



RESEARCH ARTICLE

# The Effect of Operating Cash Flow, Debt Level, and Company Size on Profit Persistence in Goods and Consumption Companies Listed on the Indonesia Stock Exchange (2019–2023)

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## Abstract

This study aims to examine the effect of Operating Cash Flow, Debt Level, and Company Size on Profit Persistence. The research uses a quantitative method, with data obtained from financial statements. The population in this study consists of Goods and Consumption Sector Companies listed on the Indonesia Stock Exchange (IDX) for the research period from 2019 to 2023. The sample tested in this study includes 31 companies, selected using the Purposive Sampling method. Hypothesis testing in this study employs multiple linear regression analysis using SPSS 26. The results indicate that Operating Cash Flow and Company Size have a negative but insignificant effect on Profit Persistence. Meanwhile, Debt Level has a significant positive effect on Profit Persistence. Additionally, Operating Cash Flow, Debt Level, and Company Size have a positive simultaneous effect on Profit Persistence. This means that the higher the operating cash flow, the greater the profit persistence, as companies expect high profit growth to influence profit persistence.

## Keywords

Profit Persistence; Operating Cash Flow; Debt Level; and Company Size.

## 1 | INTRODUCTION

The goods and consumption sector companies are among the sectors listed on the Indonesia Stock Exchange (IDX). The development in this sector has been rapid and is expected to continue growing in the future. One of the key pieces of information presented in financial statements is profit. In the business world, there are two main aspects to consider: on one hand, companies entering the business world must generate high profits, which requires cost control. This study focuses on Profit Persistence in the goods and consumption sector companies listed on the Indonesia Stock Exchange during the period from 2019 to 2023, with the main variables being Operating Cash Flow, Debt Level, and Company Size. Profit information is crucial for assessing changes in economic resources that guide future direction, as it reflects the company's effectiveness in improving resources.

According to Widjanarko (2022), financial statements are a financial accountability or outcome obtained through the accounting process carried out by company management to relevant stakeholders. These financial statements also contain information used for decision-making, performance evaluation, and dividend distribution to investors. One of the key pieces of information in the financial statements is the company's profit. Profit is an increase in welfare. In this context, it shows that the company can operate for cash flow and the changes in the company's value (Fatimah, Danial, and Z, 2019). If a company relies on profit as one of the evaluation tools for making economic decisions, it may sometimes not materialize. This is due to cases of financial statement misrepresentation.

The information regarding profit in a company's financial statement is very important, and the quality of profit should be carefully reviewed. Many factors contribute to a company experiencing a decline in profit, such as managerial ownership, audit fees, cash flow, company size, leverage, tax differences, and debt level (Nelpiani, 2020). According to Imas Nurhafifah, Dirvi Surya Abbas, and Hesty Ervianni Zulaecha (2022), factors influencing profit persistence include debt level, audit opinion, operating cash flow, and accrual constraints. Among these factors, operating cash flow plays a very important role. The cash flow statement is a key report showing the cash inflows and outflows of a company over a given period. According to PSAK No.2 (2004:5), in the study by Maria Yustina Inosensia, Yosefina Andia Dekrita, and Walter Obon (2023), cash flow is also the most liquid asset, short-term, and can be converted into cash quickly in a certain amount without facing significant changes in value.

A decline in profit persistence in the goods and consumption sector companies has been observed based on the annual financial reports available on the Indonesia Stock Exchange (IDX). These companies have experienced fluctuations, and not all of them have persistent profits. High debt levels can increase financial risk, impacting profit persistence. The sources of funds for these companies come from both equity and loan capital used to expand business activities. The debt level is related to the company's funding obtained from loans. A higher debt level makes a company strive harder to improve profit persistence, meaning the company will work to maintain its performance. As debt increases, the company becomes more cautious in preparing reports (Damayanty and Masrin, 2022). Research by Gunawan and Gurusinga (2022) and Setyaningrum and Ridarmelli (2021) found that a high debt level negatively impacts profit persistence due to the increased debt burden.

Company size refers to the scale of a company, both small and large. An increase in company size leads to a larger nominal value of assets, higher sales, more credible information systems, and better stakeholder management (Damayanty, Wahab, and Safitri, 2022). This study replicates the research previously conducted by Amallavista Setyaningrum & Ridarmelli (2021). In this study, the author applies differences in sample population determination and company objects. The sample population and objects used are goods and consumption sector companies listed on the Indonesia Stock Exchange during 2019-2023. Another difference lies in the use of operating cash flow. The author aims to replicate the study by Amallavista Setyaningrum & Ridarmelli (2021) to determine whether changes in sample selection and the study period will produce different results.

