



**THE EFFECT OF SALES VOLATILITY, COMPANY OPERATING CASH
FLOW VOLATILITY, ACCRUAL RELIABILITY, BOOK TAX DIFFERENCE
AND MARKET CONCENTRATION ON PROFIT PERSISTENCY
(Case Study on Manufacturing Companies Listed on the IDX for the Period
2021-2023)**

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Abstract

This study aims to determine the effect of Sales Volatility, Company Operating Cash Flow Volatility, Accrual Reliability, Book Tax Difference and Market Concentration on Profit Persistence (case study on manufacturing companies listed on the IDX for the period 2021-2023). The type of research used in this study is quantitative research. The population in this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2021-2023, totaling 233 companies. The sampling technique in this study used the purposive sampling method. The research sample obtained was 132 outliers to 123 manufacturing companies listed on the Indonesia Stock Exchange in 2021-2023. This test uses the multiple regression analysis method. The results of this study indicate that the Sales Volatility variable has an effect on profit persistence, while the Company Operating Cash Flow Volatility, Accrual Reliability, Book Tax Difference and Market Concentration have no effect on profit persistence.

Keywords: Sales Volatility, Accrual Reliability, Book Tax Difference, Market Concentration, Earnings Persistence



INTRODUCTION

The rapid growth of publicly listed companies in Indonesia across various sectors has intensified market competition and increased the importance of financial statements for stakeholders such as investors, creditors, and management. Profit, as a key indicator of company performance and value, plays a vital role in economic decision-making. High-quality earnings reflect sustainable profitability, while poor earnings quality fails to accurately predict future cash flows. One important measure of earnings quality is earnings persistence the company's ability to consistently generate reliable net income over time. Persistent earnings signal financial stability and positively influence stakeholder perception, whereas declining earnings indicate risk and may lead to negative evaluations. Recent data from leading manufacturing firms in Indonesia between 2021 and 2023 show an increasing trend in earnings persistence, suggesting these companies have successfully maintained and even enhanced the quality of their earnings over time (Gustiana & Rini, 2022).

Earnings persistence reflects a company's ability to sustain its current earnings into the future, serving as an indicator of permanent earnings and providing stakeholders with reliable information for forecasting (Aini & Zuraida, 2020; Gunarto, 2019; Septavita, 2016). Several factors may influence earnings persistence in publicly listed companies, including sales volatility, operating cash flow volatility, accrual reliability, book-tax differences, and market concentration. Sales volatility, which signals fluctuating revenue levels, has been found to negatively affect earnings persistence due to reduced predictability of future profits (Dechow & Dichev, 2002; Jensen & Meckling, 1976), though other studies report no significant impact (Rizka et al., 2024). Operating cash flow volatility,



reflecting cash inflow and outflow variability, can positively influence earnings persistence by signaling financial stability and profitability (Indriani & Napitupulu, 2020; et al., 2019), despite some contradictory findings (Rika & Khairunnisa, 2021). Accrual reliability, which measures the accuracy of accrual-based estimates, has been shown to significantly affect earnings persistence, with both negative and positive relationships reported depending on accrual quality (Gunarto, 2019; Haerudin et al., 2023). The book-tax difference, arising from discrepancies between accounting and tax regulations, may indicate earnings management and has been linked to both significant and insignificant effects on earnings persistence (Denita & Safii, 2022). Lastly, market concentration, or the extent of market control by dominant firms, may enhance earnings quality and persistence (Riskiya & Africa, 2022), though some studies find no substantial influence (Lupiyoadi, 2014).

