THE EFFECT OF ACCOUNTING PROFIT, CASH FLOW COMPONENTS AND ROE ON STOCK RETURNS

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Abstract: *The purpose of this Stock Return research is to find whether there is an effect of accounting profit, three components of cash flow (operating, investing, funding), along with return on equity on stock returns in the banking sector that has been listed on the Indonesia Stock Exchange 2018-2022. The total population of the banking sector was 56 and a sample of 20 banks was taken by purposive sampling. The data observed is financial statement data in the form of secondary data. The analysis process used in the study is multiple linear regression. Based on the test results used in 20 banks, it shows that only one of the five independent variables has an influence on stock returns. The accounting profit variable has an impact on stock returns while the operating cash flow, investment, funding, and return on equity variables have no impact on stock returns.*

Keywords: *Stock Return, Acounting Profiit, Operating Cash FIow, Investing Cash FIow, Financing Cash FIow, Returm on Equitty*

Abstract: The purpose of this Return on Stock research is to find out if there is an effect on accounting profit, the three components of cash flow (operations, investment, funding), along with *return on equity* on *sahanm* returns in the banking sector that have been listed on the Indonesia Stock Exchange 2018-2022. The total population of the banking sector is 56 and a sample of 20 banks is calculated by *purposive sampling*. The data observed is financial statement data in the form of secondary data. The analysis process used in the study is multiple linear regression. Based on the results of the test used on 20 banks, it shows that only one in five independent variables have an influence on *stock returm*. The accounting profit variable has an impact on stock returns while the variables of operating cash flow, investment, funding, and return on equity have no impact on stock returns.

Keywords: *Stock Returm*, Accounting Profit, Operating Cash Flow, Investment Cash Flow, Funding Cash Flow, Equity *Cash Flow*

A. INTRODUCTION

The capital market has a role in supporting the development of a country by being one of the factors in increasing economic activities. Based on data contained in the Indonesian Central Securities Depository (KSEI), in the capital market, the amount of stock investors, in this case the Indonesia Stock Exchange (IDX), continues to increase every year. The increase in the number of investors in the capital market proves that more and more people are starting to be interested in investing. In investing their capital, investors have expectations to get *returns* in the form of *dividends* or *capital gains.* However, various cases that occur in the scope of the capital market, one of which is the unpredictable level of stock returns due to fluctuations in stock prices, making profit expectations or expectations sometimes inconsistent or shot up from what investors expect.

An investor therefore needs to understand a lot of information to assess what risks will be obtained and analyze *return* What will be obtained in the future (Nurastuti, 2022). The most basic information needed for investors is the company's performance reflected in its financial statements (Setia et al., 2020). Accounting profit along with cash flow elements are the parameters of the company's capacity that obtain central focus from a number of investors (Ander et al., 2021).

Accounting profit can be used as a tool to predict the company's future profit ability and estimate risks when investing (Fitriyani & Widyawati, 2022). Cash flow statements are intended to see as much as possible whether a company can run or manage its cash from various sources it has (Sitanggang et al., 2022). Cash flow reports provide cash circulation in and out over a period of time that is sourced from investment, operational, and funding activities. According to Nuraini & Andrianto (2021), the three components of cash flow are said to have a significant correlation related to stocks.

Other information that investors can use in addition to profit and cash flow in determining investment decisions are *Return On Equity* (ROE). This variable in the form of a ratio describes how much a company is able to provide profits for capital owners or shareholders by

showing the net profit obtained for the investor's capital that has been used by the company (Almira & Wiagustini, 2020). According to Setia et al (2020) that the higher ROE is stated to give a positive prospect in the future.

Based on the explanation above, to meet the objectives of the research, a study was conducted to find out the impact of accounting profit, cash flow elements along with ROE on stock *returns*.

