

## The Influence of Cash Flow, Profitability, and Sales Growth on Stock Prices With Capital Structure as Intervening Variables in Banking Companies Listed on the Indonesia Stock Exchange 2015-2019

Monica Angelin Nasution<sup>1</sup>, Tengku Mella Syafrian Putri<sup>2</sup>, Ahmad Sani<sup>3</sup>, Syamsul Bahri<sup>4</sup>

Friedhorst Kolleg, German<sup>1</sup>, Harapan University Medan<sup>2,3,4</sup>

---

### Article Info

#### Article history:

Received : 21 November 2022

Revised : 10 December 2022

Accepted : 01 January 2023

Available Online : 10 January 2023

#### Keywords:

Cash Flow, Profitability, Sales Growth, Capital Structure and Stock Price.

### ABSTRACT

This study aims to determine the effect of cash flow, profitability and sales growth on share prices and analyze the effect of cash flow, profitability and sales growth on stock prices with a capital structure as a variable in banking companies listed on the Indonesia stock exchange for the 2015–2019 period. Sampling using purposive sampling so that the number of samples taken is 34 companies with 5 years of observation with a total sample of 170 samples. This study uses secondary data, data collection techniques using documentation studies and literature studies and the method used is path testing. The results of this study indicate that profitability has a significant effect on capital structure, while cash flow and sales growth have no significant effect on capital structure in banking companies listed on the IDX for the 2015–2019 period. Cash flow, sales growth and capital structure have a significant effect on stock prices, while profitability has no significant effect on stock prices in banking companies listed on the IDX for the 2015–2019 period. The capital structure can mediate the effect of cash flow, profitability and sales growth on stock prices in banking companies listed on the IDX for the 2015–2019 period.



This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

### Corresponding Author:

Tengku Mella Syafrian Putri

Fakultas Ekonomi, Universitas Harapan Mandiri

Email: [tengkumellaa@gmail.com](mailto:tengkumellaa@gmail.com)

---

### INTRODUCTION

Every company that issues shares must pay close attention to its stock price ([Kristanto et al. 2022](#)). The price of shares on the Indonesia Stock Exchange (IDX) is determined by the strength of demand and supply in the capital market ([Hernadi Moorcy, Alwi, and Yusuf 2021](#)). The more people buy a stock, the stock price tends to increase, and vice versa if more people sell a company's shares, the stock price will decrease ([Herlianto and Hafizh 2020](#)). In addition, the value of the stock price can also be known through the risk-free interest rate which is obtained by looking at the comparison between the interest rate on government deposits and the level of certainty of the progress of activities within the company ([Munira, Merawati, and](#)

[Astuti 2018](#)). The stock price is an indicator of the success of managing a company where market power is shown by trading shares in the capital market. The reaction of stock prices can be seen by changes in the price of the securities concerned ([Silalahi and Sihombing 2021](#)). The level of decline in stock prices in banking companies can be seen in the table

**Table 1.** Rate of Decline in Banking Company Share Prices

Company name	Decrease in Share Price (%)		
	2018	2019	2020
BMRI	2,14	1,2	2,7
BBRI	3,06	3,2	5,8
BBTN	7,28	2,6	5,18
BBNI	2,11	4,1	1,89

Based on the table it can be seen that there was a decline in share prices in 2019 for BMRI, BBRI and BBTN companies. Meanwhile, the BBNI company experienced a decrease in its share price in 2020. The BMRI company experienced a decrease in its share price in 2019 by 1.2% but increased again in 2020 by 2.7%. BBRI companies experienced successive increases from 2018 to 2020. BBTN companies experienced a decrease in 2019 of 2.6%, and increased in 2020 to 5.18%. Then the BBNI company experienced an increase in 2019 of 4.1% and a decrease in 2020 of 1.89%.

Several researchers contributed to this study, namely research conducted by Ginting et al, (2013), Nalurita et al (2020) and Kumayas et al (2018) corroborating the fact that cash flow, profitability and sales growth are determinants of stock prices and there is a relationship between the structure capital with share price ([Nursyahbani and Sukarno 2023](#)).