This study builds upon previous research, particularly that of (Natalica & Hartanti, 2020), which focused solely on sales volatility. In contrast, this research incorporates additional independent variables operating cash flow volatility, accrual reliability, book-tax difference, and market concentration, to provide a more comprehensive analysis of factors influencing earnings persistence. Operating cash flow volatility is included because stable cash flows reflect consistent firm performance and more persistent earnings, while high volatility may lead to unpredictable and less reliable earnings. Accrual reliability is relevant as low-quality accruals are prone to manipulation, reducing earnings persistence, whereas high reliability enhances earnings quality and sustainability. A significant book-tax difference may signal earnings management or aggressive tax planning, thereby lowering earnings quality and persistence. Market



concentration is measured using the Herfindahl-Hirschman Index, offering a more robust metric than those used in prior studies such as Maharani & Majidah, (2020); firms with higher market concentration typically exhibit greater stability and competitive advantage, enhancing earnings persistence. Unlike Susanto, (2022), who only examined the impact of operating cash flow, this study targets manufacturing firms listed on the Indonesia Stock Exchange (IDX) for the 2021–2023 period, a sector chosen for its complex operations and major contribution to the national economy. Furthermore, this research is conducted during the post-pandemic economic recovery phase, which may yield different insights compared to studies carried out before or during the pandemic. By addressing inconsistencies in prior findings and employing more comprehensive variable measurements, this study aims to offer deeper insights into the determinants of earnings persistence in Indonesia's manufacturing sector.

LITERATURE REVIEW

Agency Theory

Agency theory, introduced by Jensen & Meckling (1976), explains the contractual relationship between principals (shareholders) and agents (management), highlighting conflicts of interest and information asymmetry. Shareholders aim to maximize firm value, while managers may pursue personal goals, taking advantage of their superior access to internal information (Susanto, 2022). This conflict affects financial reporting quality, where managers might engage in earnings management to present consistent short-term profits, ultimately reducing earnings persistence. Volatile sales can trigger such opportunistic behavior, as managers manipulate accruals to maintain the



appearance of stability. Strong corporate governance helps mitigate these issues by aligning interests and improving financial transparency. Operating cash flow, seen as more reliable than accounting earnings, is harder to manipulate and positively associated with earnings persistence. In this context, stable cash flows reduce incentives for accrual manipulation. Furthermore, accrual reliability is critical, as large book-tax differences (BTD) may indicate earnings manipulation or tax avoidance, signaling lower financial reporting quality. High BTD reflects greater managerial discretion in accounting practices, reducing income stability. Lastly, market concentration influences agency dynamics; in highly concentrated markets, reduced competitive pressure allows managers to focus on long-term performance, lowering the likelihood of short-term manipulation and enhancing earnings sustainability.

The Effect of Sales Volatility on Earnings Persistence

Based on agency theory, high sales reflect a company's strong performance in marketing and selling its products. Investors prefer stable sales and low volatility. Sales volatility refers to the degree of fluctuation or change in a company's sales from one period to another. The higher the volatility, the greater the fluctuations in sales. Low sales volatility indicates higher profitability in forecasting future cash flows from sales, thus resulting in more sustainable earnings.

Earnings persistence refers to a company's ability to maintain consistent levels of profitability over time. Persistent earnings indicate that the company can generate stable and predictable profits. Generally, there is a negative relationship between sales volatility and earnings persistence.



Research conducted by Ariyanti et al. (2021) and Kara and Anlar (2024) states that sales volatility has a negative effect on earnings persistence. The first proposed hypothesis finds that sales volatility affects earnings sustainability, although the effect may be insignificant. Differences between sales and cash flows result in lower earnings, which are critical for investor and analyst assessments when evaluating a company's long-term performance. Therefore, high sales volatility reflects instability in the company's operating environment, which may affect its ability to maintain consistent earnings.

Based on the above explanation, this study proposes the following hypothesis:

H1: Sales volatility affects earnings persistence.

The Effect of Operating Cash Flow Volatility on Earnings Persistence

A company's operating cash flow refers to the cash inflow generated from its core operational activities. The level of operating cash flow is an indicator of whether a company's operations can generate sufficient cash to repay debt, maintain operational capacity, and pay dividends. New investments can be made without relying on external funding sources. Operating cash flow appears at the beginning of the cash flow statement as it is the largest and most important source of cash for most companies.

