Taxation and Public Finance
e-ISSN: 3031-7665
Homepage: https://sanscientific.com/journal/index.php/tpf
3(2) 83-93 (2026)
https://doi.org/10.58777/tpf.v3i2.607

Research/Review Article

Examining the Differential Effects of Operating and Investing Cash Flows on Stock Returns: Evidence from an Indonesian Consumer Goods Company

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Received: 04-05-2026; Accepted: 16-06-2026

Abstract
This study investigates the influence of operating and investing cash flows on stock returns at PT Mayora Indah Tbk during the 2014–2022 period. The study is motivated by inconsistent findings regarding the ability of cash flow components to explain stock returns in the Indonesian capital market. While previous studies have reported mixed results, limited evidence exists from an in-depth analysis of a single publicly listed company over an extended observation period. Using a quantitative approach, this research analyzes secondary data obtained from the company's annual financial statements and stock price information published by the Indonesia Stock Exchange. The sample consists of PT Mayora Indah Tbk observed over nine years, enabling an assessment of the relationship between cash flow information and stock performance. The findings indicate that operating cash flow plays an important role in influencing stock returns because it reflects the company's ability to generate cash from core business activities and signals financial strength. In contrast, investing cash flow has a more limited effect on stock returns, as investor responses depend on the perceived effectiveness of investment decisions. This study contributes to signaling theory by demonstrating the relevance of operating cash flow in evaluating stock return prospects.

Keywords: Operating Cash Flow, Investing Cash Flow and Stock Return

JEL Classification: M21. H20. J13

How to cite: Leon, M., Paramitra, Y., (2026). Examining the Differential Effects of Operating and Investing Cash Flows on Stock Returns: Evidence from an Indonesian Consumer Goods Company, *Taxation and Public Finance (TPF) 3(2)*, 83-93

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1. Introduction

The development of Indonesia's capital market has shown a significant upward trend in recent years, both in the number of investors and in trading activity. Data from the Indonesian Central Securities Depository (KSEI) indicate a continuous increase in investor participation, reflecting growing public confidence in capital market instruments (KSEI, 2022). In addition, macroeconomic indicators, such as the Composite Stock Price Index (IHSG), have recovered following the COVID-19 pandemic, signaling improved economic stability and investment attractiveness (IDX, 2022). This phenomenon highlights the strategic role of capital markets as a source of long-term financing and a driver of national economic growth (Tandelilin, 2017).

In the context of investment, investors primarily aim to obtain optimal returns while managing associated risks. Stock returns may take the form of capital gains or dividends, both of which are strongly influenced by a company's financial performance (Horne & Wachowicz, 2019). Therefore, investors rely heavily on relevant and reliable information to support their decision-making processes, particularly financial statements. Financial reports not only describe a company's current financial condition but also signal its prospects (Hery, 2020). According to signaling theory, financial information disclosed by companies serves as a signal to external parties, influencing investor perceptions and investment decisions (Spence, 1973).

One of the most important components of financial statements is the cash flow statement, which provides detailed information about cash inflows and outflows during a specific period. Cash flow, especially operating and investing cash flow, is widely used as an indicator of a company's financial health (Kieso et al., 2018). Operating cash flow reflects a company's ability to generate cash from its core business activities, indicating sustainability and operational efficiency (Nursita, 2021). Meanwhile, investing cash flow refers to a company's allocation of resources for long-term growth, such as investments in fixed and other productive assets (Subramanyam, 2019).

Previous studies have produced mixed results regarding the relationship between cash flow components and stock returns. Several studies found that operating cash flow has a positive and significant effect on stock returns, as it indicates strong operational performance and profitability (Kasmiati & Santosa, 2019; Kipngetich et al., 2021). However, other studies suggest that investing cash flow does not significantly influence stock returns, as investors tend to prioritize short-term operational performance over long-term investment activities (Yuliarti & Diyani, 2018; Santoso, 2018). These inconsistent findings reveal a research gap that requires further investigation, particularly within the Indonesian context.

