

EARNINGS PERSISTENCE : THE INFLUENCE OF CORPORATE STRUCTURE AND PERFORMANCE VOLATILITY (STUDY AT KOMPAS 100 FOR 2020 – 2023)

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Diterima 4 Agustus 2025
Disetujui 30 Juni 2026

Abstrak-Introduction/Main Objectives: Earnings persistence is an important indicator that reflects a company's ability to manage its resources effectively in order to generate sustainable profits in the future. Persistent earnings provide useful information for corporate decision-making, particularly in formulating strategic policies, and for investors in evaluating investment opportunities. This study employed a purposive sampling method, with the research sample consisting of companies consistently listed in the Kompas100 Index during 2020–2023. The study used secondary data obtained from companies' financial statements, which were analyzed using multiple linear regression. The novelty of this study lies in the measurement of the market concentration variable, which is constructed by comparing the scale of the sample company with that of firms in the same industry, thereby allowing the company's size to be interpreted proportionally relative to comparable industry peers. The results indicate that sales volatility has a significant negative effect on earnings persistence, while market concentration has a significant positive effect. In contrast, ownership concentration and operating cash flow do not have a significant effect on earnings persistence. Simultaneously, sales volatility, ownership concentration, market concentration, and operating cash flow have a significant effect on earnings persistence.

Keywords: *Earnings Persistence; Market Concentration; Operating Cash Flow; Ownership Concentration; Sales Volatility*

1. INTRODUCTION

1.1 Background

At the end of 2020, Indonesia experienced a contraction in economic growth due to the Covid-19 pandemic. This resulted in a decrease in Gross Domestic Product (GDP) per capita from US\$4,174.9 to US\$3,911.7 and was also characterized by a decrease in the percentage of Gross Domestic Product (GDP) of 2.07% compared to 2019, which grew at 5.02% (BPS, 2020). Kahkonen, world bank country director for Indonesia and Timor Leste, argued that “the impact of the decline in per capita income has the effect of reducing labor income which has implications for the pace of economic recovery and household consumption” (Irawan, 2021). According to Raden Pardede, executive secretary I of the national economic handling and recovery committee, “the decline in income that led to a decrease in purchasing power was partly due to layoffs as a result of the Covid-19 pandemic” (Djumena, 2020). In response, the government intensified its recovery efforts in 2021 by increasing the National Economic Recovery (PEN) budget by 22% to IDR 699.43 trillion through the State Budget under Law No. 2/2020. The budget was allocated across five key programs, namely health, social protection, support for corporations and MSMEs, business incentives, and priority programs (BI, 2021). According to the Directorate General of Treasury, this policy contributed positively to maintaining the momentum of Indonesia’s economic recovery, as indicated by increased consumer spending and an independent spending index that, by December 19, 2021, had risen 32.8% above its pre-pandemic level (DJPB Kementerian Keuangan Republik Indonesia, 2022).

Apart from consumption, investment activities have also experienced a recovery. This is indicated by the IDX 2021 annual report which shows an increase in market capitalization from 2020 to 2021 of 18.44% and JCI price growth of 10.08% (year-on-year) (IDX, 2021). This increase is in line with the growth in the number of companies that are able to list profits in the index with large market capitalization and high liquidity:

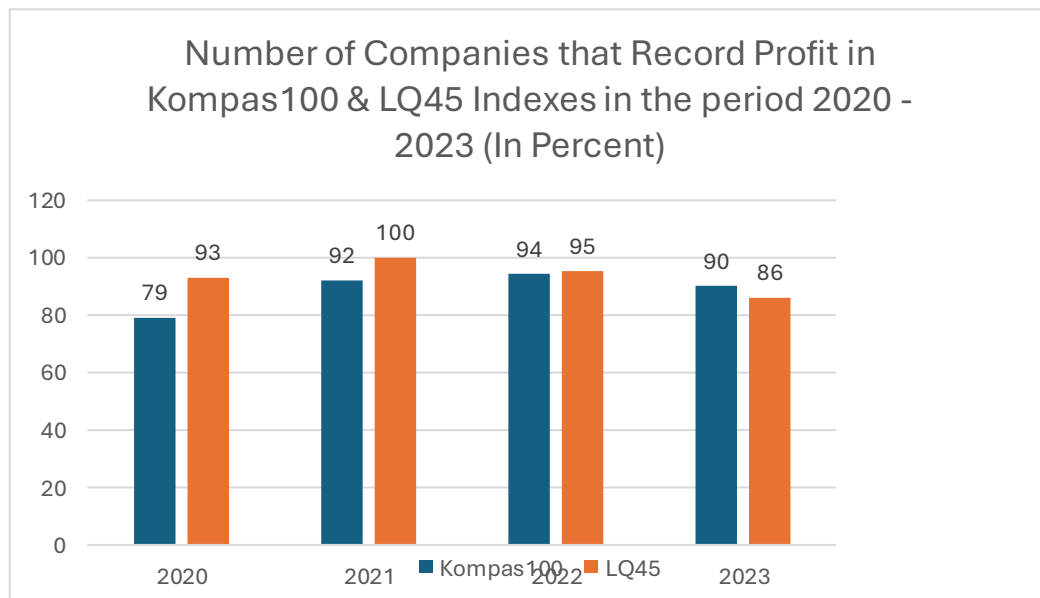


Figure 1 Comparison Chart of the Number of Companies that Record Profits in the Kompas100 & LQ45 Indices for the 2020-2023 period

In Figure 1, it can be seen that most companies incorporated in both indices can generate profits during the period 2020 - 2023. The graph shows that there are more companies that record profits each year in the LQ45 Index than the Kompas100 Index. However, based on the number of issuers that recorded profits in 2020 - 2022, companies in the Kompas100 Index always increase every year. In 2023, the number of companies in the Kompas100 Index experienced a not too significant decrease of 4%. This is different from the LQ45 Index which had experienced an increase from 2020 to 2021. However, in the following years the number of companies in the LQ45 Index always decreased.

