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The impact of cash flow statement on firm value in indonesia

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Abstract

This study aimed to determine the impact of cash flow statement on firm value in Indonesia companies that listed on the Indonesia Stock Exchange. The total data used as the sample was 1,236 data including all sectors except financial sectors for the period 2015 to 2019. The fixed effect model was chosen as the best model to analyze panel data. Furthermore, Eviews 10 application was also to help the process of regression. The results of this study showed that the operating cash flow ratio had a positive significant effect on firm value. Meanwhile, the investing cash flow ratio and financing cash flow ratio had a negative significant effect on firm value. In addition, the results also indicated that operating dummy and investing dummy had no effect on firm value. Besides, the financing dummy was the same as financing cash flow ratio that significantly affected the firm value. Furthermore, both managers' holding ratio and board size revealed a significant relationship to the firm value, while the independent director dummy showed a positive significant effect on firm value.

Keywords: Cash flow statements; corporate governance; firm value

INTRODUCTION

In this globalization era, value is produced by the intense competition among many companies engaged in various business sectors. The competition requires companies to place themselves in a stable position and ready to compete so that they can survive and develop with a good firm value which is a special consideration for investors in investing their capital.

Firm value is an investor's perception of the level of success that is often associated with stock prices and profitability. High stock prices make the value of the firm also high. The higher firm value, the more believe given by the market not only in the company's current performance but also in the company's prospects. The firm value in this study was defined as a market value because the market value can provide maximum prosperity for shareholders if the company's stock price increases. In general, investors hand over company value management to professionals such as managers and commissioners.

Generally, people always judge a company by looking at the income statement to find out the company's financial condition, whether the company is profitable or not. On the opposite, Ni, Huang, Chiang, and Liao (2019) declared that information contained in the cash flow statements should be more dependable than the income statements. The evidence from this statement is similar to when a company sold a good or service with credit then a company will recognize the assets, while the cash will be received in a later period deducted from accrued revenues. However, if the cash of the receivable will not be received, bad debts would be incurred due to this transaction. Besides, Dickinson (2011)(Dickinson, 2011) stated that investors who do not fully incorporate the information contained in cash flow patterns cause the mature firms being undervalued. Moreover, the cash flow statement usually is used in the analysis, forecasting, and valuation for the company's prospects.

A worthy firm should have a stable or ideal cash flow. For ideal conditions of cash flow, income and expenses must be balanced. Non-ideal cash flows can be grouped into three problems including a deficit cash flow problem, a loose cash flow problem, and a surplus cash flow problem. If the cash inflows are smaller than the cash outflows, this condition will certainly bring the company in a state of cash deficit, and this is not good for the company. Net operating cash flow is positive while investment cash flow and funding are negative. This can be considered to be ideal and many observers say this is a condition of cash determinations. Meanwhile net operating cash flow, investment, and funding are negative, then it can be considered to be not ideal or most likely to be not ideal.

This study aimed to examine whether the cash flow statement consisting of operating cash flow, investing cash flow, and financing cash flow influences firm value. Operating activities in the cash flow statement included all the activities that the entity used to generate the revenue and reimbursement in operational. Investing activities in the cash flow statement generally include all the acquisition and discard of non-current assets including intangible assets, plants, equipment, property, and other investment that not classified in cash equivalent and not aim for trading. Financing activities in the cash flow statement generally are all activities that bring the impact to the change of entity size, equity composition, and also borrowing and payment of the debt from the third parties (Frank & James, 2014).

Besides, several empirical studies have been conducted to examine the effect of cash flow on financial performance and firm performance indicating that information contained in cash flow has a positive effect on firm performance (Abughniem et al., 2020; Frank & James, 2014; Ristiyana, 2019). Moreover, Amuzu (2010) revealed that cash flow ratios are more effective in determining corporate efficiency and market competitiveness because they conduct a more dynamic test of the actual rate of return on assets and return on equity.

