

THE EFFECT OF FREE CASH FLOW, TOTAL ASSET TURNOVER AND FIRM SIZE ON RETURN ON EQUITY OF FOOD AND BEVERAGE SUB-SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (2020–2025 PERIOD)

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Abstract

This study aims to examine and analyze the influence of Free Cash Flow, Total Asset Turnover, and Firm Size on Return on Equity (ROE) in food and beverage sub-sector companies listed on the Indonesia Stock Exchange during the 2020-2025 period. This study employs a quantitative approach using secondary data—specifically, annual financial reports obtained from the Indonesia Stock Exchange. The population consists of 97 companies; using a purposive sampling technique, 30 companies were selected based on the study's criteria. The six-years observation period yielded 180 data observations. Data analysis was conducted using multiple linear regression with the aid of IBM SPSS Statistics version 26. The results indicate that Free Cash Flow, Total Asset Turnover, and Firm Size simultaneously have a significant effect on Return on Equity. Individually, Free Cash Flow has a positive and significant effect on Return on Equity, with a t-statistic of 3,319 and a significance level of 0,001. Total Asset Turnover also has a positive and significant effect on Return on Equity, with a t-statistic of 1,983 and significance level of 0,049. Conversely, Firm Size has a negative and significant effect on Return on Equity, with a t-statistic of -3,069 and a significance level of 0,002. The R-square value of 0,126 indicates that Free Cash Flow, Total Asset Turnover, and Firm Size explain 12,6% of the variation in Return on Equity, While the remaining 87,4% is explained by factors outside the scope of this study.

Keywords: Free Cash Flow, Total Asset Turnover, Firm Size, Return on Equity

INTRODUCTION

The rapid evolution of the business landscape has led to increasingly intense competition among companies. To ensure business continuity, companies are required to manage their resources effectively and efficiently. A key indicator used to assess a company's success in its operations is its financial performance. A company's financial performance is reflected in its ability to generate profit—a capacity typically measured through profitability. Profitability ratios are used to evaluate a company's ability to earn profits over a specific period by utilizing its available resources. A strong level of profitability indicates that the company is managing its resources optimally, thereby generating returns for both the company and its shareholders. One of the ratios used to measure profitability is Return on Equity (ROE). ROE measures a company's ability to generate net profit using the capital invested by shareholders. A higher ROE indicates a superior ability to manage capital to generate profit, whereas a low ROE may suggest that the company is not optimally utilizing its equity to generate earnings. According to Kasmir (2021), profitability ratios reflect management's efficiency in generating profit through sales and investments; thus, they indicate how effectively the company utilizes its assets and capital. This ratio also serves as a benchmark for management and investors to assess the company's performance and future growth prospects.

One of the financial success benchmarks serving as a dependent variable in this study is Return on Equity (ROE), which provides a comprehensive overview of a company's profitability. The ROE value fluctuates in tandem with the dynamics of operational efficiency in resource optimization, the extent of financial leverage, and cash flow management regarding short-term obligations (Hery, 2020). The tabulated Return On Equity (ROE) data indicates

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that the average ROE in the food and beverage sector experienced fluctuations with a generally downward trend over the study period. In 2020, the average ROE was recorded at 14.02%, rising sharply to 19.49% in 2021. Although it subsequently declined to 17.69% in 2022 and 15.37% in 2023, it rebounded to 16.26% in 2024 and rose further to 16.90% in 2025. This situation demonstrates that the companies' ability to generate profit from their capital has not been consistent year-to-year and remains influenced by various internal and external factors (Hery, 2017). The data reveals that 20 companies recorded an average value below 16.62%, namely: PT Astra Agro Lestari Tbk (AALI), PT Bisi International Tbk (BISI), PT Budi Starch & Sweetener Tbk (BUDI), PT Wilmar Cahaya Indonesia Tbk (CEKA), PT Charoen Pokphand Indonesia Tbk (CPIN), PT Dharma Satya Nusantara Tbk (DSNG), PT FKS Multi Agro Tbk (FISH), PT Japfa Comfeed Indonesia Tbk (JPFA), PT PP London Sumatra Indonesia Tbk (LSIP), PT Mayora Indah Tbk (MYOR), PT Palma Serasih Tbk (PSGO), PT Salim Ivomas Pratama Tbk (SIMP), PT Sekar Laut Tbk (SKLT), PT Sinar Mas Agro Resources and Technology Tbk (SMAR), PT Tunas Baru Lampung Tbk (TBLA), PT Indofood CBP Sukses Makmur Tbk (ICBP), and PT Nippon Indosari Corpinda Tbk (ROTI). Indofood Sukses Makmur Tbk (INDF) and PT Garudafood Putra Putri Jaya Tbk (GOOD).

