THE EFFECT OF OPERATING CASH FLOW, ACCOUNTING PROFIT, AND COMPANY SIZE ON STOCK RETURNS IN MANUFACTURING COMPANIES IN THE BASIC MATERIAL SECTOR LISTED ON THE IDX IN 2020-2021

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Abstract

This study aims to investigate the influence of Operating Cash Flow, Accounting Profit, and Company Size on Stock Returns. The data collection method employed in this research is the documentation study method. The population in this study comprises basic material companies listed on the Indonesia Stock Exchange (IDX) in 2020-2021, totaling 88 companies. Data were obtained by collecting annual financial report data from company websites on the Indonesia Stock Exchange (IDX). This research utilizes purposive sampling techniques, resulting in a sample of 52 companies that meet the specified criteria. Data analysis techniques employed include multiple linear regression analysis, descriptive statistical analysis, prerequisite analysis tests, classic assumption tests, and hypothesis testing. Multiple linear regression analysis reveals relationships among the variables. Descriptive statistical analysis provides an overview of each variable. Prerequisite analysis tests confirm the normal distribution of data. Classic assumption tests confirm that the data are acceptable. The research findings indicate that company size has a positive influence on stock returns, while operating cash flow and accounting profit do not significantly affect the company's value. Furthermore, the coefficient of determination in this study is 1.5%, indicating the ability of operating cash flow, accounting profit, and company size to influence stock returns, while the remainder is influenced by other unexamined factors. This research aims to enhance future company value and suggests that future researchers explore different indicators or company size factors that affect stock returns.

Keywords: Accounting Profit, Basic Material Sector, Company Size, Operating Cash Flow, Stock Return

1. INTRODUCTION

Basically, a company needs funding to finance its operations. This funding can be obtained from internal sources derived from company profits. Additionally, companies also acquire capital from external sources outside of their operational activities, such as bonds, mutual funds, stocks, and other products. In relation to external funding, the public or investors play a vital role in advancing the company. The foundation that investors have in their investments is to utilize excess funds, establish business relationships, and profit from investment activities.

Investment plays a crucial role in economic recovery during the pandemic, as explained by BPKM/Ministry of Investment, one of the roles of investment is to increase

Gross Domestic Product (GDP). The manufacturing sector is vital to the Indonesian economy, especially its contribution to Gross Domestic Product (GDP). However, the weak national economic growth figures in 2020 had an impact on the manufacturing industry in Indonesia.

Based on data from indoanalisis.co.id, the overall performance of the manufacturing sector witnessed a decline of 2.10 percent for the first semester of 2020 (year-on-year). In the second quarter of 2020 compared to the second quarter of 2019, there was a decrease of 6.19 percent. The decline in the manufacturing sector was due to a decrease in demand for goods both domestically and internationally, as well as disruptions in supply and shipping caused by the spread of the Covid-19 pandemic in Indonesia and various countries worldwide. Within the manufacturing sector, many industry groups experienced both declines and growth.

For the cumulative performance (year-on-year) for the first semester of 2020 compared to the first semester of 2019, there were 5 industry groups that continued to experience growth. Among them, the Chemical, Pharmaceutical, and Traditional Medicine industry experienced growth of 7.12 percent. This growth was attributed to the increasing demand for medicines, both pharmaceutical and traditional, as people sought to boost their immune systems during the Covid-19 era. Besides the chemical and pharmaceutical industries, the Basic Metals industry continued to grow by 3.39 percent. The Paper and Printing industry also saw growth with a value of 2.76 percent. Interestingly, the Food and Beverage industry also experienced growth of 2.03 percent, despite many restaurants and eateries being required to close due to the Covid-19 pandemic. This growth in the industry was possible due to a shift in food ordering methods from restaurants to online platforms.

