

**THE IMPACT OF CASH FLOW ON STOCK RETURNS: A CASE STUDY OF TEXTILE AND GARMENT COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE**

**ARUS KAS DAN PENGARUHNYA TERHADAP RETURN SAHAM: STUDI KASUS PERUSAHAAN TEKSTIL DAN GARMEN DI BURSA EFEK INDONESIA**

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***Abstract***

*In the modern economy, the capital market is a source of external financing for companies. The capital market offers companies the opportunity to compete fairly to attract investors who invest in their companies with expectations of high returns. One of the company performance parameters that attracts the attention of investors and creditors is the cash flow statement. This study aims to determine the impact of operating cash flow, investment cash flow, and financing cash flow on the stock earnings of textile and garment companies on the Indonesian Stock Exchange. The method used to analyze the relationship between independent and dependent variables is panel data regression analysis. As a result, operating cash flow has a positive and significant impact on the stock returns of Textile and Garment companies on the Indonesia Stock Exchange, while investment cash flow has a negative and significant impact on the stock returns of Textile and Garment companies on the Indonesia Stock Exchange. was given, funding cash flow significantly positively impacted equity returns. Contributed to the return of shares in a textile and garment company on the Indonesian Stock Exchange.*

**Keywords:** *operating cash flow, investment cash flow, funding cash flow, stock returns*

### **Abstrak**

*Dalam perekonomian modern, pasar modal merupakan salah satu sumber pembiayaan eksternal bagi perusahaan. Pasar modal menawarkan perusahaan kesempatan bersaing secara sehat untuk menarik investor yang berinvestasi di perusahaan mereka dengan harapan return yang tinggi. Salah satu parameter kinerja perusahaan yang menarik perhatian investor dan kreditur adalah laporan arus kas. Penelitian ini menguji pengaruh arus kas operasi, arus kas investasi dan arus kas pembiayaan terhadap produk saham perusahaan tekstil dan garmen di Bursa Efek Indonesia. Metode yang digunakan untuk menganalisis hubungan antara variabel independen dan variabel dependen adalah analisis regresi data panel. Hasil penelitian menunjukkan bahwa arus kas operasi berpengaruh positif dan signifikan terhadap kinerja perusahaan tekstil & garmen di Bursa Efek Indonesia, sedangkan arus kas investasi berpengaruh negatif dan signifikan terhadap kinerja perusahaan tekstil dan garmen di Bursa Efek Indonesia. Bursa Efek. pasar saham Arus kas keuangan berpengaruh positif dan signifikan terhadap return saham perusahaan tekstil dan pakaian jadi terpenting di Bursa Efek Indonesia.*

**Kata Kunci:**  *arus kas operasi, arus kas investasi dan arus kas pendanaan, return saham*

### **A. Introduction**

Competition in the economic life of free market economy is becoming increasingly competitive. This is because the number of competing companies increases and they are created and developed as economic activity increases. At a time when competition is increasingly fierce, the availability of funds and availability of financing sources has a significant influence on the profitability and development opportunities of a company.

In the modern economy, the capital market is a source of external financing for companies. The capital market offers companies the opportunity to compete fairly to attract investors who invest in their companies with expectations of high returns. In 2020, almost all companies experienced a decline in their stock returns, one of which was the sector on the Indonesia Stock Exchange, namely the textile and garment sector. The textile and apparel issuer sector is being targeted for sales by market players due to weakening company fundamentals due to the flow of imports in the downstream manufacturing sector and increased competition in the export market, which has led to mass layoffs and factory closures.

The 19 textile and apparel stocks listed on the Indonesia Stock Exchange (BEI) for the period 2 January to 30 September 2019, nine shares were negative. Some even fell by more than 50 percent. Market price trend data shows shares of PT Asia Pacific Fibers Tbk (POLY) fell 54.42%, PT Indo-Rama Synthetics Tbk (INDR) -38.97%, PT Tifico Fiber Indonesia Tbk (TFCO) -36.54%, PT Asia Pacific Investama Tbk. (MYTX) fell 35.58% and PT Nusantara Inti Corpora Tbk (UNIT) fell 25.58% (CNBCIndonesia, 2019).