## 2 | BACKGROUND THEORY

### Agency Theory

According to Jensen & Meckling (1976), as cited in Sheisarvian, Sudjana, and Safi (2015), the relationship between agents arises when one or more individuals (the principal) hire another individual to carry out tasks in line with the principal's interests and with the authority to make funding decisions. The principal grants authority to an organization, and the agent, typically the director, is given the responsibility to manage the organization on behalf of investors (the board of directors). The fundamental aspect of agency theory lies in the separation of ownership between shareholders and management, which is a key feature of companies. This separation does not allow the management of company ownership as a professional practice aimed at ensuring the company's owners achieve maximum profit with minimal cost (Nuraeni, Mulyati, and Putri, 2019). The separation between the owners and managers allows for potential conflicts of interest and information asymmetry, which are inevitable. As a result, company managers may pursue their own interests

in managing the company while neglecting the interests of the company's owners. Managers may try to show the company's owners that the company's performance is improving, which is reflected in the financial statements. Therefore, company owners must be vigilant about potential fraudulent activities in the financial reporting. According to Masdupi (2005), as cited in Mahawyaharti and Budiasih (2017), one way to mitigate agency conflicts is by increasing managerial ownership. In this context, profit persistence is crucial for users of financial statements to evaluate company performance.

### Financial Statements

According to Ramadhani and Nisa (2019), financial statements provide relevant information compared to other data. They play a key role in assessing the financial health of a company. Financial statements are used to record and report transactions that occur. According to Dr. Wastam Wahyu Hidayat, SE. (2018), financial statements are a representation of a company's financial condition, which also provides information about its performance. As stated in PSAK I (2015), financial statements are organized representations of financial positions and activities of a company. There are five components in financial statements: the statement of financial position, the statement of profit and loss and other comprehensive income, the statement of changes in equity, the statement of cash flows, and notes to the financial statements.

### Profit Persistence

According to Susanto (2022), profit persistence refers to the ability to revise profits to maximize future earnings, with the implications of profit innovation in the current year, allowing for profit persistence to be observed in current-year profit innovation. Meanwhile, according to Damayanty, Ayuningtyas, and Oktaviyanti (2022), profit persistence will be a correction made in the current year. This profit is very important for certain companies to produce goods and services. Profit reporting is very useful for stakeholders in decision-making. Creditors and investors can assess current profits and predict future profits, as profit persistence helps in forecasting future profits. According to Yospin Pasaribu in Melia Wida Rahmayani's study (2020), profit is the difference between realized profit and the transactions that occurred in a given period. Profit persistence is calculated using the proxy formula of accounting profit before tax and future comprehensive income, divided by the average total assets, as follows.

$$\text{Profit Persistence} = \frac{\text{EBT}_{t-1} - \text{EBT}_t}{\text{Total Assets}}$$

Explanation:

$\text{EBT}_{t-1}$  = Earnings Before Tax (EBT) of the previous year

$\text{EBT}_t$  = Earnings Before Tax (EBT) of the current year

### Operating Cash Flow

Operating cash flow is the total cash generated from operating activities, serving as an indicator of whether the company's operations are generating sufficient cash flow to pay off loans, distribute dividends, and make new investments without external funding sources. According to the book by Rukmansyah, M.R.I., & Widyawati (2018), operating cash flow refers to the cash flow generated by the company's main operational activities. The formula for operating cash flow is as follows.

$$\text{AKO} = \frac{\text{Operating Cash Flow}}{\text{Current Liabilities}}$$

### Debt Level

According to Septavita (2016b), debt is considered as capital, where it represents all financial obligations of the company to external parties that have not yet been fulfilled. Debt serves as a source of funds for the company to meet its financing needs, prioritizing internal sources or equity. However, due to the growing needs of the company, external funding is utilized. Debt policy is an alternative method of company financing. The level of debt within the company results in an increase in profit persistence with the goal of maintaining strong performance. If the company is unable to pay off its debt, it could lead to the risk of failure (Subkhi Mahmasani, 2020). In his book, Dr. Rustan. SE., M.SI., AK., CA. (2023) discusses one of the most common theories of debt policy, which is the capital structure theory, focusing on how companies choose to use either debt or equity to finance their activities. In this study, the debt level is measured using the Debt to Assets Ratio (DAR), with the following formula.

$$\text{DAR} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

### Company Size

Company size refers to the value that determines the scale of a company, which can be assessed by total sales, total assets, and the average sales growth rate (Malahayati, Arfan, and Basri, 2015). If the company is stable and its operations are projected to improve, the estimation errors will be smaller. According to Septavita (2016a), as a company advances,

its profit growth is expected to increase as well. This is because higher profit growth will influence profit persistence, ensuring the company's sustainability and attracting investors. According to Irma Puspitasari (2021), large-scale companies tend to engage in expansion and diversification of their business. This can reduce the risks of failure in their operations. Company size can be measured using the following formula.

$$\text{Company Size} = \text{LN (Total Assets)}$$

### **The Effect of Operating Cash Flow on Profit Persistence**

According to Hidayat and Fauziah (2020), operating cash flow is a financial statement that reflects the impact of cash from operating activities, investment activities, financing activities, and the net increase or decrease over a period. Operating cash flow is a way to assess how much cash is used to generate the company's profit from its operations. In the study by Hidayat and Fauziah (2020), it was shown that "operating cash flow has a positive and significant effect on profit persistence." Therefore, the higher the operating cash flow, the higher the profit persistence. H1: Operating Cash Flow has a Positive Effect on Profit Persistence.