While there were 5 industry groups that maintained positive growth, there were 11 industry groups that experienced contraction or decline. Based on the graph above, it is evident that the Transportation Equipment industry experienced the largest contraction or performance decline, at 14.77 percent. This was due to a decrease in interregional trade transactions, leading to the suspension of many transportation activities. The second-largest decline in the manufacturing sector was in the Machinery and Equipment industry, at 11.29 percent. This was followed by the Textile and Ready-made Clothing industry, which experienced a decline of 7.90 percent. The Furniture industry, which largely targeted foreign markets, also experienced a performance decline of 5.00 percent in the first semester of 2020. Additionally, the Leather, Leather Goods, and Footwear industry were affected by the Covid-19 pandemic and experienced a performance decline of 4.45 percent.

The national manufacturing industry's performance saw a significant decline in March 2020, marked by the weakening Manufacturing Purchasing Managers Index (PMI) in the manufacturing sector, which dropped from 51.9 in February to 45.3 in March and plummeted to its lowest level of 27.5 in April. This was also accompanied by the decline of the Indonesia Stock Exchange (IDX) to its lowest point of 3,397. This figure was the lowest since June 28, 2012. Moreover, the index experienced several declines of up to 5%, ultimately leading to the Indonesia Stock Exchange (IDX) implementing trading halts for 30 minutes (trading halt) seven times a year. One of the sectors that also saw a significant decline was the basic materials sector.

The Stock Index in the basic materials sector reached its lowest point in March 2020. This was due to the entry of the Covid-19 pandemic and the implementation of

Large-Scale Social Restrictions (PSBB), which reduced the purchasing power of the public. Consequently, this indirectly impacted the performance of the basic materials sector.

However, the PMI index closed 2020 at 51.3 points. With this, the industrial sector became the largest contributor to Gross Domestic Product (GDP) at 19.86%. Indonesia's manufacturing PMI figure throughout 2021, in general, remained at an expansive level, except for July and August due to social activity restrictions. However, Indonesia's manufacturing PMI index in December 2021 stood at 53.5. Although slightly lower than the previous month's 53.9, this figure was still considered to be at an expansive level. The increase in the manufacturing index, considered expansive, became a positive sentiment that ultimately encouraged investors to continue investing in manufacturing companies.

Stocks are defined as securities that indicate ownership in a company, granting stockholders the right to claim dividends and company assets with priority after the claims of other stockholders have been met in case of liquidity issues (Rahmasari, 2014). Stock returns can be considered as an indicator of a company's value, which in the eyes of investors reflects the level of success in managing the company or its performance (Sarifudin & Manaf, 2016). Stock returns are divided into two types: realized returns and expected returns. Realized returns are based on historical data, while expected returns are uncertain and represent what investors hope to achieve. Several factors influence stock returns, including operating cash flow, accounting profit, and company size.

Operating cash flow is derived from the company's primary revenue-generating activities (Harahap, 2011). Therefore, this cash flow typically comes from transactions and other events that affect the determination of net profit or loss. Positive operating cash flow reflects good company performance and is an indicator of whether the company's operational activities can generate sufficient cash for its financing needs. Accounting profit represents the difference between income from transactions in a given period and historical costs (Belkaoui, 2007). Increasing accounting profit can send a positive signal to investors about the prospects and future performance of the company, making investors interested in buying its shares. This activity can lead to an increase in stock prices and, ultimately, higher stock returns.

Company size is a scale by which companies can be classified as large or small based on various criteria, including revenue, total assets, and total capital (Basyaib, 2007). Larger companies tend to attract investors because they are perceived as capable of generating profits and have sufficient fixed assets to serve as collateral. Consequently, investors feel safe investing in them, leading to higher stock prices and, in turn, higher stock returns.

Previous research by (Ander et al., 2021) using the variable of operating cash flow towards stock returns found results indicating that operating cash flow has a positive and significant impact on stock returns. However, according to (Tumbel et al., 2017), who also used operating cash flow and stock return variables, operating cash flow does not significantly influence stock returns. The lack of a significant impact may be because investors do not use operating cash flow information as a basis for investment decisions.

