

THE EFFECT OF OPERATING CASH FLOW AND NET PROFIT ON SHARE RETURN, 2022-2022

Abdul Karim

Universitas Muhammadiyah Tangerang
e-mail : abdulkarimbutarbutar@gmail.com

Abstract

This study aims to find out, analyze and describe the effect of operating cash flow and net income on stock returns in 2022-2022 in agricultural sector companies. This study uses secondary data contained in the Indonesian Stock Exchange. With the sample technique carried out by the author, the authors obtained a sample of this research as many as 7 companies from 21 companies in the agricultural sector, from 2022-2022 with annual data from operating cash flow and net income on stock returns resulting in 32 data in this study.

Keywords: Operating Cash Flow, Net Profit, Stock Return

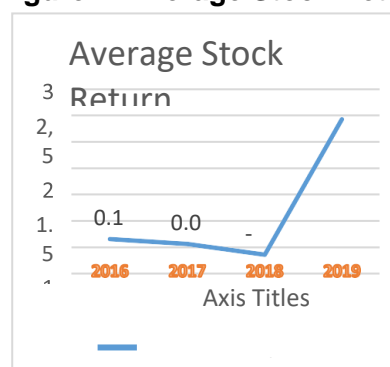
1. INTRODUCTION

Every company has the ability to build and develop its business. Companies can be assessed through the ability to generate profits, maintain investment and the company's ability to be able to cope with expenses company that can be seen from the performance of the company's financial statements. In order for the company to be able to build and carry out its business, the company is able to require working capital. Capital is necessary for the continuity of a company's business obtain capital assistance to increase economic activity through the capital market.

The capital market provides an opportunity for companies to compete in a healthy manner so that investors are interested in investing in their companies. By trading its shares in the capital market, the company obtains funds for the continuity of the company's operations and can develop the company. For investors, the capital market is an effective means for other people to invest their capital with the aim of obtaining profits from what they invest. Stock Return is the difference between the selling price of the stock and the buying price of the stock, which can be positive or negative. If it is positive, it means getting a profit or getting Capital Gain, while negative means getting a loss or getting Capital Lost.

Stock Return is the result obtained from the investment made by investors. Return can be of two forms, namely dividends and Capital Gains.

Figure 1. Average Stock Return

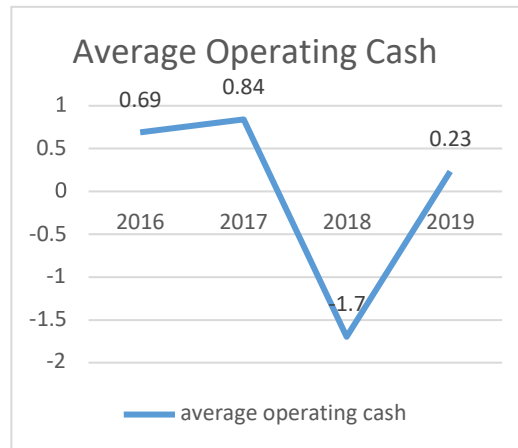


Source: www.idx.co.id

Based on Figure 1, it can be seen that the movement of stock returns every year fluctuates in 2015 by 0.16 and decreases in 2020 of 0.06. In 2020 there was another decrease of -0.14 and an increase of 2.42.

Operating Cash Flow is the cash flow associated with the company's operations during a certain period. Cash flows from operating activities are mainly obtained from the company's main income or income. Therefore, cash flows arise from transactions and events that affect the determination of net profit or loss.

Figure 2 Average Operating Cash Flow

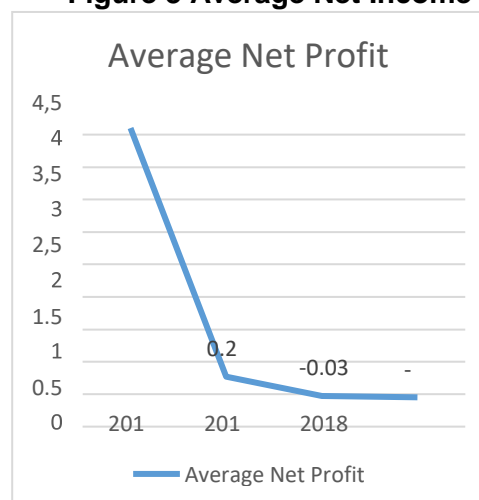


Source: www.idx.co.id

Based on Figure 2, it can be seen that the movement of operating cash flow from 2020 increased by 0.15 then in 2020 it decreased drastically by -1.7. And in the following year it again increased by 0.23.

