

IMPACT OF CASH FLOW COMPONENTS, NET INCOME AND COMPANY SIZE ON STOCK RETURN

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ABSTRACT

This study aims to obtain empirical evidence of the effect of: Components of Cash Flow, Net Profit, and Firm Size on the level of Stock Return. This research is a quantitative research. The type of data in this study is secondary data. The data source used is data retrieval from the annual financial statements of consumer goods industry companies on the Indonesia Stock Exchange (IDX). The population in this study is the Consumer Goods Industry listed on the Indonesia Stock Exchange (IDX) in 2016-2019. Researchers determine the number of company samples taken by purposive sampling technique. The analytical method used is multiple regression analysis. The results showed that the cash flow component had no significant effect on stock returns, net income had a significant effect on stock returns and firm size had no significant effect on stock returns.

Keywords: Components of Cash Flow, Net Profit, Company Size, Stock Return



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INTRODUCTION

The capital market is a means used to channel funds sourced from the community to various sectors to carry out investment activities in the form of securities. One type of securities investment is stocks. The purpose of investors investing in the capital market is to get a return. In addition, the obstacle in this stock return is that investors do not always get profits in the form of capital gains or dividends. This is because not all stocks always experience an increase in price, while those that experience a decline or even suffer losses. Therefore, this can be predicted through the development of the company through observations of the financial statements.

Financial statements are the final product of a series of processes for recording and summarizing business transaction data. An accountant is expected to be able to organize all accounting data to produce financial reports, and even must be able to interpret and analyze the financial statements he makes (Hery, 2015:5). One of the important information obtained from financial statements is cash flow information. This is because cash flow is part of a company's financial statements produced in an accounting period that shows the inflow and outflow of money or company cash (Wahyudiono, 2014:41). Apart from the cash flow statement, the source of information that can be

used by investors in making decisions also comes from accounting profit. Net profit (net profit) is profit that has been deducted by costs which are the company's expense in a certain period including taxes (Kasmir, 2011:303). The researcher adds company size as an independent variable on the grounds that investors invest their capital by considering the size of the company. Company size is usually measured by the total assets, sales and capital owned by the company. The size of the organization is to determine the number of members associated with the selection of how to control activities in an effort to achieve goals (Torang, 2012:93).

The difference between the results of the study and these variables by several previous researchers is called the Research Gap. Therefore, this is an interesting matter for conducting further research in the hope of being able to explain the relationship between the components of cash flow, net income and firm size on stock returns. Research by Trisnawati (2013) regarding the effect of cash flow components on stock returns shows that cash flow components in the form of cash flows from operating activities, cash flows from financing activities and cash flows from investing activities have a positive influence on stock returns. However, it is different from the research on the effect of cash flow components on stock returns conducted by Yocelyn & Christiawan (2013) that the three components of cash flow have no significant effect on stock returns. Research on the effect of net income on stock returns conducted by Sarifudin & Manaf (2016) obtained the results that net income had an insignificant negative effect on stock returns in companies. While research with the same variables was carried out by Ni Putu Putriani (2014) with the results of net income having a positive and significant effect on stock returns. The effect of firm size on stock returns has previously been studied by Nadiya (2019) that firm size has no effect on stock returns. These results intersect with research on the effect of firm size on stock returns conducted by Adiwiratama (2012) that firm size affects stock returns.

METHODS

The type of research used in this research is quantitative research. The type of data in this study is secondary data. The data source used is data retrieval from the annual financial reports of consumer goods manufacturing companies on the IDX through IDX (Indonesian Stock Exchange) which can be accessed through the official website of the IDX (<https://idx.co.id>). The objects in this study are the components of cash flow, net income, and firm size as independent variables. The type of data in this study is secondary data. The population in this study consists of 55 companies which are all non-cyclical consumer goods industrial sector companies listed on the Indonesia Stock Exchange (IDX). Samples were taken using a purposive sampling method, namely the method of determining the sample with certain considerations using the following characteristics: a. Consumer goods industrial sector companies listed on the IDX for the period 2016 - 2019. b. The company publishes annual financial statements which are audited regularly. c. The company has complete data related to the dependent research variables in the form of stock returns and independent components in the form of cash flow, net income and company size. d. The company is always profit during the study period.

