EQUITY
Vol. 27, No.1, 2024, 54-71
DOI: 10.34209/equ.v27i1.8821
P-ISSN 0216-8545 | E-ISSN 2684-9739

Uploaded : July 2024
Accepted : October 2024
Published : November 2024

EARNINGS PERSISTENCE DETERMINANTS IN INDONESIA'S AUTOMOTIVE INDUSTRIES

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Abstract

The financial performance of companies, particularly as reflected in financial statements, is crucial for decision-making. Earnings persistence, which is defined as the ability of a company to maintain stable earnings from one period to the next, is a key indicator in assessing the financial health and stability of a company. This research aims to analyze the patterns, trends, and best strategies in the use of digital technology and digital transformation implemented by companies in the global market. The study's population includes automotive sub-sector companies, and their components listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, with purposive sampling serving as the sampling method, and 18 companies were selected as the samples. The technique applied for data analysis is the multiple regression method. The discoveries from this research prove that company size, accrual reliability, and book tax differences do not significantly affect earnings consistency. Meanwhile, the debt ratio has a significant effect on earnings persistence.

Keywords: Firm Size; Accrual Reliability; Book Tax Differences; Debt Asset to Ratio; Earning Persistence.

Abstrak

Kinerja keuangan perusahaan, yang utamanya dicerminkan dalam laporan keuangan sangat penting dalam pengambilan keputusan. Persistensi laba, yaitu kemampuan perusahaan untuk mempertahankan laba secara stabil dari satu periode ke periode berikutnya, menjadi indikator kunci dalam mengevaluasi kesehatan dan stabilitas keuangan perusahaan. Penelitian ini bermaksud menganalisis pola-pola, tren, hingga strategi terbaik dalam penggunaan teknologi digital dan transformasi digital yang diterapkan oleh perusahaan di pasar global. Populasi pada penelitian ini adalah perusahaan sub sektor otomotif beserta komponennya yang tercatat di BEI pada tahun 2019 – 2023 dengan teknik purposive sampling sebagai metode pengambilan sampel dan terpilih 18 perusahaan sebagai sampel penelitian. Teknik analisis data yang diterapkan adalah analisis regresi berganda. Hasil penelitian memperlihatkan bahwa ukuran perusahaan, keandalan akrual, serta perbedaan antara buku dan pajak tidak memengaruhi konsistensi laba. Sementara, tingkat utang memiliki pengaruh signifikan terhadap persistensi laba.

Kata Kunci: *Ukuran Perusahaan; Keandalan Akrual; Perbedaan Buku Pajak; Tingkat Utang; Persistensi Laba.*

Cited this as: Latifah, Y., Hernawati, E. 2024. Earnings Persistence Determinants in Indonesia's Automotive Industries. *Equity,* 27(1), 54-71. doi.org/10.34209/equ.v27i1.8821

INTRODUCTION

In the era of globalization and rapid technological advancement, the business world faces various challenges and opportunities. Digital transformation and the utilization of digital technology have become key factors influencing operational efficiency and the competitiveness of companies in the global market. Therefore, the ability to adapt in these changes is crucial for preserving the company's position in an increasingly competitive industry. Not only during the pandemic, but the post-pandemic has also caused significant challenges, altering consumption patterns and impacting the stability of the company's earnings persistence. An in-depth comprehension of financial performance plays a significant role in the decision-making process within the company. According to Supatmin (2023), financial statements, including the income statement, balance sheet, and cash flow, are essential instruments for stakeholders to assess the company's performance and financial stability.

Profit is a key parameter in financial statements used to assess a company's performance (Oktavia & Susanto, 2022). The components of the income statement are crucial for investors when deciding whether to withdraw or maintain their funds with a company (Riskiya & Africa, 2022). Profit is expected to remain persistent or ideally grow, giving investors confidence in the company's long-term prospects (Kusumaningrum & Iswara, 2022). Earnings persistence acts as a metric for stakeholders to assess past, current, and future performance (Andi & Setiawan, 2019). It offers insight into a company's future condition, aiding in decisions such as investments, credit issuance, or regulatory actions (Mariani & Suryani, 2021). Therefore, companies must maintain high and consistent profits to enable stakeholders to make well-informed and accurate decisions.

