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The Effect Of Cash Flow On Financial Performance Of Lq45 Companies In Indonesia

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Abstract

This study aims to analyze the influence of operating cash flow (CFO), investing cash flow (CFI), and financing cash flow (CFF) on financial performance in companies listed in the LQ45 Index on the Indonesia Stock Exchange for the 2019–2024 period. Financial performance in this study is proxied through profitability measured using Return on Assets (ROA) and liquidity measured using Current Ratio (CR). The research uses a quantitative approach with secondary data obtained from the company's financial statements through the official website of the Indonesia Stock Exchange. The data analysis technique was carried out using panel data regression with the help of the E-Views application. The results of the study show that operating cash flow has a positive and significant effect on profitability and liquidity. Investing cash flow has no significant effect on profitability or liquidity. Meanwhile, financing cash flow has a negative and significant effect on profitability and liquidity. These findings show that the effectiveness of operating cash flow management has an important role in improving a company's financial performance, while non-optimal funding decisions have the potential to reduce the company's financial performance.

Keywords: Operating Cash Flow, Investing Cash Flow, Financing Cash Flow, Financial Performance, LQ45 Index.

INTRODUCTION

The cash flow statement is one of the important components of financial statements that is used to assess a company's ability to generate and manage cash from

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operations, investments, and funding activities. Cash flow information not only describes the company's liquidity condition, but also reflects the company's effectiveness in carrying out operational activities and maintaining the sustainability of its business. In practice, companies can show a high level of profit, but they do not necessarily have good cash flow conditions. This shows that there is a possible difference between the company's profitability and the actual cash ability that the company has.

This condition is also seen in the average company that is a member of the LQ45 Index on the Indonesia Stock Exchange during the 2019–2024 period. The average company profit tends to show relatively stable conditions, while the average company cash flow fluctuates due to the difference in the time of receipt and cash expenditure. This phenomenon shows that a company's financial performance cannot be assessed solely on the basis of accounting profits, but also needs to consider the company's ability to generate and manage cash flow. Under some conditions, an increase in profit is not always followed by an increase in operating cash flow. On the other hand, there are conditions when the company's operating cash flow is in good condition even though the profit level has decreased.

Operating Cash Flow is closely related to financial performance because it reflects the company's ability to generate cash from its main activities. The greater the operating cash flow generated, the greater the company's ability to support operational activities and generate profits (Ahmad et al., 2024) . However, these relationships do not always show consistent results. Research by Rompotis, (2024) found that operating cash flow has no effect on the company's profitability. Investing cash flow and financing cash flow also have a role in influencing the company's financial performance. Investing cash flow with a negative value generally indicates the existence of investment activities and company expansion which in the short term can suppress profitability because it has not directly generated income (Emeka et al., 2023) . Meanwhile, financing cash flow is related to the company's funding activities such as stock issuance, loans, and dividend payments that can affect the company's capital structure and financial condition.

Various previous studies have shown different results regarding the influence of cash flow on financial performance. Research by Ahmad et al., (2024) found that operating cash flow has a significant positive effect on Return on Assets (ROA). Research by Chepkoech & Miroga, (2025) shows that investing cash flow and financing cash flow have a negative effect on ROA. Research by Appah et al., (2021) shows that operating cash flow and financing cash flow have a positive and significant effect on financial performance, while investing cash flow has a negative and significant effect. However,

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different results were found by Arsyad et al., (2022) those who showed that operating cash flow, investing cash flow, and financing cash flow had no significant effect on ROA. In addition to profitability, previous research has also shown different results related to the influence of cash flow on company liquidity. Research by Jannah et al., (2023) and Rohmatillah et al., (2022) found that investing cash flow and financing cash flow have a positive effect on company liquidity. On the other hand, research by Hasnita et al., (2023) and from Nurjihanar et al., (2022) shows that operating cash flow and investing cash flow do not have a significant effect on the company's liquidity.

The difference in the results of previous research shows that there are still empirical inconsistencies regarding the effect of cash flow on the company's financial performance. A lot of research related to cash flow and financial performance has been conducted, but research that specifically examines LQ45 Index companies is still relatively limited, even though LQ45 companies have characteristics in the form of high stock liquidity levels and large market capitalization on the Indonesia Stock Exchange. In addition, most previous studies only used profitability indicators without considering the liquidity aspect of the company. This study measures financial performance through profitability proxied with Return on Assets (ROA) and liquidity proxied with Current Ratio (CR) in order to provide a more comprehensive picture of the company's financial condition.

Based on this description, this study aims to analyze the influence of operating cash flow (CFO), investing cash flow (CFI), and financing cash flow (CFF) on financial performance in companies listed in the LQ45 Index on the Indonesia Stock Exchange for the 2019–2024 period. This research is expected to make an empirical contribution to the development of financial management science, especially related to the influence of cash flow components on company profitability and liquidity. This research is also expected to be a consideration for investors, company management, and related parties in financial decision-making.

