American Journal of Humanities and Social Sciences Research (AJHSSR)
e-ISSN :2378-703X
Volume-5, Issue-8, pp-177-191
www.ajhssr.com
Research Paper Open Access

THE MEDIATING ROLE OF PROFITABILITY ON THE RELATIONSHIP *FREE CASH FLOW*AND*LEVERAGE* ON STOCK PRICING (Case Study on Manufacture Company, SubSectorsofConsumer in 2016 - 2019)

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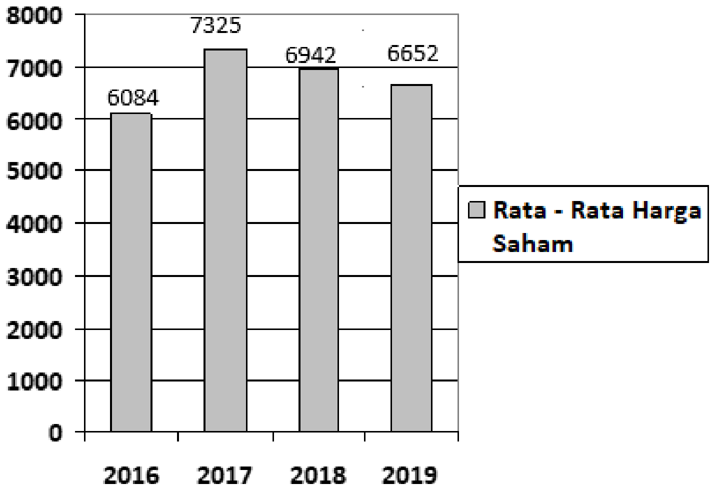
ABSTRACT: This study aims to examine the effect of profitability as an intervening in the influence of the free cash flow and leverage on stock pricing. As well as the direct effect of Leverage, profitability amd free cashflow to stock pricing. This study uses a path analysis model and polling data from on 51companies of various manufacture consumer good subsectors on the Indonesia Stock Exchange (IDX), over a period 3 years 2016 – 2019,The result of this study is free cashflow and leveragehad noeffectonstockprices and freecashflow had a significantpositiveeffectonprofitability, leverage had noeffectonprofitability, profitability had a significantpositiveeffectonstockprices. we take path analyses to find out the whether profitabilitycould be the mediating variable of free cashflow and leverage on stock prices hence the result has found that the variabel is unable to mediate the effect of free cashflow and stockprices.

Keywords -*freecashflow, leverage, profitability and stock prices*

I. INTRODUCTION

During the last few years investing in stock market has become recent trends among the beginner investor and investing has been alternative to earn the passive income. Tandelilin (2017:2) stated that Investing is diverting resource in the present to gain future profits. Indonesian government nowadays tried promoting Gen X generation to invest in stocks beside let the money growth in saving account, rhe programs aim to help company to earn more operational capital resources that help company expantion.Jogiyanto (2017:180) found that stock price usually used to value the company net value, the higher stock price the higher company net value would be and vice versa. The goal of starting a business is to maximize the company's worth. Decisions taken by company management refer to the main goal of maximizing the value of the company or the value of the firm (Asri, 2013). Maximizing the value of a company also means maximizing the welfare of shareholders, According to the theory of the firm, one of the company's purposes is to maximize the owner's or shareholders' wealth through boosting the company's worth (Hermuningsih, 2013). The valuation of a company is represented in its share price over a period of time, which is linked to investors' assessments of the firm's success rate.The company's value is critical since a high value will result in high shareholder satisfaction (Brigham, 2013)

This research was conducted in manufacturing companies listed on the Indonesia Stock Exchange (IDX). The manufacturing industry in Indonesia is one of the industries with great potential. The potential of Indonesian manufacturing companies shows a good level stocks prices and is a source of profit. A description of profitability, company value and number of shares outstanding on companies listed on the Indonesia Stock Exchange (BEI) from 2016 - 2019



Sumber: www.idx.co.id, 2020

Picture 1. Average Price of Manufacture company stock prices (Sub Sector consumer goods) in BEI 2016 – 2019)

Based on the data, the average prices of manufacture company stock pricing has been fluctuated in years by years, the average stocks pricing in 2016 is around Rp. 6084 increased by 20.4 percent in 2017 to 7325. In 2018 the average share price of the company decreased by 5.2 percent to 6942, It fell by 4.4 percent to 6652 in 2019. The company's goal of maximizing share prices was foiled by the drop in share prices.

The trend of investing in manufacturing companies of the consumer goods industry sub-sector in Indonesia is still an appealing for investors, which are expected to provide long term profits. Indonesia's economic conditions experienced a slowdown which can be seen from the low purchasing power of the people based on a survey conducted by Bank Indonesia regarding the Consumer Confidence Index which decreased in mid-2019. The survey results indicate that the public is not too confident about the condition of the Indonesian economy.There are several factors that caused the slowdown in the Fast Moving Consumer Goods/FMCG sector. Competionbetweellocal and imported company product and decrease public purchasing power, market switching in consumer choice from FMCG products to non-FMCG products.

According to (Brigham, 2013), the price to book value (PBV) ratio, which is a comparison of stock prices and b ook values per share, can be used to determine the value of a company.

