

The Influence of Operational Flow Analysis Reports and Investment Cash Flows on the Stock Prices of Electronics Companies on the Indonesia Stock Exchange (IDX), 2018 - 2021

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Abstract

The economic development of Indonesia continues to grow year after year. This growth is evidenced by the establishment of numerous companies, including both state-owned and foreign businesses. The prevalence of these companies instigates a high level of competitive business competition among operators. Consequently, companies are necessitated to strategize comprehensively to ensure their survival amidst the rigorous business competition and to strive for market leadership in their respective fields. The report of operating cash flows, which is directly related to the operational activities that determine the net income for a given period, is of paramount importance. These activities are derived from the company's revenue, specifically from transactions that impact profit or loss. A Cash Flow Report is a type of financial statement that presents the company's cash flow from its operating activities and investments. To illustrate this, two examples from companies listed on the IDX are provided. The first company, with the code ATIC, experienced a cash flow increase from operating activities by 16.22% between 2020 and 2021, and the earnings per share also rose by 15.63%. However, there was a decrease in the share price by 1.88%, indicating some financial difficulties for the company. The second company, identified by the code PTSN, also faced challenges. Between 2019 and 2020, this company saw a significant decrease in cash flow from investing activities, dropping by 114.86%. Despite an increase in the share price by 39.71%, the sharp drop in investment cash flow suggests that the company encountered financial trouble.

Keywords: *Operating Cash Flow, Investment Cash Flow, Stock Price.*

1. Introduction

Indonesia's economic development continues to grow year after year, a trend underpinned by the establishment of numerous companies, including both state-owned and foreign enterprises (Ariesa et al., 2023). The proliferation of these businesses undoubtedly enhances the level of competition among operators, necessitating comprehensive planning for companies to ensure their survival and competitiveness in this intense business environment. Their ultimate aim is to become market leaders within their respective sectors. It's well-known that among the diverse range of companies operating in Indonesia, electronic companies play a vital role in the country's economic growth. This sector has seen significant progress within the national economy, distinguishing itself as one of the sectors with the most robust growth compared to other non-oil and gas industries (source: www.kemenperin.go.id).

Stock price serves as a pivotal indicator of a company's management success (Maenuddin et al., 2023). The value of stock prices can fluctuate due to the interplay of supply and demand between share buyers and sellers. The reporting of operating cash flows, directly tied to operational activities that determine the net income for a specific period, is crucial. These activities derive from the company's revenue associated with transactions impacting profit or loss. As Syafari (2004) explains, a Statement of Cash Flows is a type of financial statement that presents the company's cash flow from its operating, investing, and financing activities. Companies need to report events causing changes in cash over a certain period in this Statement of Cash Flows. The Statement of Cash Flows is a report providing pertinent information about the inflow and outflow of cash within a particular period by classifying transactions into operational, financing, and investment activities. As noted by Harmanto (2002), the cash flow statement is a financial report that presents information about a company's cash receipts and disbursements within an accounting period. A depiction of the phenomena occurring within food and beverage companies listed on the Indonesia Stock Exchange is provided in the table below:

Table 1. Phenomenon Table

Code	Year	Operating Cash Flow	Investing Cash Flow	Gross Profit	Earnings per Share	Stock Price
	2018	575.823	-1.089.186	1.956.276	60,4	1.350
	2019	1.096.817	-264.854	2.349.718	89,35	1.680
PTSN	2020	1.217.063	-2.632.522	2.228.527	95,18	1.600
	2021	1.414.447	1.024.322	2.374.946	110,06	1.570
	2018	146.588	39.459	389.090	89,76	920
	2019	184.178	12.359	417.049	142,2	1.045
ATIC	2020	230.679	-1.836	342.565	230,19	1.460
	2021	308.296	-263.298	499.568	450,52	179

Source: Secondary data from www.idx.co.id and Stockbit.

Based on the data presented in the table, it can be observed that the company labeled with the code PTSN experienced a 16.22% increase in cash flow from operating activities and a 15.63% rise in earnings per share during the period 2020-2021. However, the share price decreased by 1.88%, indicating the company may be facing financial difficulties. In a similar vein, the company identified by the code ATIC also showed signs of trouble during the same period. Despite an increase in the stock price of 39.71%, there was a significant decrease in cash flow from investing activities, plummeting by 114.86%. This substantial drop indicates potential financial struggles for the company.