One of the factors that investors can look at to see information about stock prices is cash flow because information about cash flow can be used as a basis for assessing a company's performance to generate cash and cash equivalents and assessing the company's need to use that cash flow ([Heru Harmadi Sudibyo 2022](#)). Investors who are interested in investing in the capital market must have the expertise to get the maximum possible profit with the minimum possible risk ([Irawati et al. 2020](#)). Therefore investors must be supported with various information as a basis for making decisions in the capital market. One of the factors needed is cash flow which is supported by accurate data from financial reports. The capital market provides a lot of important information that can be obtained from published company financial reports, including data on company cash flows, profits, and company stock prices. The main purpose of this cash flow statement is to provide information regarding data on cash receipts and cash disbursements during a period. Another objective is to provide information regarding operating, investing and financing activities on a cash basis. Research conducted by Sholehah, et al (2018) states that cash flow affects stock prices. Whereas in Yuliana and Rismansyah's research (2019) stated that cash flow did not affect stock prices. The main purpose of this cash flow statement is to provide information regarding data on cash receipts and cash disbursements during a period.

Another objective is to provide information regarding operating, investing and financing activities on a cash basis. Research conducted by Sholehah, et al (2018) states that cash flow affects stock prices. Whereas in Yuliana and Rismansyah's research (2019) stated that cash flow did not affect stock prices. The main purpose of this cash flow statement is to provide information regarding data on cash receipts and cash disbursements during a period. Another objective is to provide information regarding operating, investing and financing activities on a cash basis. Research conducted by Sholehah, et al (2018) states that cash flow affects stock prices. Whereas in Yuliana and Rismansyah's research (2019) stated that cash flow did not affect stock prices.

Besides cash flow, one of the factors often used in estimating stock prices is profitability which can be measured using return on equity (ROE). Profitability is a company's ability to earn profits in proportion to sales, total assets, and own capital (Sartono, 2014). The amount of profit is used to evaluate a company. Companies can increase their profits if financial managers know the factors that affect company profitability. To improve each factor it is important to have asset management, cost management and debt management.

According to Brigham and Houston (2019), the profitability ratio is a collection of ratios that show the impact of liquidity, asset management and debt on operating results. Profitability can provide a useful clue in evaluating the effectiveness of a company, so profitability ratios will show the mixed impact of liquidity, asset management and debt on operating results. Profitability will show the balance of income and the company's ability to generate profits at the operating level, so this ratio will reflect the effectiveness and success of management as a whole (Wibowo and Wartini 2012). Research conducted by Jufrizen (2012) states that profitability affects stock prices.

In addition, sales growth can also describe the stock price performance of a company. Sales growth is defined as an increase in the number of sales from year to year (Kennedy et al, 2013). According to Horne and Wachowicz (2012: 223) sales growth is the result of a comparison between the difference in sales from the current year and sales in the previous year with sales in the previous year. Kusumajaya (2011) argues that the company's growth rate as measured by sales growth affects the company's stock price on the grounds that sales growth is an indication of good company progress which gets a positive reaction from investors. Sales growth is the fundamental goal of a company considering that from the agreement the company gets revenue which will later be distributed as the company's operating capital and profits for investors later. Research conducted by Kumayas (2018) states that sales growth affects stock prices. Meanwhile, Fatimah and Kharisma's research (2020) states that sales growth has no effect on stock prices.

Before placing an investment in stocks, investors need to consider the company's performance so that the business they make can be productive. There are several ways that can be done to assess the company's performance, one way that can be used is to assess the company's capital structure. This capital structure can be used

by investors as a benchmark for investments that will be made by the company in the future. Management of the capital structure directly affects the company's financial risk. The rationale for this can be said that if investors evaluate the capital structure, it will be reflected in the share price of the company concerned. The more ideal the capital structure of a company or the higher the average cost of capital, the greater the interest in company shares.