In addition, there are 10 companies with an average value exceeding 16.62%, namely PT Sariguna Primatirta Tbk (CLEO), PT Central Proteina Prima Tbk (CPRO), PT Cisadane Sawit Raya Tbk (CSRA), PT Delta Djakarta Tbk (DLTA), PT Mulia Boga Raya Tbk (KEJU), PT Multi Bintang Indonesia Tbk (MLBI), PT Sawit Sumbermas Sarana Tbk (SSMS), PT Siantar Top Tbk (STTP), PT Tigaraksa Satria Tbk (TGKA), and PT Ultra Jaya Milk Industry & Trading Company Tbk (ULTJ). This indicates that, under certain conditions, these companies possess a strong ability to manage their capital to generate profit. However, this performance has not been consistent year-over-year. Although the companies demonstrate the capacity to manage capital for profit generation, the results lack annual consistency; the average Return on Equity (ROE) for the food and beverage sector during the 2020–2025 period stood at only 16.47%—falling short of the 20% industry standard (Kasmir, 2019)—thereby necessitating further analysis regarding the influence of Free Cash Flow, Total Asset Turnover, and Firm Size. Furthermore, the fluctuations in ROE observed during the 2020–2025 period were also influenced by post-pandemic economic recovery conditions, which required food and beverage companies to enhance the efficiency of their asset and cash flow management in order to maintain profitability amidst shifting consumer consumption patterns.

One of the factors influencing profitability—specifically Return on Equity (ROE)—is Free Cash Flow (FCF). Free Cash Flow is a component of cash flow analysis that indicates a company's ability to generate free cash after meeting its operational and investment needs. According to Brigham and Houston (2018), Free Cash Flow represents the amount of cash available for a company to distribute to investors or utilize for business expansion. The higher the Free Cash Flow, the greater the company's capacity to create value for shareholders. Tabulated Free Cash Flow (FCF) data reveals that the average FCF value for food and beverage companies exhibited highly dynamic movement and a tendency to fluctuate. In 2020, the average FCF was recorded at Rp274,222,070; however, it experienced a significant decline in 2021 to Rp175,535,470 and remained at Rp186,403,002 in 2022. Although it rebounded to Rp321,665,540 in 2023, the average FCF for this sub-sector fell again in 2024 to Rp108,883,062, before rising once more to Rp242,378,300 in 2025.

Based on this data, 22 companies were identified as having an average value below Rp218,181,241: PT. Astra Agro Lestari Tbk (AALI), PT. Bisi International Tbk (BISI), PT. Budi Starch & Sweetener Tbk (BUDI), PT. Campina Ice Cream Industry Tbk (CAMP), PT. Wilmar Cahaya Indonesia Tbk (CEKA), PT. Sariguna Primatirta Tbk (CLEO), PT. Charoen Pokphand Indonesia Tbk (CPIN), PT. Cisadane Sawit Raya (CSRA), PT. Delta Djakarta Tbk (DLTA), PT. Dharma Satya Nusantara Tbk (DSNG), PT. FKS Multi Agro Tbk (FISH), PT. Indofood Consumer Branded Product Sukses Makmur Tbk (ICBP), PT. Indofood Sukses Makmur Tbk (INDF), PT. Japfa Comfeed Indonesia Tbk (JPFA), PT. Mulia Boga Raya Tbk (KEJU), PT. PP London Sumatra Indonesia Tbk (LSIP), PT. Multi Bintang Indonesia Tbk (MLBI), PT. Salim Ivomas Pratama Tbk (SIMP), PT. Sekar Laut Tbk (SKLT), PT. Sinar Mas Agro Resources and Technology Tbk (SMAR), PT. Tunas Baru Lampung Tbk (TBLA), and PT. Ultrajaya Milk Industry & Trading Company Tbk (ULTJ). In addition, there are 8 companies with an average value exceeding Rp218,181,241, namely PT. Central Proteina Prima Tbk (CPRO), PT. Garudafood Putra Putri Jaya Tbk (GOOD), PT. Mayora Indah Tbk (MYOR), PT. Palma Serasih Tbk (PSGO), PT. Nippon Indosari Corpindo Tbk (ROTI), PT. Sawit Sumbermas Sarana Tbk (SSMS), PT. Siantar Top Tbk (STTP), and PT. Tigaraksa Satria Tbk (TGKA).

This indicates that these companies possess a strong ability to generate residual cash—after deducting capital expenditures—that can be used to pay dividends, repay debt, or fund expansion. Free Cash Flow represents the cash actually available for distribution to stakeholders after the company has met its operational obligations and fixed asset investment requirements (Ross et al., 2019; Brigham & Houston, 2019). Furthermore, in fundamental analysis, a company's financial health can be assessed using Free Cash Flow (FCF). This aligns with Hery (2021) and Kasmir

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(2021), who assert that an ideal and healthy Free Cash Flow level for a company falls within the range of 5% of total revenue. This ratio reflects the company's ability to generate sufficient net cash to fund operations while simultaneously providing returns to shareholders. This indicates a divergence in views among previous researchers: Damayanti (2020) found that free cash flow has a positive effect on return on equity, whereas Lai et al. (2020) stated that free cash flow has a negative effect on return on equity. One of the factors influencing profitability—specifically Return on Equity (ROE)—is Total Asset Turnover (TATO). According to Kasmir (2017), TATO reflects the extent to which a company is able to utilize its total assets to generate sales. The higher the TATO value, the more efficiently assets are being used to create revenue.

