International Journal of ACCOUNTING AND MANAGEMENT RESEARCH

E-ISSN : 2721-1126, P-ISSN : 2721-1118
Available online at:
https://ejournal.itbwigalumajang.ac.id/index.php/ijamr

The Role of Receivables Cash and Dividends in Stock Investment on the Indonesia Stock Exchange

Yulian Ade Chandra[1], Kartika Ayu Kinanti[2], Moh. Hudi Setyobakti[3]

Departement of Management, Institut Teknologi dan Bisnis Widya Gama Lumajang [1,2,3]

Corresponding Author: cyulianade@gmail.com

ARTICLE INFO

Date of entry:
8 June 2023
Revision Date:
7 July 2023
Date Received:
28 September 2023

ABSTRACT

Investment plays an important role in a country's economy. How companies controlled by majority shareholders can establish a relationship of mutual need and mutual benefit with retail investors. Dividends can be a bridge for fair and proportional profit sharing. The ratio of receivables to cash and Dividend Per Share is important to be further investigated using statistical tests. The ratio of receivables to cash is a novelty in financial management research. If the ratio of receivables to cash is too high, it will create the potential for high dependence of the company on the collective receivables in the future to finance its operations. This article was created with the aim of gaining a strong understanding of the ratio of accounts receivable to cash and Dividend Per Share (DPS) and its relation to sharia-indexed stock prices. The method used in writing this article is descriptive qualitative method. Based on empirical studies and also analysis in the discussion, it shows that Dividend Per Share (DPS) has a large and crucial role in making decisions on stock buying and selling transactions made by investors. This can be interpreted that theoretically, Dividend Per Share (DPS) affects stock prices.

Keywords: Cash, Dividends, Investment, Receivables, Stock Price

Cite this as: Chandra, Y. A., Kinanti, K. A., & Setyobakti, M. H. (2023). The Role of Receivables Cash and Dividends in Stock Investment on the Indonesia Stock Exchange. *International Journal of Accounting and Management Research*, *4*(2), 60–66. https://doi.org/10.30741/ijamr.v4i2.1144

INTRODUCTION

Investment is a common activity in society. This is inseparable from the benefits of the investment activity itself. Blanchard (2017) explains that investment is one of the drivers of economic growth. Investment expands production capacity and increases productivity, which in turn increases people's income and welfare. Investment also strengthens aggregate demand and accelerates economic growth. Investment plays an important role in a country's economy, as it can increase economic growth and create new jobs. In addition, another example of the benefits of investment is investment in the agricultural sector. Bukhtiarova et al. (2019) explained that investment in the agricultural sector is the backbone of the economy, so state policies prioritize agriculture and community food security in various situations. Investment in the agricultural sector is important for human development.

Through investment, individuals, companies, and governments can allocate their funds to develop productive projects that contribute to long-term economic growth. Investment plays an important role in driving the economic cycle. When individuals or economic entities invest, they provide a stimulus to the demand for goods and services, which in turn drives economic growth. Investment also creates a domino effect, where spending associated with investment will increase income for other individuals and businesses, creating a multiplier effect that can boost overall economic activity. Seeing the importance of investment activities, people as investors will focus on finding investments that are reliable, easy, fast, liquid and provide the most profit. Company shares that have the potential to provide dividends and captial gains are one of the attractive investment options for investors.

There are several things that investors can consider when investing in stocks. How the company or in this case controlled by majority shareholders can establish a relationship of mutual need and mutual benefit with retail investors. Majority shareholders potentially have many ways to enrich themselves and their groups without caring about retail shareholders. Dividends can be a bridge for fair and proportional profit sharing. Retail investors have an advantageous position when receiving large amounts of dividends. The size of dividends can be measured by dividend yield and Dividend Per Share (DPS). The lack of dividend payments is one of the risks faced by retail investors.

Besides the risk of not receiving dividends, there are other risks involved in investing in stocks. One of the biggest risks in stock investment is the issuer being delisted from the stock exchange. Delisting can occur due to the stock exchange's decision or due to the company's own request. Delisting that occurs at the request of the issuer itself can be referred to as Go Private action. When a company goes private, retail investors face several unfavorable possibilities. First, the possibility of their shares becoming illiquid. Second, the uncertainty of dividend increases. Third, high selling pressure so that they will lose passive income from dividends. Fourth, they will not be able to increase the number of shares so that their investment in the company is not well developed.

