

# **EFFECT OF INFORMATION ON ACCOUNTING PROFITS AND CASH FLOW COMPONENTS ON STOCK PRICES OF INSURANCE COMPANIES LISTED IN INDONESIA STOCK EXCHANGE (BEI) 2008-2012 PERIOD**

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## **ABSTRACT**

*Many factors influence the fluctuation of stock prices, including: deposit interest rates, stock trading volume, return on equity, earnings per share. The last two factors are part of the financial statements presented by the issuers. The financial statements contain accounting earnings information and cash flow. Therefore it is necessary to examine empirically whether accounting earnings and cash flows have an influence on changes in stock prices. Data is collected from the stock prices of insurance companies that have gone public in the Jakarta Stock Exchange which have a nominal value per share of Rp.1,000.00 (one thousand rupiah) from 2008 to 2012. This study took 10 existing insurance companies to analyze. The basis for this sampling is based on the amount of data available on the Jakarta Stock Exchange Website. From the results of variable analysis of total cash flow and accounting profit variables in the first equation individually can not significantly influence stock prices. And together all the independent variables have no effect simultaneously on stock prices. The value of Squared R is very low, which means that the variable cannot explain stock prices, but can be explained by other variables not included in the research model. Variable operational cash flows, investment cash flows and funding cash flows in the second equation individually can not influence stock prices significantly. And together all the independent variables have no effect simultaneously on stock prices. Also obtained is a very low R Squared value, which means that the variable cannot explain stock prices, but can be explained by other variables not included in the research model.*

**Keywords** : *Stock prices, accounting profits, operating cash flows, investment cash flows, funding cash flows.*

## INTRODUCTION

The October 27, 1988 and December 20, 1988 packages were given to the capital market more opportunities to develop, among others, with the following policies: (1) The existence of equal treatment between interest on deposits and dividends of shares, namely both subject to 15% income tax. (2). Opportunities for the management of the stock exchange by the private sector (previously only managed by BAPEPAM) include the establishment of new exchanges outside Jakarta. (3). The commencement of a listing company that can increase the number of shares in companies listed on the capital market, share share systems provides an opportunity for prospective investors to utilize funds through the stock exchange, while companies can quickly obtain funds from the public, because through a long emissions procedure.

Several studies have shown the existence of a positive and significant relationship between earnings and stock prices, including research (Ball and Brown, 1968); (Foster, 1975); (Beavert, Clarke and Wright, 1979); (Litzenberg and Rao, 1971); (Lipe, 1986). Some of these studies indicate that changes in stock prices for a certain period are related to the signs and magnitude of unexpected profits for the period. Based on the efficient market hypothesis, this evidence is consistent with the hypothesis which states that accounting profit reflects the factors that influence stock prices. In addition to accounting profits, the factor that is thought to influence stock prices is cash flow. Some of the research related to the content of cash flow information has been carried out by researchers, among others, conducted by (Livnat and Zarowin, 1990) who tested the cash flow component as recommended by SFAS No. 95.

Some researchers even compare the relationship between accounting earnings (in this case called the accrual component) and cash flow to stock prices or stock returns. (Wilson, 1986) and (Rayburn, 1986) examine the content of cash flow information and earnings accruals with stock returns. The research shows the information content of cash flows. Research in Indonesia regarding cash flows has been carried out by (Zaki Baridwan, 1997); (Triyono and Yogyanto Hartono, 2000).

The normative goals that the company wants to achieve through efforts to maximize company value are reflected in the increase in stock prices. Many factors influence the

fluctuation of stock prices, including: deposit interest rates, stock trading volume, return on equity, earnings per share. The last two factors are part of the financial statements presented by the issuers. The financial statements contain accounting earnings information and cash flow. Therefore it is necessary to examine empirically whether accounting earnings and cash flows have an influence on changes in stock prices.

The problem of this research can be formulated as follows: (1). Does the total cash flow and accounting profit significantly influence stock prices together? (2). Do operating cash flows, investment cash flows, and funding cash flows significantly influence stock prices?

## **LITERATURE REVIEW**

According to the Financial Accounting Standard Boards (FASB), information obtained from cash flow statements can show the company's ability to pay its obligations, and pay dividends. This is needed to obtain external financing. The difference between net income and the combination of cash receipts and payments and the influence of the company's financial position from cash and non-cash investments and financial transactions for a certain period.

