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The Effect of Intellectual Capital, Capital Structure, Activity Ratio on Profitability with Operating Cash Flow Moderation

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ABSTRACT

This research aims to analyze how capital structure, activity ratios, and intellectual capital influence profitability, with operating cash flow serving as a moderating variable, specifically within companies in the basic and chemical industries listed on the Indonesia Stock Exchange. The study sample consists of 31 companies selected based on the availability of annual reports from 2019 to 2023, using purposive sampling. The data analysis was conducted using panel data moderated regression through EViews12. The results indicate that both operating cash flow and intellectual capital have a positive effect on profitability. In contrast, capital structure has a negative impact, while activity ratios show no significant influence. Additionally, operating cash flow does not moderate the effects of capital structure or activity ratios, but it does moderate the relationship between intellectual capital and profitability.

Keywords: Profitabilty, Intellectual Capital, Capital Structure, Activity Ratio, Operating Cash Flow

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh intellectual capital, struktur modal, dan rasio aktivitas terhadap profitabilitas, dengan arus kas operasi sebagai variabel moderasi pada perusahaan-perusahaan di sektor industri dasar dan kimia yang terdaftar di Bursa Efek Indonesia. Sampel penelitian mencakup 31 perusahaan yang dipilih berdasarkan kriteria publikasi laporan tahunan selama periode 2019–2023, dengan menggunakan metode purposive sampling. Analisis data dilakukan menggunakan regresi moderasi data panel dengan bantuan software Eviews12. Hasil penelitian menunjukkan bahwa intellectual capital dan arus kas operasi memiliki pengaruh positif terhadap profitabilitas. Sebaliknya, struktur modal berdampak negatif terhadap profitabilitas, sedangkan rasio aktivitas tidak menunjukkan pengaruh yang signifikan. Arus kas operasi tidak berperan sebagai moderator dalam hubungan antara struktur modal dan rasio aktivitas terhadap profitabilitas, namun mampu memperlemah pengaruh intellectual capital terhadap profitabilitas.

Kata kunci: *Profitabilitas, Intellectual Capital, Struktur Modal, Rasio Aktivitas, Arus Kas Operasi*

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INTRODUCTION

In recent years, the Indonesian government has placed a strong emphasis on the manufacturing sector to maximize its role in driving industrialization. This sector now stands as the largest contributor to the nation's GDP and plays a dominant role in Indonesia's export activities. According to data from the Central Statistics Agency, the Indonesian economy contracted by 2.51 percent in 2020. Nevertheless, despite the challenges brought on by the COVID-19 pandemic, several companies managed to maintain positive growth trends during this difficult period. (Fujianti, 2022).

One of the industrial sectors that has been greatly impacted by the pandemic is manufacturing companies, which have a crucial role in the Indonesian economy. According to the Minister of Industry's statement, the manufacturing industry is expected to be one of the drivers of economic change after the pandemic. (Kemenperin, 2021).

Profitability plays a crucial role as it reflects a company's efficiency in managing resources and navigating increasingly intense business competition through the effective use of earned profits. Commonly used profitability ratios such as profit margin, Return on Assets (ROA), and Return on Equity (ROE) help measure a company's capability to generate earnings. Profit-related information provides valuable insights for business owners, management, and investors in assessing performance and shaping future strategies. Several factors can influence profitability, including intellectual capital, capital structure, activity ratios, and operating cash flow. (Widichesty & Arief, 2021).

Intellectual Capital is developed to increase the level of human productivity. The level of productivity of a company shows their ability to compete in the market. In addition, increased productivity will also be in line with increased company profitability, which can be observed through financial reports (Febrilyantri, 2020).

In addition to intellectual capital, capital structure significantly influences a company's profitability. To drive earnings, businesses rely on a mix of internal and external financing. Capital structure represents the balance between a company's total debt and its equity in funding its activities (Amin et al., 2023). A good capital structure allows the company to achieve an ideal level of leverage, thereby reducing financial risks that can reduce profitability. In this study, capital structure is measured using the debt-to-equity ratio (DER).

Likewise, to measure profitability can be seen through the activity ratio, which measures how effectively a business can use sources of funds, especially assets, to achieve success. The activity ratio indicates how efficiently a company uses its assets and is assessed using the total asset turnover (TATO) metric. TATO serves to assess how efficiently all company assets are used. (Panglipurningrum et. al, 2020).

