The Influence of Financial Performance and Investment Cash Flow on Stock Price

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Abstract

This study aims to determine the description and how much influence Financial Performance (Return On Assets-ROA) and Investment Cash Flows on the Stock Prices of mining sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period. This study discusses the ROA and investment cash flow variables as independent variables, and the stock price variable as the dependent variable. The method used in this study is a descriptive and verification method with a quantitative approach, so that the research method used is a descriptive survey method and an explanatory survey method. In this research object there is a population framework. The technique taken is a purposive sampling technique. The type of data used is secondary data. The data collection technique used is library research and retrieval of the company's financial statements. By using eviews, it is known that ROA has a significant effect on stock prices, while investment cash flows have no effect on stock prices. Based on this study, the sampled companies are still limited to companies registered in the mining sector so that further research needs to be carried out using different research samples with a longer observation time so that the results obtained can be generalized.

Introduction

The period before the COVID-19 pandemic, the development of the Indonesian capital market showed good development, where business at that time was very conducive, because the enthusiasm or interest of the public to invest in the capital market was very promising, so that people were active in learning and gaining knowledge to obtain information and literacy to invest. in the capital market. However, this did not happen in the mining sector in 2016, the condition of mining stocks listed on the IDX in 2016 was a bad year, this can be seen from several new records recorded by the 40 (forty) largest mining companies in Indonesia. The world, in the Price Waterhouse Cooper (PwC) industry report received by Mine magazine, the 40 largest global mining companies recorded a collective net loss (US$27 billion), the first time in history that market capitalization fell 37%, and so on. this decline even effectively erased the gains made during the commodity super cycle. According to Jack O'Callaghan, Global Mining Leader at PwC, 2016 was a year full of challenges for the mining sector. The decline in commodity prices by 25% compared to the previous year, this prompted mining companies to work hard to increase productivity which some struggled to survive, followed by asset disposal or business closures, shareholders insisted on focusing on the short term, which had an impact on the availability of capital for investment . invested and resulting in limited options for growth(Darmadji & Fakhruddin, 2001; Fahmi, 2016). The mining industry is a formidable industry, although mining companies at that time experienced a decline, it is clear that many still survive. This condition then has an impact on Indonesian mining companies. In 2016 there were no mining companies in Indonesia with a market capitalization exceeding US% 4 billion, this figure is the lowest limit to be included in the ranks of the 40 largest mining companies in the world by market capitalization. Indonesian mining companies are struggling to cope with weak commodity prices and falling demand from China and other developing countries. This has resulted in a significant decline in the financial performance of mining companies in Indonesia, explained that the overall market capitalization of mining companies listed on the IDX decreased from Rp. 255 trillion as of December 31, 2014 to Rp. 161 trillion as of 31 December 2015, a decrease of 37% mainly driven by lower commodity prices. Only on 30 April 2016, the market capitalization of mining increased by 23% to Rp. 198 trillion, in line with the increase in the prices of a number of commodities during the first four months of 2016, and increasing investor confidence in the Indonesian mining sector given the steps taken to anticipate the impact of falling commodity prices, In line with the global condition of mining companies, mining companies in Indonesia will continue to focus on productivity, cost reduction and capital discipline during the industry's tough times. The 40 largest mining companies in the world, because of their poor investment decisions and capital management and, in some cases, because they do not optimally manage the profits from mining. There is concern about the "spot mentality" exhibited by shareholders, which focuses solely on commodity price fluctuations and short-term returns rather than the long-term investments required in the mining sector. Elsewhere mining companies are starting to focus on maximizing value by divesting assets, as well as postponing marginal projects or capacity reductions by the 40 largest mining companies. As evidence, there has been a significant decline in capital expenditures, indicating an almost stagnant investment climate. Mining companies are also paying greater attention to reducing operating costs by 17% amid increased production volumes and lower input costs, a remarkable achievement given the increase in production seen in 2016(Alipudin, 2016; Brigham, 2013). Mining sector stocks were still the most depressed in 2016 as coal prices recovered due to declining demand. As a coal export destination country such as China, the economy is experiencing a slowdown. For example, two mining companies, namely PT. Bukit Asam (Persero) Tbk with the code PTBA on January 5, 2016 was at the level of Rp. 11,800 per share and on December 21, 2016 it fell to the position of Rp. 4,600 per share, so a decrease of Rp. 7,200,- per share, so net income should decrease 31% yoy to Rp. 795 billion, but in the second quarter of 2016 it managed to improve its performance, because it managed to suppress lower production costs in the second quarter of 2016. Including PT. Indika Energy Tbk (INDY), which was not a sample, experienced a revenue decline of 18.21% yoy to US$ 618.32 million, and an increase in losses from US$ 8.45 million to US$ 7.23 million, due to printing expenses. which is quite high. Indo Tambangraya Megah Tbk with the code ITMG, on January 5, 2016 was still at the level of Rp. 15,350,m- per share and on December 21, 2016 it fell to the position of Rp. 5,600,- per share, so the shares fell by Rp. 9.750,- per sheet. At that time, the Composite Stock Price Index (IHSG) on

