

DETERMINANTS OF EARNINGS PERSISTENCE LITERACY STUDY MANUFACTURING IN INDONESIA

Solechah Dwi Menggalawati¹⁾ and
Pancawati Hardiningsih²⁾



AFFILIATION:

Stikubank University ^{1), 2)}

CORRESPONDENCE:

solechahdwimenggalawati@mhs.unisbank.ac.id ¹⁾
pancawati@edu.unisbank.ac.id ²⁾

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Abstract: This research aims to analyze the impact of industry type, debt levels, and sales volatility on a company's ability to predict and maintain profits over time. Because profit persistence is the main determinant of the sustainability of a company's profitability and the quality of its financial reporting, this research is very important. The research population is manufacturing companies listed on the Indonesia Stock Exchange in 2019 and 2022. Purposive sampling is the approach used for sampling, and a total of 23 companies or 83 observations for the sample were selected. Multiple linear regression analysis is the analysis method used. The research results show that company size, as a control variable, has a positive impact on earnings persistence, sales volatility has a negative impact, while debt level and industry type have a positive effect on earnings persistence. Overall, this research has significant consequences for decision making, financial statement analysis, and profit prediction for future periods.

Keywords: sales volatility, debt level, industry type, company size, earnings persistence

INTRODUCTION

The focus of attention of many parties who require important information on the company's financial and operational statements is profit, which is one of the variables taken into account by stakeholders when making economic decisions. A healthy business is one that generates profits to show its true condition to the public and serves as a guide for estimating future earnings. Companies expect profits to increase continuously or this term is known as earnings persistence. Persistent earnings as an indicator of financial performance is desirable because it can build investor

confidence, facilitate strategic planning, and provide a more stable picture of the company's value. Persistent earnings refer to the ability of a company to maintain consistency in its profit earnings from one period to the next. However, keep in mind that in the dynamic business world, fully persistent earnings are very rare, and some fluctuations in earnings are normal. A good analysis should consider the context and external factors that might affect a company's earnings. Earnings persistence is an interesting research topic in accounting and finance because it has significant and relevant implications for various parties such as investors, company management, regulators, and financial analysts. Persistent earnings can increase investor confidence, because consistent earnings reflect stability (Veronika & Setijaningsih, 2022). Earnings persistence is also able to evaluate management performance in managing the company. If earnings tend to fluctuate or be unstable, this can raise questions about management's ability to manage risks and market changes (Kusumawati et al., 2022).

Farihatul (2022) states that earnings that have a high level of persistence are useful as a tool to predict profits that will be obtained in the next period. In carrying out company operations, resource assets determine the size or size of a company. Estimation errors that arise in large companies can be minimized by stability and well-predicted operations. In all cases, management that has a good and in-depth understanding of sales volatility conditions can help companies better manage them and make informed decisions to achieve sustainable growth and stability. (Rasyid et al., 2022). Some companies may face high sales volatility as a natural part of their business, such as technology companies operating in a fast-changing industry, but still have persistent profits if they manage risks. Similarly, in some cases, high sales volatility can generate significant business opportunities, which in turn can improve earnings persistence if utilized wisely.

The most crucial aspect in a company's operational cycle to generate profits is sales volatility. Volatile sales can have an impact on profit projections or estimates, which in turn can affect the company's cash flow. Sales volatility is said to have a good and negative influence on earnings persistence, according to several previously reviewed studies. According to research by Andi & Setiawan (2019), sales volatility has a good impact on earnings persistence. The reason is that the level of profit income in the company is determined by the size of the sales generated by the company. If sales have a direct impact on profits, then the company's ability to maintain profits is directly influenced by the ups and downs (volatility) of sales. These results are also stated by other researchers such as (Khasanah & Jasman, 2019). However, research by Utomo, et.al, (2022) and Riskiya (2021) shows the opposite result with the statement that there is a negative effect of sales volatility on corporate earnings persistence. The negative research results were also produced by Mariani & Suryani (2021).

