The Effect of Operating Cash Flow and Sales Growth on Stock Prices of Consumer Goods Companies Listed on the Indonesia Stock Exchange in 2019-2023

Naomi[1], Siti Aisyah[2]
[1,2] Accounting Study Program, Faculty of Economics and Business
Potensi Utama University

A R T I C L E I N F O

ABSTRACT

This study aims to assess how Operating Cash Flow and Sales Growth impact Stock Prices within consumer goods companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. This research employs an associative method with a quantitative design. The entire group includes 74 consumer goods companies that are listed on the IDX. Using purposive sampling, the study selected a sample of 41 companies, resulting in 205 total observations during the study's timeline. The data underwent analysis using classical assumption tests, multiple linear regression analysis, and hypothesis testing (t-test, F-test, and coefficient of determination), all facilitated by SPSS software. The findings indicate that Operating Cash Flow significantly and positively influences stock prices. While Sales Growth shows a positive effect on stock prices, it is not statistically significant. Together, Operating Cash Flow and Sales Growth have a noteworthy and favorable impact.

Corresponding Author:
Naomi
Accounting Study Program, Faculty of Economics and Business
Potensi Utama University
Jl. KL. Yos Sudarsi KM 6,5 Tanjung Mulia. Sumatera Utara 20241. Indonesia
Email: tobingnaomi4@gmail.com

1. INTRODUCTION

A particularly attractive investment sector is the consumer goods sector. This is due to stable and sustainable growth, coupled with the continued increase in the world's population. This is closely related to the importance of these goods in people's daily routines. The consumer goods sector includes various types of products, such as beauty products and household necessities, food and beverage products, various types f medicines, household appliances, and even tobacco products. Currently, the shares of companies producing products that are not essential to consumers are under scrutiny. In addition to the underperformance of this sector, the shares of companies that rely heavily on consumer spending are also likely to receive close scrutiny. The Indonesia Stock Exchange (IDX) is currently establishing a special body to oversee various matters. To provide better protection for investors, this body will cover stocks with special symbols and different trading rules. The IDX is currently seeking companies whose shares might be included in this special supervisory body's list. The consumer goods industry sector is one of the most attractive industries. This is because this sector is considered well-established and continues to grow with population growth. This is because consumer goods are essential items for everyday life. Meanwhile, the consumer goods industry subsector consists of industries producing cosmetics and household necessities, food and

beverages, pharmaceuticals, household appliances, and cigarettes. Shares in the non-primary consumer goods (consumer cyclicals) sector are in the spotlight. In addition to the sector's continued negative performance, consumer cyclical stocks also dominate the special monitoring board. As is known, the Indonesia Stock Exchange (IDX) is preparing a special monitoring board. To enhance investor protection, this board will be populated by stocks with special notation and trading mechanisms. The IDX is currently identifying issuers with the potential to be listed on the special monitoring board. According to the list of securities listed on the IDX's official website, 153 stocks have been selected so far. The majority are listed in the consumer cyclicals sector. Several factors contribute to the dominant presence of consumer cyclical stocks on the special monitoring list. First, from a fundamental perspective, the business and financial performance of several non-primary consumer goods issuers on the list is currently in negative condition.

This is reflected in how its stock prices have changed. The companies are also small to medium in size, and their business and market presence aren't dominant, making them vulnerable to economic ups and downs. For consumer discretionary stocks included on the list of securities under special monitoring, opportunities to improve the state of these companies seem possible. Nevertheless, significant company growth is unlikely in 2023. Broadly speaking, non-primary consumer goods sector issuers have the prospect of growth during 2023. As economic activity normalizes and stabilizes, there is likely to be a shift in sectors. PT Buyung Poetra Sembada Tbk. (HOKI) reported a 23.6% year-over-year decrease in sales, amounting to Rp 936.57 billion in 2020. The company's sales performance in the third quarter was not as strong as in the prior two quarters due to the Covid-19 pandemic. The drop in sales during Q3 occurred because restrictions on public activities, such as shopping malls, and many market and supermarket stalls had not fully reopened. PT Buyung Poetra Sembada Tbk. (HOKI) recorded a 23.6% year-on-year decline in sales to IDR 936.57 billion in 2020. The company's sales performance in the third quarter was not as good as the previous two quarters due to the COVID-19 pandemic. The decline in sales in Q3 was due to ongoing restrictions on public activities, such as shopping centers, and many market stalls and supermarkets not yet fully reopened. The company's cash and bank balances decreased drastically by 83.34% year-on-year to IDR 5 billion due to a decrease in net cash flow from operating activities (AKO).