Furthermore, recent research by (Purwanti et al., 2015) using the variable of accounting profit towards stock returns found results indicating that accounting profit has a positive and significant impact on stock returns. The portion of profit obtained by the company from operational activities is eventually distributed to shareholders as

dividends. However, in another study conducted by (Rachmawati, 2016) using the variable of accounting profit towards stock returns, it was found that accounting profit does not significantly influence stock returns.

On the other hand, research conducted by (Astuti & Hamzah, 2017) using the variable of company size towards stock returns found results indicating that company size has a significant negative impact on stock returns. Smaller companies tend to have higher returns, a phenomenon commonly referred to as the size effect. However, research by (Aerlangga, 2019) using the variable of company size towards stock returns indicated that company size does not have a significant impact on stock returns, as factors influencing a company's growth are not solely determined by its size. Based on the background and research gap mentioned above, this study aims to investigate the impact of operating cash flow, accounting profit, and company size on stock returns in the manufacturing companies within the basic materials sector for the years 2020-2021.

2. LITERATURE REVIEW
2.1. Signaling Theory
According to (Purwanti et al., 2015), Signaling Theory is a theory that explains why companies have an incentive to provide financial statement information to external parties. These external parties include creditors, investors, and other information users.

2.2. Stock Returns
According to (Jogiyanto, 2013), returns are the results obtained from investments. Returns can be in the form of realized returns, which have already occurred, or expected returns, which have not yet occurred but are anticipated in the future.

2.3. Operating Cash Flow
According to (Sukamulja, 2021), the cash flow statement is a part of a company's financial statement that shows the inflow and outflow of cash generated by the company during an accounting period. The company's cash flow statement provides information such as the amount of cash received, including cash income and cash investments from owners, the amount of cash disbursed by the company, including expenses, debt payments, and cash dividend payments. The benefit of the information contained in the cash flow statement includes serving as an indicator of future cash flows, evaluating the accuracy of previously made cash flow estimates, and serving as a tool for tracking cash inflows and outflows during the reporting period.

2.4. Accounting Profit
According to (Belkaoui, 2007), accounting profit is the difference between income from transactions in a period and historical costs. (Yocelyn & Christiawan, 2012) defines accounting profit as the difference between income realized from transactions during a period and the costs related to that income.

2.5. Company Size

According to (Basyaib, 2007), company size is a scale that classifies the size of a company based on various criteria, including revenue, total assets, and total capital. The larger the company's revenue, total assets, and total capital, the stronger the company is perceived to be.

2.6. Impact of Operating Cash Flow on Stock Returns

According to (Pratiwi & Putra, 2015), operating cash flow is a crucial element that investors need when making investment decisions. The more efficient the market, the more convincing the information about increased operating cash flow activity can be in enhancing stock returns.

According to (Putra & Widyaningsih, 2016), operating cash flow can provide a positive signal to investors about the future prospects and performance of the company through its operational activities, attracting investors to buy the stock.

According to (Abdullah, 2016), a company's ability to generate and increase cash flow from operating activities influences investor expectations of receiving cash flow in each period. This can attract investors to invest in the company, ultimately affecting stock returns. Research by (Abdullah, 2016; Rahmanda Putra & Widyaningsih, 2016; Tinangon & Walandouw, 2017) indicates that operating cash flow has a positive impact on stock returns.

2.7. The Influence of Accounting Profit on Stock Returns

Profit is the difference between income and cost of goods sold. The profit and loss statement is a report that assesses a company's operational success over a specific period. Companies have the ability to distribute profits, which tend to increase the stock's value. The higher the company's profits, the larger the dividends it can distribute, positively impacting stock returns (Christiawan, 2012). A higher accounting profit value can lead to a positive reaction, with stock returns increasing because the company is perceived to have good performance and can provide good returns to investors (Endang Masitoh W., Sri Purwanti, Yul Chomsatu, 2015).

An increase in a company's accounting profit attracts investors to invest. Sustained increases in accounting profit are expected to yield greater returns for investors. This will result in changes in stock prices, ultimately affecting stock returns (Genada & Subkhan, 2018). Research conducted by (Darmayanti, 2018; Tumbel et al., 2017) shows that accounting profit has a positive impact on stock returns.

