

Operating Cash Flow, Profitability, and Earnings Growth: The Moderating Role of Firm Size in Food and Beverage Firms on the Indonesia Stock Exchange, 2022–2025

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Abstract

This study aims to analyze the effect of operating cash flow performance and profitability on earnings growth, as well as to examine the moderating role of firm size on both relationships. Employing a quantitative causal-comparative approach, this study draws on a sample of 28 food and beverage subsector companies listed on the Indonesia Stock Exchange during the 2022–2025 period, selected through purposive sampling, yielding 112 firm-year observations. Operating cash flow performance is measured by the ratio of operating cash flow to total assets, profitability by Return on Assets (ROA), firm size by the natural logarithm of total assets, and earnings growth by the annual percentage change in net income, all analyzed using Moderated Regression Analysis (MRA) via IBM SPSS Statistics with a mean-centering procedure applied to the predictor and moderator variables. The results indicate that operating cash flow performance and profitability have a positive but statistically non-significant effect on earnings growth, and firm size is not shown to moderate either relationship, with the overall regression model being simultaneously non-significant (Sig. F = 0.450; R² = 0.043), suggesting that the determinants of earnings growth during this period are dominated more by domestic purchasing-power pressure than by firms' internal fundamental performance. These findings imply the importance of macroeconomic context as a screening variable for investors and regulators in interpreting issuers' financial signals, as well as the need for market-demand-oriented strategies for management and the integration of macroeconomic variables in future research.

INTRODUCTION

The food and beverage industry occupies a strategic position in the Indonesian economy, with its contribution to non-oil-and-gas processing industry GDP rising from 39.10 percent (2023) to 40.31 percent (2024), alongside a surge in realized investment from IDR 85.10 trillion to IDR 110.57 trillion over the same period (Ministry of Industry, as cited in detik.com, 2025). However, this robust macro-industry performance is not fully reflected at the issuer level: while the aggregate net income of national issuers grew 21.20 percent year-on-year in the first half of 2025, this growth was dominated by the basic materials, cyclical consumer, and technology sectors (OJK, as cited in Kompas.id, 2025), whereas the IDX Consumer Non-Cyclicals index—home to food and beverage issuers—actually declined by 0.06 percent since the start of 2025, the only sectoral index to move negatively among the eleven existing indices (Indonesia Stock Exchange, as cited in Kontan.co.id, 2025). This disparity between aggregate sectoral growth and issuer-level earnings performance constitutes the point of departure for this study's research phenomenon.

Earnings growth is the financial performance indicator most frequently referenced in economic decision-making, whether by investors as a basis for assessing prospects (Indahsari,

Murni, & Tulung, 2022), by creditors as an indicator of debt-servicing capacity, or by management as a benchmark for the effectiveness of operational strategy. Its relevance at the industry-specific level is confirmed by Ryadi and Abundanti (2023), who found financial ratios to be consistent predictors of earnings growth in the consumer goods industry, as well as by Sirait, Nur, Muttaqin, Anggraeni, and Christanti (2021), who confirmed the contribution of capital structure and operational activity to variation in earnings growth in the food and beverage subsector. Among the fundamental determinants of earnings growth, operating cash flow performance and profitability stand out as the two most theoretically relevant indicators. Operating cash flow reflects a firm's real capacity to generate cash from its core business activities, independent of the managerial discretion inherent in accrual-based accounting (Wasalwa & Putra, 2024), and is therefore regarded as a more reliable signal for external stakeholders (Liandu, Adam, Widiyanti, & Isnurhadi, 2023). Consistent with signaling theory (Spence, 1973), strong operating cash flow is predicted to be received positively by the market as an indication of a firm's capacity to sustain its earnings. Profitability, proxied in this study by Return on Assets (ROA), was selected for its ability to reflect overall managerial efficiency without being distorted by capital structure as ROE tends to be (Setiawan & Susilowati, 2024), and has been shown to be a consistent predictor of earnings growth in the food and beverage subsector (Choiroh & Purbowati, 2024; Septiyarina, 2022).