PT Hanjaya Manadala Sampoerna Tbk. (HMSP) had the highest share price compared to the other two companies since 2019. However, due to the pandemic, its share price dropped drastically by almost 50% to IDR 906 billion in 2022. PT Industri Jamu dan Farmasi Sido, a company that sells staple foods, is a different story. The aforementioned phenomena demonstrate that the pandemic has had both positive and negative effects on the economy. This also presents a research gap, as the researchers also examined previous research. Several previous studies, including Kumayas, Pangeman, and Alexander (2018), found that operating cash flow had no significant effect on stock prices. Sales growth had a positive and significant effect on stock prices. Meanwhile, Asriani's (2023) study found that cash flow had a positive and significant effect on stock prices. Sales growth had no significant effect on stock prices. Furthermore, Ridha's (2019) study found that operating cash flow had a positive and significant effect on stock prices. Based on the phenomena described above and the differences in previous research, the researchers chose the title "The Effect of Operating Cash Flow and Sales Growth on Stock Prices in Consumer Goods Companies Listed on the Indonesia Stock Exchange in 2019-2023."

2. METHODS
a. Research Approach
The research approach employed here is associative research. Associative causal research, as defined by Sugiyono (2019), seeks to determine the connections linking two or more variables. Through this research endeavor, a theory can be developed that serves the purpose of explaining, predicting, and controlling a specific phenomenon.

b. Population
Population refers to the entire scope of generalization, encompassing subjects or objects with defined qualities and traits as determined by the researcher for examination, upon which conclusions are subsequently drawn. This research's population consists of all consumer goods industry companies, specifically totaling 74 companies.

c.   Sample

If there's a large population size, and it's not feasible for researchers to examine every single individual within that population, then they can opt to utilize a sample extracted from the population itself. The specific sampling approach implemented here is known as purposive sampling. Purposive sampling, as defined by Sugiyono (2019), is essentially a technique for deciding on the sample by using particular considerations.

3.   RESULTS AND DISCUSSION

a.   Statistik Deskriptif

Table 1. Statistik Deskriptif

Statistik Deskriptif					
N		Minimum	Maximum	Mean	Std. Deviation
Stock Price	205	50.00	44061.00	2507.5122	5106.68857
Operating Cash Flow	205	-309.05	417.66	52.9439	81.52989
Sales Growth	205	-85.49	89.82	6.3263	22.75816
Valid N (listwise)	205				

Operating cash flow is an important indicator in financial statements that describes a company's ability to generate cash from its core operational activities, such as receipts from the sale of goods or services, payments to suppliers, and other operating expenses. Operating cash flow reflects the extent to which a company's core activities are able to generate a stable cash inflow to finance daily operations without having to rely on external funding sources. In this study, descriptive analysis of sales growth is used to provide an overview of the level of increase or decrease in sales of companies in the consumer goods industry listed on the Indonesia Stock Exchange for the 2019–2023 period. Through descriptive analysis, the minimum, maximum, average, and standard deviation values of sales growth can be seen. The results of this analysis help illustrate whether companies generally experience stable sales increases or whether there are significant fluctuations between companies during the study period. In this study, descriptive analysis of stock prices is used to describe the general condition of stock price movements of companies in the consumer goods industry listed on the Indonesia Stock Exchange for the 2019–2023 period. This analysis presents the minimum, maximum, average, and standard deviation values of stock prices of sample companies. The aim is to show how share prices vary between companies, whether they tend to be stable or fluctuating, and how large the spread of share prices is within the sector.