2.8. The Influence of Company Size on Stock Returns

Company size can be measured using total assets, sales, or company capital. One measure that indicates the size of a company is its total assets. The larger the total assets, the more capable the company is of generating profits. Furthermore, if a company's ability to generate profits increases, the stock price will rise (Adiwiratama, 2012). The willingness of investors to buy shares in a large-sized company will result in an increase in the company's stock price and can increase stock returns (Sartono, 2010).

The size of a company's market capitalization is a risk factor to consider when calculating the level of stock return (Husein & Mahfud, 2015). A large company size

builds investor trust in a company. Increased investor confidence will boost demand for shares and ultimately raise stock prices and stock returns (Ganerse & Suarjaya, 2014).

Company size can be measured by total assets, sales, or company capital. These three variables are used to determine company size because they can represent it. The larger the property, the more capital invested, the more turnover, the more money in circulation, and the more well-known in society. Company size can be determined by the total assets of the company using the natural logarithm of total assets. Large companies are considered less risky because they have better access to the capital market, making it easier to raise additional funds for dividend payments. Research by (Andriana et al., 2016; Pratiwi & Putra, 2015; Runi Astuti, 2017) shows that company size has a positive impact on stock returns.

2.9. The Influence of Operating Cash Flow, Accounting Profit, and Company Size on Stock Returns

Stocks can be defined as a sign of ownership participation by individual or institutional investors in their investments in a company. Stock return is usually associated with a company's income/profit. The good quality of a company's performance is valuable for the company and is marked by high stock returns. However, stock returns are subject to fluctuation and are difficult to predict. Financial statements are one source of financial information about a company, containing information about the financial position, financial performance, and cash flow of the entity, which is useful for investors in making investment decisions.

Important information obtained from financial statements includes operating cash flow information, operational activities originating from transactions and other events that affect the determination of net income or loss, and are indicators that determine whether a company's operations can generate sufficient cash to repay loans, maintain the company's operational capacity, pay dividends, and make new investments without relying on external sources of funding. Accounting profit is defined as an increase in economic benefits during the accounting period in the form of an increase in assets or a decrease in liabilities resulting in an increase in equity that is not derived from capital contributions, in addition to assessing accounting profit performance can also be used to predict profit capabilities and estimate risks in investment (Christiawan, 2012).

In addition to operating cash flow and accounting profit, the size of a large company will easily obtain additional funds in the capital market compared to small companies (Sartono, 2010), because investors have more confidence in large companies to invest their excess funds because large companies make investors confident in their business continuity, making it safer and less likely to go bankrupt than investing in small companies.

In this study, several hypotheses are proposed, namely**:**

Ha1: There is an effect of operating cash flow on stock returns

Ha2: There is an effect of accounting profit on stock returns

Ha3: There is an effect of company size on stock returns

Ha4: There is an effect of operating cash flow, accounting profit, and company size on stock returns.

3. RESEARCH METHODS

This research was conducted on manufacturing companies in the basic materials sector on the Indonesia Stock Exchange during the period of 2020-2021 using the electronic research method to obtain additional information accessible through the website www.idx.co.id. The data used consisted of the annual financial reports of the companies. The research was carried out from October 2022 to June 2023.

The population in this study comprised 98 listed manufacturing companies in the basic materials sector on the Indonesia Stock Exchange with a 2-year observation period. This study used purposive sampling, which is a data source sampling technique based on specific considerations (Helaluddin & Wijaya, 2019). This method was chosen because it is relevant to the research, and the sample in this study met the following criteria:
a. Manufacturing companies in the basic materials sector listed on the Indonesia Stock Exchange in 2020-2021.
b. Manufacturing companies in the basic materials sector that submitted financial reports for 2020-2021 containing data and information usable in this study and whose financial reports were audited and accompanied by independent auditor reports.
c. Manufacturing companies in the basic materials sector that submitted financial reports and made a profit in 2020-2021.

