



DETERMINANTS OF EARNINGS PERSISTENCE WITH CAPITAL STRUCTURE AS INTERVENING VARIABLE OF MANUFACTURING COMPANIES LISTED ON INDONESIA STOCK EXCHANGE PERIOD 2015 - 2019

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Abstract

The purpose of this study was to determine the effect of cash flow volatility, sales volatility, operating cycle, and firm size on the capital structure and earnings persistence of manufacturing companies in Indonesia. Based on the purposive sampling method, the samples obtained were 138 companies. The data collection technique in this research is literature study. The data analysis method used is multiple regression. The results showed that partially, the variables of cash flow volatility, sales volatility and firm size had a positive and insignificant effect on capital structure, the operating cycle had a negative and insignificant effect on capital structure. While the variables of cash flow volatility, sales volatility, operating cycle, firm size, capital structure have a negative and insignificant to earnings persistence of manufacturing companies on the Indonesia Stock Exchange.

Keywords: Cash Flow Volatility, Sales Volatility, Operating Cycle, Firm Size, Capital Structure, Earnings Persistence

1.0 INTRODUCTION

The business world is developing and growing rapidly and the level of competition is getting higher resulting in many companies being unable to generate profits or unable to maintain the profits owned by the company within a certain period. The industrial sector in manufacturing has a high level of frequency and volume of activity and the number of transactions. This results in business competition that encourages each company to improve the best results to be able to maintain sustainable profits for the benefit of all parties in the company, especially to attract the attention of investors to invest shares in the company, because it can be judged that investors are actually more interested in making investments that able to generate sustainable profits in the company and also to keep investors from withdrawing funds that are already in the company because investors are also reluctant to stick with investing ASI on companies that are unable to generate and maintain company profits.

Investors, before investing in a company, first consider the company's performance (Putra & Renaldo, 2020) in generating profits, by analyzing the profits listed in the financial (Renaldo, Sudarno, & Hutahuruk, 2020a) statements which are an important matter that forms the company's responsibility to each party in the company within a predetermined period in assessing company financial performance (Wiariningsih, Junaedi, & Panjaitan, 2019), which describes the economic condition of the company. Profits in the financial statements presented greatly influence the decisions of investors, for the benefit of the company, very often the profits that have been presented are profits from engineering financial reports so that investors are not able to make the best decision to invest, therefore it is necessary to analyze the components contained in the financial statements, especially for activities that affect the profit itself, thus investors are expected to be able to make good decisions in companies that are truly able to generate persistent profits.

Manufacturing companies are companies that make a good contribution to GDP, which has increased since the last 5 years. Estimated GDP determines economic development, GDP comes from the amount of consumption goods, with increased consumption goods causing the economy to grow, and increasing the scale of company sales turnover, increasing turnover is one of the indicators of the size (Renaldo, Andi, Nur, Junaedi, & Panjaitan, 2021) of the profit to be earned, but this is inversely proportional to reality there is that profits from the manufacturing industry seem unstable in beritasatu.com informed that manufacturing company profits tend to

be unstable and fluctuate, in 2016 they were able to increase profits from 582 trillion to 2,907 trillion but in 2017 decreased profits to 2,312 trillion and in 2018 experienced a decrease in profits again to 2.179 trillion until in 2019 it was able to increase profits by 2.423 trillion., this phenomenon caused the persistence of profits to be questioned. So that this problem supports further research on the factors that influence earnings persistence, earnings and earnings quality are one of the things considered in assessing earnings persistence, persistence is measured using the coefficient from the regression between earnings for the current period and the following period, earnings persistence is the profit section that explains the company's ability to maintain the amount of current profits and future profits generated by the company repeatedly in the long term. The more persistent earnings, the higher the expectation of increasing profits in the future.

