

The Influence of Operating Cash Flow, Company Size, and Debt-to-Equity Ratio on Net Profit of Financial Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

Net profit represents the result of business within a financial period. The achievement of net profit might be influenced by some factors, such as operating cash flow, company size, and *debt-to-equity ratio*. This study investigates the influence of operating cash flow, company size, and *debt-to-equity ratio* on net income of financial companies listed on the Indonesia Stock Exchange. This research employs observations from 37 samples for the periods 2021-2025. Data is obtained from secondary sources and selected through purposive sampling method. Data analysis technique in this research is multiple regression analysis which is processed through SPSS version 25. The results of this research show that each of operating cash flow and debt-to-equity ratio does not have significant influence partially on net income, while company size has significant influence partially on net income. Simultaneously, the three independent variables have significant influence on net profit.

INTRODUCTION

Company runs its operation to achieve specific target, which is net profit as a crucial one. This figure is presented in the financial statement, specifically in the statement of profit or loss and other comprehensive income. Mathematically, the net profit is the residual amount between total revenues and total expenses. By business sense, the achievement of a net profit represents the accumulated efforts made by the company in a financial year. This also represents the effectiveness of the series of strategy made by the company in optimizing business potential and dealing with the threat. Effort and strategy in terms of achieving the net profit as stated above can be tested from the point of view of financial statements. Some variables, such as operating cash flow, company size, and debt-to-equity ratio are considered relevant as the factors to determine the net profit.

Operating cash flow shows the flow of cash from the main revenue-generating activities by the company. As it concerns with the reason of the business established, the positive figure of it indicates that company is on its proper track. Should the collection of cash from customers runs well and the payment to suppliers are well-managed, it makes sense that company will be better to pursue its net profit. Rivalry in the market might be impacted by the size of each company in the market. The bigger size company is more resourceful. They can link all resources to be connected each other, thus enable the company to grab more revenues, making the production more efficient, and ultimately increase net income. Company has its incorporation by firstly having the capital injected by the shareholder. In its process, the injected capital might not be sufficient to finance the operational requirement. In such case, alternative funding is required, such as by having debt. The use of debt is common as an option to bring financial flexibility so that no bottleneck in company operation.

The presence of debt is important to enable the company doing the required corporate action. However, it has cost in other side, which is the interest. Amount of debt is also limited to specific degree, as regulated by Regulation of Minister of Finance (PMK) 169/PMK.010/2015. Regardless the presence of the regulation, too heavy portion of the debt will carry more financial burden to company through the interest charges. Thus, company should have business wise in determining the appropriate amount of debt in order to generate net profit. This research is conducted upon the financial companies listed on the Indonesia Stock Exchange. The selection of financial companies for this research is firstly based on the nature of financial companies. Business process of financial companies is to transfer money from the excess to the needy. Just like the blood flowing in the human body, the achievement of net profit must pay attention strongly on several critical aspects, such as the cash flow gained from operating activities, size of the business, and debt-to-equity ratio.

To be effective circulating money, financial companies must maintain specific level of cash sufficiency. When there are more customers to serve, they must be ready with either cash on hand or grabbing shortcut, i.e. the lending from other party. Having this readiness will maintain the trust of the company on the eye of the public. Seeing from the market geography, the presence of the financial companies ideally is all over Indonesia. This presence from cities to village is crucial to be effective serving the customers. Such presence brings consequence that company size in financial industry is relevant to have more business potential. Based on the arguments above, the title proposed in this journal is "*The Influence of Operating Cash Flow, Company Size, and Debt-to-Equity Ratio on Net Profit of Financial Companies Listed on the Indonesia Stock Exchange*".

LITERATURE REVIEW

Signaling Theory

Signaling theory was firstly introduced by Michael Spence (1973) within the context of job market domain. Although it started within the job market domain, the theory created the foundation of the signal in wider spectrum, mainly within the scope of investment under uncertainty. Spence (1973) stated that signals are adjustable, thus it is potentially subject to manipulation by the job applicant. There could be costs relevant to these adjustments, and it is referred to signaling costs. Signaling costs are interpreted broadly to include psychic and other costs, as well as the direct monetary ones.

While Spence (1973) addressed employee and employer as the sources of the supply and demand in his early theory, the concept is then developed to understand the dynamics in financial conditions of the company. Elements in certain section of financial statements could deliver message regarding the other elements in other parts of the financial statements. For example, the increase in historical cost of fixed assets year-to-year should deliver impact on the amount of depreciation expenses recorded in statement of profit or loss. Thus, we can think of elements within the financial statements are connected each other.

