of liquidity management on corporate performance is conditional and context-dependent, influenced by macroeconomic uncertainty, firm characteristics, and governance quality. This perspective aligns with empirical evidence showing non-linear relationships between liquidity and firm value, particularly in emerging market settings (Bayu & Septiani, 2015; Yun et al., 2021).

6.2 Managerial Implications

The findings of this article yield several important managerial implications for corporate decision-makers, particularly those operating in uncertain and volatile economic environments.

First, managers should reposition liquidity management as a strategic priority rather than a purely operational or accounting function. This involves embedding cash flow forecasting and liquidity planning into strategic decision-making processes, including investment evaluation, financing choices, and risk management. Scenario-based cash forecasting and rolling cash budgets enable managers to anticipate liquidity stress and respond proactively, rather than relying on reactive short-term measures.

Second, firms should prioritize working capital optimization as the most efficient lever for strengthening liquidity. Improving receivables collection, inventory turnover, and payables management can release internal liquidity without increasing financial leverage or holding excessive idle cash. This approach is particularly relevant in environments where external financing becomes costly or constrained during economic downturns.

Third, managers need to balance liquidity buffers with profitability considerations. While maintaining sufficient cash reserves is essential for resilience, excessive conservatism may lead to underinvestment and erosion of firm value. Effective governance mechanisms are therefore critical to ensure that liquidity is deployed in value-enhancing activities rather than accumulated without strategic purpose (Dittmar & Mahrt-Smith, 2017).

Fourth, diversification of liquidity sources should be treated as a core element of financial flexibility. Firms are encouraged to secure access to external liquidity, such as revolving credit facilities or trade credit, during stable periods, as access to funding often deteriorates precisely when uncertainty intensifies. Combining internal liquidity with external financing options reduces reliance on any single source and enhances resilience under adverse conditions (Acharya et al., 2017).

6.3 Implications for Investors and Policymakers

Beyond managerial relevance, the findings also offer implications for investors and policymakers. For investors and creditors, evaluating corporate liquidity should go beyond traditional liquidity ratios and incorporate indicators such as operating cash flow quality, working capital efficiency, and exposure to macroeconomic uncertainty. These dimensions provide a more comprehensive assessment of firms' true liquidity resilience.

For policymakers, understanding how firms adjust liquidity policies in response to uncertainty can inform the design of financial regulations and monetary policies. Stable and transparent policy environments may reduce excessive precautionary cash hoarding, thereby encourage productive investment and support economic recovery during periods of global uncertainty (OECD, 2020).

7. Conclusion and Future Research Directions

7.1 Conclusion

This article has examined the strategic role of cash and liquidity management in enabling firms to navigate global economic uncertainty. Drawing on established corporate finance theory and prior empirical evidence, the analysis demonstrates that liquidity management is not merely a short-term operational concern, but a core strategic policy

that shapes firms' resilience, flexibility, and performance under volatile macroeconomic conditions.

The discussion highlights that heightened economic uncertainty, manifested through exchange rate volatility, inflationary pressures, supply chain disruptions, and tightening external financing, significantly amplifies corporate liquidity risk. In response, firms tend to strengthen precautionary cash holdings, tighten working capital policies, and rely more heavily on internal liquidity. However, the findings emphasize that liquidity resilience is most effectively achieved not through excessive cash accumulation alone, but through an integrated approach combining cash flow forecasting, efficient working capital management, disciplined cost control, and diversified liquidity sources.

Importantly, the relationship between liquidity and corporate performance is shown to be non-linear and context-dependent. Adequate liquidity enhances operational continuity and strategic optionality, while insufficient liquidity increases financial distress risk. Conversely, excessive liquidity may generate opportunity costs and agency problems that weaken firm value. These findings reinforce the notion that firms must continuously balance liquidity and profitability, particularly in environments characterized by persistent uncertainty.

Overall, this article contributes to the literature by framing cash and liquidity management as a dynamic, portfolio-based strategy that evolves in response to macroeconomic conditions, firm characteristics, and governance quality.

7.2 Limitations and Directions for Future Research

Despite its contributions, this article is subject to several limitations that open avenues for future research. First, as a literature-based study, the analysis relies on prior empirical findings and theoretical arguments rather than original firm-level data. Future research could extend this work by conducting empirical tests using panel data to examine causal relationships between economic uncertainty, liquidity management, and firm performance.

Second, measures of economic uncertainty vary across studies, including policy uncertainty indices, global uncertainty indicators, and market-based volatility measures. Further research could compare alternative uncertainty proxies to assess their differential impact on corporate liquidity decisions.

Third, firm heterogeneity remains an important area for investigation. Industry characteristics, firm size, ownership structure, and governance quality may moderate the effectiveness of liquidity management strategies. Sector-specific or country-level studies, particularly in emerging markets, could provide more granular insights into how

liquidity policies are shaped by institutional environments.

Finally, future studies may explore the role of advanced treasury practices and financial innovations, such as cash pooling, supply chain financing, and digital cash management systems, in enhancing liquidity resilience. Evaluating the effectiveness of these tools under varying degrees of uncertainty would further enrich the understanding of modern liquidity management.

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