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The Role of Financial Distress on Company Life Cycle and Stock Return

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Abstrack

The purpose of this study was to re-examine the effect of the life cycle on stock returns. It is because the results of previous research that explained the effect of the life cycle on stock returns needed to be more consistent. The researchers added financial distress as moderating variable, which was expected to explain the inconsistency. This study was conducted on all companies listed on the Indonesia Stock Exchange from 2017 to 2021, using a purposive sampling method to obtain a sample of 71 companies, so this study used 355 data observations. According to the study's findings, stock returns in declining companies will be significantly lower. However, there was no significant impact on the introduction, growth, and mature stock return. It is also supported by research findings, which show that financial distress can moderate the impact of a decline in stock returns. In contrast, financial distress does not affect stock returns during the introduction, growth, and maturity stages. This study has implications for investors to be more cautious when making investment decisions, particularly for companies in decline and experiencing financial distress.

Keywords: *Company Life Cycle, Stock Return, Financial Distress*

INTRODUCTION

Stock returns are the profits investors make from their investments or activities (Utomo, 2018). That is because short-term and long-term investor investments will always consider the stock returns that will be obtained (Utomo, 2018). Analyzing a company's financial performance is one-way investors calculate stock returns. The better the company's performance, the more investors will believe that the company's prospects are improving. This investor evaluation will increase demand for a company's shares, resulting in higher stock prices and returns (Thakkar & Chaudhari, 2021). The greater the company's financial performance, the greater the stock returns obtained; conversely, a decrease in financial performance will decrease stock returns.

However, stock returns do not always accurately reflect company performance. Some start-up companies have improved their performance while seeing their share prices fall. It

happened to PT Bukalapak.com Tbk, whose performance increased by 37% in the first nine months of 2022 compared to the first nine months of 2021(Hema, 2022). PT Bukalapak.com Tbk's share price, on the other hand, fell by IDR 158, or 36.7%, from January 2022 to September 30, 2022 (Google Finance, 2022). This phenomenon suggests that financial performance is not the only factor influencing stock returns. Several factors can influence stock returns, including the company's life cycle (Wu et al., 2018).

Stock returns will rise as the company's life cycle lengthens (Konstantinidi, 2022). The company's life cycle is progressing from the introduction to the mature stage, indicating that it has the potential to grow further (Dhamija Gupta et al., 2013). The company is still in the product innovation stage and cannot generate profits during the introduction stage. Consequently, fewer investors would be interested in investing in the company, and stock returns will decline (Hasan & Habib, 2017). Furthermore, the mature stage is characterized by high sales volume and reaches a maximum point because the company already controls the market share (Konstantinidi, 2022). High sales volume will result in higher profits, and earnings persistence at the mature stage will increase the earnings response coefficient (Yoo et al., 2019). Other research indicates that the company life cycle negatively impacts stock returns (Saputra, 2020). Furthermore, research has shown that the company's life cycle does not affect stock returns (Dickinson, 2011; Vorst & Lombardi Yohn, 2018). As a result, previous studies' findings on the effect of the company's life cycle on stock returns could be more consistent.

The inconsistency of research findings regarding the effect of a company's life cycle on stock returns motivates further investigation into the use of financial distress as a moderating variable. Financial distress describes a lousy business situation. When a company is distressed, its financial condition deteriorates, potentially leading to bankruptcy or liquidation (Keasey et al., 2015). Stock returns are negatively impacted by financial distress. If financial distress rises, stock returns will fall, and vice versa (Andreou et al., 2021). It demonstrates that financial distress can improve the impact of a company's life cycle on stock returns. It can be illustrated by the fact that investors are not interested in investing in mature companies experiencing poor financial conditions or financial distress. Investors will be interested in investing in a startup company (introduction) whose financial condition is healthy or is not experiencing financial distress. It demonstrates that financial distress can mitigate the impact of a company's life cycle on stock returns.