b.   Analisis Statistik
1.   Normality Test

Table 2. SPSS Output Kolmogorov Smirnov

Output Kolmogorov Smirnov		
N		205
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	4.45785785
Most Extreme Differences	Absolute	.128
	Positive	.128
	Negative	-.108
Test Statistic		.432
Asymp. Sig. (2-tailed)[c]		.095

Based on the results of the normality test with the Kolmogorov-Smirnov Test, a significance value (Asymp. Sig. 2-tailed) of 0.095 was obtained. Because the significance value is greater than 0.05, it can be concluded that the residual data in the regression model is normally distributed. Furthermore, the data normality test was carried out using the non-parametric Kolmorgov-Smirnov test tool with the criteria that if the significance value is above > 0.05 then the residual is normally distributed and vice versa if the significance value is below <0.05 then the residual is not normally distributed, as

seen. The Kolmogorov-Smirnov significance value is 0.095 (> 0.05), meaning that the residual is normally distributed.

1)   Multicollinearity Test

Table 3. Uji Multikolinearitas

		Uji Multikolinearitas	
1	Opearting Cash Flow	.995	1.005
	Sales Growth	.995	1.005

Based on the figure above, multicollinearity can be seen from the tolerance and variance inflation factor (VIF) values.
a)   The tolerance value for the Operating Cash Flow variable (X1) is 0.995 (> 0.10) and the VIF is 1.005 (< 10).
b)   The tolerance value for the Sales Growth variable (X2) is 0.995 (> 0.10) and the VIF is 1.005 (< 10).

Because both independent variables have tolerance values above 0.10 and VIF values below 10, it can be concluded that there is no multicollinearity in the regression model. Thus, the model is suitable for further analysis.

1)   Heteroedasticity Test

Table 4. Heteroedasticity Test

Model	Sig.	Criteria	Description
Operating Cash Flow	0,061	P > 0,05	No Heteroscedasticity
Sales Growth	0,905	P > 0,05	No Heteroscedasticity
Shares	0,602	P > 0,05	No Heteroscedasticity

The scatterplot presented shows that the data points are randomly distributed, appearing both above and below the 0 mark on the Y-axis. These points do not create a distinct pattern that narrows, widens, or undulates. This suggests the regression model does not display heteroscedasticity.

2.   Multiple Linear Regression Analysis

Table 5. Multiple Linear Regression Analysis

Model	B		Std. Error		t	Sig
1	(Constant)	6.388	.127		50.461	.000
	Operating Cash Flow	.005	.001	.262	3.868	.000
	Growth	.007	.005	.108	1.591	.113
	Sales					

This analysis is used to determine the influence of professionalism and competence on the quality of financial reports. The data processing results in this multiple linear regression analysis were performed using SPSS, and the following results were obtained. Based on the SPSS output, the multiple linear regression equation was obtained:

$Y = 6.388 + 0.005X1 + 0.007X2Y = 6.388 + 0.005X1 + 0.007X2Y = 6.388 + 0.005X1 + 0.007X2$
     Note:
a)   The constant 6.388 indicates that if operating cash flow and sales growth are zero, the stock price will be at that value.
b)   The coefficient X1 = 0.005 means that every 1 unit increase in operating cash flow will increase the stock price by 0.005.

c) The coefficient X2 = 0.007 means that every 1% increase in sales growth will increase the stock price by 0.007.

3. Research Hypothesis Testing
Partial Test (t-test)

Table 6. Partial Test (t-test)

Partial Test (t-test)						
	Model B	Std. Error			t	Sig.
1	(Constant)	6.388	.127		50.461	.000
	Operating Cash Flow	.005	.001	.262	3.868	.000
	Growth	.007	.005	.108	1.591	.113
	Sales					

Based on the image above, Operating Cash Flow (X1) The calculated t value = 3.868 with Sig. = 0.000 < 0.05. This means that Operating Cash Flow has a positive and significant effect on Stock Prices. The regression coefficient of 0.005 indicates that every 1 unit increase in Operating Cash Flow will increase Stock Prices by 0.005 (assuming other variables are constant). Sales Growth (X2) The calculated t value = 1.591 with Sig. = 0.113 > 0.05. This means that Sales Growth has a positive but not significant effect on Stock Prices. The regression coefficient of 0.007 indicates a positive relationship, but the effect is not strong enough to be significant at the 5% level. Partially, Operating Cash Flow is proven to affect stock prices, while Sales Growth does not have a significant effect on stock prices of companies in the consumer goods industry sector for the period 2019–2023.

