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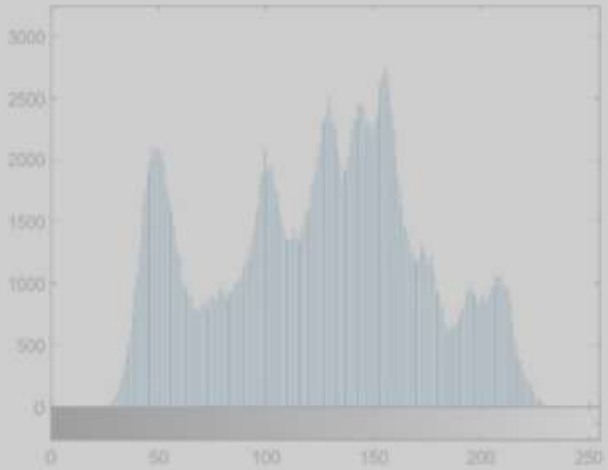

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The scope of INFOKUM covers, but is not limited to the following areas: Data Mining, Image Processing and Artificial Neural Networks, software engineering.

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Articles

EVALUATION OF THE K-NEAREST NEIGHBOR MODEL WITH K-FOLD CROSS VALIDATION ON IMAGE CLASSIFICATION

M. Rhifky Wayahdi, Dinur Syahputra , Subhan Hafiz Nanda Ginting
Page : 1-6

PDF

Abstract views : 437 times | PDF : 237 times

IMPLEMENTATION OF SIMPLE ADDITIVE WEIGHTING (SAW) ALGORITHM IN DECISION SUPPORT SYSTEM FOR DETERMINING WORKING AREA FOR COOPERATIVE

Subhan Hafiz Nanda Ginting , M. Rhifky Wayahdi, Dinur Syahputra
Page : 7-10

PDF

Abstract views : 189 times | PDF : 84 times

APRIORI ALGORITHM FOR THE DETERMINATION OF THE GOODS SALES MARKET BANK

Fricles Ariwisanto Sianturi, Petti Indrayati Sijabat, Amran Sitohang, R. Mahdalena Simanjorang
Page : 11-20

PDF

Abstract views : 186 times | PDF : 101 times

LOYALTY ASSESSMENT OF COMPANY COSTUMER WITH CLASSIFICATION METHOD

Fricles Ariwisanto Sianturi, Jonson Manurung, R.Fanry Siahaan
Page : 21-30

PDF

Abstract views : 99 times | PDF : 53 times

Decision Support System for Determining the Best Store Location at PT. Sumber Alfaria Trijaya Using the Ahp (Analytical Hierarchy Process) Method

azlina Andriyani, Pristiwanto
Page : 31-36

PDF

Abstract views : 149 times | PDF : 31 times

FUZZY TSUKAMOTO METHOD IN DETERMINING CORN QUALITY FOR ANIMAL FEED

Dinur Syahputra, M. Rhifky Wayahdi, Subhan Hafiz Nanda Ginting
Page : 37-43

PDF

Abstract views : 105 times | PDF : 82 times

DESIGN OF AUTOMATIC WATERING SYSTEM FOR HYDRAULIC PLANT MAINTENANCE USING MICROCONTROLLER BASED FUZZY SET METHOD

Khairuna, Sriani, Adi Hartono, Abdul Halim Hasugian
Page : 44-49

PDF

Abstract views : 210 times | PDF : 108 times

EXPERT SYSTEM FOR TROUBLESHOOTING LAPTOP MOTHERBOARD DAMAGE USING FORWARD CHAINING METHOD AT BUDI DARMA UNIVERSITY COMPUTER LAB

Hery Sunandar , Berto Nadeak, Pristiwanto , Saidi Ramadan Siregar
Page : 50-55

PDF

Abstract views : 191 times | PDF : 135 times

IMPLEMENTATION OF QUANTITATION TECHNIQUES TO PERFORM RGB IMAGE COMPRESSION

Petti Indrayati Sijabat
Page : 56-61

PDF

Abstract views : 56 times | PDF : 48 times

APPLICATION OF SPEED UP ROBUST FEATURES (SURF) AND FEATURES FROM ACCELERATED SEGMENT TEST (FAST) FOR INTRODUCTION OF PLACE