### **The Effect of Debt Level on Profit Persistence**

Debt level is defined as the long-term debt of a company. The higher the amount of long-term debt a company has, the higher its debt level. If the company has debt, it must repay the debt according to the agreed-upon schedule. If the company's debt level is high, the financial burden on the company increases, and it must prioritize profits to settle the debt rather than operational financing. According to Krisdian and Badjra (2017), companies with a high debt level in their capital structure will be cautious in running their operations. An increase in debt level leads to an increase in profit persistence, which is essential for investors and creditors to assess the company's performance positively. Research conducted by Hidayat and Fauziah (2020) shows that the debt level has a positive effect on profit persistence. If the company experiences an increase in profit, its debt level will decrease. Conversely, if the company experiences a decline in profit, the debt level will increase. H2: Debt Level has a Positive Effect on Profit Persistence.

### **The Effect of Company Size on Profit Persistence**

Company size determines the performance of a company, with investors generally having more confidence in larger companies, as they are capable of improving performance. If the company is stable, the confidence in achieving profits will increase significantly. In this study, company size is measured by the total assets owned by the company. According to Sujianto (2001), as discussed in the study by Armelia (2016), company size refers to the scale of a company, which can be seen through total assets, total sales, average total sales, and average total assets. The results of this study are consistent with the findings of Setyaningrum and Ridarmelli (2021), which demonstrated that company size has a positive effect on profit persistence. This shows that as the size of a company increases, its profit persistence also increases. H3: Company Size has a Positive Effect on Profit Persistence.

### **The Effect of Operating Cash Flow, Debt Level, and Company Size on Profit Persistence**

The explanation above shows that the variables Operating Cash Flow (X1), Debt Level (X2), and Company Size (X3) all have a positive effect on profit persistence. Therefore, if these three variables positively influence profit persistence, they will also impact the dependent variable. H4: Operating Cash Flow, Debt Level, and Company Size have a Positive Effect on Profit Persistence.

## **3 | METHOD**

This research began in October 2024, when the research topic was proposed. The study was conducted by collecting data from the Indonesia Stock Exchange (IDX), as it is one of the primary platforms for publicly listed stocks in Indonesia. The data was accessed through the official IDX website at <http://www.idx.co.id>. The type of data used in this study is quantitative, specifically focusing on the annual financial statements of goods and consumption sector companies listed on the IDX for the period from 2019 to 2023. This data is time-series in nature, meaning it is collected over a period of time. The documentation technique was used to gather the required data, particularly the annual financial reports of companies. These reports were sourced directly from the IDX's official website. Additionally, literature related to the study topic was collected from books and academic journals to support the research.

The population of this study consists of goods and consumption sector companies listed on the IDX between 2019 and 2023. A total of 47 companies from this sector are listed on the IDX during the specified period. The sampling method used is purposive sampling, which involves selecting samples based on specific criteria defined by the researcher. The criteria for selecting the sample include: (1) the companies must be part of the goods and consumption sector listed on the IDX between 2019 and 2023, (2) the companies must have reported their financial

statements consecutively during this period, and (3) the companies must provide complete data required for the research.

Table 1. Definition, Operationalization, and Measurement of Variables

Variable	Definition	Measurement	Scale
Operating Cash Flow (X1)	Operating cash flow refers to activities that generate revenue for the entity, excluding investment or financing activities (Martini, Yunita, and Sumiyati 2023).	$ACO = \frac{\text{Operating Cash Flow}}{\text{Current Liabilities}}$	Ratio
Debt Level (X2)	Debt arises from liabilities that have not yet been paid for goods and services obtained by the company (Setyaningrum and Ridarmelli 2021).	Debt Ratio	Ratio
Company Size (X3)	Company size refers to the scale of a company, determined by revenue, total assets, and total equity (Malahayati et al. 2015).	Size Ratio	Ratio
Profit Persistence (Y)	Profit persistence refers to profits that do not experience significant fluctuations and are easy to predict in the future (Gunawan and Gurusinga 2022).	$\text{Profit Persistence} = \frac{\text{EBT}_{(t-1)} - \text{EBT}_t}{\text{Total Assets}}$	Ratio

## 4 | RESULTS AND DISCUSSION

### 4.1 Results

The data used in this study is secondary data obtained from the annual reports of companies in the consumer goods and industrial goods sectors for the period 2019-2023, published on the official website of the Indonesia Stock Exchange (IDX) at [www.idx.com](http://www.idx.com). The sample for this research consists of 32 companies from the consumer goods and industrial goods sectors, covering a research period of 5 years, resulting in a total of 160 data points.