The result of a comparison between the stock market price and the book value of shares is the PBV.According to Husan and Satria (2019), the firm's worth is determined by the price that potential purchasers or investors are willing to pay when the company is sold. According to Keown et al. (2015: 470), the market value of the debt securities and corporate equity in circulation determines the company's value. Several aspects can influence the company's value, including profitability, liquidity, sales growth, and capital structure. ROA (Return On Asset), PBV (price to book value), ROE (Return On Equity), DER (Debt to Equity Ratio), Kurs, Inflasi dan Suku Bunga (Patar, dkk., 2014). Free Cash Flow, Profitabilitas, Firm Size Dan Leverage (Astuti dan Khuzaini, 2019).

These research taking variables of Free Cash Flow, Leverage dan Profitability to discover the effect of these variables on stock pricing, Astuti and Khuzaini (2019) Free Cash Flow has an effect on investors' perceptions of company growth. The greater the value of free cash flow, the company is able to provide optimal profits, Free cash flow can affect stock prices, meaning that if free cash flow will be paid as dividends to shareholders, the share price will increase and will generate greater benefits through the sale of shares.

Jensen and Meckling (1976) argued that free cash flow should be distributed as dividends. cash is distributed as dividends, it will be a positive signal for investors, and affecting the company's shares demand and also stock price. However, usually the company prefers to reinvest the cash in other projects to generate profit.

Diansyah (2020) found that free cash flow has a significant positive effect on stock prices, this means that free cash flow can increase stock prices. The difference in the results of the research proposed by Astuti and Khuzaini (2019) is that free cash flow has a but not significant effect on stock prices and (Zahari, et al. 2019) found that free cash flow has no significant effect on stock prices.

Companies that are relatively large tend to use large external funds because the funds needed are increasing along with the company's growth. Leverage shows the proportion of the use of debt to finance company investments. Leverage is one aspect that is assessed in measuring stock prices. The higher the debt, the greater the income used to pay debt and interest expenses. Increased leverage will also motivate management to have greater responsibility to shareholders and especially to third parties who lend funds (Sadewa and Yasa, 2016).

Leverage reflects the company's ability to meet its financial obligations both in the short and long term and can also measure how much the company is financed by debt (Kasmir, 2016:157). The leverage ratio in this study is proxied by the Debt to Equity Ratio (DER). This ratio describes the level of risk of the company in fulfilling its debt obligations by using its own capital. DER also reflects the comparison between the use of debt and the company's own capital. The reason for using DER in this study is due to the consideration of financial risk due to the use of high debt that can influence investors in choosing stocks.

The higher the risk of using more debt, the lower the stock price (Brigham and Houston, 2013: 140). This means that DER has a negative effect on the company's stock price. Research conducted by Firdausi, et al. (2020) found that DER had a significant negative effect on stock prices. However, Astuti and Khuzaini (2019) found that DER had no significant effect on stock prices. While Zaki, et al. (2017) found that there was no effect of DER on stock prices. Putranto and Ari (2018) found different things, namely DER has a significant positive effect on stock prices.The use of debt in the company's funding activities not only has a good impact on the company. If the company does not pay attention to the proportion of leverage, it will cause a decrease in profitability because the use of debt causes a fixed interest expense.

Leverage in this study is proxied by debt to equity ratio (DER) because it refers to research conducted by (Suprapto&Enjeliana, 2021) which states that leverage has a negative effect on company profitability, because a high level of leverage will have a high risk which is characterized by a higher cost of debt. This large debt causes the profitability of the company concerned to be low because the company's attention is shifted from increasing productivity to the need to generate cash flow to pay off their debts. Previous research by Krishna and Phani (2018) shows that leverage has a significant negative effect on profitability. This research is supported by Onyenwe and Ivie (2017), Hong Bui (2017), also find that leverage has a negative and significant effect on company profitability.

Profitability is one of the capital besides the use of debt to maintain the sustainability of a company. The size of the company's profitability can have a direct impact because it affects investor confidence in investing their funds. Profitability is an attractive thing in the eyes of investors. Companies with high profitability will be in demand by investors. Signal theory emphasizes the importance of information or notifications issued by companies to investment decisions of parties outside the company. Information is the most important element for investors and business people because information essentially presents information, notes, or pictures in the past or present, as well as information that is rational opinion/opinion circulating in the market that can affect price changes (Tandelilin, 2017). :219). Based on the signal theory, an increase in profitability causes an increase in demand for shares by investors, high profits are an indication that a company is able to survive in competition and generate profits.

According to Kasmir (2016: 196) profitability shows the company's ability to seek profit, providing a measure of the level of effectiveness of a company's management. This is indicated by the existence of profits generated from sales and investment income and shows the efficiency of the company. Several studies have shown that financial ratios are proven to play a role in stock price assessments. There are several measuring tools used to measure the level of profitability, namely Return on Assets (ROA), Return on Equity (ROE), Profit Margin and Earning per Share (EPS).Profitability has an important meaning for the company because it is one of the basis for assessing the condition of a company. The level of profitability describes the company's performance as seen from the company's ability to generate profits. The company's ability to earn profits shows whether the company has good prospects or not in the future. Profitability in this study is proxied by return on assets (ROA) because it can show how the company's performance is seen from the use of all assets owned by the company in generating profits.

