

THE EFFECT OF OPERATING CASH FLOW AND DIVIDEND POLICY ON STOCK RETURNS (Empirical Study on Kompas 100 Index Companies 2019-2021)

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ABSTRACT

This research aims to determine the influence of Operating Cash Flow, Dividend Policy, and Stock Returns in companies listed on Kompas 100 in 2019-2021. This type of research is quantitative using panel data obtained from the Indonesia Stock Exchange (BEI). The research was conducted on compass index companies 100. The data sampling technique used purposive sampling, the research samples were 16 companies with observations for 3 years 2019-2021. The results of this research are in line with signaling theory, the smaller the size of a company is considered to provide more reliable data for investors to determine share purchase decisions. The results of this research are consistent with research which shows that it has no effect on stock returns. From the test results it can be concluded that Operating Cash Flow, Dividend Policy, and simultaneously influence Stock Returns. From the test results it can be seen that the Operating Cash Flow variable has a partial effect on Stock Returns. From the test results it can be seen that the Dividend Policy variable partially has no effect on Stock Returns

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1. INTRODUCTION

The capital market aims to bring together parties who need long-term funds with parties who have excess funds. Capital market operations are capital investment activities, namely the activity of investing capital directly or indirectly with the hope that the capital owner will obtain a profit from the results of the capital investment. In addition, the capital market can realize effective and efficient capital allocation, because investors can choose investment options that provide the most optimal returns. Assume that the most profitable company is the most productive sector in the market (Sudirman & Darwis, 2015).

Investors are usually interested in investing their capital in companies that have high liquidity. Investors can see issuers with high liquidity criteria on the Kompas 100 Index on the Indonesia Stock Exchange (BEI), which is one of the stock indexes which consists of 100 special shares of publicly traded companies that are traded on the IDX. The shares selected in the Kompas 100 index are shares from companies that have several special criteria according to the provisions of the IDX. So it is hoped that the Kompas 100 index can become a benchmark for investors to observe where the market is heading and how their portfolio is performing. An increase in profit income can be used as a reference for how well company management can manage the company effectively and the company's finances can be said to be in a healthy condition [2].

Stock returns can be caused by macroeconomic factors. One of the macroeconomic factors is inflation, which can directly influence stock performance and company performance. When investors evaluate the capabilities of a company, it is not enough to know the increase or decrease a decrease in company income, but you must also pay attention to how changes in income affect your investment. Profit per share or Earning Per Share is the basis for giving dividends (Febrioni, 2016). Return is the result obtained from capital investment. According to Jogiyanto (2014:263), there are two types of stock returns, namely realized returns and expected returns. Macroeconomic factors can influence stock returns. One of the macroeconomic factors is inflation which can have a direct effect on stock performance and company performance. The high and low levels of inflation in a country will reflect investment risk, which influences investors' decisions in their investment activities.

Literature Review

Agency Theory

Signal theory explains why companies have an incentive to provide financial report information to external parties. Companies urge the provision of information because of information asymmetry between the company and external parties, because companies understand the company and its future prospects better than external parties (investors, creditors). One way to reduce information asymmetry is to provide signals to the outside world, one of which is reliable financial information, which will reduce uncertainty about the company's future prospects.

Signalling Theory

Signalling Theory is a theory that explains about a company to provide information to external parties interested in an agreed employment contract. This theory provides an explanation of the reasons why companies have the urge to submit or provide information related to the company's financial statements for external parties [6]. The existence of this difference in information will encourage the company to provide better and complete information to external parties of the company (investors) so that the company can provide the information to increase the value of the company. According to [13] Signalling Theory describes that good quality companies will deliberately signal the market so that the market is expected to distinguish good and bad quality companies. Signals containing good and bad news remain informed to the public so that they can consider in making investment decisions. In investment decisions made by parties outside the firm, this signal theory emphasizes the importance of the information disclosed by the company. Signalling theory is based on the assumption that each party does not receive the same information. By having a lot of information, it can cause information asymmetry between company management to be one thing that must happen and is difficult to avoid.

According to [10] argue that to avoid information asymmetry, companies must provide information as a signal to investors. It is important to minimize information asymmetry, so that companies going public can transparently inform investors of the state of the company. Therefore, to respond to these problems and reduce information asymmetry that occurs, what can be done is to provide signals to outside parties through the company's financial statements in which there is credible or reliable company financial information and will provide certainty about the company's sustainability prospects in the future.