Nevertheless, empirical evidence on the strength of these two variables' effects on earnings growth has not fully converged. Liandu et al. (2023) found that operating cash flow contributes significantly to profitability and firm growth, while simultaneously emphasizing that the strength of this relationship is influenced by information asymmetry and governance quality—two factors that correlate with organizational scale. A similar pattern emerges in the ROA–earnings growth relationship: the consistently positive findings in the consumer goods sector (Choiroh & Purbowati, 2024; Setiawan & Susilowati, 2024; Septiyarina, 2022) contrast with the weaker pattern observed in capital-intensive sectors, where the cycle of converting assets into revenue takes longer. This cross-context inconsistency indicates that the strength of the effect of fundamental performance on earnings growth is contingent on firm characteristics, making the examination of a moderating variable relevant for explaining this variation more comprehensively.

The conjecture that firm size moderates this relationship rests on three complementary theoretical perspectives. The Resource-Based View (Barney, 1991) explains that larger firms possess a more heterogeneous resource base—production capacity, distribution networks, funding flexibility—enabling them to convert cash flow and profitability into earnings growth more effectively, as supported by the cross-country findings of Yadav, Pahi, and Gangakhedkar (2022) in Asia-Pacific markets. Signaling theory (Spence, 1973) adds that larger firms are subject to closer scrutiny from analysts and exchange authorities, giving their financial signals greater credibility and predictive power—an argument empirically confirmed by Khotimah and Larasati (2026) in the context of earnings persistence among food and beverage issuers on the IDX. Meanwhile, agency theory (Jensen & Meckling, 1976) explains that the more mature governance found in larger firms reduces agency costs and the risk of accounting-information manipulation, allowing fundamental indicators to be transmitted more consistently into real earnings growth. Together, these three frameworks affirm that firm size is not merely a control variable but a contingency factor that structurally strengthens or weakens the power of financial performance signals in driving earnings growth.

This study offers three interrelated contributions to novelty. Conceptually, firm size is positioned as a moderating variable—rather than a control variable as is common in prior

research—tested simultaneously across two effect pathways (operating cash flow and profitability), an approach that has thus far only been applied in the context of earnings persistence (Khotimah & Larasati, 2026), not specifically to earnings growth. Contextually, this study uses the 2022–2025 period, which encompasses both the post-pandemic recovery phase and the 2025 domestic purchasing-power pressure, an economic condition not yet widely examined in prior literature, which generally uses pre-2022 observation periods. Accordingly, this study offers a firm-size-based contingency explanation that is theoretically capable of reconciling the inconsistent findings on the effect of operating cash flow and profitability on earnings growth in this sector.

The contribution of this study is twofold. Theoretically, this study enriches the financial accounting literature by integrating the Resource-Based View, signaling theory, and agency theory to explain the contingency mechanism of firm size, while also extending empirical evidence to a relatively recent industry context and period. Practically, these findings provide a basis for investors and analysts to consider firm scale as an additional context in interpreting operating cash flow and profitability signals, as well as for regulators in designing financial disclosure policies that account for differences in issuer scale.

Based on the foregoing, this study aims to analyze the effect of operating cash flow performance and profitability on earnings growth, as well as to examine the role of firm size in moderating both relationships, among food and beverage subsector companies listed on the Indonesia Stock Exchange during the 2022–2025 period. The remainder of this article is organized as follows: literature review and hypothesis development, research methodology, results and discussion, and conclusions and implications.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This study draws on three complementary theoretical foundations: signaling theory, the Resource-Based View (RBV), and agency theory. Signaling theory (Spence, 1973) explains how information on operating cash flow and profitability functions as a signal to the market regarding earnings prospects, given that management possesses superior information such that its disclosure reduces information asymmetry. RBV (Barney, 1991) explains the moderating role of firm size: the resource heterogeneity of larger firms—production capacity, distribution networks, funding flexibility—enables them to convert fundamental performance into earnings growth more effectively than smaller firms. Agency theory (Jensen & Meckling, 1976) complements this by explaining that governance quality, which correlates with firm scale, determines the extent to which financial signals can be trusted and consistently transmitted into real performance. Signaling theory explains the direct effect of X1 and X2 on Y, while RBV and agency theory explain variation in the strength of that relationship according to firm size (Z) as a moderator—an integrative framework underlying the development of the following four hypotheses.