Data tabulation for Total Asset Turnover (TATO) reveals a fluctuating trend in the average TATO value for companies in the food and beverage sector throughout the observation period. The average TATO stood at 1.00 times in 2020, rose to 1.11 in 2021, and climbed further to peak at 1.18 times in 2022. Although there were slight corrections—dropping to 1.16 times in 2023 and 1.14 times in 2024, before shifting to 1.16 in 2025—the overall average TATO remained higher than at the start of the study period. This indicates management's efforts to optimize asset utilization for generating sales. Based on the data, 19 companies recorded an average value below 1.12: PT. Astra Agro Lestari Tbk (AALI), PT. Bisi International Tbk (BISI), PT. Budi Starch & Sweetener Tbk (BUDI), PT. Campina Ice Cream Industry Tbk (CAMP), PT. Sariguna Primatirta Tbk (CLEO), PT. Cisadane Sawit Raya Tbk. (CSRA), PT. Delta Djakarta Tbk (DLTA), PT. Dharma Satya Nusantara Tbk (DSNG), PT. Indofood Consumer Branded Products Sukses Makmur Tbk (ICBP), PT. Indofood Sukses Makmur Tbk (INDF), PT. PP London Sumatra Indonesia Tbk (LSIP), PT. Multi Bintang Indonesia Tbk (MLBI), PT. Palma Serasih Tbk. (PSGO), PT. Nippon Indosari Corpindo Tbk (ROTI), PT. Salim Ivomas Pratama Tbk (SIMP), PT. Sawit Sumbermas Sarana Tbk (SSMS), Siantar Top Tbk (STTP), PT. Tunas Baru Lampung Tbk (TBLA), and PT. Ultra Jaya Milk Industry & Trading Company Tbk (ULTJ).

In addition, there are 11 companies that exceed the average value of 1.12: PT. Wilmar Cahaya Indonesia Tbk (CEKA), PT. Charoen Pokphan Indonesia Tbk (CPIN), PT. Central Proteina Prima Tbk (CPRO), PT. FKS Multi Agro Tbk (FISH), PT. Garudafood Putra Putri Jaya Tbk (GOOD), PT. Japfa Comfeed Indonesia Tbk (JPFA), PT. Mulia Boga Raya Tbk (KEJU), PT. Mayora Indah Tbk (MYOR), PT. Sekar Laut Tbk (SKLT), PT. Sinar Mas Agro Resources and Technology Tbk (SMAR), and PT. Tigaraksa Satria Tbk (TGKA). This indicates a divergence in views among previous researchers; Lai et al. (2020) stated that Total Asset Turnover has a positive effect on Return on Equity, whereas Amrie Firmansyah and Nafis Dwi Kartika (2025) stated that Total Asset Turnover has a negative effect on Return on Equity. It is evident that asset utilization efficiency among the food and beverage companies studied remains relatively low. According to Kasmir (2019), the ideal industry standard for Total Asset Turnover (TATO) is 2.0 times. However, data tabulation reveals that the average TATO for the 2020–2025 period was only 1.12 times, indicating that the companies have not yet optimized the turnover of their total assets to generate sales volume.

One of the factors influencing profitability—specifically Return on Equity (ROE)—is firm size. According to Hartono (2017), firm size reflects the scale of a company, typically represented or measured by its total assets. The greater the asset value or size of the company, the greater its capacity to access funding sources and manage existing resources to generate profit for shareholders. The tabulated data on Firm Size in Table 1.4 above reveals that the average Firm Size for food and beverage sector companies listed on the Indonesia Stock Exchange showed a stable upward trend annually throughout the 2020–2025 period. The average value was recorded at 15.87 in 2020, subsequently rising to 15.93 in 2021, 16.00 in 2022, and 16.06 in 2023; it then remained consistently stable, reaching 16.14 in 2024 and increasing to 16.18 in 2025. This rise in the Natural Logarithm (Ln) value of assets indicates that companies in this sector are experiencing continued growth in business scale through the sustained expansion of their total assets.

Based on this data, it is evident that 17 companies have an average value below 16.03: PT. Bisi International Tbk (BISI), PT. Budi Starch & Sweetener Tbk (BUDI), PT. Campina Ice Cream Industry Tbk (CAMP), PT. Wilmar Cahaya Indonesia Tbk (CEKA), PT. Sariguna Primatirta Tbk (CLEO), PT. Central Proteina Prima Tbk (CPRO), PT. Cisadane Sawit Raya Tbk. (CSRA), PT. Delta Djakarta Tbk (DLTA), PT. Garudafood Putra Pytri Jaya Tbk (GOOD), PT. Mulia Boga Raya Tbk (KEJU), PT. Multi Bintang Indonesia Tbk (MLBI), PT. Palma Serasih Tbk (PSGO), PT. Nippon Indosari Corpindo Tbk (ROTI), PT. Sekar Laut Tbk (SKLT), PT. Siantar Top Tbk (STTP), PT. Tigaraksa Satria Tbk (TGKA), and PT. Ultra Jaya Milk Industry & Trading Co Tbk (ULTJ). Additionally, there are 13 companies with an average value below 16.03: PT. Astra Agro Lestari Tbk (AALI), PT. Charoen Pokphand Indonesia Tbk (CPIN), PT. Dharma Satya Nusantara Tbk (DSNG), PT. FKS Multi Agro Tbk (FISH), PT. Indofood Consumer Branded Product Sukses Makmur Tbk (ICBP), PT. Indofood Sukses Makmur Tbk (INDF), PT. Japfa