Table 2. Sample Criteria

Criteria	Quantity
Companies in the consumer goods and industrial goods sectors listed on the Indonesia Stock Exchange for the period 2019-2023	47
Less:	
Companies that did not report annual reports consecutively for the research period of 2019-2023 on the Indonesia Stock Exchange	13
Companies lacking complete information/data for use in this study	3
Selected companies for the sample	31

(Source: Data processed by the researcher, 2025)

#### 4.1.1 Descriptive Statistical Analysis

According to (Madya n.d.), descriptive statistics studies how to collect and present data in a way that is easy to understand, allowing for conclusions to be drawn. Descriptive statistics provides information about a data set or phenomenon; in other words, it serves to explain conditions, phenomena, and issues.

Table 3. Descriptive Statistics

Descriptive Statistics	N	Minimum	Maximum	Mean	Std. Deviation
Operating Cash Flow (X1)	155	-0.91	3.58	0.5513	0.73326
Debt Ratio (X2)	155	0.10	1.89	0.4211	0.21881
Company Size (X3)	155	24.65	34.89	28.7735	2.19679
Profit Persistence (Y)	155	-0.78	0.56	-0.0039	0.11132
Valid N (listwise)	155				

(Source: Data processed using SPSS 26, 2025)

It can be observed that the Operating Cash Flow (X1) variable, with a total of 155 data points (N), has a minimum value of -0.91, a maximum value of 3.58, and a mean of 0.5513, while the standard deviation is 0.73326. The Debt Ratio (X2) variable, with a total of 155 data points (N), has a minimum value of 0.10, a maximum value of 1.89, and a mean of 0.4211, while the standard deviation is 0.21881. The Company Size (X3) variable, with a total of 155 data points (N), has a minimum value of 24.65, a maximum value of 34.89, and a mean of 28.7735, while the standard deviation is 2.19679.

The Profit Persistence (Y) variable, with a total of 155 data points (N), has a minimum value of -0.78, a maximum value of 0.56, and a mean of -0.0039, while the standard deviation is 0.11132.

Table 4. Normality Test Results

One-Sample Kolmogorov-Smirnov Test	Unstandardized Residual
N	155
Normal Parameters <sup>a,b</sup>	
Mean	0.0000000
Std. Deviation	0.10721763
Most Extreme Differences	
Absolute	0.167
Positive	0.160
Negative	-0.167
Test Statistic	0.167
Asymp. Sig. (2-tailed)	0.000c

(Source: Data processed using SPSS 26, 2025)

The Kolmogorov-Smirnov (K-S) test results show an Asymp. Sig (2-tailed) value of 0.000, which is smaller than the significance level of 0.05. This indicates that the data does not follow a normal distribution. Since the p-value is less than 0.05, the null hypothesis of normality is rejected. Therefore, it can be concluded that the data is not normally distributed, and alternative methods or transformations may be required for further statistical analysis.

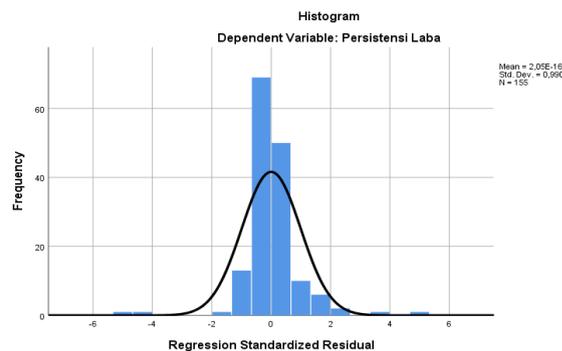


Figure 1. Histogram Display Normal Curve  
(Source: Data processed using SPSS 26, 2025)

The results of the normality test using the Histogram Display Normal Curve graph further support the findings from the Kolmogorov-Smirnov (K-S) test, which indicated non-normality. Upon re-testing with the Histogram Display Normal Curve, it shows that all variables are normally distributed. The graph appears symmetrical and follows a normal curve, with no significant deviations observed in the graph above. This visual representation reinforces the conclusion regarding the normality of the data.

#### 4.1.2 Multicollinearity Test

According to Widarjono (2010), as cited in Yaldi et al. (2022), the multicollinearity test examines the linear relationships among independent variables in multiple linear regression. Ghazali Imam (2005), as cited in Yaldi et al. (2022), states that a good tolerance value is  $<0.10$ , while a good Variance Inflation Factor (VIF) value is  $>10$ . If the tolerance value is  $>0.10$ , multicollinearity is present; if the tolerance value is  $<0.10$ , multicollinearity is not present. Similarly, if the VIF value is  $<10$ , multicollinearity is present, while if the VIF value is  $>10$ , multicollinearity is not present.