## METHODS

### *Agency Theory*

*Agency Theory* or agency theory underlies the practice of disclosing annual reports by companies to shareholders. Jensen and Meckling's (1976) agency theory assumes that shareholders do not have sufficient information about the performance and condition of the company. Agents have more information about self-capacity, work environment, and prospects for the company as a whole in the future compared to principals ([Hidayat, 2017](#)).

### **Stock price**

The share price is the price of a share that occurs on the stock exchange at a certain time determined by market participants and determined by the demand and supply of the relevant shares in the capital market ([Jogiyanto, 2017](#)).

### **Cash flow**

[\(Munawir, 2015\)](#) states that cash flow statements (cash flow statements) are prepared to show changes in cash during a period and provide reasons for changes in cash by showing where the sources of cash come from and how they are used. According to Simamora (2011: 488) a cash flow statement is a financial report that shows the impact of the company's operating, financing and investment activities on cash flows during a certain accounting period in a way that reconciles the initial balance and ending cash balance.

### **Profitability**

This ratio also provides a measure of the level of management effectiveness of a company. This is shown by the profit generated from sales and investment income (Kasmir, 2016: 196). According to [\(Sartono, 2014\)](#), profitability is a company's ability to earn profits in sales, total assets and own capital.

### **Sales Growth**

According to Sofyan (2013: 309) the growth ratio describes the percentage growth of company posts from year to year. This ratio consists of increase in sales, increase in net profit, earnings per share, and increase in dividends per share. According to Brigham and Houston (2019) an organization whose agreements are fairly stable will be protected from incurring more obligations and incurring higher fixed costs than an organization whose agreements are uncertain.

## Capital Structure

According to Halim (2012: 78), capital structure is a balance of fixed short-term debt, long-term debt, preferred stock and common stock. Capital structure is the proportion of the use of own capital and debt in meeting the company's funding needs. If the capital structure of a large company, the level of productivity will increase according to the capital structure owned by the company and will have a positive impact on the continuity of its business (Mulyani, 2017).

## RESULTS AND DISCUSSION

### Classical Assumption Test Results

#### Substructure Normality Test Results I

One-Sample Kolmogorov-Smirnov Test		
Unstandardized Residuals		
N		170
Normal	Means	.0000000
Parameters, b	std. Deviation	2.54319902
MostExtreme	absolute	.100
Differences	Positive	.100
	Negative	-.054
Test Statistics		.100
asympt. Sig. (2-tailed)		.120c

#### Substructure Normality Test Results II

One-Sample Kolmogorov-Smirnov Test		
Unstandardized Residuals		
N		170
Normal Parameters, b	Means	.0000000
	std. Deviation	.00000000
Most Extreme	absolute	.390
Differences	Positive	.390
	Negative	-.333
Test Statistics		.390
asympt. Sig. (2-tailed)		.131c

The table above shows a significance value of greater than 0.05. It can be concluded that the respondent's data in the research conducted showed a normal distribution.

#### Substructure Multicollinearity Test Results I

Coefficients							
a							
Model	Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
	B	std. Error	Beta	t	Sig.	tolerance	VIF

1	(Constant)	6,281	.219		28,669	.000		
	Cash flow	-8.396E-5	.000	-.044	-.591	.555	.978	1,023
	Profitability	-.047	.012	-.287	-3,861	.000	.994	1006
	Growth_Sales	2.892E-5	.000	.097	1,291	.198	.972	1028

a. Dependent Variable:  
Modal\_Structure

### Substructure Multicollinearity Test Results II

Model	Coefficients					Collinearity Statistics		
	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	tolerance	VIF
	B	std. Error	Betas					
1	(Constant)	-2,448	.741					
	Cash flow	.144	.045	.241	3,224	.002	.969	1,032
	Profitability	.001	.050	.002	.029	.977	.852	1,174
	Growth_Sales	-.139	.048	-.223	2,918	.004	.928	1,078
	Structure_Modal	.217	.051	.330	4,270	.000	.908	1.101

a. Dependent Variable: LN\_Price\_share

Based on the table above, it shows a tolerance value greater than 0.10. Then the VIF value is less than 10.0. It means that the variable data tested does not contain multicollinearity symptoms.