Operating Cash Flow

International Accounting Standard (IAS) 7 concerning Statement of Cash Flows rules that the amount of cash flows arising from operating activities strongly indicate the extent to which the operations of the entity have generated sufficient cash flows to repay loans, maintain the operating capability of the entity, pay dividends, and make new investments without recourse to external sources of financing. Specific components of historical operating cash flows is useful for financial statements user, in conjunction with other information, to forecast future operating cash flows.

Cash flows from operating activities are mainly sourced from the principal revenue-generating activities of the entity. Thus, they usually result from the transactions and other events that enter into the determination of profit or loss.

Examples of cash flows from operating activities are:

- a. Cash receipts from the sale of goods and the rendering of services.
- b. Cash receipts from royalties, fees, commissions and other revenue.
- c. Cash payments to suppliers for goods and services.
- d. Cash payments to and on behalf of employees.
- e. Cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities.
- f. Cash receipts and payments from contracts held for dealing or trading purposes.

Cash flow from operating activities represents the gap between total cash inflows and outflows from operating activities within a specific reporting period. The gap represents indicator to evaluate liquidity and overall financial health of the company (Atieh, 2014). It is the metric which offers valuable insight for investors (Burke & Wieland, 2017).

Company Size

Firm size is a scale to measure the size of a company. The information used to denote the firm size is taken from the profile of the company, either its total asset, total sales, sales generated, number of employees or market value of equity. It is well-accepted that company size provides positive impact to the financial health of the company. Big size company can produce goods at substantially lower compared to their smaller counterpart, as big size company can manage the economic scale of their production activities better than the smaller one.

Brigham & Houston (2019) defined company size as a metric that can be assessed through the analysis of total assets, total expenses, total sales, and other relevant analysis. Dang & Li (2018) stated that the size of the company can be measured by below formula:

- a. $\text{Ln}(\text{Total Asset})$.
- b. $\text{Ln}(\text{Total Sales})$.
- c. $\text{Ln}(\text{Market Value of Equity})$.

Debt-to-Equity Ratio

Debt is an alternative for the company to fund its business activity. When strategically managed, debt could provide augmentation of the financial capacity and enhance overall company performance (Denis & McConnell, 2003). According to Schmidlin (2014), both debt and equity financing have their own advantages and disadvantages. Companies relying more on equity rather than debt tend to show more conservative financial conditions. This brings easier use and management upon the funds since it carries lower financial risk. However, the disadvantage is that the amount sourced from the equity might only be limited to the number of what shareholders invested to the company.

On the other hand, the companies having more debt financing, as in taking loans as sources of financing, are possibly to have the advantage of reducing the tax burden through interests (tax-deductible) (Schmidlin, 2014). However, a higher debts utilization could lead to an increase in financial risk as the costs of borrowing, in form of interest, may increase and the amounts owed will have to be paid back. During operational challenges, debt caused repayment burden that can become overwhelming, potentially resulting in insolvency (Brigham & Houston, 2019). Debt-to-equity ratio shows the ratio between total liabilities owed and total equity of the company. Davidson (2020) stated that this ratio measures the financial risk faced by the company. It measures the eligibility of a company to borrow new loan.

Net Profit

Corporate Finance Institute defined net profit is the amount of accounting profit a company has left over after subtracting all of its expenses. It connects directly to the balance sheet and cash flow statement and is a key measure of financial performance. Other terms for net profit are net income or net earnings. It is calculated by taking total revenue and subtracting cost of goods sold (COGS), operating expenses, interest, taxes, depreciation, and amortization. Net profit is often referred to as the “bottom line” because it appears at the bottom of the presented statement of profit or loss. Some statements of profit or loss have a separate section at the bottom reconciling beginning with ending retained earnings, through net profit and dividends.