2. Literature Review

Cash flow, defined as the inflows and outflows of cash or cash equivalents, plays a pivotal role in any organization's operational activities. Cash equivalents are highly liquid, short-term investments that can be quickly converted into a known cash amount without a significant effect on the exchange rate (Prastowo, 2013). Operating activities involve the cash effect of transactions that

contribute to the determination of net income (Kieso & et al, 2016:217). The Statement of Cash Flow serves as a crucial indicator for evaluating past operational activities and planning future investment and financing activities. It delineates the utilization of money across three activity sectors: operations, investment, and financing. Operating cash flow is often assessed by the following formula: $AKO = AKOt - AKOt-1 / AKOt-1$.

Investments, particularly in financial assets traded on the capital market, are highly attractive to investors. The capital market offers investors a platform to select alternative investments while simultaneously allowing industries to obtain funds for their business activities. It primarily deals with long-term securities, such as stocks and bonds (Kamaludin & Indriani, 2011:23). The cash flows associated with a company's income-generating investing activities reflect the company's investment health (Rikhar, 2022). Negative cash flows often indicate poor company performance but can sometimes signify strategic long-term investments, such as research and development for the company's future benefit. Investment cash flow can be measured using the formula $AKI = AKIt - AKIt-1 / AKIt-1$.

Stock price is a measure of equity or fund ownership participation in a company. The value of a share is determined by the supply and demand dynamics in the securities market. These share prices continually fluctuate, influenced by the ongoing interplay between sellers and buyers of shares (Prastowo, 2013). Changes in share price can be calculated by the formula $HS = HSt - HSt-1 / HSt-1$. According to the theory proposed by Rikhar (2022), robust operating cash flow can increase investor confidence in a company's capabilities, thereby attracting more investments and potentially boosting the stock price. This theory aligns with the views of Thaib (2020) and Djago (2016), who argue that positive changes in operating cash flow send encouraging signals to investors, stimulating more share trading. Conversely, a rise in investment cash flow can also have a positive impact on share prices, as posited by Andriyant and Ritonga (2021), Sahfasat and Nurmala (2022), and Sijuang (2017). As investment cash flow increases, more investors and creditors become interested in transacting in the capital market, leading to higher share prices and returns.

Conceptual Framework

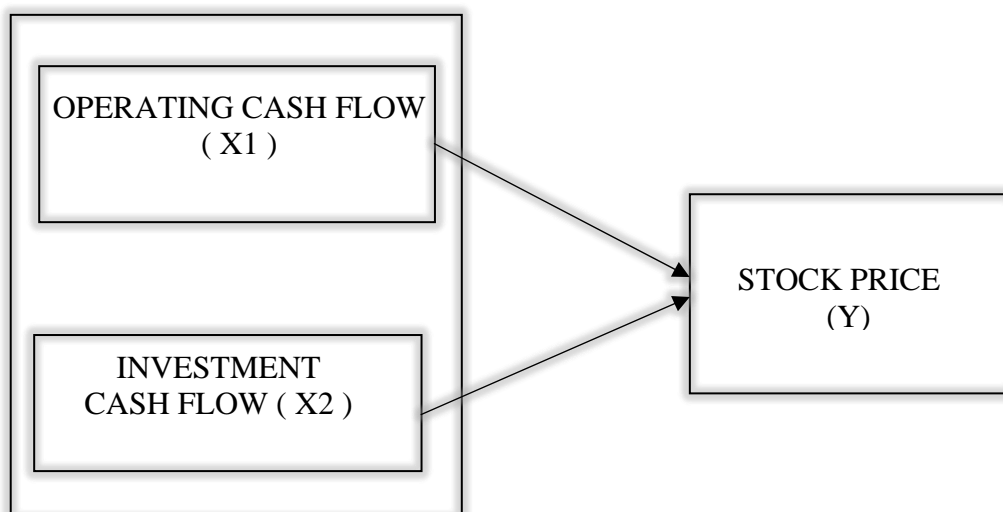


Figure 1. Conceptual Framework

Hypotheses

The hypotheses set out for testing in this study are as follows:

H1: Operating cash flow has a significant partial effect on the stock prices of food and beverage companies listed on the IDX.