Operating Cash Flow Performance and Earnings Growth

Operating cash flow represents the real cash generated from a firm's core business activities, free from the accrual discretion inherent in accounting earnings (Wasalwa & Putra, 2024). Within the framework of signaling theory (Spence, 1973), this characteristic makes operating cash flow a more credible signal: strong and stable cash flow is interpreted by the market as an indication that reported earnings are backed by real cash substance rather than accrual constructs that are potentially subject to manipulation, while also shaping market expectations regarding the firm's capacity to sustain its earnings. The higher the ratio of operating cash flow to total assets,

the greater the firm's fiscal room to fund reinvestment and absorb operational shocks without sacrificing long-term profitability—a prerequisite for sustainable earnings growth.

Empirical evidence generally supports this relationship, although its strength varies by context. Liandu, Adam, Widiyanti, and Isnurhadi (2023) found that operating cash flow contributes significantly to profitability and firm growth, reinforced by Wasalwa and Putra (2024), who demonstrated the strong predictive power of historical earnings and cash flow information for future operating cash flow ($R^2 = 0.68$). In the same subsector, Sirait, Nur, Muttaqin, Anggraeni, and Christanti (2021) confirmed the contribution of operational activity to variation in earnings growth, consistent with Indahsari, Murni, and Tulung (2022). However, Liandu et al. (2023) themselves emphasized that the cash flow–earnings relationship is moderated by information asymmetry and governance quality—factors that correlate with organizational scale. This inconsistency thus does not indicate a weak cash flow–earnings growth relationship, but rather that the strength of its transmission is contingent on firm characteristics—a premise underlying the moderation test in H3. Based on the foregoing, the following hypothesis is proposed:

H1: Operating Cash Flow Performance has a positive effect on Earnings Growth.

Profitability and Earnings Growth

Profitability reflects a firm's effectiveness in converting resources into earnings, and Return on Assets (ROA) was selected in this study because its denominator—total assets—encompasses all sources of financing, both debt and equity, and is therefore not distorted by capital structure in the way Return on Equity is, which is prone to producing artificially high values in heavily leveraged firms (Setiawan & Susilowati, 2024). Within the framework of signaling theory, a high and consistent ROA functions as a signal of management's competence in productively deploying assets, which the market interprets as an indication of structural capacity to sustain earnings momentum rather than merely incidental gains. Firms with high ROA have greater capacity to fund expansion from retained earnings without increasing debt, so that the profitability-to-growth cycle proceeds more rapidly than in firms with lower asset efficiency.

A synthesis of prior research in the food and beverage subsector generally converges in supporting this positive relationship. Choiroh and Purbowati (2024) found that ROA contributes significantly to earnings growth among food and beverage companies, reinforced by Setiawan and Susilowati (2024) in a 2019–2023 sample, as well as by Septiyarina (2022), who showed ROA to be a stronger predictor of earnings growth than total asset turnover. Ryadi and Abundanti (2023) further confirmed profitability ratios as consistent predictors in the consumer goods industry on the Indonesia Stock Exchange. This consistency makes theoretical sense: in sectors with rapid asset turnover, improvements in asset efficiency are quickly manifested as increased production and sales volume within a relatively similar period, unlike capital-intensive sectors, which require a longer lag to generate returns, thereby weakening the ROA–earnings growth relationship within an annual window. This structural reasoning affirms the relevance of ROA as a proxy for profitability in this study's model. Based on the foregoing, the following hypothesis is proposed:

H2: Profitability has a positive effect on Earnings Growth

The Moderating Role of Firm Size on the Effect of Operating Cash Flow Performance on Earnings Growth

The strength of the transmission of operating cash flow into earnings growth cannot be assumed uniform across firms, as the capacity to convert operating cash into growth opportunities depends on the resource base a firm possesses. The Resource-Based View (Barney, 1991) posits that sustainable competitive advantage stems from resources that are valuable, rare, difficult to imitate, and non-substitutable; larger firms tend to possess a more heterogeneous resource base—production capacity, distribution networks, access to funding—compared with smaller, more constrained firms. When two firms generate the same operating cash flow ratio, larger firms have broader strategic options for productively allocating cash toward capacity expansion and distribution reinforcement, such that operational cash is more effectively manifested as earnings growth. Larger firms also generally possess more mature internal control systems, so that the cash–earnings relationship proceeds in a more stable and predictable manner compared with smaller firms whose earnings are more volatile.