The research approach used in this study is quantitative research. Quantitative research is a research method that uses deductive logic to investigate the relationships between phenomena or events occurring in society. This method aims to obtain results presented numerically, relying on empirical components called variables (Sudaryono, 2016). The data used are numeric and can be processed using statistical calculation techniques. The analysis method was conducted using the E-Views version 12 program.

This research aims to analyze the influence of Operating Cash Flow, Accounting Profit, and Company Size on stock returns in manufacturing companies on the Indonesia Stock Exchange in 2020-2021. The data used in this research is secondary data, as defined by (Tersiana, 2018), which can be obtained from records, books, government reports, and other sources without the need for further processing. The data collection technique used in this research is a documentary study, involving the search for the annual financial reports of financial sector companies that met the specified criteria through the official website of the Indonesia Stock Exchange (BEI).

4. RESULTS AND DISCUSSION

4.1. Result

4.1.1. Regression Model Testing

This study uses panel data analysis techniques. The first step will be to test the panel data regression model with three choices of regression test models, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Testing is done to choose the best model to be used in this study. There are three tests that can be done to determine the best model, namely the Chow Test, Hausman Test, and Lagrange Midtiplier Test. The Chow test determines the data regression model carried out by the panel for between the Common Effect Model (CEM) and the Fixed Fject Model

(FEM). The Hausman test is used to test the panel data regression model between the Fixed Effect Model (FEM) and the Random Effect Model (REM). And the Lagrange Multiplier Test is conducted to determine the panel data regression model between the Common Effect Model (CEM) and the Random Effect Model (REM). In determining the right choice of model, researchers use Eviews 12 software. In this model selection test, the data used is data that has been tested for outliers.

A. Chow Test

Based on the table, the Chow test results in this study show a cross section F-probability value of 0.7909 and a cross section Chi-square of 0.0612, these results are greater than 0.05 significance. So, it is concluded that the Common Effect Model (CEM) is better than the Fix Effect Model (FEM) in the Chow test, so H0 is accepted, H1 is rejected.

Table 1. Chow Test Result

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.834978	(82,80)	0.7909
Cross-section Chi-square	102.645136	82	0.0612

B. Hausman Test

Table 2. Hausman Test Result

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq.Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.659969	3	0.0836

Based on the table, the results of the Hausman test in the study obtained a cross section probability value f of 0.0836 these results are greater than the significance of 0.05. So, it is concluded that the Random Effect Model (REM) is compared to the Fix Effect Model (FEM) in the Hausman test, so H0 is accepted and H1 is rejected, then the Lagrange Multiplier Test will be carried out.

C. Lagrange Multiplier Test

Table 3. Lagrange Multiplier Test Result

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Tw o-sided (Breusch-Pagan) and one-sided
(all others) alternatives

Test Hypothesis	Cross-section	Time	Both
Breusch-Pagan	1.088188	8.599001	9.687189
	(0.2969)	(0.0034)	(0.0019)
Honda	-1.043163	2.932405	1.335896
	(0.8516)	(0.0017)	(0.0908)
King-Wu	-1.043163	2.932405	2.800185
	(0.8516)	(0.0017)	(0.0026)
Standardized Honda	-0.992060	6.969298	-6.865675
	(0.8394)	(0.0000)	(1.0000)
Standardized King-Wu	-0.992060	6.969298	2.797741
	(0.8394)	(0.0000)	(0.0026)
Gourieroux, et al.	--	--	8.599001
			(0.0051)

Based on the table, the results of the Lagrange Multiplier test in the research yielded a probability value of the Breusch-Pagan cross-section test of 0.2969. This result is greater than the significance level of 0.05. Therefore, H0 is accepted, or it can be concluded that the Common Effect Model (CEM) is selected as the best model in this research.