4. CONCLUSION

Operating Cash Flow has a positive and significant effect on stock prices. The results show that the greater the operating cash flow generated by a company, the higher its stock price. This proves that investors view operating cash flow as an important indicator of a company's liquidity and financial health. Sales Growth has a positive but insignificant effect on stock prices. Increased sales are not always followed by an increase in stock prices, because investors also pay attention to other factors such as profitability, cost efficiency, and profit stability. This indicates that sales growth alone is not strong enough to significantly influence stock prices. Operating Cash Flow and Sales Growth simultaneously have a significant effect on stock prices. The combination of these two variables is able to explain 76.7% of stock price variations, while the remaining 23.3% is influenced by other factors outside the research model. These results indicate that investors do not only pay attention to one aspect, but also assess the company's overall performance. Companies need to maintain and increase positive operating cash flow, as this is a key indicator in attracting investor interest. Companies should not only focus on increasing sales but also improve cost efficiency and maintain profitability, so that sales growth is truly reflected in increased profits and share prices. Investors should consider operating cash flow information in financial statements as a key consideration in making investment decisions. Sales growth needs to be analyzed more thoroughly to determine whether it is accompanied by increased profits and efficiency, to ensure more targeted investment decisions. Future research is expected to include other variables that also influence stock prices, such as profitability (ROA, ROE), dividend policy, company size, and external factors such as inflation, interest rates, and macroeconomic conditions. The research period can be expanded to better reflect long-term conditions.

REFERENCES

Amstrong, M. (2021). A Practical Guide To Human Resources Management. 13th Edition. Philadelphia: Kogan Page.

Apriani, H. (2023). How Operating Cash Flow and Net Income Affect Stock Prices. Journal of Management and Accounting Students Vol 2 No 4. 640-657.

Asriani, N. N. R. (2023). The Impact of Sales Growth, Profitability, and Liquidity on Stock Prices in Pulp and Paper Companies on the Indonesia Stock Exchange. Journal of Management Science and Research. Vol 12 No 11. 1-16.

Asyik. N. (2020). How Sales Growth, Profitability, and Dividend Policy Affect Profit Changes. Journal of Accounting Science and Research, Indonesian College of Economics (Stiesia) Surabaya, Vol 5, No 1, 1-21.

Bahri, S. (2020). Introduction to Accounting. Yogyakarta: Cv Andi Offset.

Banardi, J. & Diyani, L. A. (2020). The Effect of Financial Ratios, Per, and Pbv on Automotive Company Stock Prices. Proceedings of the Accounting Scientific Conference.

Brigham, F. & Houston, J. F. (2021). Fundamentals of Financial Management 14th Edition. Jakarta: Salemba Empat.

Darmadji, T. & Fakhruddin, H. M. (2021). The Capital Market in Indonesia. Jakarta: Salemba Empat.

Fitri, F. et al. (2021). Examining the Factors Influencing the Dividend Payout Ratio in Listed Companies on the Jakarta Islamic Index. International Journal of Academic Research In Accounting, Finance, And Management Science, 6(2), 96.

Ghozali, I. (2021). Multivariate Analysis Application Using Ibm Spss 25 Program. Semarang: Diponegoro University Publishing Agency.

Hamid, M K. (2021). Financial Ratio Analysis on Profit Changes (An Empirical Study of Food and Beverage Industry Manufacturing Companies Listed on the IDX in 2017-2019). Journal of Accounting Recognition. Vol. 5, Number 2, Pages 90-102.

Harahap, S. S. (2021). Critical Analysis of Financial Statements Edition 13. Jakarta: Rajawali Pers.

Hery, H. (2016). Financial Statement Analysis. Jakarta: PT. Gramedia.