PT. Mayora Indah Tbk, one of the leading consumer goods companies listed on the Indonesia Stock Exchange, presents an interesting case for analysis. The company has demonstrated relatively stable sales growth over the years, despite experiencing fluctuations during the pandemic period (IDX, 2022). Furthermore, its stock price movements exhibit dynamic patterns that attract investor attention. These conditions make PT. Mayora Indah Tbk is a relevant subject for examining the relationship between cash flow components and stock returns, especially in the context of economic uncertainty.

Based on the above discussion, a significant research gap remains regarding the influence of operating and investing cash flows on stock returns, as prior studies have reported inconsistent and sometimes contradictory findings. Moreover, most existing studies use cross-sectional samples of multiple firms, which may mask firm-specific characteristics and limit a deeper understanding of how investors interpret cash flow information. Therefore, this study aims to examine the effects of operating and investing cash flows on stock returns at PT Mayora Indah Tbk during the 2014–2022 period. The study contributes to the literature by extending the application of Signaling Theory to explain how different cash flow components serve as financial signals that influence investor expectations and stock market performance. In addition, the research provides contextual evidence from an emerging capital market environment, where investor responses to accounting information may differ from those documented in developed markets. Methodologically, a longitudinal firm-level analysis enables a more comprehensive examination of the dynamic relationship between cash flow information and stock returns while reducing heterogeneity across firms and industries. Consequently, this study advances prior cash flow–stock return literature by offering a more nuanced understanding of the signaling value of operating and investing cash flows within a specific corporate and market context.

Despite the extensive literature examining the relationship between cash flow information and stock returns, empirical findings remain inconclusive, particularly regarding the relative importance of operating and investing cash flows in influencing investor behavior. Previous studies have predominantly relied on cross-sectional samples of multiple firms, which may obscure firm-specific characteristics and limit a deeper understanding of how the market interprets cash flow signals. This inconsistency highlights a research gap that warrants further investigation. PT Mayora

Indah Tbk provides a relevant context for addressing this issue because it is one of Indonesia's leading consumer goods companies with a long history of stable operations, active investment activities, and dynamic stock price movements, making it an appropriate setting for examining the signaling role of cash flow information. The focus on a single company allows for a more contextualized and in-depth analysis of the relationship between cash flow components and stock returns over time, reducing potential heterogeneity arising from industry and firm differences. Theoretically, this study contributes to signaling theory by providing evidence on whether operating and investing cash flows serve as credible signals that influence investor expectations and stock return performance. Therefore, the novelty of this study lies in its firm-specific longitudinal approach, which provides a more detailed understanding of the signaling value of cash flow information in an emerging capital market.

2. Literature Review and Hypothesis

Literature Review

Signaling Theory

Signaling theory explains how information asymmetry between management and external parties can be reduced through the signals the company conveys. Managers, who possess more complete information about the company's internal conditions and prospects, communicate this information to investors through financial disclosures (Santosa et al., 2022). These signals may influence investor perception and ultimately affect stock prices and returns. Financial statements, particularly cash flow information, are considered credible signals because they reflect a company's actual performance (Brigham & Houston, 2019). In the capital markets, investors interpret financial information as either a positive or a negative signal. Strong financial performance, such as stable operating cash flow, is perceived as a positive signal of the company's ability to generate sustainable income (Ross et al., 2018). Conversely, weak financial performance may signal potential risks, leading to lower investor confidence. Therefore, signaling theory is highly relevant for explaining how cash flow information influences stock returns (Connelly et al., 2021).

Operating Cash Flow

Operating cash flow represents the cash generated from a company's core business activities and serves as an important indicator of operational efficiency and financial sustainability (Kieso et al., 2018). It reflects the company's ability to generate sufficient cash to maintain operations, pay obligations, and distribute dividends without relying on external financing (Kasmiati & Santosa, 2019; Subramanyam, 2019). A positive and stable operating cash flow indicates that a company can generate real earnings, which is often considered more reliable than accounting profits (Dechow, 1994). Investors tend to pay close attention to operating cash flow because it provides insight into the company's liquidity and operational performance. Furthermore, strong operating cash flow enhances investor confidence and may increase demand for the company's stock (Hery, 2020).