LITERATURE REVIEWAND HYPOTHESIS DEVELOPMENT

Stock returns are the profit investors earn from previous investment activities (Rokhayati et al., 2021). It occurs when the stock price rises, allowing investors to benefit from the rise in stock prices; conversely, investors will suffer losses if the stock price falls. For example, on March 13, 2020, investors purchased shares of PT. Sido Muncul Tbk at IDR 615/share; two years later, the company's share price has increased by 977/share, giving investors a return on investment of IDR 362/share, or 59% (Google Finance, 2022). As a result, the stock return is defined as the difference between the current period's stock price and the previous period's stock price.

Stock returns are measured using abnormal returns in this study. The abnormal return or abnormal difference is the difference between the actual and expected returns (Brav et al., 2000). The difference between the two returns could be either positive or negative. A positive abnormal return occurs when the investor's profit exceeds the profit expected by the investor. Meanwhile, negative abnormal returns occur when investors' profits are less than the profits expected by investors (Akhmad Sigit Adiwibowo et al., 2022). This study's stock return is based on the event study by Ball & Brown (1968). Results from the event study showed a consistent relationship between stock returns and the contents of financial reports both twelve months before and six months after the statements were released publicly. The stock return in this analysis is the 12-month moving average of the stock price preceding the release of the annual financial statements for several reasons (daily stock prices from January to December).

The company life cycle is a series of linear and sequential stages a company goes through as it grows and develops. The company's life cycle is divided into four stages: introduction, growth, maturity, and decline. Each stage of a company's life cycle has its unique characteristics. The first stage, introduction, is distinguished by low sales volume but high expenditure costs, resulting in negative net income. During the growth stage, the level of sales rises, but profits remain low due to the high expenses. The company experiences a high level of sales in the mature stage, so profits are much higher than in the previous stage, followed by a high level of liquidity because the company can pay its obligations. During the decline stage, the company's sales decreased, resulting in lower profitability and net income (Dickinson et al., 2018).

This study measures the company's life cycle using cash flow patterns. The cash flow pattern can describe the allocation of company resources and operational capabilities at various stages of the company's life cycle. At the introduction stage, operating cash flows are negative, investment cash flows are negative, and funding cash flows are positive. In the growth stage, the cash flow from operations is positive, the cash flow from investments is negative, and the cash flow from funding is positive. Cash flows from positive operations mark the mature stage. Cash flows from negative investments and cash flows from negative financing. The decline stage is distinguished by negative operating cash flows, positive investment cash flows, and either positive or negative funding cash flows (Dickinson, 2011). Therefore, the combination of cash flow patterns can be concluded as follows:

Table 1. Combination of Cash flow patterns

No	Stage	Cash Flow from Operating (CFO)	Cash Flow from Investing (CFI)	Cash Flow from Financing (CFF)
1	Introduction	-	-	+
2	Growth	+	-	+
3	Mature	+	-	-
4	Shake-out	Remaining companies		
5	Decline	-	+	+/-

Financial distress is a state of financial difficulty experienced by businesses; it indicates that the company will file for bankruptcy (Rachma Sari et al., 2022). Financial distress occurs when a company cannot pay its obligations on time or has difficulty paying them, resulting in severe liquidity problems (Farooq et al., 2018). Companies in financial distress can be classified into several categories: failure, bankruptcy, inability to pay off debts, and default.

The inability to repay debt indicates a decline in financial performance, negative profitability, and lower sales volume. As a result, the health of companies in financial distress is at risk of deterioration.

This study used the Altman Z-core method to assess financial distress (Altman, 1968). The Altman Z-core method is still helpful for predicting company health, whether healthy, failing, or grey (Almamy et al., 2016). This model refers to various financial ratios, including working capital to total assets. The company is in financial distress if the value is harmful because it cannot pay its liabilities. If the retained earnings to total assets ratio are negative, the company is in financial trouble because it cannot share its profits. Earnings before interest and taxes divided by total assets; a negative value indicates that the company is in financial distress because its profit is less than its assets.

