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Analysis of the Effect of Changes in Net Operating Cash Flow, Net Working Capital, Operating Profit and Company Size on Stock Return

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ABSTRACT

Purpose – This study investigates the effects of changes in operating cash flow, net working capital, accounting profit, and firm size on stock returns of mining sector companies listed on the Indonesia Stock Exchange (IDX).
Design/methodology/approach – A quantitative explanatory research design was employed using secondary data obtained from the Indonesian Capital Market Directory (ICMD) and annual financial reports for the 2005–2009 period. Purposive sampling was applied, resulting in a sample of nine mining companies from a population of 23 listed firms. Data were analyzed using multiple linear regression with SPSS 12.0. Classical assumption testing included the Kolmogorov–Smirnov normality test, while t-tests and F-tests were conducted at a 5% significance level to evaluate partial and simultaneous effects.
Findings/Results – The findings indicate that operating cash flow, net working capital, accounting profit, and firm size jointly have a significant effect on stock returns. Partially, accounting profit and firm size significantly influence stock returns, whereas changes in operating cash flow and net working capital do not show significant individual effects. These results suggest that profitability and company scale are stronger determinants of stock returns than liquidity-related indicators in the mining sector.
Originality/Value – This study contributes to the understanding of financial determinants of stock returns in Indonesia's mining industry by highlighting the greater importance of accounting profit and firm size compared with operating cash flow and working capital in explaining investors' market returns.

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1. Introduction

The capital market plays a strategic role in economic development by facilitating the transfer of funds from investors to companies seeking long-term financing. Through the capital market, corporations can obtain capital to expand operations, finance investment projects, and improve competitiveness, while investors gain opportunities to earn returns in the form of dividends and capital gains. As the Indonesian capital market continues to develop, particularly through the Indonesia Stock Exchange (IDX), the availability of reliable financial information has become increasingly important in supporting efficient investment decisions. Investors no longer rely solely on market sentiment but also evaluate companies based on fundamental financial performance to estimate future stock returns.

Stock return represents the primary objective of investment activities because it reflects the economic benefits obtained by shareholders. However, stock returns are inherently uncertain due to fluctuations in market conditions, macroeconomic factors, and firm-specific performance. Consequently, investors must carefully evaluate both expected returns and investment risks before allocating their capital. According to portfolio theory, higher expected returns are generally associated with higher investment risk. Therefore, investors are encouraged to conduct comprehensive financial analyses before deciding whether to buy, hold, or sell shares to maximize expected returns while minimizing potential losses (Indriani, 2005).

Information plays a fundamental role in capital market efficiency because stock prices respond to the availability of new information. Financial information becomes valuable when it changes investors' expectations regarding a company's future performance. According to Hastuti (1998), information possesses value content when it is rapidly absorbed by the market and immediately reflected in stock price movements. This perspective is consistent with signaling theory, which argues that corporate financial reports serve as important signals regarding a firm's financial health, operational efficiency, and future prospects. Consequently, investors frequently analyze financial statements, particularly cash flow information, accounting earnings, working capital, and firm size, to evaluate investment opportunities and predict stock returns.

Among financial statement components, operating cash flow is widely recognized as an important indicator of a company's operational sustainability. Positive operating cash flow demonstrates that a company can generate sufficient cash from its core business activities to finance operations without excessive dependence on external financing. Similarly, working capital reflects the firm's short-term liquidity and operational efficiency, enabling companies to meet current obligations while maintaining business continuity. Accounting profit provides an overall measure of financial performance and profitability, whereas firm size generally reflects corporate stability, market reputation, and access to financial resources. Together, these indicators are expected to influence investors' perceptions and ultimately affect stock returns.

Previous empirical studies, however, have produced inconsistent findings regarding the relationship between these financial variables and stock returns. Nina and Suhairi (2006) found that operating cash flow did not significantly affect stock returns, whereas accounting profit and firm size had significant positive effects. Simultaneously, operating cash flow, accounting profit, and firm size significantly explained stock return variations. Likewise, Ariawati and Evi (2008), using pooled cross-sectional data, concluded that both operating cash flow and accounting profit significantly influenced stock returns. These findings indicate that accounting information remains relevant in explaining market performance, although the contribution of each financial indicator varies across studies and industrial sectors.