LITERATURE REVIEW

Financial Performance

Financial performance is the result achieved by management in managing the company's assets effectively during a certain period (Andriana et al., 2024). Financial performance is important for companies to assess and evaluate the level of success based on the financial activities that have been carried out. Financial performance assessment can be done from the financial side which is generally done by analyzing the

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company's financial statements, such as financial position statements, equity change reports, income statements, cash flow statements, and notes on financial statements. Through the analysis of the report, an overview of the company's financial condition and performance in a certain period can be obtained (Arsyad & Ramli, 2022).

Profitability Ratio

Profitability is the ability of a company to generate profits from the revenue earned after deducting all costs and expenses incurred (Warae et al., 2024). The Return on Assets (ROA) ratio shows the company's ability to generate profits based on the total assets owned. Companies with high levels of ROA are generally more attractive to investors because they reflect efficiency in the utilization of assets to generate profits (Alamsyahbana et al., 2024).

Liquidity Ratio

Liquidity is an indicator used to assess a company's ability to meet short-term financial obligations that are due in less than one year (Siswanto, 2021) . Current Ratio (CR) is one of the liquidity ratios used to assess a company's ability to meet short-term obligations by utilizing its current assets. The higher the current ratio, the more liquid the company will be (Warae et al., 2024).

Operating Cash Flow

Operating Cash Flow (CFO) reflects a company's ability to generate cash from its business activities, such as cash receipts from sales, payments to suppliers, employees, and taxes. This indicator is important because it shows the company's ability to finance its operations without relying on external funding (IAS 7, 2016).

Investing Cash Flow

Investing Cash Flow (CFI) refers to cash flows related to the acquisition and release of long-term assets and other investments. This cash flow describes a company's strategy in allocating funds for investments that are expected to provide future economic benefits, such as the purchase of fixed assets or investments in other entities (IAS 7, 2016).

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Financing Cash Flow

Financing Cash Flow (CFF) is an activity that causes changes in the company's capital structure and loans. This activity includes receiving funds from the issuance of shares or loans as well as the repayment of debt and dividends. This indicator shows how the company obtains funding sources and fulfills its obligations to capital providers (IAS 7, 2016).

Total Asset Turnover

Total Asset Turnover (TATO) is an activity ratio used to assess the efficiency of a company in utilizing all its assets to generate revenue. The higher the value of a TATO, the more effective the company is in using its assets to increase sales or revenue (Alamsyahbana et al., 2024)

Influence Between Variables

Operating Cash Flow and Profitability

Operating cash flow (CFO) reflects a company's ability to generate cash from its main operational activities. The higher the operating cash flow, the more adequate the company has funds to support business activities, fulfill obligations, and reduce dependence on external funding so that it has the potential to increase the profitability of the company proxied through Return on Assets (ROA). Research by Ahmad et al., (2024) found that operating cash flow has a positive and significant effect on ROA. Research by Ankomah et al., (2023) found that operating cash flow has a negative and significant effect on ROA. In addition, research by Etim et al., (2022) states that operating cash flow has a significant influence on ROA. Research by Arifaj et al., (2023) also shows that operating cash flow has an effect on ROA. Therefore, operating cash flow is suspected to affect the company's profitability.

H1: Operating Cash Flow (CFO) affects Return on Assets (ROA).

Investing Cash Flow on Profitability

Investing cash flow (CFI) deals with cash expenditures and receipts related to a company's long-term asset investment. Negative investing cash flow generally indicates the existence of expansion activities or the purchase of productive assets which are expected to be able to increase the company's production capacity and operational efficiency in the future so as to increase the profitability of the company proxied through Return on Assets (ROA). However, less effective investments can also reduce a

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company's profits in the short term. Research by Rompotis, (2024) found that investing cash flow has a negative effect on ROA. Similar results were also found by Chepkoech & Miroga, (2025) those who stated that investing cash flow had a negative effect on ROA. Research by Fijabi et al., (2023) found that investing cash flow has a negative and significant effect on ROA. Another study by Halawa et al., (2024) states that investing cash flow has a significant effect on ROA. Therefore, investing cash flow is suspected to affect the company's profitability

H2: Investing Cash Flow (CFI) affects Return on Assets (ROA).