Table 1. *Earnings Before Income Tax* (Automotive Industries) in Million Rupiah

Stock Code	Company Name	2019	2020	2021	2022	2023
AUTO	PT Astra Otoparts Tbk	1.119.858	116.071	755.129	1.730.906	2.314.955
BOLT	PT Garuda Metalindo Tbk	51.492	63.652	105.700	79.252	153.276
IMAS	PT Indomobil Sukses Int. Tbk	372.272	484.893	22.575	919.695	1.075.534
INDS	PT Indospring Tbk	130.070	75.316	213.789	297.078	252.841

Source: Bursa Efek Indonesia (2024)

Sales are the main source of revenue for companies (Saptiani & Fakhroni, 2020). The automotive sector has drawn attention for analysis of its profit growth

before and during the Covid-19 pandemic, as despite yearly increases, the pandemic led to a decline in sales (Herlin et al., 2022). Referring to vehicle sales data in Indonesia for second quarter of 2020, there was a decline compared to 2019, before the pandemic. Below is the vehicle sales data for automotive subsector on the IDX during the 2019-2023 period.

The profit inconsistent shown in the table reflects fluctuations, where a company may achieve high profits in one period but experience a decline in the next, or conversely. This variation in profit levels highlights the challenges companies face in maintaining consistent performance, indicating that external factors or market conditions can significantly impact their profitability. Such fluctuations can affect investor confidence and influence decision-making processes within the organization.

Financial information requires accrual reliability because it is related to a company's earnings persistence. According to Maskanah & Arif (2024), the reliability of accruals is critical for ensuring that the accounting information in financial statements is accurate and appropriate. Unreliable accruals can lead to profit fluctuations, resulting in decreased profit stability. In contrast, reliable accruals reflect the true financial performance and aid in predicting future earnings (Gusnita & Taqwa, 2019). The use of accrual methods in accounting records allows profit to be recognized as revenues and expenses that have been realized, whether in cash or non-cash forms. Generally, when assessing entities, firm size serves as a metric for evaluating performance. An increase in company size may lead to higher and more consistent profits.

Firm size, alongside accrual reliability, is also related to profit levels. Firm size is an elemen that reflects a company's characteristics and can be used to measure its scale(Utami & Nuraini, 2022). An increase in company size may lead to higher and more persistent profits (Warseno et al., 2022). As a company grows and its size increases, its profit levels also rise, making earnings more persistent. A study by Sihotang (2023) indicated a positive and significant relationship between company size and earnings persistence. On the other hand, research by Mariski & Susanto (2020) and Olivia & Viriany (2021) found a negative impact of company size on earnings persistence. However, research by Khotimah & Hakim (2022) found no significant impact of company size on earnings persistence.

Another factor influencing a company's earnings persistence is the book tax differences (Erasashanti et al., 2022). Earnings persistence refers to consistent revenue from one accounting period to the next, indicating that current earnings can predict future income (Yao et al., 2018). High earnings persistence can enhance a company's stock price, potentially driving an increase in its share value. Consequently, companies may engage in creative accounting practices to boost stock prices through earnings persistence. According to information from gaikindo.or.id, the national automotive industry faces various business challenges that producers must anticipate in 2024, including the implementation of new tax regulations. Recently, the DKI Jakarta Regional Government increased the progressive tax rate on motor vehicles by 0.5% for the ownership of second and subsequent vehicles. According to Tang & Firth as cited in (Khotimah & Hakim, 2022), to detect earnings management or tax planning actions in the context of earnings persistence, one should consider the differences between book and tax, indicated by

a low earnings response coefficient.

One indicator that affects earnings persistence is the level of debt, which reflects how much of the company's assets are financed by debt (Febriani & Azahra, 2023). Companies strive to maintain their performance by enhancing earnings persistence, with leverage being a key driver in this effort. Research by Indriani & Napitupulu (2020) found that the amount of debt influences profit sustainability, while Nofriantika & Afridayani (2023) argued that debt ratio do not have a significant impact on profit sustainability.

This research differs from previous research, particularly in terms of its object and research period. Earlier research typically focused on companies in the consumer goods sector, while this research concentrates on companies in various industries, specifically the automotive sub-sector and its components. Additionally, this research observes a five-year period, whereas previous studies generally encompassed only three years. This research is crucial as earnings persistence can be used to assess a company's ability to sustain its profits, providing valuable information about its performance.

This research formulates the problem statement regarding the impact of company size, accrual reliability, book tax differences, and debt ratio on earnings persistence. The study aims to determine whether profits in the automotive industry and its components tend to remain constant over time or change substantially. The objective of this research is to observe and analyze patterns of earnings persistence within the automotive industry and its components, assess indicators that may affect earnings persistence, and understand the implications of earnings persistence on financial performance. Additionally, this research seeks to identify the challenges companies face in adopting digital technology and digital transformation, as well as the strategies that have been successful in addressing these challenges and leveraging available opportunities.