B. LITERATURE REVIEW

1. Signal Theory

Brigham and Houston (Fitriyani & Widyawati, 2022) Giving a statement that signal theory is the activity of providing clues or signals made by the company to investors regarding a manager's response regarding the company's prospects. An information is a manifestation of signals that come from management actions or behaviors to realize the interests of the owner. The company's actions will have an impact on the decisions taken by investors or potential investors (Amin et al., 2022).

2. Previous Research

Research by Fitriyani & Widyawati (2022) obtained results that say that accounting profit, as well as components in cash flow are partially for *return* Stocks have a positive impact. Research by Sitanggang et al (2022) shows that individually accounting profit positively affects *return* stocks, while on the total number of cash flow elements, have no effect *return* stock. Research by Uhus et al (2021) proving that accounting profit and operating cash flow partially affect *Returm* stocks, while for *ROA and ROE* does not affect *return* stock.

C. RESEARCH METHODS

The research model to be used is quantitative descriptive. Many of the banking population registered on the IDX amounted to 56 and then a sample was drawn using *the purposive sampling technique* into 20 banks. The technique that intends to integrate data into this study is documentation through data collection as well as processing data in financial statements. The analysis methods in the study are through descriptive statistical tests, classical assumptions, multiple linear regression analysis, and hypothesis tests.

D. RESEARCH RESULTS AND DISCUSSION

Descriptive Statistics

The results of descriptive statistical analysis have the purpose of displaying a relevant picture of the variables contained in the study. There are 100 descriptive analyses in this study, but due to the existence of outlier data, the valid data studied is 58.

According to the results of the descriptive statistical test, it can be found if the accounting profit has a minimum value of -1.0832, a maximum value of 0.8014, an average value of 0.107962, and a standard deviation of 0.4347711. Operating cash flow has a minimum value of -9.3481, a maximum value of 5.1517, an average value of -1.086528 and a standard of 2.5678999. The minimum value and maximum of investment cash flow are -5.1889 and 2.9767, the average value is -0.564141 along with the standard deviation of 1.4627119. The minimum and maximum values of AKP -24.1219 and 5.5437, the average value of -0.908228 along with the standard of division is 4.1166719. The minimum and maximum values for ROE are 0.0090 and .2090, the average value is 0.096259 along with the standard deviation of 0.0535830.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Accounting Profit	58	-1,0832	,8014	,107962	,4347711
Operating Cash Flow	58	-9,3481	5,1517	-1,086528	2,5678999
Investment Cash Flow	58	-5,1889	2,9767	-,564141	1,4627119
Funding Cash Flow	58	-24,1219	5,5437	-,908228	4,1166719
ROE	58	,0090	,2090	,096259	,0535830
Return on Shares	58	-,5080	1,0240	,010655	,3059584
Valid N (listwise)	58				

Normality Test

Testing the model of a recurrence, which is the object of the normality test, looking at the bound common independent variable whether the two have a normal distribution or not (Ahmaddien & Syarkani, 2019).

Tabel 2. Uji Normalitas

		Unstandardized Residual
N		58
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,27113827
Most Extreme Differences	Absolute	,108
	Positive	,108
	Negative	-,066
Test Statistic		,108
Asymp. Sig. (2-tailed)		,089[c]

Based on the results from the normality test in the above table, it shows that a total of 58 data processed in the research have a normal distribution, because the nillai sig in the Kolmogorov-Smirnov normality test was obtained at 0.089 which is higher than 0.05.

Multicollinearity Test

It aims to examine the relationship between independent variables in the regression model (Ahmaddien & Syarkani, 2019).

Type		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	LAK	,742	1,348
	AKO	,985	1,015
	BATTERY	,885	1,130
	AKP	,958	1,044
	ROE	,776	1,288

Based on the results of the multicollinearity test in the table, all independent variables have a Tolrance value higher than 0.10 and the VIF calculation is less than 10. Therefore, it can be concluded if the scrutinized data does not have any signs of multicolinarity.

