



The Effect of Comprehensive Profit, Cash Flow and ROA Components on Stock Price in Financial Sector Companies Listed on the Indonesia Stock Exchange in 2017–2021

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Abstract. This study aims to examine the effect of comprehensive profit, components of cash flow, and ROA on share prices in financial sector companies listed on the IDX in 2017–2021. The population and sample were firms in the financial industry, specifically the banking and insurance sub-sector, which were used as research samples. The independent variables and dependent variables are the variables employed in this study. The documentation methodology was employed in this study as a data collection method. The panel data regression analysis model is the method of data analysis employed. The researchers utilized the Eviews 8 application to analyze the data. The findings indicated that comprehensive income and ROA had a favorable impact on stock prices in financial sector companies in the banking and insurance sub-sector that were listed on the IDX in 2017–2021, but that the cash flow component, specifically operating cash flow, investment cash flow, and financing cash flow, had no such impact.

Keywords: Comprehensive Profit · Cash Flow Component · Stock Price · ROA · Financial Sector

1 Introduction

A country's economy is supported by several economic sectors, one of which is the financial sector. The financial sector is often considered one of the pillars of the national economy. The financial sector has an active role in the capital market and the Indonesian economy, especially in the banking and insurance sub-sector, which is one of the sectors that is active in price and share volume movements.

The capital market is a source of capital for companies and a medium between the owners of capital (investors) and the borrowers of funds (issuers). Investing in the stock market is a relatively high-risk investment. The main goal of investors' investments is to make a profit [1].

If the company can generate a profit, investors can profit significantly from their investment. If the company is unable to generate profit, investors will not receive returns on their investments and may even suffer losses.

Accounting information has been seen as important because it is needed by the capital market, especially information about company profits [2]. The profit that the firm has achieved is one measure of the company's performance, which is deemed excellent or poor. Profit can be a measure of success and a guide for management decision-making in the future. Profit valuation is also the rate of return on investment (return); the bigger the profit made by the firm, the better in the eyes of capital market investors.

Aside from that, another important piece of information in the data records is the cash flow. Disclosure of data related to cash flow is also a performance benchmark, because this record can provide information to investors regarding the company's cash flow in and out so that investors can predict cash flow for the coming era.

Comprehensive profit and loss and cash flow components can inform how effectively the sales support finance is used and how well the profits are generating returns for investors. The results of historical analysis are very important for companies in operating finance so that investors can find out the level of efficiency of the company's funds from year to year [3].

Apart from profit and cash flow, ROA is also a ratio that can be considered by investors in making decisions. ROA is an indicator that shows the profitability of an asset owned by a company. ROA is also used to measure efficiency in using assets to generate profits, which can be displayed as a percentage. Based on [4] ROA which represents the ability of capital to be invested in the value of assets in order to make profit.

Shares are proof of ownership of capital or funds in a company. For those who own shares, they will get several benefits as a form of obligation that must be accepted, namely obtaining capital gains, which are profits when the shares owned are resold at a higher price, and other benefits, namely having voting rights for common stock shareholders [4].

The difference in research results is used as a reference in this study conducted by Eva [5], indicating that operating profit and cash flow have a significant effect on stock prices. According to the opposing findings of Utami [6], partially operational cash flow has no impact on stock values. According to Sri and Ni Putu's research [7], operational cash flow, investment cash flow, and earnings did not significantly affect stock prices for manufacturing businesses (consumer products) listed on the Indonesia Stock Exchange between 2014 and 2016. However, ROA did have an impact on stock prices. According to Retno's 2019 research [8], ROA has a detrimental impact on stock returns.

2 Literature Review

Signaling Theory

A signal is an activity done by a corporation to notify investors of how management views the company's future prospects [9]. Signal theory shows the existence of information a symmetry between the company and parties who need information. For this reason,

through the issuance of financial reports as the provision of information to interested parties is necessary [10].

Comprehensive Profit

Comprehensive income includes all changes in equity during a certain period except for investment events from owners and distributions to owners [10].

Cash Flow

Defines cash flow as a report that displays all areas of business operations that have a direct or indirect impact on cash [11].