Mhd. Furqan, Rakhmat Kurniawan, Mey Hendra Putra Sirait
Page : 62-68

PDF

Abstract views : 146 times | PDF : 69 times

DIGITAL IMAGE ENHANCEMENT USING THE METHOD OF MULTISCALE

RETINEX AND MEDIAN FILTER

Mhd Furqan, Abdul Halim Hasugian, Rizqi Hidayat Tanjung
Page : 69-76

PDF

Abstract views : 96 times | PDF : 88 times

Prototype Development of Research And Community Service Web Based Information System (SIM-PPM) of LPPM Unimed

Baharuddin Baharuddin, Hesti Fibriasari, Tansa Trisna Astono Putri
Page : 77-81

PDF

Abstract views : 71 times | PDF : 42 times

APPLICATION OF SMART ENVIRONMENT WITH FUZZY LOGIC METHOD BASED ON INTERNET OF THINGS

Mhd Furqan, Rakhmat Kurniawan R, Ahmad Fauzi
Page : 82-90

PDF

Abstract views : 105 times | PDF : 71 times

Election Of The Head Of The Study Program By Applying The SAW Method (Case Study STMIK Pelita Nusantara)

Bosker Sinaga; R. Mahdalena Simanjorang
Page : 91-97

PDF

Abstract views : 55 times | PDF : 30 times

Decision Support System For Achieving Students With Profile Matching Method

Nera Mayana Br Tarigan Br Tarigan; Bosker sinaga
Page : 98-105

PDF

Abstract views : 64 times | PDF : 39 times

ANALYSIS AND IMPLEMENTATION OF VIRTUAL LOCAL AREA NETWORK (VLAN) DESIGN USING POX CONTROLLER

Onno Widodo Purbo
Page : 106-115

PDF

Abstract views : 114 times | PDF : 83 times

INFORMATION CHANGES IN EARNINGS AND CASH FLOWS STOCK PRICES: STUDY OF COMMERCIAL BANKS LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2015-2019 PERIOD)

Inta Budi Setya Nusa
Page : 116-127

PDF

Abstract views : 60 times | PDF : 60 times

Decision Support System Determination Of Employees Receiving Bonus Using The Weighted Product Method

Pandi Barita Nauli Simangunsong
Page : 128-138

PDF

Abstract views : 45 times | PDF : 25 times

Decision Support System for Selection of Herbal Medicines for Diet Using the Simple Multi Attribute Rating Technique (SMART) Method

Dewi Wahyuni

Dewi Wahyuni
Page : 139-146

Abstract views : 72 times |

DRUG SALES INFORMATION SYSTEM AT FLORA FARMA PHARMACY WEB-BASED

Wendra Jumaisarki, Devi Krisber
Page : 147-153

PDF

Abstract views : 14 times | PDF : 15 times

DESIGN OF CHAIRMAN ELECTION SYSTEM OF OSIS PRIVATE VOCATIONAL SCHOOL PELITA PEMATANGSIANTAR USING E-VOTING

Victor M. Pakpahan, Tommy Gultom
Page : 154-161

PDF

Abstract views : 12 times | PDF : 7 times

INFORMATION SYSTEM DESIGN FOR SMOOTHNESS OF CREDIT PAYMENTS AT BANK DANAMON

Farida Gultom, Wahyudi
Page : 162-165

PDF

Abstract views : 12 times | PDF : 7 times

Employee Training Data Collection Information System at PT. Pelindo I (Persero)

Rizaldy Khair, Ibrahim
Page : 166-172

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INFORMATION CHANGES IN EARNINGS AND CASH FLOWS STOCK PRICES: STUDY OF COMMERCIAL BANKS LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2015-2019 PERIOD)

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Abstract

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This research was conducted to analyze the effect of information changes in earnings by using net income that has an impact on stock prices and analyzing the effect of information changes in cash flows that have an impact on stock prices. The method used in this study is a descriptive and verification method with a quantitative approach. The Source of data used in this study is secondary data. The population in this study is the annual financial statements of foreign exchange commercial banks listed on the Indonesia Stock Exchange in 2015-2019. The sampling technique in this study was purposive sampling with the number of samples used in this study as many as 65 financial statements from 13 foreign exchange commercial banks during 2015-2019. The statistical test used to test the hypothesis in this study is multiple linear regression, and using SPSS 20.0 software analysis. The results of hypothesis testing in this study indicate that net income has a positive and significant effect on stock prices. While the cash flow variable has a negative and no significant effect on stock prices.