Investing Cash Flow

Investing cash flows are cash flows associated with the acquisition and disposal of long-term assets and investments (Kieso et al., 2018). It reflects how a company allocates resources for future growth and expansion. Negative cash flow from investing is often interpreted as a positive sign, as it indicates that the company is investing in productive assets to generate future income (Santosa, 2020)(Subramanyam, 2019). However, the interpretation of cash flow from investing depends on the context and the efficiency of investment decisions. Inefficient investments may reduce firm value and negatively affect investor perception (Jensen, 1986). Therefore, investors carefully analyze cash flow to determine whether the company's investment activities will generate long-term benefits. This makes investing cash flow a crucial factor in evaluating a company's growth potential and future profitability (Penman, 2013).

Stock Return

Stock return represents the gain or loss obtained from an investment in shares, including capital gains and dividends (Horne & Wachowicz, 2019). It is one of the most important indicators for investors in evaluating investment performance. Stock returns are influenced by various internal

and external factors, including financial performance, macroeconomic conditions, and market sentiment ((Santosa, 2019; Tandelilin, 2017). Financial information, particularly cash flow and earnings, plays a significant role in determining stock returns. Investors use this information to assess the company's ability to generate future cash flows and profits (Fama & French, 2015). Therefore, understanding the relationship between financial variables such as operating and investing cash flows and stock returns is essential for both investors and researchers.

Hypothesis

The Effect of Operating Cash Flow on Stock Return

Operating cash flow is a key indicator of a company's operational performance and financial health. According to signaling theory, strong operating cash flow signals to investors the company's ability to generate sustainable income (Spence, 1973; Ross et al., 2018). This signal increases investor confidence and demand for the company's stock, which ultimately leads to higher stock returns. Empirical studies provide strong support for this relationship. Kasmiati and Santosa (2019) found that operating cash flow has a positive and significant effect on stock returns in Indonesian companies. Similarly, Kipngetich et al. (2021) reported that higher operating cash flow is associated with higher stock returns, driven by improved investor confidence. Dechow (1994) also emphasized that cash flow is a more reliable measure of firm performance than earnings, reinforcing its importance in investment decisions. Additionally, Rahmawati's (2018) research confirms that operating cash flow significantly influences stock returns. Based on theoretical arguments and empirical evidence, the following hypothesis is proposed:

H1: Operating cash flow has a positive and significant effect on stock return.

The Effect of Investing Cash Flow on Stock Return

Investing cash flow reflects a company's long-term investment decisions, which are crucial for future growth. According to financial theory, investment activities that enhance productivity and profitability are expected to increase firm value and stock returns (Jensen, 1986; Penman, 2013). Negative cash flow from investing, often associated with capital expenditures, can be interpreted as a positive signal of expansion and future earnings potential (Subramanyam, 2019). However, empirical findings on this relationship are mixed. Kasmiati and Santosa (2019) found that cash flow investment significantly affects stock returns, suggesting that investors consider investment activities in their decision-making.

In contrast, Yuliarti and Diyani (2018) reported that cash flow investment does not significantly affect stock returns, suggesting that investors may prioritize short-term performance. Santoso (2018) also found no significant effect of investing cash flow on stock returns. Meanwhile, Nursita (2021) highlights that the impact of investing cash flow depends on the effectiveness of the investment strategy. Based on the theoretical framework and mixed empirical evidence, the following hypothesis is proposed:

H2: Investing cash flow influences stock return.

The Effect of Operating Cash Flow and Investing Cash Flow on Stock Return

Operating and investing cash flows together provide comprehensive information about a company's financial performance and growth prospects. Operating cash flow reflects current performance, while investing cash flow indicates future growth potential (Kieso et al., 2018). According to signaling theory, the combination of these cash flow components provides a stronger signal to investors, influencing their investment decisions and stock returns (Connelly et al., 2011). Previous studies support the joint influence of these variables. Yahya and Butar-Butar (2019) found that operating and investing cash flows simultaneously affect stock returns. Nursita (2021) also reported that cash flow components collectively have a significant impact on stock returns. Abbas (2019) confirmed that financial variables, including cash flows, influence stock returns when analyzed simultaneously. Furthermore, Rahmawati (2018) showed that cash flow variables jointly affect stock return performance. Based on these arguments, the following hypothesis is proposed:

H3: Operating cash flow and investing cash flow simultaneously have a significant effect on stock return.

