

## Effect of Company Profit, Operational Cash Flow and Book Value of Equity on Stock Price



Annaria Magdalena M<sup>1</sup>, Bintang Sahala Marpaung<sup>2</sup>, Sonia Leriyan<sup>3</sup>

<sup>1, 2, 3</sup> Institute of Business and Informatics Kesatuan

**ABSTRACT:** In 2021, sector mining experienced a growth of 7.78% yearly (YoY). The reason occurs because of exists increase in the price of commodities by a hundred percent. It is what becomes something phenomenon based on the study of this.

Study this conducted with destination for knowing influence from Company Profit, Operating Cash Flow, and Book Value Equity on the price of a share company. Company Profit, Operating Cash Flow, and Book Value Equity role as variable independent, while the share price plays a role as a variable dependent. As for the population in the study, this is company mining companies listed on the Indonesia Stock Exchange (IDX), totaling 47 companies. At the same time, the sample used in the study consists of 9 companies whose price share tends to be stable.

Study this use method analysis multiple linear regression, with the testing hypothesis in the form of t-test (partial), F-test (simultaneous), and coefficients determination. Whereas method testing data using normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. Results of the study show that company profit and book value Equity are positively and significantly influenced by Share Prices. Whereas Operating Cash Flow no had influence positive and significant on Share Prices.

**KEYWORDS:** Stock Price, Company Profit, Operating Cash Flow, and Book Value Equity.

### INTRODUCTION

The capital market is where his party invests (investors) with parties who need funds (issuers). In doing an activity, investment investors need to choose a proper instrument to minimize the loss. One form of many tools chosen by investors is an investigation in the form of stock. Stock is proof of ownership of something company that is claimed on income and wealth of something company. However, choosing good stock takes work; proper knowledge and judgment are needed. View beginning a current investor will investigate price stock because price share is one consideration to reject measure investors in to make activity investment.

The share price is one of many components seen by inside investors' development decision investment. Share price in a manner direct nor no direct could trigger the market reaction because it relates to the consideration decision to buy or sell an investor's shares. A price share company tends to experience an increase or decline every year. It is caused by various factors originating from the company (internal) or outside the company (external). Internal factor is the closest factor by the company because exerted influence originated from in the company alone. Company profit, operating cash flow, and book value equity is the company's internal factors.

Company profit is the resulting profits company in its operational activity. Company profit made reject measured by the company in knowing score growth company. Besides, the profit made is a critical component seen by investors. Because it contains several pieces of information that can affect market reaction to the price of the stock. The better the response given by investors, the more the level also increases investor confidence in the company. And vice versa, the worse the reaction given by investors, the more decreased investor confidence in the company. It is because generated profit something company represents performance something company.

Operating cash flow is a reflection of whole related transactions with income and expenses company. In other words, operating cash flow could show the amount of cash owned by the originating company from activity operations and business. With existing operating cash flow, investors can see cash receipts and disbursements in one period. Success company in management company could see from smoothness transaction inclined cash flow experience increase, increase the in a manner no direct is mix investors hands through observation. If the operating cash flow company experiences enhancement in a way that

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automatically profits, the company will rise and can add investor confidence in the company. It will increase the request amount stock if the request shares the more a lot, then the price share will rise, and vice versa if the request shares a little, so the price share will decrease.

Book value equity is the score of absolute capital ownership of something. Book value equity contains the amount of the company's capital that contributes to several activities production, besides that managing several assets and liabilities owned by the company. A book value owned equity company describes how many assets the company has and how much many liabilities the company has. Very well illustrated if the number of company assets is more significant than the amount of harm. If the assets owned by the company counted a lot, then investors would not hesitate to invest a number the funds in the company. It could interest investors in buying a number share company, which later these funds will work for activity expansion efforts with a destination for increased profit.

The object of the study is company sector mining listed on the Indonesian Stock Exchange. Remember that sector mining is one participating sector in building the Indonesian growth economy, then a study with destinations could help increase the quality of sector mining in Indonesia. Sector mining is an exciting sector for dug because the industry is a provider source required state resources in developing country's economy the same thing to other industries. Sector mining also has fluctuating conditions influenced by internal factors and factors by external companies. It can culminate in the company's market conditions, such as ups and downs in price share in something time, increase or decline profit company, its blocked operating cash flow company, and increase or decline equity owned by the company.