The following financial ratio is the market value of equity to the book value of total debt; if the value is negative, the company struggles to distribute equity to shareholders. If the sales-to-total assets ratio is negative, the company is in financial trouble because it cannot convert its assets into income. The result of this model is the Z-Score value, which can explain whether the company will fail in the future. The health sign is divided into three categories: healthy companies, unhealthy companies, and companies in the grey area (Altman, 1968).

The higher the company's life cycle, the higher the stock return. The stages of growth and development a company goes through from start to finish are called the company life cycle. According to the company life cycle theory, every company will evolve. Suppose the company's life cycle is related to stock returns. In that case, it is still trying to develop its products during the introduction and growth stages, so profits are still relatively small. As a result, investors' interest in investing tends to be low, and stock returns obtained at this stage are still modest. In the mature stage, the company can develop its products into products in high demand by the market, causing its profits to increase far more than in the previous stage. As a result, investor interest in investing in the mature stage rises, and stock returns rise (Andreou et al., 2021). Based on this explanation, the hypothesis can be stated as follows:

H_{1a} : Introduction stages has a significant effect on stock return.
H_{1b} : Growth stages has a significant effect on stock return.
H_{1c} : Mature stages has a significant effect on stock return.
H_{1a} : Decline stages has a significant effect on stock return.

The greater the financial distress, the lower the stock return. Financial distress indicates that the company is in a difficult situation. A company is said to be in financial distress if it cannot pay its obligations and has a negative profit-generated figure (incurs a loss). Financial distress hurts stock returns, which means that as financial distress rises, so will stock returns and vice versa. It demonstrates a significant but inverse relationship between financial distress and stock returns. Financial distress has the opposite effect on stock returns, making financial distress capable of weakening the effect of the company's life cycle on stock returns. When a mature company experiences financial distress, it cannot generate optimal profits, resulting in lower stock returns. It demonstrates that financial distress can reduce the impact of a company's life cycle on stock returns (Widarti et al., 2020).

The impact of a company's life cycle on stock returns can be mitigated by financial distress. It is because companies in financial distress provide terrible news through signals of failure or bankruptcy. Companies in financial trouble can be used as a signal to predict a company's stock return. When a company is in financial distress, it fails to pay its obligations, causing its financial condition to deteriorate. If a company in its early stages, with negative cash flow from operations and investing and positive cash flow from financing, experiences financial distress, its stock returns will fall. It is because companies in the introduction stage are still developing their business, and profits are still relatively small, so if the company at this stage runs into financial difficulties, the resulting stock returns will be lower. Companies in the growth stage where cash flow operating and financing are positive but cash flow investing is negative will earn lower stock returns. It is because, at the growth stage, the company's products have begun to generate profits, but the profits earned are used to pay off its obligations. If a company experiences financial difficulties paying its obligations in the growth stage, the resulting stock return will decrease. If a mature company with positive operating cash flow, cash flow investing, and negative financing experiences financial distress, the resulting stock return will fall. It is because, even though the profits are very high, sales begin to slow down in the mature stage. Slow sales are caused by increased competition, which can cause a decrease in profits generated, so when competition increases and the company experiences financial difficulties, the resulting stock returns will decrease (Opler & Titman, 1994). Based on this explanation, the hypothesis can be stated as follows:

H_{2a}: Financial distress is able to moderate the effect of the introduction stages on stock returns

H_{2b}: Financial distress is able to moderate the effect of the growth stages on stock returns

H_{2c}: Financial distress is able to moderate the effect of the mature stages on stock returns

H_{2d}: Financial distress is able to moderate the effect of the decline stages on stock returns

METHOD

This research aims to look at financial distress as a moderator of the impact of a company's life cycle on stock returns. A quantitative approach is used in this study. This study's population comprises companies listed on the IDX from 2017 to 2021. Purposive sampling was used to collect samples from 71 different businesses. Secondary data include financial statements and annual reports, which include information about the company's life cycle variables on stock returns, with financial distress acting as a moderating variable. The population of this study consists of all companies listed on the IDX. The IDX is Indonesia's first stock exchange with complete and well-organized data, which is why companies listed on the IDX are used. The following criteria were used to select samples using the purposive sampling method:

Table 2. Sample Selection Procedure

Description	No. of companies
Listed on IDX as of December 31, 2021	767
Financial companies	(105)
IPO between January 1, 2017, and December 31, 2021	(238)
Companies with a negative book value of equity	(31)
Companies with total assets less than Rp 10 trillion	(297)
Companies with insufficient data	(2)
companies' data is not suitable for this research	(23)
Final sample	71
Duration study	5 years
Total observations	355

Table 3. Distribution of the sample according to sectors' type

Sector	Observation	Percentage (%)
Energy	9	12.68
Basic Material	8	11.27
Industrial	5	7.04
Consumer non-cyclical	17	23.94
Consumer cyclical	4	5.63
Healthcare	2	2.82
Properties and real estate	16	22.54
Infrastructure	10	14.08
Total companies	71	100.00

Table 4. Variable Measurement

Variables	Measurement
Dependent Variables:	
Stock Returns	$Abnormal\ return = Return\ i,t - Return\ Market,t$
Independent Variables:	
Company Life Cycle	Using four variable indicators based on cash flow patterns, namely: Introduction is coded 1 if CFO -; CFI-; and CFF +, and 0 otherwise. Growth is coded 1 if CFO+; CFI-; and CFF+, and 0 otherwise. Mature is coded 1 if CFO+; CFI-; and CFF+, and 0 otherwise. Decline is coded 1 if CFO-; CFI+; and CFF +/-, and 0 otherwise. where CFO is operating cash flow; CFI represents investment cash flows and CFF represents financing cash flows.
Moderating Variables:	
Financial Distress	Altman Z-Score
Control Variables:	
Company Size	$Size = Ln(Total\ Aset)$
Leverage	$Leverage = \frac{Total\ Debt}{Total\ Asset}$
Profitability	$ROA = \frac{Net\ Profit}{Total\ Asset}$
Sales Growth	$Sales\ Growth = \frac{Current\ Sales - Previouse\ Sales}{Previouse\ Sales}$

This study uses panel regression analysis to test the hypothesis with models:

$$STOCKRETit = \alpha + \beta1(INTROit) + \beta2(GROWTHit) + \beta3(MATUREit) + \beta4(DECLINEit) + \beta5(FDit) + \beta6(FDINTROit) + \beta7(FDGROWTHit) + \beta8(FDMATUREit) + \beta9(FDDECLINEit) + \beta10(SIZEit) + \beta11(LEVit) + \beta12(PROFit) + \beta13(SGit) + e$$

Dependent variables are the stock returns of the company "i" at period "t" (STOCKRETit). The independent variables are company life cycles stage i.e; Introduction stage (INTRO), growth stages (GROWTH), mature stages (MATURE) and decline stages (DECLINE). The moderating variable is the financial distress of Company "i" at period "t." (FDit). The variables control is size of the company "i" at period t (SIZEit), profitability of the company "i" at period t (PROFit), leverage of company "i" at period t (LEVit) and sales growth of company "i" at period t (SGit).

RESULTS AND DISCUSSION

The analysis in this study begins with descriptive statistics, then correlation analysis and finally regression analysis which will show whether the hypothesis in this study is accepted or rejected.

Table 5a. Descriptive statistic sample for continuous variables

Variables	N	Mean	SD	Min	Max
Dependent variables:					
Stock Returns	355	-5.72	20.97	-60.34	79.34
Control variables:					
SIZE (in trillions of rupiah)	355	41.00	52.00	5.00	367.00
Leverage	355	0.27	0.16	0.00	0.71
Profitability (in percentage)	355	5.35	7.31	-28.57	46.66
Sales Growth (in percentage	355	30.14	337.61	-76.36	6.302.04

