Analysis of Stock Return Determinants in Manufacturing Companies Listed on the Indonesia Stock Exchange

Puja Rizqy Ramadhan*, Fitri Yani Panggabean and Nia Pratiwi Lubis
Universitas Pembangunan Panca Budi, Indonesia

*Corresponding Author

PUJA RIZQY RAMADHAN

Abstract: This study aims to determine the effect of operating cash flow, investment, financial and profit on stock returns of manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period. This study uses data obtained through the company's financial statements. This research sample selection method used purposive sampling method, the sample of this study was 70 of 14 companies. Data analysis used descriptive statistical tests, classical hypothesis testing and multiple linear regression hypothesis testing. The results of multiple linear regression analysis show that based on the results of the t test or partial test, operating cash flow has a significant effect on stock returns, while investment cash flow funding cash flow and net profit has not a significant effect. Simultaneous test show that operating cash flow.

Keywords: Operating cash flow, investment cash flow, funding cash flow, net profit and stock return.

INTRODUCTION

Every company must have the ability to develop its own business. This can be seen from the way the company generates profits to the company's ability to handle income and expenses as seen in the company's financial statements, it can also be seen that the company still needs funds to develop its business. Therefore, the company needs funds to develop its business which can be obtained through the capital market. The capital market also plays an important role for companies to obtain more sources of funds through buying and selling activities in the capital market. In the current era, buying and selling activities do not only occur in the sale and purchase of physical assets, but also in financial assets such as securities issued by public companies.

The function of the capital market is as a means of mobilizing funds from public sources to various sectors for investment. To minimize risk, investors who will invest in the capital market must have sufficient wisdom and thoroughness to obtain the maximum possible profit. Therefore, these investors must be supported by various information, namely information from financial statements used as a reference in making capital market decisions, and it is through this capital market that companies can interact with the public (public), which can be said to be the owner of the largest source of funds.

Stock return is a very important factor that must be considered by investors in investing, because changes in stock returns are in line with the performance of the issuer, while stock returns show the performance of the issuer. The better the performance of the issuer, the greater the profit generated from its business operations. In this case, the issuer's stock returns tend to rise. In addition, there is a view that stock trading activities in the capital market are no longer influenced by the performance of the issuer, but only by the performance of the issuer Through speculation and arguments about a society Competition in the Indonesian capital market relies more on information As a basis for making investment decisions based on gossip And other non-financial activities, such as news and socio-political economic situation and so on.

In other words, financial statements are the main source of financial information that can be used to make economic decisions. Financial reports are specially
prepared according to the special rules of the regulatory body or according to the specific needs of users.

In carrying out its business operations, the company will of course be faced with a situation where the value of the company will increase or even decrease. The Composite Stock Price Index (JCI) was finally able to get out of the red zone in stock trading on Thursday this week. All departments can park in the green zone. At the end of stock trading, Thursday (6/9/2018), the JCI rose 92.59 points or 1.63% to 5,776.09. The LQ45 stock index also rose 2.15% to 909.68. All benchmark stock indexes stopped in the green zone. A total of 249 stocks rose, boosting the JCI. In addition, 130 stocks fell and 106 stocks were silent. JCI's highest point was 5,786.66 and the lowest point was 5,660.86. Source: (Liputan6, 2018)

The rise and fall of stock prices in the capital market in the food and beverage sub-industry is an interesting case to discuss, and is still growing actively with the support of the Indofood Group, namely Indofood Sulkses Makmur Tbk (INDF INDF) & Indofood CPB Sulkses Makmur Tbk (ICPB ICPB), using growth profit and. In addition, Ultra Jaya Milk Industry & Trading Company Tbk (ULTJ ULTJ), Nippon Indosari Corpindo Tbk (ROTI ROTI) & Sariguna Primatirta Tbk (CLEO CLEO) and other middle & lower class companies. On the other hand, the profits of several food and beverage issuers using larger market capitalizations actually fell, even as demand leaders in their industry. For example, Unilever Indonesia Tbk (UNVR), Mayora Indah Tbk (MYOR), & Garudafood Putra Putri Jaya Tbk (GOOD). The net profit of the three issuers was decreased by UNVR & by MYOR. Among them, GOOD has decreased as much as possible. The decline in the performance of issuers in the food & beverage sub-sector is also synchronized using data from the Central Statistics Agency (BPS) on economic growth in the manufacturing industry sector, especially the food & beverage industry.