More recent studies continue to report mixed evidence. Yufantria and Safelia (2022) found that operating cash flow positively affected stock returns in Indonesian coal mining companies, while accounting profit was not statistically significant. Likewise, Firani (2024) reported that accounting profit and operating cash flow individually did not significantly influence stock returns in manufacturing firms, although all financial variables jointly explained stock return variation. Meanwhile, Indrati and Hartati (2024) demonstrated that firm size and operating cash flow remain important considerations alongside financial ratios in explaining stock returns within transportation and logistics companies. Furthermore, Junaidi et al. (2024) introduced liquidity as a moderating variable and showed that the relationship between operating cash flow, accounting profit, and stock returns may depend on firms' liquidity conditions, suggesting that financial characteristics interact in determining market performance. More recently, Anggeni et al. (2025) emphasized that accounting profit and cash flow significantly influence stock returns, while firm size may strengthen or weaken these relationships depending on industry characteristics and company conditions.

The inconsistency among previous findings suggests the existence of a research gap concerning the relative importance of operating cash flow, working capital, accounting profit, and firm size in determining stock returns. Differences in industrial characteristics, observation periods, macroeconomic conditions, and research methodologies may explain why empirical results remain inconclusive. The mining sector represents an especially interesting research setting because its financial performance is highly sensitive to fluctuations in global commodity prices, exchange rates, production costs, and government regulations. These conditions create greater volatility in stock prices than many other industries, making the examination of financial determinants particularly relevant.

This study therefore focuses on mining companies listed on the Indonesia Stock Exchange during the 2005–2009 period. Although historical, this period captures significant fluctuations in commodity markets and includes the impact of the 2008 global financial crisis, providing valuable evidence regarding investor responses to corporate financial information under changing economic conditions. Unlike previous studies that generally examined only operating cash flow and accounting profit, this research simultaneously incorporates working capital and firm size as additional explanatory variables. This integrated approach enables a more comprehensive assessment of whether liquidity, profitability, operational cash generation, and corporate scale collectively explain stock return behavior.

The findings of this study are expected to contribute both theoretically and practically. From a theoretical perspective, the research extends the literature on signaling theory by evaluating whether fundamental accounting information continues to provide value-relevant signals for investors within the Indonesian mining sector. From a practical perspective, the results may assist investors in identifying the most informative financial indicators for investment decision-making, while helping corporate managers understand which aspects of financial performance are most closely monitored by capital market participants.

Based on the background discussed above, this study is entitled "Analysis of the Influence of Operating Cash Flow, Working Capital, Accounting Profit, and Firm Size on Stock Returns in Mining Sector Companies Listed on the Indonesia Stock Exchange." The study seeks to determine whether these financial variables significantly influence stock returns, both individually and simultaneously, and to identify which variable exerts the most dominant effect on stock returns among Indonesian mining companies.

2. Methodology

2.1 Research Design

This study employed a quantitative explanatory research design to examine the influence of operating cash flow, working capital, accounting profit, and firm size on stock returns of mining companies listed on the Indonesia Stock Exchange (IDX). Explanatory research is appropriate because it aims to test causal relationships among variables using statistical analysis and hypothesis testing. Quantitative research enables researchers to objectively measure financial indicators and determine the magnitude of their effects on stock returns (Creswell & Creswell, 2023; Hair et al., 2022).

The conceptual framework positions stock return as the dependent variable, while operating cash flow, working capital, accounting profit, and firm size are treated as independent variables. Based on signaling theory and fundamental analysis, the study proposes that these financial variables influence investors' perceptions and consequently affect stock return performance.

2.2 Research Hypotheses

Based on the theoretical framework and previous empirical findings, the following hypotheses are proposed:

H1: Operating cash flow, working capital, accounting profit, and firm size simultaneously have a significant effect on stock returns of mining companies listed on the Indonesia Stock Exchange.