Previous study (Tambunan et al., 2015) also showed empirical support that companies who run into delisting from Indonesia Stock Exchange are companies that go bankrupt and based on the research result showed that the main reason is the company has a poor financial performance including the negative operating cash flow that indicates the company fails to generate revenue for covering the company's operational cost. The poor financial performance also makes the investors and creditors encounter detriment. This kind of situation makes the importance of cash flow analysis to ensure that

the company has good firm value, and it will bring prosperity to the investors and stakeholders in the form of getting capital gain and dividend.

In addition to the relationship between cash flow and firm value, this study also believed that variables related to corporate governance and financial performance would affect the company performance and company value, and related studies have conducted extensive discussions on this relationship (Anita & Yulianto, 2016; Dita Novita Sari & Mawardi, 2017; Nurwahidah et al., 2019). Moreover, the controlling variables such as current ratio, asset turnover ratio, debt ratio, and firm size were used in this study because the relevant studies examined the effect of those variables on firm performance and firm value (Dita Novita Sari & Mawardi, 2017; Gunawan, 2016; Hasania et al., 2016; Husna & Satria, 2019).

Operating Cash Flow Ratio is a ratio of cash inflows from operating activities over sales. In general, cash inflows from operating activities would enhance the stock price or even the firm value rather than cash outflows because if a company generates higher profit or sales, it will automatically increase the cash inflows from operating (Ni et al., 2019).

According to Livnat & Zarowin (1990), the cash inflows from operating activities would increase the firm performance rather than cash outflows from operating activities. Besides that, Ni, Huang, Chiang and Liao (2019) also stated that higher cash inflows from operating would send a positive signal on the firm's value due to the increase of sales which also will increase the net income. Frank & James (2014) studied the relationship between cash flow and corporate performance in Nigeria. The result of the study revealed that the operating cash flow had a positive significant relation with corporate performance.

Kusumaningtyas & Mildawati (2016) also examined the effect of cash flow from operating activity on the financial performance in the automotive industry listed in the Indonesia Stock Exchange. This study found that cash flow from operating had a positive significant influence on the financial performance in the automotive industry listed on Indonesia Stock Exchange. Abughniem, Aishat and Hamdan (2020) examined the effect of operating cash flow and firm performance in Amman Stock Exchange (ASE), using 100 firms from all sectors in the Jordanian market from 2010 to 2015. This study result showed that Operation cash flow had a positive significant effect on firm performance. Based on the theoretical studies, empirical studies, and basic logic, the alternative hypotheses proposed in this study is as follow:

H1: The operating cash flow might significantly enhance the value of the firm.

Investing Cash Flow Ratio is a cash outflow from investing activities over total assets excluding current assets. Cash outflow from investment gives positive signal that the entity has a good preparation for the future because the expenditures that the company spends are in the type of investment and growth capital (Ni et al., 2019).

Cash outflow from investing cash flow seems to give a positive signal on the firm because of higher cash outflow from investing activities over fixed assets signifies the company has a fund to do an investment such as acquiring new assets rather than disposal of assets (Ni et al., 2019). Based on the theoretical studies, empirical studies, and basic logic, the alternative hypotheses proposed in this study is as follow:

H2: The investing cash flow ratio might significantly enhance the value of the firm.

The financing Cash Flow Ratio is a cash inflow from financing activities over the sum of long-term debt and equities. Cash inflow from financing activities would give a positive signal to the investor because it indicates that the company can obtain funding from third parties to finance the company projects (Ni et al., 2019; Nwanyanwu, 2015).

According to Ni, Huang, Chiang, and Liao (2019), the cash inflows from financing activities may send a positive signal to the firm because if there are cash inflows from financing, it means that the company gets the capital for financing their projects. Besides that, Ni, Huang, Chiang, and Liao (2019) also determined that if the cash inflows from financing are caused by financial distress due to lower financial performance and over the sum of long-term debt and equities, it means that there is not a positive signal to the firms. Amah, Micheal, and Ihendinihu (2016) conducted a study that examined the

effect of cash flow on the financial performance of banks listed in Nigeria. The period of study was 9 years from 2005 - 2013. The result indicated that a negative relationship between financing cash flow position and financial performance. Based on the theoretical studies, empirical studies, and basic logic, the alternative hypotheses proposed in this study is as follow:
H3: The financing cash flow ratio might significantly enhance the value of the firm.