The growth of companies that recorded profits in the Kompas100 Index began to occur in 2021. Most of the issuers in the index were able to record profit growth. This growth was supported by an increase in the performance of the financial sector, mining and plantation sectors. According to Investindo Nusantara Sekuritas analyst Pandhu Dewanto, "the increase in the performance of the mining and plantation sectors is supported by high commodity prices" (Mulyana, 2022). In 2022 the growth of companies that recorded profits was again supported by the financial, mining and energy sectors. Financial sector profits grew in line with economic growth (Sandria, 2023). Meanwhile, in the mining and energy sector, one of the factors that caused the increase in commodity prices was the geopolitical conditions in Russia which cut gas supplies, resulting in increased demand (Santi, 2022).

Although most of the companies in the Kompas100 Index made a profit, in 2023 there were several companies that experienced losses, causing a decrease in the percentage of the number of profit-making companies. This is due to the technology companies incorporated in the index still recording losses in 2023. One of the causes of losses is the large labor burden so that companies in the sector continue to strive to downsize and labor efficiency (Setiawati, 2023). The growth and consistency of companies in making profits year after year shows an indication of the persistence of corporate profits in the Kompas100 Index.

According to Nainggolan (2021), earnings persistence can be used as a measure to determine the quality of a company's earnings in maintaining its operating profit. According to Saptiani & Fakhroni (2020), persistent earnings can be shown from the stability or insignificant changes in profits generated by the company from year to year. Earnings persistence is the company's ability to generate profits from the average utilization of total assets in the current year on an ongoing basis so as to be able to predict the profits generated from the average utilization of assets next year. Persistent earnings can be said to be quality earnings because of its ability to predict profits generated from the average use of assets next year. According to (Fillio & Diana, 2024) the calculation of earnings persistence is measured from the beta coefficient of the simple regression analysis of current year's profit before tax (PTBI_t) on next year's profit before tax (PTBI_{t+1}). PTBI_t is obtained by dividing the current year's profit before tax by the average total assets, while PTBI_{t+1} can be obtained by dividing next year's profit before tax by the average total assets. Earnings are categorized as persistent, if they have a regression coefficient value of more than 0. If the coefficient is more than 1, the earnings are considered to have very high persistence or high persistent. Earnings are said to be non-persistent, if they have a regression coefficient value of less than 0 (Saptiani & Fakhroni, 2020).

Earnings persistence is important for companies because by having persistent profits the company can add assets in the form of company operational assets that can be utilized to increase productivity in producing products sold so as to increase revenue. In addition, profit persistence can be used as a basis for continuing cooperation on an ongoing basis, cooperation is carried out to further expand market share which can have an impact on increasing

company sales. Increased sales have an impact on the increase in profits generated by the company. The company's ability to generate profits that continue to increase or stabilize has an impact on increasing earnings persistence. In addition, persistent profits can be utilized by the company to distribute dividends that continue to grow every year so that it has an impact on investor interest in providing funding to the company. Persistent earnings are also important for creditors because they can be used as indicators to convince creditors that the company can generate quality profits so that creditors are willing to provide funding to the company.

Earnings persistence has advantages for the company. Profit that continues to be generated allows the company to take various strategic steps. For example, in PT AKR Corporindo, strategic policies can be made by key management appointed through the GMS. The company's actions include investing in capital goods such as buildings, docks, warehouses, storage tanks, machinery, and equipment. In addition, the company's action is to increase the number of BP AKR gas stations every year as a form of ongoing cooperation with British Petroleum. Persistence not only has a positive effect on the company, but also has an impact on the benefits that will be obtained by shareholders because the increase in dividend value from IDR 25/share in 2020 increases to IDR 29/share in 2021. The increase in dividend value also increased in 2022 from IDR29/share to IDR50/share (AKRA, 2025). In addition, earnings persistence can be an indicator that can convince creditors to provide additional funding for the company. This can certainly increase investor confidence to invest and provide capital for the company.

Earnings persistence is expected to be influenced by several factors. Sales volatility, ownership concentration, market concentration, and operating cash flow were selected as the variables in this study to refine and extend the findings of previous research. Sales volatility and operating cash flow represent internal firm-performance variables. In contrast, ownership concentration reflects a market-related factor that may influence a firm's capabilities. Furthermore, market concentration is employed as a proxy for firm scale, which is assessed not only in terms of asset value but also in relation to the firm's comparability within the same industry.

