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DETERMINANTS OF EARNINGS PERSISTENCE IN FOOD AND BEVERAGE COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE, 2021-2024

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Abstract

This empirical inquiry evaluates how operating cash flow, firm scale, and sales volatility dictate earnings persistence across Indonesia Stock Exchange-listed food and beverage enterprises from 2021 to 2024. Adopting a quantitative methodology, the study analyzes secondary financial disclosures from 39 purposively sampled companies. An autoregressive framework operationalizes earnings persistence, alongside standardized financial statement ratios capturing operational cash flows, corporate scale, and top-line sales fluctuations. Following classical assumption diagnostic testing, multiple linear regression models estimate both individual and joint variable relationships. Empirical results confirm that operating cash flow exerts a positive, statistically significant impact on earnings persistence. Conversely, firm size yields a positive yet statistically insignificant effect. Sales volatility displays a positive, statistically significant relationship, contradicting the initial negative hypothesis. Jointly, all three financial metrics significantly drive corporate earnings persistence. These outcomes demonstrate that operational liquidity and revenue adaptability serve as stronger indicators of earnings durability than gross asset scale within the consumer goods sector. Consequently, these findings offer actionable insights for market participants evaluating financial reporting quality and long-term earnings predictability.

Keywords: *Earnings Persistence, Operating Cash Flow, Firm Size, Sales Volatility, Food and Beverage Industry*

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INTRODUCTION

Earnings persistence serves as a primary metric for assessing earnings quality, reflecting a firm's capacity to maintain consistent profitability over successive periods. High earnings quality offers crucial insight for stakeholders evaluating future financial trajectories. Companies with sustainable earnings demonstrate superior resilience and operational stability. Consequently, management and investors rely on earnings persistence to gauge the credibility of reported financial performance.

The food and beverage subsector occupies a vital position within Indonesia's manufacturing industry. These enterprises manage complex operations spanning raw material procurement, large-scale production, and national distribution network management. Such operational characteristics demand consistent revenue generation and operational control. Nevertheless, empirical data from listed food and beverage firms between 2021 and 2024 reveals pronounced disparities in earnings performance across individual enterprises. These diverging performance patterns highlight earnings persistence as a critical issue within the sector.

Earnings fluctuations suggest that current net income alone cannot project long-term earnings stability. Operational fundamentals and revenue consistency play substantial roles. Operating cash flow reflects cash generation from core activities, firm size represents overall asset

capacity, and sales volatility measures revenue stability over time. Together, these three metrics provide valuable indicators of a company's capacity to sustain its profitability.

Operating cash flow directly underpins earnings persistence. robust cash flows confirm that primary business operations fuel reported net income rather than temporary accounting adjustments. Conversely, weak or volatile cash flows signal that reported earnings lack backing from core operational activities. Prior literature yields consistent evidence on this relationship; Abdillah et al. (2021) as well as Riskiya and Africa (2022) documented that operating cash flow exerts a positive effect on earnings persistence, indicating that cash-backed earnings sustain profitability more effectively.

Firm size, typically measured by total asset volume, further influences earnings stability. Larger corporate structures possess broader resource bases and operational scale, which support long-term business continuity. However, empirical findings regarding firm size remain divided. While Abdillah et al. (2021) identified a negative effect on earnings persistence, Sihotang et al. (2023) and Salam and Amin (2024) reported a positive relationship. These contradictory outcomes reveal that total asset scale does not uniformly affect earnings persistence across different industrial settings.

Sales volatility offers an additional lens for evaluating revenue stability. Steady top-line sales provide a predictable baseline for operational planning and earnings growth. Fluctuating sales, by contrast, introduce revenue uncertainty that disrupts bottom-line stability. Existing research shows notable empirical contradictions on this variable. Arif and Ananda (2023) alongside Mariani and Suryani (2021) found that sales volatility negatively impacts earnings persistence. In contrast, Utomo et al. (2022), Riskiya and Africa (2022), Lovita and Lisiantara (2023), and Tuffahati et al. (2020) concluded that sales volatility exerts no significant effect. These conflicting results demonstrate that the empirical link between sales volatility and earnings persistence remains unresolved.

These persistent empirical contradictions create a clear research gap. Variations in sample selection, observation periods, and sector-specific attributes likely account for the conflicting findings in prior studies. Consequently, further empirical validation is required to clarify how operating cash flow, firm size, and sales volatility interact within the consumer goods sector.