Return is the income that shareholders earn from their investment in a particular company. Hartono (2018) said that return is the result of investment or return on investments made by investors. The income earned by investors in the capital markets is divided into two types: current income and capital gains or losses.

The amount of capital gain on shares is positive when the selling price and shares owned are greater than the purchase price. Investors try in various ways to gain confidence that the investments made will produce the expected returns. One of them comes from the company's annual accounts which represent investment goals.

One of the company performance parameters that attracts the attention of investors and creditors is the cash flow report (Yahya and Butar, 2019). According to Adiliawan (2015), information about a company's cash flow is useful for users of financial reports because it is the basis for assessing the company's ability to accumulate cash and for evaluating the company's need to utilize this cash flow. A company's cash flow can be classified into three forms: operating cash flow, investing cash flow, and financing cash flow.

Operating cash flow is a description of fund activities related to the company's main income activities. Daniati (2020), business refers to the company's main income-generating activities and other activities that are not investments and financial activities and which usually arise from transactions and other events that influence the determination of profit or net loss, and an indicator of whether the company is able to raise sufficient funds to repay loans, maintain the company's ability to operate, pay dividends and make new investments without financial resources.

Research results Wulandari (2021), Yanitri, Rasputin and Noor (2021), Anas (2021), Ander (2021), Uhus, Mustikowati and Setiyawati (2021), Tumakaka (2021), Odiningrum and Davianti (2021), Pratiwi, Ulupui and Muliawati (2021), Muliati (2021), Pasrin and Mursal (2021), Saputra, Agussalim and Meyla (2021), Syawalina (2021), Kholilik, Rosyafah and Lestari (2021), Safelia (2021), Nurwanah, Muslim and Sari (2021) state that cash flow from operating activities has a positive effect and significant effect on stock returns, while the research results of Doloan (2021) and Bangun (2021) conclude that operating cash flow has a negative effect on stock returns. Meanwhile, research conducted by Nursita (2021), Khairiyah (2021), Firdarini and Kunaidi (2022), Sundari and Nurdiansyah (2021), Rivaldo (2021) and Tresnawaty (2021) found that operating cash flow has no effect on stock returns.

The next component of cash flow is investment cash flow. Cash flow from investment activities is a description of the company's cash activities related to investment. According to Daniati (2020) investment activities are the acquisition or disposal of long-term assets (non-current assets) as well as other investments that are not included in cash equivalents, including the activities of lending money and collecting these receivables as well as acquiring and selling productive long-term investments and assets.

Cash flow companies from decreasing investment activities, it means investment activity, shows the potential for increased future income obtained from additional new investments. This information is certainly useful for investors and can influence the decision to buy or sell the shares they own.

This investor makes changes in stock prices and stock returns. Investment cash flow variables on stock returns resulting from research conducted by Yanitri, Rasputin and Noor (2021), Anas (2021), Doloan (2021), Tumakaka (2021), Pratiwi, Ulupui and Muliastari (2021) and Syawalina (2021) stated that Cash flow from investment activities has a positive and significant effect on stock returns.

However, the research results of Nursita (2021), Ander (2021), Khairiyah (2021) and Bangun (2021) found that investment cash flow has no effect on stock returns. Funding cash flow describes the company's cash operations related to the company's capital and debt. According to (Daniati, 2020) financial cash flows must be presented separately because this is useful for predicting the claims of company investors regarding future cash flows. The better the aspects of fundraising management, the better the company can anticipate changes in the composition of the company's capital and credit, which means higher returns for investors.

Research by Yanitri, Rasputin and Noor (2021), Anas (2021), Ander (2021), Doloan (2021), Tumakaka (2021) and Syawalina (2021) states that cash flow from funding activities has a positive and significant effect on stock returns. Meanwhile, research conducted by Odiningrum and Davianti (2021) shows that cash flow from funding activities has a negative effect on stock returns. However, research results from Nursita (2021), Khairiyah (2021) and Pratiwi, Ulupui and Muliastari (2021) show that cash flow from funding activities has no effect on stock returns.

Based on the above phenomenon, this research was conducted to examine operating

cash flow, investment cash flow and funding cash flow on stock returns of textile and garment companies on the Indonesia Stock Exchange.