**Methodology:**

This type of research is a quantitative research with secondary data collection in the form of financial reports on the official website of the Indonesia Stock Exchange. This research was conducted using a quantitative approach and secondary data collection. To carry out the measurement, each social phenomenon is described into several components of the problem, variables and indicators. In this research, there are 4 (four) independent variables, (i.e., operating cash flow, investment cash flow, funding cash flow, net income and 1 (one) dependent variable (stock returns).

The population in this study are companies listed in the manufacturing sector listed on the Indonesia Stock Exchange during the 2016-2020 period as many as 40 companies. The sampling technique used was purposive sampling method, which is a technique for determining the sample using certain considerations. The sample in this study took data from companies listed on the BEI that were included in the list during the 2016-2020 period. Based on the criteria, in taking the sample, the researchers found 14 companies that were included in the sample criteria, so the amount of data in this study was 5 years multiplied by 14 companies, namely 70 samples. In this research, the data analysis technique used is multiple linear regression analysis.

**Results & Discussion:**

Based on the simultaneous test conducted in this study, the results showed the following results:

<table>
<thead>
<tr>
<th>Table 1: Simultaneous Test ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Net Profit, Funding Cash Flow, Investment Cash Flow, Operating Cash Flow
b. Dependent Variable: Stock Return
Source: SPSS output

Based on the table above shows the results of the F test, namely the value of sig. as much as 0.174 is greater than 0.05. This can be interpreted that the independent variables operating cash flow, investment cash flow, funding cash flow, and net profit have no simultaneous effect on stock returns.
The partial test in this study showed the following results:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-.004</td>
<td>.036</td>
<td>-.109</td>
<td>.914</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>-.023</td>
<td>.011</td>
<td>-.249</td>
<td></td>
</tr>
<tr>
<td>Investment Cash Flow</td>
<td>.000</td>
<td>.001</td>
<td>-.048</td>
<td></td>
</tr>
<tr>
<td>Funding Cash Flow</td>
<td>.000</td>
<td>.001</td>
<td>.039</td>
<td>.333</td>
</tr>
<tr>
<td>Net profit</td>
<td>.019</td>
<td>.013</td>
<td>.178</td>
<td>1.504</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Stock Return
Source: SPSS output

Based on the table above, it can be seen whether or not the effect is observed according to the significance value of each variable. In Operating Cash Flow, the value of sig. shows the number 0.04 is smaller than 0.05, which means that there is still an influence of Operating Cash Flow on stock returns. Meanwhile, investment cash flow, funding cash flow, net profit obtained sig value 0.686, 0.740, 0.138 is greater than 0.05, which means it has no significant effect on stock returns partially because it is greater than 0.05.

The results showed that the operating cash variable had a significant effect on stock returns. Based on the results of the coefficient of 0.040 less than 0.05, it can be concluded that there is an influence between operating cash flow on stock returns in manufacturing companies listed on the Indonesian stock exchange 2016-2020. The theory that explains that an increase in operating cash flow will give a positive signal to investors about the company's performance in the future, this will certainly affect stock returns. Total surgical cash flow is an indicator that determines whether from its operations, a company can generate sufficient cash flow to repay loans, maintain industrial surgical expertise.

The results of this study are also synchronized using the results of research according to (Purwanti, S. et al., 2015) entitled "The Effect of Accounting Profits & Cash Flows on Stock Returns of Companies Listed on the IDX" which concludes that operating cash flows have a significant effect on stock returns. But the results of this study are not the same as using research according to (Azilia, Y., & Yulius, J. C. 2012) entitled "Analysis of the Effect of Changes in Cash Flow and Accounting Profits on Stock Returns in Large Capitalized Companies" which concludes. The results showed that the investment cash flow variable had no significant effect on stock returns. On the basis of the results of the coefficient of 0.686 greater than 0.05.

According to research conducted by Noviansyah, investors do not see the reporting of changes in investment cash flows as information that can be used for making investment decisions. Information on investment transactions carried out by companies that will increase the potential for making future income is not seen by investors to make investment decisions. The results of this study are not in line with the theory that the higher the investment cash flow, the higher the investor confidence in the company, as a result, the greater the value of the stock return. This result can occur because investors do not view the reporting of changes in investment cash flows as information that can be used for making investment decisions.