the IDX fell 14% as of December 21, 2016. During the first semester of 2016 not many mining issuers managed to record profit growth, even the majority of issuers posted large losses. due to falling commodity prices. So that the problem of the decline in world mining share prices in 2016 due to weakening commodity prices, high company costs, including production and operational costs, to loss of assets, has affected mining sector companies listed on the IDX studied in 2016-2020. The decline in mining market prices caused by weak performance, so that various efforts are needed by world capital owners, to rise and be able to maintain their companies to face the challenges of survival in 2016. Meanwhile, the mining sector is seen as a mine that is full of prospects, considering that Indonesia has extraordinary natural wealth. . Based on the Minister of Energy and Mineral Resources Regulation No. 1 of 2014, where mining products will go through a refining/smelting process, plus PP No. 1 of 2014, the higher the asset burden that must be provided by entrepreneurs, so that it is enough to drain the liquidity of mining companies, so the opportunity to create profits is smaller. , and became the driving factor for the decline in stock prices, as shown in the following table:

Tabel 1
Change in Average Stock Price Pertambangan Sector from 2016 to 2020

Year Company Code	2014	2015	2016	2017	2018
ADRO	1.120	733*	1.023	1.738	1.850
ATPK	241	193*	194	194	194
BUMI	197	66*	109	327	231*
BYAN	7.517	7.967	7.329*	7.665	15.510
DEWA	50	50	50	50	50
DOID	172	87*	245	838	819*
ITMG	24.513	11.617*	10.513*	19.015	25.873
KKGI	298	160*	178	377	372*
MYOH	500	494*	530	706	856
PTBA	2.271	1.588*	1.709	2.374	3.828
PTRO	1.984	1.178*	524*	523*	1.243
SMMT	1.750	1.344*	160*	134*	187

Source: IDX, finance.yahoo.com

Based on the table above, it is obtained company data where there are quite sharp price fluctuations, (coded) ADRO in 2017 fell 65% compared to 2014, ATPK in 2017 fell to 80% of the stock price in 2016. BUMI Resource in 2017 fell sharply to only 35% from 2016, then happened again in 2020 it fell to only 71% of the 2019 market price, BYAN in 2018 only fell relatively very small 92% from the 2017 stock price, DEWA never dropped and remained at the stock price for the same period. the same from 2016 to 2020, DOID in 2017 lowered its share price to 51% of the share price in 2016, and only recorded a relaxed decline in 2020 98% from 2019, ITMG in 2017 recorded a decline to 48% share price compared to 2016, and the following year it decreased slightly to 90% from 2017, KKGI decreased from 2016 to 2017 by 54%, and in 2020 it fell very small to market value 99% compared to 2019, MYOH fell very slightly to 99% from 2016 to 2017, PTBA fell from 2016 to 2017 until its share price was only 70% of the 2014 share price, PTRO fell from 2016 to 2015 only 59%, then and 2015 to 2018 fell again to only 44%, and continued to only decrease by 0.02% in 2018, SMMT experienced the same incident as PTRO where from 2016 it decreased in 2017 only costing 77%, then until 2018, it fell drastically only 12% of its share value compared to 2017, and its price continued to decline to 2,917 to 84% from the previous year. It turned out that there was a massive decline in shares from 2016 to 2017 as many as 83% of all mining sector companies, meaning that only 17% did not experience a decline. 1 of 2014, where 83% of companies dropped their share prices, and this is a gap (problem), even though the conditions at that time were the average non-mining share price was very speculative. On the basis of the description and phenomena as described above, the author takes the title of the research, namely "The Effect of Financial Performance and Cash Flow Investment on Stock Prices (Case Study on Mining Sector companies Listed on the Indonesia Stock Exchange (Period 2016-2020)."