According to Amah, Micheal, and Ihendinihu (2016), one component of cash flow namely, operations can be obtained from the normal activities of a company. In general, this cash flow occurs regularly and repeatedly. Operating cash flow is considered very important; therefore, every company must be able to generate positive cash flow from its operations, in the long run, to remain viable. Operating dummy does not significantly affect firm value, but is negatively related to firm value as the result obtained by (Ni et al., 2019) who examined the effect of the Operating dummy on Tobin's Q. The empirical studies of (Abughniem et al., 2020; Frank & James, 2014; Kusumaningtyas & Mildawati, 2016) have found a positive significant relationship between cash flow from operating and financial performance. Based on the theoretical studies, empirical studies, and basic logic, the alternative hypotheses proposed in this study is as follow:
H4: The positive operating dummy might significantly enhance the value of the firm.

Cash flow related to investment activities reflects how a company uses company cash to provide securities. Investment activities represent the acquisition and disposal of long-term assets and other assets that are not classified as liquid investments (Alslehat & Al-Nimer, 2017). The empirical studies of (Frank & James, 2014; Gheshlaghi et al., 2014) have found a negative significant relationship between cash flow from investing and financial performance, while according to (Gitiri, 2010), the relationship between investing cash flow and financial performance is positively significant. Based on the theoretical studies, empirical studies, and basic logic, the alternative hypotheses proposed in this study is as follow:
H5: The negative investing dummy might significantly enhance the value of the firm.

The third component of cash flow, which is financing, and financing activity are illustration for a company to obtain cash and is used to buy the needs in its business. The cash inflow from this activity is by borrowing money or by obtaining new investments. Whereas the cash outflow from this activity is by paying off the loan and paying dividends to the shareholders. The empirical studies of (Frank & James, 2014; Gitiri, 2010) have found a positive significant relationship between cash flow from financing and financial performance, while according to Amah, Micheal, and Ihendinihu (2016) the relationship between financing cash flow and financial performance is negatively significant. Based on the theoretical studies, empirical studies, and basic logic, the alternative hypotheses proposed in this study is as follow:
H6: The positive financing dummy might significantly enhance the value of the firm.

Managerial ownership is the amount of ownership owned by managers in the company. Managerial ownership is an opportunity for managers to be directly involved in share ownership so that the involvement of managers directly will take a position that is equal to other shareholders. So that managers can be directly involved in the company on the ownership of shares that can be effective to improve the performance of managers, to make the firm value better and wiser (Octavia & Nita, 2017). Research that proved the managers' holding ratio has a significant effect on firm value, are research conducted by (Anita & Yulianto, 2016; Nurwahidah et al., 2019). Based on the theoretical studies, empirical studies, and basic logic, the alternative hypotheses proposed in this study is as follow:
H7: The higher managers' holding ratio might significantly enhance the value of the firm.

Independent directors are defined as people who do not have family relations with people who have power over the company and do not have ownership shares in the firm. Based on Perdana (2014), they believe that a higher proportion of independent director will give the company an advantage such as the independent director can empower the board to carry out the effective monitoring role and also will give the added value on the firm. Wibowo (2015) examined the influence of independent director, commissioners audit, the board of commissioners, managerial ownership, and board of directors on the firm value of the best banking companies in Indonesia which were listed on the Indonesia Stock Exchange (IDX) in the period of 2011-2015. The result showed that the board of independent directors

did not significantly affect the firm value. Based on the theoretical studies, empirical studies, and basic logic, the alternative hypotheses proposed in this study is as follow:
H8: The higher independent director dummy might significantly enhance the value of the firm.