In some industries, especially those related to the nature of long-term projects or investments, fluctuations in the economy and business cycle may affect debt levels and earnings persistence. But during favorable economic periods, companies may tend to take on more debt for expansion, which may increase profit fluctuations if the economy turns into a recession. Companies that have high levels of debt need to manage risks more carefully to maintain earnings stability and avoid possible defaults. The use of debt affects the performance of the company, so the company should pay attention to the level of leverage (Ifada & Inayah, 2017).

Companies with low amounts of corporate debt may be more resilient to financial crises, whereas companies with greater levels of debt are more vulnerable to monetary problems that may have an impact on earnings sustainability. One option to get more money from outside sources is to take on debt and create contractual obligations with creditors. A company's ability to maximize profits is closely related to the sources of funds available to invest in developing the company and maximizing profits. The source of debt also plays a role, such as long-term debt with fixed interest may have a different impact on earnings persistence than short-term debt or debt provided by shareholders (equity) (Renaldo et al., 2023). However, it has a negative relationship to earnings persistence in manufacturing companies in the basic and chemical industry sector (Maulana & Triana, 2021).

To find out how the nature and characteristics of the industry can affect the ability of a company to maintain consistent earnings from period to period, is a complex relationship and involves

several factors that determine earnings persistence. The type of industry can have an impact on the level of earnings persistence. Some industries may have characteristics that tend to produce more persistent earnings, while others may be more likely to produce high earnings fluctuations. Analyze whether there is a difference in the level of earnings persistence between different industries or sectors. The statement in question is whether companies in more stable industries have a higher earnings persistence ratio compared to companies in more fluctuating industries.

In the Pharmaceutical industry, Food and Beverage Industry, and Utilities Industry (Electricity, Gas, Water) are industries that tend to be more stable, because products or services in these industries are needed by consumers. Products that are basic and not easily replaced by other products tend to create more persistent profit performance. Whereas the Information Technology (IT) Industry, Automotive Industry, and Energy Industry are industries that tend to be more volatile, because the types of industries affected by rapid technological change or strict regulations may have greater profit fluctuations because external changes can affect company performance. In addition, highly competitive industries tend to have pressure on prices and profits, which can result in greater profit fluctuations.

One of the factors used to estimate revenue is the scale of the company. The greater the overall turnover, assets, total personnel, and market capitalization value, the greater the scale of the business (Gusnita & Taqwa, 2019). Different results were found by Rasyid et al., (2022) and Utomo et al., (2022). Referring to some of these phenomena, earnings persistence research is still an interesting topic in the industrial world. The difference in this study is by developing industry type variables that have never been used by previous researchers. This research was conducted with the intention of collecting empirical data related to the effect of debt level, industry type, and sales volatility on earnings persistence.

THEORETICAL FOUNDATION

Signaling theory describes the strategy used by company managers to inform shareholders about the company's prospects and attract interest in buying company shares. This study uses a signal theory approach, that earnings persistence can signal the sustainability of a company's profits in the next period to investors and creditors (Setyaningrum & Ridarmelli, 2021). Signal theory or signaling theory is used to provide a sign about the company's picture to users of financial statements (Kasiono & Fachrurrozie, 2016). In the context of earnings persistence, signal theory can be used to explain how companies signal about the continuity of earnings in the next period. In signal theory, earnings persistence can be considered as a signal given by the company about its future performance. Therefore, the measurement of earnings persistence can be used to understand how the company provides a signal about its future performance.

HYPOTHESIS DEVELOPMENT

Research Model

On the basis of the theoretical review and hypothesis preparation, additional research on earnings persistence is carried out considering the phenomenon and research gap from previous studies. Sales volatility, debt level, industry type, and company size are variables that are expected to have an impact on earnings persistence. Company size serves as a control variable in the research model which can be seen below.