Previous research on the effects of intellectual capital, capital structure, and activity ratios on profitability has yielded mixed and inconsistent results. This suggests the presence of additional factors that may contribute to the variability in findings. As a result, this study introduces operating cash flow as a moderating variable, as it is believed to potentially enhance the relationship between intellectual capital, capital structure, and activity ratios with profitability. The aim of this research is to examine the impact of these three variables on profitability, with operating cash flow acting as a moderator.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Resources Based Theory

Rafi Eka Candra et al., (2023) , The Resource-Based View (RBV) theory focuses on a company's internal resources. According to this perspective, a company's success is largely influenced by the strengths and weaknesses within its internal environment. Based on Resource-Based Theory (RBT), a firm can achieve competitive advantage by effectively managing and leveraging its assets through the integration of all available resources.(Yunisa Azzahra & Eni Wuryani, 2021). The core of Resource-Based Theory (RBT) lies in understanding the connection between resources, capabilities, competitive advantage, and profitability, particularly in terms of how an organization can sustain its competitive edge over the long term.

Signalling Theory

Surbakti et al., (2023), Signaling theory refers to management's efforts to convey information to communicate the company's future prospects. This information is crucial for investors and business professionals as it offers valuable insights into the company's future prospects, operational stability, and its overall impact on performance. Furthermore, it is communicated through policies, plans, and initiatives undertaken by the company in crafting business strategies to boost profitability, which are then disclosed in financial reports. (Andika & Dewi Astini, 2022).

Profitability

Halim, (2021), Profitability reflects a company's capacity to earn profits over a period, showcasing the effectiveness of its management. Firms that achieve strong and steady profits typically exhibit positive performance, as profitability is an important measure for assessment. (Sawitri & Artini, 2022). Company profitability reflects the relationship between revenue and assets or capital that generate profits. (Candra & Wardani, 2021) .

Intellectual Capital

Andika & Dewi Astini, (2022), Intellectual capital is a knowledge resource, consisting of processes, technologies, employees, or customers that can be used by a business to create value. Intellectual capital is defined as a company asset possessed by employees, consisting of their experience, knowledge, and education. Knowledge that can be transformed into valuable assets is referred to as intellectual capital. (Puspita, 2023). Intellectual capital encompasses knowledge, information, intellectual property rights, and experience, all of which can be leveraged to generate value or wealth. Along with physical and financial assets, intellectual capital is also a key asset for a company.. (Rafi Eka Candra et al., 2023).

Capital Structure

(Dhea Zatira et al., 2020) Capital structure represents the mix of internal and external capital, with internal capital consisting of shareholders' equity and retained earnings, and external capital including short- and long-term debt. The optimal capital structure maximizes share value by balancing risk and return.(Fiqriyah et al., 2022). Capital structure balances borrowed capital, including short- and long-term debt, with equity from preferred and common stock, directly affecting the company's value.

Activity Ratio

Activity ratios, which include measurements like accounts receivable turnover, inventory turnover, and total asset turnover, are indicators of how well a business uses its assets. (Sawitri & Artini, 2022). This ratio is used to assess how efficiently a company leverages its assets to generate income. (Sustari Alamsyah et al., 2022). When a company has a higher total asset turnover ratio, it indicates that the company is performing well in utilizing its assets to generate revenue within a given period (Ulya Firza & Loman, 2024).

Operating Cash Flow

Cash flow from operating activities is a section of the cash flow statement that reflects the company's cash flow related to its core operations. Since the primary source of activity in the financial statement is the company's income, operating income influences the company's ability to settle debts, cover operational expenses, and pay dividends without depending on external funding. (Angelina et al., 2020). Operating activities refer to the transactions recorded in the income statement related to a company's core operations. Since these transactions are short-term, the key accounts in non-cash current assets and current liabilities are also linked to cash flows from operating activities (Indriani & Napitupulu, 2020).

Hypothesis Development

Intellectual Capital on Profitability

Intellectual capital as a physical resource in the form of intangible assets, is generally considered a crucial strategic asset for utilizing resources in achieving a company's competitive advantage. (Ramadhani, 2019). Effective asset management allows companies to achieve higher profits relative to their total assets, as indicated by return on assets (Aini et al., 2020). When intellectual capital is used effectively to increase added value, it will positively influence the company's profitability from a market standpoint and foster rapid growth. As a result, stakeholders, especially investors, tend to give higher appreciation to the company, which is seen from the increase in investment they make (Tukiran et al., 2023). This research is strengthened by (Azzahra, 2021) A hypothesis will be formulated to demonstrate that intellectual capital positively impacts profitability.