Literature Review

According to Kasmir (2014: 201), Return On Assets is a ratio that shows the results of the total assets used in the company, while Brigham and Houston (2013: 148) argue that ROA (Return On Assets) is the ratio of net income to total assets that measures return on total assets. asset". Then Fahmi (2016: 98) said, ROA views how the investments invested are able to provide a return of profits, in contrast to I Made (Kasmir, Scalisi, Harrison, Mejia, & Thomas, 2014; McClave, Benson, & Sincich, 2011) that "Return On Assets (ROA) shows the company's ability to use all of its assets to generate income. income. profit after tax. The function of Return On Assets in its main use is to be able to measure the efficiency of the utilization of assets used, to save or increase the efficiency of both manufacturing and turnover. Able to make comparisons regarding the use of funds in one company compared to other companies so that it can also compare the strengths and weaknesses of each company to each other, then measure the efficiency of the actions of an organizational unit by entering capital and costs, then measure efficiency through income by measuring the rate of return at the part level, can measure the profitability of each product, and choose the product with the most potential. Has benefits for planning and controlling when expanding. Cash flow is needed by every company, namely for transactions, emergency funds, and as data in taking profits. This is the basis that the company is required to have sufficient cash availability, besides that the company is also required to be able to manage its cash flow. One of the cash flows that is often used in the investment world is investment cash flow. Investment cash flows are cash flows that reflect cash receipts and disbursements in relation to resources that are intended to generate future income and cash flows and involve long-term assets. The market price is the selling price from one investor to another. Sawidji Widoatmojo, Indonesian Capital Market, (Ani, Trianasari, & Cipta, 2019; Brigham, 2013) conducting stock analysis usually consists of: 1. Technical analysis, namely observing stock prices from time to time. from time to time, 2. Fundamental analysis, which relates to the company's internal conditions. which focuses on company performance. The results of research by (Darmadji & Fakhruddin, 2001; Fahmi, 2016) in the Journal of Business Administration Volume 7, Number 1, March 2018, pp. 1-9 P-ISSN: 2252-3294 E-ISSN: 2548-4923, with the title The Effect of ROA Stock (Case Study on Textile and Garment Sub-Sector Companies that listed on the Indonesia Stock Exchange Period 2013-2016) The results showed that ROA has no significant effect on stock prices, but ROA has a significant influence on the mediation variable that is EPS. EPS variable has positive and significant effect to stock price. ROA and EPS have a significant effect on stock prices. The results of the reseach by Ahmad Ulil Albab Al Umar shows that the Return on Assets partially does not have a significant effect on stock prices. Some things with Return on Equity have no significant effect on stock prices. But Earning Per Share has a significant effect on the Stock Price. However, Return on Assets and Return on Equity simultaneously do not have a significant effect on stock prices, but Earning Per Share has a significant effect on stock prices(Statistik, 2013). The results of the research by (Nurlia & Juwari, 2019; Nuryuwono, 2017; Sakban, Nurmal, & Ridwan, 2019), in the journal Home > Vol 5, No 2 (2019), entitled The Effect Of ROA And ROE And EPS On Share Prices In The Pharmaceutical Sector Listed On The IDX. The results show that (1) return on assets, return on equity and earnings per share have a significant effect on stock prices with an influence contribution of 75.1%, (2) return on assets have a negative and insignificant effect on stock prices with a contribution of 5.8 effects. %, (3) return on equity has a positive and significant effect on stock prices with a contribution of 24.2%, (4) earnings per share has a positive and insignificant effect on stock prices with a contribution of 11.2%. Study results of (Alipudin, 2016; Muklis, 2016; Nuryuwono, 2017) in EMBA Journal Vol.5 No.1 March 2017, p. 105 - 114 ISSN 2303-1174,. The Effect Of Return On Asset (ROA), Return On Equity (ROE) Net Profit Margin (NPM), And Earning Per Share (EPS) On Stock Prices Of Companies In The Lq45 Index In The Indonesia Stock Exchange For 2013-2015 Period, The results of multiple linear regression analysis showed that the ROA ($X1$) and ROE ($X2$) has no influence against stock price (Y). NPM ($X3$) has a negative influence against stock price (Y). EPS ($X4$) has a positive influence against the stock price (Y). Based on the results of the table the coefficient of determination, adjusted R^2 value is 0.840. This means the ability of independent variables consisting of ROA, ROE, NPM, and EPS in explaining the stock price is 82.7%. As for the remaining 17.3% is explained by other factors which were not examined in this study. The results of (McClave et al., 2011; Nuryuwono, 2017) in The Influence Of Return On Asset (ROA), Current Ratio (Cr) And Net Profit Margin (NPM) On Stock Prices In Manufacturing Companies Listed On The Indonesia Stock Exchange For 2013-2015 Period,