The results of research conducted according to (Febrianti, 2011), "Show that operating cash flow has a positive effect on stock returns. The higher the operating cash flow, the higher the investor's trust in the company, so that the value of the expected stock return will also be greater. These results are in line with the research conducted according to (Walandouw, 2020), "Success can be seen at the level of profit that obtained by the company, its main goal is to obtain the maximum profit. Book profit can be considered as accountant profit. This is the net income earned by the company after deducting all costs and reported in the income statement.

Figure 3 Average Net Income



Source: www.idx.co.id

Based on Figure 3, it can be seen that the movement of net profit every year has always decreased, and a very drastic decrease occurred in 2020, which was 3.73. In 2020 it again decreased to -0.03, then in the following year it again decreased by -0.05.

The results of the study (Selviani, 2022), "State that net income has a significant effect on stock returns. Net profit or a company reflects the financial condition of the company. The greater the profit value obtained, the greater the confidence of potential investors to invest in the company. These results are in line with research conducted by (Sachiyudin, 2022), "States that Profit Clean influential on Stock Returns

Table 1. Relationship between Operating Cash Flow and Profit Clean to return Share Year Current Profit return Cash Clean Share Operation

| | | | |
|-------------|-------|------|-------|
| 2022 | 0.69 | 4,10 | 0.16 |
| 2020 | 0.74 | 0.27 | 0.06 |
| 2020 | -1.70 | - | -0.14 |
| | | 0.03 | |
| 2022 | 0.23 | - | 2,42 |
| | | 0.05 | |
| Aver age | 0.01 | 1.07 | 0.63 |

Source: processed by the author (www.idx.co.id)

Based on the table above shows the relationship between operating cash flow, net income and stock returns. It can be seen that the average operating cash flow from 2022-2022 is 0.01. The average net profit from 2022-2022 is 1.07, and the average stock return from 2022-2022 is 0.63.

It can be seen in table 1 that there are phenomena that are not in accordance with the supposed theory relating to the effect of operating cash flow on stock returns. If in theory the net cash flow from operating activities is high, the company can increase the value of the company and the company's operating activities. However, in table 1 it was found that there was an increase in operating cash flow but not in line with declining stock returns, this happened in 2020. In the research conducted (Tumbel et., 2020), "States that net income has a significant effect on returns shares because profits will be distributed to shareholders as remuneration has invested his capital in the company or commonly called dividends. Increasing dividends received by shareholders, the return received by shareholders will also increase. However, there is a phenomenon that occurred in 2022, namely a decrease in net profit but stock returns increased very drastically.

2. RESEARCH METHODS

This study uses secondary data, namely in the form of annual financial reports of agricultural companies listed on the Indonesia Stock Exchange with the end of the accounting year on 31 December 2019, 2020, 2021 and 2022. Sources can be obtained from the web (www.idx.co.id) And www.sahamok.net/issuer.

The population in this study are agricultural sector companies listed on the Indonesia Stock Exchange in 2022-2022, namely 21 companies. Meanwhile, in selecting the research sample, the researcher used a purposive sampling method so that there were 7 sample

companies. Following below the researcher determines some of the criteria that will be used are as follows:

| No | Information | Amount |
|--------------------------------------|---|--------|
| 1 | Company agricultural sector reporting report finances on an ongoing basis and published on the website of the Indonesia Stock Exchange during period 2022-2022 | 21 |
| 2 | Agricultural sector companies do not present data in a comprehensive manner complete (IPO year above 2022) related variables | (13) |
| study | | |
| | | Total |
| Sample Research | | 7 |
| Total Observations (7 x 4) | | 32 |
| Source: processed by the author 2020 | | |

In this study, it was obtained using the documentation method by collecting secondary data from financial reports that have been published on the IDX. The company's financial statements are listed on the Indonesia Stock Exchange for the periods 2022, 2020, 2021, and 2022. Researchers in processing the data later in this study are statistics processed using software 26 to determine the effect of operating cash flow and net income on stock returns in agricultural sector companies listed on the Indonesia Stock Exchange in 2022-2022

3. RESULTS AND DISCUSSION

1) Descriptive Analysis

(Sujarweni, 2015), "Descriptive statistics are research conducted to find out the description of each variable or more independently without making connections or comparisons with other variables." Following displayed recapitulation of data to be analyzed descriptively with the help of software 26.