H2: Operating cash flow, working capital, accounting profit, and firm size partially have significant effects on stock returns.

H3: Accounting profit is expected to be the most dominant variable influencing stock returns among the independent variables examined.

These hypotheses were formulated based on previous studies suggesting that profitability, liquidity, and company characteristics influence investors' valuation decisions (Hair et al., 2022).

2.3 Operational Definition of Variables

This research consists of one dependent variable and four independent variables. The dependent variable is stock return, measured using capital gain while excluding dividend payments. Capital gain is calculated from the annual difference in stock prices.

The independent variables include operating cash flow, measured as the net cash generated from operating activities; working capital, calculated as the difference between current assets and current liabilities; accounting profit, measured as net income generated during the accounting period; and firm size, measured using total annual sales revenue. All variables were measured using the ratio scale because they represent quantitative financial data (Brigham & Ehrhardt, 2022).

2.4 Population and Sample

The population consisted of all mining sector companies listed on the Indonesia Stock Exchange during the 2005–2009 observation period. Companies included in the population were required to remain listed until December 31, 2009, and publish annual financial statements ending on December 31. The study relied exclusively on quantitative secondary data obtained from publicly available corporate financial reports.

The sampling technique employed was purposive sampling, whereby samples were selected according to predetermined criteria. Purposive sampling is commonly applied in accounting and financial research because it ensures that observations possess characteristics relevant to the research objectives (Sekaran & Bougie, 2021).

2.5 Sampling Criteria

Sample companies were selected according to the following criteria:

a. Mining companies listed on the Indonesia Stock Exchange before December 31, 2005.
b. Companies continuously listed throughout the 2005–2009 observation period.
c. Companies publishing audited annual financial statements, including cash flow statements.
d. Companies actively traded during the research period.
e. Companies using December 31 as the fiscal year-end.

These criteria ensured data consistency and comparability across all observations.

2.6 Data Sources

This study used secondary data collected from annual reports and financial statements of mining companies listed on the Indonesia Stock Exchange. Supporting information was obtained from the Indonesia Capital Market Directory (ICMD), the Indonesia Stock Exchange, Bank Indonesia, and other official capital market databases.

The collected data included annual closing stock prices, operating cash flows, working capital, accounting profits, firm size, and other relevant financial indicators. Data processing was conducted using Microsoft Excel for tabulation and SPSS version 12.0 for statistical analysis.

2.7 Multiple Linear Regression Analysis

The relationship between the independent variables and stock returns was analyzed using multiple linear regression, which is widely used to estimate the simultaneous and individual effects of several predictors on a dependent variable (Hair et al., 2022). The regression model is specified as follows:

where:

$$Yit=\alpha+\beta1X1it+\beta2X2it+\beta3X3it+\beta4X4it+\varepsilon it$$

where:

Yit = Stock return of company *i* in year *t*

X1 = Operating cash flow

X2 = Working capital

X3 = Accounting profit

X4 = Firm size

α = Constant

β = Regression coefficient

ε = Error term

The regression coefficients indicate both the direction and magnitude of the influence of each independent variable on stock returns.

2.8 Simultaneous Significance Test (F-Test)

The F-test was employed to determine whether all independent variables jointly influence stock returns. The test evaluates the overall significance of the regression model by comparing the calculated significance value with the predetermined significance level of 5%.

A significance value below 0.05 indicates that operating cash flow, working capital, accounting profit, and firm size simultaneously affect stock returns, whereas a significance value above

0.05 indicates that the variables do not jointly influence stock returns (Hair et al., 2022; Field, 2024).

2.9 Partial Significance Test (t-Test)

The t-test was conducted to examine the individual contribution of each independent variable to stock returns. Each regression coefficient was tested separately using a significance level of 5%. A probability value below 0.05 indicates that the corresponding independent variable significantly affects stock returns.

Besides statistical significance, standardized and unstandardized regression coefficients were interpreted to assess the relative importance of each predictor in explaining stock return variation (Field, 2024).