Board size is the total number of directors on the board of each sample firm for each accounting year. Sari & Ardiana (2014) stated that there are some shortcomings in the size of the board of directors. The large size of the board of directors will result in a lack of meaningful discussion because expressing opinions in large groups is generally time-consuming, difficult and results in a lack of cohesiveness in the board of directors. As Jensen (1993) said that if the company want to have an optimal board then the recommended number of directors is around seven or eight people. The reason is because, if the company has directors which more than that it will cause ineffective in the board and also costly to apply. In addition, (El-Faitouri, 2014) also stated that a large board negatively affect the performance of the company, they also said that this caused by a large board of directors which is not an effective monitoring role in the company. Besides that, (Hermalin & Weisbach, 2003) stated that as time went by, the size of the board directors will be diminished. Also, smaller board size has an advantage on accomplished the responsibilities and improving the firm value. Based on the theoretical studies, empirical studies, and basic logic, the alternative hypotheses proposed in this study is as follow:
H9: The smaller board size might significantly enhance the value of the firm.

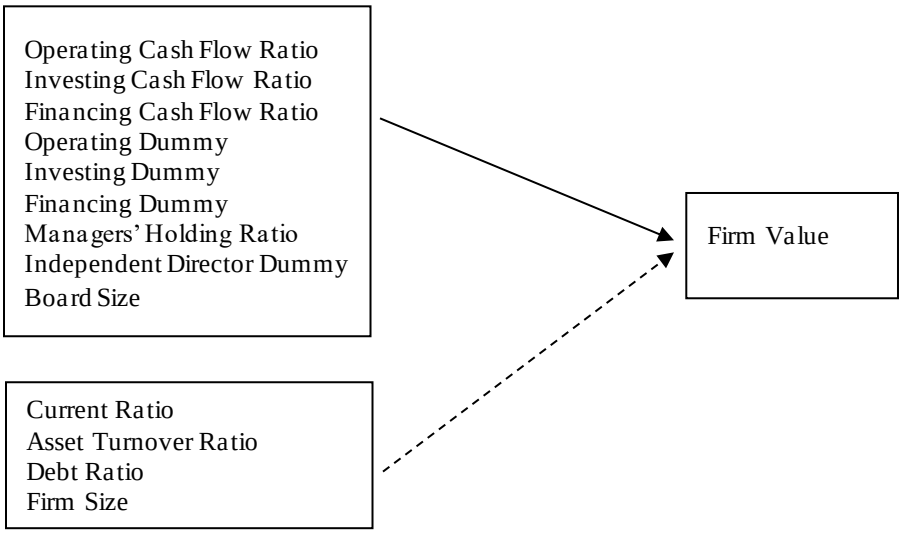

Figure 1. Theoretical Framework

METHODS

This study used quantitative research method. The data collected in this study were companies listed in Indonesia stock exchange in all sectors excluding the financing sector from 2015-2019. The total data that met the criteria and passed the outlier test was 1,236 data. In this research, the variables that used were dependent variable, independent variables, and control variables. Tobin's Q employed as the dependent variable, while the independent variable consisted of cash flow variables and corporate governance variables. Besides, financial ratio became the control variables. This study used SPSS (Statistical Package for Social Science) version 22 and Eviews application 10 to assess the hypotheses. The summary of all variables used in this study was shown in Table 1.

Table 1. Operationalization and Measurement of Variables

Variables	Definitions
Tobin's q	The ratio of the market value of assets to the book value of assets
Operating Cash Flow Ratio	The ratio of operating cash flow to the sales
Investing Cash Flow Ratio	The ratio of investing cash flow to the total assets excluding current assets

Variables	Definitions
Financing Cash Flow Ratio	The ratio of financing cash flow to the total long-term debt plus total equity
Operating Dummy	Set to 1 if cash flows from operating activities are positive; otherwise, 0
Investing Dummy	Set to 1 if cash flows from investing activities are positive; otherwise, 0
Financing Dummy	Set to 1 if cash flows from financing activities are positive; otherwise, 0
Managers' Holding Ratio	The ratio of total managers' shareholding to the total outstanding share
Independent Director Dummy	Set to 1 if a firm recruits independent directors; otherwise, 0
Board Size	Total number of directors on the board
Current Ratio	The ratio of total current assets to the total current liabilities
Asset Turnover Ratio	The ratio of total sales to the average total assets
Debt Ratio	The ratio of total debts to the total assets
Firm Size	In (market value)