In terms of the company's profit, it is strongly influenced by the size of the capital owned by the company, both capital obtained from the company's debt as funds obtained from external parties that are used by the company to manage the company's operations properly. The higher the level of debt, the higher the expected level of profitability (Dimaranty, Junaedi, & Panjaitan, 2019) as a reward for the high level of debt risk and vice versa. However, this is inversely proportional to the comparison of profit levels and debt levels of the manufacturing sector where the debt level of the manufacturing sector has increased from 2015 to 2019 as much as 33,682 billion, 34,186 billion, 36,070 billion, 36,087 billion and in 2019 the debt level increased to 36,245 billion.

Research conducted by (Kusuma & Sadjarto, 2014b) states that cash flow volatility, sales volatility, has a significant effect on earnings persistence, (Sulastrri, 2014) in his research concluded that cash flow volatility, sales volatility and debt levels have no significant effect on earnings persistence, the amount of accruals has a significant effect on earnings persistence. (Anggraeni, 2015) in his research stated that the level of debt has a positive effect on earnings persistence, and research conducted by (Nuraini & Purwanto, 2014) concluded that the operating cycle has a positive and significant effect on earnings persistence. The purpose of this study was to determine the effect of cash flow volatility, sales volatility, operating cycle, and firm size on the capital structure and earnings persistence of manufacturing companies in Indonesia.

2.0 LITERATURE REVIEW

Earnings Persistence

Profit is the difference in income after deducting expenses (Subramanyam and Wild (2014), according to (Jumiati & Ratnadi, 2014) "Profit presented in financial reports is an indicator in assessing management's performance in allocating resources" (Rachmawati & Martani, 2014) states "Profit is income earned if the financial amount (money) of net assets at the end of the period (excluding distribution and contributions of company owners) exceeds net assets at the beginning of the period", and earnings persistence is the change in expected profits in the future with the current profit that can be used as an indicator to measure the amount of increase in profits to be obtained.

Capital Structure

In developing its business, the company needs to have a good and controlled (Renaldo, Sudarno, & Hutahuruk, 2020b) capital structure, the role of an optimal capital structure will affect the quality of the company, the company's capital is closely related to its own capital in the form of retained earnings and ownership of the company and capital obtained from external parties or funding from external parties. foreign debt either in the form of short-term debt or long-term debt as capital collected by the company to run the company, the good and bad conditions of the company are determined by the capital structure (Halim, Chandra, & Sudarno, 2019).

Cash Flow Volatility

Cash flow volatility is a measure of the level of risk of cash flows that can increase or decrease in one accounting period. (Fanani, 2010) states that: "Cash flow volatility is the degree of spread of cash flows or the index of distribution of the company's cash flows." The objective of cash flow information (Chandra, Renaldo, & Putra, 2018) is to provide historical information regarding changes in cash and cash equivalents of a company through a cash flow statement that classifies cash flows based on operating, investing and financing activities during an accounting period.

Sales Volatility

According to (Nina et al., 2014) sales volatility is "a measure that shows the level of fluctuation or movement of sales". According to (Sulastrri, 2014) "Sales volatility is sales fluctuations caused by the operating environment and a large tendency to use forecasts and estimates" occur within the company within a certain period of time. Sales is a process where the needs of sellers and buyers are met, with the exchange of information and interests, selling is also a distribution of products to consumers and distributors by relying on good prices and product quality.

Operating Cycle

The operating cycle is a series of all company transaction activities where the business generates receipts and the period of receipt of receivables from customers (Fanani, 2010). In manufacturing companies, the operating cycle

measures how long inventory is made, then sold, and then collects a number of receivables from customers, thus this results in the operating cycle having a direct relationship with profits. Longer operating cycles result in higher subjectivity as a result of more and more estimates, such as receivables that are longer, the greater the estimate of bad debts, and inventory that will be in storage warehouses longer and inventory will be more vulnerable to obsolescence and damage to goods inventory, and will result in the emergence of maintenance costs on merchandise that is in the storage warehouse

Firm Size

Firm size is a scale that can be calculated by the level of total assets and sales which can indicate the condition of the company, where a larger company will have a greater opportunity to obtain sources of funds to finance its investment in obtaining profits. The size of the company can be seen from the size of the field of business that is run, and the determinants of the size of the company can be determined based on total sales, total assets, average level of sales. (Sugiono & Christiawan, 2013) revealed that large-scale companies will find it easier to get wider and wider access to outside funding, and it will be easier to get loans because it is considered that large companies have a great opportunity to win the competition or survive in the world industry.

