

DETERMINANTS OF EARNINGS PERSISTENCE IN PROPERTY AND REAL ESTATE SECTOR COMPANIES

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Abstrak

Kondisi sektor properti real estat saat ini berfluktuasi, tergantung pada stimulus pemerintah, investor, dan kepentingan publik. Perusahaan akan bertahan dan bahkan berkembang jika mereka mampu mempertahankan dan mengamankan keuntungan masa depan. Penelitian ini menguji apakah arus kas operasi, tingkat utang, akrual, volatilitas penjualan, dan kepemilikan institusional merupakan faktor-faktor yang dapat memengaruhi persistensi laba. Penelitian ini dilakukan pada perusahaan real estat dan properti yang terdaftar di BEI periode 2020-2024 yang berjumlah 78 perusahaan dengan total 390 observasi. Penelitian ini menggunakan teori keagenan dan teori sinyal. Metode yang digunakan dalam penelitian ini adalah kuantitatif. Teknik analisis data menggunakan regresi linier berganda yang diolah dengan perangkat lunak SPSS. Hasil dan simpulan penelitian ini menunjukkan bahwa faktor-faktor yang memengaruhi persistensi laba adalah arus kas operasi, tingkat utang, akrual, volatilitas penjualan, dan kepemilikan institusional memiliki pengaruh terhadap persistensi laba.

Kata kunci: Arus kas operasi, tingkat utang, volatilitas penjualan, kepemilikan institusional, persistensi laba

Abstract

The current condition of the real estate property sector is fluctuating, depending on government stimulus, investors and public interest. Companies will survive and even thrive if they are able to maintain and secure future profits. This study examines whether operating cash flow, debt levels, accruals, sales volatility, and institutional ownership are factors that can affect earnings persistence. This study was conducted on real estate and property companies listed on the IDX for the 2020-2024 period totaling 78 companies with a total of 390 observations. This study uses agency theory and signal theory. The method used in this study is quantitative. The data analysis technique uses multiple linear regression processed with SPSS software. The results and conclusions of this study indicate that the factors that affect earnings persistence are operating cash flow, debt levels, accruals, sales volatility and institutional ownership have an influence on earnings persistence.

Keywords: Operating cash flow, debt level, sales volatility, institutional ownership, earnings persistence

INTRODUCTION

The prospect of the property and real estate sector in 2024 is predicted to continue with the IMF (*International Monetary Fund*) projection that Indonesia's economic growth will grow by 5% and is also supported by the still high demand for housing. The positive condition of the property real estate sector will depend on government stimulus that supports property companies in providing products needed by consumers. Although the issue of a recession in 2024 which had emerged in recent times is considered not to have an impact on the property real estate sector business in Indonesia, this challenge will be faced by developers with various breakthroughs and initiatives by launching new property products. This phenomenon shows that sustainable profits in property and real estate sector companies cause profits to tend to increase rapidly every year. The existence of proper construction improvements can show investors the current condition of the company. Therefore, the profits reported in the financial statements are often used by management to find potential investors, so that a company's profits must always be maintained by management to influence the decisions of its investors. If profits can be maintained, it can provide investor confidence to invest in the company, but if the company's profits fluctuate, this indicates that management activities are still unstable in carrying out its operational activities.

Financial reports are a source of information about a company that reflects the financial status of the company's operational performance in a certain period of time. People who use

securities reports assess that the company's "profits are high" or the "company is running well" without considering how the profits are generated and whether they are sustainable profits. Many business owners are too focused on increasing sales performance each period so that they do not consider many other factors that generate profits. (Dewanggi et al., 2021). Earnings persistence is a measure that explains the company's ability to maintain the amount of profit currently obtained in the future, or in other words, the existence of profit is the expected profit in the future which is reflected in the current period's profit (Haerudin, 2023). Earnings persistence is also interpreted as the ability of a company to maintain its profits in the future and is also called quality profit, because earnings persistence is one of the components of profit quality (Khasanah & Jasman, 2020).