## **B. Literature Review**

### **1. Stock Return**

According to Jogiyanto (2019), return is the result obtained from investment. Investment income in shares is the profit obtained from buying and selling shares. There is a profit called capital gain and if there is a loss it is called capital loss. Meanwhile, according to Fahmi (2015) the definition of Stock Return is as follows: the profits obtained by companies, individuals and institutions from the results investment policies carried out

### **2. Definition and Types of Cash Flow**

The cash flow report is part of a company's financial statements produced in an accounting period that shows the company's inflow and outflow of money. Cash flow reports are divided into 3 types as follows:

#### **a. Investment Cash Flow**

To develop a company, investments are often made by entrepreneurs. This activity is recorded in a report so that it is easy to monitor and create a separate report. This report contains matters related to investment activities such as purchasing fixed assets, sales results, and other things. For cash reports on investment activities, expenses come from purchasing fixed assets, long-term assets and intangible assets.

#### **b. Operation Cash Flow**

The operating activity cash report relates to all types of operational activities that occur both in terms of expenses and income. For this reason, this report records all things that have an impact on the company's cash.

#### **c. Funding Cash Flow**

Cash funding activities which record various things related to investment and withdrawal of money by company owners, and borrowing funds. This report functions to record all kinds of activities that occur and influence changes in the amount and composition of capital owned by the company. Consist of bond issuance, share issuance, mortgages, notes and loans.

### **3. *Relationship Between Cash Flow and Stock Returns***

#### **The Effect of Operating Cash Flow on Stock Returns**

Changes in cash flow from operating activities will provide a positive signal for investors, as a result investors will be interested in buying shares in the company which will ultimately increase the stock return of the company's shares. According to Prastowo (2019), Operating Cash Flow helps investors to analyze the effectiveness of the company's cash management, and cash flow information allows investors to see the company's ability to pay dividends.

According to Tandelilin (2017), the flow of cash flows influences returns as follows: the flow of cash and cash flow is an informal method used by investors and creditors to predict returns from the company's natural resources. Research results Wulandari (2021), Yanitri, Rasputin in Noor (2021), Anas (2021), Ander (2021), Uhus, Mustikowati in Setiyawati (2021), Tumakaka (2021), Odiningrum in Dalvianti (2021), Pratiwi, Ulupui in Muliastari (2021), Muliati (2021), Pasrin in Mursall (2021), Saputra, Agussalim in Meya (2021), Syawaina (2021), Kholilik, Rosyafah in Lestari (2021), Safelia (2021), Nurwanah, Muslim in Sari (2021). However, the flow of cash from operating activities has a positive and significant influence on returns.

#### **The Effect of Investment Cash Flow on Stock Returns**

Yocelyn and Christiawan (2018) Investment Cash Flow can be a consideration for investors in assessing the company's performance in the future. Companies with declining investment cash flow, which means the company has investment activities which can show the potential for increased income in the future obtained from additional income from new investments.

This information is of course very useful for investors and can influence decisions to

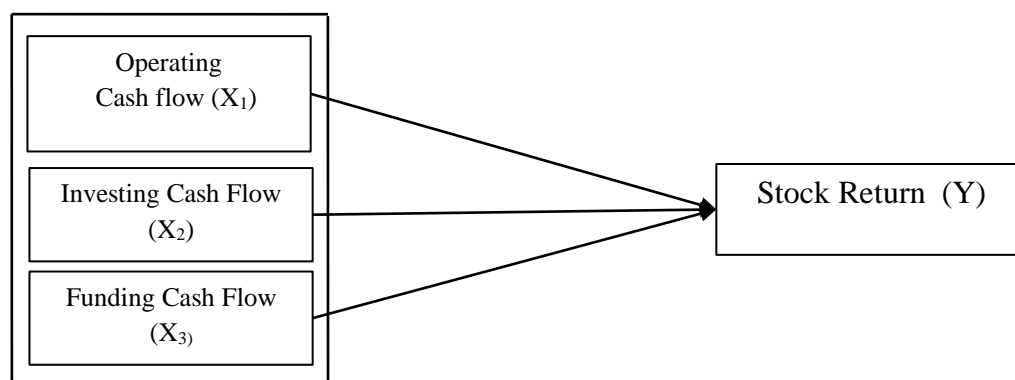
sell and buy the shares they own. Investor decisions can cause changes in stock prices and stock returns. Results of research conducted by Yanitri, Rasputin and Noor (2021), Anas (2021), Doloan (2021), Tumakaka (2021), Pratiwi, Ulupui and Muliastari (2021) and Syawalina (2021). 2021) states that cash flow from investment activities has a positive and significant effect on stock returns.

