# CHAPTER 5
# CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

Essentially, this research was conducted out in order to achieve objectives. The purpose of this study is to analyze the effect of earning information, cash flow components, and financing decisions on stock returns in consumer non-cyclical companies listed on the Indonesian Stock Exchange for the period 2018 - 2022. This chapter is intended to review all the summary of research findings, contribution of the study, limitation of the study, and future research.

## 5.2 Summary of Research Findings

There are five (5) research questions in the study that are discussed as follows.

### 5.2.1 The Effect of Earning Information on Stock Return

This study's findings indicated that the Earning Information (EI) variable partially has a significant effect on Stock Return (SR). The first research question is "What is the influence of earning information on stock return of consumer non-cyclicals company?". Hypothesis 1 is formed to determine the effect of earning information on stock return.

According to the study's findings, the EI variable's t-count has a greater value than the t-table. When examined from the probability value, which is lower than the significant level ($\alpha = 0.05$), it indicates that the Earning Information (EI) variable partially has a positive significant effect on Stock Return (SR). It means that the significant amount of corporate earnings information has positively impacted financial performance and will have an impact on investors' expectations for receiving dividends that share in the company's profits.

The findings from this study concur with the research from Putra & Widyaningsih (2016), Kasmiati & Santosa (2019), and Nursita (2021), who discovered that earnings information partially has an effect on stock returns. However, this study's results conflict with research from Rachmawati (2016), Razak & Syafitri (2018), and Kandami et al. (2022), who obtained the result that earning information partially has no influence on stock return.

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

This study's findings indicated that the Operating Cash Flow (OCF) variable partially has no significant effect on Stock Return (SR). The second research question is "What is the influence of operating cash flow on stock return of consumer non-cyclicals company?". Hypothesis 2 is formed to determine the effect of operating cash flow on stock return.

According to the study's findings, the OCF variable's t-count has a lower value than the t-table. When examined from the probability value, which is greater than the significant level ($\alpha = 0.05$), it indicates that the Operating Cash Flow (OCF) variable partially has no significant effect on Stock Return (SR). Operating cash flow has no effect on stock returns because investors and management alike are aware that it does not ensure a company's ability to continue conducting business operations in the future. The investors look at a company's operational cash flow as a basic component when deciding whether to invest, but in addition to the fundamental criteria, there are technical aspects and other factors, such economic and political situations and security, that might affect stock returns but are not examined.

In this study, the findings are consistent with previous studies of Nurdiana (2018), Listianti & Sudradjat (2020), and Kandami et al. (2022), who discovered that operating cash flow partially has no significant impact on stock returns. However, the findings of this study conflict with research from Putra & Widyaningsih (2016), Kasmiati & Santosa (2019), Nursita (2021), who obtained the result that operating cash flow partially has an influence on stock returns.

### 5.2.3 The Effect of Investing Cash Flow on Stock Return

This study's findings indicated that the Investing Cash Flow (ICF) variable partially has no significant effect on Stock Return (SR). The third research question is "What is the influence of investing cash flow on stock return of consumer non-cyclicals company?". Hypothesis 3 is formed to determine the effect of investing cash flow on stock return.

According to the study's findings, the ICF variable's t-count has a lower value than the t-table. When examined from the probability value, which is greater than the significant level ($\alpha = 0.05$), it indicates that the Investing Cash Flow variable partially has no significant effect on Stock Return. It means that no effect of investing cash flow on stock returns happened because investing cash flow is not always a parameter of stock returns so that company management and investors realize that investing cash flow does not guarantee the company's business activities in the future.

The factual condition of the ratio of changes in investing cash flows to consumer non-cyclical sector companies listed on the Indonesian Stock Exchange in the 2018 – 2022 period tends to be primarily negative, which shows the company has cash conditions with unhealthy liquidity so the company cannot purchase investment assets, which then causes the company to be unable to make a profit in the future.

The findings from this study in line with the research from Nursita (2021), Kandami et al., (2022), and Pirmansyah & Huda (2022), who discovered that investing cash flow partially has no effect on stock returns. However, this study's results conflict with research from Japlani (2019) and Kasmiati & Santosa (2019), who obtained the result that investing cash flow partially has no influence on stock return.

### 5.2.4 The Effect of Financing Cash Flow on Stock Return

This study's findings indicated that the Financing Cash Flow variable partially has no significant effect on Stock Return. The fourth research question is "What is the influence of financing cash flow on stock return of consumer non-cyclicals company?". Hypothesis 4 is formed to determine the effect of financing cash flow on stock return.

According to the study's findings, the FCF variable's t-count has a lower value than the t-table. When examined from the probability value, which is greater than the significant level ($\alpha = 0.05$), it indicates that the Financing Cash Flow variable partially has no significant effect on Stock Return. It means that investors have not used financing cash flows as a consideration in making investment decisions, and investors believe that high financing cash flows indicate that the company receives a lot of additional funds from other sources, implying that the company has not been managed properly, resulting in increased risks and a low profit or stock return (Japlin, 2019).