During the III quarter of 2021, according to information from Maesaroh (2021), Sector mining grows by 7.78% yearly. Even the Central Statistics Agency (BPS) noted growth in sector mining every quarter since 2000. BPS stated that based on the data series, no found growth sector mining and quarrying, which exceeds 7.78% in one quarter. The highest level was 7.27% in the first quarter of 2012, then 6.93% in the fourth quarter of 2009.

The data above is supported by existing originating information from Umah (2021), which stated movement of price commodity is influenced by demand and supply. The price rises when the demand (demand) increases with little store. On the other hand, when the request is down, supply increases, so Prices will go down. In addition, it explained rise price of commodities this infectious to rate price share issuers mines in Indonesia. Even the increase someone arrived a hundred percent. It is one phenomenon based on the study.

Likewise, a study previously conducted by Meliana (2020) in his research entitled influence profit, component cash flow, and value book share to price stock stated. It generated profit is something the company and cash flow from activity operation take to effect positive and significant price stock.

Hadinata's (2020) research with the title study relevance score information accounting on profit, value books, and operating cash flow to price stock stated that profit and value books influence price stock. Meanwhile, operating cash flow not influences the price of the stock.

Research conducted by Silalahi & Sembiring (2020) with the title Research Net Income, Total Cash Flow and Company Size (variable independent) and Stock Price (variable dependent) states that variable profit clean take to effect positive and significant price stock. Meanwhile, variable total cash flow does not affect and is not essential to the price of stocks. Variables size company take effect negative and significant to price stock.

Research by Lubis et al. (2018) with title rotation total assets, working capital turnover, and ratios debt (variable independent) and price stock (variable dependent). It states that the total asset turnover (TATO) has no influence significant on price shares, working capital turnover (NWCTO) has a substantial effect on price stock, and debt ratio (DER) has a considerable impact on price stock.

Therefore, mixed results exist from a study about the connection of profit net, operating cash flow, and value book equity to price stock, hence the need for conducted research back.

### LITERATURE REVIEW

Following is study theoretical support theory in the study.

#### 1. Share

According to Kasmir (2016), Stocks are letter valuable character ownership. It means the owner share is the owner company. The more prominent the shares it owns, the more significant its power in the company. Profits earned from shares known with name dividends that are distributed are determined in the General Meeting of Shareholders (GMS). Shares are letters worth having a score price set by the owner. Owner share includes capital funds for help contribution in ownership company publisher share those.

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Aziz et al. (2015) say that shares are sheets of explanatory paper that the owner paper the is owner issuing company letter valuable. The Portion ownership is determined by how much significant investment is invested in the company.

According to Samsul (2015) which states shares are signed proof of ownership company. Owner shares are also known as holder shares (shareholders or stockholders). Evidence that somebody or party could be considered a holder share if somebody or something party is already recorded as a holder share in a book called the register of holders' stock.

Thereby, the share is a prevalent instrument among investors. Stocks signify ownership for investors who have it because they follow as well as in company equity participation. In addition, the current level of attractive returns attracts investors to invest in this instrument. Furthermore, the current dividends, capital gains, and the General Meeting of Shareholders (GMS) are also powered strong pull for investors.

Stock is part of the most recognized financial instruments widely by investors the because it can give some or very attractive returns for investors. Stocks are proof of ownership of a company that is a claim on income companies, assets company, and company agenda like General Meeting of Shareholders (GMS). So that if investors buy and share a company, they have contributed to the equity participation company. Equity participation is a source for implementation activity business and operating company.

Value/ price share, according to Hartono (2015), is the price agreed upon by the members of the exchange who made the transaction supply and demand from offer price (price offer lowest for sold) and bid price (price request highest for buy).

According to Azis et al. (2015), share prices are prices on the actual market and constitute the most manageable price determined. Because it is the price from something medium market stocks going on or if the market is closed, the market price is price closing. Furthermore, Azis et al. (2015) also said that sheet share is explanatory sheet paper that owner paper the is owner stock (anything portion or number) of something issuing company paper share.

Darmadji & Fakhruddin (2012) say that share price prices occur on the stock exchange at a specific time. Share price can change up or down in count such a time fast. It could change in count minutes and even in count seconds. It is possible because it depends on demand and offers among buyer share with seller stock.