Financing Cash Flow and Profitability

Financing cash flow (CFF) reflects cash flows related to a company's funding activities, such as loan receipts, share issuance, debt payments, and dividend distribution. Optimal funding can help companies support operational activities and investments, potentially increasing the profitability of the company that is proxied through Return on Assets (ROA). However, excessive use of external funding sources can also increase a company's financial burden and suppress profits in the short term. Research by Rompotis, (2024) found that financing cash flow has a negative effect on ROA. Research by Chepkoech & Miroga, (2025) also shows that financing cash flow has a negative effect on ROA. Meanwhile, research by Fijabi et al., (2023) found that financing cash flow has a positive effect on ROA. Research by Andriana et al., (2024) also states that financing cash flow has a significant effect on the company's profitability. Therefore, financing cash flow is suspected to affect the company's profitability.

H3: Financing Cash Flow (CFF) affects Return on Assets (ROA).

Operating Cash Flow and Liquidity

A strong operating cash flow (CFO) indicates the company's ability to generate cash internally through its operational activities. Adequate cash from operating activities will increase the company's ability to meet short-term obligations without having to rely on external funding sources so as to increase the level of liquidity of the company proxied through the Current Ratio (CR). The higher the operating cash flow, the better the company's ability to maintain liquidity stability. Research by Khresat et al., (2023) found that operating cash flow has an effect on liquidity. Research by Ugo & Egbuhuzor, (2022) states that operating cash flow has a positive effect on the current ratio. Research by Jannah et al., (2023) shows that operating cash flow affects the current ratio. Research by Sunardi et al., (2021) also found that operating cash flow has a significant effect on

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the current ratio. Therefore, operating cash flow is suspected to affect the company's liquidity.

H4: Operating Cash Flow (CFO) affects the Current Ratio (CR).

Investing Cash Flow on Liquidity

Investing cash flow (CFI) can affect a company's liquidity condition because investment activities are related to cash expenditures and receipts related to long-term assets. Cash expenditure on large amounts of investment can reduce the availability of short-term cash so that it has the potential to reduce the company's ability to meet its current obligations. Conversely, cash receipts from asset releases or investments can increase the liquidity of a company proxied through the Current Ratio (CR). Research by Nurjihanar et al., (2022) found that investing cash flow has a positive effect on CR. Research by Ugo & Egbuhuzor, (2022) found that investing cash flow has an effect on CR. Research by Rohmatillah et al., (2022) states that investing cash flow affects CR. Other research by Jannah et al., (2023) also shows that investing cash flow has a negative effect on CR. Therefore, investing cash flow is suspected to affect the company's liquidity.

H5: Investing Cash Flow (CFI) affects the Current Ratio (CR).

Financing Cash Flow and Liquidity

Financing cash flow (CFF) is related to the company's funding activities that cause changes in the company's capital structure and loans. Receiving funds from loans or stock issuances can increase a company's cash flow thereby helping to meet short-term obligations and maintain the company's liquidity. However, the excessive use of external funding can also increase interest and debt payment obligations which have the potential to pressure the company's liquidity conditions in the future. Research by Ugo & Egbuhuzor, (2022) found that financing cash flow has a significant effect on Current Ratio (CR). Research by Khresat et al., (2023) states that financing cash flow affects the company's liquidity. Research by Hasnita et al., (2023) and Jannah et al., (2023) also shows that financing cash flow has an effect on CR. Therefore, financing cash flow is suspected to affect the company's liquidity.

H6: Financing Cash Flow (CFF) affects the Current Ratio (CR).

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Research Framework

The research framework illustrates the relationship between cash flow components and financial performance represented by profitability and liquidity, with Total Asset Turnover (TATO) as a control variable.