This contingency argument is supported by the cross-country findings of Yadav, Pahi, and Gangakhedkar (2022), which show that the relationship among firm size, growth, and profitability is systematic in Asia-Pacific markets. This is consistent with the observation of Liandu et al. (2023), who linked the strength of the cash flow–earnings relationship to information asymmetry and governance quality—two conditions that correlate with firm size. In other words, the inconsistent effect of operating cash flow on earnings growth in H1 can be reconciled when firm size is treated as a contingency variable: larger firms are predicted to exhibit a stronger and more stable cash flow–earnings relationship, while smaller firms tend to exhibit a weaker and more volatile one. Based on the foregoing, the following hypothesis is proposed:

H3: Firm Size strengthens the effect of Operating Cash Flow Performance on Earnings Growth.

The Moderating Role of Firm Size on the Effect of Profitability on Earnings Growth

The reinforcing effect of firm size on the profitability–earnings growth relationship can be explained through a combination of the Resource-Based View and signaling theory. The asset efficiency reflected in a high ROA translates into sustainable earnings growth only if the firm is able to replicate that efficiency at a larger scale through production replication or new market penetration. Larger firms, with more heterogeneous resources and greater funding flexibility, are better able to carry out such replication than smaller firms, which are constrained by limited capital for further expansion—such that the same ROA in two firms of different scale may produce different effects on earnings growth.

From the perspective of signaling theory, the credibility of the ROA signal is also not uniform across firms. Larger firms are subject to closer scrutiny from analysts, auditors, and exchange authorities, so that their published ROA figures carry greater credibility than those of smaller firms with minimal analyst coverage. This argument is confirmed by Khotimah and Larasati (2026) among food and beverage companies on the Indonesia Stock Exchange, who found that firm size significantly moderates the relationship between financial performance and earnings persistence. This consistency explains why the strong, convergent ROA–earnings growth relationship in the consumer goods sector would logically be even stronger among larger firms, as

both expansion capacity (RBV) and signal credibility (signaling theory) increase with firm scale. Based on the foregoing, the following hypothesis is proposed:

H4: Firm Size strengthens the effect of Profitability on Earnings Growth.

CONCEPTUAL FRAMEWORK

Based on the theoretical and empirical synthesis underlying the development of the four hypotheses, this study constructs a conceptual framework that positions operating cash flow performance (X1) and profitability (X2) as direct predictors of earnings growth (Y), while firm size (Z) is positioned as a moderator that strengthens both pathways. Signaling theory explains pathways H1 and H2, while RBV and agency theory explain the moderating pathways H3 and H4, as illustrated in Figure 1.

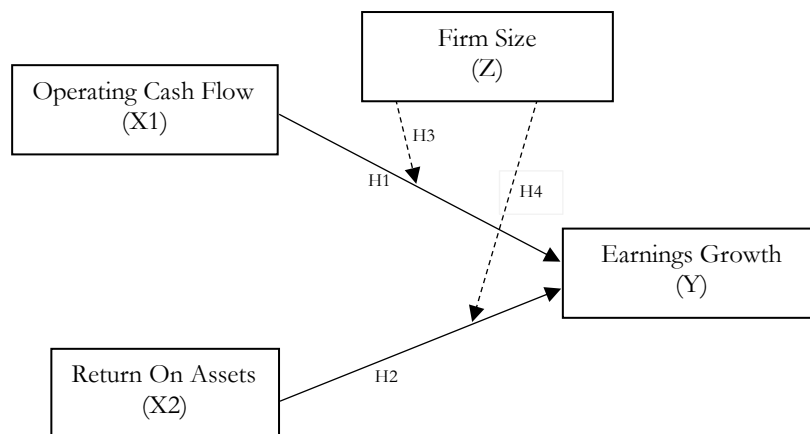


Figure 1
Conceptual Research Framework

This framework implies that the earnings growth of food and beverage companies is not determined solely by the strength of operating cash flow and profitability signals, but also by the firm's structural capacity—represented by firm size—to convert these two fundamental signals into real and sustainable earnings growth.