3. Results and Discussions

3.1 Result

This chapter presents the empirical findings obtained from the multiple linear regression analysis conducted to examine the effects of operating cash flow, working capital, accounting profit, and firm size on stock returns of mining companies listed on the Indonesia Stock Exchange (IDX) during the 2005–2009 period. The analysis was performed using SPSS version 12.0, following the research procedures described in the methodology section. The results include both simultaneous and partial significance tests to evaluate the proposed hypotheses.

3.1.1 Simultaneous Effect of Operating Cash Flow, Working Capital, Accounting Profit, and Firm Size on Stock Return

The first hypothesis (H1) proposes that operating cash flow, working capital, accounting profit, and firm size simultaneously influence stock returns. To examine this hypothesis, an F-test was conducted using the Analysis of Variance (ANOVA) procedure.

Table 1. Simultaneous Significance Test (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	11.670	4	2.918	3.877	0.011
Residual	23.330	31	0.753		
Total	35.000	35			

Source: Processed research data (2005–2009).

The ANOVA results demonstrate that the regression model produced an F-value of 3.877 with a significance value of 0.011, which is lower than the significance threshold of 0.05. Therefore, the null hypothesis is rejected, and the first research hypothesis is accepted. This finding indicates that operating cash flow, working capital, accounting profit, and firm size collectively explain variations in stock returns among mining companies listed on the Indonesia Stock Exchange. Statistically, the regression model is considered significant and appropriate for predicting stock return performance.

The significant F-test result also confirms that investors evaluate multiple dimensions of financial performance rather than relying on a single accounting indicator. During the 2005–2009 observation period, mining companies experienced considerable fluctuations in commodity prices, production costs, and global market conditions. Consequently, investors appeared to integrate information concerning liquidity, profitability, operational cash generation, and company scale when assessing firm value. These findings indicate that stock return determination is multidimensional, reflecting the combined influence of several financial characteristics rather than isolated accounting measures.

3.1.2 Partial Effect of Independent Variables on Stock Return

To determine the individual contribution of each explanatory variable, partial significance tests (t-tests) were performed. The results are presented in Table 4.2.

Table 2. Partial Significance Test

Variable	Coefficient (B)	Std. Error	t-value	Sig.	Decision
Constant	0.039	0.145	1.626	0.114	Not Significant
Operating Cash Flow	0.356	0.233	1.526	0.137	Not Significant
Working Capital	0.186	0.181	1.027	0.312	Not Significant
Accounting Profit	0.772	0.375	2.641	0.001	Significant
Firm Size	0.680	0.282	2.409	0.022	Significant

Source**:** Processed research data (2005–2009).

The regression analysis reveals that only accounting profit and firm size significantly affect stock returns at the 5% significance level. Meanwhile, operating cash flow and working capital do not exhibit statistically significant relationships with stock returns. These findings suggest that profitability and company scale are more influential determinants of market performance than liquidity-based indicators within the Indonesian mining industry.

Furthermore, the positive regression coefficients indicate that improvements in accounting profit and firm size are associated with higher stock returns. Conversely, although operating cash flow and working capital also display positive coefficients, their statistical insignificance suggests that investors do not consistently interpret these indicators as decisive determinants of stock price appreciation during the observation period.

3.1.3 Effect of Operating Cash Flow on Stock Return

Table 3. Effect of Operating Cash Flow on Stock Return

Variable	Coefficient	t-value	Sig.	Result
Operating Cash Flow	0.356	1.526	0.137	Not Significant

Source: Processed research data.

The statistical analysis indicates that operating cash flow has a positive regression coefficient of 0.356, suggesting that increases in operating cash flow tend to improve stock returns. However, the significance value of 0.137 exceeds the 5% significance threshold, indicating that the relationship is not statistically significant. Consequently, the second hypothesis regarding the effect of operating cash flow is rejected.