The first factor that is thought to affect earnings persistence is sales volatility. According to Andi & Setiawan (2020) sales volatility is an indicator that can be used as a measurement of the level of movement or fluctuation of sales in a certain period. Low sales volatility indicates the utilization of assets to generate consistent sales in a period. One of the asset utilization that the company can do to encourage production quantity and cost efficiency is to develop technology in the form of Concrete Control Center (BCC). This technology allows one person to control the production process in several batching plans (BP) so that the company can save labor costs which have an impact on reducing the cost of goods sold. In addition, this technology can reduce the possibility of human error in determining the dosage of raw materials. This has an impact on reducing failure costs so that the cost of goods sold can decrease. A decrease in dosing errors can also have an impact on the consistency of the quality of the products produced by the company. When consumers always get products with consistently good quality, these consumers can continue to make purchases and increase the number of purchases which has an impact on increasing sales. Sales that continue to increase or stabilize in a period accompanied by the company's sustainable operational efficiency triggers an increase in profits year after year. The increase in profit triggers an increase in the company's profit persistence. Based on the research results of Azkia & Rizal (2022), sales volatility has a negative effect on earnings persistence, while according to Saptiani & Fakhroni (2020) "sales volatility has no effect on earnings persistence". This is not in line with

research conducted by Gunawan & Gurusinga (2022) that “sales volatility has a significant positive effect on earnings persistence”.

The second factor that is expected to affect persistence is ownership concentration. According to Pratomo & Nuraulia (2021) the concentration of ownership describes the high authority or control over all company activities by an entity that owns the majority stake in the company. A large concentration of ownership indicates that an entity holds most of the company's share ownership. Majority shareholders can have the authority to appoint key management at the General Meeting of Shareholders (GMS) to support the company's strategic decisions. One example of a strategic decision made by the company is to build an industrial area integrated with a port that has many functions and residential with the concept of an independent city. This area can generate revenue for the company from the sale of industrial land, industrial land rental income, and utility services for tenants. To achieve cost efficiency, the company can make acquisitions of other business units engaged in services and logistics. Due to this acquisition, the company was able to avoid the cost of the difference in margins taken by the logistics company's vendors, thereby lowering the cost of sales. In addition, the company can have control over the route and schedule of delivery of goods for customers who are in one shipping lane. This can reduce shipping costs, which in turn can reduce cost of sales. Increased or stable sales accompanied by cost efficiency has an impact on increasing or stabilizing company profits. The increase or stability of profit year after year causes an increase in the company's profit persistence. Based on the research of Pratomo & Nuraulia (2021) “ownership concentration has a negative effect on earnings persistence”. Meanwhile, according to Azkia & Rizal (2022) that “Ownership concentration has no effect on earnings persistence”.

The third factor estimated to affect earnings persistence is market concentration. According to Agustian (2020) market concentration shows the dominance of production and sales by a company in its industry. A high level of market concentration indicates the higher market share controlled by a company because it is able to generate the majority of revenue compared to the company's total industry revenue. A high level of sales proportion indicates that a good product image or brand awareness has been formed in the community. The next strategies that can be done to continue to increase sales are product and service differentiation, maintaining competitive prices, expanding distribution channels, and maintaining consumer loyalty with the community. Companies with the largest proportion of sales have a strategic position because they have a wide and loyal consumer base. In this case, the company can reduce marketing/advertising costs because the company is already a market leader in its industry. The increase or stability of sales along with cost efficiency causes growth or stability of profits generated by the company. Continuous profit growth or stability has an impact on increasing profit persistence. According to Mahendra & Suardikha (2020) “market concentration has a significant and positive effect on earnings persistence”. This is not in line with Putri & Aufa (2023) who state that market concentration has a negative effect on earnings persistence.

The last factor estimated to affect earnings persistence is operating cash flow. According to (Kieso et al., 2020) “Operating cash flow is cash flow related to the effects of transactions related to determining the company's net income, such as payments to suppliers and employees or cash receipts from sales of goods and services”. Positive cash flow indicates that the cash received from operating activities is greater than the expenditure. Positive cash flow means that cash obtained from customers is greater than expenses used to pay debts to suppliers and company operating costs. Companies can utilize surplus cash to drive sales by making diverse derivative products according to their needs to reach a wider

range of customers. In addition, to reduce the cost of production machinery, the company can utilize surplus cash to purchase biomass fuel and refuse derived fuel (RDF) which can be an alternative to coal. Both alternative fuels have lower ash content which reduces the accumulation of slagging in the production machinery. This can reduce routine machine maintenance costs resulting in a reduction in fixed overhead costs which then have an impact on reducing the cost of goods sold. Cost efficiency that continues to be carried out accompanied by an increase or stability of sales causes growth or stability of profits generated by the company. Sustainability of growth or stability of profit that is constant every year increases the company's profit persistence. Based on the research of Hidayat & Fauziah (2020), "operating cash flow has a positive influence on earnings persistence". This is not in line with the research of Indriani & Napitupulu (2020) that "operating cash flow has no effect on earnings persistence".

This study examines the extent to which firm-specific characteristics influence earnings persistence, which is widely regarded as a key indicator of earnings quality and the sustainability of firm performance. Specifically, sales volatility is expected to have a negative effect on earnings persistence, as greater fluctuations in sales may reflect operational instability and reduce the predictability of future earnings. In contrast, ownership concentration, market concentration, and operating cash flow are expected to positively affect earnings persistence by strengthening monitoring mechanisms, enhancing market power, and reflecting the firm's ability to generate stable cash from its core operations. Accordingly, this study aims to investigate the negative effect of sales volatility and the positive effects of ownership concentration, market concentration, and operating cash flow on earnings persistence.