Whereas according to Sondhi (Livrat and Zarowin 1990, p.4) said that: "The estimation of cash flow is based on information taken from the income statement, changes in the balance sheet account from the beginning of accounting period till it's end, and from statement of changes in financial position

Analysis of securities conducted by investors through two stages, namely gathering information and arranging it into a logical framework and then using information to determine the intrinsic value of shares. Gitman and Joeluk (1990, p.267-339) divide the method of analyzing securities into three groups consisting of: (1). Traditional Analysis is an analysis that is generally carried out through a top-down approach. This analysis starts with economic analysis, industrial analysis, and ends with fundamental or basic analysis.(2). Technical Analysis, is a method of analyzing securities carried out based on various forces that affect the market, this analysis is oriented to market price movements.

(3).Random evaluation analysis, explains that stock price movements cannot be predicted and therefore the analysis of securities cannot help predict market behavior in the future.

### **Profit**

Earnings as explained in the Statement of the Financial Accounting Concepts (FASB, 1984) are the same meaning as net income that applies in current practice, that is, all net income for one period, however, the FASB distinguishes the concept of profit (earnings) with net income. Earnings (earnings) do not include the cumulative effect of certain accounting adjustments in the previous period which are recognized in the current period. Profit is a measure of performance for a period, therefore it does not include items that are extraordinary in that period or items which basically affect other periods. Information about this profit is very much the concern of investors, creditors and other parties. which intends to assess the prospect of a company's net cash inflows. Information about this profit can be seen in the financial statements.

### **Content of Profit Information**

The term information content is used by Ball and Brown (1968) to show the relationship between annual earnings and annual abnormal rate of return. Based on the efficient market hypothesis, they test whether accounting earnings are empirically related to stock prices and are therefore very useful. This research was then replicated by Foster (1979) for annual earnings announcements.

Other research also points to a study of the relationship between the distribution of the annual (or quarterly) rate of abnormal rate of return and annual (quarterly) return as information content research. Watts and Zimmerman (1986) place the term "information content" for the problem of whether an event such as an earnings announcement has an effect on the stock price at the time the event occurred. If the change in stock price is related to an event that has occurred, then the factors that influence the stock price are known.

Beaver (1968) uses a variance abnormal return as a measure of the information content of annual earnings announcements. If the earnings announcement conveys

information on the capital market, it will cause price changes. Then he also conducted a study that used the stock trading volume to assess the content of earnings announcements.

Beavert, Clarke and Wright (1979) examined the relationship between unexpected earnings signs and signs of abnormal returns. Beaver, Lambert, and Morse (1980) regressed the change in percentage in prices to changes in the percentage of earnings per share. It appears in both studies that there is a significant positive relationship between the level of abnormal returns and unexpected annual profits.

Some of these studies show that changes in stock prices for certain periods are related to the signs and magnitude of unexpected profits for the period. Based on the efficient market hypothesis, this evidence is consistent with the hypothesis that accounting earnings reflect the factors that influence stock prices.

### **Cash flow**

This cash flow report has become a requirement for companies that go public to present it. These requirements are contained in the standard statement of financial accounting No. 95, the "stasis of cash flow" issued by the Financial Accounting Standard Board (FASB). In Indonesia the Indonesian Institute of Accountants (IAI) has issued a Statement of Financial Accounting Standards (PSAK) no.2 concerning cash flow statements

This cash flow report contains information about cash flows in and out during the accounting period consisting of cash flows from (used for) operating activities, investment activities and financing activities. Cash flows from (used for) investment activities are cash flows arising from the delivery or production of goods for sale and the provision of services and the effect of transactions and other events on cash that affect the determination of income. Cash flows derived from (used for) investment activities are cash flows caused by acquisition and sale activities, or vice versa, dismissals from: securities that are not cash equivalents and productive activities are expected to benefit the company for a long period of time and borrowing and collecting receivables. Cash flows from funding activities are cash flows that occur because of lending activities from creditors and repayment of the debt and the acquisition of resources originating from the owner and providing compensation for investment for the owner.

According to the Financial Accounting Standards (1994, p. 2) the purpose of presenting the statements of cash flows is defined as follows: "The purpose of presenting cash flow statements is to provide historical information about changes in cash and cash equivalents of companies through cash flow statements that classify cash flows based on operating activities, investment and financing for a certain period.

Presentation of cash flow statements must report cash flows for a certain period and are classified according to operational activities, investment activities and funding activities.