Seeing the benefits of stock investment for investors and seeing the interests of retail investors for returns in the form of dividends and capital gains, it is interesting to find out the factors that affect stock price movements. Dividends as a public investment objective are also interesting to study whether dividends are correlated with stock prices. The receivables ratio variable was chosen because it can be assumed to be related to the risk of default of the receivables issued by the company, whether or not there is moral hazard in the failure to collect funds from these receivables. Of the various ways that companies may be able to engineer financial statements, accounts receivable can be assumed to be one of the available options. Receivables have the potential to make the company's profit change.

Although financial statement engineering is not the only way that allows majority shareholders to take actions that can benefit them dominantly and less favorably for retail investors, the existence of receivables still needs to be watched or observed from time to time. As an illustration, one day a company earns high operating income and the majority of that operating income is earned from receivables. Because of this high income, the company is profitable. The thing to worry about is that later it turns out that the receivables issued by this company were not successfully converted into cash, so that the company's profits decreased again or even became a large loss. Investors may assume that when the company's operating income is high and the company is profitable, investors may assume that the company's performance is improving and the company is experiencing growth. However, investors may experience losses when the company's profit turns negative or decreases in the next period due to the company's failure to collect its receivables.

The effect of receivables and cash ratios on stock prices is an interesting topic to discuss. Several studies have been conducted to determine the variables that affect stock prices with independent variables related to receivables and cash. First, according to research conducted by Almira (2021), it shows that cash flow and profit have an influence on stock prices in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX). The results showed that cash flow and earnings have a positive influence on stock prices. Other research conducted by Makatutu and Arsyad (2021) shows that the variables of cash turnover, accounts receivable, and inventory turnover have a positive and significant effect on profitability in various industrial sectors listed on the IDX. Meanwhile, research conducted by Margaretna (2015), cash flow from operating activities has a positive effect on stock prices, while cash flow from financing activities has no effect on stock prices. Total cash flow also has a positive influence on stock prices. From some of these studies, it can be concluded that receivables and cash have an influence on stock prices. Cash turnover and accounts receivable turnover have a positive influence on stock prices, while inventory turnover and cash flow from financing activities do not have a significant effect on stock prices.

Indonesia is a country with the largest Muslim population in the world. With the existence of different types of securities or securities, namely sharia securities and non-sharia securities, it is only natural that sharia securities develop in the Indonesian capital market. The development of Islamic securities in the Indonesian capital market continues to experience very good progress and affects national economic growth. Sharia securities products traded in the Indonesian capital market include sharia stocks, sukuk, and participation units of sharia mutual funds. One of the products of the Islamic capital market is Islamic stocks, which are securities in the form of shares that do not contradict the principles of Islamic sharia in the capital market.

Currently, Islamic stocks in Indonesia continue to experience positive growth. Of the 459 sharia securities in the form of shares listed in the Sharia Securities List (DES) as of August 7, 2020, there are 443 Indonesia Stock Exchange (IDX) stocks that are constituents of the Indonesia Sharia Stock Index (ISSI). As for corporate sukuk, there are 253 sukuk with a total value of IDR 51.89 trillion. Meanwhile, on May 25, 2023, the Financial Services Authority (OJK) has issued a Decree of the Board of Commissioners regarding the List of Sharia Securities for Period I - 2023, which includes 574 shares of Issuers and Public Companies, as well as other sharia Securities. Although the development of the Islamic capital market is quite satisfactory, OJK will continue to strive to develop the Islamic capital market by implementing various strategies. Among others, the preparation of the Islamic Capital Market module as learning material in universities and the preparation of the 2020-2024 Islamic Capital Market roadmap. In addition, the development of Indonesia's Islamic capital market is also marked by the growth in the number of Islamic stock investors.

The purpose of this study is to gain a strong understanding of the ratio of receivables to cash and Dividend Per Share (DPS) and its relation to the price of sharia-indexed stocks. This research is expected to provide benefits to various parties. The first benefit is to add insight and knowledge for the academic community and the general public about factors that affect Islamic stock prices. The second benefit is that the results of this study can be a consideration for investors in the capital market. The third benefit is that this research is expected to provide advice for companies in order to optimize their share prices. Sharia indexed stocks in Indonesia continue to grow. The number of model market investors in Indonesia also continues to increase. The results of this study may be needed for new investors who still do not understand the dynamics of stock prices and the factors that affect stock prices, especially sharia indexed stocks. This research will strengthen previous research with the same theme and this research also has the potential to create a new paradigm about stock price movements in Indonesia.