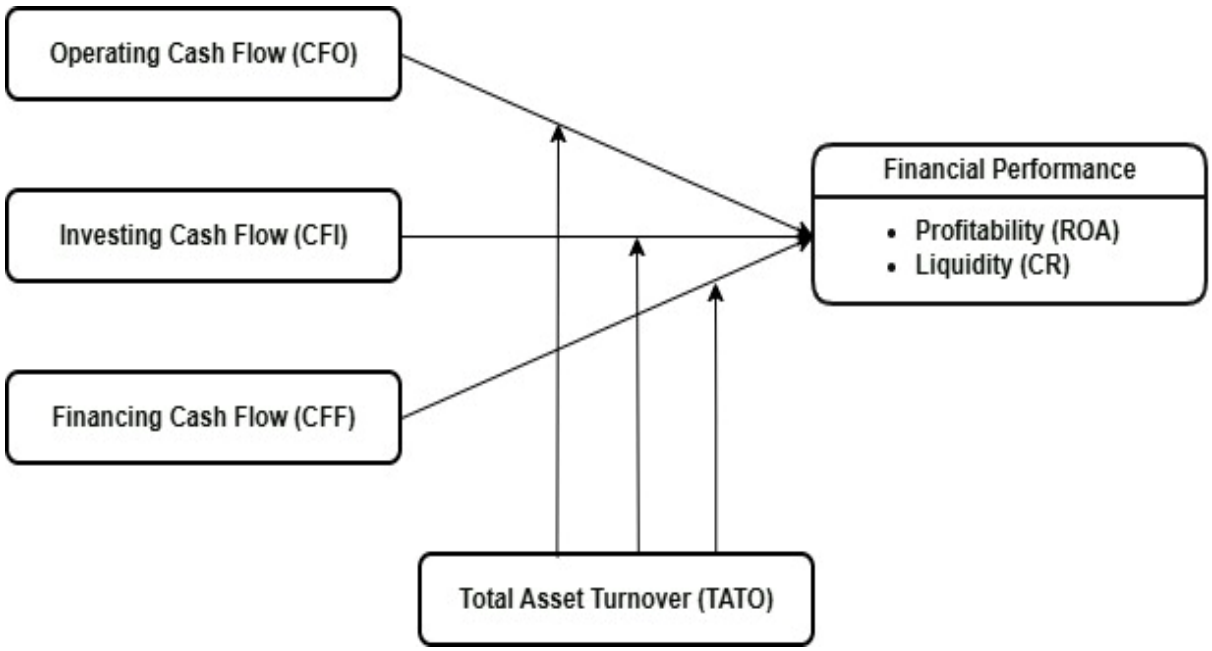


Figure 1. Research Framework

RESEARCH METHOD

This study uses a quantitative method to analyze the influence of cash flow on the company's financial performance. The research population consists of 45 companies that are members of the LQ45 Index on the Indonesia Stock Exchange for the period 2019–2024. The sampling technique uses purposive sampling with the criteria of non-financial companies that are consistently listed in the LQ45 Index and have complete financial statements, so that 19 companies were obtained with a total of 114 observations. Secondary data was obtained through the company's annual financial statements and analyzed using panel data regression analysis techniques with the help of the E-Views application. The analysis stages include descriptive statistics, classical assumption tests, selection of the best models through Chow and Hausman tests, as well as hypothesis testing using t-test, F test, and determination coefficient (R^2).

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Measurement of Research Variable

Table 1. Definition and Measurement Variable

Variable	Definition	Measurement	Source
Dependent Variable			
Return on Assets	The company's ability to generate profits based on the total assets owned.	$ROA = \frac{Net\ Profit}{Total\ Assets}$	(Brigham & Houston, 2022)
Current Ratio	the company's ability to meet short-term obligations with its current assets	$CR = \frac{Current\ Assets}{Current\ Liabilities}$	(Brigham & Houston, 2022)
Independent Variable			
Operating Cash Flow	the company's ability to generate cash from its business activities	$CFO = \frac{Net\ Operating\ Cash\ Flow}{Total\ Assets}$	(Wang, 2025)
Investing Cash Flow	Activities to acquire and release long-term assets and other investments.	$CFI = \frac{Net\ Investing\ Cash\ Flow}{Total\ Assets}$	(Korolo & Korolo, 2025)
Financing Cash Flow	activities that cause changes in the company's capital structure and loans.	$CFF = \frac{Net\ Financing\ Cash\ Flow}{Total\ Assets}$	(Rompotis, 2024)
Control Variable			

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Total Asset Turnover	The efficiency of the company in utilizing all its assets to generate income.	$TATO = \frac{Net\ Sales\ Revenue}{Total\ Assets}$	(Brigham & Houston, 2022)

Source: Author Compilation (2026)

Panel Data Regression Model

This study uses two panel data regression models consisting of the profitability model measured by Return on Assets (ROA) and the liquidity model measured by Current Ratio (CR). The independent variables include Operating Cash Flow (CFO), Investing Cash Flow (CFI), Financing Cash Flow (CFF), and Total Asset Turnover (TATO) as a control variable.

1. Profitability Regression Model

$$ROA_{it} = \alpha_i + \beta_1 CFO_{it} + \beta_2 CFI_{it} + \beta_3 CFF_{it} + \beta_4 TATO_{it} + \varepsilon_{it}$$

2. Liquidity Regression Model

$$CR_{it} = \alpha_i + \beta_1 CFO_{it} + \beta_2 CFI_{it} + \beta_3 CFF_{it} + \beta_4 TATO_{it} + \varepsilon_{it}$$

Where ROA is profitability measured by Return on Assets, CR is liquidity measured by Current Ratio, CFO is operating cash flow, CFI is investing cash flow, CFF is financing cash flow, TATO is Total Asset Turnover, α is a constant, β1−β4 are regression coefficients and ε is the error term.