RESEARCH METHODOLOGY

This study employs a quantitative approach with a causal-comparative design to examine the effect of operating cash flow performance and profitability on earnings growth, as well as to test the moderating role of firm size on both relationships, using secondary panel data sourced from the annual financial statements of food and beverage subsector companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2025 period. Data were obtained from the official IDX website (www.idx.co.id) and the investor relations pages of the respective companies.

The population of this study comprises 103 food and beverage subsector companies listed on the IDX. The sample was determined through purposive sampling based on five criteria: the company had been listed on the IDX before 2022; it published consecutive annual financial statements during the 2022–2025 period; it presented financial statements in Indonesian Rupiah;

it had complete data available to calculate all research variables; and it recorded positive net income throughout the observation period, to avoid distortion in earnings growth calculations arising from a negative denominator base. Based on these criteria, 28 companies met the sample requirements, yielding 112 firm-year observations across the four-year study period.

Operating cash flow performance is measured using the ratio of operating cash flow to total assets, reflecting a firm's ability to generate cash from its core business activities. Profitability is proxied by Return on Assets, i.e., net income divided by total assets. Firm size, as the moderating variable, is measured using the natural logarithm of total assets to normalize the wide dispersion of asset values across firms. Earnings growth, as the dependent variable, is calculated as the difference between current-year net income and prior-year net income, divided by prior-year net income. All variables were calculated directly from the audited financial statements of the sample companies.

Data were analyzed using IBM SPSS Statistics through Moderated Regression Analysis. To mitigate the multicollinearity commonly arising from interaction terms in moderation models, the predictor and moderator variables were first mean-centered prior to forming the interaction terms, following the centering procedure recommended for moderated regression (Aiken & West, 1991). Prior to hypothesis testing, the data were examined for compliance with the classical assumptions, including residual normality (One-Sample Kolmogorov–Smirnov Test), multicollinearity (Tolerance and Variance Inflation Factor values), heteroscedasticity (Glejser Method), and autocorrelation (Durbin–Watson statistic). Hypothesis testing was conducted through an overall model significance test, a partial significance test for each independent variable and interaction term at the 5 percent significance level, and the coefficient of determination to assess the proportion of variation in earnings growth explained by the model. The regression model is specified as follows:

$$Y = \alpha + \beta_1(CX1) + \beta_2(CX2) + \beta_3(CZ) + \beta_4(CX1 \times CZ) + \beta_5(CX2 \times CZ) + \varepsilon$$

Where:

Y : Earnings Growth (Dependent Variable)

α : Constant (intercept)

$\beta_1, \beta_2, \beta_3$: Regression coefficients of the main effect of each predictor variable

β_4, β_5 : Regression coefficients of the interaction effect (moderation coefficients)

CX_1 : Operating Cash Flow Performance after mean-centering

CX_2 : Profitability (Return on Assets/ROA) after mean-centering

CZ : Firm Size (Moderating Variable) after mean-centering

$CX_1 \times CZ$: Interaction term between Operating Cash Flow Performance and Firm Size

$CX_2 \times CZ$: Interaction term between Profitability and Firm Size

ε : Error term or regression model residual.

RESULTS

Descriptive Statistics

Descriptive statistical analysis of the 112 firm-year observations shows the data distribution presented in Table 1:

Table 1.
Descriptive Statistics of Research Variables

Variable	Minimum	Maximum	Mean	Std. Deviation
Earnings Growth (Y)	-0,97	6,70	0,2976	1,02175
Operating Cash Flow Performance (X1)	-0,07	0,34	0,1080	0,07733
Profitability/ROA (X2)	0,00	0,25	0,0808	0,04863
Firm Size (Z)	11,74	17,54	15,0488	1,51861

Source: SPSS Statistics 26 output, processed data (2026).

The very wide range of earnings growth values (-0.97 to 6.70), with a standard deviation (1.02175) exceeding its mean (0.2976), indicates extreme heterogeneity in earnings performance across issuers and over time during the observation period. This condition signals non-uniform performance variation within the research sample, a pattern relevant for interpreting the model test results in the following section.