Thinking Framework and Hypotheses

The Effect of Cash Flow Volatility on Capital Structure

Cash flow volatility is a factor relevant to the issuance of corporate debt, because high cash flow volatility will increase the cost of debt. In research conducted by (Kordlouie, Mosadegh, and Mahdavi Rad 2014) explains that the higher the level of cash flow volatility in the company will result in the instability of operating cash flows and to overcome this, the company issues debt, so that the high level of cash flow volatility will result in a higher level of high debt too. This is in line with research conducted by (Sofia Rahman and Alit Triani 2014) which states that cash flow volatility has a significant and positive effect on capital structure, but is not in line with the results of research (Nainggolan and Putra 2019) which concludes that cash flow volatility has no effect on capital structure.
H1: Cash flow volatility has a positive effect on structure

Effect of Sales Volatility on Capital Structure

Companies with a high level of sales volatility tend to use more debt compared to companies with a low level of sales volatility. Companies with high levels of sales volatility will have an impact on increasing the use of corporate debt to maintain corporate profits with stable sales growth. The higher the increase in sales volatility, the higher the company's capital structure will be. (Indra 2010) in his research stated that sales volatility had a positive and significant effect on capital structure, in contrast to research conducted by (Virtiasari and Indarti 2012) which stated that sales volatility had no effect on capital structure in research on the effect of sales volatility, asset structure and level of company growth on capital structure, empirical studies on real estate and property companies listed on the IDX

H2: Sales volatility has a positive effect on capital structure

Effect of Operating Cycle on Capital Structure

(Fanani 2010) states that the company's operating cycle is the average time period between the purchase of inventory and cash income that will later be received by the seller or a series of all transactions where a business generates cash receipts and receipts from customers, a long company operating cycle will disrupt capital structure where the company's cash will be difficult to predict so that to anticipate this it is necessary to carry out external funding or issue company debt, the longer the company's operating cycle, the higher the increase in the use of debt. (Virtia sari and Indarti 2012) in the results of the research conducted stated that the operating cycle has a negative effect on capital structure, the results of this study are not in line with research conducted by (Wulandari 2016) which states that the operating cycle has a positive effect on capital structure.

H3: The operating cycle has a positive effect on capital structure

Effect of Firm Size on Capital Structure

Firm size is a positive signal for creditors to provide loans, so that firm size has a positive effect on capital structure. This research was conducted by (Armelia, 2016) with the results of the research that firm size simultaneously has a positive effect on capital structure. The same research has also been conducted by (Alvareza & Topowijono, 2017) in food and beverage companies with the results of the research that firm size has a significant effect on capital structure

H4: Firm size has a positive effect on capital structure

The Effect of Cash Flow Volatility on Earnings Persistence

High cash flow volatility indicates low earnings persistence, because current cash flow information is difficult to predict future cash flows. If cash flows fluctuate sharply, then earnings persistence will be low. Cash flow volatility can affect earnings persistence, this is in accordance with the results of research by Dechow and Dichev and (Fanani, 2010) which says that cash flow volatility has a significant negative effect on earnings persistence, this is

because if cash flows fluctuate sharply then earnings persistence becomes low. . These results are also in line with research conducted by (Kusuma & Sadjarto, 2014b) stating that cash flow volatility has a significant negative effect on earnings persistence, and research conducted by (Septavita et al., 2016) has the conclusion that cash flows have a significant effect Positive on earnings persistence.

H5: Cash flow volatility has a negative effect on earnings persistence

Effect of Sales Volatility on Earnings Persistence

High sales volatility indicates that sales information has a greater estimation error on sales information in the operating environment, so the company's profit is not persistent and cannot be used as a reference for predicting profits in the next period (Fanani, 2010). Sales volatility, the lower the earnings persistence. Conversely, the more stable the volatility of sales, the more persistent the company's profits. The results of research conducted by (Anggraeni, 2015), state that sales volatility has a positive and significant effect on earnings persistence. (Kusuma & Sadjarto, 2014a), in his research also stated that sales volatility has a significant effect on earnings persistence.