Cash flow volatility is associated with the variance resulting from a company's operations. The greater the fluctuation in cash flow, the greater the potential profits the company may generate, though this may reduce the sustainability of funds. On the other hand, stable and consistent cash flow increases the likelihood of generating sustainable profits over time.



Several studies have found that operating cash flow volatility is related to the degree of stability maintained by the company. More stable operating cash flows (low volatility) tend to result in more persistent earnings. Overall, prior research concludes that operating cash flows negatively affect earnings persistence, although this effect may depend on the sector and specific characteristics of the company. Some studies report marginally positive benefits, while others highlight the importance of other factors such as outcomes and location.

According to studies by Agustin (2023) and Pricilia & Susanto (2021), operating cash flow volatility has a significant impact on earnings persistence among manufacturing companies in Indonesia.

Based on the explanation above, this study proposes the following hypothesis:

H2: Operating cash flow volatility affects earnings persistence.

The Effect of Accrual Reliability on Earnings Persistence

Accrual accounting reliability refers to the precision and accuracy of accrual components in financial statements that reflect a company's true economic condition and minimize the risk of financial misstatements. Accrual reliability is crucial because inaccurate financial reporting can mislead investors and other stakeholders regarding the company's economic performance and future earnings potential. Reliable accruals are expected to enhance income stability and a company's ability to maintain consistent and sustainable earnings over the long term. When accrual reliability is high, earnings tend to be more stable because the accruals reflect greater real economic value and are free from



earnings management and other distortions. Higher accrual reliability reduces the risk of misstatements and enhances earnings stability.

This hypothesis is supported by Sevitiana (2021), who found that accrual reliability had a significant positive effect on earnings persistence among U.S. firms. More reliable accruals tend to produce more persistent earnings. Overall, this study highlights the importance of high accrual reliability, particularly in markets that are sensitive to financial information, such as Indonesia. However, varying findings also indicate the need to consider external factors such as market volatility and managerial practices in further analysis.

According to Albi (2025) and Mahendra (2020), accrual reliability affects earnings persistence. Based on this explanation, the following hypothesis is proposed:

H3: Accrual reliability affects earnings persistence.

The Effect of Book-Tax Differences on Earnings Persistence

Book-tax differences (BTD), both temporary and permanent, can influence earnings persistence, depending on how a company manages or manipulates its financial reporting. BTD has a significant impact on earnings persistence, especially in the financial sector. The presence of these differences may indicate aggressive tax planning or earnings manipulation, which negatively affects income stability. Consequently, book-tax differences tend to reduce earnings persistence, particularly when companies employ risky accounting techniques to manipulate short-term performance.

This finding is important for stakeholders who assess earnings quality when making business or investment decisions.



According to Ariyanti et al., (2021), and Kara and Anlar, (2024), book-tax differences affect earnings persistence. Based on this explanation, the following hypothesis is proposed:

H4: Book-tax differences affect earnings persistence.

The Effect of Market Concentration on Earnings Persistence

Market concentration is believed to contribute to earnings sustainability. This is based on the argument that companies with larger market shares those operating in dominant positions have the power to set prices and maintain profitability. Therefore, their earnings tend to become stronger and more stable over time.

Market concentration has been shown to have a significant positive impact on earnings persistence in Indonesia's manufacturing sector. Higher market concentration can enhance earnings persistence as companies may possess greater capability to sustain their profitability over time. Firms in more concentrated markets tend to report more consistent earnings because they have better control over market dynamics and pricing strategies. This study confirms that markets with fewer competitors can provide financial stability for firms, as evidenced by more stable income. This issue is particularly relevant for firms employing market leadership strategies in monopolistic industries.

According to research by SePT avita, (2020) and Natalica & Hartanti, (2020), market concentration significantly affects earnings persistence. Based on this explanation, the following hypothesis is proposed:

H5: Market concentration affects earnings persistence.



