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Factors That Influence the Persistence of Company Profits in Manufacturing Companies Listed on the Indonesian Stock Exchange

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Abstract

Purpose –Financial statements are a tool for management to convey information about the company's economic and financial performance to users of financial statements, both internal and external parties. The income statement is part of the financial statements that present the profits earned by the company during a certain period. Information about earnings has an important role for parties with an interest in the company. The population in this study are companies listed on the IDX. The sample in this study is a manufacturing company listed on the Indonesia Stock Exchange in 2018-2020. The sampling technique that will be used in this research is purposive sampling. The analytical tool used is Multiple Linear Regression.
Based on the results of the study, it can be concluded that cash flow volatility has a negative effect on earnings persistence, managerial ownership has a positive effect on earnings persistence, while sales volatility, debt levels, institutional ownership, and firm size have no effect on earnings persistence.
Keywords: Sales Volatility, Cash Flow Volatility, Debt Level, Institutional Ownership, Managerial Ownership, Firm Size, and Earnings Persistence

INTRODUCTION

Indonesia is one of the countries that receives financial income or state funds from taxes. According to Law Number 16 of 2009 concerning General Provisions and Procedures for Taxation, tax is a mandatory contribution to the state owed by an individual or entity that is coercive based on law without receiving direct compensation and is used for state needs for the maximum amount. great prosperity of the people. Financial reporting is a form of company responsibility towards parties related to the company during a certain period. Financial reports are a tool for management to convey information regarding the company's economic and financial performance to users of financial reports, both internal and external. The income statement is a part of the financial report that presents the profits earned by the company during a certain period. Information about profits has an important role for parties interested in the company. Profits are not only used to assess company performance but also as information on profit distribution and determining investment policies. Company profits are one component of financial reports that can be used by third parties or companies in making decisions (Rachmawati, 2016). A company's profits can be used to assess the condition or performance of the company, whether the company is good or not (Septavita, 2016). Every company tries to obtain maximum profits. Profit figures are expected to present the overall performance of a company. The information contained in profits has a very important role for parties with an interest in a company, internal and external parties of the company use profits as a basis for decision making such as providing compensation and distributing bonuses to managers, measuring management achievement or performance, and the basis for determining the amount imposition of taxes (Wijayanti, 2016). The phenomenon or issue that occurred was that PT Unilever Indonesia Tbk posted a decline in profit to IDR 5.51 trillion in the third quarter of 2019. This profit figure decreased by 24.31% compared to the same period last year (yoy) amounting to IDR 7.28 trillion (Kontan.Co.Id: 2019). PT Buyung Poetra Sembada Tbk also experienced a decline in profit in the first quarter of 2020 to IDR 14.67 billion from the same period in 2019 of IDR 25.48 billion (Kontan.Co.Id: 2019).

The rise and fall of a company's profits with a significant or even steep rate of change causes the persistence of profits to begin to be questioned, plus profits in financial reports are often used by management to attract potential investors so that profits are often manipulated in such a way by management to influence investors' decisions (Fanani, 2010).

Penman (2001, in Septavita, 2016) states that profits are said to be quality if they can reflect sustainable profits (sustainable earnings). Earnings persistence is often used as a measure of earnings quality, because earnings persistence is one element of the predictive value of earnings in its relevant character, where information must be able to make a difference in decision making by helping users to make predictions from the past, present and future. Quality profits are profits that can reflect the continuation of profits in the future (Djamaluddin, 2008:55).

In this research, several factors can influence profit persistence, namely sales volatility, cash flow volatility, debt levels, institutional ownership, managerial ownership and company size.

The first factor that influences profit persistence is sales volatility. Sales volatility is a state of fluctuation in a company's sales which changes every year. Low sales volatility will indicate the ability of profits to predict future cash flows. However, if the level of sales volatility is high, then the persistence of profits will be low, because the profits generated will contain a lot of noise (Fanani, 2010). Fanani's (2010) research results state that there is a significant correlation between sales volatility and profit persistence. Meanwhile, Sulastri (2014) stated that there was no significant correlation between sales volatility and profit persistence. So there are differences in results between Fanani's (2010) and Sulastri's (2014) research.