Conclusion of the results This study shows that Return on Assets and Net Profit Margin partially have a positive effect on stock prices, while the Current Ratio partially has no effect on stock prices in manufacturing companies listed on the Indonesia Stock Exchange. The results of research by (Mulya & Turisna, 2018; Nuryuwono, 2017; Yuliana) in the Tarumanagara Accounting Multiparadigm Journal / Vol.2 October 2020 Edition: 1568 – 1577, with the title The Effect of DER, ROE, ROA, NPM, and EPS on Manufacturing Share Prices. Return on equity and net profit margin have a negative effect on stock prices while debt to equity ratio has no positive effect on stock prices. Article (Alipudin, 2016; Pierce, Wong, & Merrill)**,** in the Scientific Journal of Accounting, Faculty of Economics) Volume 2 No. 1 Year 2016 Edition 1, p. 1-22 E-ISSN 2502-4159 JIAFE, entitled The Influence Of EPS, ROE, ROA and Der On Stock Prices On The Cement Sub Sector Companies Listed On Jiafe Bei, There is also the test used is the classic assumption test, test the coefficient of determination, t test, and F test results show earnings per share (EPS), return on equity (ROE), return on assets (ROA) and debt to equity ratio (DER) jointly positive effect on stock prices at a cement company listed on the Indonesia stock Exchange (IDX) in the period 2010-2014.

Framework

Return on Assets is a ratio by comparing net income before tax with total assets. The smaller the ROA, the smaller the stock price rate, meaning that with the increase in ROA, the stock price rate will also increase. Profit will produce dividends for the prosperity of its shareholders, dividends certainly attract shareholders and even investors to keep their shares. Investors will be interested in buying shares, this will make the stock price increase. Based on the description above, the amount of ROA will be directly proportional to its share price, as the framework presented in this study:
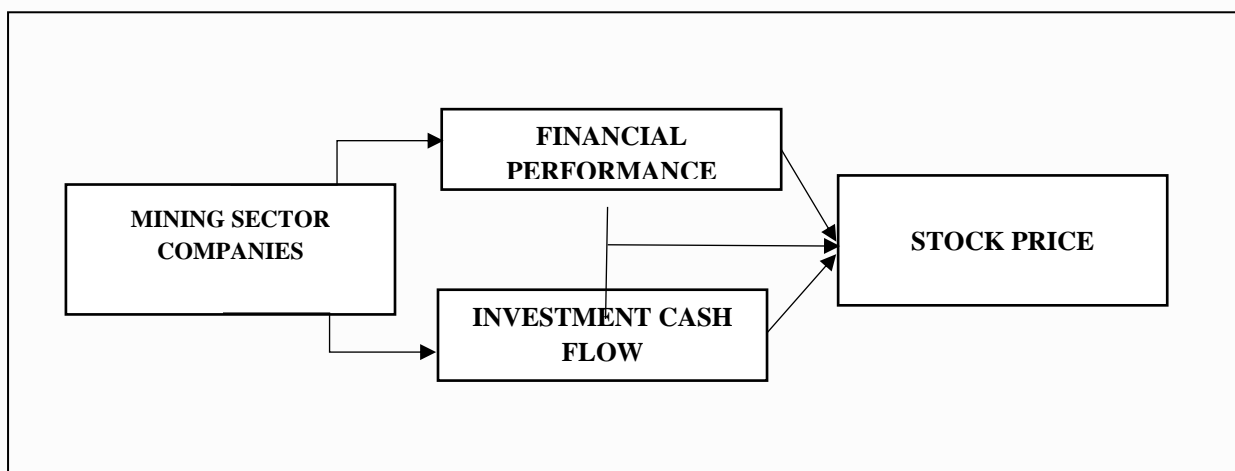
Research Methodology

