

## THE INFLUENCE OF NET PROFIT, OPERATING CASH FLOW, INVESTMENT CASH FLOW, DEBT TO EQUITY RATIO (DER) ON SHARE PRICES AT MANUFACTURING COMPANIES

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**Abstract:** This study discusses the comparison of capital intensity, corporate advertising expenses and tax compensation against tax avoidance. Regression data panels using the common effect (CE) method were used in solving this case. The data used in this study are secondary data derived from the company's financial statements. The study population is a banking sector company listed on the Indonesia Stock Exchange (IDX). The research sample is a banking sector company for the period 2015 - 2017 with a sampling technique that is purposive sampling. The sampling technique, obtained by the sample of 26 banking companies in the period 2015 - 2017 with a total sample of 78 banking financial statements. The results of the first hypothesis study indicate that the modality ratio has no effect on the dependent variable, namely tax avoidance. The second hypothesis which shows the burden of corporate advertising has no effect on the independent variable, namely tax avoidance, and the third hypothesis is the free variable compensation for tax money against the variable received, namely tax avoidance.

**Keywords:** Net Profit, Operating Cash Flow, Investment Cash Flow, Debt-to-Equity Ratio, Share Price

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### INTRODUCTION

Companies are actively looking for sources of financing that can provide funds with a larger amount to expand their activities or business needs and other needs by issuing share ownership by selling to the general public, starting the capital market due to the development of business activities in the current economic field. This is evidenced by the increasing number of companies offering and ownership of securities in the form of shares on the Indonesian Stock Exchange. The capital market in general is an organized financial system, including in the financial sector, as well as overall securities in circulation (Sunariah, 2011).

The development of stock prices in the capital market is an important indicator to study market behavior, namely investors. Investors will base their investment decisions on information they have including company financial information. Financial information used to analyze stock prices

includes price to book value, price earnings ratio, and asset growth.

Investors who will invest in the capital market need to have sufficient knowledge and experience to analyze which securities will be bought, sold and maintained (still owned). Such knowledge can be in the form of a way to analyze the company's financial statements on the previous stock price. An investor needs to consider how much the return will be obtained and the risk that will be faced in making an investment. Although investment in the capital market promises a higher level of development. However, there is something to be aware that the greater the rate of return, the greater the level of risk. For this reason, as a rational investor, the thing to consider is how an investment can produce an optimal rate of return at a minimum level of risk.

To maximize the level of return and minimize the risk of investors can be verified by combining various stock options in investment (forming optimal stock portfolio). Investors can maximize

the expected return on investment with a certain level of risk or try to minimize the risk to target a certain level of profit through this portfolio. To attract the attention of investors, investors need information about the condition of the company's financial performance. Financial performance in this study is the main topic, the good and bad condition of financial performance in a company can be reported in the form of financial statements which are also used to find out the development of the company periodically. According to Cashmere (2009) in the case of financial statements it is an obligation of every company to make and report the company's finances in a certain period. To do the analysis of financial performance can use fundamental ratio analysis. According to Husnan (2009) fundamental analysis predicts future stock prices by estimating the fundamental factors that affect the future stock price and the period of connecting variables so that they know the estimated stock price.

**Stock price** One of the factors that affect stock prices is the ability of companies to pay dividends, the amount of this dividend will affect the price of its shares. If the dividend paid is high, then the share price tends to be high, so the value of the company is also high and vice versa if the dividend paid is small, the share price of the company is also low, so the value of the company is low.

**Net profit, Net income** is profit after deducting various taxes. Profit is transferred to the estimated retained earnings. From this estimated retained earnings a certain amount will be taken to be distributed as dividends to shareholders. Net income also helps attract capital from new investors who hope to receive dividends from successful operations in the future.

**Operating Cash Flow**, The cash flow of operations is mutually beneficial to the company's Q income, and directly impacts cash. In this cash statement, most cash inflows come from the sale of

goods or services. Manurung Siregar (2009) mkas operation is the payment and income of accounts receivable, payment of salaries, operational expenses.

**Investment Cash Flow**, Is a financial cash statement relating to the acquisition of the sale and purchase of fixed assets. In addition, investment cash flow includes the purchase and sale of financial instruments that are not for trading purposes, the sale of business segments and lending to other entities, including billing Kieso et al (2011).

**Debt to Equity Ratio (DER)**, is the ratio used to find out the ratio between total debt with own capital. This ratio is useful to find out how much the company's assets are financed from debt. The formula to find Debt to Equity Ratio according to Kasmir (2012) can be used a comparison between total debt with total equity as follows:

$$DER = \frac{\text{Total Amount of debt}}{\text{Equity}}$$

## METHODS

The population in this study is the Stock Companies listed on the Indonesia Stock Exchange in 2015-2017. For sampling using purposive sampling, the method used to select samples based on certain criteria. The sample criteria are as follows: (1) The company publishes consecutive financial statements for 2015-2017. (2) The company presents complete financial statement data for 2015-2017. (3) Companies that have not suffered losses in the period 2015-2017.