H6: Sales volatility has a negative effect on earnings persistence

Effect of Operating Cycle on Earnings Persistence

Companies with long operating cycles can generate greater uncertainty, estimation and estimation errors which can lead to lower earnings quality. Longer operating cycles cause greater uncertainty, and are less helpful in predicting future cash flows, so that the higher the operating cycle, the lower the earnings persistence. This is in line with research conducted (Anggraeni 2015) which states that the operating cycle has a negative effect on earnings persistence, while research conducted by (Purwati 2010) states that the operating cycle has a positive effect on earnings persistence

H7: The operating cycle has a negative effect on earnings persistence

The Effect of Firm Size on Earnings Persistence

Large companies are considered to be companies that are relatively more stable and more capable of generating profits than small companies. For stable companies, the level of certainty to obtain profits is very high and vice versa. The results of the study (Malahayati et al., 2015), (Nuraini & Purwanto, 2014) state that firm size has a positive effect on earnings persistence, while research conducted (Septavita et al., 2016) reveals that firm size has a negative effect on persistence profit

H8: Firm size has a positive effect on earnings persistence

Effect of Capital Structure on Earnings Persistence

Capital structure (Suyono, Suhardjo, Renaldo, Sudarno, & Sari, 2021) can be measured using financial ratios, including by calculating the solvency ratio. The solvency ratio is the ratio used to measure the extent to which the company's assets are financed with debt, the debt owned by the company relates to the level of profit that will be obtained by the company, and increased investment indicates the prospect of future profits, thus the better the company's capital structure the better the level of earnings persistence owned by the company. Research on the effect of capital structure on earnings persistence was carried out by (Dira and Astika 2014) stating that the results showed that partially, capital structure has a positive direction but does not affect earnings persistence, research conducted by (Fitriati 2019) states that capital structure has no effect on earnings persistence

H9: Capital structure has a positive effect on earnings persistence

3.0 METHODOLOGY

Place and Time of Research

This research was conducted by taking secondary data from the Indonesia Stock Exchange which was published and obtained through the IDX's official website for the 2015-2019 period which published financial reports, namely the annual report published through IDX (Indonesia Stock Exchange). Research time starts from December 2020 – May 2021.

Population and Sample

Companies that are the population in this study are manufacturing companies that are listed as issuers on the Indonesian Stock Exchange (IDX) within a period of 5 years. The population in this study taken were 170 companies. The sample is part of the number and characteristics possessed by the population. Sampling was carried out using a purposive sampling method, namely the method of collecting samples on the basis of certain considerations. The sample in this study is based on several criteria: (1) Manufacturing companies listed on the Indonesian stock exchange in 2015 and never left the Indonesian stock exchange until 2019 (2) Manufacturing companies that were not suspended in the 2015-2019 period. Based on the method In this sample, there are 138 companies that meet the requirements as a sample, with an observation period of 5 years.

Data Types and Sources

The type of data used in this study is secondary data which is quantitative in nature. The data used by the authors in this study were obtained from literature studies and financial reports of manufacturing subsector industrial companies on the Indonesia Stock Exchange.

Operational Definition of Research Variables

In this study there are 2 types of variables used to conduct research, namely Variable X (Independent) and Variable Y (Dependent).

Dependent Variable (Y)

The dependent variable is the variable that is affected or is the result, because of the independent variables. The dependent variable used in this study is earnings persistence. According to (Indra, 2014) earnings persistence is the ability to profit which will be used as an indicator of profits in future periods generated by the company repeatedly in the long term. While the intervening variable in this study is the capital structure (Suyono, Sudarno, Suhardjo, Sari, & Purnama, 2020) which describes the company's permanent financing consisting of long-term debt and equity

Independent Variable (X)

The independent/independent variable is the variable that influences or causes the change or the emergence of the dependent (dependent) variable. In this study, the independent variables used were cash flow volatility (X1), sales volatility (X2), operating cycle (X3), and firm size (X4).