This research was conducted on manufacturing companies in the consumer goods industry sector on the Indonesia Stock Exchange (IDX) in 2016-2019. This sector was chosen because it produces basic needs that are most needed by the community in line with the increasing population growth in Indonesia. The consumer goods industry sector consists of 5 sub-sectors, namely, the food and beverage sub-sector, the cigarette sub-sector, the pharmaceutical sub-sector, the cosmetics and household goods sub-sector, and the household appliances sub-sector. The consumer goods industry sector provides products that are the primary goods of society, so that investment in the consumer goods industry sector can be regarded as a promising investment. This is because the demand for consumer goods industry products will tend to be stable which has an impact on the company's ability to generaInvestors can see the relationship between risk and the expected return on invested capital. Stocks are one of the capital market instruments that always experience price changes. The stock price is said to be cheap, expensive or reasonable, it can be known by looking at the company's fundamental condition.te optimal profits. Analyzing financial performance reports.

Based on previous studies of profitability, free cash flow, leverage and stock prices, it is known that there are still differences in the results of several previous studies regarding the relationship between free cash flow and leverage with stock prices. The difference in these results is the basis for researchers to use profitability as a mediating variable. Research with profitability as a mediating variable, especially in manufacturing companies in the consumer goods industry sub-sector, has also not been widely carried out, a reason for researchers to be able to conduct further research with the title on research on the effect of free cash flow and leverage on stock prices through profitability as a mediating variable in companies manufacturing sector of the consumer goods industry in 2016-2019 which is listed on the Indonesia Stock Exchange.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Freecashflowisthevalue/balanceofcashflowsavailabletobepaidtoshareholders (investors) anddebtowners (creditors), reservesthatmustbeestablished in accordancewithapplicableaccountingregulations/policies, anddividendstoowners. The company'sfreecashflowisessentiallythe total cash in flowbalancefromoperationalactivities minus operatingexpensesincludingthecostofdepreciationofassetsused in operationalactivities (BrighamandHouston, 2013:109)
Freecompanycashflowthatcanbedistributedtocreditorsorshareholdersis not requiredforworkingcapitalorinvestment in assetsusuallycreates a conflictofinterestbetweenmanagersandshareholders. Jensen (1986) suggeststhatfreecashflowshouldbedistributed as dividends. Whenthecashisdistributed as dividends, itwillbe a positivesignalforinvestors. Sothatthesignalwillaffectthedemandforthecompany'sshares, which in turnwillaffectthestockprice.Accordingto Tantri andYusbardini (2021) concludedthatfreecashflow has a significantandpositiveinfluenceonshareholdervalue, thehigherfreecashflowwillindicatehighercompanyperformanceandanincrease in cash in thefuturesothatitwilladdvaluetothecompany. investorswhocanbeseenfromthehigherreturnsfromstockprices, dividendsorretainedearningsforinvestmentactivities in thefuture. Stefany (2021) revealsthatiffreecashflow has highyields, thehigherthecompany'sstockpriceandthehigherthecompany'sperformancewillmakean investor interested in investing in thecompany.

Diansyah (2020) in his researchfoundthatfreecashflow had a positiveandsignificanteffectonstockprices. Thisfindingissupportedbyresearchby Oktaryani, etal (2016), Tantri andYusbardini (2021). Basedonthefindingsofpreviousresearch, thefollowinghypothesiscanbeformulated.
H1: freecashflow has a positiveandsignificanteffectonstockprices.

Previousresearch Firdausi, etal. (2020) foundthatleverage has a significantnegativeeffectonstockprices. Thisresearchissupportedbytheresearchof Oktaryani, etal (2016). Basedonthefindingsofpreviousresearch, thefollowinghypothesiscanbeformulated.
H2: leverage has a negativeandsignificanteffectonstockprices.

Freecashflowshowsthecashflowgeneratedbythecompany in a certainperiodafterpaymentofoperatingandfinancingcostsbythecompany. Cashflowsreflectprofitsorreturnstoownersofcapitalincludingdebtorequity. Freecashflowrepresentscashremainingfrombusinessoperationalactivitiesthatcanbeusedfordividendpayments, expansion, ordebtrepayment (Komarudinand Naufal, 2019).

The residualproceedsfromthecashissuedforthecompany'soperatingexpensesandinvestmentneeds are used as a determinantofthevalueofthecompany'ssharesand are therightsobtainedbyinvestorsandcompanycreditors. The useoffreecashflowdependsonthedecisionsofinvestors in the General MeetingofShareholders (GMS). The useoffreecashflow as anadditionalinvestmentaimstoimprovethecompany'sperformance, sothatitcanincreasethecompany'sprofitability in thefuture. Ali etal. (2018) in his researchfoundthatfreecashflow had a positiveandsignificanteffectonprofitability.

Thisfindingissupportedby Usman etal. (2017); Ahmed etal. (2018) andHau (2017). Basedonthefindingsofpreviousresearch, thefollowinghypothesiscanbeformulated.
H3 : freecashflow has a positiveandsignificanteffectonprofitability

Leverageis a companythatusescapitaltoincreaseshareholderprofitsthroughfixedcosts. Highleveragewillcarry a higherrisk, thisischaracterizedby a highercostofdebtwhichcauseslowercompanyprofitability (Suprapto &Enjeliana, 2021).