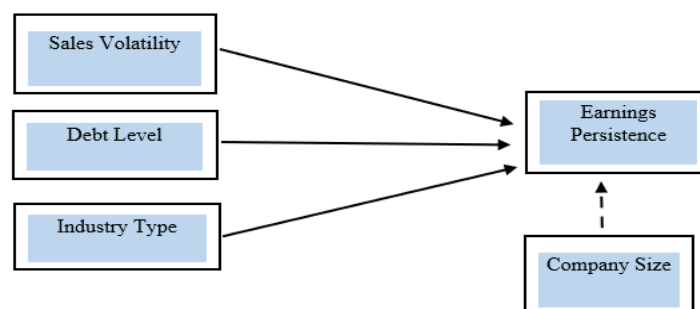


Figure 1. Research Variable Model

The Effect of Sales Volatility on Earnings Persistence

The relationship between sales volatility and earnings persistence can be analyzed in the context of finance and accounting. Sales volatility refers to fluctuations or variations in a company's sales revenue from period to period, while earnings persistence measures the extent to which a company's profits from one period can be sustained or predicted to continue into the next period.

Signal theory in the context of the relationship between sales volatility and earnings persistence can explain how sales fluctuations can send signals to investors and financial analysts about the quality of corporate earnings. The signal theory approach supposes that companies facing sales fluctuations will provide certain signals to external stakeholders through financial reports. High sales volatility can be considered as an informational signal to stakeholders. A sharp decline in sales would indicate a problem in the company's business, such as more intensive competition or a change in market needs. High sales may result in fluctuations in profits. If the company faces high sales volatility, then earnings persistence tends to be lower because it is not easy to maintain a stable level of earnings.

Sales volatility and earnings persistence have a negative relationship, according to Riskiya & Africa's research from 2021. This relationship shows how the adoption of large estimates and estimates correlates with large sales, which usually signals a change in the operating environment. Due to the significant estimation errors caused by this, low profitability remains (Riskiyya & Africa, 2022). Likewise, Hayati, dkk. (2021) supports these findings.

H1: sales volatility has a negative effect on earnings persistence

The Effect of Debt Level on Earnings Persistence

The level of corporate debt can be considered as a signal to external stakeholders, such as investors and creditors. A high level of debt means as a signal that the company potentially faces significant financial risks or operates in an industry that requires large capital. Earnings persistence measures the extent to which earnings from the previous period affect the next period's earnings. If earnings persistence is high, then past earnings have a greater impact on future earnings.

Investors may be encouraged if there is strong and persistent earnings after moderate or high levels of debt. This argument shows how a significant amount of debt can encourage management to improve earnings persistence through a number of rational means. This is possible because management is under pressure to deliver stable and durable earnings. This suggests that management can effectively manage its debt burden to produce consistent and growing earnings. Conversely, high debt levels followed by persistently poor earnings can be a warning indication. Such circumstances may indicate that the business is facing possible bankruptcy or struggling to generate stable revenue.

A number of empirical investigations using signal theory methods reveal a favorable correlation between the level of debt and earnings persistence. Some of the factors that cause this correlation include the fact that high levels of debt can trigger companies to increase earnings persistence as an effort to maintain company performance (Mariani & Suryani, 2021). In addition, a high level of debt can convince creditors and investors of the company's capacity to generate reliable profits, and a high level of debt can be a driver of management in increasing earnings persistence. (Setyaningrum & Ridarmelli, 2021).

The explanation above emphasizes that the level of debt can provide a positive signal about the company's ability to generate consistent and sustainable profits. Likewise Gusnita & Taqwa (2019) and Renaldo et al., (2023) support these findings.

H2: The level of debt has a positive effect on earnings persistence

The Effect of Stable Industry Type on Earnings Persistence

The type of industry and its characteristics can signal to stakeholders about possible earnings fluctuations. Stakeholders' use of this information may influence perceptions of the firm's earnings persistence and may affect stock prices, investment policies and credit decisions.