The second factor that influences profit persistence is operating cash flow volatility. Uncertainty in the operating environment shows a high level of cash flow volatility, which then reduces profit persistence. In this case, stable economic conditions contribute to maintaining certainty in the operating environment or in other words preventing high cash flow volatility. This is in line with the results of research by Kusuma & Sadjiarto (2014), stating that there is a significant correlation between operating cash flow volatility and profit persistence. Meanwhile, research conducted by Sulastri (2014) states that there is no significant correlation between cash flow volatility

The third factor that influences profit persistence is the level of debt. Debt is one way to obtain additional funding from external parties, with the consequence that the company will enter into contractual ties with creditors. The contractual agreement contains a promise to pay the debt within a specified nominal amount and time limit. On the one hand, debt will increase the company's capital, but on the other hand, debt has the consequence that the company must always pay interest and principal at maturity without paying attention to the company's financial condition. The results of research by Putri & Supadmi (2016) show that there is a significant correlation between debt and profit persistence. Meanwhile, Sa'adah, Fadila, & Nurhayati (2017) stated that there is no significant correlation between debt and profit persistence.

The fourth factor that influences profit persistence is institutional ownership, institutional ownership is share ownership by financial or non-financial institutions, and institutions with legal entities (Dewata, et al, 2016). According to Koh (2003) in Wardana (2014), institutional ownership is the total ownership of pension fund organizations or companies, investment banks, insurance companies, funding companies, investment companies and other financial institutions that meet these criteria. or non-financial and legal institutions (Dewata, et al, 2016). Institutional ownership means that the majority of shares are owned by institutions. The majority shareholder has a position of controlling the company so that he can take opportunistic actions to maximize his wealth by focusing on the capital he owns and which will be detrimental to minority shareholders. If there is a very high risk in the company, the owners tend to save their investment so that current profits do not reflect future profits or the persistence of profits is low. The results of Dhamari's research, Redwhan Ahmed (2013) stated that institutional ownership has a significant relationship to profit persistence, but on the contrary, according to Muhammad Khafid (2012) institutional ownership does not have a significant effect on profit persistence.

The fifth factor that influences profit persistence is managerial ownership. Managerial ownership is the proportion of shareholders from management who actively participate in company decision making (Diyah and Erman, 2009). The existence of differences in interests between managers and shareholders will give rise to agency conflict and one way to reduce agency costs is by having share ownership by management (Haruman, 2008). Khafid (2012) shows that managerial ownership can increase profit persistence, because managerial ownership can create a desire for directors to more closely monitor managers. Having manager ownership will make managers more active in fulfilling the wishes of shareholders (Jumiati and Ratnadi, 2014).
The sixth factor that influences the persistence of company size profits. Large companies will have better stability and predictable operations, so that the resulting estimation errors will be smaller (Dechow and Dichev, 2002). Apart from that, large companies will have large resources to use in business activities (Yustiana, 2011). However, large companies will face high political sensitivity and face higher political costs than small companies (Gu et al., 2002). Political costs include government intervention, the imposition of taxes, and various other demands. To reduce political costs, managers will tend to use accounting choices that can reduce profits (Watts and Zimmerman, 1986). Fanani et al (2008) and Purwanti (2010) stated that company size has a negative effect on earnings persistence, while Dechow and Dichev (2001) and Yustiana (2011) found a significant positive relationship between company size and earnings persistence.
Previous research examining earnings persistence has been carried out several times. However, the results obtained from several studies are inconsistent. There is a significant research gap between research results. With a significant research gap between the results of one research and another and the importance of implementing profit persistence in Indonesia, this research was encouraged to be carried out. Research was conducted on manufacturing companies listed on the Indonesian Stock Exchange from 2018 to 2020.
This research refers to research conducted by Aprilia Dwi Saptiani, Zaki Fakhroni (2019) regarding the Influence of Sales Volatility, Operating Cash Flow Volatility, and Debt on Profit Persistence. The difference with this research is that the researcher added 3 independent variables, namely institutional ownership, managerial ownership and company size.