LITERATURE REVIEW

This research is based on signaling theory, introduced by Michael Spence in the 1970s and later applied across fields like finance. Positive or negative signals help investors assess a company's performance and prospects (Saptiani & Fakhroni, 2020). Indrawan in (Krisnando & Novitasari, 2021) states that companies providing more comprehensive information tend to receive better ratings, influencing investor reactions.

There is a feedback relationship between earnings quality and the disclosure of corporate control information in providing relevant information. Signaling theory is strongly linked to earnings persistence, as persistent earnings send positive signals to information users (Riskiya & Africa, 2022). Stable earnings generally remain high but can only be measured on an annual basis, not quarterly (Paramaratri et al., 2023). Financial stability, indicated by high earnings persistence, draws investor attention and is seen as a marker of trust and credibility (Haerudin et al., 2023).

The relationship between signaling theory and accrual reliability is evident through the use of accruals in verifying company earnings (Riskiya & Africa, 2022). Signaling theory also connects firm size to earnings persistence, with larger

companies seen as more capable of improving performance and attracting investor confidence (Handayani & Nasution, 2023). Additionally, debt can signal positive prospects, as it supports business expansion and influences earnings persistence (Indriani & Napitupulu, 2020).

This research also uses agency theory that introduced by Jensen & Meckling in 1976. This theory explains the contractual relationship between principals and agents. The principal provides capital and acts as an overseer, while the agent manages that capital within the company (Lukman & Callista, 2024). Due to the differing roles and interests between shareholders (principals) and management (agents), information asymmetry can occur. Agents, being more directly involved in operations, often possess more accurate information than the principals. This issue frequently arises in financial reporting, where agents may engage in accounting practices that serve their own interests.

Agency theory is tied to earnings modifications, particularly earnings persistence, as management seeks to align with investor expectations (Nurdinia & Oktapriana, 2023). Agents may use accruals to adjust financial reports, presenting a more favorable view to stakeholders (Lukman & Callista, 2024). Accrual manipulation, a form of earnings management, stems from information asymmetry, where agents control operations (Sugara et al., 2023). Taman & Nugroho (Lovita & Lisiantara, 2023) identify three core assumptions of agency theory:

1. People act in self-interest.
2. People have limited foresight (bounded rationality).
3. People avoid risk (risk aversion).

Firm Size and Earnings Persistence

Firm size is a measure used to determine the level of assets a company generates (Riskiya & Africa, 2022). Larger companies tend to maintain consistent earnings, sending positive signals to investors about earnings quality. According to Haerudin et al. (2023) state that a company's performance, reflected in its assets, enhances its ability to forecast future operations, reducing forecasting errors. Sihotang et al. (2023) found that firm size affects earnings persistence, meaning the larger the company, the more positive the signals received by investors. Larger firms have more capital and lower bankruptcy risks, ensuring financial stability. Based on these findings, the hypothesis is formulated as:

H1: Firm size has influence on earnings persistence.

Accrual Reliability and Earnings Persistence

Accurate adjustments in accounting transactions enable companies to achieve sustainable earnings. Unreliable accruals can negatively affect future earnings predictions. Reliable accruals positively and significantly impact earnings persistence, with higher accrual reliability leading to greater earnings persistence (Riskiya & Africa, 2022). This finding aligns with the research of Mariski & Susanto (2020). However, studies by Dayanti et al. (2021) and Lukman & Callista (2024) present different results, indicating that accrual reliability does not affect earnings persistence. This research adopts the conclusions of Mariski & Susanto (2020) and Riskiya & Africa (2022), asserting that more reliable accruals lead to higher earnings persistence, providing relevant and accurate information for investors and signaling

positively. Thus, the hypothesis is formulated as:
H2: Accrual reliability has influence on earnings persistence.

Book-Tax Difference (BTD) and Earnings Persistence

The difference between book and tax income can be used to identify earnings management practices (Lovita & Lisiantara, 2023). This occurs because principals cannot directly monitor agents and have limited information, leading to agency conflicts and information asymmetry. Dewi in (Warseno et al., 2022) explains that book-tax differences reflect how companies manage accrual processes and provide information, resulting in permanent and temporary differences that must be reconciled. Research by Situmorang & Sihotang (2021) shows that Book-Tax Difference (BTD) significantly affects earnings persistence. This is because management, as agents, have discretion in using accounting for tax income measurement, impacting earnings quality. A larger gap between accounting and tax income results in lower earnings persistence, and vice versa. Based on this, the hypothesis is:
H3: Book-Tax Difference (BTD) has an influence on earnings persistence.

