The effect of operating cash-flow and total asset turnover on profitability ratio in retail subsector companies listed on the Indonesia Stock Exchange during and after the pandemic

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ABSTRACT

This study examines the effects of operating cash flow, total asset turnover, and the COVID-19 pandemic on return on assets (ROA) among retail sub-sector companies listed on the Indonesia Stock Exchange during 2020–2024. Using a quantitative research design, panel data regression with a fixed-effects model was employed to assess the proposed relationships. The findings indicate that operating cash flow and total asset turnover positively and significantly influence ROA, demonstrating that stronger operating cash generation and more efficient asset utilization contribute to higher profitability. In contrast, the COVID-19 pandemic has a significant negative effect on ROA, highlighting the adverse consequences of external economic disruptions on retail firms. Collectively, the explanatory variables account for more than 60% of the variation in ROA, indicating substantial explanatory power. These findings contribute to the corporate financial performance literature by demonstrating how internal financial efficiency and external crisis conditions jointly shape profitability in the Indonesian retail sector. From a managerial perspective, the results highlight the importance of strengthening operating cash flows, optimizing asset utilization, and developing organizational resilience to mitigate the effects of external shocks. The study is limited to listed retail firms in Indonesia and the 2020–2024 observation period. Future research could incorporate additional firm-specific and macroeconomic variables, examine other industries, and employ longer observation periods to provide broader insights into the determinants of corporate profitability.

Keywords: *Operating Cash Flow; Total Asset Turnover; COVID-19 Pandemic; Return on Asset; Market Capitalization; Retail Company*

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INTRODUCTION

The retail sector plays a strategic role in supporting sustainable national economic growth. In 2024, its contribution to Indonesia's gross domestic product (GDP) was recorded at 54.04%, confirming the sector's strategic position in driving domestic trade and economic activity (Yahya, 2025). However, many retail companies in Indonesia are facing significant challenges, particularly due to the impact of the COVID-19 pandemic and the rapid growth of e-commerce. The pandemic has placed significant pressure on the financial performance of retail companies, leading in many cases to operational closures (Mulyana, 2021). The closure of all Giant stores and several Transmart stores in Indonesia highlights this trend. Giant, a subsidiary of PT Hero Supermarket Tbk, initially closed some outlets but later decided to cease all operations in 2021. Meanwhile, although Transmart has not closed all of its stores, several locations, including Transmart Lebak Bulus, have experienced permanent closures since the pandemic, with Transmart Lebak Bulus scheduled to close on November 1, 2023 (Riyandi, 2025).

This phenomenon will undoubtedly have a direct impact on the performance of retail companies. Profitability ratios are essential tools for analyzing financial performance, as they assess how effectively a company utilizes its resources to generate profits. According to the Corporate Finance Institute (2025), a profitability ratio is a financial indicator used to evaluate a company's capacity to generate profits by comparing revenue, total assets, operating expenses, and equity over a specific period. Among these ratios, return on asset is one of the most commonly used. It measures a company's ability to generate profit from its total assets, making it particularly relevant for the retail sector, where there is intensive use of physical assets and frequent inventory turnover. Efficient inventory management is important for retail businesses, as inventory performance is closely associated with operational efficiency and financial performance. Prior research reviewed by (Marzolf et al., 2024) examines inventory turnover and financial performance, including return on assets (ROA), in the retail sector.

This return on asset (ROA) fluctuation is closely related to the problematic phenomenon occurring in the retail sector, particularly amid the COVID-19 pandemic and the shift to online shopping. The challenges faced by retail and consumer service firms, including resource constraints and changing market conditions, require firms to continuously adapt their strategies and manage available resources effectively to sustain competitiveness (Tajeddini et al., 2023). In this context, it is essential to examine additional factors like operating cash flow and total asset turnover, which play key roles in reflecting asset utilization and cash flow efficiency.