Cash Flow Components

1. Operating Cash Flow
2. Investment Cash Flow
3. Funding Cash Flow

Return On Assets (ROA)

Tandelilin [12] claims that ROA is a ratio that indicates how well a business may use all of its resources in order to generate net profit after tax. ROA is a measure of whether an asset can be profitable or not [13].

Stock Price

Several values related to stocks include book value, market value, and intrinsic value [13]. The share price is used by investors to buy a number of shares in the capital market. The market price is the closing price if the stock exchange market is closed.

Hypothesis

Effect of Comprehensive Profit on stock prices in financial sector companies in 2017–2021.

According to Biddle and Choi (2006) in [14], comprehensive income is more related to price share rather than net income. With an increasing comprehensive income, it shows an increase in terms of retained earnings and dividends distributed by the company to owners, which is, of course, good news for the company.

H1: Comprehensive income has an effect on stock prices

Effect of Operating Cash Flow on stock prices in financial sector companies in 2017–2021

The separation of total cash flow into three cash flow components, especially operating cash flow, has a substantial influence on stock prices and returns [15].

H2: Operating cash flow has an effect on stock prices

Investment Cash Flow on changes in share prices in financial sector companies in 2017–2021

The results of this study provide empirical confirmation that investment cash flows has a significant effect on stock prices but in the opposite direction because it has a negative effect [16]. This shows a positive cash flow, which means the business makes money off the investments it makes.

H3: Investment cash flow has an effect on stock prices

Funding Cash Flow to changes in share prices in financial sector companies in 2017–2021

The cash flow variable from financing activities shows a positive and significant to stock prices [16].

H4: Funding cash flows have an effect on stock prices

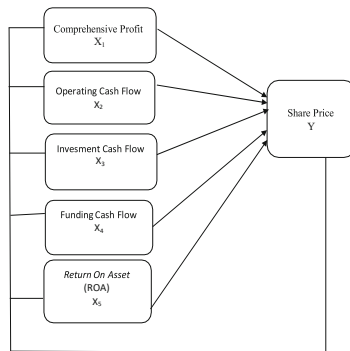
Return On Assets(ROA) on changes in share prices in financial sector companies in 2017–2021

The effects of return on assets (ROA), net profit margin (NPM), and earnings per share (EPS) on stock prices at banking companies on the Indonesia Stock Exchange for the years 2011 to 2015 were studied by Watung [17]. The findings demonstrate that ROA, NPM, and EPS have a large, simultaneous, and partial impact on stock prices.

Based on the description, the hypothesis can be formulated as follows:

H5: Return On Assets (ROA) has an effect on stock prices

Framework



Gambar 2.1 Kerangka Pemikiran

3 Method

Population and Research Sample

The population used in this study is from 2017 to 2021 and is from the financial sector,

namely the banking and insurance sub-sector. 32 companies were selected as research samples from the sample's total population of 90 research companies. Purposive sampling was used to identify the sample procedure. Purposive sampling is sampling based on the subjective considerations of researchers adapted to the research objectives.

Data Processing Method

Statistical tests are utilized in conjunction with quantitative analysis as the study methodology. This analysis is used to determine the relationship between two or more variables or positive and negative sub-variables, as well as how significant or close the relationship is. The analysis of the data obtained in this study will use assistance from a software program, namely the Econometric Views (Eviews) version 8 application program.

Panel Data Regression Analysis

Panel data regression analysis is a technique for regression analysis in which data are individually gathered (a cross-section) and tracked over time (a time series).