RESEARCH METHOD

This quantitative study investigates the effect of sales volatility, operating cash flow volatility, accrual reliability, book-tax differences, and market concentration on earnings persistence, using secondary data from manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2021–2023. Data were obtained through documentation of annual reports from the IDX website, with the sample selected via purposive sampling based on criteria such as consistent listing during the study period, December 31 fiscal year-end, availability of three consecutive years of financial reports, absence of losses, and positive operating cash flows. Earnings persistence, the dependent variable, is measured as the change in pre-tax earnings from period t to $t-1$, scaled by total assets. Independent variables include: sales volatility (standard deviation of sales over total assets), operating cash flow volatility (operating cash flow over total assets), accrual reliability (sum of changes in financial assets, working capital, and non-current operating assets), book-tax differences (current tax expense over total assets), and market concentration (firm revenue divided by industry revenue, multiplied by 100%). Data analysis was conducted using SPSS, involving descriptive statistics, classical assumption tests (normality, multicollinearity, autocorrelation, and heteroscedasticity), and inferential analysis including F-test, R^2 , multiple linear regression, and t-tests, with a 0.05 significance level used to determine the impact of each variable on earnings persistence.

RESULTS AND DISCUSSION

Description of Research Object

This study aims to examine the effect of Sales Volatility, Operating Cash Flow Volatility, Accrual Reliability, Book-Tax Differences, and Market



Concentration on Earnings Persistence. The population consists of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2023. Using a purposive sampling method, the research selected companies that met specific criteria, with data obtained from financial reports available on the official IDX website (www.idx.co.id). The sample selection results based on these criteria are presented in the following table:

Table 1.
Sample Determination

No	Criteria	Number of Companies
populati on	Manufacturing companies listed on the Indonesia Stock Exchange during the 2021-2023 period	233
1	Manufacturing companies that do not present annual reports for each observation period	-72
2	Manufacturing companies that experience losses during the Observation period	-80
3	Financial reports that do not have positive operating cash flow	-37
	Research Sample	44
	Total Sample for three years = 44 X 3	132
	Number of Samples for three years processed	132

Source: 2025 Data Analysis Results

Descript ive Statistics

Table 2.
Descript ive Statistics

Variable	N	Minimum	Maximum	mean	Std.Deviation
Earnings Persistence	123	-.26	.32	.0131	.06733
Sales Volatility	123	.03	3.36	.9080	.52547
Operating Cash Flow Volatility	123	.00	.44	.1213	.09534
Accrual Reliability	123	-5.88E+13	2.65E+15	2.4207E+13	2.3899E+14
Book Tax Difference	123	.00	.07	.115	.1272
Market Concentration	123	.00	.23	.0222	.4938

Source: 2025 Data Analysis Results



Based on the descriptive analysis of 123 observations, the earnings persistence variable shows a minimum value of -0.26 (PT Central Proteina Prima Tbk, 2022) and a maximum of 0.32 (same company, 2021). Sales volatility ranges from -0.03 (PT Surya Biru Murni Acetylene Tbk, 2023) to 3.36 (PT Mulia Industrindo Tbk, 2023). Cash flow volatility has a minimum of 0.00 (PT Indopoly Swakarsa Industry Tbk and PT Wijaya Karya Beton Tbk) and a maximum of 0.44 (PT Unilever Indonesia Tbk, 2022). Accrual reliability exhibits extreme variability with a minimum of -5.88E+13 (PT Wijaya Karya Beton Tbk, 2021) and a maximum of 2.65E+15 (PT Pabrik Kertas Tjiwi Kimia Tbk, 2021). The Book tax Difference has a minimum value of 0.00 obtained from PT Samator Indo Gas Tbk (AGII) in 2021, PT Asahimas Flat Glass Tbk (AMFG) in 2021, PT Gunung Raja Paksi Tbk (GGRP) in 2022 and PT Indah Kiat Pulp & Paper Tbk (INKP) in 2023 and a maximum value of 0.07 obtained from PT Merck Indonesia Tbk (MERK) in 2021. Lastly, market concentration has a minimum value of 0.00 obtained from PT Formosa Ingredient Factory Tbk (BOBA) in 2021, PT Mega Perintis Tbk (ZONE) in 2022 and a maximum value of 0.23 obtained from PT Gudang Garam Tbk (GGRM) in 2021.