### **The Effect of Funding Cash Flow on Stock Returns**

Purwanti et al (2015), expressed the opinion that activities that increase the company's funding sources, such as the issuance of obligatory or new shares, are able to improve the company's capital structure. The higher the cash inflow from funding means the amount of debt and interest expenses that must be paid to external parties will also increase, this will reduce the profits and dividends that investors will receive so that investors tend to respond negatively, where this will be reflected in the company's returns, which will tend to down.

The results of research conducted by Yanitri, Rasputin and Noor (2021), Anas (2021), Ander (2021), Doloan (2021), Tumakaka (2021) and Syawalina (2021) state that cash flow from funding activities has a positive and significant effect on stock returns. Meanwhile, research conducted by Odiningrum and Davianti (2021) shows that cash flow from funding activities has a negative effect on stock returns.

Based on the description above, the conceptual framework in this research is as follows:



Picture 1. Theoretical Framework

#### 4. Research Hypothesis

Based on this discussion, the hypothesis of this research are:

H<sub>1</sub> : Operating cash flow affect stock returns

H<sub>2</sub> : Investing Cash Flow affect stock returns

H<sub>3</sub> : Funding Cash Flow affect stock returns

#### C. Research Method

##### Data

The data used in this research is panel data. The data collection technique used in this research is a documentation technique. Documentation, namely the data used in this research, was obtained from [www.idx.co.id](http://www.idx.co.id). The data used in this research are the annual financial reports of each Textile and Garment Company for the 2019-2021.

##### Classical Assumptions and Model Selection

The classic assumption test used in this research consists of the normality test, multicollinearity test, autocorrelation test and heteroscedasticity test. The model selection test used is the chow test. The fixed effect significance test (f test) or Chow-test is to find out whether the panel data regression technique with fixed effects is more effective than the panel data regression model without dummy variables or OLS. Next, model selection was also carried out using the Hausmant test. The Fineman test can be defined as a statistical test to choose whether the fixed effect or random effect model is most appropriate to use.

##### Research Model

Estimating an economic model is necessary in order to know the actual conditions of what is being observed. The model in question is as follows:

$$RS_{it} = \beta_0 + \beta_1 A|KO_{it} + \beta_2 A|KI_{it} + \beta_3 A|KP_{it} + e_{it}$$

Where :

RS <sub>it</sub>	=	<i>Return Saham</i> (Stock Return)
β <sub>0</sub>	=	Konstanta
A KO <sub>it</sub>	=	<i>Arus Kas Operasi</i> (Operating Cash flow)
A KI <sub>it</sub>	=	<i>Arus Kas Investasi</i> (Investing Cash Flow)
A KP <sub>it</sub>	=	<i>Arus Kas Pendanaan</i> (Funding Cash Flow)
B	=	Variable Regression Coefficients
€	=	<i>error term</i>

## D. Results and Discussion

### Result

#### Descriptive Statistics

Based on the variables used in this research, namely operating cash flow, investment cash flow and funding cash flow on stock returns, several companies can be explained with the minimum, maximum and average values of each variable.

The descriptive statistics are as follows :

**Table 1. Descriptive Statistics**

	RS	AIKO	AIKI	AIKP
Mean	0.3201	20.1257	19.2340	19.8263
Maximum	5.1700	27.0100	26.4600	27.1700
Minimum	-0.8700	12.0400	10.4300	10.8200
Deviasi Standard	0.8921	4.7046	4.9127	4.9057
Observation	54	54	54	54

The average RS value in Textile and Garment companies is 0.3201 and the standard deviation is 0.8921, where the standard deviation value is greater than the average value. This shows that fluctuations in the RS variable have poor data distribution. The lowest RS value is -0.8921 and the highest value is 5.1700.