The 2021–2024 observation period provides a unique context for this inquiry. Despite the defensive reputation of the food and beverage industry, firms experienced shifting earnings dynamics throughout these years. This setting enables an empirical evaluation of whether operating cash flow, firm size, and sales volatility account for differences in earnings persistence among listed companies.

To address this gap, this study measures the impact of operating cash flow, firm size, and sales volatility on earnings persistence among food and beverage companies listed on the Indonesia Stock Exchange from 2021 to 2024. The empirical evidence generated aims to expand the financial accounting literature on earnings quality in emerging markets while providing actionable metrics for managers and market participants assessing corporate earnings sustainability.

LITERATURE REVIEW

Agency Theory

Agency theory addresses the contractual relationship separating shareholders as principals from managers as agents. This structural separation frequently generates information asymmetry and divergent interests. Consequently, robust internal oversight and rigorous resource allocation are essential to limit managerial opportunism. In this investigation, agency theory contextualizes earnings persistence through cash management, asset utilization, and revenue generation. Substantial operating cash flow restricts options for earnings manipulation. Concurrently, larger corporate scale provides stronger oversight structures. Consistent sales patterns further demonstrate executive competence in securing predictable earnings stream.

Signaling Theory

Signaling theory outlines how corporate executives transmit internal financial operational details to market participants, thereby reducing information asymmetry. Financial disclosures function as indicators of operational resilience and future trajectory. Specifically, operating cash flow, firm scale, and sales volatility convey distinct financial signals regarding earnings durability. Robust cash generation and significant asset volume deliver positive signals concerning operational viability and financial health. Conversely, volatile sales signal elevated operational risk. These combined signals directly shape market evaluations of earnings sustainability.

Earnings Persistence

Earnings persistence measures the degree to which current net income continues into subsequent accounting periods. Persistent earnings demonstrate operational stability, providing crucial data for creditors and equity investors forecasting corporate trajectory. Following Sloan (1996), as cited in Dechow et al. (1996), this study models earnings persistence using an autoregressive framework linking current net income after tax to subsequent period earnings.

Operating Cash Flow

Operating cash flow captures net cash derived directly from core commercial operations. Consistent cash inflows confirm a firm's operational capability to sustain ongoing business activities. Consequently, net income backed by solid cash generation exhibits higher quality and durability. This study operationalizes operating cash flow using Cash Flow Return on Assets (CFROA), calculated by dividing operating cash flow by total assets. This metric reflects managerial efficiency in utilizing corporate assets to generate operational cash.

Firm Size

Firm size captures the overall operational scale of an enterprise, quantified here by total assets. Larger corporations command superior resource access, structured administrative systems, and favorable capital market terms, all of which support financial stability. Under agency theory, larger firms maintain comprehensive oversight mechanisms that curtail opportunistic accounting practices. However, larger scale also introduces administrative complexity. Empirical findings remain split; Abdillah et al. (2021) observed a significant negative effect on earnings persistence, whereas Sihotang et al. (2023) documented a significant positive relationship.

Sales Volatility

Sales volatility captures top-line revenue fluctuations between reporting periods. Pronounced sales fluctuations signal revenue instability and operational exposure. In the consumer goods sector, shifts in consumer purchasing power, inflation, input costs, and broader economic conditions directly drive these revenue shifts. From a signaling perspective, stable top-line sales broadcast operational resilience, whereas high sales volatility signals earnings unpredictability. Prior empirical work by Arif and Ananda (2023) and Mariani and Suryani (2021) identified a negative relationship between sales volatility and earnings persistence, though other studies reported statistically insignificant outcomes.

Operating Cash Flow and Earnings Persistence

Strong operating cash flow reinforces earnings persistence by confirming that reported income stems from core commercial activities. Sustainable cash inflows preserve operational capacity and ensure earnings durability. Agency theory asserts that liquid operating cash restricts managerial discretion to inflate earnings, while signaling theory views cash strength as a positive indicator of operational quality. Empirical evidence from Abdillah et al. (2021) along with Riskiya and Africa (2022) confirms that operating cash flow enhances earnings persistence. These theoretical premises and empirical findings lead to the first hypothesis:

H1: Operating cash flow has a positive effect on earnings persistence.