In this study, the findings are consistent with previous studies of Japlin (2019), Nursita (2021), and Kandami et al. (2022), who discovered that financing cash flow partially has no significant impact on stock returns. However, the findings of this study conflict with research from Kasmiati & Santosa (2019) and Pirmasnyah & Huda (2022), who obtained the result that financing cash flow partially has an influence on stock returns.

**5.2.5 The Effect of Financing Decisions on Stock Return**

This study’s findings indicated that the Financing Decisions as measured by debt to equity ratio (DER) variable partially has no significant effect on Stock Return (SR). The fifth research question is “What is the influence of financing decisions on stock return of consumer non-cyclicals company?”. Hypothesis 5 is formed to determine the effect of financing decisions (as measured by debt-to-equity ratio) on stock return.

According to the study's findings, the DER variable's t-count has a lower value than the t-table. When examined from the probability value, which is greater than the significant level ($\alpha = 0.05$), it indicates that the Financing Decisions measured by Debt-to-Equity Ratio (DER) variable partially has no significant effect on Stock Return (SR). The debt-to-equity ratio has no impact since investors have not properly utilized the information available in the financial statements to make investments. The information provided in the financial statements about the debt-to-equity ratio, has not been able to act as a signal for investors when making investment decisions. However, the debt-to-equity ratio can reveal a company's capital structure, allowing investors to evaluate the risk of outstanding debt. A high debt-to-equity ratio from the perspective of the investors will indicate that the company is not performing well because it will first try to pay off its debt obligations before providing returns to investors.

In this study, the findings are consistent with previous studies of Rahmawati (2020) and Kandami et al. (2022), who discovered that debt-to-equity ratio partially has no significant impact on stock returns. However, the findings of this study conflict with research from Kasmiati & Santosa (2019) who obtained the result that financing decisions partially has an influence on stock returns.

## 5.3 Contribution of Study

### 5.3.1 Body of Knowledge

The previous study by Kasmiati and Santosa (2019) have found that earning information, operating cash flow, and financing cash flow had a positive effect, while investing cash flow and financing decisions had a negative effect on stock returns. The previous study used the sample of trading, service, and investment companies listed on the Indonesia Stock Exchange (IDX) for the period 2011 – 2016.

In contrast, this study found that there was a significant effect between earning information and stock return, while operating cash flow, investing cash flow, financing cash flow, and financing decisions were not significant effect on stock return. This study used sample of consumer non-cyclicals company listed on Indonesia Stock Exchange (IDX) for period 2018 – 2022.

This point of view is new somehow. The value that it adds to the existing knowledge in the field of accounting and finance. It provides new data and analysis on how earning information, cash flow components, and financing decisions affect stock returns in the industry in Indonesia, which is an emerging market with different characteristics from developed markets such as rapid economic growth and industrialization. It also adds to the literature on how financial reporting quality and stock market efficiency are related in emerging markets.

### 5.3.2 Practical

This findings of this study in practical is contribute for investors and potential investors that will take into account of factors that may have an effect on stock returns. Investors should take account of this factor since the findings of this study show that the Earning Information (EI) variable significantly affects Stock Return (SR). Companies that make enormous earnings should be able to pay out larger dividends. Investors will hold and purchase shares of a firm if its net profit increases over time because they anticipate that the dividend will rise in the future. Stock returns for shareholders will rise in line with rising dividend payments made to shareholders.

## 5.4 Limitation

The limitation of this study would be the sample size. Since this study only focused on consumer non-cyclical company listed on Indonesia Stock Exchange in 2018 – 2022, the sample size might be too small and thus the findings cannot be generalized. Furthermore, not all companies listed from 2018 in Indonesia Stock Exchange (IDX). Therefore, it limits the data collection for this research. Due to that, only companies that listed from 2018 and publish the annual reports from 2018 until 2022 are chosen.

## 5.5 Future Research

This study suggests that for the future researchers should be able to use or add other research variables because it is extremely possible that other factors that were not considered in this study would affect stock return. Future researchers will also likely be able to extend their study period and incorporate samples from different industry sectors to improve the accuracy of their findings.

## 5.6 Concluding Remarks

Basically, this research was conducted in order to achieve a goal. The purpose of this study was to examine the effect or earning information, cash flow components, and financing decision on stock returns in consumer non-cyclical companies listed on Indonesia Stock Exchange. The dependent variable in this study is stock returns, while the independent variables earning information, operating cash flow, investing cash flow, financing cash flow, and financing decision as measured by debt to equity ratio. The conclusion from the findings of this study is that earning information variable has a significant effect on stock return, while the remaining operating cash flow, investing cash flow, financing cash flow, and financing decision have no significant effect on stock return.

In order to achieve more precise and better results in future research efforts regarding stock returns, it is very important to carry out further investigations into additional variables such as macroeconomic factors, return on asset (ROA), earning per share (EPS), etc. Finally, it is advisable for future studies to change the variables, include a wider sample and population, and improve the methodology used in the research. This will help professionals in this field identify solutions for a given subject and enable researchers to develop future-oriented research frameworks that enhance understanding of the topic.