According to Ghoffar & Yuyeta (2023), companies with a capital structure dominated by debt tend to face higher risks due to the increased likelihood of default, which can impact their earnings and, consequently, earnings quality. The significant responsibility of maintaining performance positively influences earnings persistence, as companies must continuously generate sufficient profits to meet their financial obligations. High leverage can send negative signals to investors and influence their investment decisions. According to Daryatno & Santioso (2021) found that high corporate leverage increases risk, as management may be tempted to manipulate financial reports to avoid debt default, potentially reducing earnings quality. In the context of agency theory, the debt ratio reflects how much of a company's assets are financed by debt, which can trigger conflicts between agents and principals, especially if agents conceal debt usage that principals would disapprove of as a funding source (Warnika & Utami, 2024) Based on this, the hypothesis is:
H4: Debt ratio has an influence on earnings persistence.

RESEARCH METHODOLOGY

This quantative research aims to examine numerical data for analyze the effect of firm size, accrual reliability, book-tax differences, and debt ratio on earnings persistence. The population includes companies listed on the Indonesia Stock Exchange (IDX), with the sample focusing on the automotive and component subsectors, listed from 2019 to 2023. The sampling method used is purposive sampling, utilizing secondary data from annual reports obtained from the official IDX website (www.idx.co.id). Sugiyono (2018, p. 138) defines purposive sampling as a sampling method based on specific predetermined criteria. The sample results are 18 automotive industry, thus the todal data used for this research are 50 data. The sampling criteria and procedure are summarized below:

Tabel 2. Sample Selection Procedure

No	Kiteria Sampel	Tahun					Total
		2019	2020	2021	2022	2023	
1	Automotive industries and their components listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period.	18	18	18	18	18	90
2	Company that did not publish their annual reports on the Indonesia Stock Exchange (IDX) during the 2019-2023 period.	(4)	(4)	(3)	(3)	(1)	(15)
3	Company that use the rupiah as their reporting currency	(5)	(5)	(5)	(5)	(5)	(25)
Number of Samples							50

Source: Result of Collect Data (2024)

Dependent Variable

Earnings persistence refers to a company's ability to generate stable profits over time without significant fluctuations. This reflects the potential for sustainable long-term earnings in the future (Haerudin et al., 2023). For a company aiming for strong performance, it must consistently achieve stable profits. This can be evaluated through cash flow and accrual earnings, which impact future profits and the company's ability to maintain that stability (Andi & Setiawan, 2019).

Independent Variable

Firm size is an indicator of a company's value based on the total assets it owns. According to Riskiya & Africa (2022), larger companies tend to attract more investors, as they are believed to offer high-quality products or services with stable profitability. Additionally, large firms are trusted by investors for their ability to improve performance and maintain earnings quality (Yoanita & Khairunnisa, 2021). However, based on the agency theory by Jensen & Meckling (1976), larger firms may also incur higher agency costs, making them more prone to earnings management and tax planning practices (Khotimah & Hakim, 2022).

Accrual-based accounting is defined as recording a company's financial transactions when they occur, rather than when cash or cash equivalents are exchanged. This approach enhances the relevance of information in financial reports by reducing the impact of timing and matching issues (Amrih, 2023). According to Riskiya & Africa (2022), the reliability of accruals is equivalent to recognizing transactions using trustworthy estimates. The accrual components in financial statements are categorized based on their reliability: high, medium, and low (Barton in Dayanti et al., 2021).

According to Dewi in (Andi & Setiawan, 2019), adjustments in commercial financial statements mandated by tax regulations in Indonesia can lead to discrepancies, known as fiscal reconciliation, which results in differences between accounting profit and taxable income. This process is carried out at the end of each accounting period. The differences between financial statements and tax reports (Book-Tax Differences) are often analyzed to examine earnings management

practices. The quality and persistence of earnings are also influenced by the earnings management actions of companies (Lovita & Lisiantara, 2023).

Debt refers to all financial obligations of a company to third parties that have not yet been fulfilled, as well as the funding sourced from creditors (Munawir, 2015). A high level of debt can encourage an increase in earnings persistence, helping companies maintain strong performance in the eyes of auditors and investors (Mariani & Suryani, 2021). This significant responsibility for maintaining performance positively influences a company's earnings persistence, as companies need to continually generate sufficient profits to meet their financial obligations.

