
RESEARCH ARTICLE

Sales Growth, Operating Cash Flow and Stock Price: An Empirical Analysis

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ABSTRACT

This research aims to find out the influence of growth sales and operating cash flow on price shares in the company's property, real estate, and building construction listed on the Indonesia Stock Exchange for the 2017-2019 period. The factors tested in this research are growth sales and operating cash flow as variable independent, whereas price share is the dependent variable. The research method used in this research is descriptive. The population in this study is company property, real estate, and building construction registered on the Indonesian Stock Exchange for the 2017-2019 period, totaling 84 companies. The sampling technique used in this research is non-probability sampling method - purposive sampling, so the sample in this study is 46 companies. Multiple linear regression analyses were conducted to assess the extent to which sales growth and operating cash flow impact stock price variations. The results indicate that both sales growth and operating cash flow significantly influence price shares. Furthermore, the analysis reveals that sales growth and operating cash flow collectively account for approximately 45.5% of the variability observed in price shares.

KEYWORDS

Sales Growth, Operating Cash Flow, Stock Price.

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1. Introduction

Capital markets serve as vital platforms for companies seeking additional funds to reinforce their capital structure. Participation in the capital market facilitates easier business connections between companies (Indrawati, 2016). The significance of capital markets extends to the broader economy. They play a pivotal role by providing investors with avenues to invest surplus funds in anticipation of returns. Concurrently, companies in need of capital utilize these markets to foster business growth and expansion. Through access to funding from the capital market, companies can drive operational enhancements and scale their business endeavors. Furthermore, governmental entities leverage capital markets to finance diverse activities, thereby fostering economic growth and enhancing the well-being of the populace at large (Tandelilin, 2017:63).

Financial reports are results from activity recording all financial transactions in the company (Prihadi 2019:8). If the financial reports are capable presents information that is relevant to the decision model used by investors, then investors can use this information to make decisions investment decisions (Martalena 2011:3). In the financial report there are price share. The stock price is a very important factor that investors must pay attention to when investing because the price share shows the performance of the issuer. Movement price share in line with performance issuer. If the issuer has better performance, the more profits can be generated from the operation business, the greater it is. In such conditions, the price share of the issuer concerned tends to rise. Share prices also show the mark of a company (Ratnasari, 2018).

A company's sales growth is another influential aspect in determining stock prices. In a study conducted by Aweq (2017), it was discovered that sales growth exerts a substantial impact on stock prices. These findings indicate that investors respond favorably

to a company's increase in sales, which is likely perceived as a sign of strong performance and promising future growth opportunities. Therefore, robust sales growth tends to enhance investor interest and drive up stock prices.

Nevertheless, a study conducted by Bailia & Parengkuan (2016) reveals that the impact of sales growth on stock prices may vary among different sectors. The study did not find any substantial impact of sales growth on the stock price of real estate and property companies. This implies that there may be other factors, such as market conditions or specific industry characteristics, that have a greater influence on stock prices within the sector.

Operating cash flow also affects a company's share price. According to PSAK No. 2, the information presented in the cash flow statement, if used in conjunction with other financial statements, the cash flow statement can be useful for evaluating companies in changes in cash and cash equivalents and allows users of the information to develop models to assess and compare the present value of future cash flows from various companies, which can affect stock prices in the future. According to PSAK No. 2 of 2014 and IFRS in IAS No. 7, the cash flow statement is a report that contains information about cash inflows and outflows due to activities carried out by the company in a certain period.

Positive operating cash flow indicates that the company can generate cash flow from its business operations; this is an indicator of good financial health because investors in the process of evaluating stock prices tend to consider the company's financial health. Companies with strong and stable operating cash flow tend to be more considered by investors; this can increase demand for the company's shares, which will increase the company's share price.

This research aims to find out the influence of growth sales and operating cash flow on price shares in the company's property, real estate, and building construction listed on the Indonesia Stock Exchange for the 2017-2019 period. The factors tested in this research are growth sales and operating cash flow as variable independent, whereas price share is the dependent variable.