Factors that can affect earnings persistence include operating cash flow, debt level, accrual amount, sales volatility and institutional ownership. The cash flow statement is a report that explains how cash flow is obtained (cash in) and cash flow is used (cash out) during a certain period. A company's income statement explains that the company has high profits, but the cash flow statement can also show that the company is short of cash. Researchers use the variable cash flow from operating activities, because operating cash flow can show how earnings persistence decreases or increases. Cash flow from operating activities is a cash flow obtained from the company's operational or business activities. The main activity in a company is to produce goods or services and sell them. This activity includes cash receipt activities, such as sales of goods, receipt of receivables, sales of assets (Supriono, 2021).

Debt is one way to obtain additional funds from external parties with the consequence that the company must pay the debt within a predetermined time limit. Debt can also be additional capital for the benefit of the company, with the consequence that the company must pay the principal and interest at maturity without showing the company's financial condition, so that the debt owned by the company is able to increase earnings persistence with the aim of maintaining good performance in the eyes of investors and auditors. The results of previous studies stated that the level of debt affects earnings persistence, while the results of other studies stated that the level of debt does not have a significant effect on earnings persistence (Romauli & Samosir, 2022).

The third factor that can affect earnings persistence is the amount of accrual, which is an accounting recording technique carried out when a transaction occurs even though cash has not been received. The size of the accrual component in a company can cause disruptions that can be affected by earnings persistence. The greater the accrual value, the greater the transitory items contained in the profit which will have implications for the low ability of a certain period's profit to be maintained in the future period (Kristina, 2022). Research conducted by (Natali a & Wisdaningrum, 2021) the amount of accrual has a significant effect on earnings persistence, while the results of the study conducted (Kristina, 2022) the accrual value does not have a significant effect on earnings persistence.

Another factor that can affect earnings persistence is sales volatility, which is part of the sales distribution or sales distribution index of the company. Sales volatility that has sharp fluctuations makes the prediction of cash flow generated from the sales itself less certain and even the possibility of prediction errors or estimation errors is very high. Cash flow generated from sales activities will result in company profits. So that sales volatility will also have an impact on the volatility of profits itself. If sales volatility is high, profit volatility will also tend to be high so that earnings persistence or profit stability becomes low. This identifies that the level of future profit prediction is also low (Zaimah & Hermanto, 2018). The results of previous studies stated that sales volatility has a positive but not significant effect on earnings persistence, namely the results of research conducted by, while research from (Gunawan et al., 2022) obtained results that sales volatility partially has a positive effect on earnings persistence. Sales volatility has a significant effect on earnings persistence, which means that the higher the sales fluctuation, the lower the profit quality will be and the inability to predict profits in the coming period, so conversely, if sales volatility is high, profit volatility will also tend to be high so that earnings persistence or profit stability becomes

low. This indicates that the level of future profit prediction is also low (Zaimah & Hermanto, 2018).

The sixth factor that can affect earnings persistence is institutional ownership is one of the measurement or calculation tools in the mechanism of good corporate governance. Institutional ownership is a very large aspect in reducing agency problems. The greater the institutional ownership, the greater the institutional power and related institutions to supervise the company's management in all activities carried out. The existence of institutional investors is considered capable of monitoring a company to obtain the effectiveness of every decision made by the manager or management. So this will result in the urge to optimize financial performance including earnings persistence. According to (Sukma & Triyono, 2021) institutional ownership, it does not affect earnings persistence, while according to (Amaliyah, 2017) institutional ownership, it does affect earnings persistence.

Previous researchers who tested earnings persistence have been conducted several times. However, the results obtained from several researchers are inconsistent. There are significant and insignificant results between one researcher and another and the importance of implementing earnings persistence in Indonesia, encouraging this researcher to be conducted by applying the variables studied, namely the determinant factors that influence earnings persistence in property and real estate sector companies.

Operating cash flow is the operating cash flow that recognizes activities that are not affected as investment or financing activities. Cash flow is the impact of financial transactions that are included in the calculation of net income. Based on signal theory, operating cash flow which is part of the financial statements, is able to provide signals to investors regarding the condition of the company. The research conducted (Romauli & Samosir, 2022) showed that operating cash flow affects earnings persistence. Operating cash flow will result in an increasing profit figure. Previous research results showed that operating cash flow has a significant effect on earnings persistence. The higher the company's operating cash flow, the higher its earnings persistence. H1: Operating cash flow has a significant effect on earnings persistence.