1.2 Literature Review and Hypotheses

1.2.1 Signal Theory

According to Spence in Suryani & Arsjah (2025) "Signal theory can be a description of company communication of information about the value of the company to the market in order to shape the perceptions of investors and other stakeholders". "Signal theory can explain the influence that has an impact on the behavior of the recipient (investor) due to actions taken by the signal giver (company). Signals issued by companies (managers) can be interpreted as cues for outsiders (investors)" (Ghozali, 2020). "In this case, the company acts as an information provider while the investor acts as an information receiver. Information that has been received by investment actors can be processed and interpreted with existing knowledge into a good or bad message" (Hapsari & Ghozali, 2022).

According to signaling theory, companies communicate their financial condition and future prospects through the information disclosed in financial statements. Reported earnings are one of the key signals used by investors to assess firm performance. In this context, earnings persistence reflects the company's ability to generate stable and consistent earnings over time. Persistent earnings provide a positive signal to the market because they are considered more sustainable and more useful in forecasting future earnings. As a result, firms with higher earnings persistence are more likely to be viewed positively by investors, as such earnings indicate better future prospects (Godfrey in Hisbullah, 2021; Riskiya & Africa, 2021; Afifah et al., 2024).

1.2.2 Earning Persistence

According to Tambunan (2021), "Profit has an important role for stakeholders". Persistent earnings reflect firm quality, support reliable decision-making, and help predict future earnings, thereby attracting investors (Abdillah et al., 2021; Pratomo & Nuraulia, 2021). There are several previous studies that have been conducted to test the effect of sales

volatility, ownership concentration, market concentration, and operating cash flow on earnings persistence. The results of Riskiya & Africa (2021) show that Accrual reliability, operating cash flow, sales volatility, and firm size significantly affect earnings persistence. The results of research by Ariyanti et al. (2021) shows that “sales volatility, market concentration, cash flow volatility, audit fees, debt level together have a significant effect on earnings persistence”. The research results of Azkia & Rizal (2022) show that “deffered tax expense, ownership concentration, and sales volatility simultaneously affect earnings persistence”.

1.2.3 Sales Volatility

Sales volatility reflects the degree of fluctuation in a company's sales over time. High sales volatility indicates greater uncertainty in sales estimation and prediction, which can lead to unstable earnings and lower earnings persistence. In other words, when sales change sharply from one period to another, earnings become less consistent and less reliable for predicting future performance. From the perspective of signaling theory, sales stability can be seen as a positive signal to investors because it suggests more predictable operations and more sustainable earnings. In contrast, high sales volatility may send a negative signal regarding the firm's performance stability, thereby reducing confidence in the persistence of its earnings (Saptiani & Fakhroni, 2020; Saragi et al., 2023).

Based on previous research, there are several conclusions obtained regarding the effect of sales volatility on earnings persistence. The research results of Menggalawati & Hardiningsih, (2024), Aprian & Yustisia (2022), and Nahak et al. (2021) show that sales volatility has a negative effect on earnings persistence. The results of research conducted by Gunawan & Gurusinga, (2022) show that sales volatility has a positive influence on earnings persistence. Based on the theoretical explanation and looking at the objectives of the study, the alternative hypothesis for this study is stated as follows:

Ha1: Sales Volatility negatively affects Earnings Persistence

1.2.4 Ownership Concentration

Ownership concentration refers to the distribution of share ownership between majority and minority shareholders, which can influence the level of control within a company. A higher concentration of ownership may strengthen monitoring over managerial actions, thereby reducing the likelihood of opportunistic behavior and improving the quality of reported financial information. As a result, stronger oversight by majority shareholders can support more stable and sustainable earnings, leading to higher earnings persistence. From the perspective of signaling theory, concentrated ownership may also serve as a positive signal to investors, as effective control and supervision indicate greater credibility of earnings and better prospects for future performance (Pratomo & Nuraulia, 2021; Munir & Widiatmoko, 2022).

There are several conclusions obtained regarding the effect of ownership concentration on earnings persistence on the basis of previous research. The results of research conducted by Pratomo & Nuraulia (2021) show that ownership concentration has a negative effect on earnings persistence. Based on the theory previously described and looking at the research objectives, the alternative hypothesis for this study is stated as follows:

Ha2: Ownership Concentration has a positive effect on Earnings Persistence

1.2.5 Market Concentration

Market concentration reflects the extent to which a company controls market share within its industry. A higher level of market concentration indicates a stronger competitive position, which may support more stable sales generation and, in turn, more sustainable profits. Because earnings persistence is associated with the consistency of profits over time, firms with greater market concentration are more likely to exhibit persistent earnings. From the perspective of signaling theory, high market concentration can be interpreted as a positive signal to investors, as it suggests competitive strength, stronger market control, and better prospects for maintaining future earnings (Mahendra & Suardikha, 2020).

Based on previous research, there are several conclusions obtained regarding the effect of market concentration on earnings persistence. Research by Mahendra & Suardikha (2020), Agustian (2020), Afifah et al. (2024), and Ariyanti et al. (2021) shows that market concentration has a positive influence on earnings persistence. The results of research conducted by Putri & Aufa, (2023) show that market concentration has a negative effect on earnings persistence. Based on the previous theoretical explanation and looking at the research objectives, this study states the following alternative hypothesis:

Ha3: Market Concentration has a positive effect on Earnings Persistence

1.2.6 Operating Cash Flow

Positive operating cash flow shows that cash inflows from operating activities exceed cash outflows for production and operating expenses. This condition indicates effective operational cash management, which may improve cost efficiency and support the continuity of profits over time. Since sustained profitability is closely related to earnings persistence, firms with positive operating cash flow are more likely to report persistent earnings (Fillio & Diana, 2024). Under signaling theory, positive operating cash flow can be interpreted as a positive signal of financial health and operational strength, thereby increasing investor confidence in the sustainability of future earnings.