Table 5b. Descriptive statistic sample for financial distress variables

Year	Healthy (Z-score > 2.9)	Grey area 1.22 < Z-score < 2.9)	Go bankrupt (Z-score < 1.22)	Total
2017	8	30	33	71
2018	13	28	30	71
2019	15	29	27	71
2020	24	21	26	71
2021	19	20	32	71
Total	79	128	148	355
Percentage (%)	22.25	36.06	41.69	100.00

Table 5c. Descriptive statistic sample for life cycle stages variables

Year	Introduction (CFO -; CFI ;CFF +)	Growth (CFO+; CFI- ; CFF+)	Mature (CFO+; CFI- ; CFF+)	Shake-out (Remaining companies)	Decline CFO-; CFI+; and CFF +/-	Total
2017	9	22	37	1	2	71
2018	9	23	32	2	5	71
2019	8	23	36	2	2	71
2020	8	14	40	7	2	71
2021	5	15	43	7	1	71
Total	39	97	188	19	12	355

Percentage (%)	10.99	27.32	52.96	5.35	3.38	100.00

Table 5a shows that the average abnormal return on company stocks sampled during the observation period was -5.72%. The average company size is 41, implying that the total assets of the companies sampled during this study period are approximately IDR 41 trillion. The average profitability value is 5.35, implying that the total assets of the companies studied generated a net profit of 5.35%. Leverage averaged 0.27, implying that loans financed 27% of the companies sampled in this study. For the companies studied during this period, sales growth averaged 30.14%.

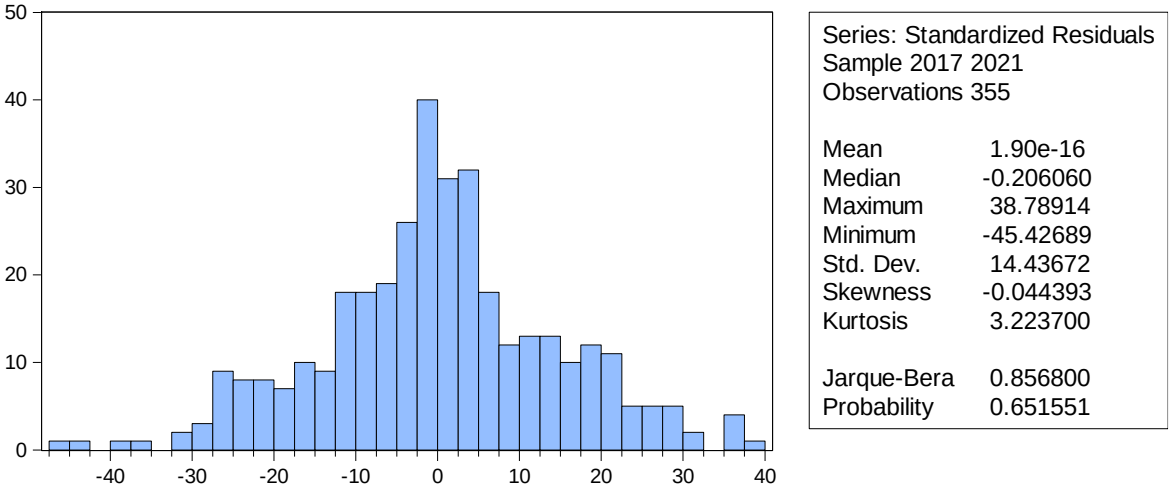
Table 5b shows that most of the sample companies in this study are going bankrupt (41.69%). Table 5c shows that most of the sample companies in this study are in the mature stage (52.96%), and only a small number of companies are in the decline stages (3.38%). The companies in the introduction stages are 10.99 per cent, in the growth stages is 27.32 per cent, and the remaining 5.35 per cent are sample companies in this study that are in the shake-out stage.