Debt level is a future financial cost arising from a company's ongoing obligation to provide services to other parties in the future due to past transactions or events. Debt can affect the sustainability and stability of a company's income, and can also affect the company's future viability. Signaling theory states that high-quality companies use more debt to improve performance, but because a company's profitability depends on the company's debt level, the company has a responsibility to pay off debt to stabilize its financial position. Therefore, this can have a negative impact on investors who want to invest in the company.

The results of the study (Dewanggi & Supriono, 2021) showed that the level of debt has a negative impact on the sustainability of profits, because the impact cannot be proven if the company is in normal financial condition is displayed. If a company is in good financial condition, its debt burden will be smaller than the income it earns, so that the profits earned will increase. On the other hand, if the financial situation of a company is not good, then the company needs to borrow money to continue its business, and as debt increases, future profits will become less sustainable. H₂: Debt level has a *significant effect* on profit persistence

Accrual is the basis of economic accounting transactions and other events that explain the recognition, recording, and presentation of financial statements in the period when the transaction and activity occurred without regard to the presence or absence of cash receipts and disbursements at that time. *Signaling theory* explains that every company will provide information about the company's financial condition to investors, so that when the company has a lot of accruals, the more estimates cause the company's earnings persistence to be lower, thus it will give a *negative signal* to investors. The research conducted (Natalia & Wisdaningrum, 2021) shows that the amount of accrual has a significant effect on earnings persistence, in this researcher explains that the high and low accruals will affect the increase or decrease in earnings persistence, the higher the accrual in the company, the lower the

earnings persistence in the company. H_3 : Accrual value has a *significant effect* on earnings persistence

Sales volatility is caused by the operating environment and the large tendency to use estimates and forecasts, so the higher the sales volatility, the lower the earnings persistence. Based on *signaling theory*, sales volatility information provides a negative signal to investors. Where high sales volatility is caused by companies trying to report high sales value reports in order to attract investors. Conversely, if sales volatility is low, it can indicate the ability of profit to predict future cash flow. Previous research results state that volatility affects earnings persistence in manufacturing companies. Previous research (Haerudin et al., 2023) states that sales volatility has a positive effect on earnings persistence in *real estate property companies*. H_4 : The magnitude of sales volatility has a *significant effect* on earnings persistence.

Based on agency theory, where the owner employs other people or managers to manage activities in the company. *Principal* is a shareholder or called an investor, and Agent is a manager who carries out management functions in the company. The company has two parties with different goals such as management and shareholders or investors. The task of management in addition to developing the company is also a party contracted by shareholders to work to generate returns that will later be distributed to shareholders (Rusmawati et al., 2024).

Institutional ownership is one of the measurement tools in the mechanism of good corporate governance. Institutional ownership has a role in monitoring company performance to improve the quality of profits in the company, so that the research conducted, (Abbas & Hakim, 2020) states that institutional ownership has a *significant positive effect* on earnings persistence because the more shares held by institutional shares, the more earnings persistence increases. H_5 : The size of institutional ownership has a *significant effect* on earnings persistence.

RESEARCH METHODS

The research conducted by this author uses a quantitative method. The quantitative research method is carried out using secondary data, the data collected consists of audited annual *report data* from the company from 2020-2024. The data was obtained from the official website owned by the IDX. The research method explains the design of activities, all research techniques / procedures. The population used in this study is a real estate property sector company on the Indonesia Stock Exchange in 2020 - 2024 with a total of 390 observations of data. This study uses multiple linear regression analysis with SPSS statistical tools. Using the latest research year in order to contribute to making appropriate company policies

$$EP = \alpha + \beta_1 OCF + \beta_2 DL + \beta_3 AC + \beta_4 SV + \beta_5 IO + e \dots \dots \dots (1)$$

This study uses multiple linear regression analysis with SPSS statistical tools.