### Data analysis method

The data analysis technique used in this research is multiple linear regression with stages: (1) Classic Assumption Test, consisting of the Normality Test; Heteroscedasticity Test; Multicollinearity Test; Autocorrelation Test; Autocorrelation Test; (2) Multiple Linear Regression.

## RESULTS AND DISCUSSION

### Classic assumption test

**Table 1. Normality Test**

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		69
Normal Parameters <sup>a,b</sup>	Mean	0E-7
	Std. Deviation	1917.29495638
	Absolute	0,211
Most Extreme Differences	Positive	0,211
	Negative	-0,120
Kolmogorov-Smirnov Z		0,751
Asymp. Sig. (2-tailed)		0,064

Source: Data processed, 2018

Based on the results of normality testing on the capital structure variable kolmogorov-smirnov z value as big as 0.672 with a significant value of 0.064. The results of the calculation of all

research variables indicate the value of Sig > 0.05, it can be concluded that the data in the study were normally distributed.

### Autocorrelation Test

**Table 2. Autocorrelation Testing Results**

Hasil Durbin-Watson (d)	Kriteria Pengujian	Kesimpulan
2,246	$du < d < 4 - du$	Bebas Autokorelasi

Source: Data processed, 2019

Calculations using SPSS obtained the value of d (Durbin-Watson) for the tested model of 2,246. The criteria that are free from autocorrelation are the Durbin-Watson (d) values between the values of du and 4-du, ie ( $du < d < 4-du$ ). By looking at the value in the Durbin Watson table with a significance value of 0.05 with the number of k = 3 and n = 69, a value of 1.7015 is obtained, so the 4-du value can be determined at 2.2985 (obtained 4

- 1.7015). Based on this explanation, so in this model so that no correlation occurs, the value of d must be between 1.7015 and 2.2985 or  $1.7015 < d < 2.2985$ . It can be concluded that the autocorrelation test of d values has fulfilled the requirements ( $1.7015 < 2.246 < 2.2985$ ). Thus it can be concluded that this regression model has no autocorrelation problems.

### Multicollinearity Test

**Table 3. Autocorrelation Testing Results**

Model	Collinearity Statistics	
	Tolerance	VIF
Net Income (X1)	0,380	2,630
Operating Cash Flow (X2)	0,833	1,201
Investment Cash Flow (X3)	0,395	2,529
Debt to Equity Ratio (Y)	0,978	1,023

Source: Data processed, 2018

The results of the calculation of the tolerance value shows that all independent variables have a tolerance value > 0.10. The results of the calculation of the Variance Inflation

Factor (VIF) value also showed that all independent variables had a VIF value <10. Thus it can be concluded that this regression model had no multicollinearity problem.

### Heteroscedasticity Test

**Table 4. Heteroscedasticity Test Results**

Model	T	Sig.
Net Income (X1)	1,963	0,054
Operating Cash Flow (X2)	0,253	0,801
Investment Cash Flow (X3)	1,481	0,144
Debt to Equity Ratio (X4)	-1,502	0,153

Source: Primary data processed, 2018

The results of the SPSS output display showed that there were no independent variables that were statistically significant that influenced the dependent variable absolute value.

This is seen from the probability value (sig) above 0.05 (sig > 0.05), so it can be concluded that there is no heteroscedasticity problem.

### Multiple Linear Regression Testing

**Table 5. Results of Multiple Linear Regression Testers**

Variable	Coefficient	t count	Sig.
(Constant)	2359,702	4,527	0,000
Net Income (X1)	1,649E-009	3,720	0,000
Operating Cash Flow (X2)	-7,483E-010	-2,304	0,024
Investment Cash Flow (X3)	2,625E-009	3,136	0,003
Debt to Equity Ratio (X4)	-11,742	-2,047	0,045

R<sup>2</sup> = 0,169  
 f<sub>count</sub> = 3.248  
 f<sub>table</sub> = 3.14  
 f<sub>table</sub> = 1,994

Source: Primary data processed, 2018

The results of multiple linear regression testing can be made a regression equation is  $Y = a + b_1X_1 -$

$b_2X_2 + b_3X_3 - b_4X_4$ ;  $Y = 2359,702 + 1,649E-009X_1 - 7,483E-010X_2 + 2,625E-009X_3 - 11,742X_4$

### F Test

**Table 6. Simultaneous Testing Results (Test F)**

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21639198,850	4	5409799,712	3,248	0,017 <sup>b</sup>
	Residual	106589661,196	64	1665463,456		
	Total	128228860,046	68			

Source: Primary data processed, 2019

$t_{table}$  =  $\alpha$ ; k-1; n-k  
 = 0,05; 3-1; 69-3  
 = 0,05; 2; 66  
 = 3,14

Based on the calculations obtained  $F_{count} 3.248 > F_{table} 3.14$  and a significant value of  $0.017 < 0.05$  so that  $H_0$  is rejected, meaning the net income variable ( $X_1$ ), operating cash variables ( $X_2$ ), investment cash variables ( $X_3$ ),

and Debt to Equity Ratio variables ( $X_3$ ,  $X_4$ ) jointly has a significant influence on the variable price of shares ( $Y$ ) of property companies and real estate listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period.