Classical Assumption Test Results

Prior to hypothesis testing, the regression model was examined for compliance with the classical assumptions. A summary of the test results is presented in Table 2:

Table 2.
Summary of Classical Assumption Test Results

Assumption Test	Method	Statistical Result	Conclusion
Residual Normality	One-Sample Kolmogorov-Smirnov	Asymp. Sig. (2-tailed) = 0,000	Residuals are not exactly normally distributed; however, given the relatively large sample size ($N = 112 > 30$), the normality assumption may be relaxed under the Central Limit Theorem, as the sampling distribution of the parameter estimates approaches normality asymptotically (Gujarati & Porter, 2009)
Multicollinearity	Tolerance and VIF	Tolerance for all variables > 0.10 ; highest VIF 2.867 (CX1×CZ)	Model is free from multicollinearity
Heteroscedasticity	Glejser Method	All Sig. values > 0.05 (range 0.070–0.817)	Model is homoscedastic
Autocorrelation	Durbin-Watson	d = 2,111 (dU = 1,7752; 4–dU = 2,2248)	Model is free from autocorrelation

Source: SPSS Statistics 26 output, processed data (2026).

The relatively low VIF values across all variables, including the interaction terms, indicate that the mean-centering procedure applied to the predictor and moderator variables prior to forming the interaction terms (Aiken & West, 1991) effectively mitigated the multicollinearity

commonly arising in moderated regression models. Overall, the regression model is deemed to satisfy the Best Linear Unbiased Estimator (BLUE) requirements and is suitable for hypothesis testing.

Model Fit and Coefficient of Determination Test Results

The simultaneous model fit test (F-test) and coefficient of determination (R^2) are presented in Table 3:

Table 3.

F-Test and Coefficient of Determination Results

Model	F	Sig.	R	R Square	Adjusted R Square
1	0,953	0,450	0,207	0,043	-0,002

Source: SPSS Statistics 26 output, processed data (2026).

The F-test results show a significance value of 0.450, far exceeding the $\alpha = 0.05$ threshold. Accordingly, the regression model integrating operating cash flow performance, profitability, firm size, and both interaction terms is deemed simultaneously non-significant in explaining variation in earnings growth. The R Square value of 0.043 (4.3 percent) indicates that the five predictors in the model explain only a small proportion of the variation in earnings growth, while 95.7 percent of the remaining variation is explained by factors outside this research model. The negative Adjusted R Square value (-0.002) further confirms that adding variables to the model provides no improvement in explanatory power compared with a model containing no predictors at all.

Hypothesis Test Results

Partial significance testing (t-test) of each independent variable and interaction term is presented in Table 4:

Table 4.

Partial Significance Test (t-Test) and Hypothesis Testing Results

Variabel	B	Std. Error	t	Sig.	Hypothesis	Remark
(Constant)	0,281	0,102	2,758	0,007	–	Significant
CX1 (Operating Cash Flow)	2,172	1,694	1,282	0,203	H1	Rejected
CX2 (ROA)	0,554	2,527	0,219	0,827	H2	Rejected
CZ ((Firm Size)	0,050	0,074	0,678	0,499	–	No direct effect
CX1×CZ (Interaction OCF × Size))	0,041	1,415	0,029	0,977	H3	Rejected
CX2×CZ (Interaction ROA × Size)	1,288	2,148	0,600	0,550	H4	Rejected

Source: SPSS Statistics 26 output, processed data (2026).

The test results show that operating cash flow performance has a positive but non-significant effect on earnings growth ($B = 2.172$; $\text{Sig.} = 0.203$), such that H1 is not supported. Profitability also shows a positive but non-significant direction of effect ($B = 0.554$; $\text{Sig.} = 0.827$), such that H2 is not supported. In the moderation effect test, the interaction coefficient between operating cash flow and firm size is non-significant ($B = 0.041$; $\text{Sig.} = 0.977$), such that H3 is not

supported; likewise, the interaction coefficient between profitability and firm size is non-significant ($B = 1.288$; $\text{Sig.} = 0.550$), such that H4 is not supported. Firm size as a main effect also shows no significant direct effect on earnings growth ($\text{Sig.} = 0.499$).

Overall, these hypothesis test results are consistent with the non-significant simultaneous model fit test, indicating that neither the direct effects nor the moderating effects hypothesized in this study are statistically confirmed within the sample and observation period used.