Therefore, in analyzing the relationship between industry type and earnings persistence, industry context and industry-specific factors need attention.

Different types of industries have different characteristics. Some industries, such as high-tech based industries, may tend to have greater earnings fluctuations due to innovation and rapid changes in the market, while other industries, such as utilities, may have more stable earnings due to consistent demand. Therefore, the nature of the industry can affect earnings persistence. Industries that operate in sectors known to have large earnings fluctuations (such as the technology or property industries) are likely to signal that earnings fluctuations are normal. This may affect stakeholders' perceptions of the earnings persistence of companies in that industry.

Some empirical results show that the type of industry with stable earnings has an influence on earnings persistence. Maulana and Triana's research (2021) shows that the basic and chemical industries have an impact on earnings persistence. Basic and chemical industry types tend to have stable profits so that they are more persistent.

H3: Stable industry type has a positive relationship direction to earnings persistence

This study uses company size as a control variable in an effort to limit the impact of other variables that have the potential to have an impact on the company's financial success. Kurniawan & Yustisia's research (2021), uses business scale to investigate influential aspects of earnings persistence in manufacturing companies listed on the Indonesia Stock Exchange. In manufacturing companies, company size has a good effect on earnings persistence (Mariani & Suryani, 2021). This proves that the significance of earnings persistence is owned by large companies. Gusnita & Taqwa (2019) and Elisa (2022) support this statement.

METHODS

The manufacturing industry on the Indonesia Stock Exchange is the sample for this observation. As it is an important industrial sector and has a significant impact on a country's economy, manufacturing companies are relevant to study in terms of the longevity of corporate earnings. Therefore, the study of the longevity of manufacturing sector earnings can provide important knowledge for those making decisions in the economic and business sectors. Manufacturing companies often have complex business characteristics, such as high production costs and intense competition. Therefore, investigating earnings persistence in the manufacturing industry can provide deeper insights into the determinants that affect financial performance. The manufacturing sector is so complex that it often has a high level of debt, therefore manufacturing sector research can provide important information for shareholders and creditors (Kurniawan & Yustisia, 2021).

The study uses the 2019-2022 observation period, because this period allows us to analyze the impact of the crisis during the COVID-19 pandemic until now on earnings persistence and to test the resilience of the company's business to significant external disruptions. The data collection method from the database is a data collection process in obtaining secondary data to be processed (Jogiyanto, 2016:101). Secondary data collection is done by utilizing information from the IDX website, including the annual financial statements of the manufacturing industry. Several purposive sampling criteria were used in the sampling technique, including: 1) Relatively more stable industrial companies such as Pharmaceuticals, Food & Beverages and Utilities, and relatively fluctuating industrial companies such as Automotive, Energy and Information Technology; 2) Have complete research data; 3) Have profits during the 2019-2022 period. Of the 92 samples, 83 observations were obtained from 23 companies studied for 4 years based on the selection of companies that met these criteria.

RESULTS AND DISCUSSION

The data obtained based on the annual reports of the manufacturing industry listed on the Indonesia Stock Exchange for the 2019-2022 period are then analyzed by data processing. The data analysis used in this observation includes descriptive statistical analysis, normality test, classical assumption test, model fit test, and hypothesis testing.

Descriptive Statistics

Descriptive statistics describe the average value (mean), highest value (max), lowest value (min), and standard deviation of each variable of sales volatility (VP), debt level (TH), industry type (JI), company size (UP), and earnings persistence (PL) determined using descriptive statistics.