4.1.2. Classical Assumption Test
A. Normality Test

Based on the analysis results, the probability value is $0.000000 < 0.05$, which means that the data is not normally distributed (Napitupulu et al., 2021). The way to address non-normally distributed data is by data transformation and outlier detection (Basuki & Yuliadi, 2014). In this case, the researcher performed outlier detection. The probability value is $0.001974 < 0.05$, indicating that the data is not normally distributed (Napitupulu et al., 2021: 140). The way to address non-normally distributed data is by data transformation and outlier detection. In this case, the researcher performed outlier detection. The probability value is $0.063340 > 0.05$, indicating that the data is normally distributed.

B. Multicollinearity Test

The multicollinearity test aims to examine whether there is a high correlation between independent variables in the regression model (Ghozali, 2018). Based on the calculations in the table, it can be seen that the correlation coefficients of X1 and X2 are $0.17228 < 0.85$, X1 and X3 are $0.104561 < 0.85$, and X2 and X3 are $-0.060854 <$

0.85. It can be concluded that there is no multicollinearity, or the multicollinearity test has passed.

C. Heteroscedasticity Test

The criteria for a good test are the absence of heteroscedasticity (Ghozali, 2018). The decision criteria for testing heteroscedasticity consider the p-value of the t-statistic (t-value) of the independent variables. H0 is accepted if the p-value is greater than 0.05, indicating homoscedasticity. Conversely, H0 is rejected if the probability value is less than 0.05, indicating signs of heteroscedasticity. Based on the table, the probability values of the independent variables are greater than 0.05, meaning that H0 is accepted, and there is no evidence of heteroscedasticity.

4.1.3. Hypothesis Testing

A. Panel Data Regression Equation

The panel data regression equation used by the researcher aims to estimate the dependent variable when the independent variables increase or decrease. Here are the results of the Common Effect Model (CEM) panel data regression conducted by the researcher.

Table 4. Common Effect Model Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.510648	0.458015	-1.114916	0.2665
X1	0.002084	0.011152	0.186856	0.8520
X2	0.003773	0.005543	0.680691	0.4970
X3	0.040880	0.018048	2.265019	0.0248
R-squared	0.033787	Mean dependent var		0.511705
Adjusted R-squared	0.015894	S.D. dependent var		1.064871
S.E. of regression	1.056375	Akaike info criterion		2.971364
Sum squared resid	180.7803	Schw arz criterion		3.046352
Log likelihood	-242.6232	Hannan-Quinn criter.		3.001802
F-statistic	1.888273	Durbin-Watson stat		2.202468
Prob(F-statistic)	0.133635			

The regression equation based on data processing is observed from the coefficient values. The equation from this study is $Y = -0.51 + 0.002X1_{it} + 0.03X2_{it} + 0.04*X3_{it}$. From the above equation, it can be interpreted that operating cash flow has a positive effect on stock return, accounting profit has a positive effect on stock return, and company size has a positive effect on stock return.

Based on the regression equation, it can be concluded that if the variables operating cash flow, accounting profit, and company size have constant values of 0, the variable Y (stock return) will be -0.51. If variable X1 (Operating Cash Flow) increases by 1%, the variable Y (stock return) will increase by 0.02%. If variable X2 (Accounting Profit) increases by 1%, variable Y will experience an increase of 0.03%, and if variable X3 (Company Size) increases by 1%, variable Y will experience an increase of 0.04%.

B. T-Statistic Test

Table 5. T Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.510648	0.458015	-1.114916	0.2665
X1	0.002084	0.011152	0.186856	0.8520
X2	0.003773	0.005543	0.680691	0.4970
X3	0.040880	0.018048	2.265019	0.0248

Based on the results of the t-statistic test, it shows that the operating cash flow variable does not affect stock return because the value of stock return is 0.85, which is greater than 0.05. Similarly, the accounting profit variable also does not affect stock return because its value is greater. However, the company size variable does affect stock return because the value of stock return is smaller than the significance level of 0.05.