Table 5. Multicollinearity Test

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Tolerance	VIF
1	(Constant)	0.043	0.118	0.364	0.717	
	Operating Cash Flow (X1)	-0.025	0.013	-0.167	0.787	1.271
	Debt Ratio (X2)	-0.152	0.045	-0.298	0.790	1.265
	Company Size (X3)	0.001	0.004	0.021	0.984	1.017

(Source: Data processed using SPSS 26, 2025)

Dependent Variable: Profit Persistence (Y)

The multicollinearity test results show the tolerance value for the Operating Cash Flow variable is 0.787, the tolerance value for the Debt Ratio (proxied by Debt to Asset Ratio, DAR) is 0.790, and the tolerance value for the Company Size variable is 0.984. The Variance Inflation Factor (VIF) for the Operating Cash Flow variable is 1.271, the VIF for the Debt Ratio variable is 1.265, and the VIF for the Company Size variable is 1.017. Since all independent variables in this study have tolerance values greater than 0.01 and VIF values less than 10, it can be concluded that there is no multicollinearity between the independent variables in the regression model used in this study.

#### 4.1.3 Autocorrelation Test

The purpose of the autocorrelation test is to examine whether there is a correlation between the disturbance errors at time  $t$  and time  $t-1$  in a linear regression model (Ghozali, 2016, as cited in Dana, Purnami, and Giri, 2018). This test is essential for determining if the residuals in the regression model are correlated over time, which could lead to biased or inefficient estimations. The Durbin-Watson (DW) test is commonly used to assess autocorrelation. The results of the autocorrelation test using the Durbin-Watson statistic are presented below, providing insight into the potential presence of autocorrelation in the model.

Table 6. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.269a	0.072	0.054	0.10828	2.028

(Source: Data processed using SPSS 26, 2025)

a. Predictors: (Constant), Company Size (X3), Debt Ratio (X2), Operating Cash Flow (X1)

b. Dependent Variable: Profit Persistence (Y)

The Durbin-Watson (DW) value is 2.028. Given a sample size ( $n$ ) of 155 and 3 independent variables ( $k$ ), the value of  $D_u$  is 1.7770, and the value of  $4-D_u$  is 2.223. Thus, the result is  $D_u (1.7770) < DW (2.028) < 4-D_u (2.223)$ . Based on this, it can be concluded that there is no autocorrelation in the data.

#### 4.1.4 Heteroscedasticity Test

According to Ghozali (2016), as cited in Dana et al. (2018), the heteroscedasticity test aims to determine whether there is a difference in the variance of residuals across different observations in a regression model. In a well-specified model, the variance of residuals should remain constant across all observations. If the residuals show unequal variance (heteroscedasticity), it can lead to inefficient estimates and affect the reliability of the statistical inference. Detecting heteroscedasticity is essential for ensuring the accuracy of the regression model. Therefore, the goal is to confirm that the residuals do not display any patterns of varying variance across observations.

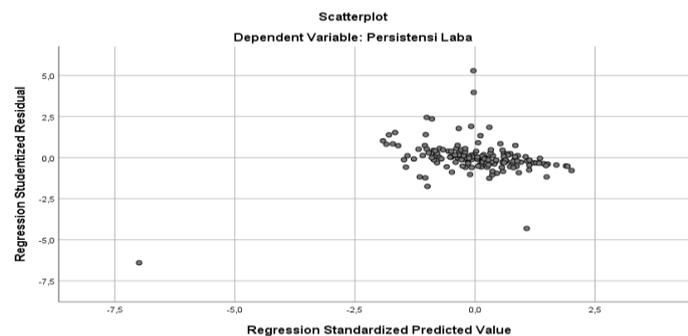


Figure 2. Scatterplot  
(Source: Data processed using SPSS 26, 2025)

The scatterplot shows that the data points do not form a clear pattern. The points are scattered randomly and evenly around the horizontal line, without forming any specific pattern. Therefore, it can be concluded that there is no heteroscedasticity in the data. This means that the variance of the errors is constant across all observations for each independent variable in the regression model.

#### 4.1.5 Multiple Linear Regression Analysis

The purpose of the multiple linear regression analysis in this study is to determine the impact of the variables: operating cash flow (X1), debt ratio (X2), company size (X3), and profit persistence (Y). The results of the multiple linear regression test are shown in the table below, which has been tested using SPSS 26.

Table 7. Multiple Linear Regression Analysis

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t
1	Constant	0.043	0.118	
	Operating Cash Flow (X1)	-0.025	0.013	-0.167
	Debt Ratio (X2)	-0.152	0.045	-0.298
	Company Size (X3)	0.001	0.004	0.021

Dependent Variable: Profit Persistence (Y)

(Source: Data processed using SPSS 26, 2025)

From the multiple linear regression equation above, the following conclusions can be drawn.