H_1: Intellectual Capital has a positive effect on profitability

Capital Structure on Profitability

Companies use equations to describe the sources of financing they use. Thus, the financial structure minus short-term debt will be the same as the capital structure. (Amrulloh & Susilo, 2022). If the company uses a large amount of debt, there will be an obligation to pay interest. This interest expense will reduce the company's profits, so that the amount of profit that is the basis for taxation will also be reduced, resulting in lower taxes to be paid by the company. Finally, this will result in higher net income for the company. The capital structure will positively influence the company's profitability if the use of debt helps achieve sales and profit objectives. This demonstrates that capital structure affects profitability. This research is supported by research conducted by (Mardhatillah et al., 2020). It indicates that capital structure positively influences profitability, leading to the formulation of a hypothesis.

H_2: Capital structure has a positive effect on profitability.

Activity Ratio on Profitability

Activity ratios can be used to optimize various employee activities to obtain goods and services more efficiently and effectively. A higher turnover value reflects better performance, suggesting that the company has effectively managed its total assets to boost sales, which, in turn, positively influences profit growth. (Trie Utami & Suria Manda, 2021). The measurement results using the activity ratio will show whether the business is managing its assets better or otherwise (Sundari et al., 2023). Total asset turnover represents the ratio of total assets to sales volume. As such, sales and total assets are essential components of total asset turnover. By effectively utilizing its resources through total asset turnover activities, the company can generate profits. This concept is supported by research conducted by (Yusnita, 2022). it demonstrates that the activity ratio, represented by total asset turnover, has a significant positive impact on profitability. This finding is supported by research conducted by (Nadila & Hapsari, 2022) also stated that total assets turnover also affects profitability. Then the hypothesis will be obtained.

H_3: Activity ratio has a positive effect on profitability.

Operating Cash Flow on Profitability

Cash flow can also be used as an indicator to help in making investment decisions, especially when making investments. Reporting on the sources, intended uses, and net changes in cash can provide information to investors, creditors, and others about the condition of the most liquid resources (Napitupulu, 2020). Operating cash flow is a key factor in evaluating a company's financial health and its ability to manage the business effectively. By understanding whether operating income is positive or negative, stakeholders can do what they need to do to maintain or improve the company's performance (Leonardus & Henny, 2022). With the results of this research (Fitriani & Bakar, 2019). also stated that operating cash flow also affects profitability. Then the hypothesis will be obtained.

H_4: operating cash flow has a positive effect on profitability.

Intellectual capital on profitability with Operating Cash Flow Moderation

The strong influence of intellectual capital enables companies to maintain a long-term superior position, ensuring stable income for investors. This effect can be further strengthened by operating cash flow. When cash flow from operations is high, intellectual capital becomes more effective in boosting the company's profitability, as the company has adequate financial resources to support innovation and the development of intellectual capital. Information about accrual profit with intellectual capital shows that there is information in cash flow data. Because it is considered to have different impacts on profitability, this cash flow division is important. Based on the description above, the research hypothesis can be formulated as follows

H_5: The influence of intellectual capital on profitability can be strengthened by operating cash flow.

Capital Structure on profitability with Operating Cash Flow Moderation
Capital structure (financial structure) is the most important factor that has an influence on profitability. Capital structure consists of different sources of funding for a company. This is in accordance with agency theory often used to explain changes in debt policy, or capital structure, that occur in various businesses. Cash flow statements assist users in assessing changes in net assets, financial structure, and the timing and amount of cash flows, allowing them to adapt to evolving circumstances and opportunities. (Zega & Wahyudi, 2023). Investors can use cash flow data to assess and compare the current and future cash flow values of different companies. However, operating cash flow as a moderating variable can be strengthening. When a company has strong operating cash flow, the negative impact of high debt (as part of the capital structure) on profitability can be reduced because the company has sufficient liquidity to pay interest and other debt obligations. Based on the description above, the following research hypothesis can be formulated:

H_6: The influence of capital structure on profitability can be strengthened by operating cash flow.