-

| N | Min | Max | Means | Std deviation |
|---------------|-----|------|--------|---------------|
| Cash flow | 32 | 9,91 | -,4759 | 3.69440 |
| Profit | 32 | -,79 | 47,64 | 2.3733 |
| Clean return | 32 | -42 | 99 | 29016 |
| Share Valid N | | | | |

Source: Researcher Review, 2020

It is known that N is as many as 32 means used in the research conducted was 32 out of 7 samples of agricultural sector companies for the 2022-2022 period.

Disclosure of stock returns has an average value of -0.0216 and a standard deviation value of 0.29016. Which means that the value is quite small the distance between the highest and lowest values. As for its minimum value - 0.42 with its minimum value. Disclosure of operating cash flows has an average value of -0.4759 and a standard deviation value which shows results that are quite small, the distance between the highest and lowest values, while the minimum value is -12.60 with a maximum value of 9.91.

Disclosure of net income has an average value of 2.3733 and a standard deviation value of 7.79479. Which means that the average value is smaller than the standard deviation which results in a relatively small distance between the highest and lowest values. As for the minimum value -0.79 with a maximum value of 47.64.

2) Classic assumption test

Normality test

Table 4. Kolmogorov Smirnov Normality Test

| | | |
|--------------------------|-------------------|--------------|
| N | | 32 |
| Normal Parameters a,b | Mean | ,0000000 |
| | Std.Deviation | ,26957630 |
| Most Extreme | Absolute | -,130 |
| | Positive | ,130 |
| Differences | Negatif E | -,065 |
| Test Statistic | | 130 |
| Asymp. Sig | (2-tailed) | ,173c |

Researcher review, 2020

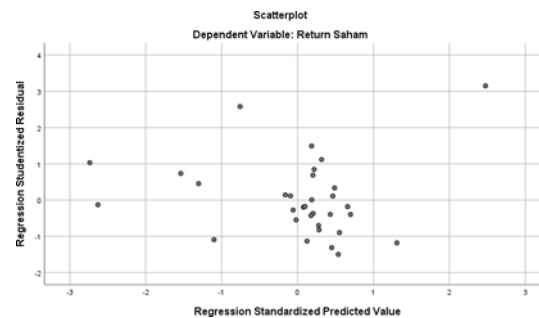
Based on the results of the table test, a residual value of 0.173 can be obtained. Based on the decision-making provisions, if it is above the significance level of 0.05, it can be said that the residual value is normally distributed 0.05, it can be concluded that the data used in this study are normally distributed.

| Test Results | std. | Error | Of |
|---------------------|------------------|--------------|----------------|
| | Durbin- | | Watsons |
| | The | | |
| | Estimates | | |
| 1 | ,27772 | | 2,230 |

Source: Researcher Review, 2020

Based on the test results from 1.3, the DW value is 2.230. This means that the DW value of 2.230 is still between -2 to +2. Thus it can be concluded that the multiple regression analysis in this study is free from autocorrelation symptoms.

Heteroscedasticity Test

Figure 4. Heteroscedasticity Test Results

Source: data processed by researchers

Based on result testing because $0.173 > \alpha$, the scatterplot image is obtained there are dots that have an unclear pattern. As well as the data points spread above and below or around the number 0. It can be concluded that the multiple regression analysis in this study is free from symptoms of heteroscedasticity.

Multicollinearity Test

| Test Results | Tolerance | VIF |
|---------------------------|-----------|-------|
| 1. Current Cash Operation | 1,000 | 1,000 |
| 2. Net Profit | 1,000 | 1,000 |

Based on the results of the table above, the VIF value for disclosing operating cash flow and net profit is 1,000. This means that the VIF values of the two independent variables are between 1-10 values, and for the TOL values of the two independent variables have a TOL value of 1,000. By concluding that the data is free from.

3) Multiple Linear Regression Analysis Test

Table 7. Multiple Linear Regression Analysis Test Results

| Unstandardized Coefficients | | |
|-----------------------------|------------------------|------------|
| Model | B | std. Error |
| 1 | (Constant) | |
| | .005 | .051 |
| | Current Operating Cash | .025 |
| | .014 | |
| | Profit Clean | -.006 |
| | | .006 |

Source: Researcher Review, 2020

Based on the processing results above, the results of the multiple linear regression analysis equation are obtained as follows:

$$\text{Stock Return (Y): } 0.005 + 0.025x_1 - 0.006x_2 + e$$

From the multiple linear regression equation above, the following results are obtained:

- A constant value of 0.005 can mean if all variables independent, namely operating cash flow and net profit are considered constant (operating cash flow and net income =

- 0), so returns share will has a value of 0.005.
- Regression coefficient of operating cash flows of 0.025 indicates that the regression coefficient of the operating cash flow variable is increased by 1 point, so the stock return has increased by 0.025.
 - The net income regression coefficient is -0.006 indicating that the regression coefficient of the net income variable is increased by 1 point, so stock returns have decreased by -0.006.