Table 3. Operationalization of Variables

Variable	Measurement	Scale	Reference
Earnings Persistence (Y)	PSST = $\frac{EBIT\ (t) - EBIT\ (t-1)}{Total\ Assets}$	Ratio	Sarah et al. (2019)
Firm Size (X_1)	*FIRMSIZE = Ln (Total Assets)*	Ratio	Mariski & Susanto (2020)
Accrual Reliability (X_2)	Akrual = (ΔWC + ΔNCO + ΔFIN)	Ratio	Sloan (1996)
Book-Tax Difference (X_3)	BTD = $\frac{Deffered\ Tax\ Expense\ (Benefit)}{Average\ Total\ Assets}$	Ratio	Rianto & Murtiani (2020)
Debt Ratio (X4)	DAR = $\frac{Total\ Debt}{Total\ Assets}$	Ratio	Maulana & Triana (2021)

Explanation:
PPST: Earnings persistence
EBIT: Earnings before income tax
ΔWC: Change in working capital
ΔNCO: Change in non-current operating accruals
ΔFIN: Change in financial accruals
Ln: Natural logarithm

Data Analysis Method

Descriptive statistical analysis and multiple linear regression analysis are the techniques used in this research. The regression model formulated in this research is as follows:

$$EP = \alpha + ß_1X1_{it} + ß_2X2_{it} + ß_3X3_{it} + ß_3X4_{it} + \varepsilon$$

EP = *Earning persistence* (pe
ε = Standard error
X_1 = Firm Size
X_2 = Accrual Reliability
X_3 = *Book Tax Difference* (BTD)
X_4 = Debt Ratio

RESULT AND DISCUSSIONS

In this research, the data analysis technique used is descriptive analysis. Ghozali (2018) explains that descriptive statistics describe the findings from observed data, including the mean, maximum, minimum, and standard deviation. Below are the results of the descriptive statistical test concerning the variables of earnings persistence, accrual reliability, and cash flow volatility.

Table 4. Descriptive Statistical Analysis

Variable	Obs	Mean	Std. Dev.	Min	Max
PSST	50	0.0026177	0.0576662	-0.1237581	0.2404797
FIRMSIZE	50	14.07072	3.012097	7.419381	19.91511
ACCRUAL	50	0.2119806	0.475957	-0.8427901	1.127716
BTD	50	0.0022281	0.0094917	-0.0174027	0.0616721
DAR	50	-0.0173411	0.1427335	-0.6987818	0.571066

Source: STATA v12, 2024 (Data Processed by Researcher)

Table 4 shows the descriptive statistics for 50 companies used as the sample for the study. Regarding the dependent variable, earnings persistence, the minimum value is -0.1237581, recorded by PT. Garuda Metalindo Tbk (BOLT) in 2021. This suggests that PT. Garuda Metalindo Tbk (BOLT) had non-persistent earnings during that year, showing fluctuations compared to other companies in similar sectors. This minimum value indicates a decline in earnings sustainability, prompting the company to take action to reassure investors about future earnings.

On the other hand, the maximum earnings persistence was recorded by PT. Indomobil Sukses Internasional in 2019, with a value of 0.2404797. This clearly illustrates that Indomobil Sukses Internasional had high earnings persistence during that year, compared to other companies in similar sectors. This persistence value remained the highest between 2020 and 2023, suggesting that the sample companies' earnings can give greater confidence to investors regarding future earnings. The mean for earnings persistence across all sample companies from 2019 to 2023 is 0.0026177, with a standard deviation of 0.0576662. A mean below the standard deviation indicates that the sample data has a large variation or is heterogeneous.

The descriptive statistical analysis for the first independent variable, firm size, shows that the minimum value is 7.419381, recorded by PT. VKTR Teknologi Mobilitas Tbk (VKTR) in 2023. This represents the lowest value of firm size across all samples used from 2019 to 2023. On the other hand, the maximum firm size is 19.91511, recorded by PT. Astra International Tbk (ASII) in 2023, suggesting that this company is large and has greater capital resources. The mean firm size for the sample companies between 2019 and 2023 is 14.07072, with a standard deviation of 3.012097. A mean greater than the standard deviation indicates that the sample data has low variation or is homogeneous.