### Substructure Autocorrelation Test Results I

#### Summary model b

Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
1	.300a	.190	.173	2.56608	1036

a. Predictors: (Constant), Sales\_Growth, Profitability, Cash\_Flow

b. Dependent Variable: Modal\_Structure

### Substructural Autocorrelation Test Results II Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.436a	.190	.169	.85367	.998

a. Predictors: (Constant), LN\_ROE, LN\_DER, UP, LN\_CR

b. Dependent Variable: LN\_PBV

Thus the Durbin-Watson value is between -2 and 2. It can be concluded that the substructural regression I and II of the study showed no signs of autocorrelation.

## Hypothesis Test Results

### Substructure t test results I

Coefficients	
a	

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	std. Error	Betas	t	Sig.
(Constant)	6,281	.219		28,669	.000
Cash flow	-8.396E-5	.000	-.044	-.591	.555
Profitability	-.047	.012	-.287	-3,861	.000
Growth_Sales	2.892E-5	.000	.097	1,291	.198

### Substructure t test results II

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients		
	B	std. Error	Betas	t	Sig.
1 (Constant)	-2,448	.741		-3,303	.001
Cash flow	.144	.045	.241	3,224	.002
Profitability	.001	.050	.002	.029	.977
Growth_Sales	-.139	.048	-.223	2,918	.004
Structure_Modal	.217	.051	.330	4,270	.000

a. Dependent Variable: Share\_Price

From the table above it can be concluded as follows:

1. The significance value of Cash Flows is  $0.555 > 0.05$  and t count  $-0.591 < t$  table 1.65381 indicates that Cash Flows have no significant effect on Capital Structure in Banking companies listed on the IDX for the 2015–2019 period, so,  $H_1$  rejected.
2. Profitability significance value of  $0.000 < 0.05$  and t count  $-3.861 > t$  table 1.65381 indicates that Profitability has a significant effect on Capital Structure in Banking companies listed on the IDX for the 2015–2019 period, then,  $H_2$  accepted.
3. The significance value of Sales Growth is  $0.555 > 0.05$  and t count  $1.291 < t$  table 1.65381 indicates that Sales Growth has no significant effect on Capital Structure in Banking companies listed on the IDX for the 2015–2019 period, then,  $H_3$  rejected.
4. Significance value of Cash Flow  $0.002 < 0.05$  and t count  $3.224 > t$  table 1.65381 indicates that Cash Flow has a significant effect on Stock Price, then  $H_4$  acceptable.
5. Profitability significance value  $0.977 > 0.05$  and t count  $0.029 < t$  table 1.65381 indicates that Profitability has no significant effect on stock prices, then  $H_5$  rejected.
6. Significance value of Sales Growth  $0.004 < 0.05$  and t count  $2.918 > t$  table 1.65381 indicates that Sales Growth has a significant effect on Stock Price, then  $H_6$  acceptable.
7. The significance value of Capital Structure is  $0.000 < 0.05$  and t count is  $4.270 > t$  table 1.65381 indicating that Capital Structure has a significant effect on Stock Price, then  $H_7$  acceptable.