Stock returns

According to Gitman, quoted by Alexander & Destrina (2013: 125) Return is the amount of investment profits and losses over a certain period of time which is generally measured as changes in value plus the money distributed during a certain period and expressed as a percentage of the initial investment value. Based on the income that has been stated, it can be concluded that stock returns are profits obtained from investor share ownership for investment activities carried out which consist of dividends and capital gains/losses.

Operating Cash Flow

According to Setyowati, et.al (2016:242) stated that cash flow is a means of cash inflows and outflows in a period related to responsibilities and investments. Meanwhile, according to Weygant, Kimmel and Kieso, et.al (2014) translated by Azra (2018: 194), who states that cash flow is cash receipts, cash withdrawals and net cash balances from operating, investment and financing activities during a certain period. In this research, the method for calculating operating cash flow is the change in operating cash flow (ΔAKO), namely the current operating cash flow minus the previous operating cash flow divided by the previous operating cash flow divided by the operating cash flow. The previous period's cash flow is divided by the previous period's operating cash flow

Dividend policy

The dividend payout ratio (DPR) is a ratio that shows the portion of the profits earned by the company that will later be paid to ordinary shareholders in the form of cash dividends. Dividend policy is used as a moderating variable for the reason that dividend policy is always the center of attention of many parties, including investors

2. METHOD

This research is included in the associative research group. Research that aims to determine the influence or relationship between two or more variables. The Independent variable used in this research is stock returns, while the Dependent variables are Operating Cash Flow and Dividend Policy. This research was conducted on the Kompas 100 company. The population in this research

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was the Kompas 100 index companies listed on the Indonesia Stock Exchange (BEI) in the 2019-2021 period. The sampling technique was carried out by purposive sampling. According to Sugiyono (2015) purposive sampling is a technique for determining research samples with certain considerations with the aim of making the data obtained later more representative.

3. RESULT AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistical tests aim to provide an overview or describe the variables used in research. Descriptive statistics provide an image seen from the minimum value, maximum value, average value (mean) and standard deviation. The research result is a reassessment of the validity of the research results. The discussion of the results can be explained as the researcher's original thoughts to provide an explanation and interpretation of the research results. It can be seen that the number of observations (N) shows the amount of data used in the research, namely 48 data, which is the sample size for the 2019-2021 period. Based on the test results in this research, it can be seen from the following table:

Table 1. Descriptive Statistical Test Results

	Y	X1	X2
Mean	-0.056500	0.292563	23.84625
Median	-0.033500	0.190000	24.03500
Maximum	0.615000	4.428000	32.44000
Minimum	-0.481000	-1.984000	16.76000
Std.Dev.	0.199842	1.079728	6.153444
Skewness	0.317780	1.430637	0.046653
Kurtosis	4.487022	6.830839	1.217281
Jarque-Bera	5.230343	45.72443	6.373586
Probability	0.073155	0.000000	0.041304
Sum	-2.712000	14.04300	1144.620
Sum Sq.Dev.	1.877030	54.79320	1779.649
Obseivations	48	48	48

The Stock Return variable (Y), shows the results that the minimum value is -0.481000 at PT. Waskita Karya (Persero) Tbk in 2021, maximum value of 0.615000 at PT. Puradelta Lestari Tbk in 2019 with an average value of -0.056500 and a standard deviation value of 0.199842. The Operating Cash Flow variable (X1), shows the results that the minimum value is -1.984000 at PT. Ciputra Group Tbk in 2020, maximum value of 4,428000 at PT. Puradelta Lestari Tbk in 2019 with an average value of 2.92563 and a standard deviation value of 1.079728. The Dividend Policy Variable (X2), shows the results that the minimum value is -0.021000 at PT. Waskita Jaya Tbk in 2021, maximum value of 0.473562 at PT. Ace Hardware Indonesia Tbk in 2018 with an average value of 0.140109 and a standard deviation value of 0.111378.

Hypothesis testing

Panel Data Regression

This research uses panel data analysis where the same cross section units are measured at different times. In this research, the independent variables are Operating Cash Flow (X1), Dividend Policy (X2), and the dependent variable is Stock Return (Y). The results of the panel data regression test are as follows:.