Activity ratio on profitability with Operating Cash Flow Moderation
The activity ratio, represented by Total Asset Turnover (TATO), compares the sales generated to the total assets held by the company. TATO is influenced by both sales volume and the company's total assets, including current and fixed assets (Indriyani & Mudjijah, 2022). The higher a company's total asset turnover ratio, the more efficiently it manages its assets, indicating improved asset utilization to support sales. An increase in total asset turnover positively affects profitability, as faster asset turnover can boost sales and generate optimal profits. Consequently, the quicker the asset turnover, the faster the company's profits grow, and vice versa. A company with strong operating cash flow is better equipped to use its assets efficiently, further enhancing the positive impact of the activity ratio on profitability. Based on this explanation, the following research hypothesis can be formulated.

H_7: The influence of Activity ratio on profitability can be strengthened by operating cash flow.

METHOD

Research Approach
The research approach applied in this study is comparative causal research. Comparative causal research has characteristics related to causal relationships, where this research measures the strength of the relationship between two variables, namely the independent variable and the dependent variable (Ma'sum et al., 2023). In this study will provide an overview to see how the influence of independent variables on dependent variables. Independent variables consisting of Intellectual capital, capital structure and activity ratio while the dependent variable used is profitability. This study uses a quantitative method where the data source is expressed in numbers and the analysis is carried out using statistical techniques.

Population and Research Sample
The population of this study is the manufacturing companies in the basic and chemical industry sub-sector listed on the Indonesia Stock Exchange for the 2019-2023 period, namely 77 basic and chemical industry companies. (Zuraidaning Tyas et al., 2023) The purposive sampling method is a sampling technique with certain considerations. From the sampling process, 31 companies were obtained that met the criteria.

Table 1. Sampling

Criteria	Amount
Basic industry and chemical sector companies listed on the IDX consecutively in 2019-2023.	77
Companies presenting financial reports for the period 2019-2023	74
Companies that made a profit during the period 2019-2023	45
Companies that use the rupiah currency	31

Source: Research Data (2025)

Table 2. Variable Operations

No	Variable	Definition	Measurement
1	Return On Asset	Profitability is a measure used to assess an industry's ability to generate revenue. (Rokhayati et al., 2021).	Earning After Tax / Total Assets
2	Intellectual capital	Intellectual capital is an intangible asset that plays an important role in the company (Nanda Shautiya Wiguna & Lukman Hakim, 2024).	VACA + VAHU + STVA
3	Capital Structure	Capital structure is a policy that determines how much of a company's funding needs are financed by debt. The use of debt will provide benefits to the company in the form of tax savings. (Mulyani & Agustinus, 2021).	Liabilities / Equity
4	Activity ratio	A ratio that describes the level of success of a company in utilizing its assets to generate expected income. (Sawitri & Artini, 2022).	Revenue / Total Assets
5	Operating Cash Flow	Operating cash flow is a part of the cash flow statement that includes the company's cash flow as well as cash related to operational activities.. (Sustari Alamsyah & Sheily Dwi Meilyda, 2020)	Operating Cash Flow / Cash Flow

Source: Research Data (2025)

Data Analysis Techniques

This study uses Eviews12 for multiple linear regression analysis. Data analysis consists of several stages. These include descriptive statistical analysis, classical assumption tests (such as multicollinearity and heteroscedasticity tests), adjusted R-Square determination coefficient tests, and t-tests. The effect of activity ratio, capital structure, and intellectual capital on profitability is examined using multiple linear regression equations. Operating cash flow is used as a moderating variable. The following equation shows the multiple linear regression analysis test model used in this study:

$$Y_{it} = \beta 0 + \beta 1IC_{it} + \beta 2SC_{it} + \beta 3AR_{it} + \beta 4OCF_{it} + \beta 5IC_{it}{*}Z_{it} + \beta 6SC_{it}{*}Z_{it} + \beta 7AR{*}Z_{it} + \varepsilon_{it}$$

Y = Profitability

$\beta 0$ = Constant

$\beta 1,2,3$ = Regression Coefficient

IC = Intellectual Capital

SC = Capital Structure

AR = Activity Ratio

OCF = Operating Cash Flow

OCF = Operating Cash Flow

IC*Z = Operating Cash Flow moderates Intellectual Capital

SC*Z = Operating Cash Flow moderates Capital Structure

AR*Z = Operating Cash Flow moderates Activity Ratio

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistical analysis is an analytical method in research related to the presentation of data that provides information about mode, median, mean, and standard deviation. The results of this analysis, processed with Eviews12, provide an overview of each variable to be studied.