## Path Analysis

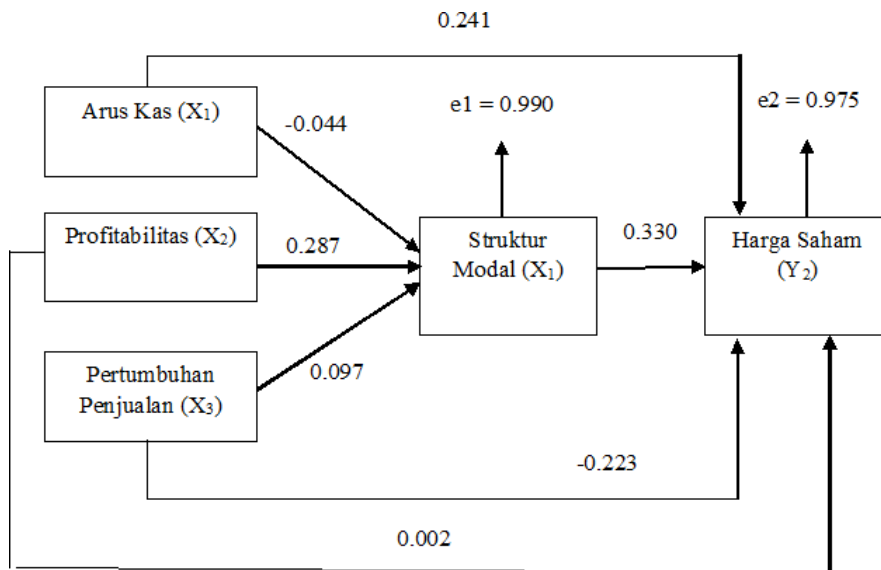


Figure 1. Path Analysis

## DISCUSSION

### Effect of Cash Flow on Capital Structure

Based on the results of statistical tests, a significance value of  $0.555 > 0.05$  was obtained, so that it was stated that cash flow had no effect on capital structure. The results of this study are in line with the research of Kumayas (2018) which states that cash flows do not affect capital structure, but this research is not in line with the research of Solecah et al. (2018) which states that cash flows have an effect on capital structure.

### Effect of Profitability on Capital Structure

Based on the results of statistical tests, a significance value of  $0.000 < 0.05$  was obtained, so that it was stated that profitability had an effect on capital structure. The results of this study are in line with research conducted by Sukarno, et al (2016), Wijaya, et al (2014) which states that profitability affects capital structure.

### Effect of Sales Growth on Capital Structure

Based on the results of statistical tests, a significance value of  $0.198 > 0.05$  was obtained, so that it was stated that sales growth had no effect on capital structure. The results of this study are in line with Sukarno's research (2016) which states that sales growth has an effect on capital structure but the results of this study are not in line with research conducted by Laily (2013) which states that sales growth has an effect on capital structure.

### The Effect of Cash Flow on Stock Prices

Based on the results of statistical testing, a significance value of  $0.002 < 0.05$  was obtained, so that it was stated that cash flow had an effect on stock prices. The results

of this study are in line with research conducted by Solecah et al (2018) which states that cash flow affects stock prices.

#### **Effect of Profitability on Stock Prices**

Based on the results of statistical testing, a significance value of  $0.977 > 0.05$  was obtained, so that it was stated that profitability had no effect on stock prices. The results of this study are not in line with the research conducted by Nurmalasari (2009) and Pasaribu (2008) which state that cash flow affects stock prices.

#### **Effect of Sales Growth on Stock Prices**

Based on the results of statistical tests, a significance value of  $0.004 < 0.05$  was obtained, so that it was stated that sales growth had an effect on stock prices. The results of this study are in line with research conducted by Sriwardany (2006) which states that sales growth affects stock prices.

#### **Effect of Capital Structure on Stock Prices**

Based on the results of statistical testing, a significance value of  $0.000 < 0.05$  was obtained, so that it was stated that capital structure had an effect on stock prices. The results of this study are in line with research conducted by Mufaidah (2014) which states that capital structure affects stock prices.

#### **The Effect of Cash Flow on Stock Prices through Capital Structure**

Based on the results of statistical tests, a p-value of  $0.000 < 0.05$  was obtained, so that it was stated that capital structure could mediate cash flow to stock prices. The results of this study are in line with research conducted by Solecah et al (2018) which states that capital structure can mediate the effect of cash flow on stock prices.

#### **The Effect of Profitability on Stock Prices through Capital Structure**

Based on the results of statistical testing, a p-value of  $0.000 < 0.05$  was obtained, so that it was stated that capital structure could mediate profitability on stock prices. The results of this study are in line with research conducted by Sukarno (2016) which states that capital structure can mediate the effect of profitability on stock prices.