Variable	Coefficient	Std.Error	t-Statistic	Prob.
c	-0.146258	0.116340	-1.257162	0.2153
X1	0.083695	0.024347	3.437640	0.0013
X2	-0.058435	0.067657	-0.863684	0.3924
R-squared	0.239217	Mean dependent var		-0.056500
Adjusted R-squared	0.187346	S.D. dependent var		0.199842
S.E. of regression	0.180152	AKaiKe info criterion		-0.510374
Sum squared resid	1.428012	Schwarz criterion		-0.354441
Log likelihood	16.24898	Hannan-Quinn criter.		-0.451447
F-statistic	4.611726	Durbin-Watson stat		2.532321
Prob(F-statistic)	0.006848			

From the test results in the table above, it can be concluded that:

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$$Y = -0.146258 + 0.083695 \cdot X_1 + -0.58435 \cdot X_2$$

Based on table 4.14 above, the relationship between the independent variables, namely Operating Cash Flow (X1), Dividend Policy (X2), and the dependent variable, Stock Return (Y), can be explained as follows:

1. The constant coefficient value of -0.146258 indicates that the independent variables (Operating Cash Flow, Dividend Policy) are considered constant or have a value of 0 (Zero), so the company value will be -0.146258.
2. The regression coefficient value of the operating cash flow variable (X1) is 0.083695, meaning that if the operating cash flow is 1 unit, then the company value will increase by 0.083695 units assuming the other independent variables have constant values.
3. The regression coefficient value for the Dividend Policy variable (X2) is -0.58435, meaning that if the Dividend Policy increases by 1 unit, then the Dividend Policy will decrease by 0.58435 units assuming the other variables have the same value.

Simultaneous Significance (F Test)

This simultaneous test aims to determine the joint influence of the independent variables on the dependent. The F test can show whether the regression used is appropriate for all independent variables that jointly influence the dependent variable. This research tests whether Operating Cash Flow, Dividend Policy. The results of the simultaneous significance test are as follows:

	R-squared	0.239217	Mean dependent var	-0.056500
Adjusted R-squared	0.187346		S.D. dependent var	0.199842
S.E. of regression	0.180152		AKaiKe info criterion	-0.510374
Sum squared resid	1.428012		Schwarz criterion	-0.354441
Log likelihood	16.24898		Hannan-Quinn criter.	-0.451447
F-statistic	4.611726		Durbin-Watson stat	2.532321
Prob(F-statistic)	0.006848			

Based on the test results in the table above, it can be concluded that: Based on table 4, it shows that the F-count is 4.611726 and the F-table is 2.80 with a significance level of 0.05. Thus $f\text{-count} > f\text{-table}$ ($4.611726 > 2.80$) and the level of significance ($0.006848 < 0.05$). So it can be concluded that Operating Cash Flow and Dividend Policy simultaneously influence share returns in companies registered on Kompas100 in 2019-2021.

Partial Significance (T Test).

The partial test aims to determine the significant relationship of each variable to the dependent variable. The T test is carried out to determine whether the independent variables individually have an effect on the dependent variable.

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	-0.146258	0.116340	-1.257162	0.2153
X1	0.083695	0.024347	3.437640	0.0013
X2	-0.058435	0.067657	-0.863684	0.3924

Based on the test results in the table above, it can be concluded that: the results of hypothesis testing on each independent variable on the dependent variable are as follows:

1. The results of testing the Operating Cash Flow variable on Stock Returns show a probability value greater than the significance level ($0.0013 < 0.05$). Based on the test results above, it can be concluded that H_2 , which states the disclosure of Operating Cash Flows on Stock Returns, is accepted
2. The results of testing the Dividend Policy variable on Stock Returns show a probability value greater than the significance level ($0.3924 > 0.05$). Based on the test results above, it can be concluded that H_3 which states the disclosure of Dividend Policy on Stock Returns is rejected

Hypothesis Test Results

Based on the results of the analysis above, the proof of the hypothesis can be explained as follows:

Hypothesis	Statement	Results
H1	Operating Cash Flow and Dividend Policy simultaneously influence stock returns Hypothesis Accepted	Hypothesis Accepted
H2	Operating Cash Flow influences Stock Returns Hypothesis Accepted	Hypothesis Accepted
H3	Dividend Policy Has No Effect Hypothetical Stock Return Rejected	Hypothetical Stock Return Rejected

4. CONCLUSION

Based on test results and discussion regarding the Influence of Operating Cash Flow, Dividend Policy, and Stock Returns. The following conclusions were obtained: From the test results it can be concluded that Operating Cash Flow, Dividend Policy, and simultaneously influence Stock Returns. From the test results it can be seen that the Operating Cash Flow variable has a partial effect on Stock Returns. From the test results it can be seen that the Dividend Policy variable partially has no effect on Stock Returns..

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