Table 3. Descriptive Statistics

Variable	Minimum	Maximum	Mean	Std. Deviation
Profitability	0.0014	0.3636	0.060446	0.053087
Intellectual Capital	0.716	14.2836	3.441928	1.848226
Capital Structure	0.0338	4.7717	0.704617	0.704617
Activity Ratio	0.2958	6.9494	0.988373	0.7605
Operating Cash Flow	-4.3086	130.1418	2.567116	10.91877

Source: Processed by researchers (2025)

Based on Table 3 Descriptive Statistical Analysis shows that Profitability data ranges from 0.0014 to 0.3636, with a mean value of 0.060446 and a standard deviation of 0.053087. Intellectual Capital data has a range of 0.716 to 14.2836, with a mean value of 3.441928 and a standard deviation of 1.848226. The capital structure data has a value range of 0.0338 to 4.7717, with a mean value of 0.704617 and a standard deviation of 0.704617. The activity ratio data has a range of 0.2958 to 6.9494, with a mean value of 0.988373 and a standard deviation of 0.7605. Meanwhile, the operating cash flow value has a fairly wide range, namely from -4.3086 to 130.1418, with a mean value of 2.567116 and a standard deviation of 10.91877.

Model Testing Results

Table 4. Chow Test

Effects Test	Prob
Period Chi-Square	0,0000

Source: Processed by researchers (2025)

Because the probability values for Cross-section F and chi-square (0.0000) are smaller than α (0.05), the Fixed Effect Model (FEM) is more appropriate to use compared to the Common Effect Model (CEM).

Table 5. Hausman Test

Test Summary	Prob
Period Random	0,0560

Source: Processed by researchers (2025)

Because the probability value of Cross-section Random (0.0560) > α (0.05), the Random Effect Model (REM) is more appropriate to use than the Fixed Effect Model (FEM).

Tabel 6. LM Test

Test Hypothesis	Prob
Breusch-Pagan	0,0000

Source: Processed by researchers (2025)

Because the probability value for the Breusch-Pagan Cross-section (0.0000) is smaller than α (0.05), the Random Effect Model (REM) is more appropriate to use compared to the Common Effect Model (CEM).

Thus, the most appropriate panel data regression model for this study is the Random Effect Model (REM). Since REM uses the General Least Squares (GLS) approach, classical assumption tests are not required.

Hypothesis Testing

Table 7. Hypothesis Testing

Variable	Coefficient	t-Statistics	Prob.
C	0.044294	4.201676	0.0000
IC	0.007159	4.676015	0.0000
CS	-0.024515	-4.35465	0.0000
AR	0.007257	1.253225	0.2121
OCF	0.000627	3.188468	0.0017
F stat		14.82162	0.0000
R-squared	0.283279		
Adj R-squared	0.264167		

Source: Processed by researchers (2025)

Testing the impact of independent variables on dependent variables is done separately using the t-test. The results of the t-test are considered significant if the probability value (p-value) is less than 0.05.

Based on Table 7, the IC and SM variables have a probability value of 0.0000, while the OCF variable has a probability value of 0.0017. Since all three are less than 0.05, it can be concluded that IC, SM, and OCF have a significant influence on the dependent variable. Meanwhile, the RA variable has a probability value of 0.2121, which indicates that RA has no effect on the dependent variable.

To test the influence of independent variables on dependent variables simultaneously, the F test is used. The results of the F test are considered significant if the probability value is less than 0.05. Based on the estimates in Table 6, the F test probability value of 0.0000 indicates that IC, SM, RA, and OCF simultaneously have a significant influence on the dependent variable.

In addition, the coefficient of determination (R-squared) value of 0.264167 shows that the regression model used is able to explain 26.41% of the variation in the dependent variable, while the remaining 73.59% is influenced by other factors outside this model.

Moderation Test Results

Table 8. Moderation Test of Equation 1

Variable	Coefficient	t-Statistics	Prob.
C	0.029335	2.947764	0,0037
IC	0.008955	5.535378	0,0000
OCF	0.002599	2.560898	0,0114
IC_OCF	-0.001811	-2.000919	0.0472

Source: Processed by researchers (2025)

Based on table 8, the T-statistic for IC X CFO is -2.000919, with a p value = 0.0472 which is smaller than 0.05. Therefore, the moderating variable IC CFO is able to moderate the relationship between IC and ROA in this model. This means that it is able to weaken the influence of IC on ROA.