The study aims to analyze how operating cash flow, which reflects a company's ability to generate cash from operations, influences return on asset, with positive operating cash flow indicating strong liquidity and operational independence. Similarly, total asset turnover, which measures how efficiently asset are used to generate sales, is closely linked to return on asset, as higher asset efficiency leads to better profitability. The selection of these variables can be explained by two theories. The pecking order theory, as proposed by Myers (1984), suggests that companies prefer internal financing (such as operating cash flow) over external sources to fund their operations, as it indicates efficient financial management and reduces dependency on debt. Meanwhile, the resource-based view theory, as described by Montgomery (1997), emphasizes that a company's competitive advantage comes from its ability to manage valuable and unique resources. In this case, total asset turnover reflects how effectively a company uses its resources to generate revenue, leading to improved profitability and return on asset. Additionally, the pandemic's impact on retail companies is explored, given the external

pressures it placed on both sales and asset efficiency, ultimately affecting their profitability and return on asset.

This study identifies several research gaps regarding the influence of operating cash flow, total asset turnover, and the pandemic on profitability. While numerous studies have explored the relationship between these variables across various sectors, most have focused on manufacturing, banking (Bhatti et al., 2022), or food and beverage industries (Herdiyana et al., 2020), with relatively few addressing the retail sector, despite its distinct operational characteristics and challenges. The retail sector faces volatile demand driven by economic and social factors, requiring companies to manage inventory efficiently and adapt to changing consumer preferences. This study, therefore, aims to explore the influence of operating cash flow and total asset turnover on return on asset in the retail sector, contributing to the development of financial management research in this industry.

Previous studies have often analyzed cash flow separately, without combining several financial ratios to provide a comprehensive view of company performance. This study combines operating cash flow and total asset turnover, which is particularly relevant for the retail sector due to its dynamic operations and reliance on effective cash management. The COVID-19 pandemic was also included as an independent variable to account for its impact, and market capitalization was also included as a control variable to account for differences in company scale.

The results of this study differ from existing research, as studies by Rompotis (2024), Allail et al. (2025), Agustina & Helliana (2023), Sari & Hermawan (2023), Rajagukguk & Siagian (2021), and Retanubun et al. (2024) found a negative or insignificant effect of operating cash flow, total asset turnover, and COVID-19 pandemic on profitability, while studies by Wahndaloh & Mule (2022), Ahmad et al. (2024), Etim et al. (2022), Alkomsan (2024), and Karim et al. (2023) found a significant positive effect. These discrepancies may be influenced by varying industry contexts, analytical methods, and economic conditions across studies, and this research also examines the effect of total asset turnover on profitability.

This study aims to provide a more comprehensive understanding of the effect of operating cash flow and total asset turnover on profitability ratios, particularly return on asset, in retail subsector companies listed on the Indonesia Stock Exchange from 2020 to 2024. Additionally, the study considers the external impact of the COVID-19 pandemic, which significantly affected the financial performance of many retail companies. The pandemic period is included as an independent variable in dummy form to identify whether the crisis contributed to changes in profitability levels. This research aims to contribute to the literature on financial analysis during crises and provide a valuable reference for company management and policymakers in formulating adaptive financial strategies to navigate external environmental dynamics.

LITERATURE REVIEW, RESEARCH FRAMEWORK, AND HYPOTHESES

Pecking Order Theory

According to Myers (1984), pecking order theory explains how companies tend to prioritize internal financing before considering external funding sources. A company's dividend policy tends to be rigid and is only adjusted gradually based on available investment opportunities. In developing Myers' theory, Frank & Goyal (2008) stated that the pecking order theory focuses on the priority order of funding used by companies.

Resource Based View Theory
According to Montgomery (1997), the resource-based view (RBV) is an approach to strategic management that emphasizes that a company's competitive advantage arises from its internal resources. Meanwhile, according to Mathur & Kenyon (2001), the resource-based view (RBV) is a theory that explains how a competitive strategy can achieve "sustained value-building."

Operating Cash Flow
According to Kieso et al. (2014) cash flow from operating activities represents the difference between cash receipts and disbursements from a company's primary operating activities. Cash flows from operating activities generally represent the cash impact of various transactions and other events that affect the calculation of net income (KPMG, 2023).