Table 1. Variable Operationalization

No	Variable	Formula	Source	Scale
1	Cashflow Volatility (X1)	$\frac{\sigma(CFO)_{jt}}{Total\ Aktiva_{jt}}$	(Fanani 2010)	Ratio
2	Sales Volatility (X2)	$\frac{\sigma(Penjualan)_{jt}}{Total\ Aktiva_{jt}}$	(Purwati 2010)	Ratio
3	Operating Cycle (X4)	$\frac{(Piutang_{jt} + piutang_{jt-1})/2}{\frac{penjualan_{jt}/360}{(Persediaan_{jt} + persediaan_{jt-1})/2} + \frac{HPP_{jt}/360}$	(Purwati 2010)	Ratio
4	Firm Size	Logarithm Natural (Ln) of Total Assets	(Septavita, Nasir, and Ilham 2016)	Ratio
5	Capital Structure (Y1)	$\frac{Total\ Hutang}{Modal\ Sendiri} \times 100\%$	(Armelia 2016)	Ratio
6	Earnings Persistence (Y2)	$\frac{Earnings_{jt}}{Saham\ beredar_{jt}} = \beta_0 + \beta_1 \frac{Earnings_{jt-1}}{Saham\ beredar_{jt-1}} + \epsilon_{jt}$	(Fanani 2010)	Ratio

Source: Journal recapitulation, 2020

Data Analysis Techniques

The analytical method used in this study went through several stages, namely statistical testing of the hypothesis of multiple regression data analysis (Hafni, Renaldo, Chandra, & Thaeif, 2020).

Hypothesis Statistical Testing

The equation method used in this study is multiple linear regression analysis. Multiple linear regression was used to examine the effect of cash flow volatility, sales volatility, operating cycle, and firm size on capital structure; influence of cash flow volatility, sales volatility, operating cycle, firm size, and capital structure on earnings persistence. The following is the equation of the multiple linear regression line obtained:

$$Y1 = \beta_1 X1 + \beta_2 X2 + \beta_3 X3 + \beta_4 X4 + e1$$

$$Y2 = \beta_5 X1 + \beta_6 X2 + \beta_7 X3 + \beta_8 X4 + \beta_9 Y1 + e2$$

where:

Y1 = Capital Structure

Y2 = Earnings Persistence

β_{1-9} = Regression Coefficient

X1 = Cash flow Volatility

X2 = Sales Volatility

X3 = Operating Cycle

X4 = Firm Size

e1-2 = Error

As for the design for testing statistical hypotheses using a multicollinearity test, this multicollinearity test is used in a regression model to find a correlation between the independent (independent) variables. A good regression model should not have a correlation between the independent variables. If the independent variables are correlated, then these variables are not orthogonal. Orthogonal variables are independent variables that have a correlation value between independent variables equal to zero

Data analysis

Data analysis was carried out for this regression model using the Coefficient of Determination (R²), which is used to measure how far the model's ability to explain the variation of the independent variables. The value of the coefficient of determination is between zero and one. A small R² value means that the ability of the independent variable to explain the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict the variation of the dependent variable.

4.0 RESULTS AND DISCUSSION

Multicollinearity Test

The multicollinearity test is used to test whether in the regression model there is a correlation between the independent (independent) variables, to test multicollinearity using SEMPLS with the following results.

Table 2. Multicollinearity Test

Variable	Earnings Persistence	Capital Structure
Operating Cycle	1.001	1.001
Capital Structure	1.002	
Firm Size	1.150	1.148
Cashflow Volatility	1.091	1.090
Sales Volatility	1.062	1.062

Source: Processed data, 2020

Based on table 1, it can be seen that among the regression variables there is no correlation because the Variance Inflation Factor (VIF) value is < 10, which means that the data does not have multicollinearity.