Previous research, there are several conclusions obtained regarding the effect of operating cash flow on earnings persistence. The results of research conducted by Gunawan & Gusinga, (2022), Abdillah et al. (2021), Indriani & Napitupulu (2020), Fillio & Diana (2024), Hidayat & Fauziah (2020), Riskiya & Africa (2021) and Sabila et al. (2021) show that operating cash flow has a positive effect on earnings persistence. Based on the theory previously described and looking at the research objectives, the alternative hypothesis for this study is stated as follows:

Ha4: Operating Cash Flow has a positive effect on Earnings Persistence

1.2.7 Research Model

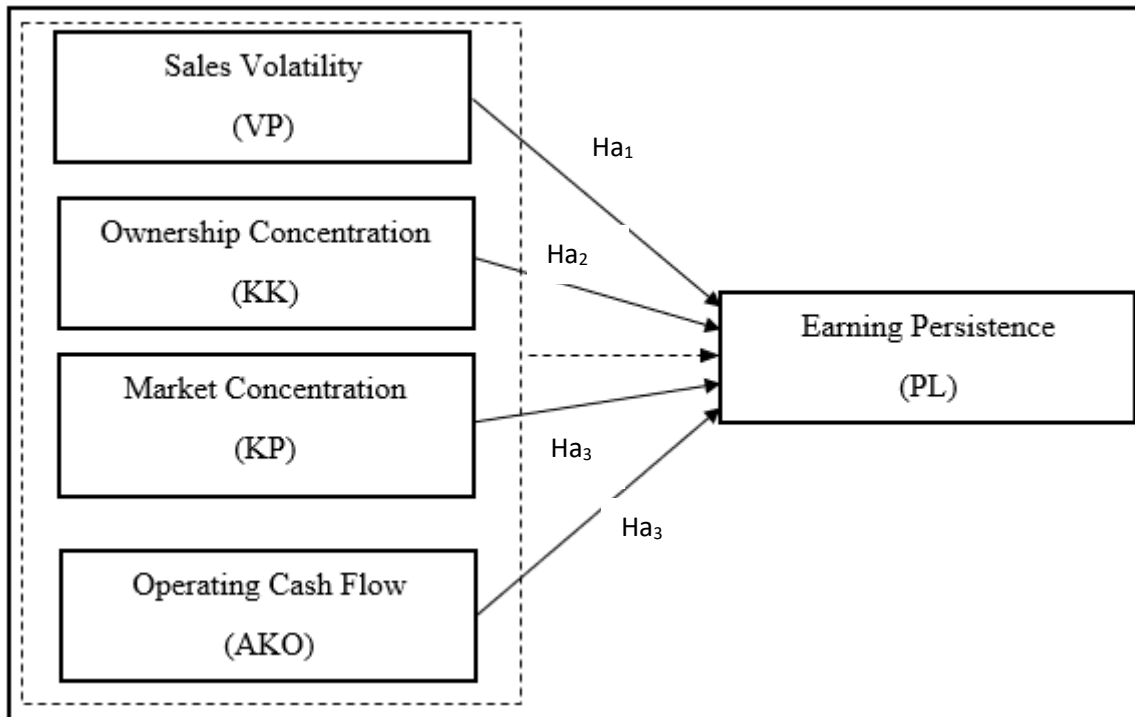


Figure 2. Research Model

2. RESEARCH METHODOLOGY

2.1 General Description of the Research Object

The use of objects in this study are companies that are members of the Kompas100 Index in the 2020-2023 period. According to (IDX, 2025) "The Kompas100 Index is published in collaboration with the Kompas Gramedia Group company (publisher of the Kompas daily newspaper) which is evaluated regularly every 6 months in the January and July periods and is effective 1 month after that". "There are 100 public and traded companies in the Indonesia Stock Exchange that are included in the Kompas100 Index. The companies are selected because they have high liquidity, large market capitalization, and good fundamentals. In addition, the total market capitalization of all companies listed in the Kompas100 Index represents 70-80% of the market capitalization of all stocks listed on the IDX. By looking at the Kompas100 index, investors are expected to know the trend of the index movement direction" (Harian Kompas, 2024).

According to Sekaran & Bougie (2020) "causal studies are research studies conducted to establish cause-and-effect relationships among variables. causal research is research that states that variable X (independent variable) causes variable Y (dependent variable)". The variable tested in this study is the effect of sales volatility, ownership concentration, market concentration, and operating cash flow variables on earnings persistence.