Theoreticallytheeffectofleverageemphasizestheimportantroleofdebtfinancingforthecompanyandshowsthepercentageofcompanyassetssupportedbydebtfinancing. Fundsoriginatingfromdebthave a costofcapital in theformofinterestcosts. The greatertheuseofdebt in thePecking Order Theory, indicatesthatthegreaterthecoststhatmustbebornebythecompanytofulfillitsobligationssothatitcanreducetheprofitabilityofthecompany (Arifin, etal., 2019).

Previousresearchby Krishna andPhani (2018) showsthatleverage has a significantnegativeeffectonprofitability. ThisresearchissupportedbyOnyenweandIvie (2017); Hong (2017); Ratnasari and Budiyanto (2016); Suprapto &Enjeliana (2021). Basedonthefindingsofpreviousresearch, thefollowinghypothesiscanbeformulated.

H4: leverage has a negativeandsignificanteffectonprofitability

Profitabilityshowsthecompany'sabilitytoseek profit or profit within a certainperiod. The profitabilityratiousedshowsthecompany'sreturnor profit generatedfromthecompany'sassetsusedtorunthecompany. Saprudin, (2019) foundthatprofitability has a positiveandsignificanteffectonstockprices, companiesthathavehighprofitability, thecompany'sstockpricewillrise, andviceversaforcompaniesthathavelowprofitability, thecompany'sstockpricewilldecrease. Highcorporateprofitabilitysymbolizesgoodfinancialperformance, can open upgoodinvestmentopportunities, andcost-effectivemanagement.

Muhammad & Rahim, (2019) showedthatthereis a positiveandsignificantinfluencebetween ROA onstockprices, thisindicatesthatthegreaterthecompany'sabilitytoearnprofitsbyusingitsassets, thehigherthecompany'sstockprice. Profit (profit) isproventobeabletoincreasetheattractivenessofinvestorstoinvest in thecompanysothatitcanaffecttheincreasingshareprice.

Accordingto Manopo (2015) anincrease in the ROA ratioisgenerallyfollowedbyanincrease in stockprices. Basedonsignalingtheory, thevalueof ROA canprovide a positivesignalforinvestors. The higherthe ROA, thebetterthecompany'sperformance in managingitscapitaltogenerateprofitsforshareholders. Thisshowsthatthecompanyisabletoeffectivelyandefficientlyusecapitalfromshareholders in obtainingprofits. The increase in thecompany's net profit willincreasethe ROE valuesothatitwillattractinvestorstobuytheshares, which in turnwillincreasetheshareprice in thecompany.

Previousresearchconductedby Manopo (2015) statedthatprofitability had a significantpositiveeffectonstockprices. Thisresearchissupportedby Sharif et., al (2015); Setyorini, etal. (2016); Muhammad & Rahim, (2019); and Lapian and Sayu (2018).

H5: profitability has a positiveandsignificanteffectonstockprices.

Profitabilityisthecompany’sabilitytogenerateprofitswhich are consideredtobe a signalforthecompanytoattractinvestorstoinvesttheircapital. Companieswith a high level ofprofitabilitywillincreasetheinfluenceoffreecashflowonstockprices (Tantri andYusbardini, 2021).

Freecashflowis a company’scashflowthatcanbedistributedtocreditorsorshareholdersthatis not usedforworkingcapitalorinvestment in fixedassets (Evendy andDeannes, 2015). In addition, freecashflowcanincreasestockpricesthattakeinvestmentopportunities, butthisis not thecaseforcompaniesthatdo not taketheopportunitytoinvest (Hau, 2017).

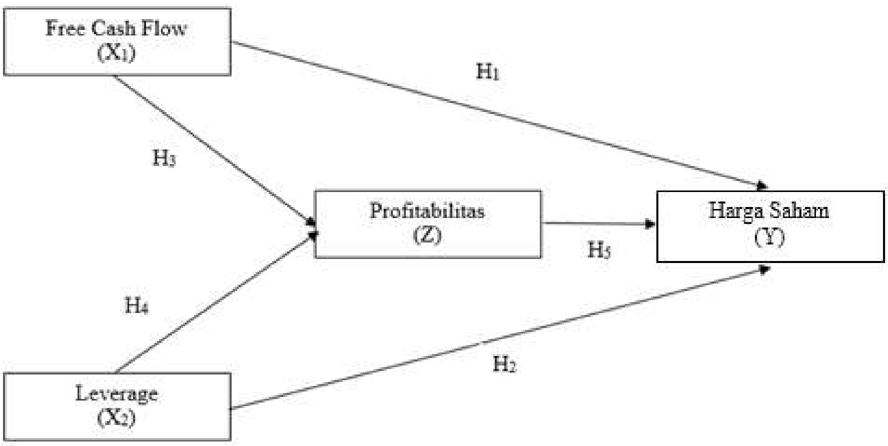
Accordingto Ali etal., (2017) in theirresearchstatesthatthepositivefreecashflowownedbythecompanyshowsgoodperformancebecauseit has theopportunitytoearnprofits. Meanwhile, companiesthatdo not havefreecashfloworhavenegativefreecashflowsrequireloanfundsfromoutsidethecompanytofulfilltheiroperations. The findingsof Hardiansyah (2014) in his researchfoundthatfreecashflow had a positiveandsignificanteffectonstockprices. Andthefindings. Ali etal. (2018) statesthatfreecashflow has a positiveandsignificanteffectonprofitability. Basedonthetheoreticalandempiricalstudies, thehypothesiscanbeformulated as follows.