Table 1. Descriptive Statistics Test

	N	Minimum	Maximum	Mean	Std. Deviation
Sales Volatility	83	.025	16748.99	11810.3365	238.9009
Debt Level	83	.13	.84	.5197	.1732
Earnings Persistence	83	.13	.29	.1996	.045
Company Size	83	12.31	31.51	24.4712	5.4692
Valid N (listwise)	83				

Source: secondary data, processed in 2023

Table 1 shows that for 83 samples, the minimum value of the sales volatility variable is known to be 0.025 and the maximum value is 16748.99. The standard deviation value which is lower than the average means that the sample has a relatively even distribution of sales volatility. The minimum value of 0.025 is owned by PT Phapros Tbk (PEHA) in the pharmaceutical industry in 2020 and the maximum value of 1678.99 is owned by PT Indomobil Sukses International Tbk (IMAS) in the automotive industry in 2021. The average value of sales volatility of 11810.3365 shows that the level of sales is fluctuating, causing uncertain profit estimates.

The debt level variable shows an average value of 0.5197 which is closer to the maximum value of 0.84 than the minimum value of 0.13. The standard deviation of 0.1732 is lower than the average, meaning that the data distribution is more evenly distributed. The minimum value of 0.13 is owned by PT Sido Muncul Tbk (SIDO) in the pharmaceutical industry in 2019 and the maximum value is owned by PT Garuda Indonesia (Persero) Tbk (GIAA) in the utility industry in 2019. The average value of the debt level of 0.5197 indicates a relatively high level of debt.

The descriptive statistics table of the earnings persistence variable has an average value of 0.1996 above the minimum value of 0.13 and a smaller maximum value of 0.29. The variance data distribution is relatively smaller with a standard deviation of 0.045 smaller than the average. The minimum value of the energy industry is held by PT Dian Swastatika Sentosa Tbk (DSSA) in 2021, while the maximum value of the energy industry is held by PT Adaro Energy Indonesia Tbk (ADRO) in 2022. The average value of earnings persistence of 0.1996 shows that the profit generated by the company is more persistent. This means that the company is able to maintain a stable level of income from year to year, which is often considered positive.

The company size variable shows an average value of 24.4712 greater than the minimum value of 12.31 and a smaller maximum value of 31.51. The variance data distribution is relatively smaller with a standard deviation of 5.4692 smaller than the average. The minimum value is held by the utility industry PT Telkom Indonesia (Persero) Tbk (TLKM) in 2019 and the maximum value is held by the automotive industry PT Indomobil Sukses International Tbk (IMAS) in 2020. The average value of earnings persistence of 24.4712 illustrates that the profit generated by the company is more persistent. This means that it is able to raise a stable level of income from year to year.

Table 2. Descriptive Statistical Test of Industry Type Variables

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	.00	36	43.4	43.4
	1.00	47	56.6	100.0
Total	83	100.0	100.0	

Source: secondary data, processed in 2023

The distribution of data for this industry type variable can be measured by the dummy variable method "1" if the manufacturing company is classified as a type of industry with stable profits and "0" if the company is a type of industry with fluctuating profits. Based on Table 2, it can be seen that the type of industry is not stable at 43.4%, with PT Astra International Tbk (ASII) leading the Multi-Sector Holding Companies sector, Astra Otoparts Tbk (AUTO), Gajah Tunggul

Tbk (GJTL), Garuda Metallindo Tbk (BOLT), and PT Indomobil Sukses International Tbk (IMAS) leading the Automotive Components sector. With PT Perusahaan Gas Negara Tbk (PGAS) in the oil and gas industry, PT Telkom Indonesia (Persero) Tbk (TLKM) in the telecommunication services industry, PT Garuda Indonesia (Persero) Tbk (GIAA) in the aviation industry, and PT Kencana Energi Lestari Tbk (KEEN) in the electric utility industry, this industry type is stable at 56.6%.