Classical Assumption Test

The results of the classical assumption tests are as follows: The normality test using the Kolmogorov-Smirnov method shows an Asymp. Sig. (2-tailed) value of 0.200 (N=123), which is greater than the significance level of 0.05. This indicates that the data are normally distributed. The multicollinearity test, assessed through Tolerance and VIF values, reveals that all independent variables have Tolerance values greater than 0.10 and VIF values below 10. Thus, the model is free from multicollinearity.



The autocorrelation test conducted using the Runs Test shows a significance value of 0.239, which exceeds the 0.05 threshold, indicating no autocorrelation in the residuals. Lastly, the heteroscedasticity test using Spearman's rank correlation reveals that all independent variables have significance values greater than 0.05, suggesting the absence of heteroscedasticity. Therefore, the regression model satisfies all classical assumption tests.

Multiple Linear Regression Test

Table 3. Multiple Linear Regression Test Results

Table with 7 columns: Model, Unstd. Coeff (B, Std. Error), Std. Coeff (Beta), t, Sig., Remark. Rows include (Constant), Sales Volatility, Cash Flow Volatility, Accrual Reliability, Book Tax Difference, Market Concentration, Fcount, R2, Adj R2, Fsig.

Source: 2025 Data Analysis Results

Based on the results of data processing using multiple linear regression presented in Table 3, the following equation was obtained:

PL = 0.042 - 0.048VP + 0.058 VAK+1.501E-18 KA + 0.918 BTD - 0.096 KP + e

Based on the multiple linear regression equation, the interpretation is as follows: the constant value of 0.042 implies that if all independent variables (Sales Volatility, Cash Flow Volatility, Accrual Reliability, Book-Tax Difference, and Market Concentration) are held constant, the average Earnings Persistence increases by 0.042. The negative coefficient for Sales Volatility (-0.048) indicates



that higher volatility in sales reduces earnings persistence, as unstable revenues can lead to less sustainable profits. Conversely, Cash Flow Volatility shows a positive coefficient (0.058), suggesting that firms with more stable cash flows tend to exhibit more persistent earnings, though this effect is statistically insignificant, possibly due to reported earnings not fully reflecting cash flow volatility. Accrual Reliability, with a small but positive and significant coefficient ($1.501E-18$), suggests that accurate recognition of income and expenses strengthens earnings persistence. The positive but insignificant coefficient for Book-Tax Difference (0.918) indicates that while a higher BTD may reflect earnings management or accounting-policy differences, it does not consistently impact earnings persistence. Market Concentration has a negative coefficient (-0.096), suggesting that firms with higher market dominance may experience less sustainable earnings, though this relationship is also statistically insignificant. Lastly, the error term of 0.012 reflects the model's residual unexplained variance.

Based on Table 3, the F-test result shows a significance value of 0.006. Since this value is below the 0.05 threshold, it can be concluded that the regression model is statistically significant. This indicates that the model, which includes Sales Volatility, Cash Flow Volatility, Accrual Reliability, Book-Tax Difference, and Market Concentration as independent variables and Sustainable Development Goals as the dependent variable, is appropriate or fit for use in regression analysis.

Furthermore, the Adjusted R Square value of 0.091 indicates that the five independent variables collectively explain 9.1% of the variation in the dependent variable, Earnings Persistence. The remaining 90.9% of the variation is attributed



to other factors not included in this study, suggesting the presence of additional variables influencing earnings persistence.