For the second independent variable, accrual reliability, the minimum value is -0.8427901, recorded by PT. Indomobil Sukses Internasional Tbk (IMAS) in 2023. The maximum accrual reliability was recorded by PT. Multi Prima Sejahtera (LPIN) in 2023, with a value of 1.127716, the highest among similar companies in the industry. High accrual reliability indicates that the company has good accrual quality, suggesting stability and predictability in managing revenue and expenses.

The mean accrual reliability for the period 2020–2023 is 0.2119806, with a standard deviation of 0.475957. A mean below the standard deviation indicates that the sample data has a large variation or is heterogeneous.

For the third independent variable, book-tax difference, the minimum value is -0.0174027, recorded by PT. Multi Prima Sejahtera (LPIN) in 2023. The maximum value is 0.0616721, recorded by PT. Prima Alloy Steel Universal Tbk (PRAS) in 2019, the highest among similar companies in the industry. The mean book-tax difference for the period 2019–2023 is 0.0022281, with a standard deviation of 0.0094917. A mean below the standard deviation indicates a large variation or heterogeneity in the sample data.

For the fourth independent variable, debt level, the minimum value is -0.6987818, recorded by PT. Lupromax Pelumas Indonesia Tbk (LMAX) in 2019. The maximum value is 0.571066, recorded by PT. Garuda Metalindo Tbk (BOLT) in 2021, the highest among similar companies in the industry. The mean debt level for the period 2019–2023 is -0.0173411, with a standard deviation of 0.1427335. A mean lower than the standard deviation indicates that the sample data shows large variation or is heterogeneous.

Regression Model Selection

Chow Test

Table 5. Chow Test Result

Probability (Prob > F)	**0.3219**
Sig. (a)	1.20

Source: STATA v12, 2024 (Data processed by the researcher)

LM Test

Table 6. LM Test Result

Probability (Prob > chibar2	**1.0000**
Sig. (a)	0.00

Source: STATA v12, 2024 (Data processed by the researcher)

The selection of the regression model was conducted through two types of tests. In the first test, the Chow Test revealed that the significance level of the Fixed Effects Model (FEM) was 0.3219, indicating a failure to reject the null hypothesis (H0). Therefore, the best model used for this research is the Ordinary Least Squares (OLS) model. Additionally, in the LM Test using the Breusch-Pagan Test, the probability value of chibar2 was above 0.05, leading to a failure to reject the null hypothesis (H0). It can be concluded from both tests that the best regression model used in this research is the OLS model.

Classical Assumption Test

1. Normality Test

The normality test is conducted to determine whether the standardized residuals follow a normal distribution. For a good regression model, it is important that the data is normally distributed. In this research, the normality test method used is the Shapiro-Wilk test, considering that the analyzed data consists of ≤ 50 companies. According to Sugiyono (2014), the Shapiro-Wilk test is appropriate for testing the distribution of random data in small samples not exceeding 50. The decision-making criterion based on the probability (Asymptotic Significance) is as follows: if the probability > 0.05, the population distribution is considered normal; conversely, if the probability < 0.05, the population is considered not normally

distributed. Based on Table 7, it is known that two independent variables, namely firm size (FIRMSIZE) and accrual reliability (ACCRUAL), have normally distributed data. Meanwhile, the other independent variables, such as book-tax difference (BTD) and debt ratio, as well as the dependent variable, profit persistence, have data that is not normally distributed.

Table 7. Normality Test Result

Variabel	OBS	Swilk
PSST	50	0.00034
FIRMSIZE	50	0.09433
ACCRUAL	50	0.36961
BTD	50	0.00000
DAR	50	0.00000

Source: STATA v12, 2024 (Data processed by the researcher)

2. Multicollinearity Test

The multicollinearity test is necessary to examine the regression model for any correlation among the independent variables. The criterion for passing the multicollinearity test is that the correlation between variables should not exceed 0.80. Based on the test results, it can be concluded that none of the variables exceeded 0.08, with the highest correlation being 0.1628, indicating that the model is free from multicollinearity issues.

Table 8. Multicollinearity Test Result

Variabel	**PSST**	**FIRMSIZE**	**ACCRUAL**	**BTD**	**DAR**
PSST	1.0000				
FIRMSIZE	-0.0296	1.0000			
ACCRUAL	-0.1772	-0.4872	1.0000		
BTD	0.1628	0.0266	-0.2138	1.0000	
DAR	-0.3698	0.0417	0.0887	-0.6469	1.0000

Source: STATA v12, 2024 (Data processed by the researcher)

3. Heteroscedasticity Test

The heteroscedasticity test is necessary to evaluate whether there are differences in the variance of residuals across observations in the linear regression model. This test can be conducted using the Breusch and Pagan Lagrangian statistical method. To detect the presence of heteroscedasticity issues, one can look at the significance value; if the value is < 0.05, it can be concluded that the regression model experiences heteroscedasticity. Conversely, if the significance is ≥ 0.05, the regression model is considered free from heteroscedasticity (Ghozali, 2016: 143).