RESULT AND DISCUSSION

Descriptive Analysis

Table 2. Descriptive Analysis Results

	ROA	CR	CFO	CFI	CFF	TATO
Mean	0.094351	2.066711	0.137789	-0.054868	-0.071436	0.746667
Median	0.070000	1.820000	0.110000	-0.042000	-0.055000	0.585000
Maximum	0.454000	5.748000	0.502000	0.214000	0.258000	2.320000
Minimum	-0.030000	0.336000	-0.153000	-0.337000	-0.543000	0.080000
Std. Dev.	0.085049	1.212481	0.104685	0.069127	0.110432	0.492643

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Observations	114	114	114	114	114	114

Source: Data processed using Eviews 12 (2026)

a. Return on Assets (ROA) has a maximum value of 0.454000 and a minimum value of -0.030000. The average value (mean) of 0.094351 shows that in general the company is able to generate a profit of 9.43% of the total assets owned. The standard deviation value of 0.085049 indicates that the rate of data dissemination is relatively moderate, so the variation in profitability between companies is not too large.
b. The Current Ratio (CR) has a maximum value of 5.748000 and a minimum value of 0.336000. The average value of 2.066711 shows that the company has a fairly good ability to fulfill its short-term obligations because it is above the general standard, which is 1. The standard deviation value of 1.212481 indicates that there is a fairly high variation in liquidity between companies.
c. Operating Cash Flow (CFO) has a maximum value of 0.502000 and a minimum value of -0.153000. The average value of 0.137789 indicates that in general the company is able to generate cash flow from operational activities. The standard deviation value of 0.104685 indicates that there is a variation in operating cash flow between companies, but it is still in the moderate category.
d. Investing Cash Flow (CFI) has a maximum value of 0.214000 and a minimum value of -0.337000. The average value of -0.054868 indicates that companies tend to engage in investment activities that result in cash outflows. The standard deviation value of 0.069127 shows that the variation in investment cash flow is relatively small compared to other variables.
e. Financing Cash Flow (CFF) has a maximum value of 0.258000 and a minimum value of -0.543000. The average value of -0.071436 indicates that companies tend to spend cash on funding activities. The standard deviation value of 0.110432 indicates a variation in funding activities between companies.
f. Total Asset Turnover (TATO) has a maximum value of 2.320000 and a minimum value of 0.080000. The average value of 0.74667 indicates that the company has a fairly good level of asset use efficiency in generating sales. The standard deviation value of 0.492643 shows that there is a variation in the efficiency of asset use between companies.

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Classical Assumption Tests
Normality Test

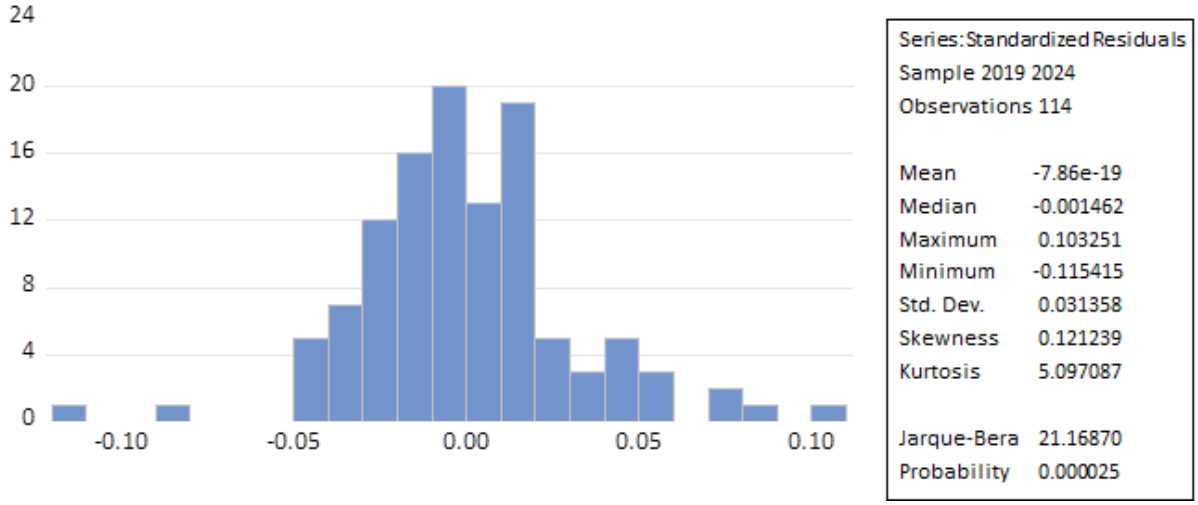


Figure 2. Normality Test Results for Profitability Model

Source: Dat a processed using Eviews 12 (2026)

Based on the results of the normality test shown in Figure 2, the Jarque-Bera probability value was 0.000025 (<0.05). This shows that the residual in the profitability model is not normally distributed. However, this condition is not a serious problem in the regression analysis of panel data, because the normality test is not the main requirement to meet the criteria of the Best Linear Unbiased Estimator (BLUE) (Basuki, 2021)

In this study, the number of observations used was relatively large, namely 114 data. Based on the Central Limit Theorem, data with more than 30 observations (n > 30), tend to be close to the normal distribution. Therefore, these conditions can still be tolerated so that the regression model is still feasible to use and the estimation results are considered valid for hypothesis testing in this study (Pranadipta & Natsir, 2023).