Table 9. Moderation Test of Equation 2

Variabel	Coefficient	t-Statistics	Prob.
C	0.044294	4.201676	0,0000
CS	0.007159	-3.953051	0,0001
OCF	0.002599	2.560898	0,1179
CS_OCF	-0.001811	-0,898958	0.3701

Source: Processed by researchers (2025)

Based on Table 9, the T-statistic for SM X CFO is -0.898958 with a p-value of 0.3701, which is greater than 0.05. Therefore, the moderating variable SM CFO cannot moderate the relationship between SM and ROA in this model. This indicates that the moderating variable cannot change the effect of SM on ROA.

Table 10. Moderation Test of Equation 3

Variabel	Coefficient	t-Statistics	Prob.
C	0.043062	3.971143	0.0001
RA	0.015885	2.37534	0.0188
OCF	0,000680	0.690952	0.4907
RA_OCF	-0.000359	-0,017176	0.9863

Source: Processed by researchers (2025)

Based on the t-statistic value for RA × CFO of -0.017176 with a p-value of 0.9863 which is greater than 0.05, the moderation variable RA × CFO cannot moderate the relationship between RA and ROA in this model. In other words, the variable is unable to change the effect of RA on ROA.

Discussion

Intellectual Capital on Profitability
Based on the test results conducted, the hypothesis stating that Intellectual Capital has a positive effect on Profitability (ROA) can be accepted. The results show that good intellectual resources (IC), which include intellectual resources such as knowledge and other skills, can improve business innovation, efficiency, and competitiveness. Companies that have good IC management, which includes research and development, human resource training, and intellectual property protection, tend to make more money. Previous studies by Tukiran et al., (2023), Azzahra, (2021), Zunariski et al., (2023), Manalu & Hutabarat, (2020), dan Rokhayati et al., (2021) shows that intellectual property (IC) management can improve business efficiency and profitability.

Capital Structure on Profitability
The study resulted in the finding that capital structure has a positive impact on profitability (ROA), Therefore, The findings indicate that capital structure negatively and significantly affects profitability, suggesting that an increase in the proportion of debt in a company's capital structure tends to lower its profitability. This could be due to higher interest expenses the company must bear, as well as increased financial risks that may hinder the company's ability to generate profits. Consequently, companies should carefully evaluate financing decisions to maintain optimal financial performance. This result aligns with research conducted by Amin et al., (2023), (Priscilla et al., (2021), Mulyani & Agustinus, (2021), Nopianti & Suparno, (2020) and (Astakoni & Nursiani, 2020) that capital structure does not always have a direct impact on profitability.

Activity Ratio on Profitability
this research shows that activity ratio has a positive impact on profitability (ROA), Therefore, These findings suggest that while the activity ratio, which measures the efficiency of asset utilization to generate income, is generally seen as an important indicator of financial performance, other factors in this study may have a more substantial impact on profitability. Factors such as market conditions, marketing strategies, and managerial policies might play a more significant role in influencing a company's net profit. This result aligns with research conducted by Rochmah Gumilang & Sulhan, (2022), Wahyuni et al., (2021) Elsawati et al., (2023) and Leonardus & Henny, (2022) that activity ratios do not always have a direct impact on profitability.

Operating Cash Flow on Profitability
Based on the test results, which proposes that operating cash flow has a positive impact on profitability (ROA), is accepted. This indicates that operating cash flow, which reflects the cash generated from a company's core operations and serves as the primary source of income, plays a key role in profitability. As operating cash flow increases, the company gains more liquidity to reinvest in the business, settle debts, and support growth, all of which can enhance net income. Moreover, strong operating cash flow signifies effective asset management and cost control, leading to improved profit margins. Therefore, the findings of this study emphasize the importance of operating cash flow as a performance indicator that can significantly influence a company's profitability. This aligns with research conducted by Putri & Wulan Sari, (2022), Nadila & Hapsari, (2022), Angelia & Merina, (2023) and (Indriani & Napitupulu, 2020) that operating cash flow reflects the company's ability to generate cash from its operational activities.