2.2 Research Variables

2.2.1 Dependent Variable

In this study, the dependent variable used is earnings persistence, which is an indicator that shows the company's ability to generate profits from its average total assets on an ongoing basis in a period so that it can predict next year's profit before tax generated from its average total assets. Earnings persistence can be determined from the results of the regression

beta coefficient between current year's profit before tax (PTBI_t) against next year's profit before tax (PTBI_{t+1}). According to (Fillio & Diana, 2024) , earnings persistence can be formulated as follows:

$$PTBI_{t+1} = \alpha + \beta PTBI_t + e$$

2.2.2 Independent Variable

Sales Volatility

Sales volatility is the level of sales fluctuations in a period resulting from the total assets of the company in the current year or the index of the distribution of sales in a period from the total assets of the company in the current year. Sales are the result of the exchange of goods or services provided by the company for cash. Assets are company assets that are used to generate sales. Total assets consist of current assets and non-current assets. According to Saptiani & Fakhroni (2020) sales volatility can be formulated as follows:

$$\text{Sales Volatility} = \frac{\sigma(\text{sales for 10 years})}{\text{Total Asset}}$$

Ownership Concentration

Ownership concentration is the composition of the largest shareholding of an entity from the total shares outstanding in the company. Ownership concentration is measured by the following formula:

$$\text{Ownership Concentration} = \frac{\text{Number of shares of the largest entity}}{\text{Total shares outstanding}}$$

Market Concentration

Market concentration is a measure that can show the magnitude of the company's ability to generate revenue compared to the total revenue of the industry in which the company is located. Revenue is measured through total sales generated by the company. Determination of the company's industry uses the IDX Industrial Classification (IDX-IC) guide. Companies that present dollar currency in the company's industry are the final result of sampling, the sales are translated using the daily average exchange rate calculated from investing data. According to Mahendra & Suardikha (2020) market concentration is measured by the following formula:

$$\text{Market Concentration} = \frac{\text{Revenue}}{\text{Total industry revenue}}$$

Operating Cash Flow

Operating cash flow is a positive cash flow generated from the company's operating activities. According to Gunawan & Gurusinga (2022), operating cash flow can be measured by the following formula:

$$\text{Operating cash flow} = \text{Total Operating cash flow}$$

2.3 Data Collection Technique

This study uses secondary data. According to Sekaran & Bougie (2020) "data that already exists and has been taken from other parties so that it does not need to be collected from researchers". The secondary data in this study are the financial statements of companies listed in the Kompas 100 Index during the 2020-2023 period and have been listed on the Indonesia Stock Exchange during the 2011-2024 period. The financial statements used have been audited and obtained from the IDX official website, namely idx.co.id and the company website. According to Sekaran & Bougie (2020) "population is the entire group of people,

events, or things that researchers want to study". The population in this study are companies that are in the Kompas100 index list and are listed on the IDX. According to Sekaran & Bougie (2020) "a sample is a subset or subgroup of the population". In this study, the sample was taken using purposive sampling method.

2.4 Data Analysis Technique

This study uses panel data consisting of cross-sectional observations of several firms over multiple time periods. However, the regression is estimated using pooled ordinary least squares (OLS). The use of pooled OLS is based on the assumption that all observations can be treated as a homogeneous sample without controlling for unobserved individual effects across firms. Furthermore, this approach is appropriate when model selection tests suggest that fixed effects or random effects models do not offer a better fit for the data. Multiple Linear Regression was used to test the hypothesis.

3. RESULT AND DISCUSSION

3.1 Research Object

The research object of this study is selected using criteria as follows:

Table 1 Sample Criteria

No.	Kriteria Sampel	Jumlah Perusahaan
1.	Companies listed in the Kompas100 Index consecutively during the period 2020 - 2023.	56
2.	Companies in non-financial industries.	50
3.	The company has been listed on IDX since 2011.	46
4.	Financial statements that have been audited by an independent auditor.	46
5.	The published financial statements are denominated in rupiah.	36
6.	Companies that publish complete financial statements ending on December 31 during the period 2011 - 2024.	36
7.	Companies that have positive operating cash flow in a row during the period 2020 - 2023.	32
8.	Companies that have positive net income before income tax in a row during the period 2020 - 2024.	29
9.	Companies that have a positive earnings persistence beta value	19
10.	There is earnings persistence in the sample of companies studied indicated by a significant value of simple regression <0.05 (assuming that there is or is not earnings persistence as a whole from the sample taken).	19

3.2 Analysis and Discussion

3.2.1 Descriptive Statistic

The following are the results of the descriptive statistical test:

Table 2 Descriptive Statistic Result

Variable	Range	Minimum	Maximum	Mean
PL	4.7572	0.0362	4.7935	0.6657
VP	0.8700	0.0251	0.8951	0.1668
KK	0.5130	0.3370	0.8499	0.5694
KP	0.9148	0.0372	0.9520	0.3724
AKO	7.00E+13	1.81E+10	7.00E+13	9.92E+12

Valid N (listwise) = 76

As presented in Table 2, earnings persistence (EP) shows that current-year profit before tax can explain 66.57% of profit before tax in the subsequent year. Sales volatility (VP) reflects an average fluctuation of 16.83%, while ownership concentration (KK) suggests that share ownership tends to be concentrated in the hands of a particular group or individual. Market concentration (KP) indicates that the sample firms contribute 37.24% of total industry revenue. Furthermore, operating cash flow (AKO) shows that the companies in the sample generally record positive cash flow from operating activities.

3.2.2 Data Screening Test

The results of the classic assumption test show that this study passed the classical assumption test. Testing for normality after transformation with One Sample Kolmogorov-Smirnov exact Monte Carlo showed a significant 2-tailed value of 0.166. The results of the multicollinearity test demonstrate that the independent variables sales volatility (VP), ownership concentration (KK), market concentration (KP), and operating cash flow (AKO) exhibit tolerance values exceeding 0.10 and Variance Inflation Factor (VIF) values below 10. These findings indicate the absence of multicollinearity among the independent variables. Additionally, the autocorrelation test based on the Durbin-Watson statistic suggests that there is no evidence of autocorrelation within the regression model. Furthermore, the heteroscedasticity test, conducted through a scatter plot analysis, reveals no indication of heteroscedasticity, confirming the model's consistency with classical linear regression assumptions.

