



THE INFLUENCE OF NET PROFIT AND CASH FLOW ON STOCK PRICES IN COMPANIES LISTED ON THE JAKARTA ISLAMIC INDEX (JII) 2020-2022

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Abstract

This research aims to determine the effect of net profit and cash flow on share prices in companies listed on the Jakarta Islamic Index (JII) in 2020-2022. The data analysis method used in this research uses quantitative ratio analysis techniques with a descriptive approach. Quantitative methods are a type of research that is more structured and systematic about the use of numbers to be clearer and more detailed about research data collection instruments and reports on research results. The results of this research are that net profit has a positive and significant effect on share prices, while cash flow does not have a significant effect on company share prices. This shows that net profit is more widely used by investors in assessing company performance and information that is relevant for investors as a basis for decision making. This is because investors receive complete and detailed information on the components of profit and loss and cash flow which contains how the company generates company profits and cash.

Keywords: Net Profit, Cash Flow, Share Price

Introduction

The world of investment in Indonesia currently continues to develop rapidly. This is indicated by the enthusiasm of the public who take part in investment opportunities that

vary according to the nature of each investor. Generally investors invest their funds according to the aim of receiving income in the form of dividends or *capital gains*. From the other side, the company must also provide greater welfare to its shareholders (M. Ayu and Nelson 2021) . Of course, this is a very important dividend policy, it is important to meet shareholders' dividend expectations and on the other hand, it should not hamper the company's growth. (Yudastio and Azriya 2022) . Investors usually want relatively stable dividend distribution, dividend stability. The influence maintained by the company increases investor confidence in the company. (Darmadji and Fakhrudin, 2001:2).

Conventional stock prices and sharia prices in the capital market are never constant, but always change, forming inconsistent trends (Ismail and Sukarmanto 2020) . The first share price is obtained in an initial public offering of shares or commonly known as an initial public offering. According to Law Number 8 of 1995, an initial public offering is a securities activity carried out by an issuer to sell securities to the public.

Many factors will influence the share price of a company, both external and internal to the company (Pujiati and Dewi 2021) . Investors can view and obtain information regarding company performance through the financial reports of the company concerned. The part of financial reports that is often used by investors to assess a company's performance is information about profits and cash flow. The company's success can be seen from the profits it makes each year (Dewi et al. 2024) .

The company's net profit and cash flow are one of the basic factors that investors look at in the capital market to determine investment choices (Bahtiar and Kharisma 2020) . Several things that companies must pay attention to are increasing profits by increasing sales, reducing costs, and using company assets better. This can attract investors to invest.

Based on the research background, the problem in the research is "The Influence of Net Profit and Cash Flow on Share Prices in Companies Listed on the Jakarta Islamic Index (JII) 2020-2022". So the problem to be analyzed can be formulated, namely "Do net profit and cash flow have a positive effect on share prices in companies listed on the Jakarta Islamic Index (JII). Based on the problem formulation, this research aims to determine and analyze the influence of net profit and cash flow on share prices in companies listed on the Jakarta Islamic Index (JII).

Methods

This type of research is the type of data used by researchers is quantitative data. The quantitative data used in this research is historical data on share prices and company financial reports from 2020-2022. Quantitative methods are a type of research that is more structured and systematically clearer.

The data source used in this research is secondary data. According to Sugiyono (2017:137), secondary data sources are data sources that do not directly provide data to data collectors, for example through other people or documents. In this research, secondary data was obtained via the internet from books, journals and theses related to this research. This research collected data using *non-participant observation methods* via internet access www.idx.co.id

The population used in this research is all companies registered on the Jakarta Islamic Index (JII) for 2020-2022, totaling 30 companies. Meanwhile, the sampling technique used was *purposive sampling*. With the following sample criteria:

1. Companies listed on the Jakarta Islamic Index (JII) on the Indonesia Stock Exchange during the 2020-2022 period
2. Companies that do not exit during the period August – November 2020 and December – May 2020 to August - November 2022 and December-May 2022
3. Companies that have published complete financial reports for the 2020-2022 period.
4. Companies that provide data and components of net profit and share prices

The data analysis method used in this research is using Eviews 12 to carry out the analysis. In analyzing data problems the author will use the panel data regression method, panel data (*pool*) which is a combination of time *series data and cross section* data.