The total companies selected for the sample are 20 consumer goods industrial companies that meet the criteria. So the number of research samples in the 4 research periods amounted to 80 samples. The independent variable (X) in this study is the Cash Flow Component (X1), Net Profit (X2), Company Size (X3). While the dependent variable (Y) is Stock Return. The data analysis technique used in this research is multiple linear regression analysis. Linear regression is used to see the linear relationship between two or more variables identified as independent and dependent variables. If there is more than one independent variable and one dependent variable, this procedure is called multiple linear regression (Sarwono, 2014:13). Before performing multiple regression analysis, it is necessary to first test the classical assumptions to be able to confirm whether the model does not have problems of normality, autocorrelation, heteroscedasticity and also multicollinearity, if fulfilled, the analysis model is feasible to use. And to test the hypothesis is done with the F test, t test and descriptive analysis test.

RESULTS AND DISCUSSION

Fulfillment of the requirements for normality of data distribution, i.e. if the points spread around the line and follow a diagonal line, then the residual value is normal. The second is the One Sample Kolmogorov-Smirnov Test, in this case to find out whether the residual distribution is normally distributed or not. The residuals are normally distributed if the significant value is more than 0.05. Based on the normal P-Plot graph below, it can be seen that the points are normally distributed so that this regression model has met the assumption of normality. The Kolmogorov Smirnov method is by compiling a regression, including absolute residuals with independent variables. Where if the significance of the absolute residual is more than (0.05) then in this Kolmogorov Smirnov model. The table below shows that each independent variable shows sig. 0.067. From the results of normality testing with the Kolmogorov Smirnov method that has been carried out where from all independent variables > 0.05 . Therefore, it is known that the research on the effect of the components of cash flow, net income, company size follows a normal distribution with an asymptotic significance value of more than 0.05, which is 0.067, which means that the data is normally distributed.

Autocorrelation test is used to find out whether in a linear regression model there is a strong relationship, either positive or negative, between the data on the Cash Flow Component (X1), Net Profit (X2), Company Size (X3), and Stock Return (Y). To detect autocorrelation, Statistical Test can be done through Durbin Watson Test (Dwtest). In this study, it was shown that the Durbin Watson (DW) value was 1.803. By looking at the Durbin Watson table, it can be seen that the dL value is 1.5600 while the dU value is 1.7153. If put into the formulation $DU < DW < (4-DU)$ the result is $1.7153 < 1.803 < 2.2847$. So it can be concluded that the HO linear regression model is accepted which states that there is no autocorrelation and there are no more variables among the independent variables.

Heteroscedasticity graph is one of the heteroscedasticity tests that is easy to analyze because the data is good if the pattern of distribution points on the graph spreads around the number 0, then the variable does not occur heteroscedasticity. In this study, it is known that the pattern of distribution points spreads around the number 0, then the processed data does not occur heteroscedasticity.

One way to detect the presence or absence of multicollinearity is by looking at the tolerance and variance inflation factor (VIF) values in the regression model. The way to determine the presence or absence of multicollinearity symptoms is by looking at the Variance Inflation Factor (VIF) and Tolerance values, if the VIF value is less than 10 and the Tolerance is more than 0.1, it is declared that there is no multicollinearity.

Based on the table of SPSS test results, it can be seen that the VIF and Tolerance values for each research variable are as follows: 1. Tolerance values for the variables of Cash Flow Components (0.999), Net Profit (0.998), Company Size (0.998), stated that there were no symptoms of multicollinearity due to the Tolerance value > 0.10 . 2. The VIF value for the Cash Flow Component (1.001) variable, Net Profit (1.002), Company Size (1.003), it is stated that there is no multicollinearity symptom because the VIF value is < 10 .

The data analysis technique used in this research is multiple linear regression analysis. Linear regression is used to see the linear relationship between two or more variables identified as independent variables and dependent variables, and this procedure is called multiple linear regression (Sarwono, 2014:13). In the multiple linear regression carried out in this study where everything was done to find the relationship between the independent variable and the dependent variable. Based on the classical assumption test, it can be concluded that the regression model can be used to perform data processing. From data management to perform multiple linear equations in the table below.

Table 1. Regression Equation Test Results

Variable	Unstandardized Coefficients	
	B	
(Constant)		-0,306
Cash Flow Component		0,091
Net Profit		1,759
Company Size		0,024

Source: Processed secondary data (2021)

Based on the results of data processing above, it can be written the formula for multiple linear equations as follows: $Y = a + X_1 + X_2 + X_3 + e$, $Y = -0.306 + 0.091 + 1.759 + 0.024 + e$

The dependent variable used in this study is the stock return ratio. Furthermore, the independent variables used are Components of Cash Flow, Net Profit, and Company Size. In this descriptive statistical test, it is presented in the form of descriptive statistical tables which include several tables of minimum values, maximum values, average values and standard deviations.