Keywords: Income, Net Income, Cash Flow, Indonesia Stock Exchange in 2015-2019

1. Introduction

In the business world, it is undeniable that being able to survive, develop and keep up with the pace of a very dynamic economic movement requires capital resources which are sometimes not small in number. The capital market is a means that can be used by companies or government agencies to obtain funding efficiently (Ghozali & Imam 2011; Campbell et al., 2019). Apart from the capital market, a company can also get additional capital by opening up investment opportunities from the public. Investment is a commitment to a number of funds or other resources made at this time, with the aim of obtaining a number of benefits in the future. There are various forms of investment that are currently offered to the public for ownership, including bonds, money markets, state sukuk, mutual funds and stocks. Of the various types of investments that exist, investing in stocks is one type of investment that is in great demand.

One of the reasons for the interest in investing in stocks is the relatively greater yield or return that will be obtained compared to other forms of investment. Stock returns that will be obtained by investors

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consist of capital gains and dividends, depending on the choice of the investors themselves. For the expected return in the short term it allows investors to obtain capital gains or the difference between the purchase price and the selling price, while for the medium term investors are waiting for dividends to be distributed in a certain period and for the long term, investors choose to hold on to owning the company's shares with a view to control the company.

Although stocks are in great demand, stocks are also an investment that is classified as having a very high risk because stocks are very sensitive to changes that occur, be it politically, economically, monetary, domestically and abroad, as well as to other changes. These changes can have a positive or negative impact on the company's stock price. The higher the stock price, the higher the value of the company, and vice versa, the lower the stock price, the lower the value of the company. Firm value is a factor to determine investment in order to obtain capital gains and anticipate risks that may occur (Fahmi, 2015; Aditya, 2016; Kusnendi, 2020). Buying and holding shares means that investors own the company and are entitled to the company's profits, although it also means that they are entitled to losses incurred by the company (if they lose). Selling shares means relinquishing ownership of the company and thereby relinquishing the rights attached to the shares.

One type of business that is sought after by investors to buy shares on the stock exchange is the banking sector. Banking is not only a driving force for the economy that plays a role in collecting and distributing funds to the public with the aim of supporting the implementation of national development in order to increase equitable distribution of development and its results. Banking is also one of the pillars of economic growth and national stability to improve people's living standards in terms of the financial sector. Based on the Law of the Republic of Indonesia No. 10 of 1998 article 1 paragraph (2) concerning banking, what is meant by banking is everything related to banks, including institutions, business activities, as well as methods and processes in carrying out their business activities. Meanwhile, business entities that collect funds from the public in the form of savings and distribute them to the public in the form of credit and or other forms in order to improve the standard of living of the people at large.

Seeing the better prospects in the banking sector, this has become an attractive investment opportunity for investors to invest in this sector. Before making a decision to invest, investors need careful considerations, therefore accurate information about the factors that cause stock price fluctuations can be the basis for consideration before investing. Investment facilities that are getting easier for investors require the company's management to make every effort to improve the company's performance. So in this case banking companies are required to have good financial performance. The company's financial performance in the form of profitability ratios is very important for investors in considering investment decisions in a company. Profitability ratios are used to assess the company's ability to earn profits (Dikau & Volz, 2018; Franc et al., 2019).

The media commonly used to determine the performance of a company is the financial statements issued by the company periodically, because the financial statements can describe the financial conditions that occur within the company. Financial statements are the final result of the accounting process. Every transaction that can be measured with the value of money will be recorded and processed, resulting in a financial report that is presented in the form of a value for money as well. One part of the financial statements that is often used by investors to assess the company's performance is information about earnings.

The profit information contained in the income statement can provide an overview for investors regarding the company's performance and ability to provide returns on investments made by investors, and the amount of funds that have been used. The success of a company is reflected in the profits earned every

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year as expected. If the company generates large profits, theoretically, the company is able to distribute large dividends to investors. Thus, investors will be more interested in investing because basically investors want high returns. Another part of the financial statements that can be used by investors is information about the company's cash flows.