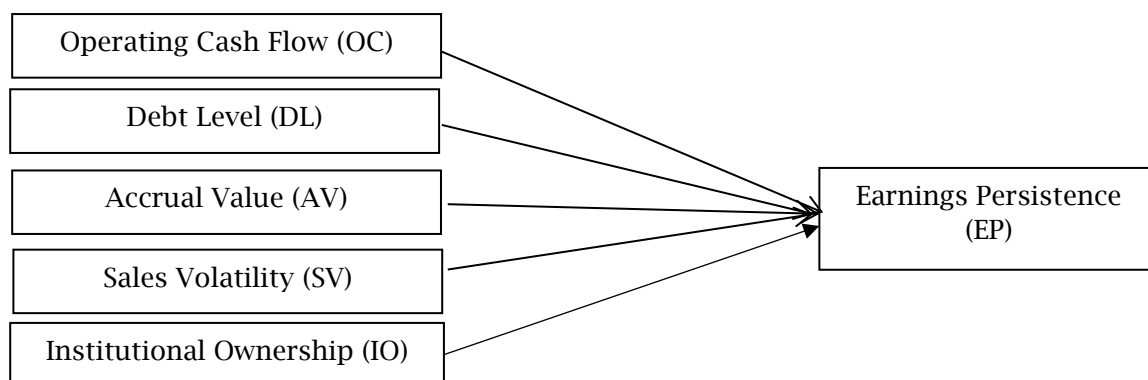


Figure 1. Conceptual Framework

Operational Definition

Signaling Theory

The signal theory was first put forward by Spence (1973) who explained that the owner of the information gives a signal that reflects the condition of the company. Signal theory or signaling theory is an action taken by company management that gives investors instructions on how management views the company's prospects (Bergh et al., 2014). This signal is in the form of information about what management often does to realize the owner's wishes, namely in the form of financial reports published by the company to the public for information that the company is better than other companies. Information about the amount of assets that describe the size of the company, operating cash flow, debt levels, sales volatility, and the amount of accruals are management signals regarding the company's ability to generate persistent profits.

One of them is that positive and reliable financial information is expected to reduce information asymmetry regarding company performance (Nuraeni et al., 2018). Therefore, signal theory is important in relation to earnings persistence because it illustrates the importance of information for investors. Information obtained by investors is the basis for making investment decisions.

Agency Theory

Agency Theory was put forward by Jensen and Meckling (1976) which is a design that explains the relationship between principal and agent, namely between two or more people, a group or organization. The principal is the party who has the right to make a decision for the future of the company and gives responsibility to another party (agent). Agency theory is a contractual connection between principals and agents. This relationship is carried out for a service where the principal authorizes the agent regarding making the best decisions for the principal by prioritizing interests in optimizing company profits so as to minimize burdens, including tax burdens by avoiding taxes.

Agency theory is the one that connects between owners and management shareholders, which is the main characteristic of today's companies. In agency theory that there are two actors, namely principals and agents to develop their companies, agency theory describes one of the factors that affect earnings persistence, namely institutional ownership, which is every company needs additional funds from second parties to develop and optimize company performance.

Earnings Persistence

Earnings persistence is a profit that has the ability as an indicator of future earnings generated by the company repeatedly in the long term. Profit in a company is very useful for developing its business (Penman & Zang, 2002). Quality profits are highly desired by all companies, so the company's earnings persistence is expected to always increase every year in order to survive. Earnings persistence is the ability of a company's profits to persist over time and serve as an indicator of future earnings. Persistent earnings indicate that a company is able to maintain profits from period to period, not just due to a temporary event. In other words, earnings persistence reflects the extent to which a company's current period's earnings can be relied upon as an indicator of future earnings. The higher the earnings persistence, the greater the likelihood that those earnings will continue into the next period.

Operating Cash Flow

Cash flow statement is a financial statement that reports a company's activities such as cash receipts, cash disbursements and net cash changes, results from operating, investing and financing activities of a company during an accounting period, in a format that records the balance of the beginning balance with the ending cash balance (Bregg, 2007). . The most important cash flow of a company is related to operating activities. There are two methods in preparing a cash flow statement that can be used in calculating and reporting the amount

of net cash flow from operating activities, namely the direct method and the indirect method. Both methods produce the same cash figure.