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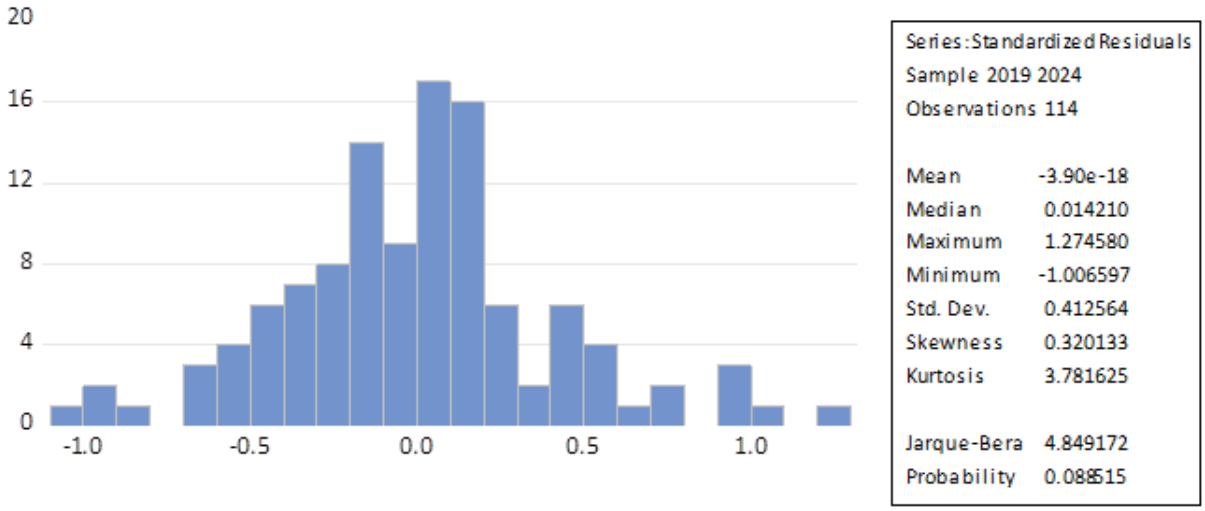


Figure 3. Normality Test Results for Liquidity Model

Source: Data processed using Eviews 12 (2026)

Based on the test results in Figure 3, the Jarque-Bera probability value was 0.08815 (>0.05). These results show that the residual in the liquidity model is normally distributed. Therefore, the regression model has met the assumption of normality, so that residual data can be considered to be spread normally and the model is feasible to be used to test hypotheses in this study.

Multicollinearity Test

Table 3. Multicollinearity Test Results

	CFO	CFI	CFF	TATO
CFO	1	-0.118756932	-0.570298635	0.492005581
CFI	-0.118756932	1	-0.44370533	0.035611619
CFF	-0.570298635	-0.44370533	1	-0.513829456
TATO	0.492005581	0.035611619	-0.513829456	1

Source: Data processed using Eviews 12 (2026)

Based on the results of the multicollinearity test in table 3, the correlation value between independent variables, namely CFO and CFI is -0.118756932, CFO and CFF are -0.570298635, CFO and TATO are 0.492005581, CFI and CFF are -0.44370533,

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CFI and TATO are 0.035611619, and CFF and TATO are -0.513829456, all are below (<0.90). Therefore, the liquidity model does not experience multicollinearity.

Heteroscedasticity Test

Table 4. Heteroscedasticity Test Results for Profitability Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.034586	0.011668	2.964128	0.0039
CFO	-0.048517	0.031528	-1.538844	0.1273
CFI	0.03549	0.041061	0.864332	0.3897
CFF	0.020695	0.034428	0.601109	0.5493
TATO	-0.002052	0.016331	-0.125645	0.9003

Source: Data processed using Eviews 12 (2026)

The heteroscedasticity test was carried out using the Glejser method. Based on the test results in table 4, the CFO variable has a probability value of 0.1273, CFI of 0.3897, CFF of 0.5493, and TATO of 0.9003, all of which are greater than (>0.05). This shows that there are no symptoms of heteroscedasticity in the profitability model.

Table 5. Heteroscedasticity Test Results for Liquidity Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.692121	0.141843	4.879506	0
CFO_WINS	-0.767448	0.435232	-1.763308	0.0812
CFI	-0.112189	0.498002	-0.225278	0.8223
CFF	0.026449	0.41708	0.063415	0.9496
TATO	-0.385896	0.197198	-1.956898	0.0534

Source: Data processed using Eviews 12 (2026)

Based on the results of the Glejser test in table 5, it shows that the CFO variable after winsorizing has a probability value of 0.0812, CFI of 0.8223, CFF of 0.9496, and TATO of 0.0534, all of which are above (>0.05). Therefore, it can be concluded that the regression model has been free from the symptoms of heteroscedasticity so that the assumption of homoscedasticity has been fulfilled.