**Effect of Sales Growth on Share Prices through Capital Structure** Based on the results of statistical testing, a p-value of  $0.000 < 0.05$  was obtained, so that it was stated that capital structure could mediate sales growth on stock prices. The results of this study are in line with research conducted by Solecah et al (2018) which states that capital structure can mediate the effect of sales growth on stock prices.

### **CONCLUSION**

Partially Profitability has a significant effect on Capital Structure, while Cash Flow and Sales Growth have no significant effect on Capital Structure in Banking companies listed on the Indonesia Stock Exchange in 2015-2019. Partially, cash flow,

sales growth and capital structure have a significant effect on stock prices, while profitability has no significant effect on stock prices in banking companies listed on the Indonesia Stock Exchange in 2015-2019. Capital structure can mediate the effect of cash flow, profitability and sales growth on share prices in banking companies listed on the Indonesia Stock Exchange in 2015-2019.

## REFERENCES

- Herlianto, Didit, and Luthfi Hafizh. 2020. "Pengaruh Indeks Dow Jones, Nikkei 225, Shanghai Stock Exchange, Dan Straits Times Index Singapore Terhadap Indeks Harga Saham Gabungan (IHSG) Di Bursa Efek Indonesia (BEI)." *INOBIIS: Jurnal Inovasi Bisnis dan Manajemen Indonesia* 3(2).
- Hidayat, Muhammad. (2017). Factors Influencing Voluntary Disclosures in the Annual Report of the Banking Sector on the Indonesia Stock Exchange, *Journal of Indonesian Accounting Research*, Vol6(1): p:151-172.
- Hernadi Moorcy, Nadi, Mahfud Alwi, and Tamzil Yusuf. 2021. "PENGARUH INFLASI, SUKU BUNGA, DAN NILAI TUKAR TERHADAP INDEKS HARGA SAHAM GABUNGAN DI BURSA EFEK INDONESIA." *Jurnal GeoEkonomi* 12(1).
- Heru Harmadi Sudibyø. 2022. "PENGARUH PROFITABILITAS, LEVERAGE, DAN PERTUMBUHAN PENJUALAN TERHADAP PENGHINDARAN PAJAK." *Jurnal Akuntansi dan Manajemen Bisnis* 2(1).
- Irawati, Wiwit, Zul Akbar, Rosita Wulandari, and Harry Barli. 2020. "Analisis Profitabilitas, Leverage, Pertumbuhan Penjualan Dan Kepemilikan Keluarga Terhadap Penghindaran Pajak." *Jurnal Akuntansi Kajian Ilmiah Akuntansi (JAK)* 7(2).
- Jogiyanto. (2015). *Analysis and Design*. Yogyakarta: Publisher Andi.
- Kristanto, Luisito et al. 2022. "ANALISIS PENGARUH VARIABEL MAKRO EKONOMI TERHADAP INDEKS HARGA SAHAM GABUNGAN DI BURSA EFEK INDONESIA." *Jurnal Sains Manajemen Nitro* 1(2).
- Munawir S.2015. *Analysis of Financial Statements*. Fourth Edition, Liberty Publishers. Yogyakarta.
- Munira, Mira, Endang Etty Merawati, and Shinta Budi Astuti. 2018. "Pengaruh ROE Dan DER Terhadap Harga Saham Perusahaan Kertas Di Bursa Efek Indonesia." *JABE (Journal of Applied Business and Economic)* 4(3).
- Nursyahbani, Lidya, and Agus Sukarno. 2023. "Pengaruh Likuiditas, Profitabilitas, Dan Pertumbuhan Penjualan Terhadap Struktur Modal." *Jurnal EMA* 8(1).
- Sartono, Agus. (2014). *Financial Management Theory and Applications*. Yogyakarta: BPFE.
- Silalahi, Esli, and Rido Sihombing. 2021. "PENGARUH FAKTOR MAKRO EKONOMI TERHADAP PERGERAKAN INDEKS HARGA SAHAM GABUNGAN (IHSG) DI BURSA EFEK INDONESIA PERIODE 2017-2020." *Jurnal Riset Akuntansi & Keuangan*.