H2: Investment cash flow also exerts a significant partial effect on the stock prices of food and beverage companies listed on the IDX.

H3: Collectively, both operating and investment cash flows have a significant simultaneous impact on the stock prices of electronic companies listed on the IDX.

3. Methodology

This study employs a quantitative approach. As per Anjani (2016), this scientific approach perceives reality as concrete, observable, measurable, and identifiable. It examines causal variable correlations, and research data is numerical, analyzed using statistical methods (Marhaeni et al., 2023). The study is descriptive in nature. Ramdhan (2021: 7) suggests that this type of research aims to explain, describe, and validate the phenomena under investigation. The total population utilized in this research consists of 20 annual financial reports for electronic companies listed on the Indonesia Stock Exchange. Purposive sampling is used for the sampling process. The chosen sample follows certain conditions.

Table 2. Sampling Criteria

Criteria	Total
Electronic company on the Indonesia Stock Exchange	20
Electronic companies that do not regularly release financial reports	(1)
total sample	19
Total observation observations (19 x 4)	76

A total of 19 samples from a span of four years were used in this study, resulting in 76 observations from electronic companies listed on the IDX. This study employs a documentation approach for data collection, wherein the required data is gathered and recorded. The research data, procured from previous research and supported by other literature, includes cash flows from operating activities, investing, and share prices, obtained from the financial reports released by the IDX. This study uses secondary data, which is data compiled from existing sources. The study procured secondary data from the website www.idx.co.id, in the form of annual financial reports, and stockbit applications, in the form of stock closing prices. This research model uses multiple regression analysis, an analytical method employed in studies that link at least two dependent variables with independent variables. The equation used is: $Y = a + b_1X_1 + b_2X_2 + e$

Information:

Y = Share Price

a = Constant

X1 = Operating Cash Flow

X2 = Investment Cash Flow

b_{1,2} = Variable Coefficients

e = Error Estimation

4. Result and Discussion

Descriptive Analysis

The descriptive analysis provides an overview of the research variables, including the minimum data, maximum data, average, and standard deviation for each variable. This analysis encapsulates operating cash flow, investment cash flow, and stock prices. A detailed view of these elements is presented in the table below (Unaradjan, 2019):

Table 3. Results of the Descriptive Statistics Test

		Minimum	Maximum	Mean	Std. Deviation
AKO	100	-57.5823000	30.82960000	-.032767676	8.421178852
AKI	100	-232.496805	4826010352	-1.61207528	24.52215225
HS	100	-.295774648	.4010989010	.0043593376	.1452339593

Operating cash flow is a summary of cash payments and receipts originating from a company's operating activities. As indicated in table 4.2, the lowest value of operating cash flow, -57.5823000, is held by PTSN tbk. in 2018, suggesting that PT Sat Nusapersada tbk's revenue from operational activities is low. On the other hand, the maximum operating cash flow value of 30.82960000 is owned by Anabatic Technologies tbk (ATIC) in 2021. This high value suggests robust income from the company's operational activities. The table also reports an average value from 2018-2021 of -302767676, with a standard deviation of 8.421178852. The higher standard deviation compared to the average operating cash flow indicates variability or heterogeneity in the data. Anabatic Technologies tbk (ATIC) in 2021 reported the highest operating cash flow value of -232.496805. This value indicates the company conducted extensive asset purchasing activities during that year, evidenced by the cash outlays for investments exceeding the investment cash flow income.

This study uses the final share price (closing price) on the date of the budget report announcement. The table above shows the minimum share price of -0.295774648 owned by PT Sat Nusapersada tbk (PTSN) in 2018. This low value indicates a period of declining performance for the company, leading to a suboptimal stock price. Conversely, the maximum share price value of 0.4010989010 is owned by Anabatic Technologies tbk (ATIC) in 2020. This suggests that the company successfully convinced investors of its good stock price, indicating sound company performance. The average value of share prices from 2017 to 2020 is 0.0043593376, with a standard deviation of 0.1452339593. A standard deviation higher than the average stock price indicates data variability or heterogeneity (Cornelius, A, & Hanna, 2019).