Therefore, price share is a component important in activity sell buy on the stock market. Share prices can fluctuate fast, even in count seconds, because of a change in market supply and demand for the stock. So the formation price share is determined by market participants. Share price Becomes a reference for inside investors to evaluate the performance something a company because of cost. Investors share capable give reflection score company that alone. The small size of a company's stock price indicates the company's quality in the eyes of business people. The bigger the price share of something company so, the better company's quality, and vice versa, the smaller the price share of something company, the worse company's quality.

### 2. Corporate profits

According to Hartono (2017), a net profit company is considered a signal that can show a score from the company. As the declining profit happened, then the price of stocks declined.

Subramanyam & Wild (2014) stated that profit (earning) or profit net (net income) indicates the profitability company. Profit reflects a return to holder equity for the period concerned, while the posts in the report detail how profit is obtained.

Martani (2015) defines profit as an advantage that is an increase in net assets originating from incidental outside transactions producing company income.

Therefore, profit is the difference between the income and expenses company. The difference is the produced profit for the company because the company's income is higher than the cost. From profit, the company can make expansion efforts to enlarge the business company. Profit is essential in something company because profit is the destination base of something the company formed. Profits are used as a reference for the company to know the magnitude of growth from year to year. In addition, investors use the profit to understand the company because it relates to the level of return investors will get if they invest in the company. The following formula in calculation profit according to Kasmir (2011) namely :

$$\text{Profit (X1)} = \frac{\text{Net Profit}}{\text{Total of Outstanding Shares}}$$

### 3. Operating Cash Flow

Kariyoto (2017) discloses that cash flow is something analysis of all changes affecting internal cash category operations, investment, and finance.

Hery (2015) defines cash reports as incoming cash flow nor cash outflow company during a period. Reporting this cash flow will give helpful information about the ability company's to generate cash from activity operations, make an investment, pay off obligations, and pay dividends.

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According to Sudana (2011), operating cash flow originates from the typical activity business company. Counting operating cash flow based on sales reduced cost; however, it does not consider depreciation because there are no cash disbursements. It does not consider the cost of interest because it is funding expenditure.

With thereby, operating cash flow is a reflection smoothness of transactions from the operating cash-something company. Operating cash flow could experience cause changes in existing order change in the operational activity company. So, operating cash flow has the same role and importance as other components inside the report finance something company, then needed something effort to develop smoothness operating cash flow company. Formula Operating Cash Flow used according to Prastowo (2011) is as follows:

$$\text{Operational Cash Flow (X2)} = \frac{\text{Operational Cash Flow}}{\text{Total of Outstanding Shares}}$$

### 4. Book Value Equity

According to Sudana (2019) book value of own capital is noted based on deposited amount holder stock in the past, consisting of the nominal share and premium added profit detained. The book value of own money usually differs from the market value per share stock. Holder shares more notice market value because they could sell those stock prices.

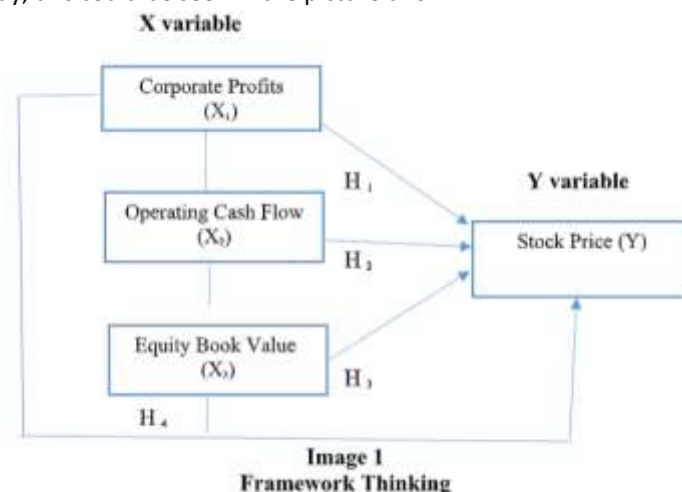
According to Azis et al. (2015), book value is score accountancy from sheet share equivalent standard with equity share normal (amount share normal plus share premium and profit held) divided by amount outstanding shares. Hartono (2015) defines that book value (BV) or scorebook per sheet share show assets net (net assets) owned by the holder share with have one sheet stock because assets clean is same as total equity holder stock. So that scorebook sheet share is the total equity with the outstanding shares.

Therefore, scorebook equity is scored as the company's equity has been related directly to price stock. In addition, the scorebook equity is distribution. Among amount owned equity company with amount share outstanding at the period certain. It is essential in reporting finances, especially for investors, because it could give information about the ability company to liquidate.