Research Model

The relationship between independent and dependent variables can be expressed in the following scheme:

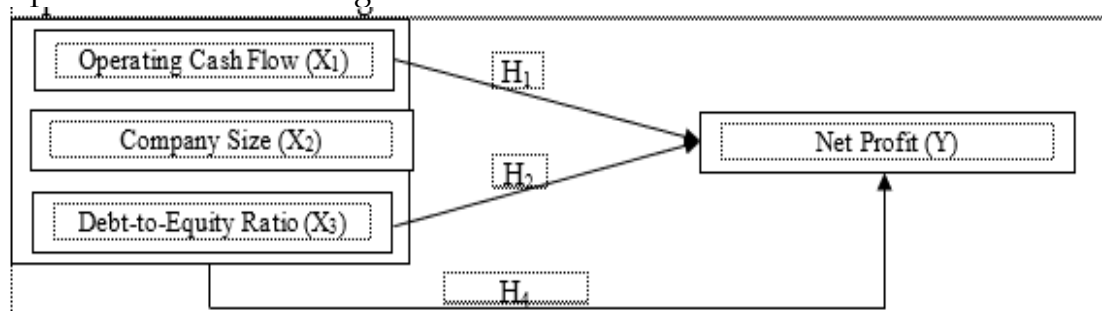


Figure 1. Research Model

Based on the research model above, four hypotheses are proposed as follows:

- H1: Operating cash flow has a significant influence on net profit of financial companies listed on the Indonesia Stock Exchange partially.
- H2: Company size has a significant influence on net profit of financial companies listed on the Indonesia Stock Exchange partially.
- H3: Debt-to-equity ratio has a significant influence on net profit of financial companies listed on the Indonesia Stock Exchange partially.
- H4: Operating cash flow, company size, and debt-to-equity ratio have significant influence on net profit of financial companies listed on the Indonesia Stock Exchange simultaneously.

METHODOLOGY

Research Design

In a research design, there are points grouped by Yin (2018), which are A and B. Yin defined A as the set of questions to be addressed, while B is placed as the set of conclusions regarding those questions. This leads a research design as a methodical strategy for moving from point A to point B. In this research, the writer uses research design in form of quantitative research. Quantitative research is defined by Creswell and Creswell (2018) as a method for testing objective theories by investigating the relationship between variables. These variables are measured, utilizing instruments. Numerical data in this research is statistically analyzed. The design of this research, which is processed through quantitative approach, contains descriptive research and causal research.

Population and Sample

For this research, the writer uses purposive sampling techniques. This technique is a technique where subjects are chosen because of some characteristics predetermined before the study (Stockemer, 2019). The sampling criteria for this study are as follow:

- a. Financial companies listed on the Indonesia Stock Exchange.
- b. Financial companies not listed on the Indonesia Stock Exchange within periods 2021-2025.
- c. Financial companies that do not consistently publish their financial statements in periods 2021-2025.
- d. When relevant to use, natural logarithm can be calculated by SPSS.
- e. Meet the normality requirement in preliminary test.

Data Collection and Analysis Method

To run this research, data is collected through secondary sources. Such data as those that are not gathered directly by the researcher from the the original source, instead is obtained from intermediary source (Dubey et. Al, 2017). Secondary data is collected by organizations in the form of annual report, financial statements, cash flow data, income tax calculation and other documents from other readily accessible sources. Secondary data in this research is mainly from from the Refinitiv Eikon database. This database is developed by the London Stock Exchange Group (LSEG). It is selected as it provides a comprehensive dataset for financial, market, and ESG indicators. Financial statements and annual report published by the financial companies listed in Indonesia Stock Exchange is then used to bring additional insight regarding the financial conditions of the company.

Operational Variable Definition and Variable Measurement

This research is using two types of variables, they are dependent variable and independent variable. The dependent variable in this research is net profit. The independent variables in this research are operating cash flow, company size, and debt-to-equity ratio.

Dependent Variable

The dependent variable is the variable to explain in a research. It is the primary variable of interest and depends on other variables (independent variables). In quantitative studies, letter “Y” remarks the notion for dependent variable (Stockemer, 2019). The dependent variable of this study is net profit which refers to net profit after tax generated in a year.

Independent Variable

Independent variables are used to explain the hypothesized variation in the dependent variable (Stockemer, 2019). Some literatures state independent variables as explanatory variables because they are marked as the tool to explain variation or changes in the dependent variable. The independent variables in quantitative studies is denoted by the letter “X”. The independent variables in this study are operating cash flow (X1), company size (X2), and debt-to-equity ratio (X3).

Operating Cash Flow (X1)

Operating cash flow represents the gap between cash inflow and outflow attached to operating activities conducted by the company. In this research, operating cash flow is presented as natural logarithm.

Company Size (X2)

Company size indicates the scale of the company. In this research, company size is presented as natural logarithm of total assets.

Debt-to-Equity Ratio (X3)

Debt-to-equity ratio is the ratio indicating how significant the comparison of debt against equity in order to finance the company’ business activities.