LITERATURE REVIEW

Sales Volatility

Sales are the most important part of a company's operating cycle in generating profits. Low volatility of sales will indicate the ability of profits to predict future cash flows. If high sales volatility indicates that sales information has a greater estimation error than sales information in the operating environment, then the company's profits are not persistent and cannot be used as a reference for predicting profits in the next period (Fanani, 2010).
The definition of sales according to Mulyadi (2010: 202) is a decision to transfer ownership of goods that have been produced or are ready to be sold to customers. Sales consist of transactions selling goods and services, both on credit and in cash. According to Basu Swastha and Irawan (2011: 407-408), factors that can influence sales are: Condition and ability of the seller. The seller must be able to convince the buyer to successfully achieve the expected sales targets. For this purpose, the seller must understand several important issues that are closely related, namely: Type and characteristics of the goods offered, Product price Terms of sale, such as: payment, delivery, guarantee, and so on.
These problems are usually the focus of buyers' attention before making a purchase. Managers need to pay attention to the number and characteristics of good salespeople to avoid the possibility of buyers feeling disappointed in their purchases. The qualities that a good salesperson needs to have include: Polite, sociable, good at talking, has an attractive personality, is physically healthy, honest, knows how to sell, and so on.
Market conditions
The market, as a group of buyers or parties who are targets for sales, can also find out about sales activities. The market condition factors that need to be considered are: Type of market, group of buyers or market segmentation, purchasing power, frequency of purchases, desires and needs.

1. Capital

It will be more difficult for the seller to sell the goods if the goods being sold are not yet known to potential buyers, or if the purchase location is far from the seller's place. In circumstances like this, the seller must first introduce the goods to the buyer's place. To carry out this purpose, facilities and efforts are needed, such as: transportation equipment, demonstration places both within the company and outside the company, promotional efforts, and so on. All of this can only be done if the seller has sufficient and appropriate capital required.

2. Conditions of company organization

In large companies, sales problems are usually handled by a separate section (sales department) which is held by certain people or experts in the field of sales. Another is with small companies, where sales problems are handled by people who also carry out other functions, this is because the number of workers is smaller, the organizational system is simpler, the problems faced and the suggestions they have are also not as complex as the company big. Usually, these sales problems are handled by the leadership themselves and are not given to other people.

3. Another factor

Other factors such as: advertising, displays, campaigns, gift giving, often influence sales. However, to implement it, a significant amount of funds is required. For companies with strong capital, this activity can be carried out regularly. Meanwhile, for small companies that have relatively small capital, this activity is carried out less frequently.

According to Hidayati (2016), sales volatility is the degree of sales spread or the spread index of a company's sales distribution. Sales volatility indicates a more volatile operating environment and greater deviations from approximations and estimates, and corresponds to greater estimation errors and lower accrual quality. Low volatility of sales will show the ability of profits to predict future cash flows. However, if the level of sales volatility is high, the quality of the profit will be low, because the profit generated will contain a lot of perceived noise.

Sales volatility which has sharp fluctuations makes predictions of cash flows resulting from sales itself less certain and even the possibility of prediction errors or estimation errors is very high. Cash flows generated from sales activities will lead to company profits, so sales volatility will also have an impact on profit volatility itself. If sales volatility is high, profit volatility will also tend to be high so that profit persistence or profit stability will be low. This indicates that the level of prediction of future profits is also low

Cash Flow Volatility

The purpose of preparing a cash flow report is to provide information regarding changes in cash flows, namely cash receipts (inflows) and cash outflows (outflows) from an entity during one immediate period. Apart from that, the cash flow report also complements the income statement information, namely showing the company's ability to secure cash, which can be likened to blood flow or oxygen for the company. In detail, the cash flow report helps users of financial reports, especially creditors and investors, in analyzing:

1. The entity's ability to generate cash;
2. The entity's ability to meet all obligations and pay cash dividends;
3. The entity's ability to fund expansion and investment;
4. The entity's ability to obtain cash from operational activities and its relationship to the entity's profit (loss) (Martani et al, 2015:383).