The average AKO value for Textile and Garment companies is 20.1257 and the standard deviation is 4.7046, where the standard deviation value is smaller than the average value. This shows that the fluctuations in the AKO variable have good data distribution. The lowest AKO value is 12.0400 and the highest value is 27.0100.

The company that has the highest positive cash flow is the company with the code HDTX in 2019 amounting to IDR 536.691.537.000. However this number decreased in 2020 until it obtained a negative cash flow of IDR -9.090.852.000. This happened because of the Covid 19 pandemic that occurred in 2020 which had an impact on the company's performance and operations. Furthermore, the company that has the lowest level of operating cash flow is the company with the RICY code in 2019, namely IDR -231.106.783.153.

In the textile sector of Garment, the value of the variable AKI is reported as 19.2340

with a deviation of 4.9127, while the minimum observed value of the deviation is lower than that of the variable. This finding indicates that the fluctuations in the AKI variable have a dispersing effect during the recovery phase. The AKI variable is controlled between a lower limit of 10.4300 and an upper limit of 6.4600. Furthermore, the investment analysis indicates that the inventory with the highest capital flow, identified by the code STAR in 2021, is valued at IDR 309.961.585.270. whereas the inventory with the lowest capital flow, identified by the code MYTX, is valued at IDR 150.185.000.000.

The average AKP value for Textile and Garment companies is 19.8263 and the standard deviation is 4.9057, where the standard deviation value is smaller than the average value. This shows that fluctuations in the AKP variable have good data distribution.

The lowest AKP value is 10.8200 and the highest value is 27.1700. The company that has the largest funding cash flow is the company with the code MYTX in 2019 amounting to IDR 348.803.000.000 while the company that has the lowest funding cash flow is the company with the code HDTX, IDR 630.762.352.000.

### **Panel Regression Model Selection (Chow Test)**

The chow test is a test to compare common effects with fixed effects (Widoarjo, 2010). The chow test in this research used the Eviews program.

The results of the Chow test in this study are as shown in Table 2 below:

**Table 2 Chow Test**

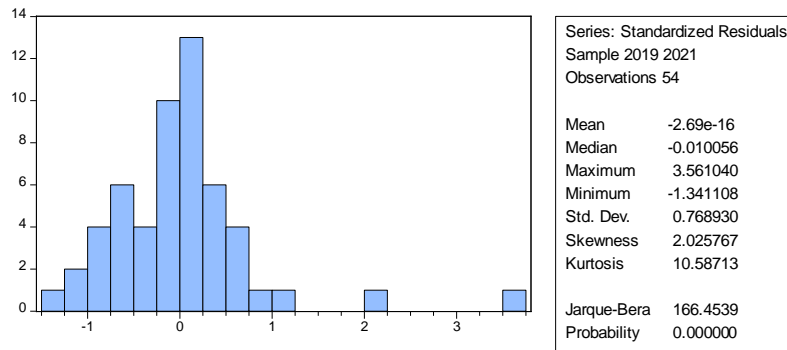
<b>Result of The Chow test</b>			
Effects Test	Statistic	d.f.	Prob
Cross-section F	0.915104	(17,33)	0.5642
Cross-section Chi-square	20.856201	17	0.2328

Based on the chow test results in Table 2 above, it shows that the probability value of the Chi Square line in the chow test is 0.2328. The value is above 0.05. If the probability chi square value is greater than 0.05 then the best model is the common effect model. Based on the Chow test, the inverted model in this research is the Common Effect Model (CEM) so there is no need to carry out testing to choose between the Fixed Effect Model (FEM) and the Random Effect Model.

### **Normality Test**

The normality test is carried out to test whether in a regression model an independent variable and a dependent variable or both have a normal or abnormal distribution (Ghozalli, 2018).