Total Asset Turnover
According to Schweser (2022), total asset turnover is used to calculate the effectiveness of a company's general assets in generating revenue. To measure the efficiency of asset use in generating sales, companies can use the total asset turnover ratio as an indicator of asset activity (Sari & Hafidzi, 2021).

COVID-19 Pandemic
The COVID-19 pandemic was declared a global crisis by the World Health Organization (WHO) on March 11, 2020, after it spread rapidly across countries, impacting both public health and global economic stability (Ducharme, 2020). In this research, the pandemic period is defined as 2020, when its effects on economic activity and business operations became significant. A 2020 survey by the Ministry of Manpower found that 88% of businesses faced operational losses, mainly due to lower sales and reduced production (Machmudi, 2021).

Market Capitalization
Market capitalization is defined as the total market value of all common shares of domestic companies listed on domestic stock exchanges at the end of the calendar year (Kuvshinov & Zimmermann, 2022).

Return on Asset
According to Drake & Fabozzi (2010), the return on asset ratio is more commonly used than basic earning power, which uses net income compared to total assets, to evaluate how effectively a company utilizes its assets to generate profits. Schweser (2022) also explains that ROA is another set of profitability ratios that measures profitability relative to the funds invested in the company by common shareholders, preferred shareholders, and debt financing providers.

Hypothesis
The issues identified and the desired outcomes may inform the development of the following research hypotheses:

H1: Operating Cash Flow has a significant positive effect on Return on Asset in retail sub-sector companies listed on the Indonesia Stock Exchange in 2020–2024.

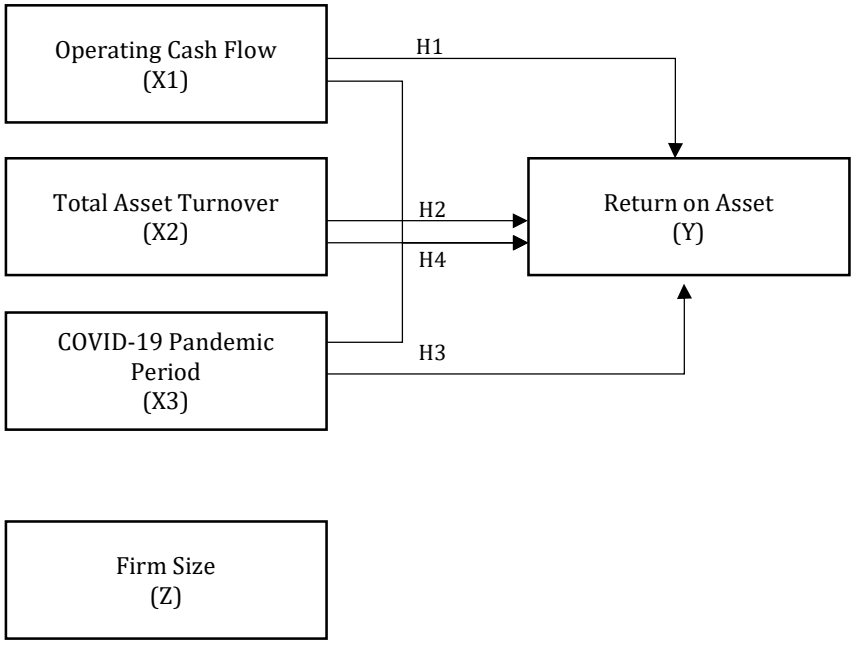
H2: Total Asset Turnover has a significant positive effect on Return on Asset in retail sub-sector companies listed on the Indonesia Stock Exchange in 2020–2024.

H3: The pandemic period had a significant negative impact on Return on Asset in retail sub-sector companies listed on the Indonesia Stock Exchange in 2020–2024.

H4: Operating Cash-Flow, Total Asset Turnover, and the Pandemic Period simultaneously have a significant effect on Return on Asset in retail sub-sector companies listed on the Indonesia Stock Exchange in 2020-2024.

Research Framework

Figure 1 shows the structural model.