The share price is the price of a share for each share sale and purchase transaction. The share price is updated every time there is a sale or purchase of shares. The share price can be a major consideration for investors when investing in the stock sector. Share prices are applied following the scheme of the stock exchange, especially on the regular market. Stock price movements can occur naturally, namely according to the agreement (matched) between buyers and sellers. The share price reflects the market price of a company and reflects the amount of supply and demand for the company's shares. By looking at some of the roles of stocks in the capital market, it is alleged that the moving stock price is influenced by several things.

There are several theoretically logical factors that are thought to affect stock prices, especially in the case of the stock market in Indonesia. First, stock prices are influenced by the fundamental conditions of the company, such as financial performance, company management and business prospects. Second, stock prices are influenced by symptoms of changes in exchange rates between currencies, such as the rupiah over foreign currencies. Third, the buying trend of investors, namely the demand and supply of shares in the capital market is also thought to affect stock prices in the future.

In addition to the three factors mentioned, there are several more factors that are thought to affect stock prices. The fourth factor is stock price manipulation by certain parties. The fifth factor is issues circulating in the market, such as rumors or news that have an impact on company performance or economic conditions. The sixth factor is the company's corporate actions, such as mergers, acquisitions, share buybacks or dividend distributions. The seventh factor is the country's economic conditions, such as inflation, interest rates, and economic growth. The eighth factor is the lending rate, which affects the company's cost of capital. The ninth factor is liquidity and flow of funds, which is the availability of funds in the capital market. And the tenth factor is business agreements, such as cooperation or contracts announced by the company.

The company's cash position is an important thing to analyze for investor consideration in purchasing shares. This is because dividend payments depend on the company's cash condition. The amount of receivables in the company's statement of financial position is also an important thing for stock investors to analyze. This is due to two things. First, receivables are included in the profit calculation. Second, receivables have the possibility of failing to be collected in the future or in other words failing to be converted into cash. By looking at the function of receivables that are expected to be converted into cash, it is natural that cash is more desirable to investors than receivables. Meanwhile, receivables are the future potential for the creation of additional cash.

After seeing the important role of cash and receivables in investors' consideration to buy shares and seeing the position of receivables and cash, it is interesting to examine the ratio between receivables and cash in influencing stock prices in the market. The stock price itself can indicate investors' decisions to sell or buy shares. When the stock price rises, the investor's decision to buy is more dominant than the investor's decision to sell. And vice versa.

METHODS

The method used in writing this article is descriptive qualitative method. This article was created with the aim of gaining a strong understanding of the ratio of accounts receivable to cash and Dividend Per Share (DPS) and its relation to sharia-indexed stock prices. Based on consideration of existing references as well as theoretical development, this article can conclude the extent to which research on the ratio of receivables to cash and Dividend Per Share (DPS) research is needed to see the influence of both on stock prices. This article will also generate strong recommendations for the success, as well as the usefulness of further research.

RESULTS AND DISCUSSION

Based on the search results on the Google Scholar site, no research has been found with the predictor variable of the ratio of receivables to cash. The same results also occur when searching for articles or writings on the ratio of receivables to cash. Searches using the Google search engine and social media such as Youtube and Instagram also did not get the appropriate results. What is the cause of

International Journal of
ACCOUNTING AND MANAGEMENT RESEARCH

E-ISSN : 2721-1126, P-ISSN : 2721-1118
Available online at:
https://ejournal.itbwigalumajang.ac.id/index.php/ijamr

the ratio of receivables to cash not being researched? Does this ratio really have no significance or is this ratio less able to reflect a situation? This ratio can be related to common size analysis. Excerpt. The difference is that common size analysis calculates the comparison of the value of a particular account with the overall value of its parent account or the comparison of the value of the revenue component, costs with the profit/loss value or the cost of goods sold value. Meanwhile, the ratio of receivables to cash directly compares the two accounts that are still in one category, namely assets or even current assets. However, the implications of this ratio calculation can be more important than common size analysis.

There are two ways that can be used to interpret the ratio of receivables to cash. First, the ratio of receivables to cash measures how potentially dependent the company is on the collectivity of receivables. This first interpretation is very important for the continuity of the company in its financial health in financing its operations. This can happen with a note that getting funds from debt has value limits and procedures. Apart from that, funding the company's operations from debt raises costs that can have a significant effect on the company's finances. It can be interpreted that the higher this ratio, the risk faced by the company also increases. The second way to interpret this ratio is that the ratio of receivables to cash measures how much potential non-debt funding sources the company has in the future.