Book value equity also plays a role necessary for the company and investors. For the company's score, book equity is a component used to know the capital owned by the company. Whereas for value investors, book equity is used to measure the number of assets or treasure companies that the company can return if something moment the company liquidated, as well as all obligations, is the existing debt paid. So the formula used to look for scorebook equity, according to Azis et al. (2015), is as follows:

$$\text{Equity book value} = \frac{\text{Total of Equities}}{\text{Total of Outstanding Shares}}$$

As for the framework thinking in a study, this could be seen in the picture this :



### Research hypothesis

As for the hypothesis in a study, this is:

- H<sub>1</sub>: Allegedly profitable company takes effect on the stock price of the company mining on the Indonesia Stock Exchange.
- H<sub>2</sub>: Allegedly, operating cash flow affects the stock price of the company mining on the Indonesia Stock Exchange.
- H<sub>3</sub>: Allegedly score book equity affects the stock price of the company mining on the Indonesia Stock Exchange.
- H<sub>4</sub>: Allegedly, profit net, operating cash flow, and value book equity simultaneously take effect to price shares in the company mining on the Indonesia Stock Exchange.

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## RESEARCH METHODS

Study this is associative with the quantitative approach, where data collection and processing shape numbers. The figure will later be processed to give several pieces of information to various parties. The process of collecting and processing data is carried out in a manner systematically so you can get a logical result. Based on nature, research, including the descriptive type, is research that describes and describes something object in a manner objective and systematic way. It means that the study only showed for show and explained the influence of profit clean company, operating cash flow value book equity to price share specifically for moving company sector mining listed on the Indonesia Stock Exchange.

Fetched object in a study is a component report finance company, namely the Company's Net Profit as ( $X_1$ ), Operating Cash Flow as ( $X_2$ ), and Book Value Equity as ( $X_3$ ), third variable the role as variable free (variable independent). Meanwhile, stock prices play a role as ( $Y$ ), variable bound (variable dependent). Which became subject of the study is a moving company in sector mining listed on the Indonesian Stock Exchange.

Operationalization variables used in a study consisting of three independent (free) and dependent (bound) variables.

### 1. Variable Independent (X)

#### a. Company Profit ( $X_1$ )

Variable free is a variable that exists to affect variable other. Variable Independent ( $X_1$ ) in a study is Company Profit. Company Profit is profit generated net company in something period.

$$\text{Company profit} = \frac{\text{Net Profit}}{\text{The number of shares outstanding}}$$

#### b. Operating Cash Flow ( $X_2$ )

Variable free is a variable that exists to affect variable other. Variable Independent ( $X_2$ ) in a study is Operating Cash Flow. Operating Cash Flow is generated cash flow from an activity operation company in some period.

$$\text{Operating Cash Flow} = \frac{\text{Operating cash flow}}{\text{The number of shares outstanding}}$$

#### c. Book Value Equity ( $X_3$ )

Variable free is a variable that exists to affect variable other. Variable Independent ( $X_3$ ) in a study is Book Value Equity. Book Value Equity is the number of assets owned by the company.

$$\text{Book value equity} = \frac{\text{Equity book value}}{\text{The number of shares outstanding}}$$

### 2. Stock price

Variable bound is a variable that exists influenced by variables free. Variable Dependent ( $Y$ ) in a study is the Share Price. The share price is set price company to letter ownership share in a company.

$$\text{Stock price} = \text{Closing Price}$$

The analytical method used is multiple linear regression, with a testing hypothesis in the form of a t-test (partial), F-test (simultaneous), and coefficient determination.

## RESULTS AND DISCUSSION

Testing hypothesis

### 1. Statistical Test t

Statistical test t aims to know whether there is or nope the influence of each variable independent to variable dependent. Following are t statistical test results obtained from the SPSS 25 output:

Table 2. Test Results t

Coefficients <sup>a</sup>			
Model		Q	Sig.
1	(Constant)	0.097	0.923
	Corporate profits	2,492	0.017
	Operating Cash Flow	0.308	0.760
	Book Value Equity	2,524	0.016

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The t-value<sub>count</sub> will be compared with the t-value<sub>table</sub>. After seeing table t obtained a t value<sub>table</sub> of 1.683. After the t-value<sub>table</sub> and alpha value (0.05) are known so could be taken something conclusion :