Determination Coefficient Test

| Partial) Test Results | | | | |
|------------------------------------|--------------|----------------------------------|-------------|------|
| Unstandardized Coefficients | | standardized Coefficients | | |
| Model | Betas | Q | Sig. | |
| 1 | (contant) | ,105 | ,917 | |
| | Cash flow | ,316 | 1,732 | ,077 |
| | Operation | | | |
| | Profit Clean | -,197 | 1,142 | ,263 |

Source: Researcher Review, 2020

Based on the test results above, it can be seen that the Tcount value for each variable. To make a conclusion to accept or reject H0, you must first determine the Ttable values to be used, to find the following formula:

$Q_{table} = t(a/2; nk-1)$ Description:

A: 0.05

N: Number of samples K: Number of variables x

From formula on, can concluded that $T_{table} = t(0.025; 29) = 2.045$. After obtaining the Ttable value, it can be concluded that we accept or reject the following hypothesis: Effect of Operating Cash Flow on Return Share. Based on result the test obtained the value of Tcount of 1.732. When compared with the Ttable value, which is 2.045. So that the Tcount value is $1.732 < \text{the } T_{table} \text{ value is } 2.045$. As well as the significance value as big $0.077 > 0.05$. Thus, H1 is rejected. Which means there is no effect of operating cash flow on stock returns. The Effect of Net Income on Stock Returns Based on the test results, the Tcount value is -1.142. When compared with the Ttable value, which is 2.045. So that the tcount value is $-1.142 < \text{the } T_{table} \text{ value is } 2.045$. As well as significance of $0.045 > 0.05$. Thus, H2 is rejected. Which means there is no effect of net income on stock returns.

Table 10. Anova F Test Result

| Model | F | Sig. |
|--------------|-------|-------------------|
| 1 Regression | 2,299 | ,117 ^b |
| Residual | | |
| Total | | |

Source: Researcher Review, 2020

Based on the data from the simultaneous test results can be seen in the ANOVA table. To make a conclusion whether H4 is accepted or rejected. First, the Ftable values must be

determined using the following formula:

$F_{table} = F(k; nk)$ Description:

K: Number of Variables X

N: Total samples used

After using the formula above to find F_{table} , it can be calculated that the value of F_{table} in this study is $F_{table} = F(2; 30) = 3.32$. Furthermore, the value of F_{count} with F_{table} . In order to obtain a value of $2.299 < 3.32$. This means that the value of F_{count} is smaller than F_{table} . Significance value of $0.117 > 0.05$. Thus it can be concluded that there is no influence between operating cash flow and net income on stock returns.

4) Effect of Operating Cash Flow on Stock Returns

Based on the test results, the T_{count} value is 1.732. When compared with the T_{table} value, which is 2.045. So that the T_{count} value is $1.732 < \text{the } T_{table} \text{ value is } 2.045$. As well as a significance value of $0.077 > 0.05$. Thus, H_1 is rejected. This means nonexistent influence between current cash operation on stock returns.

5) The Effect of Net Income on Stock Returns

Based on the test results, the T_{count} value is -1.142. When compared with the T_{table} value, which is 2.045. So that the value of $T_{count} -1.142 < T_{table} \text{ value } 2.045$. As well as a significance value of $0.263 > 0.05$. Thus, H_2 is rejected. Which means there is no net profit on stock returns.

6) Effect of Operating Cash Flow and Net Income on Stock Returns

In testing the third hypothesis, a value of $2.299 < 3.32$ is obtained. This means that the value of F_{count} is smaller than F_{table} . Significance value of $0.117 > 0.05$. This means that the value of F_{count} is smaller than F_{table} . Thus it can be concluded that there is no simultaneous influence between operating cash flow and net income on stock returns.

3. CLOSING

A. Conclusion

Based on research data analysis and problem formulation, it can be concluded from this study as follows:

- 1) Operating Cash Flow has no effect on Stock Returns in agricultural sector companies listed on the Indonesia Stock Exchange in 2022-2022.
- 2) Net profit has no effect on stock returns in agricultural sector companies listed on the Indonesia Stock Exchange.
- 3) Operating Cash Flow and Net Profit have no effect on the Return of Shares listed on the Indonesia Stock Exchange.