Dividend Per Share (DPS) is often studied as a predictor variable of stock prices. Some recent studies state that DPS has a significant effect on stock prices. Gracelia (2017) found that DPS has a significant effect on the share price of banking companies on the Indonesia Stock Exchange. The number of samples in Gracelia's (2017) research was 9 and the data was taken from 2011 to 2016. Lilianti (2018) also stated that DPS has a significant effect on the share prices of 9 pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange. Likewise, Najiyah and Lahaya (2021) revealed that DPS has a negative and significant effect on the share price of property, real estate and building construction sector companies on the Indonesia Stock Exchange. The number of samples studied was 8 companies and the data was taken from 2014 to 2019. DPS is very different from the Dividend Payout Ratio (DPR). DPS comes from cash while DPR comes from profit. Cash can be obtained from capital deposits, sales of company shares, loans, asset divestments or asset sales and from operating income. Meanwhile, DPR only comes from profits in the last period before dividends are distributed.

It is not easy for the general public, including retail investors and researchers, to detect the Dividend Payout Ratio (DPR) when a distribution is announced. This is because, to find the DPR, at the time the dividend is announced, the public must first find out information stating whether the dividend distributed is a dividend from the previous year's profit or is an interim dividend. Thus, using DPR as a research analysis material can be an obstacle or a challenge in itself. In the context of the discussion about decision making by investors, investors tend to make decisions quickly in order to optimize the potential returns to be obtained. When dividend information is announced, some investors who focus on fundamental analysis will use the dividend information in their decision making. The decision in question is the decision to buy or sell shares. When investors receive information on the dividend distribution schedule, that is when Dividend Per Share (DPS) can be the main consideration for investors in their decision making. So that in the analysis in the short-term period, DPS can be more associated with investment decision making. Seeing the role of DPS in investment decision making, the DPS variable is worth examining to see its effect on stock prices.

In further study, there are several financial ratios and financial data other than the ratio of receivables to cash and DPS that may be related to increases and decreases in stock prices. The reason why this analysis is important to do is because when knowing the relationship between this financial data and the stock price, the public can know the potential future price of the stock in the short term. Investors can get a profit or return in buying and selling shares (trading), due to the diversity of thoughts from fellow investors, which refers to differences in decision making transactions. This difference in thinking can be caused by many things, including differences in information, differences in expectations and predictions, differences in the level of satisfaction with profits, differences in tastes in responding to the profile or characteristics of the company, differences in the need for funds such as the need for funds for investment in shares or other instruments that are considered better or more promising. The importance of Dividend Per Share (DPS) for investment decision making by investors is the investor's assessment of companies that distribute dividends at a certain value. Not every dividend distributed will be viewed positively by investors. If the value is too small or too large so that it greatly burdens the company's finances, then investors can view this distribution as an unsatisfactory assessment. However, on the contrary, if the company is able to distribute dividends in large amounts but does not burden the company's finances, investors can view this as a positive thing.

A big difference can be seen between companies that are willing to pay dividends (DPS) and companies that have never paid dividends (DPS). Companies that have paid dividends have clearly demonstrated the willingness of the company's majority shareholders to share the company's wealth with minority shareholders or retail investors. Variables related to receivables and cash have been studied before to see their effect on stock prices. Among them is Almira's research (2021) which finds that the cash flow variable has an insignificant and positive effect on stock prices so that the cash flow variable cannot be used as an indicator in predicting stock prices. The results of this study are different from research conducted by Sholekhah (2018) and Aprianti (2017) which state that cash flow can affect stock prices, but the results of this study are in accordance with research conducted previously by Bhuana (2018) and Yaasin (2019) which state that cash flow has no effect on stock prices.

Horne and Wachowicz (2014) explain that the faster the turnover of receivables, the more efficient the receivables are because the greater the credit sales, the greater the investment in receivables and consequently the risk or costs that will be incurred will be even greater. As a result of the large number of receivables, of course, there is a risk of uncollectibility, this results in the company's profitability also decreasing. Companies should also be selective in terms of receivables management. This research is supported by (Sufiana & Purnawawati, 2012) which states that partially accounts receivable turnover affects profitability and the dominant profit is generated by accounts receivable turnover, because credit sales with regular periods are able to generate high profits. Because in addition to direct sales, credit sales are also one of the factors that can increase company profitability.

CONCLUSION

Based on the description and analysis in this study, it can be concluded that the ratio of receivables to cash and Dividends Per Share is important to be further investigated using statistical tests. This is caused by several things, among others: a) The ratio of receivables to cash is a novelty in financial management research, especially in the world of investment and capital markets. b) The ratio of receivables to cash has several important meanings for companies and investors. One of the important meanings of this ratio is that if the value of this ratio is too high, it will raise the potential for high dependence of the company on the collective receivables in the future to finance its operations. c) The higher the ratio of receivables to cash, the higher the risk of the company's financial health in the future. d) Based on empirical studies and also analysis in the discussion, it shows that Dividends Per Share (DPS) has a large and crucial role in making decisions on stock buying and selling transactions made by investors. This can be interpreted that theoretically, Dividend Per Share (DPS) affects stock prices.