Determination Coefficient Test (R²)

The coefficient of determination (R²) is used to measure how far the model's ability to explain the dependent variable is. The value of the coefficient of determination is between zero and one. In testing the coefficient of determination (R²) using SEMPLS:

Table 3. Coefficient of Determination

	R Square	R Square Adjusted
Earnings Persistence	0.001	0.006
Capital Structure	0.002	0.004

Source: Processed data, 2020

From Table 3 it can be seen that earnings persistence, capital structure as the dependent variable provide less information on the independent variable compared to the information provided by the independent variable to the dependent variable, this is evidenced by the results of the coefficient of determination < 1.

Hypothesis Statistical Test

Regression hypothesis testing was carried out using SEMPLS with a significance requirement of 0.001 ***; 0.05**, 0.10* with the results presented in table 4.

Table 4. Results of Hypothesis Testing with SEMPLS

Hypothesis	Independent → Dependent	Original Sample	T Statistics	P Values	Information
H1	Cash flow Volatility → Capital Structure	0.001	0.006	0.995	Positive, Insignificant

Hypothesis	Independent → Dependent	Original Sample	T Statistics	P Values	Information
H2	Sales Volatility → Capital Structure	0.008	0.726	0.468	Positive, Insignificant
H3	Operating Cycle → Capital Structure	-0.015	1.371	0.171	Negative, Insignificant
H4	Firm Size → Capital Structure	0.038	1.223	0.222	Positive, Insignificant
H5	Cash flow Volatility → Earnings Persistence	-0.019	1.694	0.091	Negative, Insignificant
H6	Sales Volatility → Earnings Persistence	-0.007	0.781	0.435	Negative, Insignificant
H7	Operating Cycle → Earnings Persistence	-0.001	0.098	0.922	Negative, Insignificant
H8	Firm Size → Earnings Persistence	-0.028	1.104	0.162	Negative, Insignificant
H9	Capital Structure → Earnings Persistence	-0.003	0.210	0.834	Negative, Insignificant

Source: Processed data, 2020

Based on table 4 it can be seen that the volatility of cash flows, sales volatility and firm size have a not significant positive effect on capital structure and cash flow volatility, sales volatility, operating cycle, a negative but not significant effect on earnings persistence and this hypothesis is the initial hypothesis accepted. While the operating cycle has no significant negative effect on capital structure and operating cycle, firm size, capital structure has no significant negative effect on earnings persistence and the results of this hypothesis mean that the initial hypothesis is rejected.

Discussion

Cash Flow Volatility Has No Significant Positive Effect on Capital Structure

In testing the volatility of cash flows on the capital structure, the results show that the volatility of cash flows has a not significant positive effect on the capital structure, the positive effect is not significant, which means that the higher the level of cash flow volatility will affect the increase in corporate debt, however, the effect given by volatility on the structure capital is not large or insignificant to capital structure, it can be seen in the comparison of the descriptive data from the relationship between the two variables between cash flow volatility and capital structure that it can be concluded that when cash flow volatility experiences a large decrease or increase this is not followed by a decrease or increase of capital structure significantly. High cash flow volatility indicates instability in cash flows, therefore debt levels will rise to dampen unstable cash flows, and an increase in corporate debt certainly has an impact on the structure tour on company capital. This was also found by (Sofia Rahman and Alit Triani 2014) in their research. Based on Signaling theory according to Brigham and Houston (2001) the information presented to investors which describes the volatility of cash flows and the use of higher debt within the company gives a positive signal because it describes the condition of a company that is developing by utilizing cash flows for operations to generate profits for the company.

Sales Volatility Has No Significant Positive Influence on Capital Structure

Comparison of descriptive data on the relationship between sales volatility and capital structure that sales volatility experienced a large decrease or increase and was not followed by a significant decrease or increase in capital structure. In testing sales volatility on capital structure, the result was that sales volatility had an insignificant positive effect on structure capital, this means that the volatility of sales as measured by the comparison between the number of sales of the company with the total assets of the company affects the level of debt and the level of the company's capital structure, the influence given by the volatility of sales here is not significant, meaning that the influence given is not large on the capital structure, in theory The tradeoff theory explains the idea that how much a company's debt and a lot of company's equity so that there is a balance between costs and profits. This theory also states that a company has optimal debt and tries to adjust its actual debt level towards the optimal point. So in this case when the volatility of cash flows increases or decreases it does not have a major effect on the capital structure because the company is more focused on managing the balance of the capital structure to

an optimal point, but this positive impact indicates that an increase in the level of cash flow volatility will result in an increase in the company's debt. , This was also found by researchers (Virtiasari and Indarti 2012).