In general, the cash flow report is divided into three parts, which are the characteristics of the company's cash transactions, namely: operating activities, investing activities and financing activities (Martani et al, 2015: 384). Cash flows from operating activities are cash inflows and outflows that are directly related to the income and costs reported in the income statement. There are two alternative approaches to presenting operating activities in cash flow. First, the direct method reports cash flow components from operating activities as gross receipts and as gross payments. Second, the indirect method, starting from net income from the income statement and then eliminating non-cash items to get the net cash inflow (out) figure from operating activities. These two methods are two alternatives for finding the same number. Total cash flow from operating activities will always be the same, no matter whether the company calculates using the direct method or the indirect method (Libby et al, 2007: 651).

Debt Levels

Debt is defined as an obligation that arises as a result of transactions that have occurred in the past. Debt is classified into 2 parts: (i) short-term debt (current liabilities), and (ii) long-term debt (long term liabilities). Short-term debt (current liabilities) is debt that must be paid immediately, namely within a period of less than or equal to 1 year. The types of debt that can be grouped into short-term debt are accounts payable, notes payable, interest payable, salaries payable, unearned income.) (Manurung, 2011 :80).

Long term liabilities are debts that do not have to be paid immediately, but must be paid off before the term ends, which is usually more than 1 year. The types of debt that can be grouped into long-term debt are: notes payable in installments (installment of notes payable), bonds payable, and mortgage debt (mortgage payable) (Manurung, 2011: 82).

The debt ratio measures the extent to which a company funds its business by comparing its own funds (shareholders' equity) that have been deposited with the amount of loans from creditors. Decisions regarding the use of debt must be carefully considered between the possible risks (risk) and the level of profit (expected return) that will be obtained. Using debt is associated with risk because debt creates a fixed commitment in the form of interest charges and repayment of the principal. Failure to meet fixed charges can be associated with bankruptcy. A risk is reduced if a company that has too much debt has difficulty obtaining additional debt funding when needed, or in other words, credit can be obtained only at a higher interest rate. Although debt means risk, it also shows the company's potential to increase profits for the owner. If debt is managed well – if operating profits are greater and sufficient to cover the debt burden – the rate of return to shareholders will magnify through financial leverage. (Fraser & Ormiston, 2008: 233).

Institutional Ownership

Institutional ownership is share ownership by financial or non-financial institutions, and institutions with legal entities (Dewata, et al, 2016). According to Koh (2003) in Wardana (2014), institutional ownership is the total ownership of pension fund organizations or companies, investment banks, insurance companies, funding companies, investment companies and other financial institutions that meet these criteria. Meanwhile, according to Savero (2017) institutional ownership is the percentage of company shares owned by other companies both domestic and foreign as well as shares owned by domestic and foreign governments. From these definitions, it can be concluded that institutional ownership is the total proportion of company shares and voting rights owned by institutions. One factor that can influence the level of performance of a company/organization is institutional ownership. In order to reduce selfish behavior, a high level of institutional ownership is needed, the aim of which is to encourage managers to focus more attention on company performance.

High institutional ownership can limit managers from managing earnings and can increase the integrity of financial reports. Apart from that, institutional investors can also play a role in monitoring manager performance. In other words, institutional ownership can monitor manager behavior in anticipating possible manipulation in the company, thereby increasing the integrity of financial reports. The integrity of financial reports will be better if it is influenced by the percentage of shares owned by an institution.

Managerial Ownership

According to Bodie, et all (2006) managerial ownership is a separation of ownership between outsiders and insiders. If a company has many shareholders, then this large group of individuals clearly cannot participate actively in the day-to-day management of the company. Therefore, they elect a board of commissioners, which selects and supervises the company's management. This structure means that owners are different from company managers. This provides stability for companies that companies with owners and managers do not have. According to Jansen and Meckling (2009), management is an agent and shareholders are called principals or company owners.