Net Profit (Y)

Net profit is the residual value of all revenues after subtracting all expenses.

RESEARCH RESULT

Sample Size Determination

The sample criteria are as follow:

Table 1. Determination of Sample

No.	Criteria	Total
1	Financial companies listed on the Indonesia Stock Exchange	107
2	Financial companies not listed on the Indonesia Stock Exchange within periods 2021-2025	(4)
3.	Financial companies that do not consistently publish their financial statements in periods 2021-2025	(93)
Total companies that meet the criteria		10
Research year		5
Total research samples		50

Out of this 50 samples, we found that SPSS cannot calculate the natural logarithm of negative operating cash flow, which are 8 samples, leaving 42 samples available. When we perform preliminary normality test, 5 out of the 42 samples are identified as outliers. We take them out, leaving 37 samples available. Thus, we continue this research using the 37 samples.

Descriptive Statistics

The results of descriptive statistics tests are as follows:

Table 2. Descriptive Statistics

Descriptive Statistics					
	N	Minimu m	Maximu m	Mean	Std. Deviation
OCF	37	26,4333	32,4657	29,724870	1,6550384
Size	37	30,3806	35,2974	33,119516	1,7628947
DER	37	,0030	2,0178	,459542	,5839417
NP	37	25,5800	31,7400	29,335527	1,6295582
Valid N (listwise)	37				

The minimum value of operating cash flow is 26.4333 which is experienced by PT Bank BTPN Syariah Tbk in year 2023. On the other hand, the maximum value is 32.4657 by PT Bank Central Asia Tbk in year 2021. The mean value is 29.724870, while standard deviation is 1.6550384. The minimum value of company size is 30.3806 which is experienced by PT BFI Finance Indonesia Tbk in year 2021. On the other hand, the maximum value is 35.2974 by PT Bank Rakyat Indonesia (Persero) Tbk in year 2025. The mean value is 33.119516, while standard deviation is 1.7628947.

The minimum value of debt-to-equity ratio is 0.0030 which is experienced by PT PT Bank BTPN Syariah Tbk in year 2025. On the other hand, the maximum value is 2.0178 by PT Bank Tabungan Negara (Persero) Tbk in year 2021. The mean value is 0.459542, while standard deviation is 0.5839417. The minimum value of net profit is 25.5800 which is experienced by PT PT Bank Jago Tbk in year 2024. On the other hand, the maximum value is 31.7400 by PT Bank Rakyat Indonesia (Persero) Tbk in year 2024. The mean value is 29.335527, while standard deviation is 1.6295582.

Normality Test

Normality test is performed to examine whether the data within the research are normally distributed. If a regression model has a normal distribution, it is considered feasible. This test can be done with Kolmogorov Smirnov test. The result of the test is listed below:

**Table 3. Result of Normality Test
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		37
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,70432573
Most Extreme Differences	Absolute	,112
	Positive	,090
	Negative	-,112
Test Statistic		,112
Asymp. Sig. (2-tailed)		,200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Based on the table above, the significance value is 0.184 which is bigger than 0.05. While Kolmogorov-Smirnov test requires a significance level above 0.05, data can be concluded as normally distributed.

Heteroscedasticity Test

Heteroscedasticity test is conducted to determine whether residual inequality of variance exists from one observation to the next in the regression model. To determine whether there is heteroscedasticity, Glejser tests are performed. The result of the test is as below:

**Table 4. Result of Heteroscedasticity Test
Coefficients^a**

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	3,070	1,269		2,419	,021
	OCF	,032	,075	,129	,422	,675
	Size	-,106	,068	-,461	-1,564	,127
	DER	,133	,122	,192	1,083	,287

a. Dependent Variable: Abs_RES

Glejser test requires significance value by each variable is higher than 0.05. Based on the table above, operating cash flow, company size, and debt-to-equity ratio have significance value 0.675, 0.127, and 0.825, respectively. Since each of them is greater than 0.05, it can be concluded that none of the independent variables have a heteroscedasticity problem.