The results of the Descriptive Statistics Test are as follows: 1) The results of the descriptive calculation show that for 80 research samples, the Stock Return variable has a minimum value of -0.51, namely the Wisnilak Inti Makmur Tbk company in 2018, while the maximum value of 1.41 is the Charoen Pokphand Indonesia Tbk company in 2018 The average value is 0.0696 with a standard deviation of 0.29054. 2) The results of the descriptive calculation show that for 80 research samples, the Cash Flow Component variable has a minimum value of -0.42, namely at PT. Nippon Indosari Corpindo Tbk in 2018, while the maximum value of 0.41 is at PT. Nippon Indosari Corpindo Tbk in 2017. The average value is 0.0005 with a standard deviation of 0.12096. 3) The results of the descriptive calculation show that for 80 research samples, the Company Profit variable has a minimum value of -0.29, namely at the HM Sampoerna Tbk company in 2018, while the maximum value is 0.23 at the Multi Bintang Indonesia Tbk company in 2016. The average value is 0.0066 with a standard deviation of 0.06227. 4) The results of the descriptive calculation show that for 80 research samples, the Firm Size variable has a minimum value of 12.70, namely the Dharma Samudera Fishing Ind. Tbk in 2016, while the maximum value of 17.75 is at the company HM Sampoerna Tbk in 2019. The average value is 15.3987 with a standard deviation of 1.29222.

The purpose of the F test in this study is to test the research model that has a simultaneous (joint) effect on the dependent variable, the F test is used with a significance level of = 0.05. If the F statistic results at a significance level of 0.05, it means that the independent variable has a significant effect simultaneously on the dependent variable and vice versa (Trisnawati, 2013)

Based on the results of the F test, it is known that the results of the simultaneous test show the calculated F value of 4.511 with a significance of 0.006. The significance value is smaller than 0.05, which is 0.006, it can be assumed that the independent variable has a simultaneous effect on the dependent variable.

The purpose of the t-test in this study is to determine the independent variables partially influence the dependent variable, the t-test is used with a significance level of = 0.05. If the t statistic results at a significance level of 0.05, it means that the independent variable has a partially significant effect on the dependent variable and vice versa (Trisnawati, 2013). It can be seen from the results of the t test, it is known that the influence of the independent variable is one (partial) on the dependent variable, namely: 1) Testing of Cash Flow Components. The effect of the Cash Flow Component on Stock Return shows the results of the t test analysis for the Cash Flow Component variable of $0.720 > 0.05$, therefore it can be interpreted that the Cash Flow Component has no significant effect on Stock Return. 2) Net Profit Testing. The effect of Net Income on Stock Return

shows the results of the t test analysis for the Net Profit variable $0.001 < 0.05$, therefore it can be interpreted that Net Income has a significant effect on Stock Return. 3) Firm Size Testing. The effect of firm size on stock returns shows the results of the t-test analysis for the variable firm size $0.324 > 0.05$, therefore it can be interpreted that firm size has no significant effect on stock returns.

Based on the results of the partial test that the Cash Flow Component has no significant effect on Stock Return. In this study there is no relationship between the components of cash flow with stock returns. Thus the hypothesis which states that there is an effect must be rejected, because there is no significant effect in the relationship between cash flow components and stock returns as evidenced by the results of the SPSS test. In this study, it can be seen that 80 samples were studied. From the sample obtained, it can be seen that as many as 50% or 40 observations experienced a decrease in the number of Cash Flow Components while the decrease that occurred in Stock Return was known as 40% or 32 observations.

The statistical data above can be seen that the Cash Flow Component has no significant effect on changes in Stock Return. In this case, it means that the amount of total assets at that time can result in changes in the cash flow component in the following year, the changes that exist depending on the company's performance that can result in an increase or decrease. It can be seen that the Cash Flow Component is not the basis for investors in making their investment decisions. This is because the number of numbers in the Cash Flow Component is not related to the stock price so that it does not have a significant effect on Stock Return. This result is not in line with the theory which states that the higher the number of components of the company's cash flow, the higher the investor's confidence in the company, so the value of stock returns is greater. Likewise, the lower the investor confidence in the company, so the smaller the stock return value (Rizal & Ana, 2016). This is also evidenced by research conducted by Yocelyn & Christiawan (2013) that the three components of cash flow have no significant effect on stock returns.