Normality Test

The normality test aims to determine whether the research data is normally distributed. In this study, the Kolmogorov-Smirnov test with $\alpha = 0.05$ was used, with a normal distribution indicated by a significance number (sig) > 0.05 . The latest normality test results using SPSS 25 reveal an Asymp

value. Sig (2-tailed) of 0.003, indicating that the data is not normally distributed as the significance value is less than 0.05 (Karimah, 2013).

Multicollinearity Test

The multicollinearity test aims to assess whether there is a high or perfect correlation between the independent variables in the regression model. In this study, multicollinearity is a potential issue if the Variance Inflation Factor (VIF) value is > 10 and the tolerance number is ≤ 0.10 . If such conditions are met, it suggests a relatively strong correlation between the independent variables, indicating a multicollinearity problem. The results of the multicollinearity test are displayed in the following table:

Table 4. Multicollinearity

Model	Collinearity Statistic	
	Tolerance	VIF
AKO	0.786	1.237
AKI	0.787	1.270

From the multicollinearity test results, it's evident that the Variance Inflation Factor (VIF) for all independent variables is less than 10, and the Tolerance value for all independent variables exceeds 0.10. These findings suggest that the independent variables in the regression model do not have issues of multicollinearity (Diyah, 2018).

Partial Test

The t-test is utilized to ascertain if an independent variable has a significant impact on the dependent variable. The criteria for this analysis are that the t-statistic value is greater than the critical t-value, or the p-value (significance value) is less than the significance level (alpha), which is typically set at 0.05.

Table 5. Coefficients

Variables	B	Sig	Hypotheses	Decision
(Constant)	0.006	0.682	-	-
AKO	0.001	0.649	H1	Rejected
AKI	-0.001	0.354	H2	Rejected

From the test results it is known that the significant value of the independent variables, operating cash flow, investment cash flow, has a value of more than 0.05, which means that these variables have no effect on stock prices (Apriyanti).

Discussion

Effect of Operating Cash Flow on Stock Prices

From the t-test conducted with the assistance of SPSS, it was found that the significance value of operating cash flow is 0.649. Since this value is greater than 0.05, it can be inferred that the operating cash flow does not have a significant effect on stock prices. This finding aligns with the descriptive analysis, indicating that the operating cash flow data is heterogeneous. This result contradicts the signal theory, which suggests that operating cash flow is often interpreted as a negative signal by investors. Therefore, in this case, there is no significant relationship between operating cash flow and stock prices, implying that information regarding operating cash flow might not be necessary for investors.

Effect of Investment Cash Flow on Stock Prices

The analysis revealed that the significance value of investment cash flow is 0.354. As this value is greater than 0.05, it can be concluded that investment cash flow does not have a significant effect on stock prices. Investment cash flow may not influence stock prices because transactions related to investments, such as purchasing fixed assets, generally lead to a significant outflow of funds. This expenditure is typically covered by financing cash flows. If a company increases its fixed assets, it doesn't necessarily affect its profits, but it does result in an increase in the company's fixed assets. If there is no profit for the company, the stock price will also remain unaffected, hence investment cash flow does not impact the stock price

5. Conclusions

The first and second hypotheses, which posited that operating cash flow and investment cash flow significantly affect stock prices, were rejected. Based on the R square test results, it was determined that the combined impact of operating cash flow, investment cash flow, financing cash flow, accounting profit, and book value of equity on stock prices is 7.1%. This implies that there are other factors accounting for 92.9% of the influence on stock prices, not included in the model. This study was subject to certain limitations. For instance, the stock prices of several mining companies listed on the Indonesian Stock Exchange that were part of the sample were suspended, leading to identical share prices. Additionally, the study had to contend with 42 outlier data points, which were normalized over three iterations. These outlier adjustments could potentially have affected the study's findings, possibly compromising the optimization of the results. Given these limitations, future researchers are advised to exclude companies with suspended stock prices to ensure maximum and expected outcomes. Also, it would be beneficial for future studies to broaden their scope by including a larger population and encompassing other sectors, not limiting the research to one sector, to obtain more comprehensive and robust results.

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