Intellectual Capital on Profitability with Operating Cash Flow Moderation

The results of this study indicate that operating cash flow can strengthen the influence of intellectual capital on profitability. Therefore, the operating cash flow variable can weaken the effect of intellectual capital on profitability. These findings suggest that operating cash flow significantly moderates the impact of intellectual capital on profitability, but in a negative direction. This implies that while higher intellectual capital typically has a positive effect on ROA, the presence of operating cash flow may diminish this positive effect. When operating cash flow is inadequate, companies might lack the resources to invest in the development and utilization of intellectual capital, reducing its influence on profitability. Thus, the study indicates that operating cash flow can act as a limiting factor in the relationship between intellectual capital and profitability. This result aligns with several studies that show intellectual capital can directly affect financial performance without requiring moderation from other variables like operating cash flow. Research by Sulistiani (2019) and Indarwanta et al. (2024) shows that IC, which consists of intellectual, social, and structural capital, can directly affect profitability.

Capital Structure on Profitability with Operating Cash Flow Moderation

These results indicate that operating cash flow cannot strengthen the effect of capital structure on profitability. The findings suggest that CFO cannot control the impact of capital structure on profitability. This indicates that while operating cash flow reflects a company's ability to generate liquidity from its core operations, the capital structure—which includes the ratio of debt to equity—does not always directly influence financial performance, especially when the company fails to manage its assets and liabilities effectively. Additionally, the capital structure itself may have less influence on profitability compared to other factors such as market conditions, management strategies, and operating costs. Therefore, this study’s results suggest that operating cash flow does not serve as a significant moderator in the relationship between capital structure and profitability.

Activity Ratio on Profitability with Operating Cash Flow Moderation

The results of this study indicate that operating cash flow can strengthen the influence of intellectual capital on profitability. The results suggest that operating cash flow (CFO) does not moderate the effect of activity ratio on profitability. While operating cash flow indicates a company's ability to generate cash from its operational activities, in this case, it does not enhance or diminish the impact of activity ratio on profitability. This could be because the activity ratio, which gauges the efficiency of asset utilization in generating revenue, does not always have a direct influence on financial performance. Companies with a strong activity ratio may still encounter challenges, such as high fixed costs or fluctuating market conditions, that can limit profitability. Moreover, other factors like managerial strategies, innovation, and economic conditions may play a more significant role in determining profitability than the activity ratio itself.

CONCLUSION

Based on the analysis and discussions conducted, the following conclusions can be drawn:1) Intellectual capital has an effect on profitability. 2) Capital structure has a negative effect on profitability. 3) Activity ratio has no effect on profitability. 4) Operating cash flow has an effect on profitability. 5) Operating cash flow is able to weaken the effect of intellectual capital on profitability. 6) Operating cash flow is unable to moderate the effect of capital structure on profitability. 7) Operating cash flow is unable to moderate the effect of activity ratio on profitability.

This study has several limitations that can be considered for further research. Based on the results of previous studies, the limitations in this study include: 1) This study is limited to companies in the basic and chemical industry subsector listed on the Indonesia Stock Exchange, with a small sample size. This limitation arises because some companies do not meet the criteria for inclusion in the research.. 2) The data used in this study is confined to the period from 2019 to 2023. This time frame is relatively short and may not offer a fully comprehensive view of the research subject. 3) Limitations in the selection of variables, where this study only uses four ratios to measure company performance, so it does not cover other factors that may also have an effect.

Based on the findings of the conducted research, several recommendations for future studies can be proposed, including: 1) The duration of this study is relatively short. As a result, it is recommended that future research expand the time period to yield more accurate results and provide a clearer depiction of the actual conditions of companies in the basic and chemical industry subsector listed on the IDX. 2) Add independent variables that have not been included in this research model, considering that there are still other factors that have the potential to affect company performance. 3) Expand the sample data by including companies from sectors beyond trade. Additionally, companies should focus more on their capital structure, particularly in the use of external versus internal capital. Relying more on external capital can increase the risk of meeting debt obligations and paying interest. For investors, this study can serve as a guide for evaluating a company's financial performance. In this regard, the solvency ratio, which impacts financial performance, can be a useful reference for making investment decisions and considerations for working capital credit providers. Beyond the solvency ratio, the liquidity ratio and activity ratio should also be taken into account, as they influence the financial performance of companies in the trade sector.

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