Based on the results of the partial test that Net Profit has a significant effect on Stock Return. In this study there is a relationship between net income and stock returns. Thus the hypothesis which states that there is an influence must be accepted, because there is an influence in the relationship between net income and stock returns as evidenced by the results of the SPSS test. In this study, it can be seen that 80 samples were studied. From the sample obtained, it can be seen that as many as 40% or 32 observations experienced a decrease in the amount of Net Profit equal to the decrease that occurred in Stock Return, it was known as much as 40% or 32 observations. The statistical data above can be seen that Net Profit has a significant influence on changes in Stock Return. In this case, the acquisition of these results depends on the company's performance which can result in an increase or decrease. It can be seen that Net Profit can be used as the basis for investors in making investment decisions. This is due to the greater the net profit generated by the company, the greater the stock return obtained by investors because the company's profits are the profits of investors who have invested their shares.

This is the same as the theory which states that net income can affect investors in investing their capital in a company. In addition, net income also shows the company's financial performance in a certain period, and is used by investors to analyze the movement of company shares that will affect stock returns (Rizal & Ana, 2016). According to Wahyuningsih et al., (2020) that if investors are interested in buying and other investors behave the same way, there will be excess demand from the supply of the related shares. And this situation will encourage an increase in stock prices. With this, it will lead to an increase in stock returns. Investors believe that they will get stock returns through their investment on the profits earned by the company. The results in this study are in line with research conducted by Ni Putu Putriani (2014) with the results that net income has a significant positive effect on stock returns. In contrast to the results of Sarifudin & Manaf (2016) that net income has no significant effect on stock returns.

Based on the results of the partial test that firm size has no significant effect on stock returns. In this study, there is no relationship between firm size and stock returns. Thus the hypothesis which states that there is an effect must be rejected, because there is no significant effect in the relationship between firm size and stock returns as evidenced by the results of the SPSS test.

In this study, it can be seen that the 80 samples studied were all well developed in terms of the size of the company that could affect stock returns. All companies experience an increase every year. Therefore, it is known that the size of the company does not have a significant effect because basically the stock return does not always increase every year. So the greater the total assets owned by the company, the greater the size of the company. From these results, it can be seen that investors do not use Company Size as the basis for making decisions in their investment activities. Due to the large amount of total assets owned by the company if it is not properly allocated by the company, then the company does not have good prospects in the future, especially in terms of shares.

Companies with larger sizes can have greater access to sources of funding from various sources, so getting loans from creditors will be easier because companies with large company sizes have a greater probability of winning the competition or surviving in an industry. . On the other hand, small-scale companies are more flexible in dealing with uncertainty, because small companies react more quickly to sudden changes. Therefore, it is possible that large companies with higher leverage will also be greater than small companies (Vera, 2013). According to Nadiya (2019), investors do not take into account the size of the company in determining the purchase of shares. This is because the growth of a company is not only seen from the size of the company. The amount of an asset owned by a company if it is not managed properly by the company for operating activities within the company, it will not be able to obtain large profits, profits that are not maximized will make the share price in question decrease. Therefore, the size of the assets owned by the company will not be able to estimate the amount of profit that will be obtained by a company and the return that will be obtained by investors. This results in the absence of investor interest in seeing the assets owned by the company to make a decision regarding its investment. The results in this study are also supported by research conducted by Ni Putu Putriani (2014) which obtained the results that company size had no effect on stock returns.

CONCLUSION

Cash Flow, Net Profit and Company Size while the dependent variable is Stock Return in the Consumer Goods Industry listed on the Indonesia Stock Exchange (IDX) in the 2016-2019 period using multiple linear regression analysis techniques. From the formulation of the problem, objectives and research hypotheses as well as the discussion of the research results that have been stated in the previous chapter, conclusions can be drawn from this research as follows: 1) From the results of the Persian test which produces evidence that the Cash Flow Component has no significant effect on Stock Return so that H1 is rejected. 2) From the results of the Persian test which produces evidence that Net Profit has a significant effect on Stock Return so that H2 is accepted. 3) From the results of the partial test which produces evidence that firm size has no significant effect on stock returns, so H3 is rejected.

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