Source: Data analyzed, 2025

Figure 1
Research Framework

METHOD

The associative research design used two or more correlated variables to examine the relationship between the variables in this study (Rönkkö et al., 2022). This research applied quantitative methodologies and secondary data sourced from financial records on the Indonesia Stock Exchange (IDX). Purposive sampling with specific criteria was used to select the samples (Sugiyono, 2023).

The following criteria were used for selecting the companies: they were listed on the IDX between 2020 and 2024, they had complete annual financial reports during the study period, and companies with outlier data were excluded. Based on these criteria, sixteen firms were selected as samples, providing a total of 80 observations spread across five years.

The quantitative analysis was conducted using Stata 17, including descriptive statistics, classical assumption tests, Chow, Hausman, and fixed effect panel data regression (Budiono & Purba, 2023). The secondary data was obtained from documentation of financial statements on the IDX website. The framework for identifying

and measuring research variables is known as variable operationalisation as shown in Table 1.

Table 1
Definition of Research Variables

No	Variables	Source	Measurement	Definition
1	Operating cash flow (X1)	(Kieso et al., 2014)	$\frac{\text{Net provided by operating activities}}{\text{Average current liabilities}}$	Net provided by operating activities to average current liabilities
2	Total asset turnover (X2)	(Sari & Hafidzi, 2021)	$\frac{\text{Net sales}}{\text{Total asset}}$	Net sales to total asset
3	COVID-19 Pandemic (X3)	(Ducharme, 2020)	1 = 2020, 0 = other years	Pandemic period indicator
4	Return on asset (Y)	(Kieso et al., 2014)	$\frac{\text{Net profit}}{\text{Total asset}}$	Net profit to total asset
5	Market cap (Z)	(Dias, 2013)	Ln (Market cap)	Market cap (LN)

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics is used as a method to present data concisely and informatively, limited to a snapshot of the data without drawing comprehensive conclusions or generalizing about the population. Descriptive statistics include calculating the mode, median, mean, and standard deviation (Sugiyono, 2023). In this study, a group of companies listed on the Indonesia Stock Exchange in 2020–2024 were included. The results of the descriptive statistics are presented as shown in Table 2.

Table 2
Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
ROA	80	.039	.068	-.16	.24
OCF	80	.389	.448	-.583	1.893
TATO	80	1.21	.702	.092	3.822
COVID	80	.2	.403	0	1
MC	80	28.769	1.225	25.537	31.049

Source : Stata 17 Output Results, 2025

Table 2 provides the following interpretation of the descriptive statistical analysis's findings:

a. Return on asset has a mean of 0.039, with a standard deviation of 0.068. The minimum value is -0.16, and the maximum is 0.24.
b. Operating cash flow has a mean of 0.389, with a standard deviation of 0.448. The minimum value is -0.583, and the maximum is 1.893.
c. Total asset turnover has a mean of 1.21, with a standard deviation of 0.702. The minimum value is 0.092, and the maximum is 3.822.
d. COVID has a mean of 0.2, with a standard deviation of 0.403. The minimum value is 0, and the maximum is 1.

e. Market capitalization has a mean of 28.769, with a standard deviation of 1.225. The minimum value is 25.537, and the maximum is 31.049.

Classical Assumption Test

Normality Test

Ghozali & Ratmono (2017) explain that the normality test aims to assess whether the residuals in the regression model have a distribution pattern that is close to normal. The results of the normality test are presented as shown in Table 3.

Table 3
Normality Test Result

Variables	Obs	Mean	Std. Dev.	Min	Max
Resid	80	0.4586	0.5398	0.95	0.6224

Source : Stata 17 Output Results, 2025

Table 3 shows the results of the skewness-kurtosis test, the Prob value > Chi^2 = 0.6224 (> 0.05) so it can be concluded that the residuals are normally distributed. The probability values for skewness (0.4586) and kurtosis (0.5398) are also greater than 0.05, which means there is no significant deviation from the normal distribution.

Multicollinearity Test

The purpose of the multicollinearity test is to identify whether there is a very strong or even perfect relationship between the independent variables in a regression model. If perfect multicollinearity is found, the regression coefficient of variable X cannot be calculated, and the standard error value will be very large (infinite) (Ghozali & Ratmono, 2017). The results of the multicollinearity test are presented as shown in Table 4.