Table 6. Correlation matrix

Variable	INTRO	GROWTH	MATURE	DECLINE	FD	SIZE	LEV	PROF	SG
INTRO	1.000								
GROWTH	-0.215	1.000							
MATURE	-0.372	-0.650	1.000						
DECLINE	-0.065	-0.114	-0.198	1.000					
FD	0.250	0.112	-0.338	0.207	1.000				
SIZE	-0.083	0.087	0.021	-0.081	-0.008	1.000			
LEV	-0.219	-0.125	0.291	-0.170	-0.553	0.013	1.000		
PROF	0.050	0.256	-0.233	0.045	0.587	0.052	-0.357	1.000	
SG	-0.033	-0.027	-0.062	0.317	0.088	0.033	-0.001	0.042	1.000

Table 6 indicates no multicollinearity issues between variables in this study. Although the highest correlation between company profitability and financial distress is 0.587, it is still below 0.85, indicating no multicollinearity issue between these variables.

Figure 1. Normality test



The normality test for the four regression models in this study shows, as shown in picture 1 that the significance greater than 0.05. According to the normality test residuals have a normal distribution.

Table 7. Test model regression

Redundant fixed effects tests	Hausman test	Selected Model
0.0000	0.0006	*Fixed Effect Model*

The results indicate that the fixed effect model is the most appropriate regression model for regression equations model for this study.

Table 8. Regression analyses result

Variables	Coefficient	Sig.
Independent variables:		
INTRO	-11.17766	0.5179
GROWTH	-14.22840	0.2511
MATURE	-13.05706	0.2548
DECLINE	-103.1302	0.0019**
Moderating Variables:		
FD	-9.213702	0.1440
*INTRO*FD*	4.129326	0.5783
*GROWTH*FD*	7.349810	0.2304
*MATURE*FD*	7.856899	0.1885
*DECLINE*FD*	37.16790	0.0036**
Control variables:		
SIZE	13.15206	0.0125**
LEV	99.32908	0.0001**
PROF	-17.68075	0.2624
SG	-0.287361	0.3585
R-square	38.10%	
Prob(F-statistic)	0.00	
Observations	355	

The first hypothesis advanced in this research is that the Company Life Cycle significantly impacts Stock Returns. According to the results of the tests, the probability value of the Company's Life Cycle at the Decline stage is 0.0019, indicating that the probability value is less than the significance value (0.05). As a result, the company life cycle variable at the Decline stage has a negative coefficient value of -103.1302 on stock returns for companies listed on the Indonesia Stock Exchange from 2017 to 2021. It demonstrates that the first hypothesis is correct.

The study found that stock returns suffered when a company was in its decline phase. It means that if a company is in its decline phase, its stock returns will fall. It is because companies in the decline stage will experience decreased sales and losses, resulting in stock returns (Wernerfelt, 1985). It happened to Astrindo Nusantara Infrastructure Tbk., which was in the decline stage of the company life cycle and saw a decrease in the value of stock returns of -16.92 in 2017 and -38.86 in 2018, while in 2019-2021, Astrindo Nusantara Infrastructure Tbk. is in the growth stage and sees an increase in stock returns of -26.44 and 15.83. As a result, it is reasonable to conclude that companies in the decline stage of their life cycle will see a decrease in stock returns. Declining stock returns indicate investors are less interested and motivated to invest in declining companies due to the high risk. According to research (Hasan

& Habib, 2017; Konstantinidi, 2022; Wu et al., 2018), which states that in the decline stage, profit, cash flow from operating activities, cash flow from investing activities, and cash flow from financing activities all have an impact on stock prices.

The company life cycle of the introduction, growth and mature stages does not affect stock returns. It can be seen from the results of tests carried out at each stage which have a probability value more significant than the significance value (0.05), the probability value for the introduction stage is 0.5179, the probability value for the growth stage is 0.2511, and the probability value for the mature stage of 0.2548. The company is still in the product innovation stage during the introduction stage. It has not generated profits, so the company's life cycle in the introduction stage does not affect stock returns. At this stage of development, the company still needs to gain a significant market share to sell its products and requires significant funding for its operational activities. Hence, investors are less interested in transacting the company's shares. At the mature stage, the company can generate high profits. It has high internal capital, so the company begins to let go of its interest in funding from investment activities and tends to save profits rather than distribute stock returns.