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Comfeed Indonesia Tbk (JPFA), PT. PP London Sumatra Indonesia Tbk (LSIP), PT. Mayora Indah Tbk (MYOR), PT. Salim Ivomas Pratama Tbk (SIMP), PT. Sinas Mas Agro Resources and Technology Tbk (SMAR), PT. Sawit Sumbermas Sarana Tbk (SSMS), and PT. Tunas Baru Lampung Tbk (TBLA).

This indicates a divergence in findings among previous researchers; Vanesta Timothy Aprelino Wibowo & Nurmadi Harsa Sumarta (2026) stated that firm size has a positive effect on Return on Equity, whereas Takyi Kwabena Nsiah *et al.* (2019) found that firm size has a negative effect on Return on Equity. The high value observed for the company indicates that it possesses a significantly larger asset base compared to the other listed companies in this sample. Theoretically, company size is often used as an indicator of an entity's stability; large-scale companies typically enjoy easier access to financing and greater operational capacity to support business continuity (Hartono, 2017; Brigham & Houston, 2019). Based on the background outlined above, several issues in this study can be identified, namely:

1. The average Return on Equity (ROE) for food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2025 period was 16.62%. There were 20 companies with ROE values below the annual industry average, indicating that the efficiency of operating cost management and operating expense control strategies was not yet optimal, resulting in a relatively lower proportion of net profit retained from revenue; meanwhile, 10 companies had ROE values above the average.
2. The average Free Cash Flow (FCF) for food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2025 period was Rp218,181,241. There were 22 companies with Free Cash Flow values below the annual industry average, indicating that the efficiency of capital expenditure management was not yet optimal, while 8 companies had Free Cash Flow values above the average.
3. The average Total Asset Turnover (TATO) for food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2025 period was 1.12 times. There were 19 companies with Total Asset Turnover values below the annual industry average, indicating that the efficiency of total asset management was not yet optimal, while 11 companies had Total Asset Turnover values below the average.
4. The average asset value (Firm Size) for food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2025 period was 16.03. There were 17 companies with Firm Size values below the annual average, indicating that the efficiency of firm size management was not yet optimal, while 13 companies had Firm Size values above the average.

Referring to the background of the problem, research formulation, and objectives, the researcher can state the following hypotheses:

- H1: Free Cash Flow has a significant positive effect on Return on Equity in the Food and Beverage sector listed on the Indonesia Stock Exchange.
- H2: Total Asset Turnover has a significant positive effect on Return on Equity in the Food and Beverage sector listed on the Indonesia Stock Exchange.
- H3: Firm Size has a significant positive effect on Return on Equity in the Food and Beverage sector listed on the Indonesia Stock Exchange.
- H4: Free Cash Flow, Total Asset Turnover, and Firm Size have a significant positive effect on Return on Equity in the Food and Beverage sector listed on the Indonesia Stock Exchange.

METHOD

The type of data used in this study is quantitative data. Quantitative data refers to data presented in the form of numerical values that can be measured and calculated systematically (Sugiono, 2021). Specifically, the data consists of the annual financial reports of companies in the food and beverage sub-sector, covering Free Cash Flow, Total Asset Turnover, Firm Size, and Return on Equity. Data were obtained from the annual reports of food and beverage sub-sector companies, downloaded from the Indonesia Stock Exchange website (www.idx.co.id) and the companies' respective official websites, covering the 2020–2024 observation period. The research data were derived from specific financial statement components—namely the statement of financial position (balance sheet), income statement, and statement of cash flows—to determine the variables for Return on Equity (ROE), Free Cash Flow (FCF), Total Asset Turnover (TATO), and Firm Size. This study is conducted using the official website of the Indonesia Stock Exchange (IDX), namely www.idx.co.id. The data focuses on the financial statements of companies in the Food and Beverage sub-sector listed on the IDX. The study is scheduled to take place from March to July 2026. The population in this study consists of all companies in the Food and Beverage sub-sector listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The total population of companies in this sub-sector during the study period is 97.

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The sampling technique employed in this study is purposive sampling, a method of selecting a sample based on specific criteria established by the researcher. The criteria established by the researcher for sample selection are as follows:

1. Food and Beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2025 period.
2. Companies that have published complete financial statements for the six-year period of 2020–2025.
3. Companies that present their financial statements in Rupiah (IDR) throughout the study period.
4. Companies that generated a profit (i.e., did not incur a loss) in every year of the 2020–2025 period, ensuring consistent financial ratio calculations.