Multicollinearity Test

Multicollinearity test is addressed to assess the relationship between the independent variables. A regression model is regarded free from multicollinearity issues if the tolerance value is ≥ 0.10 and the VIF value is ≤ 10 . The results are shown below:

Table 5. Result of Multicollinearity Test

Model	Unstandardized Coefficients		Coefficients ^a	t	Sig.	Collinearity Statistics	
	B	Std. Error	Standardized Coefficients Beta			Tolerance	VIF
1 (Constant)	2,218	2,413		,919	,365		
OCF	-,023	,142	-,024	-,165	,870	,272	3,682
Size	,844	,129	,913	6,566	,000	,293	3,415
DER	-,292	,233	-,105	-1,255	,218	,814	1,229

a. Dependent Variable: NP

Based on the result in table above, tolerance values of operating cash flow, company size, and debt-to-equity ratio is bigger than 0.10. At the same time, VIF of each independent variable does not exceed 10. Thus, it is concluded that there are no multicollinearity issues on each of the independent variables.

Autocorrelation Test

Autocorrelation test is applied to determine whether there is a relationship between the residuals in period t and period $t-1$. The test requires regression model to be free of autocorrelation. The Durbin-Watson test (DW Test) is used to determine the existence of autocorrelation. The test results are as follow:

Table 6. Result of Autocorrelation Test

Model	R	R Square	Model Summary ^b			Durbin-Watson
			Adjusted R Square	Std. Error of the Estimate		
1	,902 ^a	,813	,796	,7356442		,751

a. Predictors: (Constant), DER, Size, OCF

b. Dependent Variable: NP

The test result shows Durbin-Watson value of 0.751. Using Durbin-Watson table for 3 independent variables and 37 samples, the value of d_L is 1.3635, while the d_U is 1.5904. The Durbin-Watson value from the test 0.751 is lower than the d_L 1.3635, saying that there is positive auto-correlation, making the dataset has positive autocorrelation.

Multiple Linear Regression Analysis

Multiple linear regression is done to determine whether there is a relationship between a dependent variable and more than one independent variables. In this paper, the result of multiple linear regression is as below:

Table 7. Multiple Linear Regression Analysis Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	2,218	2,413	
	OCF	-,023	,142	-,024
	Size	,844	,129	,913
	DER	-,292	,233	-,105

a. Dependent Variable: NP

From the above table, multiple linear regression is formulated as below:

$$Y = 2.218 - 0.023X_1 + 0.844X_2 - 0.292X_3$$

The constant amount of 2.218 indicates that should the independent variables (operating cash flow, company size, and debt-to-equity ratio) do not change, then the net profit as the dependent variable will be the constant amount itself.

The coefficient (β) of operating cash flow is -0.023, showing that net profit will decrease by 0.023 unit for each one-unit increase in operating cash flow, assuming that company size and debt-to-equity ratio as the other independent variables remain constant. The coefficient (β) of company size is 0.844, showing that net profit will increase by 0.844 unit for each one-unit increase in company size, assuming that operating cash flow and debt-to-equity ratio as the other independent variables remain constant. The coefficient (β) of debt-to-equity ratio is -0.292, showing that net profit will decrease by 0.292 unit for each one-unit increase in debt-to-equity ratio, assuming that operating cash flow and company size as the other independent variables remain constant.

Partial Hypothesis Test (t-test)

T-test examines the partial influence of the independent variables (revenues growth rate and return on assets) on the dependent variable (market capitalization). The result of partial testing can be seen as follows:

Table 8. Result of Partial t-test

Model		T	Sig.
1	(Constant)	,919	,365
	tOCF	-,165	,870
	tSize	6,566	,000
	tDER	-1,255	,218

From Table 8, we can conclude that operating cash flow as first independent variable and debt-to-equity ratio do not have significant influence on net profit partially. Thus, each of the H1 and H3 is rejected. The second independent variable, which company size, has significant influence net profit. Thus, H₂ is accepted.

Simultaneous Hypothesis Test (f-test)

The followings are the results of simultaneous hypothesis testing:

Table 9. Simultaneous Significant Test

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	77,738	3	25,913	47,882	,000 ^b
	Residual	17,859	33	,541		
	Total	95,597	36			

a. Dependent Variable: NP

b. Predictors: (Constant), DER, Size, OCF

From Table 9, it can be concluded that operating cash flow, company size, and debt-to-equity ratio have significant influence on net profit simultaneously. Thus, H₄ is accepted.

Coefficient of Determination Test

Coefficient of determination measures the ability of independent variables to explain the dependent variable. The result of the test is as follows can be seen in Table 6. From the table, the Adjusted R² value obtained is 0.796 or 79.6%. This means that 79.6% of net profit is influenced by the independent variables, which are operating cash flow, company size, and debt-to-equity ratio. The remaining 20.4% is influenced by other variables that are not examined in this study.