This happens because managers tend to try to prioritize personal interests. Shareholders do not like managers' personal interests, because this will increase costs for the company and thus reduce the profits received. With managerial ownership, there is an opportunity for managers to be involved in share ownership in a company. Conflicts between managers and shareholders can be reduced by a monitoring mechanism that can explain the related interests. This mechanism will give rise to costs called agency costs. This agency cost can be in the form of agency cost of equity. Managerial ownership can influence a company's dividend distribution, due to the manager's ownership percentage in making internal policy decisions such as dividend policy. Therefore, it will give shareholders additional returns apart from capital gains. This dividend also gives shareholders certainty of income which reduces the agency cost of equity.

Company Size

Large companies are generally in the spotlight of many parties, both from society in general and the government. Company size, which is reflected in company performance, is one measure for assessing the company. The size of a company is usually measured based on total sales, average sales level and total assets (Panjaitan et al, 2014 in Dewi and Putri, 2016).

According to Law no. 20 of 2008 classifies company size into 4 categories, namely micro businesses, small businesses, medium businesses and large businesses. The classification of company size is based on the total assets owned and the company's total annual sales. UU no. 20 of 2008 defines micro businesses, small businesses, medium businesses and large businesses as follows:

1. Micro businesses are productive businesses owned by individuals and/or individual business entities that have micro business criteria as regulated in this law.
2. A small business is a stand-alone productive economic enterprise carried out by an individual or business entity that is not a subsidiary or branch of the company it owns. Be controlled, or be part, either directly or indirectly, of a medium or large business that meets the criteria for a small business as intended in this law.
3. Medium-sized businesses are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part, either directly or indirectly, of small businesses or large businesses with total net assets or annual sales proceeds as regulated in this law.
4. Large businesses are productive economic businesses carried out by business entities with net assets or annual sales proceeds greater than medium-sized businesses, which include state-owned or private national businesses, joint ventures and foreign businesses that carry out economic activities in Indonesia.

According to Nurochman and Solikhah (2015), measuring company size can be done with company size proxied by ln. total assets.

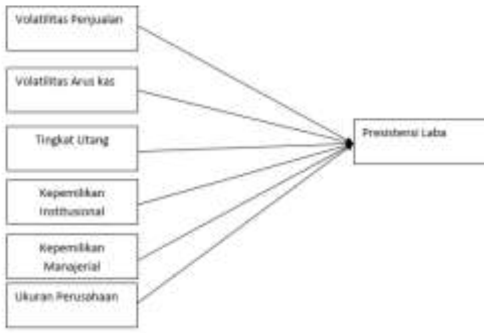

Figure 1. Theoretical Thinking Framework

H1: Sales volatility has a negative and significant effect on profit persistence
H2: Volatility of operating cash flow has a negative and significant effect on profit persistence
H3: Debt levels have a positive and significant effect on earnings persistence
H4: Institutional ownership has a positive and significant effect on earnings persistence
H5: Managerial ownership has a positive and significant effect on earnings persistence
H6: Company size has a positive and significant effect on earnings persistence

METHOD

This research is a type of quantitative research. According to Sugiyono (2018), quantitative research can be defined as a type of research that is based on the philosophy of positivism, used to research certain populations or samples, collecting data using research instruments, quantitative/statistical data analysis, with the aim of testing predetermined hypotheses. The population in this study are manufacturing companies listed on the IDX. The sample used is manufacturing companies registered on the IDX in 2018-2020. To obtain data that will be used in this research, the author uses documentation methods from annual reports that have been published by manufacturing companies on the BEI website (www.idx.co.id). Apart from that, the author also uses the literature study method by reading, studying and exploring various literature related to the problem under study.

RESULTS AND DISCUSSION

Classical Assumption Test

The classical assumption test is carried out to determine whether there are deviations from the regression model in order to get good regression results. The classical assumption test in this research consists of the normality test, multicollinearity test, autocorrelation test and heteroscedasticity test.