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Autocorrelation Test

Table 6. Autocorrelation Test Results

Model Estimate		Durbin-Watson stat
Profitability		1.778582
Liquidity		1.442075

Source: Data processed using Eviews 12 (2026)

Based on the results of the autocorrelation test shown in Table 6, the Durbin-Watson statistical value of the profitability model was 1.778582 and the liquidity model was 1.442075. The values are in the range of -2 to +2, so it can be concluded that the liquidity model does not experience autocorrelation symptoms (Aulia et al., 2024). Therefore, the autocorrelation assumptions in the regression model have been fulfilled and the model is feasible to use for testing the research hypothesis.

Hypothesis Testing

Panel Data Regression Analysis for Profitability Model

Table 7. Panel Data Regression Results for Profitability

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.015186	0.021044	-0.721603	0.4724
CFO	0.475147	0.056864	8.355873	0.0000
CFI	-0.131733	0.074056	-1.778821	0.0786
CFF	-0.169732	0.062094	-2.733482	0.0075
TATO	0.033098	0.029454	1.123733	0.2641
Effects Specification				
Root MSE	0.031220	R-squared		0.864059
Mean dependent var	0.094351	Adjusted R-squared		0.831194
S.D. dependent var	0.085049	S.E. of regression		0.034943
Akaike info criterion	-3.692017	Sum squared resid		0.111113

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Schwarz criterion	-3.139977	Log likelihood	233.4450
Hannan-Quinn criter.	-3.467975	F-statistic	26.29134
Durbin-Watson stat	1.778582	Prob(F-statistic)	0.000000

Selection Models				
Testing	Prob	Selected Model		
Chow Test	0.0000	FEM		
Hausman Test	0.0124	FEM		

Source: Data processed using Eviews 12 (2026)

T-test Results for Profitability Model

a. The Operating Cash Flow (CFO) variable has a coefficient of 0.475147 with a probability value of 0.0000 (<0.05), so that it has a positive and significant effect on Return on Assets (ROA). In line with these results, the first hypothesis (H1) that states that operating cash flow has an effect on returns on assets is acceptable.
b. The Investing Cash Flow (CFI) variable has a probability value of 0.0786 (>0.05), so it does not have a significant effect on Return on Assets (ROA). Based on these results, the second hypothesis (H2) which states that investing cash flow has an effect on return on assets is rejected.
c. The Financing Cash Flow (CFF) variable has a coefficient of -0.169732 with a probability value of 0.0075 (<0.05), so it has a negative and significant effect on Return on Asset (ROA). In line with these results, the third hypothesis (H3) which states that financing cash flow has an effect on return on assets is acceptable.
d. The Total Asset Turnover (TATO) variable as a control variable has a probability value of 0.2641 (>0.05), so it does not have a significant effect on return on assets.

F-test Results for Profitability Model

Based on the results of the F-test in table 7, an F-statistic value of 26.29134 was obtained with a probability of 0.000000 (<0.05), so that all independent variables simultaneously had a significant effect on the Return on Assets (ROA).

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Coefficient of Determination for Profitability Model

Based on the results of the determination coefficient test in Table 7, the R-squared value was obtained of 0.864059. This shows that the variables CFO, CFI, CFF and TATO are simultaneously able to explain the variation in profitability proxied by ROA of 86.40%, while the remaining 13.60% is explained by other variables outside this research model.

Panel Data Regression Analysis for Liquidity Model

Table 8. Panel Data Regression Results for Liquidity

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.546644	0.274977	9.261294	0.0000
CFO_WINS	2.679189	0.843745	3.175355	0.0020
CFI	-0.725975	0.965432	-0.751969	0.4540
CFF	-2.626010	0.808555	-3.247782	0.0016
TATO	-1.422288	0.382289	-3.720449	0.0003
Effects Specification				
Root MSE	0.406760	R-squared		0.886459
Mean dependent var	2.066711	Adjusted R-squared		0.859009
S.D. dependent var	1.212481	S.E. of regression		0.455271
Akaike info criterion	1.442323	Sum squared resid		18.86174
Schwarz criterion	1.994363	Log likelihood		59.21239
Hannan-Quinn criter.	1.666365	F-statistic		32.29415
Durbin-Watson stat	1.442075	Prob(F-statistic)		0.000000
Selection Models				

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Testing	Prob	Selected Model		
Chow Test	0.0000	FEM		
Hausman Test	0.0111	FEM		

Source: Data processed using Eviews 12 (2026)