Information about the company's cash flow can be seen in the company's cash flow statement. Cash flow is a summary of the cash receipts and disbursements of a company in a certain period. With cash flow information, investors and potential investors can find out where the company's cash comes from and how the company uses it. In other words, cash flow information is very useful for users, because cash flow statements can be used as a basis for investors to assess the company's ability to generate cash. With the financial statements above, investors can make observations before deciding to invest in the company (Mostafa, 2016; Obaidat, 2019;).

Banking as one of the industries that plays a major role in contributing to the value of the JCI on the Indonesia Stock Exchange also experienced an impact. There are several foreign exchange commercial banks that experience a phenomenon where the company's stock price drops or vice versa. One of them is PT Bank Danamon Tbk, the share price of PT Bank Danamon Tbk (BDMN) recorded a correction of up to 13.15%, even closing at the lowest price at Rp. 4,110/share which is the lowest share value since at least 23 January 2017. The weakening is most likely also supported by a net sell by foreign investors (Kamsir, 2011; Bepari et al., 2013; Dechow et al., 2014; Nugraha & Riyadhi, 2019).

2. Method

The research method used in this study is a descriptive and verification method with a quantitative approach. Quantitative method is a research method based on a particular population or sample, data collection using research instruments, data analysis is quantitative or statistical, with the aim of testing the established hypothesis. Meanwhile, according to Sugiyono (2018), descriptive method is a research method used to describe or describe data that has been analyzed to produce a conclusion. The object of this research is about profit, cash flow and stock prices in banking sector companies listed on the Indonesia Stock Exchange.

As for this study, the source of data used by the author is secondary data in the form of time series, namely data obtained by researchers indirectly through intermediary media. Time series data is data collected from time to time on one object. The data is in the form of the annual financial statements of go public foreign exchange commercial banks listed on the Indonesia Stock Exchange (IDX) from 2015 to 2019. This research was conducted at Foreign Exchange Commercial Banks by taking data from the representative office of the Indonesia Stock Exchange at the Indonesia Stock Exchange Regional office II Bandung. which is located on Jl. PHH. Mustofa No.33 Bandung or through www.idx.co.id, while the time for the research will start from March 2019 to September 4, 2019.

3. Results and Discussion

3.1 Results of Descriptive Analysis of Earnings and Stock Price Information

The following is a description of the results of the data on Profit Information using the Net Profit indicator obtained from the consolidated statements of income and other comprehensive income and share

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prices obtained from the closing price of foreign exchange commercial banks listed on the Indonesia Stock Exchange in 2015 – 2019.

In 2015, the largest company profit was generated by Bank Danamon Indonesia, Tbk and the largest loss was experienced by Bank India of Indonesia, Tbk. For the share price in the same year, the highest price was owned by Bank India of Indonesia, Tbk at Rp.3,595 per share and the lowest share price was Rp.64 per share. The largest increase in corporate profit in 2016 was obtained by Bank CIMB Niaga, Tbk by 386.5% compared to Net Profit in 2015. The significant increase in Bank CIMB Niaga, Tbk's profit was directly proportional to the increase in stock prices, where the company's stock price increased by 42% . From Rp. 595 per share to Rp. 845 per share. Losses Rp. 6,483,084 million in 2016 suffered by Bank Permata Tbk, this loss increased dramatically by 2.723% compared to 2015 Profit.

The losses suffered by Bank Permata Tbk, were exacerbated by the decline in the company's share price by 35%. In 2016 Bank QNB Indonesia, Tbk also experienced a loss when compared to 2015. This decrease was driven by the Bank's operating losses on the allowance for impairment losses on financial and non-financial assets. However, the price per share actually increased from Rp.232 per share to Rp.256 per share. On the other hand, where the company received an increase in profit but the share price decreased from the previous year, it was experienced by Bank Artha Graha Internasional, Tbk and Bank MNC Internasional Tbk.