3. Data and Method

Data and Sample

This study employs a quantitative research approach using secondary data obtained from the financial statements of PT. Mayora Indah Tbk, which is publicly available through the Indonesia Stock Exchange (IDX) and financial reporting platforms. The population of this study comprises all financial data for companies listed on the Indonesian Stock Exchange. However, due to research limitations and the specific focus of this study, the sample is restricted to one company, namely PT. Mayora Indah Tbk, over the period 2014–2022.

The sampling technique used in this research is purposive sampling, in which samples are selected based on specific criteria relevant to the research objectives. These criteria include the availability of complete financial statements and stock price data during the observation period. The use of time-series data enables a more detailed analysis of the relationships among operating cash flow, investing cash flow, and stock returns over time (Gujarati & Porter, 2017).

Data Analysis Technique

The data analysis in this study uses several statistical techniques. First, descriptive statistics are used to provide an overview of the data characteristics, including the mean, minimum, maximum, and standard deviation. This analysis helps in understanding the general pattern of the variables (Hair et al., 2019). Second, classical assumption tests are conducted to ensure the validity of the regression model. These tests include normality, multicollinearity, autocorrelation, and heteroscedasticity tests. The purpose of these tests is to ensure that the regression model meets the Best Linear Unbiased Estimator (BLUE) criteria (Gujarati & Porter, 2017). Hypothesis testing is performed using t-tests to examine the partial effects of each independent variable and F-tests to analyze their simultaneous effects on stock return. The coefficient of determination (R^2) is also used to measure the model's explanatory power for variations in stock returns (Wooldridge, 2016).

4. Results

Normality Test

The normality test assesses whether the research data are normally distributed. The results of the normality test using the Kolmogorov-Smirnov method are presented as follows:

Table 1. Kolmogorov-Smirnov Normality Test

		Unstandardized Residual
N		36
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.16553898
Most Extreme Differences	Absolute	.124
	Positive	.124
	Negative	-.097
Test Statistic		.124
Asymp. Sig. (2-tailed)		.182[c]

Source: Data processed by SPSS 23

The results of the one-sample Kolmogorov-Smirnov (KS) test, listed in Table 1 above, show that the residuals have a normal distribution, as the Asymp Sig (0.182) is greater than 0.05.

Multicollinearity Test

The multicollinearity test assesses whether the independent variables in a regression model are highly or perfectly correlated.

Table 2. Multicollinearity Test Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.118	.435		2.569	.015		
	AKO	.052	.020	.404	2.555	.015	.955	1.047
	AKI	.018	.005	.156	.989	.330	.955	1.047

Source: Data processed by SPSS 23

The multicollinearity test results based on the Variance Inflation Factor (VIF) indicate that the operating cash flow (AKO) and investing cash flow (AKI) variables have VIF values of 1.047, both below 10.00, indicating no multicollinearity. Similarly, based on the tolerance values, both operating cash flow and investing cash flow have values of 0.955, which are greater than 0.10, further confirming that there is no multicollinearity among the independent variables.

Autocorrelation Test

The autocorrelation test examines whether, in a linear regression model, there is a correlation between the nuisance errors in period t and those in period t-1 (previous).

Table 3. Model Summary of Autocorrelation Test

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate	Durbin Watson
1	.463[a]	.214	.166	.78014	1.915

Source: Data processed by SPSS 23

Table 3 above shows the Durbin-Watson value of 1.915. This value is compared with the Durbin-Watson statistic for K = 2 and N = 36, yielding dL = 1.3537 and dU = 1.5872. These values can be interpreted as dU = 1.5872 < dW = 1.915 < 4 - dU = 2.4128. This pattern is consistent with decision-making, where dU < dW < 4 - dU indicates no autocorrelation.

Heteroscedasticity Test

The heteroscedasticity test aims to determine whether the variance of the residuals differs from one observation to another.