The results of this study are the same as the results of research from (Adiwiratama, J. 2012) entitled "The Effect of Information on Profit, Cash Flow, and Company Size on Stock Returns in Manufacturing Companies Listed on the IDX" which concludes that operating cash flow has no significant effect on stock returns. Because investors also do not fully believe that cash flows from investments such as the acquisition of fixed assets, proceeds from the sale of fixed assets, and others can be used as company performance. no matter how large the cash flows in investing activities, it is impossible to predict when the realization of profits from these activities will occur.

The results showed that the funding cash flow variable had no significant effect on stock returns. Based on the results of the coefficient value of 0.740 greater than 00.05, so it can be concluded that there is no influence between funding cash flow on stock returns in manufacturing companies listed on the Indonesian stock exchange 2016-2020. The cash flow statement contains news that points to changes in the company's total and long-term debt. According to (Azilia, Y., & Yulius, J. C. 2012) in her research, investors will not see reports that replace long-term debt payments and cash dividends into news that can be used to make investment decisions. The cash flow of funds cannot attract investors to buy shares of related companies, because the value of cash flows of funds does not become a material for investors' analysis as a result, reduces demand for shares and affects stock returns.

The results of this study are in accordance with the results of research conducted by (Azilia, Y., & Yulius, J. C. 2012) entitled "Analysis of the Effect of Changes
in Cash Flow and Accounting Profits on Stock Returns in Large Capitalized Companies” which concludes that information from funding cash flows is not proven to affect stock returns. The results showed that the net income variable had no significant effect on stock returns. Based on the coefficient value of 0.138, which is greater than 0.05, it can be concluded that there is no effect between net profits and stock returns in manufacturing companies listed on the Indonesia Stock Exchange 2016-2020. This means that an increase in net income actually reduces stock returns.

In theory, net income reflects the company's financial performance over a certain period of time, so net income is an indicator that investors consider when analyzing the trend of a company's stock. Net income affects the interest of investors to invest in the company. This is because if a company's profit is high, the company's dividend distribution tends to increase, so investors will be more willing to invest, for example in the form of shares. The increase in net profit indicates that the company has succeeded in improving its management performance, which will provide good news for market participants. Thus it can be concluded that the higher the company's net profit, the stock price will rise by itself, and the company’s return will be higher than before.

The results showed that the variables of operating cash flow, investment cash flow, funding cash flow and net income on stock returns. Based on the results of the coefficient of 0.174, which is greater than 0.05, it can be concluded that there is no simultaneous influence between operating cash flow, investment cash flow, funding cash flow and net income on stock returns in manufacturing companies listed on the Indonesia Stock Exchange 2016-2020. This means that there is no increase in the value of operating cash flow, investment cash flow, funding cash flow, and net income, it actually reduces the value of stock returns. These results contradict the research of (Rahmawati, D. 2018) which reveals that operating cash flow, investment cash flow, funding cash flow, & net income have a simultaneous effect on stock returns. According to signaling theory, which emphasizes the importance of information released by the Company about the company's investment decisions outside the company. Information is an important element for investors and entrepreneurs because of the nature of earnings information to provide information, for the current and future conditions of the company's survival and the way its influence is needed by investors in the capital market as an analytical tool to make investment decisions.

CONCLUSION:

Based on the results of the research that has been done, the authors conclude that:

- Based on the results of the F test or simultaneously where the results of sig. of 0.174 more than 0.05 which means that the variables of surgical cash flow, investment cash flow, funding cash flow, and net income simultaneously have no significant effect on stock returns. And supported by signal theory.

- Based on the results of the t test or partially, operating cash flow obtained a partially significant effect on stock returns. With the test results sig. each means 0.040 which means less according to 0.05. And supported by signal theory. Meanwhile, for the investment cash flow variable, the value of sig is obtained. 0.686, funding cash flow variable obtained sig value. 0.740, and the net income variable obtained sig value. 0.138, where the three variables have a significance value of more than 0.05, meaning that the three of them have no significant effect on stock returns.

REFERENCES:


