

The Influence of Net Profit and Operating Cash Flow on Stock Prices: Main Listing Board Company

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Article Informations

Received:
(09-11-2023)

Accepted
(13-01-2024)

Available Online :
(01-02-2024)

Keywords:
Net Profit, Operating
Cashflow, Stock
Prices

Abstract

This research aims to determine the influence of each independent variable net profit and operating cash flow on the stock price. the research uses quantitative research methods with descriptive analysis and verification analysis research approaches. a research approach that uses a lot of numbers, starting from collecting data, interpreting the data obtained, and presenting the results. The research object is Healthcare Companies listed on the Indonesia Stock Exchange 2019 - 2021. This research uses qualitative - secondary data from financial reports on the official website of the Indonesia Stock Exchange. The population in this research was 25 healthcare companies registered on the IDX at the time this research was conducted. The Partial result, share prices in the net profit t test have an influence but are not significant and operating cashflow has a significant effect. The simultaneous test, the influence of net profit and operating cash flow together has an effect on share price.

Introduction

Signaling Theory is a theory that discusses the rise and fall of prices in the market such as stock prices, bonds and so on, so that it influences investors' decisions to buy or sell the shares they own according to Irham Fahmi 2014:21 in (Silalahi & Sembiring, 2020). According to (Sri Sulistyanto, 2008) signaling theory is used to explain that, basically, financial reports are used by companies to provide positive or negative signals to their users. Information published as an announcement will provide signals for investors in making investment decisions. If the announcement is positive, it is hoped that the market will respond positively. When information is announced and all market players have received the information, market players first interpret and analyze the information as a good signal (good news) or a bad signal (bad news) (Jogiyanto 2013) in (Asrianti & Rahim, 2015). Signaling theory can help investors understand the rise and fall of share prices as a signal, a fall in share prices indicates that the assessment of the company is not good and conversely a rise in share prices will be a signal indicating that the company is developing positively. The stock market is one of the attractive investment instruments to choose. The community is behind many other investments that are known to the public because their investment results can grow rapidly. However, on the other hand, if an investor is not careful, they will not gain a growing investment but will in fact suffer large losses (Trifino, 2009). Previously, the Indonesian Stock Exchange announced that 9 shares had moved from the Development Board to

the Main Board, effective May 31 2022. Companies listed on the Main Board must record operating profits for the last financial year, release audited company financial reports for more than the same as 3 years with a fair opinion, have tangible assets worth IDR 100 billion and have at least 1,000 shareholders. The transaction volume of the 9 shares that moved to the Main Board in the last week ranged from 311,400 shares to a high of 789.1 shares (CNBC Indonesia, 2022).

Investors study the company's financial reports first to analyze the company's performance to determine the company's strengths and weaknesses, identify trends and evaluate operational efficiency, and understand the basic nature and operational characteristics of the company (I Made Andyana, 2020). Financial reports and cash flow reports are the most important parts that must be understood by company managers and other parties related and interested in the company. The information presented is to determine the company's performance which is then used as a basis for decision making for internal and interested parties. According to (Erwindyah Astawinetu & Dr. Sri Handini, 2020).

Capital owners are interested in investing in a company if the profits generated by the company are relatively high. An increase in profits has the potential to increase share prices which also increases shareholder prosperity. The market believes not only in the company's current performance but also in the company's future prospects (Silvia, 2019:3). Low-quality profits are undesirable because they produce flawed resource allocation signals (Schipper and Vincent 2003 in Silvia, 2019). Wahyu Widodo 2003 in (Silalahi & Sembiring, 2020) one of the pieces of information in financial reports that investors respond to and influences economic decision making is cash flow information. The cash flow report is important to determine the company's ability to pay dividends and the ability to purchase assets needed to continue operations (Atma Hayat, 2021). The differences in cash flow components are important because each component is considered to have a different influence on stock returns (Wilson and Bowen et al. Maryana, 2019).

Previously research has been conducted on the relationship between net profit and operating cash flow on share prices, such as in the journal written by (Nurhadi Santoso & Sodikin Manaf, 2019) in food and beverage companies for the 2012-2015 period, the research results show that there is an influence of operational cash flow and net profit on share prices in the t table test. Different results occurred in research conducted by (Setiawati, 2018) in the Food and Beverages company for the 2012-2015 period, it was stated that in the t test the net profit table had a significant effect on share prices from operating cash flow. Other different results also occurred in various industrial companies for the 2015-2017 period which were researched by (Asia & Mulyani, 2020) that in the partial t test net profit has no effect on share prices while operating cash flow has an effect on stock prices.

Research Method

In this research, the research uses quantitative research methods with descriptive analysis and verification analysis research approaches. a research approach that uses a lot of numbers, starting from collecting data, interpreting the data obtained, and presenting the results. The research object is Healthcare Companies listed on the Indonesia Stock Exchange for the 2019 - 2021 period. This research uses qualitative - secondary data, namely by taking it from financial reports on the official website of the Indonesia Stock Exchange. The population in this research was 25 healthcare companies registered on the IDX at the time this research was conducted. The samples included in the research category were 12 samples. This research uses Multiple Regression, to determine

the influence of each independent variable net profit and operating cash flow on the dependent variable stock price. The multiple regression equation used in the research is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e \dots \dots \dots (1)$$

Information:

Y = Share Price

α = Price of Y when X = 0 (Constant Price)

β_1, β_2 = Regression Coefficient, is the magnitude of the change in the related variable due to changes in each unit of the independent variable.

X1 = Net Profit

X2 = Operating Cash Flow

e = Error, Interference variable

Results and Discussion

Result

Descriptive Statistics Test Results

Table 1. Descriptive Statistics Test Results

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
NET PROFIT		-33	32	60	81
OPERATING CASH FLOWS	36	-18	42	81	10
STOCK PRICE	36	204	9200	2556.31	2133,372
Valid N (listwise)	36				

Source. Processed Data, 2023

Net Profit data, the number of data (N) is 36, the Minimum value is -33, the Maximum value is 32 and the Mean value is 60 with a Standard Defiation value of 814852310975.04. Operating Cash Flow Data, the number of data (N) is 36, the Minimum value is -18, the Maximum value is 42 and the Mean value is 811103500036.53 with a Standard Defiation value of 10. Stock Price Data, the number of data (N) is 36, the Minimum value is 204, the Maximum value is 9200 and the Mean value is 2556.31 with a Standard Defiation value of 2133.372.

Multicollinearity Test

Table 2. Multicollinearity Test

Model		Coefficients ^a					Collinearity Statistics		
		Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Tolerance	VIF
		B	Std. Error	Beta					
1	(Constant)	2531,841	414,531			6,108	<.001		
	NET PROFIT	-2.221E-9	,000	-,848		-3,035	,005	,299	3,340
	OPERATING CASH FLOWS	1.696E-9	,000	,823		2,943	,006	,299	3,340

Source. Processed Data, 2023

In Multicollinearity testing it can be seen from *output* above, the tolerance value is $0.299 > 0.10$, so multicollinearity does not occur. The VIF value is $3.340 < 10.00$, so multicollinearity does not occur.

Autocorrelation Test

Tabel 3. Autocorrelation Test

Model Summary b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,478a	,228	,181	1930,283	1,839

Source. Processed Data, 2023

Output results for auto test The correlation can be seen that Durbin-Watson is 1.839. For the test, it must also be tested with the DW table using the conditions $\alpha = 5\%$, $n = 36$, $k = 2$, $d = 1.839$, $dL = 1.354$, $dU = 1.587$. It can be distributed as follows: $1.839 > 1.587$ has no positive autocorrelation and $4 - 1.839 = 2.161 > 1.587$ so there is no negative autocorrelation of the data.

Multiple Linear Regression Test

Table 4. Multiple Linear Regression Test

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2531,841	414,531		6,108	<.001
	NET PROFIT	-2.221E-9	,000	-,848	-3,035	,005
	OPERATING CASH FLOWS	1.696E-9	,000	,823	2,943	,006

Source. Processed Data, 2023

Linear regression equation The multiples used are as follows:
 $Y = 2531.841 + (-2.221)$

The output results in the test show that the net profit t is $-3.035 < t$ table -2.032 is a partial effect on share prices (H_0 is rejected and H_a is accepted) and operating cash flow t count is $2.943 > t$ table 2.032 is a partial effect on stock prices (H_0 is rejected and H_a is accepted).

F Test Results

Table 5. F Test Results

ANOVAa						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36336823,822	2	18168411,911	4,876	,014b
	Residual	122957809,817	33	3725994,237		
	Total	159294633,639	35			

Source. Processed Data, 2023

Based on the output, by applying the provisions in the F test as follows: calculated F is $4.876 > F$ table (2;34) is 3.28 and Sig $0.014 < 0.05$, it can be said that simultaneously and together the net profit and current operating cash has an effect on share prices (Ho is rejected, Ha is accepted).

Discussion

Partial tests on variables are tested using the t test, the actual test is carried out with the condition, if $t \text{ count} > t \text{ table}$ then Ho is rejected, meaning that the independent variable has an effect and is statistically significant at $\alpha 5\%$ on the dependent variable. And if $t \text{ count} < t \text{ table}$, then Ho is accepted, meaning the independent variable has an effect but is not statistically significant at $\alpha 5\%$ on the dependent variable. The output results in the test are net profit $t \text{ count} -3.035 < t \text{ table} -2.032$ which has a partial effect on share prices (Ho is rejected and Ha is accepted) and operating cash flow $t \text{ count} 2.943 > t \text{ table} 2.032$ has a partial effect on stock prices (Ho rejected and Ha accepted).

Simultaneous test using the F test, distributed with testing in the guidelines, if sig. $< \alpha 5\%$ then Ho is rejected, which means the independent variable has an effect and is statistically significant at $\alpha 5\%$ on the dependent variable. When sig. $> \alpha 5\%$ then Ho is accepted, which means the independent variable has an effect but is not statistically significant at $\alpha 5\%$ on the dependent variable. If $F \text{ count} > F \text{ table}$, then Ho is rejected, which means the independent variable has an effect and is statistically significant at $\alpha 5\%$ on the dependent variable. If $F \text{ count} < F \text{ table}$, then Ho is accepted, which means the independent variable has an effect but is not statistically significant at $\alpha 5\%$ on the dependent variable. F count is $4.876 > F \text{ table} (2;34)$ is 3.28 and Sig $0.014 < 0$,

Conclusion

Based on all the testing steps carried out by the research, it can be concluded that partial share prices in the net profit t test have an influence but are not significant on share prices, namely $t \text{ count} -3.035 < t \text{ table} -2.032$, this is in line with the results of the test carried out by Jhon Lismart, (2020) and(Kharisma, 2020). The operating cash flow test also has a significant influence on share prices, namely $t \text{ count} 2.943 > t \text{ table} 2.032$, this is in line with the test results carried out by Fatimatus (2019) and Asrianti (2015). In the simultaneous test, the influence of net profit and operating cash flow together has an effect on share prices simultaneously, $F \text{ table} 4.876 > F \text{ table} 3.28$ with sig $0.014 < 0.05$, this is in line with the research results(Mufidah, 2017) And (Ayu, 2021)

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