In 2017, the company that received the largest profit change and a significant increase in share price was Bank Danamon Tbk. The significant increase in Bank Danamon Tbk's profit was directly proportional to the increase in stock prices, where the company's stock price increased by 87.3%. From Rp.3,710 per share to Rp.6,950 per share. Losses Rp. 687,193 million in 2017 suffered by Bank MNC International Tbk, this loss increased dramatically by 7,450% compared to Profit in 2016. The losses suffered by Bank MNC Internasional Tbk, were exacerbated by the decline in the company's share price by 24.4%. This decrease was due to a decrease in operating income of 7.99% and an increase in operating expenses of Rp.937.58 billion. On the other hand, where the company received an increase in profit but the share price decreased from the previous year experienced by Bank KB Bukopin Tbk and Bank QNB Indonesia Tbk.

In 2018, the company that received the largest profit change and a significant increase in share price was Bank Danamon Tbk. The increase in profit of Bank Danamon Tbk by 7.3% is directly proportional to the increase in stock prices, where the company's stock price has increased by 9.35%. From Rp. 6,950 per share to Rp. 7,600 per share. Losses Rp. 53,621 million in 2018 suffered by Bank Sinarmas Tbk, this loss increased dramatically by 21.26% compared to Profit in 2017. The losses experienced by Bank Sinarmas Tbk, were exacerbated by the decline in the company's share price by 22.5%. This decrease was due to a decrease in operating income and an increase in operating expenses. On the other hand, where the company received an increase in profit but the share price decreased from the previous year experienced by 11 other banks.

In 2019, the company that received the largest profit change and a significant increase in share price was Bank Permata Tbk. The increase in profit of Bank Permata Tbk by 66.48% is directly proportional

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to the increase in stock prices, where the company's stock price has increased by 102%. From Rp.625 per share to Rp.1,265 per share. Losses Rp. 58,345 million in 2019 was suffered by Bank Artha Graha Internasional Tbk, this loss increased dramatically by 209% compared to Profit in 2018. The losses suffered by Bank Artha Graha Internasional Tbk, were exacerbated by the decline in the company's share price by 2%. This decrease was due to a decrease in operating income and an increase in operating expenses.

3.2 Descriptive Analysis of Profit Information, Cash Flow and Stock Prices

Table 4.4 below shows the descriptive statistical results of the Profit (X_1), Cash Flow (X_2) and Stock Price (Y) variables for 5 years, from 2015 to 2019. From table 4.3 below, it can be seen that the minimum, maximum, mean, and standard deviation of the three variables used in this study:

Table 1. Descriptive Statistics

	N	MINIMUM	MAXIMUM	MEAN	STD. DEVIATION
NET PROFIT	65	-6483084000000	4240671000000	582863951231.51	1550438015183.883
CASH FLOW	65	-16674078000000	11250321000000	36900706290.45	3726294217188.969
STOCK PRICE	65	50	7600	939.68	1438.172
VALID N (LISTWISE)	65				

Source: Data processing with SPSS (2020)

In the table in the SPSS output results above, it is known that the number of valid N or processed data is 65 financial statements. The table above also shows the average profit value using the Net Profit indicator at Foreign Exchange Commercial Banks listed on the Indonesia Stock Exchange in 2015–2019 amounting to 582,863,951,231.51 with the lowest Net Profit value of -6,483,084,000,000 owned by Bank Permata Tbk in 2016, while the highest Net Profit value with a nominal value of 4,240,671,000,000 by Bank Danamon Indonesia Tbk in 2019. The Standard Deviation of Net Income has a value of 1,550,438,015,183,883 which is greater than the mean value. It can also be seen that the average cash flow value is 36,900,706,290.45 with the lowest cash flow value being -16,674,078,000,000 in 2016 by Bank Danamon Indonesia Tbk, while the highest cash flow value is 11,250,321,000,000 in 2016. 2017 owned by Bank CIMB NIaga Tbk. Standard Deviation of Cash Flows has a value of 3,726,294,217,188,969 which is greater than the mean.