- 1) The constant value ( $\alpha$ ) in the multiple regression test is 0.043. This means that if all independent variables are constant or equal to zero, the profit persistence is 0.043.
- 2) The regression coefficient for operating cash flow (X1) ( $\beta_1$ ) is -0.025, which means that for every 1% increase in operating cash flow, assuming other variables are constant, profit persistence will decrease by 0.025.
- 3) The regression coefficient for the debt ratio (X2) ( $\beta_2$ ) is -0.152, which means that for every 1% increase in debt ratio, assuming other variables are constant, profit persistence will decrease by 0.152.
- 4) The regression coefficient for company size (X3) ( $\beta_3$ ) is 0.0001, which means that for every 1% increase in company size, assuming other variables are constant, profit persistence will increase by 0.0001.

#### 4.1.6 Hypothesis Testing

The partial test (t-test) evaluates the individual impact of each independent variable on the dependent variable. This test helps to determine whether a specific independent variable significantly contributes to explaining the variation in the dependent variable. In this analysis, the significance level is set at 5% or 0.05. If the p-value of the t-statistic is less than 0.05, it indicates that the independent variable has a statistically significant effect on the dependent variable. Conversely, if the p-value is greater than 0.05, the variable is considered to have no significant impact. The t-test is essential for assessing the strength and direction of relationships between individual predictors and the outcome variable.

Table 8. Partial Statistical Test Results

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
1	Constant	0.043	0.118	0.364	0.717
	Operating Cash Flow (X1)	-0.025	0.013	-0.167	-1.888
	Debt Ratio (X2)	-0.152	0.045	-0.298	-3.385
	Company Size (X3)	0.001	0.004	0.021	0.269

Dependent Variable: Profit Persistence (Y)

(Source: Data processed using SPSS 26, 2025)

Based on the table of partial statistical test results, the following explanations can be made.

- 1) Effect of Operating Cash Flow on Profit Persistence (X1)  
The first hypothesis suggests that operating cash flow has a negative effect on profit persistence. The test result shows a t-statistic value (Thitung) of -1.888 and a t-table value (Ttabel) of 1.660, thus  $-1.888 < 1.660$ , with a significance value of 0.061, which is greater than 0.05. This indicates that while operating cash flow has a negative effect, it is not statistically significant on profit persistence. Therefore, H1 is rejected, and H0 is accepted. Thus, the first hypothesis (H1) is rejected.
- 2) Effect of Debt Ratio on Profit Persistence (X2)  
The second hypothesis suggests that the debt ratio has a negative effect on profit persistence. The test result shows a t-statistic value (Thitung) of -3.385 and a t-table value (Ttabel) of 1.660, thus  $-3.385 > 1.660$ , with a significance value of 0.001, which is less than 0.05. This indicates that the debt ratio has a statistically significant negative effect on profit persistence. Therefore, H2 is accepted, and H0 is rejected. Thus, the second hypothesis (H2) is accepted.
- 4) Effect of Company Size on Profit Persistence (X3)  
The third hypothesis suggests that company size has a positive effect on profit persistence. The test result shows a t-statistic value (Thitung) of 0.078 and a t-table value (Ttabel) of 1.660, thus  $0.078 < 1.660$ , with a significance value of 0.788, which is greater than 0.05. This indicates that while company size has a positive effect, it is not statistically significant on profit persistence. Therefore, H3 is rejected, and H0 is accepted. Thus, the third hypothesis (H3) is rejected.

The simultaneous test, or F-test, is used to determine whether the independent variables included in the study namely Operating Cash Flow, Debt Ratio, and Company Size collectively or simultaneously have a significant effect on Profit Persistence. This test assesses the joint significance of all independent variables in explaining variations in the dependent

variable. The F-test evaluates whether the model as a whole has explanatory power beyond the individual effects of the predictors. A significant F-test result suggests that the independent variables together provide meaningful information in predicting the dependent variable, while a non-significant result would indicate that these variables do not significantly influence the dependent variable when considered together.

Table 9. Simultaneous Test Results (F-Test)

Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.138	3	0.046	3.928
	Residual	1.770	151		
	Total	1.908	154		

Dependent Variable: Profit Persistence (Y)

Predictors: (Constant), Company Size (X3), Debt Ratio (X2), Operating Cash Flow (X1)

(Source: Data processed using SPSS 26, 2025)

The fourth hypothesis explains that operating cash flow, debt ratio, and company size have a negative effect on profit persistence. Based on the table above, the test results show that the calculated F-value (Fhitung) is 3.928, and the table F-value (Ftabel) is 2.665. Since  $3.928 > 2.665$  and the significance value is 0.010, which is less than 0.05, this indicates that  $H_0$  is rejected and  $H_a$  is accepted. This can be concluded that operating cash flow, debt ratio, and company size have a significant positive effect on profit persistence, meaning that the fourth hypothesis ( $H_a$ ) is accepted.