The way of presentation must be adjusted to the company's business.

### **Content of Cash Flow Information**

Some studies have conducted research to examine the information content of cash flows. Livnat and Zarowin (1990) tested the cash flow component as recommended by SFAS No. 95. The results of their study found that the cash flow component has a stronger relationship with abnormal stock returns compared to the relationship of the total cash flow with abnormal stock returns.

Research on cash flows in Indonesia is carried out by Zaki Bardiwan (1997) who found that cash flow information disclosure provides added value for users of financial statements, so it needs to be presented separately from the accounting profit report. Nur Fadirih Asyik's (1999) research also shows that information on cash flows is useful for investors. These results support the decisions of the FASB and IAI which require companies to present cash flow reports. Activities contained in the cash flow statement:

#### **(a). Operational Activities.**

Operational activities according to Financial Accounting Standards (1994: 2.3) as follows: "Operational activities are principal revenue-producing activities and other activities that are not investment activities and funding activities." Amount of cash flows originating from operating activities is an indicator that determines whether the company's operations can generate sufficient cash flow to repay loans, maintain the company's operating capabilities, pay dividends and make new investments without relying on

outside funding. Information about certain elements of historical cash flows along with other information is useful for predicting future operating cash flows.

Cash flows from operating activities are derived from the main income activities of the company's income, therefore generally come from transactions and other events that affect the determination of net profit or loss. The components of cash flow from operations according to Financial Accounting Standards (1994; 2.5) are as follows: (1). Cash receipts from the sale of goods and services. (2). Cash receipts from royalties, commissions and other income. (3). Cash payments to suppliers of goods and services. (4). Cash payments to employees. (5) Cash receipts and payments by insurance companies in connection with premiums, claims, annuities and other insurance benefits. (6). Cash payments or income tax returns unless specifically defined as part of financing and investment activities. (7). Cash receipts and payments from contracts held for the purpose of business transactions and trade.

### **(b). Investment Activities**

Cash flows from investment activities reflect cash receipts and expenditures with respect to resources that aim to generate future income and cash flows. The components of investment activity according to Financial Accounting Standards (1994: 2.6) consist of: (1). Cash payments to purchase fixed assets, intangible assets and other long-term assets, including capitalized development costs and self-built fixed assets. (2). Cash receipts from the sale of land, buildings and equipment, intangible assets and other long-term assets. (3). Acquisition of shares or other company financial instruments. (4). Advances or loans given to other parties and repayments (except those carried out by financial institutions). (5). Cash payments in connection with the future contract, forward contract, option contract, SWAP contract unless the contract is carried out for trading purposes (dealing or trading) or if the payment is clarified as a funding activity.

### **(c). Funding Activities**

This funding activity is useful for predicting claims against future cash flows by suppliers of company capital. Components of funding activities according to Financial Accounting Standards: (1). Cash receipts from stock issuers or other capital

instruments. (2). Cash payments to shareholders to withdraw or redeem company shares. (3). Cash receipts from bond issuance, money orders, mortgages and other loans. (4). Repayment of loans. (5). Cash payments by the lessee (lessee) to reduce the balance of liabilities related to finance leases (finance lease)

Most of the research related to the content of cash flow information is always compared to the information content of accounting earnings (accrual earnings). This is triggered because of the contradiction in the accounting literature between accrual earnings and cash flows. Wilson (1986) examined the information content of two accrual variables, namely current accruals and noncurrent accruals. This study examines the relative total accrual and cash information content of operations. The results show that the two components of earnings have additional information content. Rayburn (1986) examines the relationship of operating cash flows and accruals in return for securities. The results support the relationship between operating cash flow and overall accruals with abnormal returns. The study conducted by Bowen, Burgstahler and Daley (1987) found evidence of the role of accruals (i.e. profits and working capital from operations) and cash flow measures in models that explain behavior securities prices. The study was conducted by examining the relationship between unexpected security benefits and unexpected cash flows, after controlling the relationship between unexpected benefits and unexpected profits. The results are consistent with the hypothesis that: (1). Cash flow data has additional information content compared to profit. (2). Cash flow data has additional information content compared to earnings and work performance from operations. (3). Accrual data (i.e. earnings and working capital from operations) together and separately have additional information content compared to data and cash flow. The results of this study do not support the hypothesis that working capital from operations has additional information content compared to profit.