Table 9. Heteroscedasticity Test Result

Probability Restricted (Prob>chi2)	0.3743
Sig	0.79

Source: STATA v12, 2024 (Data processed by the researcher)

Based on Table 6, the results for the independent variables show a significant value of 0.3743, which is higher than 0.05 (significance > 0.05). This indicates that none of the independent variables have an effect on the dependent variable, as measured by the absolute residual values. This significance result also shows that there are no heteroscedastic issues with independent variables.

Analysis of Regression Equation

Before testing the hypothesis, the multiple regression analysis is determined, which has been formulated as follows.

EP = 0.0399652 – 0.0022823**FIRMSIZE** – 0.0282851**ACCRUAL** – 1.11297**BTD** – 0.186908**DAR**

Table 10. Regression Equation Analysis

Model	Coef	**t**	P>|t|
(Constant)	0.0399652	0.89	0.376
FIRMSIZE	-0.0022823	-0.77	0.445
ACCRUAL	-0.0282851	-1.47	0.147
BTD	-1.11297	-1.02	0.315
DAR	-0.186908	-2.61	0.012

Source: STATA v12, 2024 (Data processed by the researcher)

If the dependent variable has a significance coefficient of 0.05, it indicates a significant effect between one independent variable and the dependent variable. Conversely, if the significance level is higher than 0.05, then there is no significant effect. According to the regression test results, the firm size variable (FIRMSIZE) has a positive coefficient of -0.0022823, which indicates that an increase of one unit in firm size is associated with a decrease in PSST by 0.0022823 units, but it is not statistically significant (p = 0.445). The accrual reliability variable (ACCRUAL) has a negative coefficient of -0.0282851, indicating that an increase of one unit in accruals is associated with a decrease in PSST by 0.0282851 units, but it is also not statistically significant (p = 0.147). Additionally, the book-tax difference variable (BTD) has a negative coefficient of -1.11297, showing that an increase of one unit in BTD is associated with a decrease in PSST by 1.11297 units, but it is not statistically significant (p = 0.315). Meanwhile, the debt ratio variable has a negative coefficient of -0.186908, meaning that an increase of one unit in the debt ratio is associated with a decrease in PSST by 0.186908 units.

Hypotesis Test

Table 11. Simultant Test (F) Result

Model	**Number of obs**	**F**	**Sig**	**Adjusted R Square**
Regression	50	2.57	0.0504	0.0484

Source: STATA v12, 2024 (Data processed by the researcher)

The F test is used to determine whether the regression model is significant overall. It tests the null hypothesis (H0) that all regression coefficients (except the constant) are equal to zero. Based on Table 11, it is known that the F-statistic value is F(3, 46) = 1.83. This F-statistic value corresponds to a regression model with 3 degrees of freedom for the numerator (the number of independent variables) and 46 degrees of freedom for the denominator (the number of observations minus the number of independent variables minus 1). The significance probability value for F is 0.0504, which means that the p-value associated with the F-statistic is greater than 0.05. Therefore, the conclusion is to fail to reject the null hypothesis. This indicates that the regression model is nearly significant at the 5% significance level.

The coefficient of determination measures the proportion of variability in the dependent variable that can be explained by the independent variables in the model.

The R-squared value is 0.1861, indicating that approximately 18.61% of the variability in PSST can be explained by the independent variables: FIRM SIZE, ACCRUAL, BTD, and DAR. The adjusted R-squared value is 0.1138. Adjusted R-squared accounts for the number of variables in the model relative to the number of observations, providing a more accurate estimate of the model's ability to explain variability. In this case, approximately 11.38% of the variability in PSST can be explained by the independent variables after adjusting for the number of variables.