Normality Test

The Normality Test aims to test whether in the regression model, the confounding or residual variables have a normal distribution. Normality testing was carried out using the Kolmogorov–Smirnov test which was carried out on residual values (Ghozali, 2016). The following is the calculation for the residual normality test:

Table 1. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residuals
	N	60
Normal Parameters,, b	Mean	.0000000
	Std. Deviation	.05413004
Most Extreme Differences	Absolute	,147
	Positive	.113
	Negative	-.147
	Kolmogorov-Smirnov Z	1,142
	Asymp. Sig. (2-tailed)	,148

a. Test distribution is Normal.

b. Calculated from data.

Source: 2022 SPSS Output Results

Based on table 4.3 above, it can be seen that the normality test results show a magnitude of 1,142 with a significance probability of 0.148 and a value greater than 0.05. This means that the null hypothesis is accepted or the residual variable is normally distributed.

Multicollinearity Test.

The multicollinearity test aims to test whether the regression model finds a correlation between independent variables. A high regression model should have no correlation between independent variables. To detect symptoms of multicollinearity, this is done by looking at the Variance Inflation Factor (VIF) value (Ghozali, 2016). In this calculation there are no independent variables that have a VIF of more than 10, so this data is free from multicollinearity. Meanwhile, based on the tolerance value, there is no independent variable that has a tolerance of less than 0.1. For complete results, see table 2.

Table 2. Multicollinearity Test Results

Coefficientsa

		Collinearity Statistics	
Model		Tolerance	VIF
1	Sales_volatility	,877	1,141
	Cash_Flow Volatility	,971	1,030
	DAR	,922	1,084
	INST	,756	1,323
	MOWN	,807	1,239
	Company_Size	,840	1,190

a. Dependent Variable: Persistence_Profit

Source: 2022 SPSS Output Results

The tolerance test results show that there are no independent variables that have a tolerance value of less than 0.10 (10%). The results of the VIF calculation also show that there is no independent variable that has a VIF value of more than 10. Therefore, it can be concluded that there is no multicollinearity in the regression model.

Autocorrelation Test

The autocorrelation test aims to test whether in a linear regression model there is a correlation between confounding errors. In period t with error At t-1 (previous). If correlation occurs, it is called an autocorrelation problem. A good regression model is one that is free from autocorrelation.

Table 3. Autocorrelation
Model Summary b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,999a	,999	,998	.05711187969	1,993
a. Predictors: (Constant), Company_Size, Cash_Flow Volatility, DAR, MOWN, Sales_volatility , INST					

b. Dependent Variable: Persistence_Profit

Source: 2022 SPSS Output Results

In the research, the results of the DW test (Durbin Watson test) were 1,993 (n = 60, k = 6, the du value was 1,767 and 4-du = 2,233). This means that the regression model above does not have an autocorrelation problem, because the DW test numbers are between the du table and the 4-du table, this regression model is declared suitable for use. Du< dw < 4 – du can be described as follows: 1.767 <1.993 < 4-1.767 = 1.767 <1.993 < 2.233.

Heteroscedasticity Test.

This test aims to detect whether confounding errors from the observed model do not have a constant variance from one observation to another. To determine whether there are symptoms of heteroscedasticity, you can use a heteroscedasticity graph to predict the value of the dependent variable with the independent variable. The heteroscedasticity test in this study also uses the Glejser test as follows:

Table 4. Heteroscedasticity Test
Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	,027	,042		,632	,530
	Sales_volatility	1.126E-5	,000	,043	,297	,768
	Cash_Flow Volatility	-.001	,002	-.096	-.703	,485
	DAR	-.016	,029	-.077	-.549	,585
	INST	-.003	,004	-.102	-.662	,511
	MOWN	-.002	,035	-.010	-.068	,946
	Company_Size	,001	,002	,072	,489	,627

a. Dependent Variable: abscess

Source: 2022 SPSS Output Results

From the table above, it can be seen that the significance level is greater than 0.05, it can be concluded that there is no heteroscedasticity.