H6: profitabilityisabletomediatefreecashflowonstockprices.

Profitabilitywhichdescribesthecompany'sabilitytoearnprofitscertainly has animportantmeaningforthecompanybecauseitisoneofthebasesforassessingtheconditionof a company. The level ofprofitabilitydescribesthecompany'sperformance as seenfromthecompany'sabilitytogenerateprofits. The company'sabilitytoearnthis profit showswhetherthecompany has goodprospectsor not in thefuture (Putra andBadjra, 2015).

Leveragereflectsthecompany'sabilitytoobtainandincreaseprofitsbyusingdebt (Avistasarietal., 2016). Companiesusedebttoincreasecapitalwiththeaimofincreasingprofits, buttheeffectivenessofusingdebttoincreaseprofitabilityvariesbetweencompaniesdependingonthecompany'smanagementabilitytomanagethedebt (Chen etal., 2019). Leverageshowstheratiobetweentheamountofdebtandtheamountofequitywhichisbetterknown as the DER ratio. Companies in generalcanincreaseprofitabilitywhichthenraisesitsshareprice therebyincreasingthewelfareofshareholdersandbuildinggreatergrowthpotential.

A high DER level indicatesthat a largercompanyisfinancedbydebt. If the debtishigherthanthecapitalowned by the company, itcanaffectrevenueorevenresult in lossesforthecompany. Thisis in accordancewiththeresultsofresearchconductedby (OnyenweandIvie, 2017) whichstatesthatthereis a significantnegativeeffectbetween DER onprofitability. As well as theresultsofresearchfrom (Lapian and Sayu, 2018) whichstatesthatprofitability has a significantpositiveeffectonstockprices. Lailia &Suhermin (2017) revealthatprofitability has a positiveandsignificanteffectonstockprices. Basedonthepositiverelationshipobtained in previousstudies, itcanbeestimatedthatprofitabilitywillbeabletomediatetheeffectofleverageonstockprices as measuredby ROA. Thenthehypothesiscanbeformulated as follows:
H7: profitabilityisabletomediatetheeffectofleverageonstockprices.



Picture 2.Conceptual Framework

III. METHODS

This research design uses a quantitative approach in the form of associative aims to determine the relationship between two or more variables, and can explain, understand, and predict the level of dependence between variables. The objects examined in this study are stock prices, free cash flow, leverage, and profitability.

The scope of this research includes research locations, namely manufacturing companies in the consumer goods industry sector on the Indonesia Stock Exchange (IDX) in 2016-2019. The scope of this study also examines the effect of free cash flow and leverage on stock prices and the role of profitability in mediating free cash flow and leverage on stock prices. Therefore, in this study, it is limited to the variables identified that can affect stock prices

The target population of this study is manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange which publish annual financial reports in a row in the 2016-2019 period so that a total population of 55 companies is obtained.Based on data obtained from www.idx.co.id, the total population and samples of manufacturing companies in the consumer goods industry sector in 2016-2019 are presented in the form of Table 1 of the population and research samples as follows.

Tabel 1 JumlahPopulasi dan SampelPenelitian

Consumer Goods Industry Sector Companies listed on the Indonesia Stock Exchange for the period 2016-2019	55
Companiesthat are not listed in a rowduringperiod of 2016-2019	(12)
Companies that do not provide sustainability reports and annual reports in a row during the period 2016-2019	(2)
Jumlahsampel	**41**

Sumber: www.idx.co.id, 2021

Based on Table 4.1 the number of samples used were 41 companies. This study uses time series data which was carried out for 4 years so that the total sample size was 164, obtained from the number of n times the year (41 x 4).

Data analysis techniques in this study are descriptive data analysis and path analysis.

IV. RESULTS AND DISCUSSION

Table2 Descriptive Data Statistic

Variabel	Min	Max	Mean	Std. Deviation
***FreeCashFlow*(FCF)**	-345,00	282,00	13,1951	44,31024
***Leverage*(DER)**	-213,00	1140,00	110,9573	152,92692
Profitability (ROA)	-110,00	137,00	8,2866	20,05262
Harga Saham	50,00	83800,00	5992,7988	13890,51448

Source :Data Analysed, 2021

Table 2 showsanoverviewofthedescriptivestatisticsforeachvariable. The followingis a descriptionofdescriptivestatistics:

1) The freecashflow (FCF) variable has a minimum valueof -345.00, a maximumvalueof 282.00 and a meanvalueof 13.1951 with a standarddeviationof 44.31024. Thisshowsthattheaveragefreecashflowofmanufacturingcompanies in theconsumergoodsindustrysector in Indonesia is 1320 percent.Variabel*leverage*yang diproksikan dengan rasio hutang terhadap ekuitas atau *debttoquityratio*(DER) memiliki nilai *minimum* sebesar -213,00 nilai *maximum* sebesar 1140,00 dan nilai *mean* sebesar 110,9573 dengan *standartdeviation* sebesar 152,92692. Hal ini menunjukkan bahwa rata-rata total hutang terhadap ekuitas perusahaan manufaktur sektor industri baraang konsumsi di Indonesia yaitu 11096 persen.
2) The profitabilityvariable as proxiedbyreturnonassets (ROA) with a minimum valueof -110.00, a maximumvalueof 137.00 and a meanvalueof 8.2866 with a standarddeviationof 20.05262. Thisshowsthattheaverage ROA ofmanufacturingcompanies in theconsumergoodsindustrysector in Indonesia is 829 percent.
3) The stockpricevariableusedfromtheaverageclosingprice per year has a minimum valueof 50.00, a maximumvalueof 83800.00 and a meanvalueof 4992.7988 with a standarddeviationof 13890.51448. Thisshowsthattheaveragesharepriceofmanufacturingcompanies in theconsumergoodsindustrysector in Indonesia is 499279 percent.
4) The resultsofthepartialtestofthestructural model I showthatthe t valueofthefreecashflowvariableis 2.488, leverageis -0.674 with a significancevalue (FCF) of 0.014 and (DER) 0.501. Theseresultsindicatethatfreecashflow has a significantpositiveeffectonprofitability (ROA) andleverage has nosignificanteffect.