The insignificant result suggests that investors in mining companies may not rely primarily on operating cash flow information when evaluating investment opportunities. Instead, they may place greater emphasis on profitability, market prospects, commodity prices, or macroeconomic conditions. During the research period, the mining industry experienced substantial fluctuations due to the global financial crisis and volatile commodity prices, reducing the explanatory power of operating cash flow as an isolated predictor of stock returns.

3.1.4 Effect of Working Capital on Stock Return

Table 4. Effect of Working Capital on Stock Return

Variable	Coefficient	t-value	Sig.	Result
Working Capital	0.186	1.027	0.312	Not Significant

Source: Processed research data.

Working capital exhibits a positive regression coefficient of 0.186, indicating that companies with stronger liquidity positions tend to generate slightly higher stock returns. Nevertheless, the significance value of 0.312 indicates that the relationship is statistically insignificant. Therefore, working capital cannot be considered an independent predictor of stock returns for mining companies during the observation period.

The findings imply that investors do not necessarily interpret high working capital as an indicator of superior market performance. Excessive working capital may even reflect inefficient asset utilization or idle resources that fail to generate additional profitability. Consequently, liquidity alone does not appear sufficient to influence investor decisions in the mining sector.

3.1.5 Effect of Accounting Profit on Stock Return

Accounting profit was examined to determine whether profitability significantly influences the stock returns of mining companies listed on the Indonesia Stock Exchange (IDX) during the 2005–2009 observation period. Within the framework of signaling theory, accounting profit represents one of the most important financial indicators because it communicates management's ability to generate earnings and sustain business growth. Higher profitability generally sends a positive signal to investors regarding the firm's financial health, thereby increasing investor confidence and market valuation. Consequently, companies reporting higher accounting profits are expected to experience higher stock returns due to increased demand for their shares.

To evaluate this relationship, a partial significance test (t-test) was conducted using the regression coefficient for accounting profit. The results are presented in Table 4.5.

Table 5. Partial Effect of Accounting Profit on Stock Return

Variable	Regression Coefficient (B)	Standard Error	t-value	Significance	Decision
Accounting Profit	0.772	0.375	2.641	0.001	Significant

Source: Processed research data (2005–2009).

The results indicate that accounting profit has a positive regression coefficient of 0.772, implying that an increase in accounting profit is associated with an increase in stock returns. Furthermore, the calculated t-value of 2.641 exceeds the critical value at the 5% significance level, while the significance value of 0.001 is substantially lower than 0.05. Therefore, the second hypothesis concerning the positive effect of accounting profit on stock returns is accepted. These findings demonstrate that accounting profit significantly influences investors' assessments of mining companies, suggesting that profitability remains an important determinant of market performance.

Among all explanatory variables included in the regression model, accounting profit exhibits the largest regression coefficient, indicating that it contributes more substantially to explaining stock return variations than operating cash flow and working capital. The positive coefficient further suggests that improvements in corporate profitability tend to increase investor confidence, encouraging greater demand for company shares and ultimately leading to higher stock returns. Consequently, accounting profit serves not only as an indicator of managerial performance but also as an important signal used by investors when making investment decisions.

The significance of accounting profit can also be explained by the characteristics of the mining industry. During the 2005–2009 period, mining companies experienced considerable fluctuations in commodity prices, export demand, and production costs. Under such circumstances, investors were more likely to rely on profitability indicators that reflected the company's overall financial performance rather than on short-term liquidity measures. Accounting profit summarizes the net effect of revenue generation, operational efficiency, and cost management, making it a comprehensive measure of firm performance. As a result, companies capable of consistently generating higher profits were perceived as financially stronger and more capable of delivering sustainable shareholder value.

Another explanation relates to investors' preference for earnings information when forecasting future cash flows and dividend potential. Although accounting profit is prepared under accrual accounting principles, it provides valuable information regarding a firm's ability to create economic benefits over time. Investors generally interpret increasing profitability as an indication of stronger future cash flows, higher dividend-paying capacity, and improved business sustainability. Consequently, positive earnings announcements often stimulate market optimism, leading to stock price appreciation and higher capital gains for shareholders.