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While the average share price is 931.83 with the lowest share price of 50 in 2018 by Bank MNC Internasional Tbk, and the highest share price with a nominal value of 7,600 in 2018 which is owned by Bank Danamon Indonesia Tbk. The standard deviation of the Stock Price has a value of 1424.145 which is greater than the mean value. It can be seen that the three variables studied have a standard deviation value that is greater than the mean value. This indicates that the three variables studied are heterogeneous. As for knowing the development of the average Net Profit, Cash Flow and Stock Prices at Foreign Exchange Commercial Banks listed on the Indonesia Stock Exchange in 2015 - 2019 can be seen in the following graphic image:

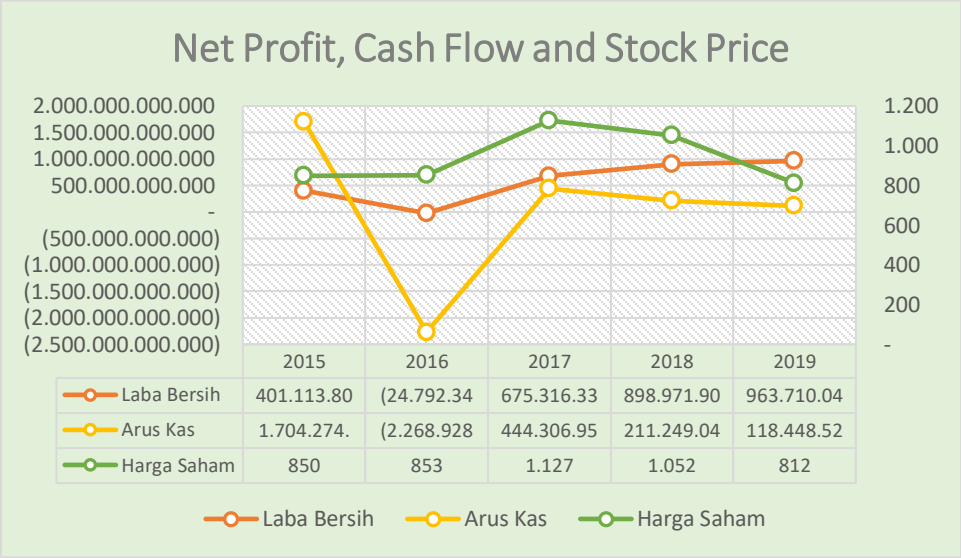

Figure 1. Graph of Average Net Profit, Cash Flow and Share Prices in Foreign Exchange Commercial Banks Listed on the Indonesia Stock Exchange 2015 – 2019

From the results of the graph above, it can be explained that Net Profit as a whole has increased during the study period except for 2016 which decreased. This happened due to many factors, especially the value of sales and cost of goods. Cash Flow as a whole has increased during the study period only in 2016 which experienced a drastic decline. While the overall stock price increased during the research period, only 2016 and 2019 decreased. This is related to the occurrence of the global economic crisis which has caused the condition of world financial markets to deteriorate, including the Indonesian capital market.

3.3 **Correlation between Net Profit and Share Price**

To calculate the correlation between Net Profit and Share Price, if the Net Profit variable is considered constant, the following calculation is used:

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Table 2. Net Profit Correlation Coefficient with Stock Price Correlations

		NET INCOME (X_1)	SHARE PRICE (Y)
NET INCOME	Pearson Correlation	1	.549**
	Sig. (2-tailed)		.000
	N	65	65
SHARE PRICE	Pearson Correlation	.549**	1
	Sig. (2-tailed)	.000	
	N	65	65
****. CORRELATION IS SIGNIFICANT AT THE 0.01 LEVEL (2-TAILED).**			

Source: Data processing with SPSS (2020)

Based on the table above, the meaning of the correlation of the output results from the above data processing, obtained the value of the correlation coefficient for Net Profit and Share Price of 0.549, which results are included in the interval score between 0.40 - 0.599. This shows that there is a moderate relationship between Net Profit and Share Price. The positive calculation results between the two variables above indicate that there is a unidirectional relationship between Net Profit and Share Price, where if Net Profit increases, the Share Price will also increase, meaning that the higher the Net Profit, the higher the possibility of an increase in Share Price.

3.4 Hypothesis test

In this discussion, it will be explained how the influence of each variable in this study, namely the influence of Profit and Cash Flow on Stock Prices. This discussion is carried out based on the regression results shown from the results of calculations using the SPSS version 20 program.