B. Sugestion

Researcher submit a number of suggestions that can be useful for related parties, namely. Investors wishing to invest in companies in the agricultural sector should pay more attention to information regarding net profit because the greater the profit, the higher the return that investors will get while still paying attention to the company's operating cash flow, although in this study there was no effect on stock returns.

For Further Researchers Future research should be able to broaden the scope of other independent variables, so that it is expected to increase the explanatory factors that influence stock returns. In addition, further research is recommended to use more research samples so as to get better results and the number of years of observation is extended in the hope that more observation periods will produce better results.

REFERENCES

- Agustina, R., Yusuf, M., Sutiyan, O. S. J., Ardianto, R., & Norvadewi, N. (2022). EMPLOYEE PERFORMANCE MEDIATED QUALITY OF WORK LIFE RELATIONSHIP SATISFACTION ON THE JOB AND ORGANIZATIONAL COMMITMENT. *Jurnal Darma Agung*, 30(2), 589–605.
- Febrianti, P. (2011). Effect of Operating Cash Flow and Operating Profit on Stock Returns in Manufacturing Companies listed on the IDX. Surakarta: Faculty of Economics, Eleven March University.
- Kurniadi, W., Lotte, L. N. A., Cakranegara, P. A., Sampe, F., & Yusuf, M. (2022). HANAN WEDDING PLANNER'S MARKETING COMMUNICATION STRATEGY FOR INCREASING SALES IN THE COVID-19 PANDEMIC ERA ON THE TIKTOK APP. *Jurnal Ekonomi*, 11(03), 1359-1364.
- Herawati, A. F., Yusuf, M., Cakranegara, P. A., Sampe, F., & Haryono, A. (2022). Social Media Marketing In The Promotion Of Incubator Business Programs. *Jurnal Darma Agung*, 30(2), 623-633.
- Sachiyudin, A. (2022). Analysis of the Effect of Net Income, Cash Flow, Leverage, and Company Size on Stock Returns Empirical Studies of Property Companies Listed on the Indonesia Stock Exchange. *Accounting Studies and Accounting Finance*.
- Selviani. (2022). Effect of Net Income, Cash Flow, and Return On Investment on Stock Returns in Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2011-2014 period. *Indonesian Accounting and Finance Studies*.
- Sujarweni. (2015). SPSS for Research. Yogyakarta: New Press Library
- Tumble et al. (2020). Effect of Accounting Profit and Operating Cash Flow on Stock Returns on Manufacturing Company in the Consumer Goods Industry Sector which is listed on the Indonesia Stock Exchange. *Indonesian Accounting and Finance Studies*, 173-173.
- Walandouw, T. (2020). The Effect of Accounting Profit and Operating Cash Flow on Stock Returns in Manufacturing Companies in the Consumer Goods Industry Sector listed on the Indonesia Stock Exchange. *Indonesian Accounting and Finance Studies*, 173-173.
- Sampe, F., Cakranegara, P. A., Yusuf, M., Rahayu, M., & Nasution, R. A. (2022). EMPLOYEE PERFORMANCE AND HUMAN RESOURCE PROTECTION. *Jurnal Ekonomi*, 11(03), 1045-1049.
- Yusuf, M., & Matiin, N. (2022). ANALYSIS OF THE EFFECT OF THE MARKETING MIX ON PURCHASING DECISIONS. *International Journal of Economics and Management Research*, 1(3), 177-182.

- Yusuf, M., Sutrisno, S., Putri, P. A. N., Asir, M., & Cakranegara, P. A. (2022). Prospek Penggunaan E-Commerce Terhadap Profitabilitas Dan Kemudahan Pelayanan Konsumen: Literature Review. Jurnal Darma Agung, 30(1), 786-801.
- Yusuf, M., Saiyed, R., & Sahala, J. (2022, December). Swot Analysis in Making Relationship Marketing Program. In Proceeding of The International Conference on Economics and Business (Vol. 1, No. 2, pp. 573-588).
- Yusuf, M., & Matiin, N. (2022). ANALYSIS OF THE EFFECT OF THE MARKETING MIX ON PURCHASING DECISIONS. International Journal of Economics and Management Research, 1(3), 177-182.
- Yusuf, M., Betty, H., & Sihombing, M. (2022). The Effect of Product and Service Quality on Consumer Loyalty at Palopo Minimarkets. December. <https://doi.org/10.24042/febi.v7i2.14430>