#### 4.1.7 Coefficient of Determination ( $R^2$ ) Test, Multiple Correlation, Adjusted $R^2$

The coefficient of determination ( $R^2$ ) test is used to determine the extent to which the independent variables can explain the variation in the dependent variable.  $R^2$  provides an indication of how well the model fits the data. The higher the  $R^2$  value, the better the independent variables collectively explain the variability of the dependent variable.  $R^2$  ranges from 0 to 1, where 0 indicates that the model does not explain any of the variation in the dependent variable, and 1 indicates that the model explains all the variation. Additionally, Adjusted  $R^2$  is used to provide a more accurate measure of the goodness of fit when multiple predictors are involved. Adjusted  $R^2$  adjusts the  $R^2$  value based on the number of predictors in the model, ensuring that the model's complexity is taken into account. This is particularly useful in evaluating the performance of regression models with multiple independent variables. The results of the coefficient of determination test (Adjusted  $R^2$ ) are provided below.

 Table 10. Results of the Coefficient of Determination ( $R^2$ ), Multiple Correlation, Adjusted  $R^2$  Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.269a	0.072	0.054	0.108

Predictors: (Constant), Company Size (X3), Debt Ratio (X2), Operating Cash Flow (X1)

(Source: Data processed using SPSS 26)

Based on the table above, the Adjusted  $R^2$  value is 0.054 or 5.4%, which means that 5.4% of the variation in the dependent variable, profit persistence, can be explained by the independent variables: operating cash flow, debt ratio, and company size. Meanwhile, the remaining 94.6% is explained by other variables not examined in this study. This indicates that there are other factors outside of operating cash flow, debt ratio, and company size that may influence profit persistence.

#### 4.1.8 Interpretation of Results

The following is the interpretation of the results from the study conducted by the author, which involved hypothesis testing between the independent variables—operating cash flow, debt ratio, and company size and the dependent variable, profit persistence. The analysis aimed to assess the relationships and effects of these independent variables on the dependent variable. Through the hypothesis testing process, significant insights were gained about the extent to which each independent variable contributes to explaining variations in profit persistence. The results offer valuable information for understanding how operating cash flow, debt ratio, and company size interact with profit persistence, providing a clearer understanding of the factors influencing a company's ability to maintain consistent profitability.

Table 11. Results of the Test on the Effect of Operating Cash Flow, Debt Ratio, and Company Size on Profit Persistence

Description	Explanation	Significance
Effect of Operating Cash Flow on Profit Persistence	Negative but not significant	0.061
Effect of Debt Ratio on Profit Persistence	Negative and significant	0.001

Effect of Company Size on Profit Persistence	Positive but not significant	0.788
Effect of Operating Cash Flow, Debt Ratio, and Company Size on Profit Persistence	Positive and significant	0.010

(Source: Data processed by the researcher, 2025)

The following is the interpretation of the results from the study conducted by the researcher, which tested the hypothesis between the independent variables of operating cash flow, debt ratio, and company size with the dependent variable, profit persistence:

1) Effect of Operating Cash Flow on Profit Persistence

The test results indicate that operating cash flow has a negative effect on profit persistence, with a regression coefficient of -0.025. This means that for every unit increase in operating cash flow, profit persistence decreases by 0.025. The t-test results show a t-value of -1.888 and a table t-value of 1.660, with a significance of 0.061, which is greater than 0.05. This suggests that the effect is negative but not statistically significant, and thus, the first hypothesis (H1) is rejected. This contradicts theories that suggest higher operating cash flow leads to more business activity and greater profit persistence. Previous studies such as Gunawan and Gurusinga (2022) and Hidayat and Fauziyah (2020) found a positive relationship, but this study aligns with Risnawati and Istia (2024) and Firman (2019), which found a negative but insignificant effect.

2) Effect of Debt Ratio on Profit Persistence

The regression coefficient for the debt ratio (measured through Debt to Asset Ratio or DAR) is -0.152, which indicates that a 1% increase in debt ratio leads to a decrease of 0.152 in profit persistence. The t-test results show a t-value of -3.385 and a table t-value of 1.660, with a significance of 0.001, which is less than 0.05. This demonstrates a statistically significant negative effect on profit persistence, and thus, the second hypothesis (H2) is accepted. This suggests that higher debt does not necessarily enhance a company's ability to generate profit, as the debt burden may restrict the company's capacity to maintain profitability. This aligns with the studies by Setyaningrum and Ridarmelli (2021) and Gusnita and Taqwa (2019), which found a significant negative impact of debt ratio on profit persistence.

3) Effect of Company Size on Profit Persistence

The regression coefficient for company size is 0.001, which means that a 1% increase in company size results in an increase of 0.001 in profit persistence. However, the t-test results show a t-value of 0.269 and a table t-value of 1.660, with a significance of 0.788, which is greater than 0.05. This indicates that the effect is positive but not statistically significant, and the third hypothesis (H3) is rejected. This is consistent with the theory that larger companies are expected to have better financial planning, which could lead to higher profit growth. However, this study aligns with the findings of Setyaningrum and Ridarmelli (2021) and Hidayat and Fauziyah (2020), which also concluded that company size has an insignificant positive effect on profit persistence.