2. Literature Review

2.1 Definition Sale

Sales, as Winardi defines it, is the process of facilitating the exchange of goods and services between buyers and sellers in return for valuable considerations, typically involving money. Chairul Marom defines sales as the fundamental business operation of a company, which is the ongoing and meticulous exchange of commodities (Anthony, 2017:136-147). The main goals of sales are to optimize profitability, meet sales volume goals, and contribute to the company's expansion by promoting its products or services. Every sales activity within a company should have explicit objectives, with the overarching goal being to determine the potential profitability of the company (Supramono-Eddy 2015:20).

2.3 Growth Sale

The increase in sales is indicative of the success achieved during previous investment periods and can be used as a benchmark for forecasting future growth. Additionally, it functions as a gauge of both market demand and the level of competition within a certain industry (Kasmir 2016:107). The notion elucidates the degree to which a corporation may augment its sales concerning its total sales volume. Growth in sales refers to the increase in sales over some time and indicates the profitability of a company. Greater levels of sales growth reflect superior operational effectiveness, frequently indicating success for organizations. The achievement of such performance generates investor attention, resulting in higher share prices. Comparing a company's sales volume to that of its competitors in the same industry is a common practice to assess relative performance (Kasmir 2016:107).

The formula for calculating growth sales is as follows:

$$\text{Growth sales} = (\text{Sales this year} - \text{Sales last year}) / (\text{Sales last year})$$

2.4 Definition Cash flow

Cash flow is a report that provides relevant information about cash receipts and disbursements for a company at a period by classifying transactions into activities: operations, financing, and investment (Harahap, 2013). According to Bond Indonesian Accounting in PSAK No.2 of 2015, Cash flow is cash inflows and outflows and cash equivalents. Cash consists of cash balances (cash on hand) and checking accounts; meanwhile, cash equivalents are defined as investments in nature liquid, futures short, and which can quickly be converted into cash in large amounts certain without facing the risk of changes in value significant. From the definition above, it can be concluded that cash flow is cash flow received and used by the company in a certain period. The source of the cash inflow comes from the company's core operational cash flow, from the activity side, and activity financing.

2.5 Activity Cash Flow Operation

Cash flow from activity operations is included in the main earning activities income company; operating cash flow generally is cash effects of transactions and other influencing events income, net profit or loss, and is indicators that determine whether from operation the company can maintain the ability operation company, generating sufficient cash to repay loans and capabilities company in obtaining sufficient funds to be able to continue his business generally be measured from cash sources. Cash flow from activity operation, according to PSAK No. 2 (2015), is the main earning activity income for other entities and activities that are not investment activities and activities funding. Activity operation covers activities that produce goods or services for sale. Therefore, such cash flows, in general, originate from transactions and other events that affect net profit or loss. Some examples of cash flows from activity operation according to Bond Indonesian Accounting in PSAK No. 2 of 2015, among others:

- a. Cash receipts from sale goods and services
- b. Cash receipts from royalties, fees, commissions, and other income
- c. Cash payments to supplier goods and services
- d. Cash payments to employee
- e. Cash receipts and payments by the company insurance in connection with premiums, claims, annuities, and other insurance benefits
- f. Cash payments or income tax refunds unless identifiable in a way special as part of the activity funding and investment.
- g. Cash receipts and payments from contracts entered into for business and trade transactions

2.6 Definition of Shares

Shares are one of the most common capital market instruments that interest investors because they are able to provide levels of attractive returns. Shares are paper listed face value, name company, and followed by the rights and obligations that have been explained to every holder (Fahmi 2015:81).

According to Kasmir (2016:185), shares are "Securities of a nature ownership. It means the owner share is the owner company; the greater the shares he owns, the greater his power in the company. Profits earned from shares known as dividends and distribution determined at the General Meeting of Shareholders or GMS."