Firm Size and Earnings Persistence

Extensive corporate resources and internal controls enable larger firms to maintain consistent operational output and earnings. Agency theory suggests that rigorous internal monitoring in large firms mitigates opportunistic financial reporting. Similarly, signaling theory posits that substantial asset volume signals market credibility and organizational stability. Previous empirical research presents conflicting conclusions. Sihotang et al. (2023) and Setyaningrum and Ridarmelli (2021) reported a positive impact on earnings persistence, whereas Abdillah et al. (2021) found a significant negative effect. Based on these theoretical insights, the second hypothesis states:
H2: Firm size has a positive effect on earnings persistence.

Sales Volatility and Earnings Persistence

Top-line sales volatility diminishes earnings persistence by introducing revenue unpredictability into ongoing operations. Conversely, steady sales revenue provides a reliable baseline for predictable bottom-line results. Signaling theory framing implies that revenue volatility transmits signals of financial uncertainty to external stakeholders. Arif and Ananda (2023) and Mariani and Suryani (2021) confirmed that sales volatility negatively impacts earnings persistence. However, mixed results in other empirical works highlight an ongoing debate that requires further validation. Thus, the third hypothesis posits:
H3: Sales volatility has a negative effect on earnings persistence.

Operating Cash Flow, Firm Size, Sales Volatility, and Earnings Persistence

Operating cash flow, firm size, and sales volatility capture distinct dimensions of corporate performance. Cash flow measures liquidity from core operations, firm size reflects overall asset capacity, and sales volatility indicates top-line stability. Combined, these variables provide a comprehensive framework for explaining variations in earnings persistence. Agency theory stresses the importance of oversight and resource management, while signaling theory focuses on how these financial attributes inform external investors. Consequently, these three financial metrics interact jointly to influence earnings stability. The fourth hypothesis is formulated as follows:
H4: Operating cash flow, firm size, and sales volatility simultaneously affect earnings persistence

RESEARCH METHOD

Research Design and Sample

This empirical study applies a quantitative design to evaluate how operating cash flow, firm size, and sales volatility impact earnings persistence. The analysis targets food and beverage enterprises listed on the Indonesia Stock Exchange throughout 2021–2024, drawn from a initial population of 103 subsector firms. Sample selection followed a purposive sampling approach based on three rigid criteria: continuously listed status on the Indonesia Stock Exchange during 2021–2024, complete publication of annual audited financial statements, and positive net income throughout the entire observation window. Applying these filters yielded 39 qualifying companies, generating 156 initial firm-year observations. Because the autoregressive model for earnings persistence requires lagged data across successive accounting cycles, the final dataset comprises 117 firm-year observations spanning three consecutive periods: 2021–2022, 2022–2023, and 2023–2024.

Data Collection

The study relies on secondary financial data retrieved directly from official Indonesia Stock Exchange filings and company web portals. These annual reports provided required metrics for operating cash flow, total assets, net sales, and net income after tax. Data extraction involved systematic identification, recording, and verification of financial statement line items aligned with defined sampling parameters.

Variable Measurement

Earnings persistence serves as the dependent variable (Y), representing the stability of current net income into subsequent reporting cycles. Following Sloan (1996), as cited in Dechow et al. (1996), an autoregressive model operationalizes earnings persistence:

$$\text{Earnings}_{t+1} = \alpha_0 + \alpha_1 \text{Earnings}_t + \upsilon_{t+1}$$

where Earnings_{t+1} denotes net income after tax in period $t+1$, Earnings_t denotes net income after tax in period t, α_0 represents the intercept, α_1 measures the earnings persistence coefficient, and υ_{t+1} captures the residual error term.

Operating cash flow (X_1) serves as the primary independent variable, quantified through Cash Flow Return on Assets (CFROA):

$$\text{CFROA} = \frac{\text{Total Operating Cash Flow}}{\text{Total Assets}}$$

Firm size (X_2) represents overall corporate scale, measured using the natural logarithm of total assets to minimize variance in asset magnitude across sample firms:

$$\text{Firm Size} = \ln(\text{Total Assets})$$

Sales volatility (X_3) captures top-line revenue fluctuations relative to corporate asset scale:

$$\text{Sales Volatility} = \frac{\sigma(\text{Sales})}{\text{Total Assets}}$$

where $\sigma(\text{Sales})$ represents the standard deviation of annual sales across the observation window.