Theoretical Part

According to Henry Simamora (2013:46) suggests that net profit comes from transactions of income, expenses, profits and losses. Profit results from the difference between incoming resources (income and profits) and outgoing resources (expenses and losses) over a certain period of time. Net profit is calculated using the following formula: Net profit = Profit before Tax – income tax.

According to PSAK No.2 (2018) the cash flow report must report cash flows during a certain period which are classified according to operating, investing and financing activities.

1. According to PSAK No. 2 of 2018 defines cash flow from operating activities as obtained from the company's main income-generating activities. Operating cash flow can be calculated using the following formula:

$$AKO = \text{Net profit} - \text{other depreciation}$$

2. According to PSAK No. 2 of 2018, states that cash flows from investment activities are the acquisition and disposal of long-term assets and other investments that do not include cash equivalents (Financial Accounting Association, 2018). The formula used is as follows:

$$AKI = \text{Details of cash inflow from investment activities} - \text{details of cash outflow from investment activities}$$

3. According to PSAK No.2 of 2018, funding investment cash flows are activities that result in changes in the amount and composition of an entity's capital and loan contributions (Indonesian Accounting Association, 2018). The formula used is as follows:

$$AKP = \text{Details of cash inflow from funding activities} - \text{details of cash outflow from funding activities}$$

In this research the dependent variable used is share price. According to (Sartono (2011:192) states that share prices are formed through the demand and supply mechanism of the capital market. If a share experiences excess demand, the share price tends to rise. On the other hand, if there is an excess supply, the share price tends to fall.

Empirical Part

The data analysis method used in this research is using Eviews 12 to carry out the analysis. In analyzing data problems the author will use the panel data regression method, panel data (*pool*) which is a combination of time *series data* and *cross section* data. Therefore, panel data has a combination of characteristics, namely data consisting of several objects and covering several times (Winarno, 2011). The panel data regression model in this research is

$$Y_{ti} = a + b_1 X_{1ti} + b_2 X_{2ti} + e$$

Information:

Y = dependent variable (share price)

a = constant

X_1 = independent variable 1 (net profit)

X_2 = independent variable 2 (cash flow)

e = error term

i = company

By using several analyses, namely Panel Data Regression Analysis Test, Classic Assumption Test (Normality Test, Multicollinearity Test, Heteroscedasticity Test and Autocorrelation Test), and Hypothesis Test, T Test (Partial Test), F Test (Simultaneous Test), Coefficient of Determination R^2

Literature Review

Net profit is one of the factors that investors pay attention to in the capital market. Net profit is also used as a measure of a company's success and shows the finances available to shareholders. The higher a company's net profit, the more investors it will attract to invest. can cause share prices to rise

Operating cash flow is the cash flow from incoming and outgoing transactions when determining net income. Therefore, the higher the operating cash flow shows that the company is able to run well because it can generate cash well through operating activities alone. Positive cash flow from operating activities reflects the company's favorable economic reality, so share prices are expected to be high. This operating cash flow is estimated to be positively correlated with share prices.

Results

The Jakarta Islamic Index (JII) is a stock index in Indonesia that calculates the average stock price index for types of stocks that meet Sharia criteria. This research was conducted on sharia companies listed on the Jakarta Islamic Index during 2020-2022 using annual financial report data. Companies listed on the Jakarta Islamic Index were selected referring to research (NR Ayu 2021) . Financial reports can be a medium for reviewing the financial performance of a company. In financial reports, the net profit report is part of the company's financial report components which aim to evaluate management performance and help estimate representative profit capabilities in the long term.

Table 1: T Test Results (Partial Test)

Dependent Variable: LOG_HS				
Method: Panel EGLS (Cross-section random effects)				
Date: 03/18/24 Time: 12:16				
Sample: 2020 2022				
Periods included: 3				
Cross-sections included: 20				
Total panel (balanced) observations: 60				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.878010	0.229292	34.35804	0.0000
LB	2.467380	0.779643	3.164756	0.0025
AKO	0.005772	0.015729	0.366949	0.7150

Based on table 1. above, it shows that: The net profit variable has a value of prob. $0.002 < 0.05$, which means that partially net profit has a significant effect on share prices. And the operating cash flow variable has a value pob. $0.71 > 0.05$, which means that partially operating cash flow has no effect on share prices.