Classical assumption test

The classical assumption test chosen to process data in this study consists of normality test, multicollinearity test and heteroscedasticity-Glejser test.

a. Normality test

Tabel 3. Uji Normalitas Data

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	83	-.374	.264	.298	.523
Valid N (listwise)	83				

Source: secondary data, processed in 2023

The original number of observations of 92 became 83 because 9 samples were eliminated as outliers. The ratio of skewness can be calculated by the statistical value of skewness divided by the standard error value of Skewness. While the Kurtosis ratio of 0.569 is calculated by the Kurtosis statistic value of 0.298 divided by the Kurtosis standard error of 0.523. Table 3 shows the Skewnes statistic of -0.374 and a standard error of 0.264, so the Skewness ratio is -1.416 where the ratio is less than ± 2.00 , which means that the test can be said to have data with a normal distribution.

b. Multicollinearity test

Table 4. Multicollinearity test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Sales Volatility	.912	1.096
	Debt Level	.899	1.113
	Industry Type	.878	1.139
	Company Size	.905	1.105

Source: secondary data, processed in 2023

The VIF output values for table 4 are 1.096 with a tolerance of 0.912 for the sales volatility variable, 1.113 with a tolerance of 0.899 for the debt level variable, 1.105 with a tolerance of 0.905 for the company size variable, and 1.139 with a tolerance of 0.878 for the industry type variable. As a result, the tolerance value is more than 0.10 and the VIF value of the four variables does not exceed 10. The linear regression model used can be said to be free of multicollinearity.

c. Heteroscedasticity Test

Table 5. Heteroscedasticity test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.010	.024		.419	.676
	Sales Volatility	-5.700E-8	.000	-.031	-.263	.794
	Debt Level	.002	.031	.009	.072	.942
	Industry Type	-.008	.011	-.084	-.701	.485
	Company Size	.000	.001	-.019	-.161	.873

a. Dependent Variable: absres

Source: secondary data, processed in 2023

Table 5 is the result of the heteroscedasticity test with the classical assumption test that the sales volatility, debt level and company size variables show the output significance of sales volatility 0.794, debt level variable 0.942, company size variable 0.873 and industry type variable 0.485 where the significance is > 0.05, it can be concluded that the distribution of the data tested is not problematic with the assumption of heteroscedasticity.

Model Fit Test

F Test

Table 6. F-Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	4	.000	43.165	.023 ^b
	Residual	.164	78	.002		
	Total	.166	82			

a. Dependent Variable: Earnings Persistence

b. Predictors: (Constant), Industry Type, Sales Volatility, Company Size, Debt Level

Source: secondary data, processed in 2023

Table 7 obtained F-count worth 43.165 with F-table worth 22.61 and significance worth $0.023 < 0.05$ means that sales volatility, debt level, industry type, and company size together have a significant influence on earnings persistence.

Coefficient of Determination (R²)

The magnitude of the influence ratio between the independent variable and the dependent variable is explained using the R-squared test results.

Table 7. Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.689 ^a	.475	.402	.3075315	1.942

a. Predictors: (Constant), JI, VP, UP, TH

b. Dependent Variable: PL

Source: secondary data, processed in 2023

Table 8 shows the Adjusted R-Squared value of 0.402. It can be said that 40.2% of earnings persistence variables can be explained by sales volatility variables, debt levels, industry types and controlled by company size variables. The rest is described by other variables outside this observation.

Hypothesis testing

Multiple regression analysis such as the partial test (t-test) and simultaneous test (F-test) stages can be examined if the data has passed the classical assumption test.

Table 8. T-test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.002	.026		-1.377	.172
	Sales Volatility	-.452	.092	-.442	-2.537	.027
	Debt Level	.326	.119	.336	2.741	.010
	Industry Type	.333	.087	.343	3.779	.008
	Company Size	.245	.120	.255	3.890	.003

a. Dependent Variable: PL

Source: secondary data, processed in 2023

Referring to the processed data above, the regression formula can be formulated as follows:

$$\text{Earnings persistence} = -0,002 - 0,452 X_1 + 0,326 X_2 + 0,245 X_3 + 0,333 X_4 + \varepsilon$$

The meaning of the multiple regression model equation above can be explained as follows:

- 1) The constant of -0.002 indicates that the earnings persistence variable is -0.002 if sales volatility, debt level, company size, and industry type are constant or equal to 0 (zero).
- 2) With other independent variables constant (fixed), the regression coefficient value for the sales volatility variable of -0.452 indicates that for every one percent increase in sales volatility, earnings persistence will decrease by -0.452.
- 3) With other independent variables being constant, the regression coefficient value of the debt level variable is 0.326, which means that every 1 (one) percent increase in the debt level will increase earnings persistence by 0.326.
- 4) With other independent variables being constant, the regression coefficient value of the industry type variable is 0.333, which means that any change in industry type will increase earnings persistence by 0.333.
- 5) The magnitude of the regression coefficient of the company size variable is 0.245, which means that every increase of 1 (one) rupiah of assets will increase earnings persistence by 0.245 with the estimate of other variables that affect constant value (fixed).

Table 6 also explains the hypothesis test results as follows:

- 1) The sales volatility variable has a t count of -2.537 or sig. worth $0.027 < 0.05$, indicating that sales volatility significantly reduces earnings persistence (H1 proven).
- 2) The amount of t count of the debt level variable is 2.741 or sig. worth $0.010 < 0.05$, proving that the level of debt has a significant influence on earnings persistence (H2 proven).
- 3) The stable or fluctuating industry type variable shows a t count of 3.779 or sig. worth $0.008 < 0.05$, which means that the stable or fluctuating industry type has a significant positive relationship direction on earnings persistence (H3 proven).
- 4) The magnitude of the t value of the company size variable is 3.890, or sig. $0.003 < 0.05$, proving a significant effect related to earnings persistence. Company size is proven as a control variable.

Discussion

Sales volatility proves a negative relationship direction related to earnings persistence. This illustrates that significant changes in a company's revenue or sales can disrupt the stability or consistency of earnings from period to period. In this context, earnings persistence refers to the company's ability to maintain consistency in generating profits from period to period. Therefore, high sales volatility, which results in significant fluctuations in revenue, can make earnings more difficult to predict and consistent.

Signaling theory assumes an information mismatch between company managers (*insiders*) and shareholders and other external parties (*outsiders*). Management has greater access to internal company information than shareholders and outsiders. In situations of high sales volatility, management may have better information about the determinants that cause such fluctuations, for example, changes in market trends, competition, or other external factors.

In an attempt to cope with the uncertainty that comes with high sales volatility, management may try to give positive signals to shareholders and outsiders. They may take actions such as averaging earnings or presenting more conservative estimates for future earnings. These signals may indicate that management understands the potential risks associated with sales volatility and that high profits cannot be maintained with consistency.

Sales volatility will be used as a metric by shareholders and other third parties to assess managerial effectiveness. Financial reports will be used by managers to inform investors that they anticipate the company will experience strong growth rates in the future (Oktavia & Susanto, 2022). Shareholders will have less confidence in management's capacity to run the business effectively if there is a large variation in sales for the company. Shareholders' confidence in persistent and consistent earnings may decline as a result. So, overall, high sales volatility can create uncertainty and reduce shareholders' confidence in earnings consistency, so management may have to provide signals to address this uncertainty. Sales volatility can provide information in the form of an increase or decrease in the value of sales each period (Renaldo et al., 2023). Signal

Theory helps explain how companies try to communicate with shareholders and outsiders about their conditions and prospects through certain actions and disclosures. This finding is supported by Riskiya & Africa (2021) and Hayati, et.al. (2021).

A high level of debt makes the company vulnerable to financial problems and can affect earnings persistence. Conversely, a lower level of corporate debt causes a decrease in earnings persistence due to less capital to run a business so that the profit earned is less than optimal and not persistent. Less persistent profits will be taken into consideration by external parties in establishing contractual ties and providing business capital for the company. So that in presenting the annual financial statements, company management needs to take into account the level of debt and the level of capital owned to maintain contractual ties with creditors or outside parties with the help of signal theory to provide signals to external parties to overcome this. Mariani & Suryani (2021) and Setyaningrum & Ridarmelli (2020) also support in their research with a signal theory approach which means that the level of debt is one of the factors to predict future earnings quality.