The regression findings also indicate that accounting profit provides stronger explanatory power than operating cash flow in predicting stock returns. This result may reflect investors' tendency to evaluate overall financial performance rather than focusing solely on cash generation. While operating cash flow measures liquidity generated from daily business activities, accounting profit incorporates broader aspects of corporate performance, including revenue growth, expense control, depreciation policies, and operational efficiency. Therefore, profitability offers a more comprehensive representation of company performance, enabling investors to make more informed investment decisions.

Overall, these findings confirm that accounting profit remains one of the most influential financial indicators affecting stock returns in mining companies listed on the Indonesia Stock Exchange. The results support the proposition that profitability information serves as a credible signal of corporate value and future business prospects. Consequently, investors appear to assign greater importance to earnings information than to liquidity-based indicators when evaluating investment opportunities within the mining sector.

3.2 Discussion

The findings of this study demonstrate that accounting profit has a positive and statistically significant effect on stock returns among mining companies listed on the Indonesia Stock Exchange (IDX). Among the four independent variables examined, accounting profit emerged as the strongest predictor of stock return, indicating that profitability remains the primary financial information considered by investors when evaluating firm performance. This result reinforces the proposition of signaling theory, which explains that managers communicate private information regarding a firm's future prospects through published financial statements. Higher reported profits signal better operational efficiency, stronger competitive capability, and greater potential for future cash generation, thereby reducing information asymmetry between managers and investors. Consequently, investors interpret improving profitability as evidence of lower investment risk and higher expected returns, leading to increased demand for company shares and appreciation in market prices.

From the perspective of efficient capital markets, accounting profit continues to be regarded as one of the most value-relevant indicators because it summarizes the cumulative effects of revenue generation, cost control, asset utilization, and managerial effectiveness. Unlike individual liquidity or cash flow indicators, earnings provide a comprehensive representation of organizational performance over an accounting period. Therefore, investors frequently rely on profitability information to estimate intrinsic firm value and future growth opportunities before making investment decisions. Recent studies by Novianti and Widodo (2023) found that earnings quality significantly improves investors' confidence and positively influences stock valuation, particularly in capital-intensive industries where profitability reflects long-term operational sustainability. Likewise, Kusuma and Sari (2024) reported that firms with consistently increasing accounting profits generally experience superior stock performance because investors perceive them as possessing stronger growth potential and lower financial distress risk.

The dominant role of accounting profit observed in this study is also consistent with the principles of fundamental analysis, which emphasize profitability as one of the principal determinants of corporate value. Profitability ratios not only measure management efficiency but also provide insight into the firm's capacity to generate future dividends and retained earnings. Investors generally interpret higher profits as an indication that management has successfully utilized available resources to maximize shareholder wealth. In mining companies, where substantial capital expenditures and volatile commodity prices characterize business operations, sustained profitability becomes an important indicator of financial resilience and operational effectiveness. Rahman and Putri (2023) demonstrated that profitability remains one of the strongest explanatory variables for stock returns in extractive industries because earnings reflect both operational productivity and market competitiveness. Similarly, Wijayanti et al. (2024) concluded that investors respond more positively to earnings announcements than to liquidity disclosures because profitability directly influences expectations regarding future corporate growth.

The significance of accounting profit also reflects investors' behavioral responses during uncertain economic conditions. The observation period of this study includes the 2008 global financial crisis, during which investors became increasingly selective in allocating capital. During periods of financial instability, companies capable of maintaining stable earnings are generally perceived as possessing superior managerial capability and stronger financial fundamentals. Stable profitability reduces uncertainty regarding future cash flows and enhances investor confidence, thereby supporting stock price appreciation. Pratama and Nugroho (2022) argued that earnings stability becomes increasingly important during economic downturns because investors prioritize firms with stronger financial endurance over those relying primarily on short-term liquidity improvements. Likewise, Saputra et al. (2025) reported that accounting profit significantly moderates investors' perceptions of corporate resilience during periods of macroeconomic volatility, particularly within resource-based industries.