DISCUSSION

Operating Cash Flow Performance and Earnings Growth

The test results show that operating cash flow performance has a positive but non-significant effect on earnings growth ($B = 2.172$; $\text{Sig.} = 0.203$), such that H1 is not statistically supported. This finding diverges from signaling theory (Spence, 1973), which underlies the study's hypothesis, and contradicts the findings of Liandu, Adam, Widiyanti, and Isnurhadi (2023) and Wasalwa and Putra (2024), who found operating cash flow to be a strong predictor of earnings performance. This discrepancy can be explained by the unique context of the study period: 2022–2025 encompasses domestic purchasing-power pressure explicitly reflected in the negative correction of the IDX Consumer Non-Cyclicals index (Indonesia Stock Exchange, as cited in Kontan.co.id, 2025). Under conditions of systemically depressed market demand, a strong firm-level operating cash flow signal is no longer sufficient to drive earnings growth, because the primary constraint originates from external demand rather than from internal cash-management efficiency. Hoi's (2025) findings on Vietnam's food and beverage industry reinforce this argument: in that study, GDP growth and interest rates—external macroeconomic factors—were shown to significantly affect the financial performance of F&B firms, while firm-level capital structure and cost-efficiency variables were non-significant, indicating that macro determinants can dominate internal fundamental determinants in this sector. Thus, the non-significance of operating cash flow in this study does not imply that the signaling mechanism explained by signaling theory is conceptually flawed, but rather indicates that the strength of that signal's transmission weakens when market demand conditions are beyond the firm's control.

Profitability and Earnings Growth

Profitability likewise shows a positive but non-significant direction of effect on earnings growth ($B = 0.554$; $\text{Sig.} = 0.827$), such that H2 is not supported. This result contrasts with the consistent findings of Choiroh and Purbowati (2024), Setiawan and Susilowati (2024), and Septiyarina (2022), all of which used observation periods prior to the 2025 purchasing-power pressure. This contrast in fact reinforces the argument that the effect of ROA on earnings growth is conditional on macroeconomic context rather than a universally applicable relationship across time. Zhang (2024), in a Scopus-indexed study of 400 non-financial firms across three Asian countries, found that economic policy uncertainty significantly suppresses ROA, ROE, and EPS, and negatively moderates the relationship between firms' internal financial mechanisms and their financial performance. This pattern is relevant to the Indonesian context during 2022–2025: high asset efficiency (ROA) in one period does not automatically transmit into earnings growth in the subsequent period if domestic market demand remains subdued, because efficient production and sales capacity cannot be realized as an increase in actual sales volume. In other words, ROA reflects historical efficiency, while earnings growth depends on demand realization in the current period, and the linkage between the two weakens when demand conditions face structural pressure.

Firm Size as Moderator

The moderation test results show that firm size does not strengthen the effect of operating cash flow ($B = 0.041$; Sig. = 0.977) or profitability ($B = 1.288$; Sig. = 0.550) on earnings growth, such that H3 and H4 are not supported. This finding initially appears to contradict the Resource-Based View (Barney, 1991) and agency theory (Jensen & Meckling, 1976), which underlie the argument that larger firms possess resource and governance advantages enabling more effective conversion of fundamental performance into earnings growth. However, this finding is consistent with recent empirical evidence from the Indonesian context: Saputra and Hidayat (2024), in a study of transportation and logistics companies on the IDX, likewise found that firm size does not significantly moderate the effect of accounting earnings, debt levels, or operating cash flow on stock returns—a pattern structurally analogous to this study's results. The most relevant explanation rests on the nature of the shock involved: the resource advantages explained by RBV—production capacity, distribution networks, funding flexibility—function effectively as buffers when challenges are firm-specific or industry-specific and can be overcome through scale. However, the domestic purchasing-power pressure affecting the entire consumer non-cyclicals sector uniformly (Indonesia Stock Exchange, as cited in Kontan.co.id, 2025) is exogenous and uniform across all firms regardless of scale—a condition consistent with Zhang's (2024) finding that macro-level economic policy uncertainty can shift the significance of firms' internal governance and resource mechanisms, because shocks at this level cannot be fully absorbed even by the structural advantages of larger firms.