In the regression model equation for this study, there will be three independent variables: comprehensive income, operating cash flow, funding cash flow, investment cash flow, and return on assets. The stock price is the only dependent variable left. As a result, the equation for the panel regression model is as follows:

$$Y = a + b_1X_{1it} + b_2X_{2it} + b_3X_{3it} + b_4X_{4it} + b_5X_{5it} + e$$

Information:

Y = dependent variable (stock price)

a = Constant

X1 = Comprehensive Profit X2 = Operating Cash Flow X3 = Operating Cash Flow
X4 = Investment Cash Flow X5 = ROA

b1-b5 = independent variable regression coefficient 1

e = term error

t = Time

i = Company

4 Result and Discussion

Based on the variable stock price (Y), there is an average value of 2,405.512 per share; the highest value is 16,000 per share that occurs at PT. Bank Jago Indonesia Tbk (ARTO) in 2021; the lowest value is 0,000 because there are several companies that have not issued shares; and there is a standard deviation value of 2,653.931 (Tables 1, 2, 3, 4, 5 and 6).

Based on the results of the Chow test, the probability values of F and Chi-square are 0.05, suggesting that the fixed effect model is preferred than the common effect. As a result, it may be claimed that the model chosen for the Chow test is a fixed effect. The Hausman test was then carried out as a consequence.

The probability p-value for the Hausman test is $0.9324 > 0.05$, which suggests that the random effect model is superior to the fixed effect model.

Hypothesis Test Analysis

This analysis uses the Random Effects model.

Table 1. Descriptive Results

Means	Median	Max	Min	Obs
2450.512	1225.000	16000.00	0.000	160
3.91E + 12	6.73E + 11	3.95E + 13	86365196	160
5.63E + 12	2.30E + 11	1.30E + 14	- 3.20E + 13	160
- 6.11E + 12	- 1.49E + 11	2.60E + 13	- 1.85E + 14	160
2.27E + 10	0.00000	2.67E + 13	- 1.85E + 13	160
0.015803	0.013200	0.176000	- 0.158900	160

Source: 2022 Research Data

Table 2. Chow Test Results

Effect Test	Statistics	df	Prob
Cross-section F	6.718213	(31,123)	0.000
Chi-square cross-sections	158.517292	31	0.000

Source: 2022 Research Data

Table 3. Hausman Test Results

Test Summary	Chi-Sq-Statistics	Chi-sq. df	Prob
Random cross-sections	1.324625	5	0.9324

Source: 2022 Research Data

Table 4. Stimulant Test Results

F-statistics	3.075682
Prob (F-statistic)	0.011255

Source: 2022 Research Data

Based on the results, the computed F value is $3.07 > F$ table 2.27, and the p-value is 0.01 0.05. Therefore, it may be concluded that the stock price is influenced by all of the independent variables.

With a determination coefficient value of 0.061274 or 6.12%, it is clear from the figures above how much the share price is affected by comprehensive profit, operating cash flow, investment cash flow, funding cash flow, and ROA. This indicates that the independent factors in this study only contributed 6.12%.

Table 5. The results of the coefficient of determination

R-square	0.090793
Adjusted R-square	0.061274

Source: 2022 Research Data

Table 6. Partial Test Results

Variable	coefficient	std. Error	t-statistics	Prob.
C	1770922	407.7618	4.343030	0.0000
X1	1.14E-10	3.90E-11	2.928680	0.0039
X2	3.41E-12	9.47E-12	0.359680	0.0039
X3	6.88E-13	7.78E-12	0.088534	0.9296
X4	3.44E-11	2.74E-11	1.256506	0.2108
X5	10939.48	5219094	2.096049	0.0377

Source: 2022 Research Data

The information above shows that Comprehensive Profit has a p-value of $0.003 < 0.05$ and a T count of T count $2.92 > T$ table 1.97 , and ROA with a P-value of $0.03 < 0.05$ a T count of T count $2.096 > T$ table 1.97 . It is one of the independent variables with an influence. Whereas determinable cash flows from operations, investments, and funding have no effect on stock prices (Y).

Effect of Comprehensive Profit (X1) to stock prices

The first hypothesis in this study is that comprehensive profit (X1) has an effect on stock prices (Y). Comprehensive profit (X1) in Table 4.6 has a t-statistic value of 2.928680 and a probability value of 0.0039 , which indicates that it is less likely than 0.05 . The findings of the first hypothesis (H1), which suggests that comprehensive income has an impact on stock prices, may thus be said to be accepted. This implies that comprehensive income (X1) has an important bearing on stock prices (Y). These results support those of Eva Mufidah's 2017 study, which found that profit had a positive effect on stock prices.