Table 4
Multicollinearity Test Result

Variables	VIF	1/VIF
OCF	1.15	0.870519
TATO	1.13	0.885565
COVID	1.05	0.954067
MC	1.02	0.977754
Mean VIF	1.09	

Source : Stata 17 Output Results, 2025

Table 4 shows the results of the Multicollinearity test using the Variance Inflation Factor (VIF). From these results, all independent variables show relatively low VIF values, indicating no significant multicollinearity problems between the existing variables. Operating cash flow has a VIF value of 1.15, total asset turnover of 1.13, COVID of 1.05, and market capitalization of 1.02. VIF values less than 10 for all these variables indicate that there is no strong correlation or multicollinearity that can affect the results of the regression analysis.

The mean VIF of 1.09 indicates that the average multicollinearity between variables is quite low, so the regression model used is not affected by multicollinearity problems. Overall, there is no indication of significant multicollinearity in this data.

Autocorrelation Test

According to Ghozali & Ratmono (2017), the autocorrelation test is used to determine whether there is a relationship between the error in a period (t) and the error in the previous period (t−1) in a linear regression model. The results of the autocorrelation test are presented as shown in Table 5.

Table 5
Autocorrelation Test Result

F(1,15)	3.831
Prob > F	0.0692

Source : Stata 17 Output Results, 2025

Table 5 shows the results of the autocorrelation test using the wooldridge test. The Prob value > F = 0.0692 indicates that the p value is greater than 0.05, which means that there is no significant autocorrelation problem in the regression model used at the 5% significance level.

Heteroscedasticity Test

According to Ghozali & Ratmono (2017), heteroscedasticity testing aims to see whether there is outlier data (extreme data). The results of the heteroscedasticity test are presented as shown in Table 6.

Table 6
Heteroscedasticity Test Result

Chi^2 (1)	1.51
Prob > chi^2	0.2193

Source : Stata 17 Output Results, 2025

Table 6 shows the results of the heteroscedasticity test using the breusch–pagan/cook–weisberg test. The Prob value > Chi^2 = 0.2193 indicates that the p-value is greater than 0.05, which indicate that there is no significant heteroscedasticity problem in the regression model used at the 5% significance level.

Regression Model Selection

Chow Test

The purpose of the Chow test is to distinguish whether the most appropriate panel data model is the common effect model or the fixed effect model (Sugiyanto et al., 2022). The results of the chow test are presented as shown in Table 7.

Table 7
Chow Test Result

F test that all u_i=0: F(15, 60) = 3.47	Prob > F = 0.0003

Source : Stata 17 Output Results, 2025

Table 7 shows the results of the Chow test, which is used to test whether a panel data model with fixed effect is better than a panel data model with common effect. The result F(15, 60) = 3.47 indicates the F-test statistic used to test the hypothesis that all u_i = 0, meaning there are no fixed effect between individuals (firms). The value of Prob > F

= 0.0003 indicates that the p-value is less than 0.05, which means it can be concluded that the fixed effect model is more appropriate than the joint effect model. Thus, these results indicate that the fixed effect model is more appropriate for this data. Therefore, the Hausman test will be carried out further.

Hausman Test

The Hausman test is used to determine the most appropriate model between the fixed effect and random effect approaches (Sugiyanto et al., 2022). The results of the hausman test are presented as shown in Table 8.

Table 8
Hausman Test Result

Prob > chi2	0.0271

Source : Stata 17 Output Results, 2025

Table 8 shows the results of the Hausman test, which is used to test whether a panel data model with fixed effect is better than a panel data model with random effect. Based on the test results, the value of Prob> Chi^2 = 0.0271 was obtained, which is smaller than the significance level of 5% (0.05). Thus, H_0 is rejected and H_1 is accepted, so it can be concluded that the appropriate model to use is the fixed effect model.

Because the model used is FEM, the Lagrange Multiplier test used to choose between the common effect model and the random effect model was not carried out, because the model selection has been determined based on the results of the Chow test and the Hausman test.