Synthesis and Interpretation of the Overall Model

This consistency is also reflected in the overall model fit: an F-test significance value of 0.450 and an R Square of 0.043 indicate that the five predictors in the model—both direct and moderating effects—collectively explain only a small proportion of the variation in earnings growth within this research sample. This low explanatory power should not be interpreted as a model specification failure, but rather as a substantive finding that closes the argumentative loop established since the Introduction: the disparity between aggregate food and beverage sector growth and the negative correction in the IDX Consumer Non-Cyclicals index performance over the same period (Indonesia Stock Exchange, as cited in Kontan.co.id, 2025) indicates that the determinants of issuers' earnings growth during 2022–2025 were dominated by macro-scale external factors—particularly domestic purchasing-power pressure—rather than by internal fundamental factors such as operating cash flow performance, profitability, or firm scale itself. Thus, this study's results do not contradict the phenomenon that motivated the research, but rather confirm it empirically: under conditions of pervasive and exogenous market-demand pressure, the strength of internal financial performance signals—however strong in theory—has structural limitations in explaining the earnings growth of food and beverage issuers on the Indonesia Stock Exchange.

CONCLUSION AND RESEARCH IMPLICATIONS

This study analyzed the effect of operating cash flow performance and profitability on earnings growth, as well as tested the moderating role of firm size on both relationships, among 28 food and beverage subsector companies listed on the Indonesia Stock Exchange during the 2022–2025 period. The test results show that operating cash flow performance and profitability have a positive but non-significant effect on earnings growth, such that H1 and H2 are not

statistically supported. Firm size is also not shown to moderate either relationship, such that H3 and H4 are likewise not supported. Overall, the tested regression model is not simultaneously significant (Sig. F = 0.450), with very limited explanatory power ($R^2 = 0.043$), indicating that the determinants of earnings growth among food and beverage issuers during the observation period cannot be adequately explained by internal fundamental performance alone.

These findings offer an important theoretical contribution: rather than confirming signaling theory, the Resource-Based View, and agency theory as hypothesized, the results instead demonstrate the boundary conditions of these three frameworks under exogenous and pervasive market-demand shocks. Internal financial performance signals, however theoretically strong, lose their predictive power over earnings growth when the primary constraint originates from market demand beyond management's control, and the resource and governance advantages of larger firms do not automatically serve as an effective buffer against shocks that are systemic across firm scale. This study thus offers an important nuance for the financial accounting literature: the role of firm size as a contingency variable is conditional on the nature of the shock facing the industry, rather than universally applicable.

Practically, these findings indicate that investors and capital market analysts need to consider macroeconomic context—particularly domestic purchasing-power pressure—as a key screening variable before interpreting the strength of operating cash flow, profitability, or firm scale as signals of earnings growth prospects for food and beverage issuers, since during periods of pervasive demand pressure, internal fundamental indicators have proven to have very limited explanatory power. For company management, these results imply that strategies focused solely on improving cash flow efficiency and profitability are insufficient to drive earnings growth under depressed market-demand conditions, necessitating market or product diversification strategies that directly respond to the demand side, rather than focusing solely on supply-side efficiency. For regulators, particularly the Financial Services Authority (OJK) and the Indonesia Stock Exchange, these findings suggest that financial disclosure policies based on fundamental ratios need to be complemented with sectoral macroeconomic context, so that market participants do not misinterpret the strength of issuers' financial signals during periods of economic pressure.

This study has limitations that warrant attention in future research. First, the four-year study period (2022–2025), comprising 112 firm-year observations, limits the generalizability of the findings, particularly because this period coincides with temporary domestic purchasing-power pressure; future research is advised to extend the observation period to capture a broader range of economic-cycle variation. Second, this study's model does not explicitly incorporate macroeconomic variables such as inflation, interest rates, or purchasing-power indices as predictors or moderators, even though the arguments developed in the discussion indicate a significant role for such factors; future research is advised to directly integrate macroeconomic variables into the model to explicitly test the contingency arguments proposed in this study. Third, this study is limited to the food and beverage subsector; cross-subsector comparisons within the consumer non-cyclicals group, or comparisons across differing economic conditions, could strengthen generalizations regarding when firm size is effective as a moderating variable and when its role weakens due to exogenous shocks.

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