DISCUSSION

The Influence of Operating Cash Flow on Net Profit

Based on the result of partial test, H1 is rejected. This means that operating cash flow does not have a significant influence on net profit of financial companies listed on the Indonesia Stock Exchange. Such result might be relied on the fact that the calculation of net profit involves the accrual-based accounts, such as revenues and expenses, which realisation takes place in different years. The result in this research is not inline with the research conducted by Toan, et. al. (2025).

The Influence of Company Size on Net Profit

Based on the result of partial test, H2 is accepted. This means that company size has a significant influence on net profit of financial companies listed on the Indonesia Stock Exchange. Such result might be caused by the fact that financial companies are spread out through out the cities and even villages in Indonesia, in order to reach more market. To be spread out wider, scale of the company, represented by the total assets, will be crucial to enable the financial companies provide more funding sufficiency to the customers. The result of this research is inline with the research conducted by Toan, et. al. (2025).

The Influence of Debt-to-Equity Ratio on Net Profit

Based on the result of partial test, H3 is rejected. This means that debt-to-equity ratio does not have a significant influence on net profit of financial companies listed on the Indonesia Stock Exchange. Such result might be based on the fact that financial companies apply tight borrowing policy, leading to less intense tendency to raise financial assistance in form of loan. The result of this research is inline with the research conducted by Toan, et. al. (2025). Based on Regulation of Minister of Finance PMK 169/PMK.010/2015 and emphasised in Government Regulation PP 55/2022, maximum debt-to-equity ratio for general type of companies is 4 against 1. Exception given to financial companies, like banking and insurance. However, although exception granted, financial companies observed within this research reach the maximum debt-to-equity ratio at 2,0178. This maximum ratio indicates that the debt-to-equity ratio is not a significant factor for financial companies to grow its net profit, or we can say financial companies do not rely heavily on the debt to source its funding capacity.

The Influence of Operating Cash Flow, Company Size, and Debt-to-Equity Ratio on Net Profit

Through the fourth hypothesis testing result, H4 is accepted. It means that operating cash flow (X1), company size (X2), and debt-to-equity ratio (X3) have a significant influence on net profit (Y) simultaneously. This statement is supported by coefficient of determination test stating that 79.6% of the net profit can be explained by the operating cash flow, company size, and debt-to-equity ratio.

The following table summarizes the result of hypothesis tests:

Table 10. Summary of Hypothesis Tests Results

No.	Hypothesis	F or T count	F or T table	Sig	A	Result
H ₁	Operating cash flow has a significant influence on net profit of financial companies listed on the Indonesia Stock Exchange partially.	-0.165	- 2.03452	0.870	0.05	H ₁ rejected
H ₂	Company size has a significant influence on net profit of financial companies	6.566	2.03452	0.000	0.05	H ₂ accepted

	listed on the Indonesia Stock Exchange partially.					
H ₃	Debt-to-equity ratio has a significant influence on net profit of financial companies listed on the Indonesia Stock Exchange partially.	-1.255	- 2.03452	0.218	0.05	H ₃ rejected
H ₄	Operating cash flow, company size, and debt-to-equity ratio have significant influence on net profit of financial companies listed on the Indonesia Stock Exchange simultaneously.	47.882	2.89	0.255	0.05	H ₄ accepted

CONCLUSIONS AND RECOMMENDATIONS

Based on the result of hypothesis testing, the following conclusions can be drawn as below:

- Operating cash flow does not have a significant influence on net profit of financial companies listed on IDX from 2021 – 2025 partially;
- Company size has a significant influence on net profit of financial companies listed on IDX from 2021-2025 partially;
- Debt-to-equity ratio does not have a significant influence on net profit of financial companies listed on IDX from 2021-2025 partially;
- Operating cash flow, company size, and debt-to-equity ratio have significant influence on net profit of financial companies listed on IDX from 2021 – 2025 simultaneously;
- The coefficient of determination of adjusted R² is 0.796.

ADVANCED RESEARCH

Future researchers are advised to include other explanatory variables that may potentially influence net income, such as macroeconomic variables (inflation and interest rates) or indicators of corporate governance (Good Corporate Governance). In addition, the use of moderating or mediating variables – such as working capital turnover – can be applied to determine whether the relationship between operating cash flow and the debt-to-equity ratio (DER) on net income is direct or mediated by operational efficiency.

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