Based on Table 3, the results indicate that Sales Volatility has a significant effect on Earnings Persistence, as evidenced by a p-value of 0.000, which is below the 0.05 threshold, thus supporting H1. In contrast, Cash Flow Volatility ($p = 0.443$), Accrual Reliability ($p = 0.951$), Book-Tax Difference ($p = 0.065$), and Market Concentration ($p = 0.441$) all show p-values greater than 0.05, leading to the rejection of H2, H3, H4, and H5, respectively. This suggests that only Sales Volatility significantly influences Earnings Persistence, while the other variables do not exhibit a statistically significant impact.

The Effect of Sales Volatility on Earnings Persistence

The results of this study show a significance value of 0.000 (< 0.05), indicating that sales volatility has a significant effect on earnings persistence. This means that the higher the sales volatility, the lower the likelihood that a company can consistently maintain its earnings. This supports the theory that high sales volatility reflects revenue instability, which negatively affects earnings sustainability. This finding is consistent with the research of (Lasrya & Ningsih, 2020), who stated that sales volatility negatively affects earnings persistence because uncertainty in revenue reduces the ability of earnings to remain stable in the long term. The results of this study are in line with agency theory, which explains that large sales fluctuations indicate operational uncertainty and increase the difficulty of projecting future profits. Furthermore, these findings are in agreement with previous studies, such as (et al., 2021), which also identified a significant negative effect. However, any insignificance found in similar studies



may be attributed to differences in industry sectors, time periods, or economic conditions following the COVID-19 pandemic.

Sales volatility can serve as an indicator of fluctuations in the operating environment and the company's tendency to rely on forecasts and estimates. High sales volatility is associated with greater estimation error compared to information from stable operational environments; therefore, earnings in such companies tend to be less persistent and unreliable for predicting future profitability. As (Fanani, 2010) stated, the more unstable the sales as indicated by high sales volatility the lower the earnings persistence.

The Effect of Cash Flow Volatility on Earnings Persistence

The results of this study show a significance value of 0.443 (> 0.05), indicating that cash flow volatility does not have a significant effect on earnings persistence. This suggests that the instability of operating cash flows is not strong enough to explain earnings stability, as cash flows tend to reflect liquidity, which is not always linearly related to accounting earnings. These findings are in line with the study by Sevitiana, (2021), who also found that the volatility of operating cash flows does not significantly affect earnings sustainability in manufacturing firms. This result contradicts the agency theory described in Chapter II, which suggests that consistent cash flows reflect true operational performance and reduce incentives for earnings manipulation.

The study is also consistent with previous research conducted by Rizka et al., (2024). In this study, although cash flow volatility fluctuated annually, it did not affect earnings persistence. This is likely because in the operations of any business, cash flow figures naturally vary from one period to another.

The Effect of Accrual Reliability on Earnings Persistence



The results of this study indicate a significance value of 0.951 (>0.05), showing that accrual reliability does not have a significant effect on earnings persistence. This suggests that the accrual reliability variable does not have a statistically strong relationship with a firm's ability to sustain or maintain earnings consistency over time.

Theoretically, reliable accrual accounting should enhance earnings quality, as accruals better reflect economic adjustments compared to cash-based measures alone. High accrual reliability is expected to produce more representative earnings information, thereby supporting earnings persistence. However, in this study, the empirical findings do not support this theoretical framework, resulting in the rejection of hypothesis H3.

This finding contradicts the theory presented in Chapter II, which suggests that managers often use accounting discretion to engage in earnings management, leading to unreliable accruals. Such unreliability can cause reported earnings to deviate from actual economic performance, making them less persistent. These findings are in line with the study by Maharani & Majidah, (2020), which also found no significant effect of accrual reliability on earnings persistence in the manufacturing sector. Their research explains that industry structure, company accounting policies, and the level of external oversight may influence the relationship between accruals and earnings quality.