Autocorrelation Test

The goal is to understand the fallacy of the classical assumption of autocorrelation, which is the correlation formed between residual and observation (Ahmaddien & Syarkani, 2019).

Based on the tabulation, the total size of DW is 2,019. With 5 independent variables, n as many as 58, it was found that the du was obtained with a value of 1.7673 and 4-du with a value of 2.2327. The data

Autocorrelation Test Table

Type	Durbin-Watson
1	2,019

is said to be free from autocorrelation

if the results of the calculation du < d < 4-du, for the research data the results are 1.7673 < 2.019 < 2.237 which means that the regression model has no autocorrelation symptoms.

Heteroscedasticity Test

Have a goal to check if there is a variant mismatch of the residual between observations (Ahmaddien & Syarkani, 2019).

Based on the results of the tabulation heterokedasticity test below, it shows that all independent variables have a sig value of 0.511; 0,531; 0,543; 0,233; 0.132 which means higher than 0.05. Therefore, it can be concluded that the carefully examined data does not have symptoms of hetroskedasticity.

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,088	,012		7,036	,000
	LAK	,015	,023	,100	,662	,511
	AKO	,002	,004	,082	,631	,531
	BATTERY	,004	,007	,083	,612	,543
	AKP	,003	,002	,157	1,206	,233
	ROE	,106	,069	,221	1,532	,132

Multiple Linear Regression Analysis

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,018	,088		-,204	,839
	LAK	,283	,100	,402	2,816	,007
	AKO	,021	,015	,172	1,390	,170
	BATTERY	-,004	,027	-,019	-,146	,884
	AKP	,004	,009	,052	,417	,679
	ROE	,225	,796	,039	,282	,779

The multiple linear regression analysis was carried out to evaluate the impact of accounting profit, the three elements of cash flow, ROE and *legitimate returns* in the banking sector which were listed on the IDX

2018-2022. Based on the results of the multiple linear regression test table, it can be obtained if the regression model is as follows:

Y = -0.018 + 0.283 X1 + 0.021 X2 – 0.004 X3 + 0.004 X4 + 0.225 X5 +

The value of α = -0.018, means that if the value of LAK (X1), AKO (X2), AKI (X3), AKP (X4), ROE (X5) is 0, then *the* return (Y) is -0.018. Koefisein regression LAK (X1) 0.283. It shows that if each LAK increases by 1 unit or by 1%, it will result in an increase in stock *returns* worth 0.283%. The variable regression constant AKO (X2) has a positive positive effect on *stock returns* worth 0.021. Pointing out that if AKO increases by 1 unit or worth 1%, then it will result in an increase in stock *returns* worth 0.021%. The variable regression constant AKI(X3) has a negative effect on stock *returns* of – 0.004. Showing that if the AKI increases by 1 unit or by 1%, it will result in a decrease in stock *returns* worth 0.004%. The variable regression constant AKP (X4) has a positive effect for a stock return of 0.004. Showing that if the AKP increases by 1 unit or by 1%, then it will result in an increase in stock returns worth 0.004%. The variable regression constant ROE (X5) has a positive effect for a stock return of 0.225. It shows that if the ROE increases by 1 unit or by 1%, then it will result in an increase in stock *returns* worth 0.225%.

ModeI Due Test (Test F)

The intention is to find out if there is a simultaneous influence between independent variables on bound variables (Ahmaddien & Syarkani, 2019). Based on the table below, the value of F is obtained as 2,843 through a significance of 0.024. The result of this sign value does not exceed 0.05 so that it can be said that accounting profit, three elements of cash flow, and ROE simultaneously have an effect on *return* sahanm in the banking sector is listed on the IDX 2018-2022.

Test Table F

Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1,145	5	,229	2,843	,024b
	Residual	4,190	52	,081		

Parsiiall Test (T Test)

To understand the significance of the individual roles between independent variables in dependent variables (Ahmaddien & Syarkani, 2019).

