

## ABSTRACT

Sandra (01011180086)

**THE IMPACT OF GEOPOLITICAL RISK, STATE OWNERSHIP, AND GROUP AFFILIATIONS ON INDONESIAN FIRMS' CASH RESERVES**  
(xii + 57 pages: 17 tables; 6 appendixes)

As globalization progressed, geopolitical risk became an influential factor in both national and international trade. While its influence on macroeconomy has been widely studied, there has not been much research on its direct impact on firms. Hence, the purpose of this study is to examine whether geopolitical risks affect firms' cash reserves in Indonesia. Using a panel data analysis, we analyze the role of GPR on firms' cash reserves from 2010 to 2020. The results reveal that firms spend their cash reserves when encountering geopolitical risk, specifically financially constrained firms. We extend our study by investigating the effects of state ownership and group business affiliations on firms' attitudes in encountering GPR. State ownership positively affects the relation of GPR and firms' cash reserves, while group affiliation does not show a notable impact. The result was robust to endogeneity issues. However, further studies are still needed to determine the extent of geopolitical risk impacts firms' performances.

**Keywords:** geopolitical risk, cash reserves, state ownership, business group, Indonesia

**References:** 97 (1952-2021)