Data Analysis

Data processing utilized IBM SPSS Statistics 26, executing descriptive statistics, classical assumption tests, multiple linear regression analysis, and formal hypothesis testing. Descriptive statistics summarize sample distributions using minimum, maximum, mean, and standard deviation metrics. Classical assumption testing ensures estimation integrity through four procedures: One-Sample Kolmogorov–Smirnov test for residual normality, tolerance values and Variance Inflation Factors (VIF) for multicollinearity, diagnostic regression scatterplots for heteroskedasticity, and Durbin–Watson metrics for autocorrelation. The core regression model estimates the partial and combined relationships among variables:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

where Y represents earnings persistence, α is the constant, β_1 to β_3 denote regression coefficients, X_1 represents operating cash flow, X_2 represents firm size, X_3 represents sales volatility, and e captures the stochastic error term. Hypothesis testing evaluates partial significance through t-tests and joint significance through F-tests at a standard threshold ($\alpha = 0.05$). The coefficient of determination (R^2) measures the overall explanatory power of the independent variables.

RESULTS AND DISCUSSION

Results

This empirical investigation evaluates how operating cash flow, firm scale, and sales volatility influence earnings persistence across Indonesia Stock Exchange-listed food and beverage enterprises during 2021–2024. The sampling procedure initially identified 39 qualifying firms, establishing 156 raw firm-year observations. Applying the autoregressive lag structure required for measuring earnings persistence reduced this baseline to 117 paired observations. Subsequent data transformation and systematic outlier removal yielded a final regression sample of 102 observations.

The reduction in observations stems directly from the autoregressive specification of earnings persistence, which matches current net income with performance in the subsequent reporting cycle. Consequently, the four-year observation window (2021–2024) generates three distinct consecutive paired cycles per enterprise: 2021–2022, 2022–2023, and 2023–2024. This alignment ensures the autoregressive model links current-period net income with lag-adjusted future earnings. This necessary lag structure automatically adjusted the initial 156 firm-year entries down to 117 paired observations prior to conducting further inferential statistical modeling.

Following baseline data alignment, mathematical transformation and outlier screening procedures resolved residual distribution anomalies to fulfill ordinary least squares regression assumptions. Observations exhibiting severe studentized residuals were systematically excluded. After completing these diagnostic refinements, a final balanced dataset of 102 observations remained for regression estimation. This refined dataset provides the empirical basis for evaluating the individual and simultaneous impacts of operating cash flow, corporate asset scale, and top-line sales volatility on earnings persistence.

Descriptive Statistics

Table 1 outlines the statistical properties of all evaluated metrics across the pre-transformation sample ($N = 117$).

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Operating Cash Flow	117	-0.29	0.44	0.1040	0.09945
Firm Size	117	11.12	19.04	15.2651	1.73771
Sales Volatility	117	0.02	0.88	0.1712	0.15521
Earnings Persistence	117	-3.09	6.19	0.0307	1.42200

Source: Processed financial statement data, 2026.

The descriptive metrics reveal an average operating cash flow ratio of 0.1040 (SD $=$ 0.09945). Firm size averages 15.2651 (SD $= 1.73771$), while sales volatility yields a mean of 0.1712 (SD $= 0.15521$). Earnings persistence registers a mean of 0.0307 with a standard deviation of 1.42200. This substantial dispersion in earnings persistence highlights significant variation in earnings stability across sample firms.

Classical Assumption Tests

The baseline residual normality test via One-Sample Kolmogorov–Smirnov yielded $p =$ 0.000, confirming an initial violation of residual normality. Executing data square-root transformation alongside the elimination of 15 extreme outlier observations trimmed the dataset

from 117 to 102 firm-year entries. Re-estimating the Kolmogorov–Smirnov test on transformed residuals generated $p = 0.093$, satisfying the normality condition ($p > 0.05$).

Multicollinearity diagnostics revealed tolerance metrics of 0.878 for operating cash flow, 0.840 for firm size, and 0.810 for sales volatility, corresponding to Variance Inflation Factor (VIF) metrics of 1.139, 1.191, and 1.234, respectively. All tolerance values exceeded 0.10 and VIF values remained well below 10.0, confirming the absence of severe multicollinearity.