Type		t	Sig.
1	(Constant)	-,204	,839
	Accounting Profit	2,816	,007
	AKO	1,390	,170
	BATTERY	-,146	,884
	AKP	,417	,679
	ROE	,282	,779

Based on the table above, it shows whether or not there is a correlation between independent variables in partially dependent variables which is explained through the following reasoning:

Accounting Profit for Stock *Return*

Acquisition states that the data has a value of t calculated by a number of 2,816 where This number is higher than with the t-table value of 2.006 so that t_{count} 2,816 > t_{table} 2.006 and a significant value of 0.007 (0.007 < 0.005) which means that if there is a positive effect between LAK increases *return* shares of banking companies listed on the IDX in 2018-2022. According to Sarifudin & Manaf (2016) Net profit affects the interest of investors who want to invest because if the profits of a company are of high value, there is an assumption that the dividend distribution tends to increase.

Operating Cash Flow to Return on Shares

Acquisition states that the data has a value of t calculated by a number of 1,390 where the tresesaid figure is smaller when compared to the t-table value of 2.006 so that t_{count} 1,390 < t_{table} 2.006, significant value 0,170 (0,170 > 0.005) which means that AKO does not have an influence on *return* Treasury stocks are listed on the IDX 2018-2022. According to Salsabila & Zulaikha (2023) This is because an investor considers other factors as well, such as the company's internal and external risks, dividend payments, market conditions, economic, political and social conditions from the community in making investment decisions.

Investment Cash Flow to Stock Return

The acquisition states that dtaa has a value of t hitumg of -0,146 Where this figure is smaller when compared to the t-table, which is worth 2,006 to t_{count} -0,146 < t_{table} 2.006 and a significant value of 0,884 (0,884 > 0.005) which means if *Returm* shares of IDX-listed banking companies in 2018-2022 were not

affected by the AKI factor. In AKI activities related to income or expenses, long-term assets cannot be used as a benchmark for the amount of stock returns because investors are still oriented towards short-term investment (Setyawan, 2020).

Funding Cash Flow to Return on Shares

Obtain states that the data has t calculated the value of 0,417 And the number is smaller than the t-table which is worth 2.006 seconds to t_{count} 0,417 < t_{table} 2.006 and a significant value of 0,679 (0,679 > 0.005) which means that if not the influence of the AKP is faced *return* Shares of prebank stocks on the IDX 2018-2022. The report on AKP includes information related to the cause of the change in the company's total long-term debt and this information is not of interest to investors to consider cash flow in investment decision-making (Fitriyani & Widyawati, 2022)

ROE on Stock Return

Gain states that if the data has a calculated t value of 0,282 where the value of the number is smaller than the t-table which is worth 2.006 to t_{count} 0,282 < t_{table} 2.006 and a significant value of 0,779 (0,779 > 0.005) which means that the ROE variable does not have an effect on *return* shares in banking companies on the IDX 2018-2022. According to Dewi et al (2020) This is an indication if some investors do not have an interest in obtaining long-term profits in the form of dividends, therefore in considering investment decisions, they do not look at ROE but follow *Trend* market and the global crisis.

E. CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of the data study in the study, it is possible to conclude that only accounting profit has an influence on stock *returns* in the banking sector which are listed on the IDX 2018-2022. Other variables such as operating cash flow, investments, and ROE do not have an effect on stock *returns*.

Suggestion

Based on the results of the discussion and conclusion above, therefore the researcher can give suggestions, including for banking management, it should be able to continue to increase profits because with profits that continue to increase, it will give a good view of banking

performance. This view will be a positive signal for investors, especially potential investors, to carry out investments.

For the next researcher who is interested in carrying out research related to stock *returns*, in order to be able to add or use other independent variables that can affect stock *returns* such as ROA, inflation, company size, interest rates and use samples in other sectors to get maximum results.

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