The results of the data normality test in this study are as shown in Figure 1 below:



**Picture 1 Normality Tested**

Based on Figure 1 above, it can be seen that the Jarques Bera value is 166.45 with a probability value of 0.00. The Chi Square table value in this research by calculating  $df=3$  at the 5% significance level produces a figure of 7.81. Therefore, the Jarque Bera value is greater than the Chi Square table value and the probability value is below 0.05, so it can be concluded that the data in this study is not normally distributed. However, because the type of data used in this research is panel data where cross sections have different data trends, the problem of normality can be ignored (Gujarati, 2012).

**Multicollinearity Test**

The results of the multicollinearity test are as shown in table 3 below

**Table 3 Multicollinearity Test Result**

Variable	Y	AIKO	AIKI	AIKP
Y	1.0000			
	----			
AIKO	0.3182	1.0000		
	2.4210	----		
	0.0190	----		
AIKI	0.1412	0.7129	1.0000	
	1.0292	16.135	----	
	0.3081	0.0000	----	
AIKP	0.3156	0.7123	0.7061	1.0000
	2.3984	16.0709	15.451	----
	0.0201	0.0000	0.0000	----

Based on the results of the multicollinearity test in table 4 above, it shows that all

independent variable values are below 0.8. The table above shows that this model is free from the problem of multicollinearity correlation below 0.8. AKO has a correlation of 0.31, 0.8, AKI has a correlation of 0.14, 0.8 and AKP has a correlation of  $0.31 < 0.8$ . Based on the research results, it can be concluded that there are no errors between the variables in the research.

### Autocorrelation Test

The results of the autocorrelation test in this study are as follows in table 4:

**Tabel 4 Autocorrelation Test Results**

<b>Keterangan</b>	<b>Nilai</b>
Durbin-Watson Stat	1.106

Based on the results of the eviews output, it shows that the Durbin Watson value is 1.106 because the dw value is between -2 to +2, so in this study it is concluded that there are no confounding errors between time series.

### Random Effect Model Regression Results

The results of the Random Effect Model panel data regression are as follows:

**Table 5 The results of the Random Effect Model**

Valriable	Coefficient	t-Staltistic	Prob.
C	-0.8819	-1.7552	0.0853*
AIKO	0.1646	2.3761	0.0214**
AIKI	-0.2453	-3.6842	0.0006***
AIKP	0.1367	2.0815	0.0425**
R-squalred	0.2961		
Aldjusted R-squalred	0.2539		
F-staltistic	7.0132		
Prob(F-staltistic)	0.0005		
Durbin-Waltson stalt	1.1064		

Based on table 5 above, the regression equation prepared in this research is as follows:

$$RS = -0,881 + 0,16 AKO - 0,24 AKI + 0,13 AKP + eit$$

Based on the equation above, it can be explained that:

1. The constant is -0.8819 with a significance of 10% (0.0853), meaning that if AKO, AKI and AKP are considered constant (with a value of 0), then the stock return has a fixed value of -0.881.
2. The AKO coefficient value is 0.1649 with a significance of 5% (0.0214) indicating a positive relationship which means that every 1% increase in operating cash flow causes stock returns to increase by 0.164. This shows that H<sub>1</sub> is accepted.
3. The AKI regression coefficient value is -0.2453 which is significant at 1% (0.0006) indicating a negative relationship which means that every 1% increase in investment cash flow causes stock returns to decrease by 0.2453. This shows that H<sub>2</sub> is accepted.
4. The AKP regression coefficient value is 0.1376 with a significance of 5% (0.0425) indicating a positive relationship which means that every 1% increase in funding cash flow causes stock returns to increase by 0.136. This shows that H<sub>3</sub> is accepted.

## **Discussion**

### **The Effect of Operating Cash Flow on Stock Return**

Based on the research results, it shows that operating cash flow has a positive and significant effect on stock returns. This shows that the higher the operating cash flow, the higher the stock return. Operating activities are the main income-generating activities of a company and other activities that are not part of investment and financing activities.

Generally, this activity originates from transactions and other events that are expected to influence the determination of a company's net profit and loss and as an indicator to ascertain whether from operating activities the company is able to obtain sufficient cash to pay off obligations, pay dividends, maintain the company's operational capabilities and make new investments. without relying on funding sources from outside the company.

Changes in cash flow from operating activities will provide a positive signal for investors, as a result investors will be interested in buying shares in the company. According to Prastowo (2019), Operating Cash Flow helps investors to analyze the effectiveness of the company's cash management and cash flow information allows investors to see the company's ability to pay dividend.