Based on some understanding of stock and some opinions above, it can be concluded that a share is proof of capital participation or proof of ownership of a tangible Limited Liability Company sheet paper.

2.7 Influence Growth Sales Against Share Prices

Growth sales will influence the profit of the company if sales increase from year to year. Apart from influencing profit, it will also create a good image for the company itself. If the level rotation supply is high, then the profit company will tall, so does growth high sales then it will increase income as well, and operating profit will also increase so that matter which will give rise to profits obtained (Agus Ristono 2013:25). According to Andriasari et al. (2016) stated that the more tall growth sale reflect that company experiences big growth. Companies that experience great growth will make investors interested in buying a share company; that's where more and more investors' interest in buying shares is increased, followed by a high-price share. That matter is supported by Natalia Debora Kumayas et al. (2018), who stated that growth sales are influential, positive, and significant in price share.

2.8 Influence Operating Cash Flow Against Share Prices

Activity operation is the main earning activity income for other entities and activities that are not investment activities and activities funding. Activity operation covers activities that produce goods or services for sale. Therefore, the cash flow, in general, originates from transactions and other events that affect net profit or loss. The higher the operating cash flow information, the more companies accept investor confidence in the company; on the contrary, Negative cash flow reflects companies that are not good for investors because operating cash flow can be interpreted as a company that cannot generate sufficient cash to finance its activity operations that will impact on results profit or profit that will be obtained company. Research conducted by Nurhadi Santoso and Sodikin Manaf (2019) on variables of Operational Cash Flow shows that there is a significant connection to price share.

3. Methodology

This study utilizes a quantitative methodology with descriptive research techniques to provide a deeper understanding of specific attributes of interest. Descriptive research seeks to offer a thorough comprehension of the topic being studied. The selection technique used is purposive sampling, which involves picking samples based on preset criteria that are aligned with the nature and features of the research population. The sample consists of 46 companies that were followed for three years. The process of data collecting essentially entails doing a comprehensive assessment of existing literature, adhering to the research approach specified by Sekaran and Bougie (2017:54).

Purposive sampling is used to pick samples that most accurately represent the research population based on preset criteria (Edison 2018:135). This methodology guarantees that the chosen samples are pertinent to the aims of the study. The process of data collection largely involves doing a thorough study of existing literature to obtain pertinent information for subsequent analysis. This research seeks to gain a thorough grasp of the variables being studied within the specified research scope by utilizing these methodologies.

4. Results and Discussion

Analysis descriptive aims to provide a description of every variable used in research. Statistics Descriptives used in this research include minimum, maximum, average, and standard values deviation. Based on results testing statistics, descriptive obtained results as follows:

Table 1
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Growth Sale	138	-,999	9,654	,09182	,936080
Operating Cash Flow	138	15,275	32,485	25.06467	2.521724
Stock price	138	50,000	36500,000	1377.41304	3942,305926
Valid N (listwise)	138				

Variable growth sales show an average value of 0.09182. The maximum value of 9.654 was at PT Nusa Raya Cipta Tbk in 2019. The minimum value was -0.999 at PT Modernland Realty Tbk in 2019 and PT Plaza Indonesia Realty Tbk in 2017. Standard value deviation of 0.936080. Operating cash flow variables show the average value is 25.06467. The maximum value amounting to 32,485 was at PT Lippo Karawaci Tbk in 2017. The minimum value of 15,275 was at PT Metro Realty Tbk in 2017. Standard value deviation amounting to 2.521724. Price variables share showing the average value is 1377.41304. Maximum value amounting to 36500,000 is at PT Metropolitan Kentjana Tbk in 2017. The minimum value of 50,000 is at PT Bhuawanatala Indah Permai Tbk in 2019, PT Gading Development Tbk in 2019, and PT Nusa Construction Engineering Tbk in 2018 and 2019. Standard value deviation amounting to 3942.305926.