3.2.3 Determinant Coefficient Test

**Table 3 Determination Coefficient Test Results
Model Summary^a**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.459 ^a	.211	.166	.40706

a. Predictors: (Constant), Lg10AKO, KK, Lg10VP, SqrtKP

b. Dependent Variable: Lg10PL

The coefficient of determination (Adjusted R²) in this study is 0.166. This value indicates that the independent variables, namely Sales Volatility (VP), Ownership Concentration (KK), Market Concentration (KP), and Operating Cash Flow (AKO) can explain the dependent variable, namely earnings persistence by 16.6% while the remaining 83.4% can be explained by other variables other than the variables used in this study.

3.2.4 F-Statistical Test

Table 4 F-Statistical Test Result

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.140	4	.785	4.737	.002 ^b
	Residual	11.765	71	.166		
	Total	14.904	75			

a. Dependent Variable: Lg10PL

b. Predictors: (Constant), Lg10AKO, KK, Lg10VP, SqrtKP

Based on table 4, the F statistical test shows a value of 4.737 with a significance value of 0.002. The significance value that is less than 0.05 indicates that the independent variables, namely sales volatility, ownership concentration, market concentration, and operating cash flow together or simultaneously have a significant influence on the dependent variable, namely earnings persistence.

3.2.5 t-Statistical Test

Table 5 t-Statistical Test Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.177	1.400		.841	.403
	Lg10VP	-.648	.154	-.571	-4.208	.000
	KK	.179	.424	.047	.423	.673
	SqrtKP	.610	.301	.336	2.025	.047
	Lg10AKO	-.212	.127	-.278	-1.670	.099

a. Dependent Variable: Lg10PL

Based on Table 5, the following are results of the regression equation:

$$PL = -0,571 VP + 0,047 KK + 0,336 KP - 0,278 AKO$$

The VP variable has a regression coefficient value of -0.571 which means that every 1% increase in VP will reduce earnings persistence (PL) by 57.1%. The results of the t statistical test for the sales volatility variable (VP) obtained a t value of -4.208 with a significance value of 0.000074 which is smaller than 0.05. Therefore, Ha₁ is accepted, which means that sales volatility has a significant negative effect on earnings persistence. The results

of this study are in line with research conducted by Azkia & Rizal (2022), Menggalawati & Hardiningsih (2024), and Aprian & Yustisia (2022) which state that sales volatility has a significant negative effect on earnings persistence. However, the results of this study are not in line with research conducted by Gunawan & Gurusinga (2022) which states that sales volatility has a positive effect on earnings persistence.

The regression results indicate that ownership concentration (KK) has a positive coefficient of 0.047, but the effect is not statistically significant, as shown by a t-value of 0.423 and a significance level of 0.673 (> 0.05). Accordingly, H2 is rejected, indicating that ownership concentration does not have a positive effect on earnings persistence. This finding is consistent with Azkia and Rizal (2022), who also reported that ownership concentration has no significant effect on earnings persistence. This result implies that concentrated ownership does not necessarily strengthen the sustainability of earnings. Although a number of firms in the sample experienced growth in operational assets and sales, such growth was not accompanied by cost efficiency. In many cases, increases in cost of goods sold, selling expenses, administrative expenses, and other operating expenses offset the benefits of higher sales, thereby weakening earnings persistence. From the perspective of signaling theory, ownership concentration may be perceived as a positive signal because it suggests stronger monitoring by major shareholders. However, the present findings indicate that this signal is insufficient in the absence of efficient operational performance and stable profit generation. Thus, ownership concentration alone cannot guarantee persistent earnings. The practical implication of this finding is that firms should not rely solely on ownership structure as a mechanism for improving earnings quality. Instead, effective shareholder monitoring should be supported by stronger cost control, better asset utilization, and more efficient operational management. For investors, ownership concentration should not be interpreted as an independent signal of future earnings sustainability; rather, it should be evaluated together with the firm's operational efficiency and profitability performance.

The market concentration variable (KP) has a regression coefficient of 0.336, which means that every 1% increase in KP increases earnings persistence by 33.6%. The t statistical test result for the market concentration variable obtained a t value of 2.205 with a significance value of 0.047 which is smaller than 0.05. Therefore, H₃ is accepted, which means that market concentration has a significant positive effect on earnings persistence. The results of this study are in line with research conducted by Mahendra & Suardikha (2020), Afifah et al. (2024), Ariyanti et al. (2021) which state that market concentration has a significant positive effect on earnings persistence. However, the results of this study are not in line with research conducted by Putri & Aufa, (2023) which states that market concentration has a negative effect on earnings persistence.