Table 2: F Test Results (Simultaneous Test)

Dependent Variable: LOG_HS				
Method: Panel EGLS (Cross-section random effects)				
Date: 03/18/24 Time: 12:16				
Sample: 2020 2022				
Periods included: 3				
Cross-sections included: 20				
Total panel (balanced) observations: 60				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.878010	0.229292	34.35804	0.0000
LB	2.467380	0.779643	3.164756	0.0025
AKO	0.005772	0.015729	0.366949	0.7150
Effects Specification				
			S.D.	Rho
Cross-section random			0.920013	0.9333
Idiosyncratic random			0.245885	0.0667
Weighted Statistics				
R-squared	0.154794	Mean dependent var	1.245272	
Adjusted R-squared	0.125138	S.D. dependent var	0.261097	
S.E. of regression	0.244215	Sum squared resid	3.399530	
F-statistic	5.219593	Durbin-Watson stat	1.499391	
Prob(F-statistic)	0.008288			

Based on table 2 above, it states that the f test simultaneously has an effect on stock prices with a Prob (F-Statistic) value of $0.008 < 0.05$, thus, H_0 is rejected and H_a is accepted. This means that net profit and operating cash flow simultaneously have a significant effect on share prices.

Table 3: Coefficient of Determination Test Results (Adjust R^2)

R-squared	0.154794	Mean dependent var	1.245272
Adjusted R-squared	0.125138	S.D. dependent var	0.261097
S.E. of regression	0.244215	Sum squared resid	3.399530
F-statistic	5.219593	Durbin-Watson stat	1.499391
Prob(F-statistic)	0.008288		
Unweighted Statistics			
R-squared	0.004170	Mean dependent var	8.165770
Sum squared resid	49.61562	Durbin-Watson stat	0.102734

Based on table 3 above, it is known that the value of the regression coefficient of determination R^2 is 0.154794, meaning that all independent variables (net profit and

operating cash flow) can influence the dependent variable (share price) by 15%. Meanwhile, the remaining 85% is explained by other variables outside this research.

The results of this research were conducted to examine the influence of net profit and cash flow on share prices in companies listed on the Jakarta Islamic Index. The results of this research net profit has a significant positive influence on stock prices. This means that the greater the net profit obtained by the company, the company's share price will also increase. This is because investors are more interested in investing in companies that have greater net profits. This is supported by the results found in the objects of this research, namely the companies PT Adaro Energy Tbk, PT Indofood CBP Sukses Makmur Tbk, PT Vale Indonesia Tbk, PT Kalbe Farma Tbk, PT Bukit Asam Tbk, and PT United Tractors Tbk which obtained high net profits. increases every year and the company's share price has also increased in three consecutive years. The results of this research are in line with research conducted by (Putri and Yuliandhari, n.d.) . Cash flows originating from operating activities which do not have a significant effect on share prices indicate that in making investment decisions, investors also consider other things outside operating cash flows, such as dividend distribution, market conditions, risks that occur in the company, social and economic conditions. and others (Utami and Darmawan 2018) This is proven by companies whose operating cash flow has decreased but their share prices continue to increase, such as PT Indofood CBP Sukses Makmur Tbk and PT Kalbe Farma Tbk. The results of this research are in line with research conducted (NR Ayu 2021) .

Discussion

Based on the research results and discussion in the previous chapter, the research concludes that net profit has a significant effect on share prices in companies listed on the Jakarta Islamic Index for 2020-2022. Cash flow does not have a significant effect on share prices in companies listed on the Jakarta Islamic Index for 2020-2022. Meanwhile, the results of simultaneous testing show that all independent variables, namely net profit and operating cash flow, together have a significant effect on share prices in companies listed on the Jakarta Islamic Index for 2020-2022.

Companies are expected to continue to improve and maintain company performance, carrying out evaluations by reducing or adding things that are considered to have an important influence on company performance, because if the company's performance is good it will attract investors' interest in investing in shares in the company. Investors before

deciding to invest should consider the company's financial reports, because financial reports contain information that shows the performance of a company, as well as paying attention to other factors in determining share prices besides the company's net profit and operating cash flow. For future researchers, it is hoped that this can be used as an additional reference, further researchers can add more periods, increase the population and samples in other sector companies and add other independent variables besides net profit and cash flow, such as dividends, *capital gains* and so on which are thought to have a stronger influence. on share prices so that the results obtained are more optimal and accurate.

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