Multiple Linear Regression Analysis

Regression analysis is an analysis tool used to measure the influence of the independent variable on the dependent variable. The results of the regression equation processed using SPSS 17 for Windows are as follows:

Table 5. Results of Multiple Linear Regression Analysis

Coefficientsa

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	-.053	,058		-.905	,370
Sales_volatility	3.621E-5	,000	,004	,694	,491
Cash_Flow Volatility	-.390	,002	1,001	187,784	,000
DAR	-.069	,040	-.009	-1,697	,095
INST	-.004	,006	-.004	-.727	,470
MOWN	.107	,048	.013	2,229	,030
Company_Size	,002	,002	,005	,889	,378

a. Dependent Variable: Persistence_Profit

Source: 2022 SPSS Output Results

From multiple linear regression calculations using the SPSS for Windows program, the following results were obtained:

Y =-0.053 +3.621X1 - 0.390X2 - 0.069X3 -0.004X4 + 0.107X5+ 0.002X6 + e

The results of the regression equation can be explained with the following interpretation:

1. In the regression coefficient above, the constant (α) is -0.053, this means that if there is no change in sales volatility, cash flow volatility, debt level, institutional ownership, managerial ownership and company size, then profit persistence has a value of -0.053.
2. The sales volatility regression coefficient value was obtained at 3,621. This means that, if sales volatility increases by one unit, it will increase profit persistence by 3,621 assuming the other independent variables remain constant.
3. The cash flow volatility regression coefficient value is -0.390. This means that, if cash flow volatility increases by one unit, it will reduce profit persistence by 0.390 assuming the other independent variables remain constant.
4. The regression coefficient value for the debt level variable was obtained at -0.069. This means that, if the debt level increases by one unit, it will reduce profit persistence by 0.069 assuming the other independent variables remain constant.
5. The regression coefficient value for the institutional ownership variable was obtained at -0.004. This means that, if institutional ownership increases by one unit, it will reduce profit persistence by 0.004 assuming other independent variables remain constant.
6. The regression coefficient value for the managerial ownership variable was obtained at 0.107. This means that, if managerial ownership increases by one unit, it will increase profit persistence by 0.107 assuming other independent variables remain constant.
7. The company size regression coefficient value was obtained at 0.002. This means that, if the size of the company increases by one unit, it will increase profit persistence by 0.002 assuming the other independent variables remain constant.

Discussion

The Effect of Sales Volatility on Profit Persistence

The research results show that sales volatility has no effect on profit persistence. Based on several concepts of the definition of sales volatility, it can be concluded that sales volatility is a measure that shows the fluctuations or sales movements that occur within a company within a certain period of time. The results of research conducted on manufacturing companies show that sales volatility has no effect on profit persistence. The results of this research are not in accordance with the results of research conducted by Fanani (2010), Celindra (2014) which states that sales volatility has a significant effect on profit persistence, because manufacturing companies tend to have fluctuations or stable sales movements and this does not affect significant levels of profit persistence.

The Effect of Cash Flow Volatility on Profit Persistence

The research results show that cash flow volatility has a negative effect on earnings persistence. So the higher the volatility of cash flows, the lower the persistence of profits. High volatility indicates low profit persistence, because current cash flow information makes it difficult to predict future cash flows. The persistence of a company's profits can be seen through the operating cash flow value for each period. However, the value needed is a value that is stable and does not experience too high fluctuations, so that it will be easy to predict future profits. The results of this research are consistent with previous research by Tri Pujadi Susilo and Btari Mutia Anggraeni (2015) which stated that cash flow volatility has a negative effect on profit persistence.

The influence of debt levels on profit persistence

The research results show that debt levels have no effect on earnings persistence. Sulastri (2014) states that high debt levels can encourage managers to manage profits using acceptable procedures. The debt level is calculated using the ratio between the total debt value and the total value of the company's assets. The results of this test show that the high or low level of a company's debt does not affect the level of persistence of a company's profits, because the size of a company's debt level does not have a significant influence on its ability to finance the company's assets. So even though an increase or decrease in debt levels causes an increase or decrease in profit persistence, it does not have an impact on the stability of the company in the future, and does not have a big influence on the company or investors in making decisions. The results of this research are in line with research conducted by Luthfiyah (2016) which states that debt levels have no effect on profit persistence.