Heteroskedasticity testing via Spearman's rank correlation produced significance levels of 0.647 for operating cash flow, 0.786 for firm size, and 0.746 for sales volatility. Because all individual p-values exceeded the 0.05 threshold, the empirical model satisfies homoscedasticity assumptions. The initial Durbin–Watson metric registered 0.682, signaling positive residual autocorrelation. Implementing the Cochrane–Orcutt iterative transformation resolved this dependence, elevating the Durbin–Watson statistic to 1.765. Given an upper critical bound (d_U) of 1.7383, the transformed statistic falls squarely within acceptable bounds ($1.7383 < 1.765 < 2.2617$), confirming freedom from autocorrelation.

Multiple Linear Regression and Hypothesis Testing

Model estimation produced the following empirical equation ($N = 102$):

$$Y = 0.452 + 0.347X_1 + 0.021X_2 + 0.500X_3 + e$$

where Y denotes earnings persistence, X_1 represents operating cash flow, X_2 represents firm size, and X_3 represents sales volatility. Table 2 details the regression outputs and formal hypothesis determinations.

Table 2. Multiple Linear Regression and Hypothesis Test Summaries

Variable	Coefficient (β)	t-value	Significance (p)	Decision
(Constant)	0.452	2.779	0.007	—
Operating Cash Flow (X_1)	0.347	2.179	0.032	**H1 Supported**
Firm Size (X_2)	0.021	0.056	0.956	**H2 Not Supported**
Sales Volatility (X_3)	0.500	3.648	0.000	**H3 Not Supported**

Source: Processed empirical data, 2026. Model Fit: $F = 5.274$ ($p = 0.002$), Adjusted $R^2 = 0.114$.

Empirical testing confirms that operating cash flow exerts a statistically significant positive effect on earnings persistence ($\beta = 0.347; t = 2.179; p = 0.032$), supporting H_1. Conversely, firm size yields a positive but statistically insignificant effect ($\beta = 0.021; t = 0.056; p = 0.956$), failing to support H_2. Sales volatility exerts a strong positive and statistically significant impact ($\beta = 0.500; t = 3.648; p = 0.000$). However, because H_3 posited a negative direction, H_3 is formally rejected despite the variable's statistical significance.

An overall model evaluation via F-testing produced an F-statistic of 5.274 ($p = 0.002$). Because $p < 0.05$, operating cash flow, firm size, and sales volatility jointly influence earnings persistence, supporting H_4. The model yields an Adjusted R^2 of 0.114, indicating that the combined predictors explain 11.4% of the variance in corporate earnings persistence, leaving 88.6% attributable to unmodeled external or firm-specific factors.

Discussion

Operating Cash Flow Directly Enhances Earnings Persistence

The significant positive relationship between operating cash flow and earnings persistence ($\beta = 0.347; p = 0.032$) confirms H_1. This outcome demonstrates that consumer goods enterprises backed by robust operational cash flows sustain higher quality earnings over time.

Within the food and beverage industry, recurring operational commitments—such as raw material purchases, continuous processing, and extensive supply chain logistics—require reliable liquidity. Liquid operating cash flow confirms that reported accounting profits derive from primary operational activities rather than discretionary accruals. Consequently, high cash-backed profitability protects firms against liquidity shocks and provides a stable foundation for ongoing earnings generation.

These empirical insights validate agency theory by demonstrating that liquid cash flows limit opportunities for aggressive accrual manipulation. Furthermore, the findings reinforce signaling theory: market participants correctly interpret strong operational cash flows as a credible signal of corporate stability and sustainable profitability. These outcomes align with prior findings by Sihotang et al. (2023), Abdillah et al. (2021), and Riskiya and Africa (2022), while diverging from Salam and Amin (2024), whose sample variations produced insignificant cash flow effects.

Firm Scale Does Not Uniformly Dictate Earnings Stability

The statistical insignificance of firm size ($\beta = 0.021; p = 0.956$) leads to the rejection of H_2. Substantial asset volume alone does not determine a firm's capacity to maintain earnings over successive reporting periods. This outcome reflects specific operational dynamics within the Indonesian consumer goods sector. Although large asset bases—such as automated manufacturing plant machinery, storage warehouses, and fleet infrastructure—expand operational capacity, asset accumulation does not automatically yield operational efficiency. Unutilized assets or bloated overhead structures can create fixed cost burdens that hamper net margin persistence during market downswings. Strategic asset productivity and supply chain agility matter more for earnings continuity than gross asset accumulation.