Table. 3 Partial test and Structural model I

Coefficients[a]								
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	7.894	1.942		4.065	<,001		

	Free Cash Flow	.088	.035	.193	2.488	.014	.989	1.011
	Leverage	-.007	.010	-.052	-.674	.501	.989	1.011

Source: Data Anlysed 2021

The resultsofthepartialtestofstructural model II showthatthe t valueofthefreecashflowvariableis 0.240, leverageis 0.853, profitability (ROA) is 2.387. The significancevaluewhichshows a valuelessthan 0.05 isthesignificancevalueofprofitability (ROA) whichis 0.018. Theseresultsindicatethatpartiallyprofitability (ROA) has a significantpositiveeffectonstockprices
.

Table3 Partial Test and Structural Model II

Coefficients[a]								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	4113.313	1404.677		2.928	.004		
	Free Cash Flow	5.926	24.702	.019	.240	.811	.952	1.051
	Leverage	6.025	7.064	.066	.853	.395	.977	1.024
	Profitabilitas (ROA)	133.513	55.936	.193	2.387	.018	.906	1.104

Source: Data Analysed2021

Table 3 showsthatthedirecteffectof FCF onStockPrice (0.019) issmallerthantheindirecteffectthrough ROA (0.037) with a total effectof 0.056 whilethedirecteffectof DER onStockPrice (0.066) isgreaterthantheindirecteffectthrough ROA (-0.010) with a total effectof 0.056. The significancevalueoftheeffectofprofitability (ROA) onstockpricesis 0.018. Sothatprofitability (ROA) has a significantpositiveeffectonstockprices.

Table4 DirectPath, IndirectPath and Total Path

Jenis Pengaruh	Koefisien	Signifikansi
Direct Path		
FCF →Stock Pricing	0,019	0,811
DER →Stock Pricing	0,066	0,853
ROA→Stock Pricing	0,193	0,018
FCF→ ROA	0,193	0,014
DER→ROA	-0,052	0,501
Indirect Path		
FCF→ROA→Stock Pricing	0,193 x 0,193 = 0,037	
DER→ROA→Stock Pricing	0,193 x (-0,052) = (-0,010)	
Total Path		
(FCF →Stock Pricing) + FCF→ROA→Stock Pricing	0,019 + 0,037 = 0,056	
(DER →Stock Pricing) + DER→ROA→Stock Pricing	0,066 + (-0,010) = 0,056	

Source :Data Analysed 2021

Tabel 5 Sobel Test

	Mediating Variable ROA	
	Free Cash Flow FCF	**Leverage DER**
a	0,088	-0,007
b	133,513	133,513
Sa	0,035	0,010
Sb	55,936	55,936
Z (sobel)	**1,87**	**-0,62**
Keterangan	TidakMemediasi	TidakMemediasi

Source: Data Analysed 2021

Table 5 showsthattheSobelvalueislessthan 1.96 sotheanalysisresultsshowthatprofitability (ROA) is not abletomediatetheeffectoffreecashflow (FCF) andleverage (DER) onstockprices.

The Effect of Free Cash Flow on Stock Prices Harga

The results showed that free cash flow had no significant effect on stock prices. It means that the higher the value of free cash flow does not significantly affect the increase in stock prices. This can be because the company has not been able to maximize the excess cash available in the company which is used to maximize the prosperity of shareholders. A high free cash flow value is not necessarily used as a dividend payment.

AccordingtoBrighamandHouston (2013:109) thatfreecashflowisfreecashflowthatisactuallyavailabletobepaidtoshareholdersanddebtowners, afterthecompany has placedallofitsinvestment in fixedassets, newproductsandworkingcapitalthatwillneededtomaintainongoingoperations. Freecashflowpaid as dividendsforinvestorswillprovidegreaterbenefitsthroughthe sale ofshares. Stockprices are moreinfluencedbyexternalfactorsofthecompany. Thiscanbeseen in thenoeffectoffreecashflowonthestockpricesofmanufacturingcompanies in theconsumergoodsindustry sub-sectorlistedonthe Indonesia Stock Exchange (IDX).

This could be because the consumer goods industry sub-sector companies take advantage of free cash flow to maintain capital adequacy so that at any time the company has profitable investment opportunities, the company can use the funds available within the company. However, this can lead to conflict between management and shareholders. This is because managers as agents prioritize personal interests, whereas shareholders want free cash flow to be distributed as dividends. This confirms that changes in the free cash flow of companies in the consumer goods industry sub-sector in 2016-2019 have no effect on stock prices.