Another explanation for the significant relationship between accounting profit and stock return relates to the informational content embedded in earnings announcements. According to signaling theory, published accounting profits convey credible information regarding future corporate prospects because they are subject to auditing standards and financial reporting regulations. Consequently, earnings announcements frequently trigger market reactions through adjustments in investor expectations and trading activity. Lestari and Haryanto (2023) found that positive earnings surprises consistently generate abnormal stock returns because investors revise their expectations concerning future corporate performance. Similarly, Chen et al. (2023) concluded that profitability information possesses stronger predictive power for stock returns than liquidity measures in emerging capital markets, where financial statement information remains one of the principal sources of investment analysis.

The findings also indicate that accounting profit exhibits greater explanatory power than operating cash flow and working capital. Although cash flow information reflects a firm's liquidity position, investors appear to place greater emphasis on profitability because earnings incorporate broader dimensions of corporate performance, including revenue growth, operational efficiency, cost management, and strategic decision-making. This evidence suggests that investors evaluate companies using comprehensive financial performance rather than isolated liquidity indicators. Li and Wang (2022) demonstrated that accounting profitability consistently explains stock return variation more effectively than cash flow measures because earnings integrate multiple aspects of financial performance. In addition, Ahmed and Hassan (2024) reported that firm profitability remains the most influential accounting variable affecting investor confidence in emerging stock markets despite differences in industrial characteristics.

Furthermore, the positive association between accounting profit and stock returns may also reflect increasing investor awareness regarding sustainable corporate performance. Modern investors increasingly evaluate profitability together with long-term value creation rather than focusing solely on short-term earnings growth. Companies capable of generating stable profits while maintaining operational efficiency are generally perceived as possessing stronger competitive advantages and greater capacity to adapt to changing market conditions. Martinez and Gomez (2025) found that sustainable profitability significantly enhances market valuation because investors associate consistent earnings growth with superior corporate governance and strategic capability. Likewise, Zhou et al. (2024); Ahmad et al., (2026); Khoiruman et al., (2026) concluded that profitability remains one of the most reliable indicators for predicting long-term shareholder value across emerging and developed capital markets.

Overall, the empirical evidence presented in this study confirms that accounting profit remains the dominant determinant of stock returns among mining companies listed on the Indonesia Stock Exchange. The results strengthen the theoretical foundation of signaling theory and fundamental analysis by demonstrating that profitability continues to provide highly relevant information for investors in assessing corporate value and future performance. The findings also suggest that managers should prioritize sustainable earnings growth through operational efficiency, effective cost management, and strategic investment decisions, as these factors significantly influence investor confidence and market valuation. Consequently, accounting profit should continue to be regarded as one of the primary indicators in investment analysis, financial reporting, and corporate decision-making within the Indonesian mining sector.

4. Conclusion and Suggestion

This study concludes that operating cash flow, working capital, accounting profit, and firm size collectively have a significant influence on the stock returns of mining companies listed on the Indonesia Stock Exchange during the 2005–2009 period. However, the partial analysis indicates that only accounting profit and firm size significantly affect stock returns, whereas operating cash flow and working capital do not show statistically significant individual effects. Among the independent variables, accounting profit emerged as the most dominant determinant, suggesting that investors place greater emphasis on profitability as an indicator of corporate performance and future growth prospects than on short-term liquidity measures. These findings support signaling theory, which posits that accounting information serves as an important signal for reducing information asymmetry and influencing investor decision-making.

The findings imply that investors should prioritize profitability and firm size when evaluating mining companies for investment purposes, while corporate managers should focus on improving earnings quality, operational efficiency, and sustainable business growth to enhance shareholder value and market confidence. Future research is recommended to expand the observation period, increase the sample size by including companies from additional industrial sectors, and incorporate other financial and macroeconomic variables, such as leverage, dividend policy, commodity prices, inflation, exchange rates, and corporate governance. Furthermore, employing more advanced analytical techniques, including panel data regression, dynamic panel models, or structural equation modeling (SEM), may provide deeper insights into the determinants of stock returns and improve the robustness of future empirical findings.

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