The Effect of Book Tax Difference on Earnings Persistence

The results of this study show a significance value of 0.065 (>0.05) indicating that Book Tax Difference has no significant effect on earnings persistence, although it is close to the significance limit. This shows that accounting and tax differences are not enough to consistently affect earnings



stability, although they can describe earnings management. Therefore, H4 is rejected.

Book Tax Difference which has no effect on earnings persistence contradicts agency theory because it shows that the difference between accounting and tax earnings is not utilized by managers for personal gain, thus not supporting the assumption of opportunistic behavior in agency relationships. In this case, managers have incentives to manage earnings for personal gain or to meet certain targets, and Book Tax Difference is often considered an indicator of financial statement manipulation. Although Book Tax Difference is often used as an indicator of earnings management, not all earnings management practices cause non-persistent earnings, especially if the manipulation is carried out carefully or only in the short term. This study shows that the difference between accounting and tax earnings is not utilized significantly by managers for opportunistic purposes, which means that managerial behavior in the study sample tends not to be in line with the basic assumptions of agency theory. Another possibility is that earnings management practices do occur, but are not large enough or systematic enough to statistically affect earnings persistence.

This is supported by the research results of (Gunarto, 2019), and Rini, (2022), which state that Book Tax Difference does not have a significant effect on earnings persistence. This emphasizes that differences in treatment between tax and accounting reports can come from non-manipulative factors such as differences in depreciation methods or fiscal incentives.

The Effect of Market Concentration on Earnings Persistence



The results of this study show a significance value of 0.441 (> 0.05), indicating that market concentration does not have a significant effect on earnings persistence. Thus, the hypothesis stating that market concentration affects earnings persistence is rejected.

A high level of concentration means that most of the market share is controlled by a small number of large companies. In industrial economic theory, this condition is assumed to give dominant companies the power to control prices, gain scale efficiency, and create stability in their business operations. However, from the results of this study, changes in the level of market concentration do not cause significant changes in the level of company earnings persistence. This shows that the existence of a centralized market structure does not always guarantee that the company's profits will be sustainable over time. Thus, large market concentration does not automatically reflect stable profit performance, and market dominance by a particular company does not guarantee that the company will have more persistent profits than other companies. This shows that market concentration does not always have consistent finances.

The results of this study contradict agency theory, which assumes that in concentrated market conditions, companies have great market power so that external supervision becomes weaker. In such situations, managers tend to have greater discretion in making decisions without close supervision from investors, creditors, or competitors. Agency theory views that these conditions create loopholes for managers to act opportunistically, for example by manipulating financial statements to meet personal targets or maintain the company's image. As a result, reported earnings can be manipulative and less reflective of actual economic performance, which should reduce earnings persistence. This study is



in line with the research of Natalica & Hartanti, (2020) which states that there is no significant effect of market concentration on earnings persistence. Management tends to maintain stability and accountability due to high regulatory pressure.

CONCLUSION

This study aims to examine the effects of Sales Volatility, Operating Cash Flow Volatility, Accrual Reliability, Book-Tax Difference, and Market Concentration on Earnings Persistence among manufacturing firms listed on the Indonesia Stock Exchange during 2021–2023. The findings indicate that Sales Volatility has a significant negative impact on Earnings Persistence, supporting signaling and agency theories that emphasize the importance of stable sales in sustaining earnings.

However, Operating Cash Flow Volatility, Accrual Reliability, Book-Tax Difference, and Market Concentration were found to have no significant effect on Earnings Persistence, contradicting prior theoretical expectations and suggesting the influence of other unobserved factors. This research is limited by its focus solely on manufacturing firms, a relatively short observation period, a regression model that explains only 9.1% of the variance in earnings persistence, and potentially weak measurement methods.

Future studies are encouraged to incorporate additional variables such as earnings quality, earnings management, firm size, and corporate governance for more comprehensive insights. Practically, companies should prioritize maintaining stable sales to enhance earnings sustainability, while investors and



financial analysts may use sales volatility as a key indicator in evaluating future financial performance.

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