The results of this study are supported by research conducted by Proverbs &Andrian, (2017) showing that free cash flow has no effect on stock prices and the findings of this study are not in line with the results of previous studies conducted by Tantri and Yusbardini (2021) and Ali et al. (2018) which states that the use of free cash flow as an additional investment aims to improve the company's performance, the higher the free cash flow, the higher the company's performance and an increase in cash in the future so that it will add value to investors, which can be seen from higher returns than stock prices.

The Effect of Leverage on Stock Prices

The results show that leverage does not have a significant effect on stock prices in manufacturing companies in the consumer goods industry sub-sector. This means that the lower the value of leverage, the higher the stock price, and vice versa, this result explains that the higher the level of risk in fulfilling the company's obligations, namely debt is not affected by changes in stock prices.

Leverage does not have a significant effect on stock prices because manufacturing companies in the consumer goods industry sub-sector use more debt funds that are not used effectively. If the higher the value of leverage, the smaller the amount of owner's capital used as collateral for debt, which will result in a higher risk of the company in fulfilling its obligations. The results of this study are in accordance with the theory according to Hery (2016: 78) that leverage is used to measure the proportion of debt to capital. If the higher the leverage value, the smaller the amount of owner's capital used as debt collateral and the higher the debt will result in the higher risk of the company in fulfilling its obligations, this can result in a decrease in stock prices.

According to Kasmir, (2016:151) leverage is a ratio used to measure the extent to which company assets are financed by debt. This means how much debt burden is borne by the company compared to its assets. In a broad sense it is said that the leverage ratio is used to measure a company's ability to pay all of its obligations, both short-term and long-term if the company is dissolved (liquidated). This indicates that even though manufacturing companies in the consumer goods industry sub-sector have high levels of debt, the company will still pay some of its cash to shareholders. This could be due to the company's permanent policies, one of which is to distribute dividends to shareholders. This confirms that changes in the leverage of manufacturing companies in the consumer goods industry sub-sector in 2016-2019 have no effect on stock prices.

The results of this study are in accordance with research conducted by Zaki, et al. (2017) show that leverage has no significant effect on stock prices. However, the results of this study are not in accordance with the research conducted by Suprapto&Enjeliana, (2021) and Firdausi, et al. (2020) revealed that high leverage will carry higher risk, this is characterized by higher debt costs which lead to lower company profitability.

The Effect of Free Cash Flow on Profitability

The resultsshowedthatfreecashflow had a significantpositiveeffectonprofitability. Freecashflow had a positiveeffectonprofitabilitybecausethemanager'sremainingcashflowwas not distributedtoshareholders as dividends. The restofthecompany'scashbymanagersisusedtoinvest in thecapitalstructureorothers, thuscausingthecompany'sperformancetoincreasebecauseoftheadditionofcapitaltothecapitalstructureresulting in newinnovations in theproductsitsells.

This study supportsJensen'stheory (1986) explainingtheuseoffreecashflowissaidtohavebeenused in accordancewiththeinterestsoftheowner, namelywhenthecompanycandistributefreecashflowtofundprojectswithpositive NPV so as toproducehighprofitabilityandindicatethebetterthecompany'sperformance in generating net income. The results of this study are in linewithresearchconductedby Herliana (2016) and Syamsudin, etal. (2019) showingthatfreecashflowisused in thecapitalstructureorothers, causingthecompany'sfinancialperformancetoincreasebecauseofadditionalcapital in thecapitalstructureresulting in innovation. newtotheproductsitsells. andaccordingtoresearchconductedbyKamranetal. (2017); Ali etal. (2018) Usman etal. (2017); Ahmed etal. (2018) andHau (2017) showthatfreecashflow has a significantpositiveeffectonprofitability.

The EffectofLeverageonProfitability

The resultsshowedthatleverage had noeffectonprofitability. The noeffectofleverageonprofitabilitymeansthatthehighertheuseofdebt in theconsumergoodsindustrydoes not have a significanteffectonincreasingprofitability. The results of this study are not in accordancewiththetheorywhichstatesthatcompanieswithveryhighreturnsoninvestmentuserelativelysmallamounts ofdebt. The highrateofreturnallowsthecompanytodomostofitsfundingthroughinternallygeneratedfunds. Pecking order theorystatesthatprofitablecompaniesprefer internal fundingcomparedtoexternalfunding (BrighamandHouston, 2013: 189). The greaterthecoststhatmustbebornebythecompanytofulfillitsobligationssothatitcanreducetheprofitabilityofthecompany (Arifin, et.al, 2019).

Leverage has noeffectonprofitability, whichis not in linewiththeresultsofpreviousstudiesconductedby Suprapto &Enjeliana (2021) and Krishna &Phani (2018) whichstatedthatcompanieswithhighleveragewillcarryhigherriskscharacterizedbyhigherdebtcosts, resulting in higherleverage. useofcapitalwhich has animpactondecreasingprofitability.There is no effect of leverage on profitability because consumer goods industry companies with a high proportion of leverage are not the main factors that can affect the company's profitability. The results of the study are not in accordance with the research conducted by Onyenwe and Ivie (2017); Hong (2017); Mahardika (2016) found that leverage has a significant negative effect on profitability, but the results of this study are in line with research by Tarigan&Sudjiman (2021) which shows that leverage has no effect on profitability.