FINDINGS AND DISCUSSION

Table 2. Descriptive Statistics

		Minimum	Maximum	Mean	Std. Deviation
Tobins Q	1,236	0.12283	3.19756	1.08195	0.45940
Opcf	1,236	-88.47260	2.84056	-0.01437	2.58576
InCf	1,236	-2.38779	0.99087	-0.09278	0.16778
FCf	1,236	-2.74110	2.44004	0.00265	0.22335
Mhr	1,236	0	0.84925	0.04823	0.13094
Bs	1,236	2	16	4.748	1.8959
Cr	1,236	0.03370	62.96175	2.21341	2.84123
Atr	1,236	-0.20905	5.40817	0.55093	0.53898
Dr	1,236	0.00762	2.89987	0.48768	0.25044
FirmSize (In million rupiah)	1,236	13,500.5738	439,836,241.7	8,426,150.11	33,482,030.78

Table 2 shows that the average of Tobin's Q is 1.08195. This indicates a good signal that companies were able to manage the resources in an effective way to maximize the market value. The operating cash flow ratio had a mean value of -0.01437. Besides, the average values for investing cash flow ratio and financing cash flow ratio were -0.09278 and 0.00265, respectively. The managers' holding ratio had an average value of 0.04823. This signifies that the sample test overall had a small amount of managerial ownership in the company. The average board size were 4.748 and 2 for the minimum of the board size. The financial ratio consisting of current ratio had a mean value of 2.21341. This means that the overall company had a good ability to pay off the short-term liabilities. In addition, asset turnover ratio showed 0.55093 as the average. The debt ratio had a mean value of 0.48768. This also shows that most of the companies did not have a large portion of debt in order to generate assets. Furthermore, the average size of the firm in this study was 8,426,150.11 and the standard deviation of firm size was 33,482,030.78.

Table 3. Descriptive Statistics for Dummy Variables

	Value	Frequency	Percent %
OPD	0 = Cash flows from operating activities are negative	321	26%
	1 = Cash flows from operating activities are positive	915	74%
	Total	1,236	100%
IND	0 = Cash flows from investing activities are negative	1,087	87.9%
	1 = Cash flows from investing activities are positive	149	12.1%
	Total	1,236	100%
FD	0 = Cash flows from financing activities are negative	685	55.4%
	1 = Cash flows from financing activities are positive	551	44.6%
	Total	1,236	100%
IDD	0 = Firm does not recruit independent director	349	28.2%
	1 = Firm recruits independent director	887	71.8%
	Total	1,236	100%

The result of Table 3 shows that companies who had a negative operating cash flow was 26% and while those who had a positive operating cash flow was 74%. This result indicates a good signal that companies in Indonesia still could generate a positive cash flow from operating activities.

The total number of companies that had a positive cash flow from investing activities was 12.1% and the other 87.9% had a negative cash flow from investing activities. The higher negative investing cash flow percentage means that the companies mostly doing the investment by acquisition the non-current assets.

Table 3 shows that the financing cash flow had a higher percentage in paying and borrowing debt from the third parties rather than receiving borrowing. This proven by the result of the descriptive statistic showing that 55.4% of companies had a negative financing cash flow and 44.6% had a positive financing cash flow.

The result of the descriptive statistic shows that 71.8% of companies had an independent director in monitoring the effectiveness of corporate governance and the other 28.2% was the contrary.

Table 4. F Test

Dependent Variable	Prob.	Result
Tobin's q	0.000000	Significant

F Test Result shows that the probability on Dependent Variable which was Tobin's Q was 0.0000. That means all independent variables entered in the model had significantly and simultaneously influence on the dependent variable.