Operating Cycle Has No Significant Negative Effect on Capital Structure

In the comparison of descriptive data, the relationship between the operating cycle and capital structure can be seen that the value of the level of movement in the operating cycle tends to be proportional to the movement in value of the capital structure, this allows every increase and decrease in the capital structure to be influenced by the level of the magnitude of the operating cycle. Testing the operating cycle on capital structure shows that the operating cycle has no significant negative effect on capital structure. This indicates that high or low operating cycles do not have a major effect on corporate debt. The operating cycle measures how long inventory is made until it is sold, and then collects a number of receivables from customers, this cycle shows the frequency of repeated transactions on an ongoing basis so that the company no longer increases the use of debt to increase production because the company has made estimates in the future. Companies tend to use internal funding when there is an estimation error in order to reduce costs that might occur when using external funding, this is in accordance with the theory of the pecking order theory which prefers to use funding sources from internal companies rather than external companies. This was also found by researchers (Maya 2015).

Firm Size Has No Significant Positive Influence on Capital Structure

Comparison of descriptive data on the relationship between firm size and capital structure. The increase in the value of the capital structure tends to be followed by an increase in the size of the company, which means that any increase or decrease in capital structure tends to be influenced by the level of firm size. Testing firm size on company structure shows that firm size has a not significant positive effect on capital structure, this indicates that firm size as measured using the natural logarithm on total assets has a positive but not significant effect on capital structure, an insignificant positive effect here indicates that it is high Total assets have no significant positive effect here indicating that high total assets do not have a major effect on increasing debt in a company. A large total of assets can be used as collateral in making loans. A company that has high assets gets a greater and easier opportunity to make debt loans because for collateral creditors, it is the certainty of protection for the funds they provide, the creditor will provide more loans. The greater the value of the guarantee provided by the company, the higher, besides that the management will tend to use debt as a source of funding to be more daring in making loans because the value of the assets is considered sufficient. This can be considered as a signal to external parties to provide funding for the company in accordance with the theory of Signaling Theory. Manufacturing companies are large companies that carry out the process of making products from input-process-output tend to have high asset values. This was also found by researchers (Armelia 2016); (Alvareza and Topowijono 2017).

Cash Flow Volatility Has No Significant Negative Effect on Earnings Persistence

In testing cash flow volatility on earnings persistence, the result is that cash flow volatility has a negative and insignificant effect on earnings persistence, this means that cash flow volatility has no effect on earnings persistence. Cash flow volatility indicates instability in cash flows that occur in a short time on an ongoing basis, insignificant changes in cash flows can represent low uncertainty so that it is easy to interpret earnings in future periods. This was also found by researchers (Sulastri 2014).

Sales Volatility Has No Significant Negative Effect on Earnings Persistence

In a comparison of the descriptive data on the relationship between cash flow volatility and earnings persistence, it can be seen that increases and decreases in the value of cash flow volatility tend to be followed by increases and decreases in earnings persistence values as well. In testing cash flow volatility on earnings persistence, the result is that cash flow volatility has a negative and insignificant effect on earnings persistence, this means that cash flow volatility has a small influence on earnings persistence. Cash flow volatility indicates instability in cash flows that occur in a short time on an ongoing basis, insignificant changes in cash flows can represent low uncertainty so that it is easy to interpret earnings in future periods. This was also found by researchers (Sulastri 2014).