## T Test

**Table 7. T Test Results Statistics**

Variabel	thitung	Sig.	Keterangan
Laba Bersih ( $X_1$ )	3,720	0,000	$H_0$ ditolak
Arus Kas Operasi ( $X_2$ )	-2,304	0,024	$H_0$ ditolak
Arus Kas Investasi ( $X_3$ )	3,136	0,003	$H_0$ ditolak
Debt to Equity Ratio ( $X_4$ )	-2,047	0,045	$H_0$ ditolak

Source: Primary data processed, 2018

T-Test results can be described as follows:

$t_{tabel} = \alpha/2$ ; n-k-1  
 = 0,05/2; 69-4-1  
 = 0,025; 64  
 = 1,998

## Coefficient of Determination ( $R^2$ )

**Table 8. Results Coefficient of Determination ( $R^2$ )**

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	0,488 <sup>a</sup>	0,238	0,191	1976,30241

Source: Primary data processed, 2019

The calculation results obtained by the coefficient of determination ( $R^2$ ) of 0.238. This means that variations in company performance on property and real estate listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period of 23.8% can be explained by the net income variable ( $X_1$ ), operating cash variables ( $X_2$ ), investment cash variables ( $X_3$ ), and the Debt to Equity Ratio variable ( $X_4$ ) while the remaining 76.2% can be explained by other variables outside the model such as net

income, operating cash flow, investment cash flow, and Debt to Equity Ratio.

### Effect of net income on stock prices

Obtained  $t_{count}$  of 3,720 with Sig. of 0,000. The calculation results are known that the value of Sigs is 0,000  $< 0.05$  so  $H_0$  is rejected and  $H_1$  is accepted, meaning that net income has a positive and significant effect on stock prices on property and real estate companies listed on the Indonesia Stock Exchange (BEI) for the 2015-2017 period. Net profit that continues to

increase from year to year illustrates that the company has good performance and is able to provide a return on investment by investors. This will cause demand for the company's shares to increase and share prices to increase. Vice versa, if net income decreases, the demand for these shares will also decrease, then it will also have an impact on declining share prices. The results of this study are in line with research conducted by Hartanto (2012), Mutia (2012), which states that net income significant effect on stock prices.

#### **Effect of operating cash flow on stock prices**

Obtained t-count of -2,304 with Sig. of 0.024. The calculation results are known that the value of Sigs is 0.024 <0.05 so H0 is rejected and H2 is accepted, meaning that operating cash flow affects the stock prices of property and real estate companies listed on the Indonesia Stock Exchange (BEI) for the 2015-2017 period.

#### **Effect of investment cash flow on stock prices**

Obtained tcount of 3,136 with Sig. in the amount of 0.003. The calculation results are known that the Sig value of 0.003 <0.05 so that Ho is rejected and H3 is accepted, meaning that investment cash flow has a positive and significant effect on stock prices in property and real estate companies listed on the Indonesia Stock Exchange (BEI) for the 2015-2017 period.

#### **Effect of Debt to Equity Ratio on stock prices**

Obtained t-count of -2,047 with Sig. of 0.045. The calculation results are known that the Sig value of 0.045 <0.05 so that Ho is rejected and H4 is accepted, meaning that Debt to Equity Ratio has a negative and significant effect on stock prices on property and real estate companies listed on the Indonesia Stock Exchange (BEI) for the 2015-2017 period.

## **CONCLUSION**

Net income has a positive and significant effect on stock prices in property and real estate companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period with the value of Sig. of 0,000.

Operating cash flow has a negative and significant effect on stock prices on property companies and real estate companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period with the value of Sig. of 0.024.

Investment cash flow has a positive and significant effect on stock prices on property companies and real estate companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period with the value of Sig. in the amount of 0.003.

Debt to Equity Ratio has a negative and significant effect on stock prices on property and real estate companies listed on the Indonesia Stock Exchange (BEI) for the 2015-2017 period with the value of Sig. of 0.045. The data analysis technique used in this research is multiple linear regression with stages: (1) Classic Assumption Test, consisting of the Normality Test; Heteroscedasticity Test; Multicollinearity Test; Autocorrelation Test; Autocorrelation Test; (2) Multiple Linear Regression.

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