The ratio developed from the cash flow statement is as follows:

$$(1). \text{Cash flow adequacy} = \frac{\text{cash flow} - \text{operations}}{\text{long term debt period} + \text{purchases of assets} + \text{dividen paid}}$$

$$(2). \text{Devident pay out} = \frac{\text{purchase of assets}}{\text{cash from oprations}}$$



- (3). *Long term debt payment* =  $\frac{\text{long term debt payment}}{\text{cash from operations}}$
- (4). *Reinvestment* =  $\frac{\text{purchases of assets}}{\text{cash from operations}}$
- (5). *Total debt coverage* =  $\frac{\text{total liabilities}}{\text{cash from operations}}$
- (6). *Depreciations-amortization impact* =  $\frac{\text{depreciation} + \text{amortization}}{\text{cash from operations}}$
- (7). *Cash flow to sales* =  $\frac{\text{cash from operations}}{\text{sales}}$
- (8). *Cash flow to net income* =  $\frac{\text{cash from operations}}{\text{income from continuing operations}}$
- (9). *Cash flow return on Sale* =  $\frac{\text{cash from operations}}{\text{total assets}}$

### **Formulation of the hypothesis**

Based on the problems and literature review above, the hypothesis of this study can be formulated as follows:

Ha1: Total cash flow and accounting profits are significantly together affect stock prices.

Ha2: Operational cash flows, investment cash flows, and funding cash flows Significantly affects stock prices.

## **METHODS**

This study uses a model where the dependent variable is the stock price. The stock price is the price in the closing price during the observation period. The independent variables in this study are: accounting earnings, total cash flow, and cash flow components. Accounting profit is net income before extraordinary items and discontinued operations. This measure is based on research by Bowen, Burgstahler and Daley (1986) and Lipe (1986). The reason for issuing these two points is to eliminate the elements that cause profit growth that do not normally occur. The cash flow component is measured as defined in PSAK No.2 concerning Cash Flow Reports, which include cash flows originating from

(used for operations), cash flows from (used for investment), and cash flows from (used for funding).

**Table 1:** Operational Definition of Variables

<b>Variable</b>	<b>Sub Variable</b>	<b>Measurement scale</b>
Stock price	Insurance company stock price at the end of closing.	Ratio
Operational Cash Flow	Amount of Cash Flow from operational activities.	Ratio
Cash flow and Investment	Amount of Cash Flow from investment activities.	Ratio
Cash Flow from Funding	Amount of Cash Flow from funding activities.	Ratio
Accounting Profit	Net profit that is valid for a certain period.	Ratio

The research method used in this study is to use quantitative analysis methods descriptively, which is a study used to study and obtain a description of a condition through calculation. In addition, a comparison of the accounting earnings report and changes in cash flow to stock prices is also carried out.

Data is collected from the stock prices of insurance companies that have gone public at the Jakarta Stock Exchange which have a nominal value per share of Rp.1,000.00 (one thousand rupiahs) from 2008 to 2012. Taken 10 existing insurance companies for analysis. The basis for this sampling is based on the amount of data available on the Jakarta Stock Exchange Website.

The data collection technique used is a secondary data type that includes published data for different purposes of special needs (Kinnear and Taylor, 1996, p.143). Secondary data related is a component of the financial statements of 10 insurance companies consisting of balance sheets, profit and loss and cash flows and the nominal price per share listed on the Jakarta Stock Exchange.

Analysis to test the hypothesis is a linear regression model to determine the information content of accounting earnings, total cash flow, and cash flow components. To test the hypothesis, a model was developed by Triyono and Yugianto Hartono (2000).

To test the first hypothesis multiple regression models are used, namely:

$$P_{it} = \alpha + \beta_1 \text{TAK}_{it} + \beta_2 \text{LAK}_{it} + e_{it} \quad (1)$$

To test the second hypothesis multiple regression models are used, namely:

$$P_{it} = \alpha + \beta_3 \text{AKO}_{it} + \beta_4 \text{AKI}_{it} + \beta_5 \text{AKP}_{it} + e_{it} \quad (2)$$

Where,

$P_{it}$  = I closing price of shares in period t

$\text{LAK}_{it}$  = Accounting profit of company I in period t

$\text{TAK}_{it}$  = Total cash flow of company I in period t

$\text{AKO}_{it}$  = Cash flow from the operational activities of company I in period t

$\text{AKI}_{it}$  = Cash flow from investment activity of company I in period t

$\text{AKP}_{it}$  = cash flow from funding company I activities in period t

$E_{it}$  = Variable disturbance company I in period t

$\alpha$  = coefficient of constants

$\beta_1 - \beta_5$  = Coefficient of independent variables

Hypothesis testing is based on the probability value (p-value) of each parameter coefficient or by comparing between t table with t count, and between F table with F count. Before testing the hypothesis, also tested whether there is a deviation in the classical model assumption, namely multicollinearity, autocorrelation and heteroscedasticity.