Table 4. Heteroscedasticity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.143	.018		7.813	.000
	AKO	-.001	.002	-.065	-.386	.702
	AKI	-.037	.021	-.293	-1.750	.089

Source: Data processed by SPSS 23

Based on Table 4 above, this study has a significant value of 0.702 for the two variables: AKO (Operating Cash Flow) and AKI (Investment Cash Flow), with a value of 0.089. Both p-values are greater than 0.05, indicating that the regression model in this study does not exhibit heteroscedasticity.

Model Test

Multiple linear regression was conducted to determine the direction and extent of the independent variables' influence on the dependent variable.

Table 5. Multiple Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.118	.435		2.569	.015		
	AKO	.052	.020	.404	2.555	.015	.955	1.047
	AKI	.018	.005	.156	.989	.330	.955	1.047

Source: Data processed by SPSS 23

The results of the multiple linear regression above can be used to formulate an equation for the factors influencing stock returns: Y = 1.118 + 0.052 AKO + 0.018 AKI. The constant obtained is 1.118, with a positive sign. Therefore, the constant value indicates that if the independent variables (Operating Cash Flow and Investment Cash Flow) are set to zero, then the dependent variable, the stock return, is 1.118. The regression coefficient for Operating Cash Flow is positive at 0.052. This indicates that a 1% change in operating cash flow will increase stock returns by 5.2%.

Table 6. Correlation Coefficient

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate	Durbin-Watson
1	.463[a]	.214	.166	.78014	1.915

Source: Data processed by SPSS 23

The results of data processing using SPSS, as shown in Table 6 above, yield a correlation coefficient (R) of 0.463, indicating a moderate relationship between stock returns and operating cash flow and investment cash flow.

t-Test (Partial)

The t-test, also known as the partial test, is used to determine the effect of each independent variable on the dependent variable, either individually or in partial terms.

Table 7. t-Test (Partial)

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.118	.435		2.569	.015		
	AKO	.052	.020	.404	2.555	.015	.955	1.047
	AKI	.018	.089	.156	.989	.330	.955	1.047

Source: Data processed by SPSS 23

Based on the t-table value at a significance level of 0.05 with df = n − k, the t-table is 1.692. The SPSS results show that operating cash flow (AKO) has a t-value greater than the t-table (2.555 > 1.692) and a significance level below 0.05 (0.015), indicating a significant partial effect on stock returns, leading to the rejection of Ho and acceptance of Ha. In contrast, investing cash flow (AKI) has a t-value below the t-table (0.989 < 1.692) and a significance level above 0.05 (0.330), indicating that it does not have a significant partial effect on stock returns, leading to the acceptance of Ho and rejection of Ha.

5. Discussion

The Effect of Operating Cash Flow on Stock Return

The findings of this study indicate that operating cash flow has a positive influence on stock return. This suggests that the company's ability to generate cash from its core operations plays a significant role in shaping investor perception and investment decisions. Strong operating cash flow reflects efficient operations and signals the company's capacity to sustain its business activities, thereby increasing investor confidence. From a theoretical perspective, this result is consistent with signaling theory, which posits that financial information signals investors about the firm's prospects

(Spence, 1973). Operating cash flow, as a component of financial reporting, provides a credible signal because it represents actual cash generation rather than accrual-based earnings. As a result, investors tend to respond positively to improvements in operating cash flow, which ultimately affects stock returns. This finding aligns with previous studies that emphasize the importance of operating cash flow in influencing stock performance. For instance, Kasmiati and Santosa (2019) found that operating cash flow significantly affects stock returns, indicating that investors rely on cash-based performance measures in evaluating firms. Similarly, Kipngetich et al. (2021) highlighted that companies with higher operating cash flow tend to experience better stock performance due to increased investor trust. Therefore, this study reinforces the argument that operating cash flow is a key determinant of stock return.

The Effect of Investing Cash Flow on Stock Return

The results also show that cash flow investment influences stock returns, though the direction and interpretation of this relationship depend on how investors perceive the company's investment activities. Investing cash flow reflects the firm's strategic decisions regarding long-term asset allocation, which are essential for future growth and sustainability. From a theoretical standpoint, investment activities are closely related to firm value creation. According to financial theory, investments in productive assets are expected to generate future income and enhance firm performance (Jensen, 1986). However, investors may interpret investing cash flow differently depending on the effectiveness and timing of the investments. Negative cash flow from investing, for example, may be viewed positively if it indicates expansion and growth, but it may also raise concerns if the investments are perceived as inefficient. This finding is consistent with prior research reporting mixed results regarding the effect of cash flow on stock returns. Kasmiati and Santosa (2019) found that investing cash flow plays a role in determining stock returns, suggesting that investors consider long-term investment decisions.