Debt Level

Funds in the company are always needed to expand the business or make new investments, which means that the company must have funds in very large amounts so that they are available when needed. The company's ability to obtain funding to finance these activities cannot be separated from the company's capital sources alone, the sources of funds that are always needed by the company in general can be obtained from its own capital or loans with careful calculations, namely by using the leverage ratio (Indriani & Wilson, 2020). Debt is an obligation in the form of a loan that must be paid by the company to obtain additional company capital.

Accrual Value

Based on the applicable Financial Accounting Standards, in conducting financial reporting the company will use the accrual basis. The amount of accrual is related to the recognition of a transaction at the time it has occurred, not when cash is paid or received (Dechow, 2002). This makes the financial statements presented by the company will involve past and future events. The application of the accrual basis is important when preparing financial statements, because it will affect the profit and loss items.

Sales Volatility

The higher the sales volatility, the more unsustainable the profits, because the greater sales fluctuations are caused by the operating environment and the tendency to use forecasts and estimates. We can conclude that sales volatility is a measure of the fluctuations or movements in sales that occur in a company over a certain period of time (Dechow, 2002).

Institutional Ownership

Institutional ownership is the extent of ownership of a company's shares by institutions (government, foreign companies, financial institutions). The ownership structure is a form of shareholder commitment to delegate a number of controls to management (Sugiarto, 2011). The presence of institutional ownership will result in better monitoring, considering that external institutions have the ability to analyze the company's performance appropriately. The high proportion of institutional ownership in a company will contribute to an increase in the level of monitoring carried out by institutional shareholders on the actions of managers, which in turn can help reduce agency costs (Rusmawati et al., 2024). The company's owners appoint professional representatives, who are selected in advance through a selection process, to carry out the company's management tasks which are ultimately needed to maximize the company's profits. Institutional ownership is part of the scope of Good Corporate Governance (Rusmawati et al., 2025). Institutional ownership can play a role in increasing supervision of company management, thereby reducing risk and encouraging earnings persistence.

RESULT AND DISCUSSION

RESULTS

Descriptive data analysis aims to find out information about each research variable.

Table 1. Results of Descriptive Statistical Tests

	N	Mean	Std. Deviation
OC	390	.03528	.337652
DL	390	.49654	1.209855
AV	390	.03245	.34511
SV	390	1.63166	9.436258
IO	390	.83872	2.837175
EP	390	.05365	.283047

Source: SPSS 27 data processing

The table above shows the results of descriptive analysis data that the mean value of the variables used, the highest is the accrual amount variable, which is 1.63166 with a standard deviation value of 9.437175, this shows that the research data is well distributed because the standard deviation value is greater than the mean (average).

Normality Test

The results of the normality test can be seen in the following table:

Table 2. Normality Test Results		
		Unstandardized Residual
N		390
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.17567545
	Absolute	.129
Most Extreme Differences	Positive	.097
	Negative	-.123
Kolmogorov-Smirnov Z		1.167
Asymp. Sig. (2-tailed)		.148

Source: SPSS data processing

Normality test is a test conducted with the aim of assessing the distribution of data in a group of data or variables, whether the data distribution is normally distributed or not. The Normality Test is useful for determining whether the collected data is normally distributed or taken from a normal population. Testing using Kolmogorov Smirnov (KS) produces an Asymp. Sig (2-tailed) value of 0.148 more than 0.05, it can be concluded that the data is normally distributed.

Multicollinearity Test

Table 3. Multicollinearity Test Results							
Model	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	-.039	.064		-.615	.539		
OC	.265	.058	.316	4,548	.000	.165	6,061
DL	.128	.015	.607	8,459	.000	.155	6,464
AV	.402	.036	.360	11.195	.000	.771	1.297
SV	.003	.001	.097	3.108	.002	.813	1,229
IO	.005	.003	.049	1,716	.087	.983	1,017

Source: SPSS data processing

Multicollinearity test can be seen from the calculation of tolerance value and Variance Inflation Factor (VIF), a regression model is said to have no tendency to have multicollinearity symptoms if it has a tolerance value > 0.10 or equal to VIF value <10. The results of the multicollinearity test in this study can be concluded that there are no symptoms of multicollinearity in the regression.