This testing aims to show how One variable is independent individually in explaining the dependent variable. Below are results testing the hypothesis using analysis multiple linear regression, namely as following

Table 2. Partial Test (T-test)

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,135	,449		4,753	,000
	Growth Sale	,609	,166	,323	3,671	,000
	Operating Cash Flow	,073	,035	,144	2,108	,037

The results of this research also show that growth sales are influential on price share. The results of this research are supported by the previous discussion, which states that growth sales will influence the profit of the company if sales increase from year to year. Apart from influencing profit, it will also create a good image for the company itself. If the level rotation supply is high, then the profit company will tall, so will growth high sales will increase income as well, and operating profit will also increase, which will give rise to profits obtained (Agus Ristono 2013:25). According to Andriasari et al. (2016) stated that the more tall growth sale reflect that company experiences big growth. Companies that experience great growth will make investors interested in buying a share company; that's where it gets more and more investors' interest in buying shares, followed by a high-price share. That matter is supported by Natalia Debora Kumayas et al. (2018), who stated that growth sales are influential, positive, and significant to price share.

The results of this research are in line with the results of previous research conducted by Aweq et al. (2017) and Kumayas et al. (2016). The results of the research show that growth sales influence price share. Temporary The results of this research are not in line with the results of previous research conducted by Atmanegara (2017), Wijaya and Utama (2014), and Fransiska (2016). The results of the research show that growth sales do not affect price share. Growth value high sales describe its height level sale company. Enhancement mark growth is caused by increased activity production, effective and efficient marketing, high activity sales, and other factors. Growth value low sales describe low-level sales company. Decline mark growth sales are caused by the

decline in activity production, lack of effective and efficient marketing, activity sales, lots of competitors' products, and other factors.

The results of this research also show that operating cash flow is influenced by price share. The results of this research are supported by the previous discussion, which states that activity operation is the main earning activity income for other entities and activities that are not investment activities and activities funding. Activity operation covers activities that produce goods or services for sale. Therefore, the cash flow, in general, originates from transactions and other events that affect net profit or loss. The higher the operating cash flow information, the more companies accept investor confidence in the company; on the contrary, Negative cash flow reflects companies that are not good for investors because operating cash flow can be interpreted as a company that cannot generate sufficient cash to finance its activity operations that will impact on results profit or profit that will be obtained company. Research conducted by Nurhadi Santoso and Sodikin Manaf (2019) on variables of Operational Cash Flow shows that there is a significant connection to price share.

The results of this research are in line with the results of previous research conducted by Santoso and Manaf (2019) and Pahmi (2018). The results of the research show that operating cash flow is influenced by price share. Temporary The results of this research are not in line with the results of previous research conducted by Kumayas et al. (2016), Wahyuningsih et al. (2018), and Putri (2019). The results of the research show that operating cash flow does not affect price share.

5. Conclusion

This study investigated the impact of sales growth and operating cash flow on the valuation of shares of publicly traded property, real estate, and building construction companies on the Indonesia Stock Exchange from 2017 to 2019. Throughout this period, the examination revealed significant variations in both the rates of sales growth and the levels of operating cash flow. Significant increases in growth rates indicated strong sales performance within the organizations, whilst lower values indicated either stagnation or decline. Likewise, higher levels of operating cash flow showed strong operational operations, while lower figures indicated possible difficulties in accessing liquid assets. These findings emphasize the dynamic nature of the Indonesian market across different industries and underscore the need to consider sales growth and cash flow in investment evaluations.

However, it is essential to acknowledge the limitations of this study, such as its reliance on historical data and the possibility of unaccounted exogenous variables. To address these limitations, a more thorough examination might be conducted by exploring other variables and conducting longitudinal research. This would provide a more comprehensive understanding of the factors that influence share prices in these businesses. Despite its limits, the results of this study offer valuable guidance for investors and enterprises navigating the complexities of the property, real estate, and building construction industries in Indonesia. They possess the capacity to offer significant perspectives for making strategic decisions and aid stakeholders in adapting to evolving market conditions.

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