## RESULT AND DISCUSSION

### Multicollinearity Test Results

Multicollinearity shows that between independent variables have a direct (correlated) relationship. Multicollinearity occurs if the value of Variance Inflation Factor (VIF) exceeds 10 (Hair et. Al. 1998).

**Ho:** There is no multicollinearity

**Ha:** There is multicollinearity

Basic Decision Making:

If  $\text{VIF} > 10$ , then  $H_0$  is rejected (there is multicollinearity)

If  $\text{VIF} < 10$ ,  $H_0$  fails (no multicollinearity)

From the results of processing statistical data obtained multicollinearity testing tables:

**Table 2:** Multicollinearity Test Results**Equation 1**

No.	Variable	VIF	Conclutions
1.	TAK	4,488	Ho accepted
2.	LAK	4,488	Ho accepted

**Table 3:** Multicollinearity Test Results**Equation 2**

No.	Variabel	VIF	Conclutions
1.	AKO	7,762	Ho accepted
2.	AKI	7,670	Ho accepted
3.	AKP	1,061	Ho accepted

**Autocorrelation Test Results**

Autocorrelation shows that there is a correlation between the error of the previous period error which in the classical assumption this should not happen. The autocorrelation test was carried out using Durbin Watson. The autocorrelation testing steps were carried out as follows:

**Ho:** There is no autocorrelation

**Ha:** There is autocorrelation

**Table 4:** Autocorrelation Test Results

Models	N	K	dl	du	4-du	4-dl	DW	Conclutions
Equation 1	50	2	1,462	1,628	2,372	2,538	1,753	Nothing Corelations
Equation 2	44	3	1,383	1,666	2,334	2,617	1,661	<i>Inconclusive</i>

*Source: Data processed (see attachment)*

Based on table 4 testing equation 1 above it turns out that the model used is in the decision there is no autocorrelation, because the DW value is in the area  $du < DW < 4-du$ , while equation 2 is in the inconclusive decision because the DW value is in the area  $dl < DW < du$ . Then it was concluded from the results of the autocorrelation test of the two equations that there was no autocorrelation.

### Heteroscedasticity Test

Heteroscedasticity shows that the variance of each error is heterogeneous which means it violates the classical assumption which requires that the variance of the error must be homogeneous. The steps of testing heteroscedasticity:

**Ho** : *There is no heteroscedasticity*

**Ha** : *There is heteroscedasticity*

Tests are carried out by Glacier test.

Decision:

If it is significant  $<0.05$ , then Ho is rejected (there is heteroscedasticity)

If it is significant  $> 0.05$ , then Ho is accepted (no heteroscedasticity)

The results of heteroscedasticity testing are shown in the following table:

**Table 5:** Heteroscedasticity Test Results

#### Equation 1

No.	Variable	Sig.	Conclutions
1.	TAK	0,632	Ho accepted
2.	LAK	0.905	Ho accepted

**Table 6:** Results of the Heteroscedasticity Test

#### Equation 2

No.	Variable	Sig.	Conclutions
1.	AKO	0,871	Ho accepted
2.	AKI	0,774	Ho accepted
3.	AKP	0,701	Ho accepted

From table 5 and table 6 it is known that there is no problem of heteroscedasticity.

Because the data in the study all independent variables have a significance  $> 0.05$ .

### Relationship between Total Cash Flow (TAK) and Accounting Profit (LAK) and Share Price.

From the results of multiple regression between stock prices as the dependent variable and the total cash flow and accounting profit as independent variables. Can be formulated in the equation model:

$$\text{Pit} = 579,256 - 7,5\text{E-}009\text{TAK} - 3,5\text{E-}010\text{LAK}$$

Interpretation of the results of the regression analysis between TAK and LAK variables on Y as follows: (1). Total cash flow (TAK) has a negative regression coefficient of 7.5-009, this means that if the other variable regression coefficient values remain (unchanged), then any increase in TAK variable of Rp.1 will reduce the share price by Rp. 7.5-009. (2). Accounting Profit Structure (LAK) has a negative regression coefficient of 3.5E-010, this means that if the other variable regression coefficient values remain (unchanged), then any increase in the LAK variable of IDR 1 will reduce the share price by IDR 3,5E-010.