The regression results show that operating cash flow (AKO) has a coefficient of -0.278, indicating a negative direction; however, the effect is statistically insignificant, as reflected by a t-value of -1.670 and a significance level above 0.05. Accordingly, H4 is rejected, meaning that operating cash flow does not have a positive effect on earnings persistence. This finding is consistent with Putri and Aufa (2023), who also found that operating cash flow has no significant effect on earnings persistence. This result suggests that higher operating cash flow does not necessarily translate into more persistent earnings. Although many firms in the sample experienced an increase in operating cash flow, much of this cash was allocated to investment activities, particularly fixed asset acquisition. While these investments were associated with higher sales, the increase in revenue was not accompanied by cost efficiency, as indicated by rising cost of revenue, operating expenses, and financial expenses. Consequently, the additional cash generated from operations did not

lead to stronger earnings sustainability. From the perspective of signaling theory, positive operating cash flow is generally expected to serve as a favorable signal of financial health and operational strength. However, the present findings indicate that this signal is not sufficiently credible when cash inflows are not supported by efficient cost management and stable profit generation. Therefore, positive operating cash flow alone cannot be interpreted as a reliable signal of persistent earnings. The practical implication of this finding is that firms should not focus solely on increasing operating cash flow, but also on how that cash is managed and converted into efficient and sustainable profits. Management needs to ensure that cash generated from operations is followed by better cost control, careful investment decisions, and stronger profit efficiency. For investors, positive operating cash flow should not be viewed as an independent indicator of future earnings persistence; rather, it should be assessed together with the firm's expense structure and ability to maintain profitability over time.

4. CONCLUSION

This study examines the effect of Sales Volatility, Ownership Concentration, Market Concentration, and Operating Cash Flow on earnings persistence in the Kompas100 Index for the period 2020 - 2023. The following is the conclusion of the results of this study:

1. The results of the t statistical test on the Sales Volatility (VP) variable show a t value of -4.208 with a significance level of 0.000074, whose significance value is less than 0.05. This means that Sales Volatility (VP) has a significant negative effect on earnings persistence, so H_{a1} is accepted. The results of this study are in line with the research of Menggalawati & Hardiningsih (2024), Aprian & Yustisia (2022), and Azkia & Rizal (2022) which state that Sales Volatility has a negative effect on earnings persistence.
2. The t statistical test results on the Ownership Concentration variable (KK) show a t value of 0.423 with a significance level of 0.673, whose significance value is more than 0.05. This means that Ownership Concentration (KK) has no effect on earnings persistence, so H_{a2} is rejected. Of all the observations, the majority have ownership concentration below the average, these shareholdings can determine strategic policies such as the purchase of operational assets that can increase company sales, but the increase is not offset by expense efficiency, causing low earnings persistence. These results are in line with research conducted by Azkia & Rizal (2022) which shows that Ownership Concentration has no effect on earnings persistence.
3. The results of the t statistical test on the Market Concentration variable (KP) show a t value of 2.025 with a significance level of 0.047 whose significance value is less than 0.05. This means that Market Concentration (KP) has a significant positive effect on earnings persistence, so H_{a3} is accepted. These results are in line with research conducted by Mahendra & Suardikha (2020), Putri & Aufa (2023), Afifah et al. (2024), and Ariyanti et al. (2021) which show that Market Concentration has a positive effect on earnings persistence.
4. The results of the t statistical test on the Operating Cash Flow (AKO) variable show a t value of -1.670 with a significance level of 0.099, whose significance value is more than 0.05. This means that Operating Cash Flow (AKO) has no effect on earnings persistence, so H_{a4} is rejected. The majority of observations experienced an increase in Operating Cash Flow due to increased cash receipts from customers. Apart from being used for operations, the most cash is used for investment activities, especially to obtain fixed assets that can increase sales. However, the increase is not in line with the efficiency of expenses in the form of other operating expenses and financial expenses.

This is what causes low earnings persistence. These results are in line with research conducted by Saptiani & Fakhroni (2020) which shows Operating Cash Flow has no effect on earnings persistence.

This study contributes to the earnings persistence literature by showing that sales volatility and market concentration are important determinants of earnings persistence. The negative effect of sales volatility indicates that unstable sales reduce the sustainability of earnings, while the positive effect of market concentration suggests that a stronger competitive position supports more persistent profits. In contrast, ownership concentration and operating cash flow were found to have no significant effect, indicating that governance structure and cash flow alone do not automatically improve earnings persistence without efficient operational performance. Therefore, this study broadens the understanding of earnings persistence by emphasizing the importance of operational stability and market strength.

For investors, the findings suggest that sales stability and market position should be considered when evaluating the sustainability of a firm's earnings. High sales volatility may indicate lower earnings quality, whereas stronger market concentration may reflect more sustainable profits. For companies, the results imply the need to reduce sales fluctuations, improve cost efficiency, and strengthen competitive position in order to maintain earnings persistence. In addition, firms should not rely solely on ownership concentration or operating cash flow as indicators of sustainable earnings, but should ensure that these are supported by efficient operations and stable profitability.

5. LIMITATION

The research still has limitations, among others:

1. The independent variables contained in this study are only able to explain 16.6% of the dependent variable earnings persistence, while the other 83.4% is explained by other variables outside this study.
2. The object in this study is a company listed in the Kompas100 index so that it consists of a collection of companies in different sectors and requires in-depth analysis for each sector.
3. In the independent variable of market concentration, an industry specified in the IDX Industrial Classification may consist of various businesses with different end products so that it does not display specific sales of certain products.

Suggestions for research that can be given to future researchers include:

1. Adding research independent variables such as firm size, Debt to Equity Ratio (DER), and institutional ownership which are expected to affect earnings persistence.
2. Analyze more deeply each sector that is the research sample.
3. Calculating market concentration in industries with the same end product, for example in the construction material industry, oil and gas, specialty retail, agricultural products, etc.

6. ACKNOWLEDGMENT

This study is supported and fully funded by Accounting Program, Faculty of Business, Universitas Multimedia Nusantara.

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