C. F-Statistic Test

Table 6. F. Test Result

R-squared	0.033787	Mean dependent var	0.511705
Adjusted R-squared	0.015894	S.D. dependent var	1.064871
S.E. of regression	1.056375	Akaike info criterion	2.971364
Sum squared resid	180.7803	Schw arz criterion	3.046352
Log likelihood	-242.6232	Hannan-Quinn criter.	3.001802
F-statistic	1.888273	Durbin-Watson stat	2.202468
Prob(F-statistic)	0.133635		

Based on the testing in the table, it can be seen that the calculated F-statistic probability value is 0.13. Calculated with 95% confidence, where alpha is 0.05. The probability value is greater than 0.05, indicating that the three independent variables do not collectively affect the dependent variable simultaneously. The F-value table is determined based on the degrees of freedom (df) of 1 and 2. df 1 is calculated using the formula k-1, where k is the number of variables, so df1 is 4-1 = 3, and df 2 is calculated using the formula n-k, where n is the number of observation samples, so df 2 is 83-4 = 79.

Based on the known degrees of freedom, the obtained F-table value is 3.11. Therefore, it can be concluded that the calculated F-value of 1.88 is smaller than the F-table value of 3.11. This means that in this study, the model test does not have an effect.

D. Coefficient of Determination

Table 7. Determination Coefficient Test Result

R-squared	0.033787	Mean dependent var	0.511705
Adjusted R-squared	0.015894	S.D. dependent var	1.064871
S.E. of regression	1.056375	Akaike info criterion	2.971364
Sum squared resid	180.7803	Schw arz criterion	3.046352
Log likelihood	-242.6232	Hannan-Quinn criter.	3.001802
F-statistic	1.888273	Durbin-Watson stat	2.202468
Prob(F-statistic)	0.133635		

From the table above, it can be seen that the adjusted R-squared value is 0.015894. Adjust R-squared value is an adjustment of R Squared by the number of independent variables. In this study, the Adjust R square result is 0.015, meaning that the dependent variable, namely stock returns, shows that operating cash flow, accounting profit and company size to explain the company variable simultaneously by 1.5%.

4.2. Discussion

4.2.1. Cash Flow from Operations on Stock Return

The panel data analysis results indicate that cash flow from operations has a positive effect on stock return. Based on the t-test results for the cash flow from operations variable, a t-value of 0.18 is obtained, which is smaller than the t-table value of 1.98, and it has a probability value of 0.85, which is greater than the significance level of 0.05. This means that the cash flow from operations variable does not have a significant impact on stock return. The positive value in the t-value indicates a positive relationship between the variables. Therefore, it can be concluded that the cash flow from operations variable has a positive and directional effect, meaning that an increase in cash flow from operations leads to an increase in stock return.

Cash flow from operations, which is the primary source of company income (principal revenue activities) and other activities that are not investment and financing activities, generally comes from transactions and other events that affect the determination of net profit or loss. It is an indicator that determines whether a company's operations can generate sufficient cash to repay loans, maintain the company's operational capability, pay dividends, and make new investments without relying on external sources of funding. When related to other financial statements, the cash flow statement provides valuable information to users of financial statements in evaluating changes in the net worth or equity of an entity reporting on a company. (Sukamulja, 2021).

This research is in line with the research conducted by (Tinangon & Walandouw, 2017), which concluded that there is a positive but not significant effect between accounting profit and cash flow from operations on stock return. Then, research conducted by (Abdullah, 2016) shows a regression coefficient of 0.318, and the significance value obtained from the t-test is 0.75, which is greater than 0.05. The conclusion is that changes in cash flow from operations significantly affect stock return.

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4.2.2. Accounting Profit on Stock Return

The panel data analysis results show that accounting profit has a positive effect on stock return. Based on the t-test results for the accounting profit variable, a t-value of 0.68 is obtained, which is smaller than the t-table value of 1.98, and it has a probability value of 0.49, which is greater than the significance level of 0.05. This means that the accounting profit variable does not have a significant impact on stock return. The positive value in the t-value indicates a positive relationship between the variables. Therefore, it can be concluded that the accounting profit variable has a positive and directional effect, meaning that an increase in accounting profit leads to an increase in stock return.

