



The Influence of Operating Cash Flow, Liquidity, and Financial Leverage on Profitability in Listed Food and Beverage Firms in Indonesia (2021–2024)

Hasan Rabiev¹, Heikal Muhammad Zakaria Hakim

^{1,2}University of Singaperbangsa Karawang

Abstract

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This study examines the influence of operating cash flow (OCF), liquidity (current ratio), and financial leverage (debt-to-equity ratio) on the profitability of food and beverage firms listed on the Indonesia Stock Exchange (IDX) from 2021 to 2024. The research employs a quantitative methodology and multiple linear regression analysis on a sample of seven enterprises, demonstrating that liquidity strongly influences profitability, although operating cash flow and financial leverage exhibit no notable individual effect. The results underscore the essential importance of sustaining adequate liquidity in post-pandemic financial administration. This study provides empirical evidence to enhance financial decision-making and investment assessment in the Indonesian food and beverage sector.

Keywords: *Operating Cash Flow, Current Ratio, Debt-to-Equity, Net Profit Margin, Financial Performance, Food and Beverage Industry*

(*) Corresponding Author:

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INTRODUCTION

The food and beverage (F&B) business in Indonesia is crucial to the nation's economic advancement. It consistently accounts for about 38% of the GDP of the non-oil and gas industrial sector, underscoring its strategic significance. The post-pandemic recovery has heightened the sector's emphasis on efficiency, financial sustainability, and operational resilience. Despite rising revenues from heightened local consumption and export demand, numerous food and beverage companies have indicated a decrease in profit margins in recent years. This conundrum highlights apprehensions over the fundamental financial processes at the organizational level.

Despite macroeconomic measures indicating growth, the micro-level performance of companies frequently exposes internal inefficiencies. The decreasing trend in net profit margin (NPM), despite sales growth, indicates issues in managing internal financial metrics such as operating cash flow (OCF), liquidity (CR), and financial leverage (D/E). Comprehending the interplay among these elements is crucial for devising solutions that improve profitability.

This study seeks to address the research gap by analyzing the impact of internal financial variables on company profitability within Indonesian publicly listed food and beverage industries from 2021 to 2024. The contemporaneous analysis of these variables provides significant insights for business managers, investors, policymakers, and academic researchers focused on post-pandemic financial resilience.

LITERATURE REVIEW

This research is grounded in Signaling Theory, introduced by Michael Spence in 1973, which examines information asymmetry between parties, especially within market contexts. This theory asserts that in a corporate finance context, company managers have superior information regarding the firm's financial condition and future outlook compared to external stakeholders, including investors and creditors. Firms employ observable indicators—signals—to convey their internal quality and reliability to the market, thereby reducing this gap.

These signals typically consist of financial metrics that are challenging to manipulate and reflect authentic operational efficiency. This study considers the financial ratios Operating Cash Flow (OCF), Current Ratio (CR), and Debt-to-Equity Ratio (D/E) as indicators. An elevated OCF signifies effective cash generation and robust operational health. A healthy current ratio indicates effective liquidity management, whereas a balanced debt-to-equity ratio reflects prudent financial leverage.

Firms utilize these indicators to shape investor perception and enhance confidence. Signaling Theory elucidates the rationale behind certain companies' voluntary disclosure of robust financial information or the adoption of conservative financial strategies, as these actions can function as credible indicators of quality. This theoretical framework is especially pertinent in the post-pandemic context, where transparency and financial resilience are essential for sustaining market trust.

This study utilizes Signaling Theory to elucidate that internal financial management practices serve as both operational decisions and strategic communications to external stakeholders. This research evaluates the signaling power of OCF, CR, and D/E on Net Profit Margin (NPM) within the Indonesian food and beverage sector.

Prior empirical research underscores the significance of these indicators. Sari and Wijaya (2020) demonstrated that operating cash flow (OCF) positively impacts profitability by decreasing dependence on external financing and maintaining liquidity. Wibowo and Kusuma (2018) found that firms exhibiting optimal current ratios are likely to sustain stable profits by preventing liquidity crises. Nugroho and Rahmawati (2019) demonstrated that excessive leverage can elevate financial risk, while moderate levels of debt may enhance returns via capital efficiency.

Although these studies offer valuable insights, the majority examine these variables in isolation and neglect to address the post-pandemic context, especially in the food and beverage sector. This research fills the existing gap by synthesizing the three variables and situating them within the distinct economic and operational contexts of Indonesia's food and beverage industry from 2021 to 2024.

METHODS

This research utilizes a quantitative design, employing secondary data derived from the audited financial statements of seven food and beverage companies listed on the Indonesia Stock Exchange (IDX). The companies were chosen via purposive sampling, considering data quality and availability for the years 2021 to 2024. The chosen companies comprise PT Indofood Sukses Makmur

Tbk (INDF), PT Indofood CBP Sukses Makmur Tbk (ICBP), PT Mayora Indah Tbk (MYOR), PT Cisarua Mountain Dairy Tbk (CMRY), PT Siantar Top Tbk (STTP), PT Ultrajaya Milk Industry Tbk (ULTJ), and PT Garudafood Putra Putri Jaya Tbk (GOOD).

Variables:

- Independent Variables:
 - Operating Cash Flow (OCF): Measured as the ratio of cash generated from operating activities to total assets.
 - Current Ratio (CR): Measures liquidity as the ratio of current assets to current liabilities.
 - Debt-to-Equity Ratio (D/E): Measures financial leverage as the ratio of total debt to total equity.
- Dependent Variable:
 - Net Profit Margin (NPM): Measured as the ratio of net income to total revenue.