- T-value<sub>count</sub> company profit variable ( $X_1$ ) in table 2 of  $2.492 > 1.683$ , meaning  $t_{count} > t_{table}$ , with score significance of  $0.017 < 0.05$ , then could be concluded that the company's profit ( $X_1$ ) has an effect significant in a manner partial to the stock price so that  $H_1$  accepted.
- t value<sub>count</sub> variable operating cash flow ( $X_2$ ) is  $0.308 < 1.683$ , meaning that  $t_{count} < t_{table}$  with score significance of  $0.760 > 0.05$ . It could be concluded that operating cash flow ( $X_2$ ) no take effect significant to the stock price (Y), so  $H_2$  rejected and  $H_0$  was accepted.
- t value<sub>count</sub> variable book value equity ( $X_3$ ) of  $2.524 > 1.683$ , meaning  $t_{count} > t_{table}$ , with score significance of  $0.016 < 0.05$ , then could be concluded that book value equity ( $X_3$ ) matters significant to the stock price (Y) so that  $H_3$  accepted.

### 2. Simultaneous Test F

F test was performed to know the influence variable independent consisting of Company Profit ( $X_1$ ), Operating Cash Flow ( $X_2$ ), and Book Value Equity ( $X_3$ ) against variable dependent, i.e., share price (Y) in an aggregated way simultaneous or a manner simultaneously and whole. Test it could be seen in the value of F with a level significance of 0.05. If the score significance is  $F < 0.05$ , then fulfill provision goodness of fit model. Meanwhile, if the score is F significance  $> 0.05$ , then the regression model no fulfill the integrity of fit model provisions. F test results get seen in the following table:

**Table 3. F test results**

Model	F	Sig.
1 Regression	5,664	,002 <sup>b</sup>
residual		
Total		

Table 3 above shows a calculated F value of 5.664 with a significant soft score of 0.002. After seeing table F, I obtained a score of the F<sub>table</sub> of 2.83. Condition the could be interpreted that calculated F value  $> F_{table}$  that is of  $5.664 > 2.830$  and value significantly smaller from alpha value (0.05), i.e., of  $0.002 < 0.05$ . That could be concluded that independent variables, i.e., company profit, operating cash flow, and book value equity, take effect significantly in a manner simultaneous to variable dependent, i.e., share price.

### 3. Coefficient test determination ( $R^2$ )

Coefficient determination could show how much big variation donation whole variable free to variable bound. Besides that, a coefficient determination is used for knowing how much far ability variable independent in explained variation from the variable dependent. Coefficient value determination (adjusted  $R^2$ ) is between 0 and 1 where the value  $R^2$  is small or close to 0 means ability variables independent in explaining variation variable dependent very limited. However, if a considerable adjusted  $R^2$  value or close to 1 means the independent variables provide almost all required information for predicting variation variable dependent. Determination test results can be seen in table 4 below this :

**Table 4. Coefficient Determination**

Model	R	R square	Adjusted R square	Std. the error in the estimate
1	, 836a	0.699	0.677	1578,72647

They were seen in the table on score coefficient determination of 0.699 or 69.9%. It means the ability variable independent in explain variable dependent by 69.9%. Meanwhile, the rest, namely 30.1%, defined by other factors that are not there, is in a study.

## CONCLUSION

Possible conclusions based on the results study and discussion outlined in the study are: Company Profit ( $X_1$ ) is proven to have positively and significantly influenced the company's stock price (Y). mining During the period 2017-2021. Operating Cash Flow ( $X_2$ ) is proven no have influenced positively and significantly the company's stock price (Y). mining During the period 2017-2021. Book Value Equity ( $X_3$ ) is proven to have influence positive and significant on mining stock prices (Y). During the period 2017-2021. Company Profit ( $X_1$ ), Operating Cash Flow ( $X_2$ ), and Book Value Equity ( $X_3$ ) simultaneously take effect significantly on the company's stock price (Y). mining During the period 2017-2021.

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Suggestions that can give are as follows: investors expect to constantly watch a company that owns a profit company and value book significant equity, so the desired company could increase the price of the stock. It is conducted with the investor's hope of making the capital gains more significant. Companies are always expected to increase generated profit because it could increase investor interest in investing company. Besides, it also noticed factors cause ups and downs in price stock, order price share company can stable and viable, attractive investor interest for invest.

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