Hyptohesis Test

F Test

The F test aims to determine whether the independent variables in the model simultaneously have a significant effect on the dependent variable. In the context of fixed-effect models, this test also refers to the significance of the independent variables on variations within observation units over time (Ghozali & Ratmono, 2017). The results of the F test are presented as shown in Table 9.

Table 9
F Test Result

F(4,60)	23.110
Prob > F	0.000

Source : Stata 17 Output Results, 2025

Based on the fixed effect regression model output, the F(4, 60) value was obtained as 23.11, with Prob > F = 0.0000. This probability value, which is much lower than the 5% significance level (0.05), indicates that the OCF, TATO, COVID, and MC variables simultaneously have a significant effect on ROA. Thus, it can be concluded that the model used has good ability to explain variations in ROA based on the combination of independent variables included in the model.

t Test

The t test is conducted to determine whether each independent variable individually has an impact on the dependent variable, assuming that the other independent variables

remain constant (Ghozali & Ratmono, 2017). After selecting the appropriate panel regression model through a series of model selection tests (Chow and Hausman tests) and ensuring that it meets the classical assumptions through tests of normality, multicollinearity, autocorrelation, and heteroscedasticity, the next step is to partially test the effect of each independent variable on the dependent variable. This partial test is conducted using a t test on a fixed effect model, with the aim of determining whether each independent variable (OCF, TATO, COVID) has a significant effect on ROA individually, while controlling for the influence of other independent variables in the model. The t-table result calculated using the tinv formula from Excel is 1.992102154. The results of the t test are presented as shown in Table 10.

Table 10
t Test Result

ROA	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
OCF	.051	.015	3.41	.001	.021	.081	***
TATO	.066	.022	2.97	.004	.021	.11	***
COVID	-.059	.012	-5.07	0	-.083	-.036	***
MC	.038	.008	4.72	0	.022	.054	***
Constant	-1.138	.229	-4.97	0	-1.597	-.68	***

Mean dependent var	0.039	SD dependent var	0.068
R-squared	0.606	Number of obs	80
F-test	23.110	Prob > F	0.000
Akaike crit. (AIC)	-306.216	Bayesian crit. (BIC)	-294.306

*** p<.01, ** p<.05, * p<.1*
Source : Stata 17 Output Results, 2025

The equation model resulting from the regression results is:

$$ROA = -1.138 + 0.051\ OCF + 0.066\ TATO - 0.059\ COVID + 0.038\ MC + \varepsilon$$

The results of the regression equation above provide the following understanding:

1. The constant of -1.138 indicates that when all independent variables are zero, ROA is estimated to be -1.138.
2. OCF has a coefficient of 0.051, meaning that every 1-unit increase in OCF will increase ROA by 0.051 points, assuming other variables remain constant.
3. TATO has a coefficient of 0.066, meaning that every 1-unit increase in TATO will increase ROA by 0.066 points, assuming other variables remain constant.
4. COVID has a coefficient of -0.059, meaning that during the pandemic period, average ROA decreased by 0.059 points compared to the non-pandemic period, assuming other variables remain constant.
5. MC has a coefficient of 0.038, meaning that every 1 unit increase in MC will increase ROA by 0.038 points, assuming other variables are constant.

Based on these results, the results of the hypothesis test can be interpreted as follows:

1. The calculated t-value for OCF is 3.41, which is greater than the t-table of 1.992. The p-value for OCF is 0.001, which is less than 0.05, so OCF has a significant effect on ROA. Thus, the hypothesis that OCF has a positive significant effect on ROA is accepted.
2. The calculated t-value for TATO is 2.97, which is also greater than the t-table of 1.992. The p-value for TATO is 0.021, which is smaller than 0.05, indicating

that TATO has a significant effect on ROA. Therefore, the hypothesis that TATO has a positive significant effect on ROA is accepted.