Research on mining sector companies on the IDX and PIPM (Capital Market Information Center) as many as twelve companies. The author uses a purposive sampling technique, criteria:
1. Listed companies include the mining sector 2016 -2020.
2. The company has never been disbanded even temporarily for the 2016-2020 period.
3. Always publish financial reports for the year ending 2016, 2017, 2018, 2019, 2020.
4. The company has stock price data (closing price) 2016-2020
With the above criteria, the sample companies are twelve publicly listed companies in the 2016 – 2020 period.

Data Analysis and Discussion

Normality test

Normality test was conducted to determine whether each variable is normally distributed or not.

The results of the normality test can be seen in Figure 2 below.

Normality test
Normality Test One – Sample Kolmogorov Smirnov is used to see the distribution of model residuals. With the following criteria:
The data is normally distributed, if the value of Sig > 0.05
The data is not normally distributed, if the value of Sig < 0.05
From the results above, it is known that the Kolmogorov Smirnov One Sample Normality Test has a sig value of 0.075 > 0.05 so that the data is normally distributed.
Hypothesis test - t test
The research model proposed is linear regression with the following formula:
Share Price = + 1Roait + eit
Share Priceit = 680,355 + 2055,038ROAit + eit
The estimation of the model in data processing is carried out using Linear Regression, with the data structure and the proposed model, namely the effect of exogenous variables on endogenous variables.

Coefficient of Determination Test (adj R2)

From the results above, it is known that the value of adj R2 is 0.139, a value close to one means that the independent variable provides almost all the information needed to predict the variation of the dependent variable 13,9 % and the remaining 86,1% influenced by other variables outside the model.

Simultaneous Test (TEST F)

From the results above, it is known that the prob TEST F has a value of 0.008 <0.05 so it can be concluded that there is an effect of the ROA and Investment Cash Flow variable on stock prices.

Partial Test (T TEST)

From the results above, it is known that the prob TEST for each variable is:
- ROA has a prob value of 0.008 <0.05 with a coef value of 2055.038 so it can be concluded that the ROA variable has a significant and positive effect on stock prices.
- Investment cash flow has a prob value of 0.06> 0.05 so it can be concluded that there is no influence between the investment cash flow.

Conclusion

Based on testing of 12 samples of Mining Sector companies on the Indonesia Stock Exchange during the 2018-2020 period as well as the data and analysis tests that have been submitted, the following conclusions are drawn:

1. The description of the company that has the highest Financial Performance (ROA) is PT. Bukit Asam Tbk in 2020, and the lowest ROA is also PT. Bumi Resources, Tbk in 2017.
The description of the company that has the highest investment cash flow is PT ITMG Tbk in 2016, and the lowest investment cash flow is also PT. KKGI, Tbk in 2018.
2. Overview of Mining Sector Stock Prices During 2016-2020. The highest share price value is still owned by PT. Bukit Asam Tbk in 2020, while the lowest share price is owned by PT. DEWA in 2016
3. Financial Performance has a positive effect and significant on Stock Price, there is no influence between investment cash flow variables on stock prices in Mining Sector Companies listed on the Indonesia Stock Exchange during 2016-2020.

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