On the other hand, Yuliarti and Diyani (2018) argued that investing cash flow does not always significantly influence stock returns because investors often focus more on short-term financial performance. Similarly, Santoso (2018) emphasized that the impact of investing cash flow depends on the effectiveness of the company's investment strategy. These variations indicate that cash flow investment remains a complex factor in explaining stock return behavior.

The Effect of Operating Cash Flow and Investing Cash Flow on Stock Return

When analyzed together, operating and investing cash flows influence stock returns, indicating that both short-term performance and long-term investment decisions are important considerations for investors. Operating cash flow provides information about the company’s current financial strength, while investing cash flow reflects its future growth potential. The combination of these two variables offers a more comprehensive picture of the company’s overall financial condition. This result aligns with signaling theory, which suggests that multiple financial indicators collectively provide stronger signals to investors (Connelly et al., 2011). Investors tend to evaluate not only the company's ability to generate cash in the present but also its capacity to sustain future growth. Therefore, the interaction between operating and investing cash flows becomes crucial in shaping investor expectations and stock valuation. This finding is supported by previous studies that highlight the combined effect of cash flow components on stock returns. Nursita (2021) found that operating and investing cash flows simultaneously affect stock returns, suggesting that investors consider both when making decisions. Similarly, Yahya and Butar-Butar (2019) demonstrated that cash flow components jointly influence stock performance. These findings suggest that a comprehensive evaluation of financial performance, including both operational and investment aspects, is essential for understanding stock return dynamics.

6. Conclusion

This study examined the effects of operating and investing cash flows on stock returns at PT Mayora Indah Tbk during the 2014–2022 period. The findings reveal that operating cash flow has a positive and significant effect on stock returns, suggesting that investors view a company's ability to generate cash from core operations as an important signal of financial strength and future performance. In contrast, investing cash flow has a limited effect on stock returns, suggesting that

investors may place greater emphasis on operational performance than on investment activities when evaluating stock performance. Nevertheless, both cash flow components jointly explain stock return movements. These findings support Signaling Theory by demonstrating that operating cash flow serves as a more credible signal to investors than investing cash flow, thereby contributing to the literature on the relationship between cash flow information and stock returns in an emerging market context.

From a managerial perspective, the results imply that companies should focus on maintaining stable operating cash flows and improving transparency in financial reporting to strengthen investor confidence and market valuation. However, this study is limited by its focus on a single company and a relatively limited observation period, which may restrict the generalizability of the findings. Future studies are encouraged to include a broader sample of firms, longer observation periods, and additional firm-specific and macroeconomic variables to provide a more comprehensive understanding of the determinants of stock returns.

Recommendation

Based on the findings, company management should prioritize strategies to strengthen and stabilize operating cash flow, as this variable has been shown to significantly influence stock returns and investor perceptions. Efforts such as improving operational efficiency, optimizing working capital management, and maintaining sustainable revenue growth can enhance the company's cash-generating capability. In addition, companies should provide more transparent and detailed disclosures of investment activities and their expected long-term benefits, enabling investors to assess the strategic value of investment decisions better. For investors, greater emphasis should be placed on evaluating operating cash flow performance rather than relying solely on accounting earnings when making investment decisions. Future studies are encouraged to incorporate additional financial and macroeconomic variables and examine multiple firms to improve the generalizability of the findings.

Limitations and avenues for future research

This study is limited by its focus on a single company, which may limit the generalizability of its findings across industries and market conditions. The use of time-series data with a relatively small observation period may also limit the robustness of the analysis. In addition, the study examines only operating and investing cash flows and does not incorporate other relevant variables, such as profitability, leverage, or macroeconomic factors. Future research is recommended to include a larger sample, extend the observation period, and apply more advanced analytical methods to yield more comprehensive and generalizable results.

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