3. The calculated t-value for COVID is -5.07, which is significantly greater than the t-table of 1.992. The p-value for COVID is 0, which is significantly less than 0.05, indicating that COVID has a highly significant effect on ROA. Therefore, the hypothesis that COVID has a negative significant effect on ROA is accepted with a very high level of significance.
4. Based on the results of the fixed effect regression model, the F(4, 60) value obtained was 23.11, with Prob > F = 0.0000. This probability value, which is much lower than the 5% significance level (0.05), indicates that the OCF, TATO, COVID, and MC variables simultaneously have a significant influence on ROA. Therefore, it can be concluded that the model used has good explanatory power to account for variations in ROA based on the combination of independent variables included in the model. Therefore, the hypothesis which states that the simultaneous influence of OCF, TATO, COVID, and MC on ROA is significant, is accepted.

Determination coefficient test (R^2)

The coefficient of determination (R-squared) is used to measure how much variation in the dependent variable can be explained by the independent variables in the model (Ghozali & Ratmono, 2017). The results of the determination coefficient (R2) are presented as shown in Table 11.

Table 11
Determination Coefficient (R2) Result

Within	0.6064
Between	0.4525
Overall	0.4523

Source : Stata 17 Output Results, 2025

In the fixed effect model, estimation only utilizes within-variance, so the relevant measure of goodness of fit is the R^2 within (Wooldridge, 2010). Based on the regression results, the R-squared Within value is 0.6064, meaning 60.64% of the year-to-year variation in ROA in each company can be explained by the OCF, TATO, COVID, and MC variables in the model. The remaining 39.36% is explained by other factors outside the research model.

The Effect of Operating Cash Flow on Return on Asset

The results of this study indicate that operating cash flow has a positive and significant effect on return on asset. This means that retail subsector companies with high operating cash flow tend to be better able to manage their assets to generate profits. Stable cash flow from operational activities reflects a company's ability to finance internal needs such as working capital and investments without relying on risky external funding sources. In addition to strengthening liquidity, this condition also increases the efficiency of asset use, thus directly impacting profitability.

These results align with research conducted by Wahndaloh and Mule (2022) who examined manufacturing companies on the Nairobi Securities Exchange (NSE), Kenya. The study found that companies that were able to accelerate cash inflows and delay cash outflows through strategies such as accelerated receivables collection and inventory management demonstrated better ROA performance. This research highlights the importance of short-term cash management in creating operational efficiency,

particularly in sectors facing revenue fluctuations such as manufacturing. In addition, this study also has the same results as Ahmad et al. (2024) and Etim et al. (2022).

Theoretically, this finding is consistent with the Pecking Order Theory proposed by Myers (1984), which states that companies prefer internal funding, such as cash flow from operating activities, over external sources such as debt or new shares. Strong operating cash flow allows companies to conduct business activities independently, avoid financial risks, and optimize asset utilization. Therefore, the positive relationship between OCF and ROA in this study is not only supported by previous empirical findings but also rooted in the basic principles of capital structure theory.

The Effect of Total Asset Turnover on Return on Asset

The results of this study indicate that total asset turnover has a positive and significant effect on return on asset. This means that the greater a company's ability to manage and utilize its total assets to generate sales, the greater the profits it can obtain from those assets. In the context of this study, the companies studied are from the retail subsector, which relies heavily on inventory turnover and fixed asset efficiency. Retail companies that optimize the use of their assets to support sales volume tend to have higher ROA because these assets are used productively and turn over quickly.

This finding is consistent with the research of Karim et al. (2023), who analyzed manufacturing companies in Indonesia from 2017–2020. They found that TATO has a significant positive effect on ROA, meaning the faster the total asset turnover, the more efficiently the company utilizes its assets to generate revenue. This study also highlights that a high TATO is an indicator of management's success in managing fixed and current assets to optimally support operational activities. In the manufacturing industry, asset efficiency is key to remaining competitive amid fluctuating production costs and market demand. In addition, this study also has the same results as Alkomsan (2024).

Theoretically, the positive relationship between TATO and ROA can be explained through the resource-based view (RBV) perspective. According to Montgomery (1997), the resource-based view (RBV) is an approach to strategic management that emphasizes that a company's competitive advantage arises from internal resources that are efficiently owned and difficult for competitors to imitate. Company assets, as a form of resource, if managed effectively to generate economic value (sales), will create a sustainable competitive advantage. Therefore, a high TATO reflects managerial ability to optimally convert assets into valuable output, thereby contributing to increased company profitability.