These findings demonstrate how a company's stock price may be impacted by a comprehensive profit from its operations. Due to the favorable correlation between comprehensive profit and stock price, the market will respond favorably as comprehensive profit increases.

Effect of Operating Cash Flow (X2) to stock prices

Operating cash flow (X2), the T test variable, has no discernible impact on stock prices (Y). The probability value of operational cash flow (X2) in table 4.6 is 0.7196 , which is larger than 0.05 , and has a t-statistic value of 0.359680 . The conclusions of the second hypothesis (H2), which contends that operational cash flows have no impact on stock

prices, may thus be said to be accepted. This suggests that there is no obvious effect of operational cash flow (X2) on stock prices (Y).

This analysis demonstrates that, for the years 2017 through 2021, there is no correlation between operating cash flow and stock prices in the financial sector corporations in the banking and insurance sub-sector. These findings are corroborated by studies done by [16] who only collected a portion of the operating cash flow data that was unaffected by stock prices.

Effect of Investment Cash Flow (X3) to stock prices

The findings of this study are in agreement with those of [16]; [2] which states that there is no empirical evidence of the effect of cash flows from investing activities on stock prices. So this causes investors to be reluctant to see reports of investment cash flows as information that can be used in assessing company performance and making investment decisions.

The P-value X3 is $0.92 < 0.05$ T count $0.08 > T$ table 1.97, which indicates that investment cash flows are rejected, according to the T test table. Because the time period is relatively long, investors cannot judge the company's performance from investment cash flows.

Effect of Funding Cash Flow (X4) to stock prices

This suggests that funding cash flow information only provides weak support for the usefulness of the data for investors. The study's findings concur with those of [18] who found no relationship between funding cash flows and stock prices.

According to the T test table, funding cash flows have no impact on stock prices since they only weakly satisfy investors' requirement for data (P value is $0.21 > 0.05$ and T count is $1.25 > T$ table).

ROA Influence (X5) to stock prices

The fifth hypothesis is accepted because the results of the statistical tests (Partial Test) demonstrate that Return on Assets has a considerable impact on stock prices with a t count of $2.09 > t$ table of 1.97.

The results of this study agree with those of [6], who found that if a company's profits improve, the outcomes it achieves are high profits, luring investor to purchase and sell shares as they see the company's positive results.

5 Conclusion

Conclusion

The authors derive a number of inferences about the analysis findings from the outcomes of the research and discussion that have been previously published, including:

The share prices of firms in the banking and insurance subsector affected on the Indonesia Stock Exchange (IDX) for the years 2017 through 2021 are partially impacted by comprehensive income. These results imply that the peaks and dips of stock prices will be affected by the growth in the company's comprehensive income. Such that enough information about earnings may be used to describe how a stock price changes over time.

Partially, over the period of 2017–2021, operating cash flow has almost no impact on share prices of companies in the banking and insurance subsector listed on the Indonesia Stock Exchange (IDX). This shows that not all cash flows from a company's operating activities have an impact on the fluctuations in a stock price.

The share prices of companies in the banking and insurance subsector listed on the Indonesia Stock Exchange (IDX) are unaffected by investment cash flow from 2017 to 2021.

Partially, the share prices of firms in the banking and insurance subsector listed on the Indonesia Stock Exchange (IDX) are unaffected by funding cash flow from 2017 to 2021.

Return on Assets (ROA) has a partial impact on share prices for firms in the banking and insurance subsector listed on the Indonesia Stock Exchange (IDX) for the years 2017 through 2021.

Suggestion

For upcoming scholars or researchers, it is preferable to include more variables in addition to those used in this study, such as Price to Book Value (PBV), Return on Equity (ROE), Dividend Payout Ratio (DPR), and a sample of sub-sector companies, like the sub-sector of financing institutions, securities companies, and other funding companies. In order to be able to see how much other variables can affect the ups and downs of a company's stock price. For investors, the study's findings can be taken into account by investors when making investments by examining profit and ROA to track the ups and downs in a company's stock price.

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