Table 5. T test

Variable	Coefficient	Prob.	Result	Hypothesis
Constant	-9.375126	0.0000		
Opcf	0.009490	0.0000	Significant +	Supported
InCf	-0.098281	0.0180	Significant -	Supported
FCf	-0.114278	0.0002	Significant -	Supported
OpD	-0.013256	0.4027	Non-Significant	Rejected
InD	0.017973	0.3882	Non-Significant	Rejected
FD	-0.042995	0.0032	Significant -	Supported
Mhr	-0.220974	0.0372	Significant -	Supported
Idd	0.088669	0.0000	Significant +	Supported
Bs	-0.016386	0.0495	Significant -	Supported
Cr	-0.001751	0.5490		
Atr	0.110033	0.0038		
Dr	0.981859	0.0000		
FirmSize	0.823411	0.0000		

Table 5 shows the result that Operating Cash Flow Ratio had a positive significant effect on firm value. This also means that when cash inflows from operating over sales would enhance firm value due to the sales increased, it will automatically increase the net income, and the higher cash inflow than outflow makes the company has sufficient fund to expand the business. This situation makes the investor feel interested to invest and will lead to the increase of the firm value. This result also shows the same as (Abughniem et al., 2020; Frank & James, 2014) that revealed the relationship is positively significant, while in the studies of (Gheshlaghi et al., 2014; Ni et al., 2019) the relationship between operating cash flow ratio and firm value was negatively significant.

Investing Cash Flow Ratio had a negative significant effect on firm value, proving that firms with cash outflows from investing activities might not increase the value of the firm, because some of the newly established firms would not have too much funding to spend in investment, since they would rather keep the fund for the better money playback in operating activities. Also, for newly established companies, it is difficult to only hold assets in non-current form, not in cash and cash equivalents, because it is well known that non-current assets are usually difficult to cash out and require a longer time. Besides that this result also shows the same result as the research conducted by (Frank & James,

2014; Gheshlaghi et al., 2014; Ni et al., 2019) that indicated the negative relationship, while according to (Gitiri, 2010) it is positively related.

Financing Cash Flow Ratio had a negative significant effect on firm value, indicating that firms with cash inflows from financing activities might not increase the firm value. Cash inflow from financing cash flow may not be indicated as a positive signal because when a company raising fund from debt to finance, the company that will cause a higher debt ratio. Once the company could not afford to pay the debt, it will cause the company to face financial distress. This kind of condition will make the investor does not interested to invest because of bad corporate governance and financial management. Also, the cash inflows from the financing will change the company's capital structure as well. This finding supports the study conducted by (Amah et al., 2016). However, the contradiction is shown by (Frank & James, 2014; Ni et al., 2019) that revealed it is positively related.

Operating Dummy had a non-significant effect on firm value. This also means that when the operating cash flow is positive or negative, it will not increase the value of the firm directly. A company that has a negative operating cash flow usually indicates a warning that the company will face a financial crisis in the future for 1 and 2 years (D. D. Nguyen & Nguyen, 2020). The negative cash flow from operating also refers that the company facing the complication in operation to generate revenue to cover the expenditure without raising funds from issuing shares or third parties. The study conducted by (Gheshlaghi et al., 2014) also showed that cash flow from operating would not affect the firm performance in Tehran listed companies. Besides that, this result shows the different result as the operating cash flow ratio gives positive significant effect on firm value.

Table 5 shows that Investing Dummy had a non-significant effect on firm value. This result proved that when a company has a negative or positive investing cash flow, it will not guarantee in increasing their firm's value. The negative investing cash flow does not always bring positive signal to the investor when a company does not have sufficient fund but want to invest in long-term investment that will make the company ran out of funds to operate the business. Besides that, this result showed the same result as a relationship between investing cash flow ratio and firm value which has a negative significant effect. This result supports both theoretical and empirical evidence of prior studies of (Ni et al., 2019). But contrary to this result, research conducted by (Frank & James, 2014; Gheshlaghi et al., 2014) found a significant effect between investing and firm value.

Financing Dummy had a negative significant effect on firm value. This result shows the same effect as the effect between financing cash flow ratio on the firm value which is negative and significant. Investors always want to have prosperity when investing in a company so whenever a company paid a dividend, the investors will indicate that it is a good thing, so it is not always that the company needs to have a positive financing cash flow to attract the investors. These findings support the prior studies of (Amah et al., 2016). Moreover, this result shows different result as the research conducted by (Frank & James, 2014; Gitiri, 2010; Ni et al., 2019) showing that financing dummy has a positive significant effect on firm value.