The Effect of COVID-19 Pandemic on Return on Asset

The results of this study indicate that the COVID-19 pandemic had a significant negative impact on return on asset. This decline indicates that companies struggled to maintain the profitability of their assets during the pandemic. This could be due to weakening demand, supply chain disruptions, and receivables restructuring undertaken to maintain customer relationships. When revenue declines while operating expenses remain high, net income generated from total assets is also depressed.

This finding aligns with the research of Sohibien et al. (2022), which analyzed Islamic banking in Indonesia during the pandemic. In their study, Sohibien and his team used a VARX model approach and found that the pandemic had a significant negative impact on ROA. They explained that this decline was caused by financing restructuring policies implemented in accordance with POJK No. 11/POJK.03/2020, such as the postponement of principal and margin installments, which directly reduced bank

revenue and depressed profitability. Furthermore, during the pandemic, Islamic financial institutions continued financing activities, but with a more selective and conservative approach to risk. Despite maintained financing, the negative impact on ROA remains due to pressure on profitability from the revenue side. The decline in ROA during the pandemic, in this context, is not only due to decreased revenue, but also to efforts to maintain business continuity and economic stability by relaxing obligations on affected debtors.

Therefore, this study's findings reinforce previous findings that external crises such as the pandemic have a significant impact on corporate profitability. Companies need an adaptive risk management system and robust operational efficiency strategies to survive crises, maintain liquidity, and minimize declines in financial performance, such as ROA.

The Simultaneous Influence of Operating Cash Flow, Total Asset Turnover, and COVID-19 Pandemic on Return on Asset

The results of this study indicate that operating cash flow, total asset turnover, and the COVID-19 pandemic simultaneously significantly influence return on asset. This is demonstrated by an F-test, which yielded a significance value below 0.05, indicating that the regression model used is capable of jointly explaining variations in ROA. Thus, the combination of internal and external financial factors provides a comprehensive picture of a company's profitability, particularly in the retail subsector studied.

These results demonstrate that a company's financial performance is influenced not only by internal effectiveness, such as cash management and asset efficiency, but also by external conditions, such as the pandemic crisis and market perceptions of the company's value. Healthy cash flow and efficient asset turnover tend to boost profitability, while crises like the pandemic have the opposite effect. The combination of these four variables reinforces the conclusion that to increase ROA, companies need to maintain a balance between effective internal management and adaptability to changes in the external environment.

Furthermore, the R-squared value of 60.64% indicates that the four independent variables used in this study can explain more than half of the variation in ROA. This means that the model used is statistically robust enough to represent simultaneous influences on financial performance. This finding is important for company management, particularly in the retail sector, to consider not only individual financial indicators but also the synergy between variables to improve overall company efficiency and profitability.

CONCLUSION AND SUGGESTION

This study shows that operating cash flow has a positive and significant effect on return on asset in retail companies, indicating that high operating cash flow can improve asset efficiency and company profitability. Total asset turnover also has a positive and significant effect on ROA, emphasizing the importance of efficient asset management to increase profits. On the other hand, the COVID-19 pandemic has a significant negative effect on ROA, indicating a decline in company profitability due to external disruptions such as decreased demand and fixed operating expenses. Furthermore, the results also show that OCF, TATO, and the COVID-19 pandemic simultaneously have a significant effect on ROA, with the combination of internal and external factors able to explain most of the variation in profitability in retail companies.

Based on the research results, it is recommended that future research expand the independent variables, such as adding other financial ratios, and extend the observation period to obtain more comprehensive findings. The sample size could also be expanded to other industrial sectors or companies with different business scales to test the consistency of the results across contexts. For companies in the retail subsector, it is recommended to improve operational efficiency to strengthen operating cash flow, optimize asset utilization, and prepare risk mitigation measures in the face of crises or pandemics, such as market diversification and sales digitization. This way, companies can increase profitability and mitigate the negative impact of unforeseen external conditions.

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