The EffectofProfitabilityonStockPrices

The resultsshowedthatprofitability as measuredbyprofitability had a significantpositiveeffectonstockprices. Thismeansthatthehighertheprofitability, thehigherthecompany'sstockprice. The highertheprofitability, itmeansthatthecompany'sperformance in managingitscapitalassetstogenerateprofitsforshareholdersisgettingbetter. Thisis in accordancewithSignalingTheoryifthecompany'sprofitabilityishigh, itshowsthatthecompanyisabletomanageitsassetseffectivelyandefficientlyfromtheuseofcompanycapitalsothattheuseofassetsisgreaterthanthe total assetsusedbythecompany, thisgives a positivesignaltothecompanythroughanincrease in prices. companystock.The resultsofthis study supportresearchconductedby Muhammad & Rahim, (2019) showingthatthereis a positiveandsignificantinfluencebetweenprofitabilityonstockprices, thisindicatesthatthegreaterthecompany'sabilitytoearnprofitsbyusingitsassets, thehigherthecompany'sstockprice. the.According to Kasmir, (2016: 196) profitabilityis a ratiotoseethecompany'sabilitytoseek profit. Thisratioalsoprovides a measureoftheeffectivenessof a company'smanagement. The profitabilityratioshowsthecompany'seffectiveness in generating profit levelswith a seriesofassetmanagementownedbythecompany, sothatprofitabilityisabletoinfluenceinvestors' perceptionsofthecompanyregardingthecompany'sprospects in thefuturebecausewith a high level ofprofitability, thehighertheinvestor'sinterest in thecompany'sstockprice. Thusprofitability has aninfluenceonstockprices.
The resultsofthis study supporttheresearchconductedby Saprudin (2019); Muhammad & Rahim, (2019); and Manopo (2015) foundthatprofitability had a significantpositiveeffectonstockprices. The highertheprofitability, thebetterthecompany'sperformance in managingitscapitaltogenerateprofitsforshareholders.

The Role of Profitability in Mediating the Effect of Free Cash Flow on Stock Prices

The resultsofthis study indicatethatprofitabilityis not abletomediatetheeffectoffreecashflowonstockprices. Profitabilityis not abletomediatetheeffectoffreecashflowonstockprices, meaningthattheincrease in stockpricescannotbeinfluencedbyhighfreecashflow in companiesthathavehighprofitability. Highprofitabilityindicatesaneffectiveandefficientfreecashflow in thecompanysothatitcangenerate a positivesignalforinvestorsandincreasestockprices. However, theprofitabilityofmanufacturingcompanies in theconsumergoodsindustry sub-sectoronthe Indonesia Stock Exchange in the 2016-2019 period has not beenabletomediatetheeffectoffreecashflowonstockprices. The decisiontousefreecashflow in theconsumergoodsindustryis not influencedbytheincrease in thecompany's net profit andis not influencedbytheinvolvementoftheagent (manager) in theuseoffreecashflow in thecompany, sothatfreecashflowstill has noeffectonstockpricesthroughprofitability as mediation. .

The Role of Profitability in Mediating the Effect of Leverage on Stock Prices

The resultsshowedthatprofitabilitywas not abletomediatetheeffectofleverageonstockprices. Profitabilityis not abletomediatetheeffectofleverageonstockprices, meaningthattheeffectofleverageonthecompany'sstockpricecannotbeincreasedbythehighprofitabilityofthecompany . Leveragewillhave a strongerinfluenceifthecompanyobtainsgoodprofitability, but in manufacturingcompanies in theconsumergoodsindustrysector in the 2016 – 2019 periodthisprofitability has not beenabletomediatetheeffectofleverageonstockprices.

Leverage has noeffectonstockpricesallegedlybecausecertaininvestorswanthighreturnprospects, butthey are reluctanttofacerisk, becausetheseinvestors are moreinterested in stocksthatdo not beartoomuchriskfromhighdebtrisk, soprofitability has not beenabletomediatetheeffectleverageonstockprices in manufacturingcompanies in theconsumergoodsindustrysector in the 2016-2019 period.

V. CONCLUSION

Based on the results of the analysis and discussion in this study, it can be concluded as follows: Free cash flow has no effect on stock prices. Leverage has no effect on stock prices. Free cash flow has a significant positive effect on profitability. Leverage has no effect on profitability. Profitability has a significant positive effect on stock prices. Profitability is not able to mediate the effect of free cash flow on stock prices. Profitability is not able to mediate leverage on stock prices.Based on the discussion of the research results and the conclusions drawn, suggestions can be made for companies, namely manufacturing companies in the consumer goods industry sector on the Indonesia Stock Exchange, it is recommended that they consider the proper use of debt in companies. Management is expected to determine the proportion of debt in accordance with the company's ability. Further research is suggested to examine the role of profitability in mediating free cash flow and leverage on stock prices in a wider sample of companies. The limitation of this research sample is only in manufacturing companies in the consumer goods industry sector so that it has not been able to fully represent the research on manufacturing companies. Further researchers are advised to add other variables such as firm size, sales growth (growth) and other variables that are more influential on stock prices with profitability as a mediating variable so that they can expand the scope of research and can obtain comparisons of different research results. .

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