From a theoretical perspective, these findings nuance agency theory by proving that administrative scale does not automatically eliminate governance frictions or improve earnings stability. Similarly, while signaling theory suggests asset volume conveys scale and market presence, investors recognize that gross asset scale offers insufficient proof of earnings quality. This result mirrors conclusions by Riskiya and Africa (2022) as well as Utomo et al. (2022), while contrasting with positive relationships documented by Sihotang et al. (2023), Setyaningrum and Ridarmelli (2021), and Giri and Darmawan (2022).

Sales Volatility Reflects Revenue Expansion Rather Than Operational Distress

Although sales volatility yields a highly significant effect ($\beta = 0.500; p = 0.000$), H_3 is rejected because the empirical direction is positive rather than negative as originally hypothesized. Greater top-line sales fluctuations among sampled firms accompanied higher, rather than lower, earnings persistence.

This unexpected positive relationship offers crucial insights into food and beverage market dynamics during the 2021–2024 observation window. Rather than signaling operational instability, top-line sales variations in this defensive sector often reflected rapid market share expansion, product line innovation, and price adjustments amidst fluctuating post-pandemic consumer demand. Firms capable of absorbing variable demand while maintaining flexible cost structures successfully converted sales swings into durable bottom-line profitability.

Consequently, revenue fluctuations in fast-moving consumer sectors should not be interpreted uniformly as negative indicators of financial distress. When backed by operational agility, top-line expansions strengthen long-term earnings continuity. This positive relationship aligns with empirical findings by Giri and Darmawan (2022), while contradicting studies by Arif and

Ananda (2023) and Lovita and Lisiantara (2023) which reported negative relationships, as well as works by Utomo et al. (2022) and Riskiya and Africa (2022) which found no statistically significant link.

Simultaneous Effects and Explanatory Capability

The global model specification test yields an F-statistic of 5.274 with a p-value of 0.002, confirming that operating cash flow, firm scale, and top-line sales volatility jointly exert a statistically significant effect on earnings persistence. This empirical output verifies that combining these three financial metrics provides meaningful collective information for explaining variations in earnings persistence. Evaluating these indicators in tandem offers a far more holistic analytical perspective than assessing isolated financial characteristics independently.

In this composite framework, operating cash flow measures the firm's capacity to generate liquid capital from core business operations, firm size reflects gross asset capacity, and sales volatility captures revenue fluctuations over time. Together, these metrics capture distinct dimensions of corporate financial health. Their simultaneous statistical significance demonstrates that earnings persistence does not depend on a single isolated variable, but rather emerges from the joint interaction of operational cash generation, corporate asset scale, and revenue dynamics.

This empirical result directly supports the theoretical synthesis of agency theory and signaling theory applied in this study. From an agency perspective, strong control over operating cash flows, firm resources, and revenue variations reflects effective managerial stewardship and internal control mechanisms. From a signaling perspective, transparent reporting across these distinct operational dimensions delivers strong, credible signals to equity markets regarding financial stability and profit sustainability. Consequently, an integrated examination of these financial attributes provides stakeholders with a more robust assessment of long-term earnings quality.

The model's Adjusted R^2 value of 0.1140 indicates that operating cash flow, firm scale, and sales volatility collectively account for 11.40% of the total variance in earnings persistence. The remaining 88.60% of variance depends on unmodeled factors. These unobserved drivers likely involve managerial ownership structures, corporate governance quality, leverage ratios, working capital efficiency, and macroeconomic conditions. Therefore, while the estimated regression model establishes meaningful explanatory power, corporate earnings persistence remains influenced by a broader array of operational and external determinants beyond the scope of this investigation.

CONCLUSION AND IMPLICATION

Conclusion

This empirical investigation provides evidence regarding how operating cash flow, firm scale, and top-line sales volatility influence earnings persistence among food and beverage enterprises listed on the Indonesia Stock Exchange throughout 2021–2024. The empirical outputs demonstrate that these distinct financial metrics exert contrasting individual effects on the long-term durability of corporate profits.