T-test Results for Liquidity Model

a. The Operating Cash Flow (CFO) variable has a coefficient of 2.679189 with a probability value of 0.0020 (<0.05), so it has a positive and significant effect on the Current Ratio (CR). In line with these results, the fourth hypothesis (H4) which states that operating cash flow affects the current ratio is acceptable.
b. The Investing Cash Flow (CFI) variable has a probability value of 0.4540 (>0.05), so it does not have a significant effect on the Current Ratio (CR). Based on these results, the fifth hypothesis (H5) which states that investing cash flow has an effect on the current ratio is rejected.
c. The Financing Cash Flow (CFF) variable has a coefficient of -2.626010 with a probability value of 0.0016 (<0.05), so it has a negative and significant effect on the Current Ratio (CR). In line with these results, the sixth hypothesis (H6) which states that financing cash flow affects the current ratio is acceptable.
d. The Total Asset Turnover (TATO) variable as a control variable has a coefficient of -1.422288 with a probability value of 0.0003 (<0.05), so that it has a negative and significant effect on the current ratio.

F-test Results for Liquidity Model

Based on the results of the F test in Table 8, an F-statistical value of 32.29415 was obtained with a probability value of 0.000000 (<0.05), so that all independent variables simultaneously had a significant effect on the Current Ratio (CR).

Coefficient of Determination for Liquidity Model

Based on the results of the determination coefficient test in Table 8, the R-squared value was obtained of 0.886459. This shows that the variables CFO, CFI, CFF and TATO are simultaneously able to explain the variation in liquidity proxied by CR of 88.64%, while the remaining 11.36% is explained by other variables outside this research model.

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DISCUSSION

The Effect of Operating Cash Flow on Profitability

The results of the statistical test show that the Operating Cash Flow (CFO) variable has a probability value of 0.0000 (<0.05) with a coefficient of 0.475147, so that CFO is stated to have a positive and significant effect on Return on Assets (ROA). A positive coefficient value indicates that the relationship between CFO and ROA is unidirectional, which means that every increase in CFO by one unit will increase ROA by 0.475147.

The Effect of Investing Cash Flow on Profitability

The results of the statistical test showed that the Investing Cash Flow (CFI) variable had a probability value of 0.0786 (>0.05), so it was stated that it had no significant effect on Return on Assets (ROA), even though it had a coefficient of -0.131733. This suggests that changes in CFI do not have a significant impact on changes in ROA in the research model.

The Effect of Financing Cash Flow on Profitability

The results of the statistical test show that the Financing Cash Flow (CFF) variable has a probability value of 0.0075 (<0.05) with a coefficient of -0.169732, so that it is stated to have a negative and significant effect on Return on Assets (ROA). A negative coefficient value indicates that every increase in CFF by one unit will decrease the ROA by 0.169732.

The Effect of Operating Cash Flow on Liquidity

The results of the statistical test showed that the Operating Cash Flow (CFO) variable had a probability value of 0.0020 (<0.05) with a coefficient of 2.679189, so it was declared to have a positive and significant effect on the Current Ratio (CR). A positive coefficient value indicates that every CFO increase by one unit will increase the CR by 2.679189.

The Effect of Investing Cash Flow on Liquidity

The results of the statistical test showed that the Investing Cash Flow (CFI) variable had a probability value of 0.4540 (>0.05), so it was stated that it did not have a significant effect on the Current Ratio (CR), even though it had a coefficient of -0.725975. This shows that changes in CFI do not have a significant impact on CR changes in this study.

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The Effect of Financing Cash Flow on Liquidity

The results of the statistical test showed that the Financing Cash Flow (CFF) variable had a probability value of 0.0016 (<0.05) with a coefficient of -2.626010, so it was declared to have a negative and significant effect on the Current Ratio (CR). A negative coefficient value indicates that each increase in CFF by one unit will decrease the CR by 2.626010.

CONCLUSION

Based on the results of the research that has been conducted, it can be concluded that this research model is able to explain and prove the relationship and relevance of the cash flow component to the financial performance of companies listed in the LQ45 Index on the Indonesia Stock Exchange. The conclusions obtained are as follows:

a. Operating Cash Flow (CFO) has a positive and significant effect on financial performance proxied with profitability (ROA).
b. Investing Cash Flow (CFI) has no significant effect on financial performance proxied with profitability (ROA).
c. Financing Cash Flow (CFF) has a negative and significant effect on financial performance proxied with profitability (ROA).
d. Operating Cash Flow (CFO) has a positive and significant effect on financial performance proxied by liquidity (CR).
e. Investing Cash Flow (CFI) has no significant effect on financial performance proxied by liquidity (CR).
f. Financing Cash Flow (CFF) has a negative and significant effect on financial performance proxied by liquidity (CR).

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