Table 4. Autocorrelation Test Results					
Model	R	R Square	Adjusted Square	RStd. Error of the Estimate	Durbin-Watson
1	.879a	.665	.537	8.73674	1,570

Source: SPSS data processing

The autocorrelation test aims to test whether there is a correlation between the failure error in period t and the error in period t-1 (previously) in the linear regression model. If there is a correlation, it is called an autocorrelation problem. This problem occurs because the residuals are not independent for each observation. Based on the results of the Durbin-

Watson test above, it shows that the Durbin-Watson value of 1,570 compared to using a significance value of 0.05, it can be concluded that there is no autocorrelation.

Hypothesis Testing

Based on the multiple linear regression analysis carried out using SPSS 21, the output is as follows:

Table 5. Regression Test Results

Model	B	Std. Error	Beta	t	Sig.
(Constant)	-.039	.064		-.615	.539
AKO	.265	.058	.316	4,548	.000
TH	.128	.015	.607	8,459	.000
BA	.402	.036	.360	11.195	.000
VP	.003	.001	.097	3.108	.002
KI	.004	.003	.099	3.716	.007

Source: SPSS data processing

Based on the results of the regression test:

- The significant value of 0.000 is very less than 0.05 so that it is in accordance with the first hypothesis, namely that operating cash flow affects earnings persistence. **So the first hypothesis is accepted.**
- The significant value of 0.000 is very less than 0.05 so that it is in accordance with the second hypothesis, namely that the level of debt affects earnings persistence. **So the second hypothesis is accepted.**
- The magnitude of Accrual produces a significant value of 0.000 which is very low from 0.05 so that it is in accordance with the fourth hypothesis, namely the magnitude of accrual affects earnings persistence. **So the third hypothesis is accepted .**
- Sales Volatility produces a significant value of 0.002 which is very low from 0.05 so that it is in accordance with the fourth hypothesis, namely that sales volatility affects earnings persistence. **So the fourth hypothesis is accepted.**
- Institutional ownership significant value of 0.007 is lower than 0.05 so it is in accordance with the fifth hypothesis that institutional ownership affects earnings persistence. **So the fifth hypothesis is accepted.**

DISCUSSION

The Influence of Operating Cash Flow on Earnings persistence

Current research calculates operating cash flow using operating activity cash flow divided by total assets to determine the actual performance results of the company during a certain period. (Bregg, 2007). One reflection of company performance is earnings persistence. The results of this study are consistent with the signaling theory , namely providing signals from the company to investors, so that signals can be observed directly and appear in various forms to be able to find out more deeply. Signals can be made in the form of positive signals or negative signals (Hidayat & Fauziyah, 2020). Earnings persistence describes the extent to which earnings in the current period can be sustained or repeated in future periods. Persistent earnings are considered high quality because they reflect the company's stable economic performance. Operating cash flow reflects the actual performance of business operations, not accruals, which can be influenced by accounting policies.

Higher operating cash flow means higher earnings quality, which ultimately increases earnings persistence. The results of this study are supported by researchers (Gunawan et al., 2022), who show that operating cash flow has a significant positive effect on the company's earnings persistence. If the company has excess operating cash flow, the company can finance its operational activities well so that the company will be easier to optimize profits and maintain earnings persistence in the company.

The Effect of Debt Level on Earnings Persistence

The results of the analysis show that the higher the debt, the company can develop the company and can maintain the amount of profit obtained currently until the future, because high profits will provide hope for future profits, but the company also has a responsibility to pay the debt within the specified time period.

The results of this study are consistent with the signaling theory, namely that it can provide a signal, positive or negative which is expected to reduce information asymmetry regarding company performance (Nuraeni et al., 2018). Companies that can pay debts or obligations well can be a positive signal for investors, so that investors believe in investing in the company. With stronger managerial discipline, the profits generated are of higher quality and more stable, thus increasing earnings persistence.

This researcher is supported by researchers (Indriani & Wilson, 2020) who explain that the level of debt has a significant positive effect on earnings persistence because with the debt owned, the company can obtain additional and to finance the company's operational activities. With this additional fund, it is expected that the company can increase revenue and the resulting profit will increase.