Based on these criteria, the final sample consists of 30 companies.

RESULTS AND DISCUSSION

Results

Decriptive Statistic Test Results

Table 1. Decriptive Statistic Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Free Cash Flow	180	-464801466	52575284	218181240.	553799587.
Total Asset	180	.27	3.91	1.1243	.74951
Turnover					
Firm Size	180	13.42	20.07	16.0282	1.58156
Return On Equity	180	-2.50	2.50	.0015	.98559
Valid N (listwise)	180				

Source: SPSS version 25 (2026)

Based on the descriptive statistical analysis of 180 observations, the minimum, maximum, mean, and standard deviation values for each research variable are as follows:

1. Return On Equity (ROE) is a ratio used to assess a company's ability to generate profit based on its capital or equity. Data processing results show that ROE has a mean value of 0.0015 and a standard deviation of 0.98559. The minimum ROE value recorded is -2.50, while the maximum value is 2.50. A negative ROE value indicates the presence of companies experiencing a negative return on equity, whereas a positive value indicates companies capable of generating a positive return on equity during the observation period.
2. Free Cash Flow (FCF) is an indicator used to describe a company's ability to generate free cash flow—cash available for use after meeting investment and operational needs. Descriptive statistics show that the FCF variable has a mean value of 218,181,240.5 and a standard deviation of 553,779,587.2. The minimum FCF value is -464,801,466, while the maximum reaches 525,752,842.2. The negative minimum value indicates companies with negative free cash flow during the observation period, while the maximum value indicates companies with the ability to generate relatively high free cash flow.
3. Total Asset Turnover (TATO) is a ratio used to measure a company's effectiveness in utilizing its total assets to generate sales. Descriptive statistics indicate that Total Asset Turnover has a mean value of 1.1243 and a standard deviation of 0.74951. The lowest Total Asset Turnover value is 0.27, while the highest is 3.91. This indicates that, throughout the study period, there were differences in the companies' ability to utilize their assets to generate sales.
4. Firm Size represents the scale of a company, which in this study is measured by total assets. Descriptive statistics show a mean Firm Size of 16.0282 with a standard deviation of 1.58156. The minimum Firm Size value is 13.42, while the maximum is 20.07. These values indicate a variation in company size within the research sample, ranging from companies with relatively smaller asset scales to those with larger asset scales.

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Normality Test Results

Table 2. Kolmogorov-Smirnov Test Results

		Unstandardized Residual
N		180
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	0.92137698
Most Extreme Differences	Absolute	.031
	Positive	.031
	Negative	-.027
Test Statistic		.031
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.

Source: SPSS version 25 (2026)

Referring to Table 2. above, it is known that the results of the Kolmogorov-Smirnov test have a significance value of $0.200 > 0.05$ so it can be concluded that the data tested is normally distributed.

Multicollinearity Test Results (Tolerance and VIF)

Table 3. Multicollinearity Test Results

		Coefficients ^a				Collinearity Statistics	
		Unstandardized Coefficients	Standardized Coefficients				
Model		B	Std. Error	Beta	t	Sig.	
1	(Constant)	1.865	.715		2.607	.010	
	Free Cash Flow	4.167E-10	.000	.234	3.319	.001	.998
	Total Asset Turnover	.184	.093	.140	1.983	.049	.999
	Firm Size	-.135	.044	-.216	-3.069	.002	.999

a. Dependent Variable: Return on Equity

Source: SPSS version 25 (2026)

Referring to Table 4, it is known that the results of the multicollinearity test for the variables free cash flow, total asset turnover and firm size have a tolerance value > 0.10 and $VIF < 10$, so this study is declared free from multicollinearity problems.

Heteroscedasticity Test Results (Glejser)

Table 5. Glejser Heteroscedasticity Test Results

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.250	.431		2.898	.004
	Free Cash Flow	-7.785E-11	.000	-.077	-1.028	.305
	Total Asset Turnover	.008	.056	.010	.136	.892
	Firm Size	-.032	.026	-.090	-1.205	.230

a. Dependent Variable: Abs res

Source: SPSS version 25 (2026)

Referring to Table 5. above, the results of the Glejser test above, the significance value of the three independent variables cash flow, total asset turnover and firm size is > 0.05 , so it can be concluded that there is no heteroscedasticity.

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Autocorellation Test Results

Table 6. Autocorellation (Durbin-Watson) Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.355 ^a	.126	.111	.92920	2.144
a. Predictors: (Constant), Firm Size, Total Asset Turnover, Free Cash Flow					
b. Dependent Variable: Return On Equity					

Source: SPSS version 25 (2026)

Based on the autocorrelation test results, a Durbin-Watson value of 2.144 was obtained. With 180 observations and three independent variables, the dL value was 1.7225 and the dU value was 1.7901. These results indicate that the Durbin-Watson value falls within the range of $4 - dU$ (which is 2.2099). Thus, the Durbin-Watson value lies in the range $dU < DW < 4 - dU$ —specifically, $1.7901 < 2.144 < 2.2099$. Based on these criteria, it can be concluded that the regression model in this study does not exhibit autocorrelation.