Operating Cycle Has No Significant Negative Effect on Earnings Persistence

In the comparison of descriptive data the relationship between the operating cycle and earnings persistence can be seen that increases and decreases in the value of the operating cycle tend to be followed by increases and decreases in the value of earnings persistence as well, and in testing the operating cycle on earnings persistence the test results show that the operating cycle has no negative effect significantly to earnings persistence, this indicates that the operating cycle does not have a major influence on earnings persistence. The operating cycle

which measures how long inventory is made, then sold, and then collecting a number of receivables from customers does not affect the persistence of company profits and longer cash realization so that the company's performance (Wulansari, Junaedi, & David, 2019) is also not affected, the longer the company's operating cycle in one year of activity cannot cause persistence lower profit. This was also found by researchers (Anggraeni 2015).

Firm Size Has No Significant Negative Effect on Earnings Persistence

In the comparison of descriptive data, the relationship between firm size and earnings persistence can be seen that for each increase in the value of firm size, the value of earnings persistence will decrease and vice versa, thus this indicates that any increase in the value of firm size will experience a decrease in the value of earnings persistence. And in testing the size of the company on the persistence of earnings, the results show that firm size does not have a significant negative effect on earnings persistence, the negative effect is not significant here indicating that the size of the company does not affect the persistence of profits in a company. This can be seen from the condition of the manufacturing sector companies, which are mostly large companies, but based on the profit report data presented in the company's financial statements, the average profit tends to fluctuate and is not persistent. This was also found by researchers (Septavita, Nasir, and Ilham 2016).

Capital Structure Has No Significant Negative Effect on Earnings Persistence

In the comparison of descriptive data between capital structure and earnings persistence, it can be seen that each increase in the value of the capital structure, the value of earnings persistence will decrease and vice versa, thus this indicates that any increase in the value of the capital structure will decrease the value of earnings persistence. and testing capital structure on earnings persistence, the results show that capital structure has no significant negative effect on earnings persistence, this shows that capital structure is measured using the Debt To Equity (DER) calculation where total debt divided by total capital does not affect earnings persistence because the company will tend to use the company's retained earnings as the first option if the company needs funding because it has a smaller risk than external funding options, this is in accordance with the pecking order theory. On the one hand companies that use high debt within the company will generate high debt costs which can reduce company profits, but these debt costs can be a deduction from tax payments on the amount of taxable income so as to reduce company tax costs so that decisions on capital structure cannot cause earnings persistence. This was also found in research by (Fitriati 2019).

5.0 CONCLUSION

Based on the results of the research and discussion as well as the descriptions of the previous chapters, it can be concluded as follows: (1). Cash flow volatility has an insignificant positive impact on the capital structure, this indicates that an increase in the level of cash flow volatility will result in an increase in corporate debt (2). Sales volatility has no significant positive impact on capital structure, this indicates that an increase in the level of sales volatility will result in an increase in the company's debt (3). The operating cycle has no significant negative impact on capital structure, this indicates that high or low operating cycles have no effect on company debt (4). Firm size has no significant positive impact on capital structure. company (5). Cash flow volatility has no significant negative impact on earnings persistence. This indicates that the higher the level of cash flow volatility will affect a decrease in earnings persistence (6). Sales volatility has no significant negative impact on earnings persistence. This indicates that high sales volatility affects earnings persistence. (7). The operating cycle does not have a significant negative impact on earnings persistence. This indicates that a low operating cycle will result in a decrease in earnings persistence (8). Firm size does not have a significant negative impact on earnings persistence. (9). Capital structure has no significant negative impact on earnings persistence. This indicates that the higher the level of corporate debt, the lower the earnings persistence will be.

Based on the research that has been done, the researcher wants to provide suggestions that are expected to be useful for further research, including (1). It is recommended for further academics/researchers to further researchers who wish to examine the factors that influence earnings persistence in order to be able to add or replace other variables (2). For the management of the company to better understand the influence of cash flow, sales, operating cycle, firm size and capital structure on company profits, increase the variables that affect capital structure and earnings persistence so as to develop the company and attract investors. (3). For investors/community From the results of this study it is hoped that the public or investors will be able to consider several aspects in making investments by looking at the level of company soundness as well as the company's future growth and prospects through financial reports in terms of capital structure and earnings persistence factors.

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