Based on the explanation above, it is in line with the theory (Christiawan, 2012) that profit is an income reducer that deducts the cost of goods sold. The profit and loss statement is a report that calculates the success of a company's operations in a certain period. Companies have the ability to generate profits, which tend to increase the value of their stocks. The greater the company's profit, the larger the dividends it can distribute, which positively affects stock return. This result is in line with research conducted by (Razak & Syafitri, 2018), which found that accounting profit does not significantly affect stock return.

Furthermore, the research conducted by (Natanael, 2021) found that accounting profit does not significantly affect stock return. In addition, the research conducted by (Handoko & Afiezan, 2020) resulted in a significance value of 0.723, which is greater than 0.05. Therefore, the conclusion is that accounting profit does not have a significant effect on stock return.

4.2.3. Company Size on Stock Return

The panel data analysis results show that company size has a negative effect on stock return. Based on the t-test results for the company size variable, a t-value of 2.2 is obtained, which is greater than the t-table value of 1.98, and it has a probability value of 0.02, which is smaller than the significance level of 0.05. This means that the company size variable has a significant and negative relationship with stock return. The negative value in the t-value indicates a negative relationship between the variables (Parlina et al., 2022). Therefore, it can be concluded that company size has a negative and significant effect on stock return in the Basic Material sector manufacturing companies.

This result is in line with the theory (Hery, 2015) that the size of a company will affect its ability to withstand risks that may arise from various situations. Larger companies have lower risks than smaller companies because larger companies have better control over market conditions, allowing them to cope with economic competition. This research finding is also consistent with research conducted by (Runi Astuti, 2017), which found a strong relationship between company size and stock return. It concluded that company size, when proxied by market capitalization, has a significant positive effect on stock return, meaning that larger companies pay larger dividends.

4.2.4. Impact of Cash Flow from Operations, Accounting Profit, and Company Size on Stock Return

Based on the test results, the F-statistics probability value is 0.13, calculated with 95% confidence and an alpha level of 0.05. The probability value is greater than 0.05, indicating that the three independent variables do not collectively affect the dependent variable. Financial statements are one of the sources of financial information for companies that contain information about financial position, financial performance, and cash flows of entities that are useful for investors in making investment decisions. One important piece of information obtained from financial statements is cash flow from operations, which comes from transactions and other events that affect the determination of net profit or loss and is an indicator of whether a company can generate sufficient cash from operations to repay loans, maintain operational capabilities, pay dividends, and make new investments without relying on external funding sources.

However, this study does not align with the theory (Adiwiratama, 2012), which suggests that the larger the total assets, the more a company can generate profits. In addition, if a company's ability to generate profits increases, its stock price will increase. This study also contradicts research conducted by (Natanael, 2021), which found that accounting profit (X1) and cash flow from operations (X2) do not significantly affect stock return.

5. CONCLUSION

This study indicates that within the context of manufacturing companies in the basic materials sector in 2020-2021, operating cash flow and accounting profit, separately, do not significantly influence stock returns. On the other hand, company size positively and significantly affects stock returns, indicating that investors tend to have more confidence in larger companies, potentially increasing stock demand, prices, and ultimately, stock returns. However, collectively, operating cash flow, accounting profit, and company size do not significantly explain variations in stock returns. Therefore, decision-making related to a company's value should consider other factors that may affect stock performance and company value.

Additionally, this research reveals several critical findings regarding the factors influencing a company's value in the basic materials sector. Firstly, the data indicates that many companies in this sector have not fully utilized their asset potential, particularly concerning operating cash flow, which tends to be in the lower classes. Some companies even incur greater losses compared to their assets. Secondly, the ratio of accounting profit to company capital also suggests that most companies still have relatively low profit levels, potentially indicating lower risk. To enhance a company's value, it is crucial for companies to explore ways to increase revenue and efficiently utilize their assets. Lastly, the results show that the book value per share is higher than the stock price, which can be attractive to profit-seeking investors. In decisions related to a company's value, businesses should consider strategies to maximize assets, improve operational efficiency, and maintain attractiveness to potential investors.

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