The influence of institutional ownership on profit persistence

The research results show that institutional ownership has no effect on earnings persistence. This indicates that the larger or higher portion of share ownership by institutional investors may not necessarily encourage company management to increase profit persistence. Another thing that emerged from this research was that institutional investors as supervisory bodies were apparently unable to influence company management in making policies. The results of this research contradict research by Ng Husin, Ai Hendrani, Dadan Ramdhani, and Popong Suryani (2020) which states that institutional ownership has an effect on profit persistence.

The influence of managerial ownership on earnings persistence

The research results show that managerial ownership has a positive effect on earnings persistence. So the higher the number of shares owned by management, the higher the persistence of profits. Increasing managerial ownership will bring a positive response to the market. The market assumes that an increase in the proportion of managerial ownership will cause greater profit persistence. The greater management's ownership of company shares means the greater the manager's sense of responsibility to account for financial reports. Directors will more intensely monitor financial managers to improve the quality of the company and thus the quality of profits. The greater the managerial ownership, the greater the persistence of profits (Khafid, 2012). The results of this research are in line with research conducted by Jumiati and Ratnadi (2014) which states that managerial ownership has a positive effect on profit persistence.

The influence of company size on profit persistence

The research results show that company size has no effect on profit persistence. Company size is not always the main reason investors and creditors trust a company. Investors and creditors may tend to have more confidence in companies with large assets because they see companies capable of developing their business and improving their performance, but it does not rule out the possibility that small companies are able to gain the trust of investors and creditors if the company can make progress and perform better than companies with large total assets. Besides that, large companies will reduce political costs by using accounting choices that can reduce profits. In this way, the profits generated tend to be small and not persistent and do not reflect the actual quality of profits produced by the company (Gu et. Al, 2002). The results of this research are in line with research conducted by Ardela Soehartinah Gunawan, Icih Trisandi Eka Putri (2020) which states that company size has no effect on profit persistence.

CONCLUSION

Based on the results of the discussion of data analysis through proving the hypothesis of the issues raised regarding the influence of sales volatility, cash flow volatility, debt levels, institutional ownership, managerial ownership and company size on profit persistence in manufacturing companies for the 2018-2020 period which has been explained in chapter IV , then the following conclusions can be drawn from this research: Sales volatility is not proven to have an effect on profit persistence. This means that fluctuations or sales movements within the company do not affect the amount of profit persistence.Cash flow volatility has been proven to have a negative effect on profit persistence. This means that the higher the fluctuation or movement of cash flows, the lower the persistence of profits.Debt levels are not proven to have an effect on profit persistence. This means that the high or low level of debt does not affect the persistence of profits because the size of the company's debt does not have a significant effect on financing the company's assets. Institutional ownership has not been proven to have an effect on earnings persistence. This means that a larger portion of share ownership by institutional investors may not necessarily encourage management to increase profit persistence. Managerial ownership has been proven to have a positive effect on earnings persistence. This means that the more shares owned by management, the higher the value of profit persistence. Company size is not proven to have an effect on profit persistence. This means that whether a company is large or small does not affect the profit persistence value.

Implications

Based on the research that has been carried out, the research conclusions above certainly have the following implications: The research results prove that cash flow volatility has a negative effect on profit persistence, managerial ownership has a positive effect on profit persistence, while sales volatility, debt levels, institutional ownership and company size are proven to have no effect on profit persistence. The results of this research can be used as a reference for further research, of course by adding other variables.

Research Limitations

Some limitations in this research are as follows: The author also admits that there are still many limitations. These limitations include the fact that the author's references are not yet complete enough to support the process of writing this research, so there are many shortcomings in theoretical studies or the application of research models. The research sample is manufacturing companies, of which there are less than 100 companies. This research uses profit before tax and total assets to measure profit persistence, while there are many other measurement methods.

Future Research Agenda

For researchers who will research similar research, they can add research years, samples and research objects other than manufacturing companies so that the results obtained will be better. Future research can also use financial variables such as book tax differences or accrual reliability and other non-financial variables that can influence profit persistence into research. Future research could use other methods of measuring earnings persistence.

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