First, operating cash flow exerts a statistically significant positive effect on earnings persistence. This empirical outcome confirms that enterprises generating robust, continuous cash flows directly from primary commercial operations exhibit higher quality, sustainable earnings over successive periods. Liquid operating cash flows provide necessary capital to sustain routine production cycles, manage inventory procurement, and satisfy short-term obligations without relying heavily on external financing or non-operational revenue streams. Consequently, operational cash flow serves as a reliable indicator of whether reported accounting profits reflect genuine operational health rather than discretionary accounting adjustments. This finding validates the core research hypothesis and underlines the necessity of cash-backed profitability within the fast-moving consumer goods sector.

Second, firm size displays a positive yet statistically insignificant impact on earnings persistence. Although the positive regression slope aligns with theoretical expectations that larger

corporations possess greater operational capacity, statistical diagnostics indicate that gross asset volume alone does not determine earnings durability. Broad physical assets, extensive distribution networks, and superior credit access do not automatically guarantee persistent earnings. Instead, long-term profit stability depends far more on operational execution, asset utilization efficiency, cost control, and strategic flexibility. Therefore, the empirical evidence fails to support the hypothesis predicting a significant positive role for firm scale.

Third, top-line sales volatility demonstrates a statistically significant positive relationship with earnings persistence, contradicting the initial hypothesis of a negative relationship. Within the observed sample, revenue fluctuations accompanied higher rather than lower earnings stability. In fast-moving consumer goods markets, revenue shifts do not necessarily indicate business instability or operational distress. Rather, top-line variations frequently stem from strategic expansion, active product innovation, dynamic pricing responses, or changing consumer purchasing patterns. Companies possessing operational flexibility can successfully navigate demand shifts and turn sales variations into durable bottom-line profitability. Consequently, market analysts must avoid treating sales volatility as an automatic signal of deteriorating earnings quality.

Fourth, simultaneous model testing demonstrates that operating cash flow, firm scale, and sales volatility jointly exert a statistically significant influence on earnings persistence. Corporate earnings sustainability represents a multidimensional financial phenomenon that cannot be reduced to a single metric. Combining operational liquidity, physical asset capacity, and top-line market dynamics yields a more comprehensive view of corporate financial health. Nevertheless, the model's Adjusted R^2 metric of 0.1140 indicates that these three independent variables explain 11.40% of the total variance in earnings persistence. The remaining 88.60% of variance depends on unmodeled macroeconomic factors, corporate governance structures, supply chain disruptions, and firm-specific operational strategies.

In summary, operating cash flow and sales volatility serve as primary individual drivers of earnings persistence in Indonesian food and beverage enterprises, whereas total asset scale plays no significant standalone role. The unexpected positive relationship between revenue volatility and earnings durability further underscores the necessity of evaluating financial metrics within their specific industrial and operational context.

Implication

The empirical conclusions generated by this research yield practical implications for corporate leaders, equity investors, and academic researchers in financial accounting.

For corporate management, the strong positive effect of operating cash flow highlights the necessity of prioritizing operational liquidity over mere accounting profits. Executive teams must implement disciplined working capital management to ensure that core manufacturing and sales activities generate continuous cash inflows. Relying solely on accrual-based profit metrics can mask underlying liquidity vulnerabilities. Furthermore, management should reassess how they handle top-line sales variations. Rather than viewing demand fluctuations purely as risk factors, managers should build flexible cost structures and adaptive supply chains that allow firms to capitalize on demand shifts while maintaining stable profit margins. Finally, the insignificance of firm size implies that executive leadership should focus on asset productivity and operational lean structures rather than expanding total asset volume for its own sake.

For equity investors and financial analysts, these findings offer useful guidance for evaluating earnings quality and corporate risk in emerging market consumer sectors. Investment valuation models should not rely heavily on reported net income or company asset size alone when forecasting earnings persistence. Investors should evaluate operating cash flows to verify whether reported net income has strong cash backing. Additionally, analysts should investigate the underlying drivers of revenue volatility before penalizing companies for top-line fluctuations, as managed sales variations in consumer markets can coexist with persistent profitability.

From an academic perspective, this research enriches the financial accounting literature on earnings persistence within emerging market manufacturing sectors. The unexpected positive effect of sales volatility challenges conventional assumptions and points to the need for nuanced theoretical models that account for industry-specific demand dynamics. Because the empirical model accounts for 11.40% of variance, future studies should introduce complementary predictors—such as corporate governance mechanisms, managerial ownership, leverage, working capital efficiency, and macroeconomic indicators—to provide a more complete explanation of corporate earnings persistence.

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