The Influence of Accrual Amount on Earnings persistence

The results of the analysis show that high accruals can affect the persistence of profits in the company. This researcher calculated the amount of accrual using the company's net profit minus operating cash flow then divided by total assets. The condition of the company studied experienced a smaller cash flow compared to profit so that many transactions were carried out non-cash rather than cash which could affect the persistence of profits in the company.

The results of this study are consistent with the signaling theory, namely as a signal made by the company to investors, the form of the signal conveyed is a positive or negative signal. The information owned by the company is very important for external parties because the information is used to make decisions in investing. The amount of accrual can be a signal positive for investors to add capital to the company so that it influences the company in depicting persistent profits.

This researcher is in line with the research conducted by which explains that the amount of accrual has a significant positive effect on the persistence of company profits. High accruals are usually indicated by high profits but high profits have not been able to reflect earnings persistence. This is due to possible manipulation by management to increase their profits.

The Effect of Sales Volatility on Earnings Persistence.

The results of the analysis show that the higher the sales in the company, the higher the earnings persistence. Sales volatility in a company is very important because one of the sources of income received by the company is from sales, if the company cannot sell its business, the company will not make a profit. This researcher calculates sales volatility using the standard deviation of sales then divided by the total assets of the company.

The results of this study are consistent with the signaling theory, namely that companies should provide signals to users of financial reports. Company managers will provide information through financial reports that they will generate quality profits. Companies that are able to sell their businesses well are considered to be able to provide positive signals to investors to provide their funds or invest. High-growth companies often experience sales volatility but have strong and sustainable earnings fundamentals. Therefore, despite fluctuating sales, profits remain stable or even increase consistently because growth strategies are effective.

This study is in line with research (Gunawan et al., 2022) showing that sales volatility has a significant positive effect on earnings persistence. Sales volatility has an influence on companies to provide income or profits, so that when the company cannot provide profits, the company will experience losses and cannot maintain its earnings persistence.

The Effect of Institutional Ownership on Earnings Persistence

The results of the analysis show that the number of institutional shareholders affects the increase in profits in the company. The results of this study are consistent with the agency theory that when an agency relationship occurs, one or more owners (principals) entrust their funds to be managed or operational activities by managers (agents) in businesses, both service and manufacturing companies. Institutional investors as supervisory bodies can provide or show the development of the company so that it can be concluded that institutional ownership affects the persistence of company profits.

This researcher is supported by researchers (Sukma & Triyono, 2021) which states that institutional ownership has an effect on the persistence of corporate profits. Institutional ownership is institutional shareholders who have a supervisory body over the company to improve profit quality. This is what emerges from this study, namely that institutions are able to influence the funding policies decided by the company's management. The larger or higher the portion of institutional investors can encourage company management to increase earnings persistence. Another thing that emerges from this study is that institutional investors as a supervisory body are able to influence the funding policies decided by the company's management.

CONCLUSION

The conclusion of this study shows that the factors that affect earnings persistence are operating cash flow has a positive effect on earnings persistence. So that companies that have excess operating cash flow can finance their operational activities well. When viewed from the level of debt, the level of debt has a significant positive effect on earnings persistence because with the debt owned, the company can obtain additional and to finance its operational activities. This study also shows that the high amount of accrual is usually indicated by high profits but high profits have not been able to reflect earnings persistence. The sales volatility factor has an effect on the company, when the company cannot provide profits, the company will experience losses and cannot maintain its earnings persistence. Finally, institutional ownership has an effect on earnings persistence, this shows that the larger or higher the portion of institutional investors can encourage company management to increase earnings persistence.

SUGGESTION

Based on the conclusions explained above, the author provides advice to investors who want to invest in stocks in companies on the Indonesia Stock Exchange to pay attention to the determinants of the company's earnings persistence factors based on the results of the study. It is recommended for further research to test this study by increasing the number of samples studied and adding new independent variables (as moderators or intervening variables) such as systematic risk and EPS. We strongly recommend using data from different time periods to obtain information that can support or improve this study.

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