In testing hypotheses, it is done by the F test to find out the simultaneous effect of independent variables on the dependent variable and t test to know the effect partially. Based on the results of multiple regression using the F test to know the effect of independent variables on the dependent variable and t test to know the effect partially. (1). Based on the results of multiple regression using the F test, it can be seen that the total cash flow and accounting profit does not significantly influence changes in stock prices (Sig. F = 0.376 >  $\alpha$  = 0.05), meaning that the hypothesis states that these variables have an effect simultaneously the stock price is not proven. (2). From the results of the t test, it is known partially that the total cash flow variable and accounting profit do not have a significant effect on stock prices.

Because the significance value of the variable is greater than 0.05. From the results of multiple regression, it can be seen that the highest beta standard is the total cash flow (standard beta = -0.161) but the variable has no significant effect on stock prices. Square of 0,000 or 0% this means that all independent variables are able to explain the dependent variable by 0% or in other words the variation in the value of the stock is influenced by total cash flow and accounting profit of 0%, which means the remaining 100% is influenced by other variables not included in this model.

### **Relationship between Operational Cash Flow (AKO) components, Investment Cash Flow (AKI) and Funding Cash Flow (AKP) with Share Prices.**

Can be formulated in the equation model

$$\text{Pit} = 582,264 - 9,1\text{E-}010\text{AKO} + 7,45\text{E-}010\text{AKI} - 3,1\text{E-}009\text{AKP}$$

Interpretation of the results of the regression analysis between the variable cash flow components against Y as follows: (1). Operating cash flow (AKO) has a negative regression coefficient of  $9.1E-010$ , this means that if the other variable regression coefficient values remain (unchanged), then each increase in the AKO variable is Rp. 1 will reduce the share price by Rp.  $9,1E-010$ . (2). Investment cash flow (AKI) has a positive regression coefficient of  $7.45E-010$ , this means that if the other variable regression coefficient values remain (unchanged), then each increase in the AKI variable is Rp. 1 will reduce the share price by Rp.  $7,45E-010$ . (3). Funding cash flow (AKP) has a negative regression coefficient of  $3.1E-009$ , this means that if the other variable regression coefficient values remain (unchanged), then each increase in the PPA variable is Rp. 1 will reduce the share price by Rp.  $3,1E-009$ .

Based on the results of multiple regression using the F test to determine the effect of simultaneous independent variables on the dependent variable and the t test to know the effect partially. (1). Based on the results of multiple regression using the F test, it can be seen that the operational cash flows, investment cash flows, and funding cash flows have no significant effect on changes in stock prices (Sig. F =  $0.549 > \alpha = 0.05$ ), meaning that the hypothesis that these variables have a simultaneous effect on unproven share prices. (2). From the results of the t test, it is known partially that the operating cash flow variables, investment cash flows, and funding cash flows have no significant effect on stock prices. Because the variable's significance value is greater than 0.05.

From the results of multiple regression, it can be seen that the highest beta standard is operational cash flow (standard beta =  $-0,182$ ), but the variable has no significant effect on stock prices. the dependent variable or in other words the variation in the value of the stock price is not influenced by the total cash flow and accounting earnings, which means the rest is influenced by other variables not included in this model.

## CONCLUSION

From the results of the analysis discussed above, conclusions can be given as follows: variable total cash flow and accounting profit variables in the first equation individually cannot significantly influence stock prices. And together all the independent variables have no effect simultaneously on stock prices. The value of Squared R is very low,

which means that the variable cannot explain stock prices, but can be explained by other variables not included in the research model.

Operational cash flow variables, investment cash flows and funding cash flows in the second equation individually cannot influence stock prices significantly. And together all the independent variables have no effect simultaneously on stock prices. Also obtained is a very low R Squared value, which means that the variable cannot explain stock prices, but can be explained by other variables not included in the research model.

Based on the regression results of the two models, it is known that the R Square value is 0,000, this means that the independent variable (total cash flow and accounting profit in equation 1, operating cash flow, investment cash flow and funding cash flow in equation 2) can explain variations in the dependent variable is the stock price of 0%. While the rest can be explained by other factors that are not included in the equation model.

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