3.4.1 Testing the Net Profit Hypothesis on Stock Prices

Ho: $x_1 = 0$: Profit has no effect on stock prices

Ha: x_1 0 : Profit affects stock price

To draw the area of acceptance or rejection of the hypothesis by comparing tcount with ttable using the following decision-making criteria:

1) If tcount > ttable and the level of significance (α) < 0.05, then Ho is rejected, which means that partially the independent variable has a significant effect on the dependent variable.

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2) If tcount < ttable and the level of significance (α) > 0.05, then Ho is accepted, which means partially the independent variable has no significant effect on the dependent variable. By using SPSS version.20, the results of hypothesis testing X_1 are obtained as follows:

Table 3. Coefficient of Hypothesis Testing Net Profit with Stock Price Coefficientsa

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*
		B	Std. Error	Beta		
1	(Constant)	3.884	1.055		3.682	.001
	Net profit	3.171E-013	.000	.793	5.370	.000
	LG_X2 (Cash Flow)	-.125	.091	-.202	-1.369	.181

a. Dependent Variable: LN_Y

Source: Data processing with SPSS (2020)

Based on the table above, it can be seen that the tcount value for the Net Profit variable is 5.370. This value will be compared with the ttable value in the t distribution table. With =0.05, df=n-k-1=65-2-1=62, the ttable value is ± 1.671. It is known that tcount for X_1 is 5.370 > ttable value of 1.671, then Ho is rejected and Ha is accepted. This result also shows the value of Sig. obtained is 0.000. This value is smaller than 0.05, which means this test is significant, meaning that the Net Profit variable has a significant effect on stock prices. The output results are depicted by graphs, the values of tcount and ttable for testing Net Profit have a significant effect on the Stock Price as follows:

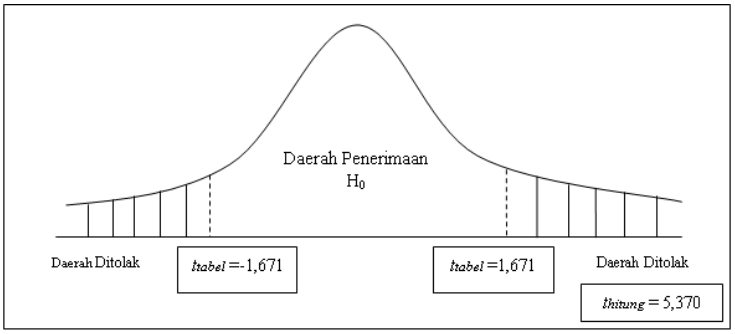

Figure 2
Graph of Net Profit Hypothesis Testing Against Stock Prices

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3.4.2 Testing the Cash Flow Hypothesis on Stock Prices

Ho: $x_2 = 0$: Cash flow has no effect on stock prices

Ha: x_2 0 : Cash flow affects stock prices

To draw the area of acceptance or rejection of the hypothesis by comparing tcount with ttable using the following decision-making criteria:

1) If tcount > ttable and the level of significance (α) < 0.05, then Ho is rejected, which means that partially the independent variable has a significant effect on the dependent variable.

2) If tcount < ttable and the level of significance (α) > 0.05, then Ho is accepted, which means partially the independent variable has no significant effect on the dependent variable.

By using SPSS version.20, the results of hypothesis testing X_1 are obtained as follows:

Table 4. Cash Flow Hypothesis Test Coefficient with Stock Price Coefficientsa

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*
		B	Std. Error	Beta		
1	(Constant)	3.884	1.055		3.682	.001
	Net profit	3.171E-013	.000	.793	5.370	.000
	LG_X2 (Cash Flow)	-.125	.091	-.202	-1.369	.181

a. Dependent Variable: LN_Y

Source: Data processing with SPSS (2020)

Based on the table above, it can be seen that the tcount value for the Cash Flow variable is -1.369. This value will be compared with the ttable value in the t distribution table. With =0.05, df=n-k-1=65-2-1=62, the ttable value is ± 1.671. It is known that tcount for X_1 is -1.369 < ttable value of 1.671, then Ho is accepted and Ha is rejected. This result also shows the value of Sig. obtained is 0.181. This value is greater than 0.05, which means that this test is not significant, meaning that the Cash Flow variable has no significant effect on stock prices. The output results are illustrated by graphs, the values of tcount and ttable for testing the stock price have a significant effect on the stock price as follows:

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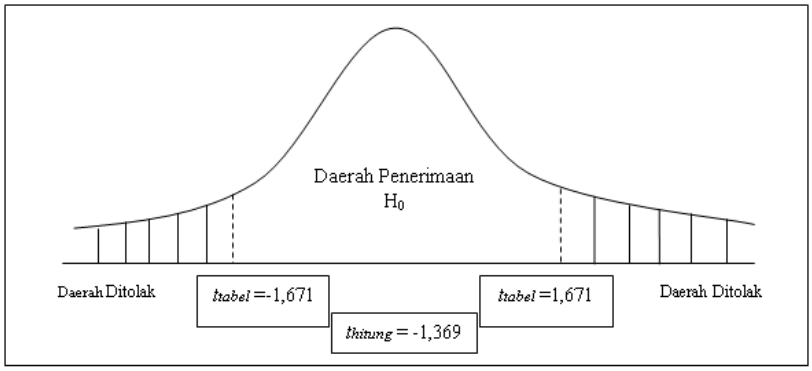

Figure 3. Graph of the Cash Flow Hypothesis Testing Against Stock Prices

3.4.3 Effect of Net Profit on Stock Price

The results of hypothesis testing show that there is an influence between Net Income on Stock Prices. The relationship between Net Profit and Share Price is 0.549, where the results are included in the interval score between 0.40 - 0.499, meaning that there is a moderate relationship between Net Profit and Share Price. While the results of the t test are known that tcount for X_1 is 5.370 > ttable value is 1.671. This result also shows the value of Sig. obtained is 0.000. This value is smaller than 0.05, which means that this test is significant, meaning that the Net Profit variable has a significant effect on stock prices. Then the percentage of the coefficient of partial determination of the Net Profit variable on the Stock Price is 30.14%, while other factors outside the Net Profit variable that are not examined have an influence of 69.6% which is the influence given by other factors not examined in the study. this. The positive calculation results between the two variables above indicate that there is a unidirectional relationship between Net Profit and Share Price, where if Net Profit increases, the Share Price will also increase, meaning that the higher the Net Profit, the higher the possibility of an increase in Share Price.

3.4.4 Effect of Cash Flow on Stock Prices

The results of hypothesis testing show that there is no influence between Cash Flow on Stock Prices. The relationship between Cash Flow and Stock Price is -0.043, where the results are included in the interval score between 0.00 - 0.199, meaning that there is a very low relationship between Cash Flow and Stock Price. While the results of the t test are known that the tcount for X_2 is 1.369 < ttable value of 1.671. This result also shows the value of Sig. obtained is 0.181. This value is greater than 0.05, which means that this test is not significant, meaning that the Cash Flow variable has no significant effect on stock prices. Then the percentage of the coefficient of partial determination of the Cash Flow variable on the Stock Price is 0.18%. While other factors outside the Cash Flow variable that were not examined gave an effect of 99.82% which was the influence given by other factors not examined in this study. The results of this study do not support the theory of Zulfikar (2016), namely investors use cash flow information if cash flow increases, there will be a positive reaction to stock prices. Reporting Cash Flows contains information on activities that result in changes in the amount and composition of the company's loan equity where according to investors this cannot be used for investment decision making, this may be because investors

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are more interested in capital gains which are profits derived from the difference between the selling price and the purchase price of shares which causes investors not to really consider cash flow in investing.

4. Conclusions

As for the conclusions from the results of data analysis and discussion conducted by researchers in the previous chapter, the researchers draw some conclusions as follows, from the analysis results show that Net Profit has a positive and significant effect on stock prices. The positive calculation results between the two variables indicate that there is a unidirectional relationship between Net Profit and Share Price, where if Net Profit increases, the Share Price will also increase, meaning that the higher the Net Profit, the higher the possibility of an increase in the Share Price. Then the results of the analysis show that Cash Flow has a negative and no significant effect on stock prices. Reporting Cash Flows contains information on activities that result in changes in the amount and composition of the company's loan equity where according to investors this cannot be used for investment decision making, this may be because investors are more interested in capital gains which are profits derived from the difference between the selling price and the purchase price of shares which causes investors not to really consider cash flow in investing.

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