o support this argument, the MNC Land Tbk company is in the introduction stage, but its stock returns have increased/decreased year after year: in 2017, the stock return was -6.74. In 2018, the stock return was -3.42. In 2019, the stock return was -3.79. In 2020 the stock return was 1.02, and in 2021 the stock return was -20.77. As a result, the company's life cycle during the introduction stage does not affect stock returns. Jasa Marga Company (Persero) Tbk is in the growth stage of its life cycle. However, its stock returns have increased/decreased year after year, with the stock return in 2017 being -7.95, the stock return in 2018 being -17.48, the stock return in 2019 being 12 54, the stock return in 2020 being -9.49, and the stock return in 2021 being -17.37. As a result, the growth stage of the company's life cycle does not affect stock returns. The Golden Energy Mines Tbk company is nearing the end of its life cycle, but its stock returns have increased/decreased year after year: in 2017, the stock return was 7.18. In 2018, the stock return was -12.87. In 2019, the stock return was -3.09. In 2020, the stock return was 17.06; in 2021, the stock return was 27.62. As a result, the maturity stage of a company does not affect stock returns.

The second proposed hypothesis is that financial distress can mitigate the effect of the company's life cycle on stock returns. This study's moderation regression analysis revealed a probability value of X4Z of 0.0036, which is less than the significance level (0.05). Therefore, financial distress can mitigate the effect of a company's decline stage life cycle on stock returns in companies listed on the Indonesia Stock Exchange between 2017 and 2021 (coefficient = 37.16790). It demonstrates that the second hypothesis in this study is accepted. Findings indicated that financial distress could mitigate the effect of the company's life cycle in the decline stage on stock returns, suggesting that stock returns would rise when a company was both in the decline stage and experiencing financial distress. Liquidity is declining because investors still believe the company is good at meeting its short-term obligations with current assets. Investors assume the company can use its cash flow to carry out its operational activities during the decline life cycle stage. At this point, the company must cut costs to maintain cash flow and reduce existing loans. The company will increase turnover to improve its condition and return to the previous life cycle stage. Financial distress does not affect the company's life

cycle during the introduction, growth, and maturity stages. It can be seen from the probability value on the regression analysis results at each stage, where the probability value is greater than the significant value (0.05). With financial distress as a moderating variable, the probabilities of the company being in its introduction stage, growth stage, or mature stage are, respectively, 0.5783, 0.2304, and 0.2304. Financial distress does not affect stock returns during the introduction and growth stages of a company's life cycle. Companies in the introduction and growth stages are still classified as young companies developing their products and requiring significant capital from corporate debt. So, when the company experiences financial difficulties at this stage, the stock returns obtained do not change significantly. Financial distress cannot moderate the influence of the mature-stage company's life cycle on stock returns. It is because mature-stage companies can already earn large profits. However, these profits are used to pay off their high debt, so no significant share price changes occur when a mature-stage company experiences financial distress.

CONCLUSION

For companies listing on the Indonesia Stock Exchange between 2017 and 2021, this study will evaluate how the company life cycle affects stock returns, moderating by financial distress. It is clear from the research and discussion above that the decline phase of a company's life cycle significantly impacts stock returns. The impact of a company's life cycle decline stage on stock returns can be mitigated by financial distress. The findings of this study encourage investors to be more cautious when making investment decisions, mainly when investing in companies in decline, especially when these companies are also experiencing financial distress. This study also encourages company executives to pay closer attention to cash flow patterns. It is because cash flow patterns can indicate how well a company is doing. The cash flow pattern signal will be the foundation for investors' investment decisions. Investors are interested in investing in a company if the cash flow pattern is positive, and vice versa. This study's results align with those of (Ongkarina et al., 2020), who discovered that businesses of all sizes tend to issue fewer shares as cash flow increases. The limitations of this study are that the samples used are only companies listed on the Indonesia Stock Exchange (IDX) for five consecutive years, namely 2017-2021, causing the research results to be insufficient. As a result, future researchers are expected to be able to conduct longer and longer research periods in order to reflect on the company over time and obtain more accurate research results.

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