4) Effect of Operating Cash Flow, Debt Ratio, and Company Size on Profit Persistence

Based on the F-test results, the F-value is 3.928, and the table F-value is 2.665, with a significance of 0.010, which is less than 0.05. This indicates that operating cash flow, debt ratio, and company size together have a significant positive effect on profit persistence. Therefore, H0 is rejected and Ha is accepted. This suggests that an increase in operating cash flow, debt ratio, and company size results in a decrease in profit persistence, while a decrease in these variables also leads to a decline in profit persistence.

The  $R^2$  value is 0.054, or 5.4%, meaning that 5.4% of the variation in the dependent variable, profit persistence, can be explained by the independent variables: operating cash flow, debt ratio, and company size. The remaining 94.6% is explained by other factors not examined in this study. This suggests that other variables, not included in the research, might play a significant role in influencing profit persistence.

## 4.2 Discussion

This study aims to analyze the impact of operating cash flow, debt level, and company size on profit persistence in goods and consumption sector companies listed on the Indonesia Stock Exchange during the period of 2019–2023. The analysis reveals several important findings related to factors influencing a company's ability to maintain consistent profits over time. Operating cash flow is a key indicator in evaluating a company's financial performance, as it reflects how well the company generates cash from its operations. The results show that operating cash flow does not have a significant effect on profit persistence. Although a negative relationship is observed, the significance level greater than 0.05 (0.061) indicates that this effect is not strong enough to be considered statistically significant. This finding might be influenced by external fluctuations, such as market demand changes or economic instability, which can affect cash flow but do not always directly correlate with sustained profitability. Previous studies have shown that positive operating cash flow generally indicates operational stability. However, in some cases, despite positive cash flow, internal management factors or external influences can have a stronger impact on profit sustainability (FIRMAN, 2019). Therefore, while operating cash flow is crucial, other factors might play a more significant role in maintaining profits in the long run.

The debt level significantly negatively impacts profit persistence. The higher the debt a company carries, the greater the financial burden it faces in terms of interest and repayments, which can reduce its ability to maintain consistent profits. This finding aligns with capital structure theory, which suggests that high debt increases financial risk and can affect profit management (Gunawan & Gurusinga, 2022). Damayanty et al. (2022) also noted that high debt pressure forces companies to focus more on managing their debt obligations rather than maximizing profit, which could lead to volatility in profit persistence. As debt increases, companies are often compelled to allocate a larger share of their earnings to debt repayment, which limits resources available for business growth or profitability improvement. Although company size is generally considered an indicator of financial stability, it did not show a significant effect on profit persistence in this study. Larger companies are often viewed as more stable and better equipped to manage risks. However, as indicated by Malahayati et al. (2015), larger companies also face challenges due to increased complexity in management and diversification of operations, which can affect their ability to maintain consistent profits. In this study, despite the positive relationship between company size and profit persistence, the effect was not statistically significant. This may be due to internal factors such as managerial efficiency and strategic decisions, which can have a more substantial impact on profit sustainability than just the scale of the company itself (Damayanty et al., 2022).

When all three variables were analyzed simultaneously, the results of the F-test show a significant effect on profit persistence. While some individual variables did not show significant effects, the combination of operating cash flow, debt level, and company size was found to explain a substantial portion of the variance in profit persistence. This suggests that these factors are interconnected and can collectively influence a company's ability to sustain its profits. Setyaningrum and Ridarmelli (2021) also found that when multiple internal factors are considered together, their combined effect on profit is more apparent. This highlights the importance of a holistic approach in understanding how various internal factors interact to influence financial performance.

The relatively low  $R^2$  value (0.054) indicates that only a small portion of the variation in profit persistence can be explained by the three variables studied. This suggests that other factors, not accounted for in this study, may have a more significant impact on profit persistence. Hidayat and Fauziyah (2020) emphasized that external factors, such as market conditions or government policies, could play a larger role in influencing a company's ability to maintain profits. Future research could include external factors to provide a more comprehensive understanding of what drives profit persistence.

## 5 | CONCLUSIONS AND FUTURE WORK

Based on the research conducted by the author, 47 companies in the consumer goods and industrial sectors were examined, but only 31 companies met the criteria and had complete financial reports. The conclusions drawn from the findings are as follows.

- 1) Operating cash flow, on a partial basis, does not have a significant effect on profit persistence for companies in the consumer goods and industrial sectors listed on the Indonesia Stock Exchange from 2019 to 2023.
- 2) The debt ratio, on a partial basis, has a significant negative effect on profit persistence for companies in the consumer goods and industrial sectors listed on the Indonesia Stock Exchange from 2019 to 2023.
- 3) Company size, on a partial basis, has a positive but insignificant effect on profit persistence for companies in the consumer goods and industrial sectors listed on the Indonesia Stock Exchange from 2019 to 2023.
- 4) Operating cash flow, debt ratio, and company size, when considered together, do not have an effect on profit persistence for companies in the consumer goods and industrial sectors listed on the Indonesia Stock Exchange from 2019 to 2023.

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