Multiple Linear Regression Test Results

Table 7. Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	1.865	0.715			2.607	0.010
Free Cash Flow	4.167E-10	0.000	0.234		3.319	0.001
Total Asset Turnover	0.184	0.093	0.140		1.983	0.049
Firm Size	-0.135	0.044	-0.216		-3.069	0.002

Source: SPSS version 25 (2026)

Referring to Table 7, the regression equation for the above values is:

$$Y = 1,865 + 4,167E-10X_1 + 0,184X_2 + -0,135 + \varepsilon$$

The equation can be interpreted as follows:

1. The constant of 1.865 indicates that if Free Cash Flow, Total Asset Turnover, and Firm Size remain constant or are assumed to undergo no change, the estimated Return On Equity is 1.865.
2. The regression coefficient for Free Cash Flow is 4.167E-10, which is positive. This indicates that for every one-unit increase in Free Cash Flow, Return On Equity is expected to increase by 4.167E-10 units, assuming Total Asset Turnover and Firm Size remain unchanged.
3. Total Asset Turnover has a positive regression coefficient of 0.184. This means that if Total Asset Turnover increases by one unit, Return On Equity is expected to increase by 0.184 units, with the Free Cash Flow and Firm Size variables held constant.
4. Firm Size has a regression coefficient of -0.135, indicating a negative relationship with Return On Equity. Consequently, every one-unit increase in Firm Size is expected to decrease Return On Equity by 0.135 units, assuming Free Cash Flow and Total Asset Turnover remain constant.

Hypothesis Testing

Partial Test Results (t-Test)

Table 8. Partial Test Results (t-Test)

Model	Coefficients ^a						Correlations		
	Unstandardized Coefficients		Standardized Coefficients		t	Sig.			
	B	Std. Error	Beta				Zero-order	Partial	Part
1 (Constant)	1.865	0.715			2.607	0.010			
Free Cash Flow	4.167E-10	0.000	0.234		3.319	0.001	0.246	0.243	0.234
Total Asset Turnover	0.184	0.093	0.140		1.983	0.049	0.146	0.148	0.140
Firm Size	-0.135	0.044	-0.216		-3.069	0.002	-0.222	-0.225	-0.216

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a. Dependent Variable: Return On Equity

Source: SPSS version 25 (2026)

Referring to Table 8, it is known that the independent variables influence each other on the dependent variable.

1. The test results for the Free Cash Flow variable show a calculated t-value of 3.319. This value exceeds the t-table value of 1.973 ($3.319 > 1.973$). Thus, based on this comparison, Free Cash Flow demonstrates a partial effect on Return On Equity. Given the significance value of 0.001 (< 0.05) and a positive regression coefficient, hypothesis (H1) is accepted. These results indicate that Free Cash Flow has a positive and significant partial effect on Return On Equity.
2. The test results for the Total Asset Turnover variable yield a calculated t-value of 1.983, while the t-table value is 1.973. Consequently, the calculated t-value is greater than the t-table value ($1.983 > 1.973$). With a significance value of 0.049 (< 0.05) and a regression coefficient indicating a positive direction, hypothesis (H2) is accepted. These test results indicate that Total Asset Turnover has a positive and significant partial effect on Return On Equity.
3. Testing of the Firm Size variable yields a calculated t-value of -3.609 with a significance level of 0.002. The absolute calculated t-value of 3.069 exceeds the t-table value of 1.973 ($3.069 > 1.973$), and the significance value is 0.002 (< 0.05). Given the negative regression coefficient, hypothesis (H3) is accepted. These results indicate that Firm Size has a negative and significant partial effect on Return On Equity.

To determine the magnitude of each independent variable's contribution to the dependent variable, the Beta $\times$ Zero-order formula is used. The Beta value represents the standardized regression coefficient, while the Zero-order value indicates the correlation between the independent variable and the dependent variable. The calculations are as follows:

1. Free Cash Flow (X1) = $0.234 \times 0.246 \times 100\% = 0.06$ or 6%
2. Total Asset Turnover (X2) = $0.140 \times 0.146 \times 100\% = 0.02$ or 2%
3. Firm Size (X3) = $-0.216 \times -0.222 \times 100\% = 0.05$ or 5%

Simultaneous Test Results (F-Test)

Table 9. Simultaneous Test Results (F-Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.920	3	7.307	8.463	.000 ^b
	Residual	151.959	176	.863		
	Total	173.880	179			

a. Dependent Variable: Return On Equity

b. Predictors: (Constant), Firm Size, Total Asset Turnover, Free Cash Flow

Source: SPSS version 25 (2026)

Referring to Table 9. The simultaneous testing results yielded a calculated F-value of 8.463 with a significance level of 0.000. Since the calculated F-value exceeds the F-table value ($8.463 > 2.66$) and the significance level is below 0.05 ($0.000 < 0.05$), the fourth hypothesis (H4) is accepted. These results indicate that Free Cash Flow, Total Asset Turnover, and Firm Size have a significant simultaneous effect on Return on Equity (ROE).