In this research, Managers' Holding Ratio variable showed that there was a negative significant effect between Managers' Holding Ratio and Firm Value. This result indicated that the higher managers' holding ratio would not enhance the firm value. The research conducted by (Budianto & Payamta, 2014; Suastini et al., 2016) also showed that the managerial ownership brings the negative effect on firm value. This result indicates that when a company has a large portion of managers ownership, it is considered to be subject to opportunistic managerial actions and tends to prioritize its own interests in relation to the interests of shareholders external to the company. Besides that, the result in this research showed a different result as the research conducted by (Onasis & Robin, 2016; Rustan et al., 2014) that managers holding ratio had no significant effect on the firm value. Moreover, (Anita & Yulianto, 2016; Nurwahidah et al., 2019) revealed the managerial ownership had a positive and significant effect on firm value.

Independent Director Dummy showed a positive significant effect on firm value. This also means when a company has an independent director, this will send a good signal to the investors that the independent director could help in improving company credibility. The research conducted by (Abbasi

et al., 2012; Perdana, 2014) also shows that there is a positive significant effect between board independence and firm value. However, this result is also contrary to the research conducted by (Amrizal & Rohmah, 2015; Wibowo, 2015) which showed that there was no significant effect between Independent Director and Firm Value. They also stated that whether the company has an independent director or not, it will not influence the investor to invest and enhance the firm value.

Board Size showed a negative significant effect on the firm value. This also means that small board size is believed to increase the value of the company because a large board size is not effective in performing communication in the board and making decisions in management would bring bad signals to investors. Similar results are shown in the research of (Kumar & Singh, 2013; Mak & Kusnadi, 2005). This result is contrary to the research conducted by (El-Faitouri, 2014; Kurniawati, 2016; Onasis & Robin, 2016), in which based on their result board size has a positive effect on firm value. Previous research (Onasis & Robin, 2016) also stated that the size of the board can increase the value of the company because a large number of directors can increase control and monitor on the value of dividends, government policies that affect the company, and foreign ownership, where these things can increase the value of the company. In addition, the research conducted by (H. Nguyen & Faff, 2006; Purnama Sari & Ardiana, 2014) showed that the board size did not affect the firm value. They also stated that the size of the board whether is large or small also cannot influence the firm's value due to the board size only represents the number of the director but not the ability and effectiveness in carrying out its monitoring role.

Table 6. Goodness of Fit Model

Regression Model	Adjusted R2	Std. Error of Regression
Tobin's q	0.866988	0.167548

The result showed that the output of the Adjusted R Square in Tobin's Q regression model had 86.69%. That means the independent variables consisting of operating cash flow, investing cash flow, financing cash flow, operating dummy, investing dummy, financing dummy, managers' holding ratio, independent director dummy and board size, control variables consisting of current ratio, asset turnover ratio, debt ratio, and firm size that have been used in this research can indicate 86.69% explain the dependent variable and another 13.31% has not been explained in this model regression.

CONCLUSIONS

This study obtained the result that the operating cash flow ratio has a positive significant effect on firm value. Meanwhile, the investing cash flow ratio and financing cash flow ratio have a negative significant effect on firm value. Furthermore, the results also indicate that operating dummy and investing dummy has no effect on firm value and the financing dummy shows the same as financing cash flow ratio that there is a negative significant effect on firm value. Besides that, the corporate governance variables including managers' holding ratio and board size have a negative effect on firm value except the independent director dummy indicates a negative effect on firm value. Furthermore, this study has several limitations in the process of conducting this study such as the presence of Covid-19 pandemic making several companies having difficulty in publishing the annual report, that causes the companies were not included as the sample of this study. Moreover, future study is encouraged to expand the sample range such as more than 5 years of study and perform the comparisons between two or more countries in examining the impact of cash flow components on firm value.

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