Suggestions for further research, the number of samples used should be more and not limited to the Jakarta Islamic Index (JII). This is because the constituent stocks of the JII, some are issuers whose financial condition is loss. There are also some stocks that have a high Price to Earning Ratio (PER), so they are indicated to be overpriced. Some JII member issuers have also never paid dividends.

This is certainly due to the fact that JII constituent issuers are selected based on the average value of the largest market capitalization and the highest daily transaction value. The second suggestion for further research is to increase the number of variables that can become control variables. The third suggestion for further research is that there is a ratio that can be studied, namely receivables divided by cash that has reduced expenses.

REFERENCES

Almira, Devina. 2021. Pengaruh Arus Kas Dan Laba Terhadap Harga Saham Pada Perusahaan Farmasi Yang Terdaftar Di Bursa Efek Indonesia (BEI). Skripsi. *Institut Agama Islam Negeri (IAIN) BATUSANGKAR*.

Blanchard, O. (2017). Macroeconomics (7th ed.). *Pearson Education Limited*.

Bukhtiarova, A., Hayriyan, A., Chentsov, V., & Sokol, S. (2019). Modeling The Impact Assessment Of Agricultural Sektor On Economic Development As A Basis For The Country's Investment Potential. *Investment Management And Financial Innovations*, 16(3), 229–240.

Damayanti, Eka Novita. (2020). Pengaruh Arus Kas Dan Perputaran Piutang Terhadap Tingkat Likuiditas Pada Perusahaan Makanan Dan Minuman Yang Terdaftar Di Bei Periode 2015-2019. S-1 thesis, 021008 *Universitas Tridinanti Palembang*.

Gaol, Romasi Lumban. 2015. Pengaruh Perputaran Persediaan, Perputaran Piutang Dan Pertumbuhan Penjualan Terhadap Likuiditas Pada Perusahaan Industri Barang Konsumsi Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Riset Akuntansi dan Keuangan*, Vol. 1, No. 2, Hal. 181 – 202.

Hasibuan, Nurhayati. 2019. Pengaruh Perputaran Kas Dan Perputaran Piutang Terhadap Return On Asset (Roa) Pada PT. Siantar Top Tbk. Skripsi. *Universitas Islam Negeri Sumatera Utara*.

Horne, J. C. Van, & Wachowicz, J. M. (2014). Prinsip-prinsip Manajemen Keuangan. Salemba Empat

Kurniawan, I. S. & Indra, M. I. 2021. Analisis Perputaran Piutang, Perputaran Persediaan Dan Profitabilitas. *Akuntabel*, Vol. 18, No. 3, Hal. 452 – 363.

Mahfudhotin, Suliyanto dan E. Tjahjono. 2017. Estimasi Model Regresi Panel Komponen Error Satu Arah dengan Metode Generalized Least Square. *Sains & Matematika*. Vol. 6 No. 1. Hal. 1-7.

Makatutu, W. S. dan Arsyad, R.. 2021. Pengaruh Perputaran Kas, Piutang dan Persediaan Terhadap Profitabilitas Perusahaan Sektor Aneka Industri yang Terdaftar di BEI. *Public Policy*, Vol. 2, No. 1, Hal. 57 – 74.

Margaretna, Danum. 2015. Pengaruh Informasi Arus Kas Terhadap Harga Saham Yang Dimoderasi Oleh Inflasi Pada Perusahaan Manufaktur Di BEI. *Jurnal Akuntansi & Manajemen*, Vol. 26, No. 2, Hal. 109-118.

Novika, W. & Siswanti, T. 2022. Pengaruh Perputaran Kas, Perputaran Piutang Dan Perputaran Persediaan Terhadap Profitabilitas (Studi Empiris Perusahaan Manufaktur – Subsektor Makanan Dan Minuman Yang Terdaftar Di Bei Periode Tahun 2017-2019). *Jurnal Ilmiah Mahasiswa Akuntansi*, Vol. 2, No. 1, Hal. 43 – 56.

Sufiana, N., & Purnawawati, K. (2012). Pengaruh perputaran Kas, perputaran Piutang, Terhadap Profitabilitas. Universitas Udayana.