According to Tandelilin (2017), cash flow influences stock returns as follows: cash flow is information used by investors and creditors to predict returns from the company's sources of wealth. The research results are in line with research conducted by Wulandari (2021), Yanitri, Rasputin and Noor (2021), Anas (2021), Ander (2021), Uhus, Mustikowati and Setiyawati (2021), Tumakaka (2021), Odiningrum and Davianti (2021), Pratiwi, Ulupui and Muliawati (2021), Muliati (2021), Pasrin and Mursal (2021), Saputra, Agussalim and Meyla (2021), Syawalina (2021), Pasrin and Mursal (2021), Saputra, Agussalim and Meyla (2021), Syawalina (2021), Kholilik, Rosyafah and Lestari (2021), Safelia (2021), Nurwanah, Muslim and Sari (2021) stated that cash flow from operating activities has a positive and significant effect on stock return.

### **The Effect of Investment Cash Flow on Stock Return**

Based on the research results, it shows that investment cash flow has a negative and significant effect on stock returns. This shows that the more operating cash flow increases, the lower the stock return will be. The negative influence is caused by the condition of the company which had many negative investment cash flow growth during the research period. This is related to the research period taken, namely the period during which the pandemic occurred, at which time many investors did not invest.

Meanwhile, based on investment cash flow theory, it is cash flow that reflects cash inflows and cash outflows related to resources and generates income and cash flows for future inflows. Increased investment cash flow can provide additional cash flow for a business and increase company profits. This increase in income encourages investors and creditors to carry out transaction activities in the capital market. Therefore, investment cash flow statements are considered as a result of changes in stock return.

Meanwhile, according to Yocelyn and Christawan (2018), investment cash flow can be a consideration for investors in assessing the company's performance in the future. Companies with declining investment cash flow, which means the company has investment activities which can show the potential for increased income in the future obtained from additional income from new investments. This information is of course very useful for investors and can influence decisions to sell and buy the shares they own. Investor decisions can cause changes in stock prices and stock return.

The results of this research are in line with research conducted by Yanitri, Rasputin and Noor (2021), Anas (2021), Doloan (2021), Tumakaka (2021), Pratiwi, Ulupui and Muliastari (2021) and Syawalina (2021) stating that cash flow from Investment activity has a positive and significant effect on stock return.

### **The Effect of Funding Cash Flow on Stock Returns**

Based on the research results, it shows that funding cash flow has a positive and significant effect on stock returns. This shows that the higher the operating cash flow, the lower the stock return. Funding activity cash flow is a cash flow that is useful for predicting future cash flows by investors. Activities that increase the company's funding sources, such as issuing bonds or new shares, can increase the company's capital structure. This will provide a positive signal for investors which will result in changes in stock return.

Purwanti et al (2015) expressed the opinion that activities that increase the company's funding sources, such as issuing bonds or new shares, are able to improve the company's capital structure. This will provide a positive signal for investors which will result in changes in stock returns. Meanwhile, Sinaga (2018) expressed the opinion that there is no significant influence between funding cash flow on return.

The higher the cash inflow from funding means the amount of debt and interest burden that must be paid to external parties increases as well. This will reduce the profits and dividends that investors will receive so that investors will tend to respond negatively, which will be reflected in the company's returns which will tend to fall. The research results are in line with research conducted by Yanitri, Rasputin and Noor (2021), Anas (2021), Ander (2021), Doloan (2021), Tumakaka (2021) and Syawalina (2021) stating that cash flow from funding activities has a positive effect and significant to stock return.

### **D. Conclusion**

The research results show that partially operating cash flow has a positive and significant effect on stock returns in textile and garment companies on the Indonesia Stock Exchange. Partially, investment cash flow has a negative and significant effect on stock returns in textile and garment companies on the Indonesia Stock Exchange. Apart from that, funding cash flow has a positive and significant effect on stock returns of textile and garment companies on the Indonesia Stock Exchange. This research has

limitations where the time used as a short-term research sample. In addition, future research can be carried out on companies with different characteristics but on non-financial companies.

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