Determination Test Results

Table 9. Determination Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.355 ^a	0.126	0.111	0.92920

a. Predictors: (Constant), Firm Size, Total Asset Turnover, Free Cash Flow

Source: SPSS version 25 (2026)

Referring to Table 10, the Adjusted R-squared value is 0.111, indicating that the independent variables explain 11.1% of the dependent variable after adjusting for the number of variables and the sample size. The remaining 88.9% is influenced by other variables not examined in this study.

Discussion

The Effect of Cash Flow on the Return on Equity

Based on the multiple linear regression analysis, the Free Cash Flow variable yielded a positive regression coefficient. The partial test results indicate a calculated t-value of 3.319—exceeding the t-table value of 1.974—with a significance level of 0.000 (less than 0.05). These results demonstrate that Free Cash Flow has a significant partial effect on Return on Equity (ROE). Consequently, the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted; thus, it can be concluded that Free Cash Flow has a positive and significant impact on Return on Equity for the companies under study. This relationship relates to Return on Equity (ROE), a metric used to measure a company's ability to generate profit based on its equity. ROE essentially reflects the effectiveness with which capital provided by owners or shareholders is utilized to generate profit. When a company manages Free Cash Flow productively, available funds can be directed toward activities that yield additional profits. Such profit growth can ultimately enhance the return earned on the company's equity. Therefore, effectively managed Free Cash Flow can serve as a factor supporting an increase in Return on Equity. These findings align with the study by Mardiyani (2018), which showed that Free Cash Flow has a positive effect on Return on Equity in consumer goods manufacturing companies. The results also concur with the study by Bella and Yantri (2021), which found a positive and significant effect of Free Cash Flow on Return on Equity among food and beverage companies listed on the Indonesia Stock Exchange. Both studies support the current findings, confirming that a company's ability to generate and manage Free Cash Flow can contribute to increasing Return on Equity.

The Effect of Total Asset Turnover on the Return on Equity

Based on the multiple linear regression analysis, the Total Asset Turnover (TATO) variable exerts a positive influence on Return On Equity (ROE). The partial test results show a calculated t-value of 1.983—exceeding the t-table value of 1.974—with a significance level of 0.048 ($p < 0.05$). Consequently, the null hypothesis (H0) is rejected and the alternative hypothesis (H2) is accepted, indicating that Total Asset Turnover has a significant positive partial effect on Return On Equity for the companies studied. This positive influence indicates that an increase in Total Asset Turnover tends to be accompanied by an increase in Return On Equity. Total Asset Turnover is a ratio used to measure a company's ability to utilize its total assets to generate sales. A higher Total Asset Turnover value indicates greater effectiveness in using assets to generate revenue. Such asset utilization effectiveness can ultimately support increased profits and enhance the company's ability to generate a return on equity. The relationship between Total Asset Turnover and Return On Equity is evident in the company's ability to convert assets into sales and, subsequently, into profit. When assets are effectively utilized to boost sales, the company has a greater opportunity to generate higher profits. This profit growth enhances the company's capacity to deliver a return on equity. Thus, the more effectively a company utilizes its assets, the greater the potential for increasing its Return On Equity. These findings align with research by Nurazizah and Nuryani, who found that Total Asset Turnover significantly affects Return On Equity among automotive component companies listed on the Indonesia Stock Exchange (2018–2022), with a probability value of 0.0184 ($p < 0.05$). The results also concur with Resita's study, which demonstrated a significant positive effect of Total Asset Turnover on Return On Equity (significance value of 0.0461; $p < 0.05$). Furthermore, research by Aldiasep on food and beverage companies listed on the Indonesia Stock Exchange similarly indicates that Total Asset Turnover has a significant positive effect on Return On Equity.

The Effect of Firm Size on the Return on Equity

Based on the multiple linear regression analysis, the Firm Size variable exerts a negative influence on Return on Equity (ROE). The partial test results show a calculated t-value of -3.069 (with an absolute value of 3.069), which exceeds the t-table value of 1.974, and a significance value of 0.002 (less than 0.05). Consequently, the null hypothesis (H0) is rejected and the third hypothesis (H3) is accepted, indicating that Firm Size has a significant negative effect on Return on Equity for the companies studied. The relationship between Firm Size and Return on Equity can be understood through a company's ability to generate profit based on its equity. Return on Equity measures the profit a company generates relative to its capital or shareholders' equity. Therefore, if a company's size increases due to asset growth but profit growth does not rise proportionally, the return on equity may decline. This situation demonstrates that an increase in company scale does not necessarily reflect improved efficiency or profitability. Larger companies may also face increasingly complex operational structures. Asset growth can be accompanied by rising maintenance costs, operating expenses, labor requirements, and resource management costs.