The T test is used to determine the statistical significance of each regression coefficient. To evaluate the significance of the regression coefficients, we need to compare the calculated t-value with the critical t-value from the t-table. The t-table value for df = 45 and a significance level of 0.05 (two-tailed) is approximately 2.014. Based on the results of the T test, the firm size variable has a calculated t-value smaller than the t-table value (-0.77 < 2.014), indicating that the FIRMSIZE coefficient is not significant with respect to profit persistence. Additionally, the accrual reliability variable also has a calculated t-value lower than the t-table value (-1.47 < 2.014), meaning that the ACCRUAL coefficient is not significant with respect to profit persistence. Similarly, the evaluation of the significance of the regression coefficient for the book-tax difference variable is supported by a calculated t-value smaller than the t-table value (-1.02 < 2.014), indicating that the BTD variable also does not have a significant effect on profit persistence. In contrast, the evaluation of the significance of the regression coefficient for the debt ratio variable shows that the calculated t-value is greater than the t-table value (-2.61 > 2.014), indicating that the DAR coefficient significantly affects PSST.

Independent Variable	Hypothesis	Keputusan
Firm Size	H1: No Effect	Rejected
Accrual Reliability	H2: No Effect	Rejected
Book Tax Difference	H3: No Effect	Rejected
Debt Asset to Ratio	H4: Significant Effect	Accepted

Source: STATA v12, 2024 (Data processed by the researcher)

DISCUSSION

This research does not demonstrate a significant influence between firm size and earnings persistence. The size of a company, determined by the amount of assets owned, does not reflect the actual operational conditions. The findings reveal an inverse relationship between firm size and earnings persistence; as firm size increases, the earnings generated become more volatile. This finding is inconsistent with signalling theory, which suggests that larger firms should be more capable of reassuring potential investors to invest, thereby positively impacting the company's earnings. In the context of this research, large automotive companies do not always generate high profits, as they tend to incur higher operational costs. This research is consistent with studies conducted by Riskiya & Africa (2022) and Dayanti et al. (2021).

The research indicates that there is no significant influence between accrual reliability and earnings persistence. This may be attributed to negative changes in financial accruals and positive changes in non-current operating accruals and

working capital, leading to an average positive earnings persistence. This finding contradicts signalling theory, which states that accrual reliability affects earnings persistence because persistent earnings can provide accurate information to users. Contrary to the claims made by Riskiya & Africa (2022), this research explains that there is an inverse relationship between accrual reliability and earnings persistence, meaning that as the measurement of accruals becomes more reliable, the level of earnings persistence in automotive companies decreases. This research aligns with studies developed by Natalica & Hartanti (2022) and Dayanti et al. (2021).

The study's findings indicate that the Book Tax Difference (BTD) does not significantly influence earnings persistence, suggesting that even with differences in book and tax values, it does not affect the stability of earnings in the automotive sector. The lack of a significant influence between BTD and earnings persistence may reflect a low level of earnings management in the automotive industry, reducing the likelihood of creative actions by managers. As noted by Khotimah & Hakim (2022), cash flow volatility may have a greater influence on earnings persistence, indicating that other factors may dominate over accounting practices typically associated with agency theory. Thus, the study's results align with research conducted by Thingthing et al. (2020) but do not fully support agency theory, as they show that managerial actions in the context of tax avoidance and earnings management do not have the expected impact on earnings persistence in the automotive industry.

The analysis results indicate that the Debt to Asset Ratio (DAR) significantly affects earnings persistence, where an increase in the debt level tends to correlate with a decrease in earnings stability. This is likely because companies with higher debt may face greater risks in maintaining their earnings stability. This finding aligns with agency theory, where debt can create conflicts of interest between shareholders and creditors, potentially affecting managerial decisions. Furthermore, this result supports signalling theory, where high levels of debt may send negative signals to the market regarding the company's financial risk, thereby affecting perceptions of earnings quality. Thus, this analysis provides evidence that a riskier capital structure can disrupt a company's earnings persistence. This research aligns with the study by Maulana & Triana (2021), which states that the level of debt negatively and significantly affects earnings persistence.

CONCLUSION

This research shows that there is no significant effect of company size on earnings persistence; larger companies tend to have more volatile earnings, which contradicts signaling theory that suggests larger firms can reassure investors. Additionally, the reliability of accruals does not significantly impact earnings persistence, indicating that even reliable accruals may have an inverse relationship with earnings persistence. On the other hand, the debt-to-asset ratio (DAR) shows a significant negative effect on earnings persistence, suggesting that increased debt poses greater risks to earnings stability.

These findings support agency and signaling theories and align with previous research showing th at riskier capital structures can disrupt earnings persistence. Overall, this research provides important insights into various indicators affecting earnings persistence in the automotive sector, emphasizing that company size and

accrual reliability do not always correlate positively with earnings stability, while debt ratio can serve as significant risk indicators. The findings highlight the need for greater attention to cash flow management and debt risk to maintain earnings stability.

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