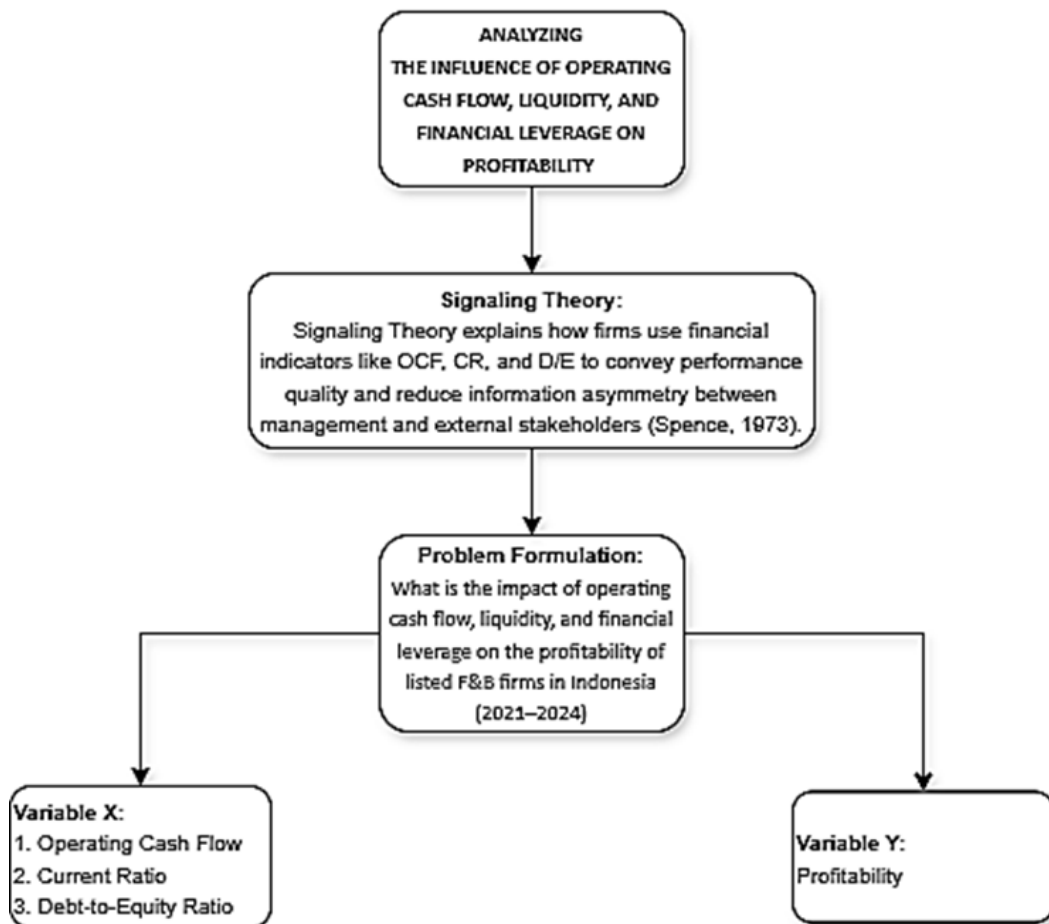


Figure 1. Conceptual Framework

Regression Model: $NPM = a + b_1(OCF) + b_2(CR) + b_3(D/E) + e$

This model facilitates the concurrent evaluation of the three independent variables affecting firm profitability.

RESULTS & DISCUSSION

The descriptive statistics summarize the distribution of variables across the 28 observations from 2021 to 2024.

Tabel. 1

Variable	Min	Max	Mean	Std. Dev
OCF	0.0156	0.2203	0.1121	0.0532
CR	1.3411	9.5115	3.9282	2.1786
D/E	0.1835	1.6542	0.7954	0.3827
NPM	0.034	0.194	0.1126	0.0421

Descriptive Statistics of Variables

Table.

Variable	Coefficient	t-Statistic	p-Value
OCF	0.152	1.102	0.280
CR	0.038	2.350	0.026 *
D/E	-0.045	-1.310	0.202

Regression Output

The regression analysis demonstrates that the current ratio (CR) significantly positively influences the net profit margin (p-value = 0.026), suggesting that firms with enhanced liquidity are better positioned to fulfill short-term obligations and sustain operational stability. This finding is consistent with Signaling Theory, indicating that liquidity serves as a dependable indicator of financial health.

Operating Cash Flow (OCF) is anticipated to positively affect Net Profit Margin (NPM); however, it lacks statistical significance in this analysis. This may be due to factors specific to the industry, including variable cash conversion cycles, inventory changes, or assertive credit policies.

The D/E ratio, indicative of financial leverage, exhibits a negative yet statistically insignificant correlation with profitability. While elevated debt levels can enhance returns, excessive borrowing tends to heighten financial risk and interest obligations, especially in a volatile market context.

The findings underscore liquidity's role as a determinant of profitability and advocate for prudent debt utilization. Effective financial management strategies

must prioritize the maintenance of optimal liquidity levels and the enhancement of operational efficiency.

CONCLUSION

This research analyzes the influence of operating cash flow, liquidity, and financial leverage on the profitability of publicly listed food and beverage firms in Indonesia during the period from 2021 to 2024. The findings indicate that of the three independent variables examined, only the current ratio demonstrates a statistically significant positive impact on net profit margin. This finding highlights the significance of liquidity in maintaining financial resilience and profitability in a post-pandemic environment.

The non-significant effects of OCF and D/E suggest that profitability in the F&B sector is likely more affected by liquidity conditions than by cash generation or capital structure independently. Managers should prioritize efficient liquidity management, monitor debt levels, and ensure consistent cash flow operations.

Future research could investigate further variables, including inventory turnover, sales growth, and macroeconomic factors, to enhance the understanding of profitability dynamics within the industry.

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