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If these costs rise faster than the profits generated, the company's profitability may decrease. Thus, large company size must be balanced by management's ability to optimize assets and control costs to ensure that company growth continues to yield a favorable return for shareholders. These findings align with the study by Astari et al. (2018), which showed that Firm Size has a significant negative effect on Return on Equity among service companies in the financing institution sub-sector listed on the Indonesia Stock Exchange. These results indicate that larger companies do not necessarily achieve higher returns on equity. The results also align with the study by Destari and Hendratno (2019), which found that company size has a significant negative effect on Return on Equity. Furthermore, research by Aliyah (2021) also indicates that firm size has a significant negative effect on Return on Equity for consumer goods companies listed on the Indonesia Stock Exchange. This consistency in results reinforces the findings of the present study, suggesting that an increase in firm size—as reflected by total assets—is not necessarily accompanied by an improvement in the company's ability to generate a return on equity.

The Simultaneous Effect of Cash Flow, Total Asset Turnover and Firm Size on the Return on Equity

Based on the simultaneous testing results in the ANOVA table, the calculated F-value is 8.463, while the F-table value is 2.66, with a significance level of 0.000 (< 0.05). Since the calculated F-value exceeds the F-table value ($8.463 > 2.66$) and the significance level is below 0.05, the null hypothesis (H_0) is rejected and H_4 is accepted. Thus, Free Cash Flow, Total Asset Turnover, and Firm Size simultaneously exert a significant influence on Return on Equity (ROE) in the companies studied. These results indicate that the three independent variables collectively possess the ability to explain variations in Return on Equity. The coefficient of determination results show an R-squared value of 0.126. This implies that Free Cash Flow, Total Asset Turnover, and Firm Size collectively explain 12.6% of the variation in Return on Equity. Meanwhile, the remaining 87.4% is explained by factors other than the variables used in this study. Furthermore, the Adjusted R-squared value of 0.111 indicates that, after accounting for the number of independent variables and observations, the model explains approximately 11.1% of the variation in Return on Equity. Consequently, there remain other factors outside the research model that may influence Return on Equity. Collectively, Free Cash Flow, Total Asset Turnover, and Firm Size represent three distinct aspects of a company's financial condition. Free Cash Flow indicates a company's ability to generate cash available after meeting operational and investment needs. Total Asset Turnover reflects the company's effectiveness in utilizing assets to generate sales. Meanwhile, Firm Size—proxied by total assets—illustrates the scale of resources possessed by the company. These three aspects can be interrelated in determining a company's ability to generate profit based on its equity. Free Cash Flow provides flexibility for a company in determining how to utilize available funds. If such cash is employed in productive activities, the company has the opportunity to increase revenue and profit. Furthermore, Total Asset Turnover indicates the extent to which owned assets are utilized to generate sales. Effective asset utilization can enhance a company's ability to generate revenue and profit. On the other hand, firm size reflects the magnitude of the resources a company must manage. The larger the assets held, the greater the company's responsibility to ensure they are used productively to contribute to profitability.

CONCLUSION

Based on the research conducted, the following conclusions can be drawn:

1. Free Cash Flow has a positive and significant effect on Return On Equity. Test results show a calculated t-value of 3.319 (> 1.974) with a significance value of 0.001 (< 0.05); thus, H_1 is accepted. This indicates that the company's ability to generate Return On Equity improves.
2. Total Asset Turnover has a positive and significant effect on Return On Equity. Test results show a calculated t-value of 1.983 (> 1.974) with a significance value of 0.049 (< 0.05); thus, H_2 is accepted. This indicates that the more effectively a company utilizes its assets to generate sales, the higher the resulting Return On Equity.
3. Firm Size has a negative effect on Return On Equity. Test results show a calculated t-value of -3.069 (with an absolute value of $3.069 > 1.974$) and a significance value of 0.002 (< 0.05); thus, H_3 is accepted. This indicates that a larger firm size—as reflected by total assets—tends to be accompanied by a decline in Return On Equity.
4. Free Cash Flow, Total Asset Turnover, and Firm Size simultaneously have a significant effect on Return On Equity. This is evidenced by a calculated F-value of 8.463 ($> F$ -table value of 2.66) and a significance value of 0.000 (< 0.05); thus, H_4 is accepted. These three variables collectively explain the changes in Return On Equity.

Based on the research findings, the following recommendations are offered:

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1. The company is encouraged to enhance its ability to generate and manage Free Cash Flow optimally. Funds remaining after meeting operational and investment needs can be directed toward productive activities, thereby supporting growth in profit and Return on Equity.
2. The company also needs to improve asset utilization effectiveness by optimizing existing assets to generate sales. Less productive assets require evaluation to avoid incurring costs that do not contribute optimally to the company's revenue and profit.
3. Given that firm size has a negative impact on Return on Equity, the company should not focus solely on increasing asset volume or expanding the scale of operations. Asset growth must be accompanied by improvements in productivity, operational efficiency, and profitability. Less productive assets should be evaluated to ensure that increasing the firm's size does not result in a decline in the return on equity.
4. Future researchers are advised to incorporate additional independent variables that may influence Return on Equity, as the study results indicate that the three variables used explain only 12.6% of the variation in Return on Equity. Variables such as leverage, liquidity, sales growth, capital structure, or dividend policy could be considered for future research.

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