Various characteristics of different industry types can be used as one of the signals for stakeholders in analyzing the persistence of earnings of manufacturing companies both in the technology-based industry sector which tends to have fluctuating profits and in the utility-based industry sector which tends to have stable profits. These findings are also supported by the results that prove that utility-based industrial sector companies have a larger number of 56.6%. This shows that the utility-based industrial sector tends to have stable profits so that it is more persistent. The ability of industrial sector management to maintain earnings stability from year to year will signal that earnings are persistent. This finding is supported by Maulana and Triana (2021) with the signal theory used in their research in estimating profits in the following year.

The indicator used as a control variable for the determination of earnings persistence is firm size. Signal theory, which states that firm size increases along with total sales, assets, workers, and market capitalization, supports this observation. Therefore, when a company becomes larger, its earnings will last longer. Kurniawan & Yustisia (2021) and Mariani & Suryani (2021) agree with research that provides a statement that company size has a positive impact on earnings persistence.

CONCLUSION

The research that has been conducted aims to test the results of how the amount of debt, industry type, and sales volatility affect earnings persistence. It is concluded as follows:

1. High sales volatility leads to sizable changes in revenue, which can make earnings more difficult to predict and be consistent. This has a significant negative impact on earnings persistence.
2. The level of debt has a significant positive relationship direction, which means that the increasing level of debt of manufacturing companies indicates that the source of capital obtained is getting bigger and the ability to maximize profits can be used to predict profits in the next year.
3. Industry types with stable or unstable profits from year to year have a significant positive impact, which means that industry types belonging to the pharmaceutical, food & beverage and utility industry sectors tend to earn stable profits so that they affect profits and can be used to predict the following year's profits.
4. Firm size does not reduce earnings stability, making it less useful as a predictor of future earnings. However, firm size has a positive impact on earnings persistence.

When considering independent variables as controls, such as sales volatility, debt level, industry type, and firm size, it is clear that the industry type variable has a higher level of relevance and sales volatility is of high value above average. If the tested variables are high above the average earnings persistence value, it indicates that the more persistent earnings are the better they are used to predict earnings in the following year.

This research is limited by several things, such as:

1. Lack of data completeness from several companies both in terms of objects and research time spans that do not report completely within the observation period.

2. There are still limited results of previous research related to the type of industry on earnings persistence in annual financial reports so that supporting literature is still limited.
3. The coefficient of determination (*Adjust R Square*) is still limited at 47.5%, meaning that the model's ability to explain the variance of earnings persistence is relatively low.

The suggestions that can be used by several parties with an interest in this research include:

1. For further research, this research is a recommendation, namely by increasing the number of samples both in terms of objects and the period of research so that the number of observations is wider and describes the actual situation. Then do further analysis to add other independent variables that are theoretically related to earnings persistence such as cash flow volatility, book tax difference operating cycle and accrual amount. Furthermore, it is necessary to develop more specific research objects from manufacturing companies in other industrial sectors as well as service or trading companies. This is to determine the effect of other types of industries on earnings persistence.
2. For investors, it is hoped that they will pay more attention to sales volatility, debt levels in relatively stable industries and the size of the company as information to predict next year's profits so that they are able to consider investing in the company.
3. For companies, it is hoped that companies in each industrial sector can continue to pay attention to the factors that influence earnings persistence so that they can be taken into consideration to maintain the quality of earnings in the annual financial statements and maintain company credibility.
4. IDX, is expected to provide complete company data such as annual financial reports in the last 5 years on the IDX website so that it is more easily accessible and can be used as material for further research.

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