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Determinants of Earnings Resilience: Can the Difference Between Book Value and Tax, Market Concentration, and Debt Level be Determined by Cash Flow?

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Abstract

Research Background: The urgency of this research is increasingly relevant, considering the phenomenon of economic instability and global oil price volatility, which have a significant impact on the oil and gas sector in Indonesia. **Introduction / Objectives:** The purpose of this scientific study is to deeply explore the influence of Book Tax Difference, Market Concentration, and Debt Level on Earnings Persistence, with Cash Flow as a moderating variable in oil and gas sector companies listed on the Indonesia Stock Exchange. **Methods:** The method used is quantitative research with descriptive statistical analysis and SEM. The secondary data used comes from the financial statements of companies included in the study population, oil and gas companies, with a sample of 16 companies selected through census techniques. **Results:** The results indicate that BTD, Cash Flow, and Debt Level have a significant influence on Earnings Persistence, while Market Concentration has an effect that is close to significant. In terms of moderation, only Moderating Effect 2 shows almost significant results. **Conclusion**: The implications of this research provide insight for oil and gas companies and investors regarding the factors that influence profit sustainability and offer direction for more effective financial management, particularly in optimizing cash flow and debt structure to maintain profit stability.

Keywords: Book Tax Difference; Cash Flow; Debt Level; Earnings Persistence; Market Concentration
JEL Classification: M40; M41.

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INTRODUCTION

Profit is a significant metric in financial reports, as it serves as a benchmark for a company's performance and provides crucial information for investors in making decisions. It is of paramount importance for investors and creditors to closely monitor a company's profit levels. It is erroneous to assume that quality profit is synonymous with high profit. Rather, quality profit is profit that can provide continuity and survive in the future. The term "profit continuity" or "profit persistence" is used to describe the ability of profit to endure in the future. Consequently, investors must prioritize profit persistence over merely pursuing high profits (Emanuel et al., 2023). The persistence of profits indicates a gradual and consistent growth in the company's earnings, which can persuade investors to consider the long-term potential of the company (Saputra & Sunarto, 2022). Investors tend to allocate their capital to companies with stable, increasing profits because companies with high profits will also provide high dividends. Earnings persistence is a key element of earnings quality, as it relates to the predictive value of profit sustainability in the following period. This is important for users of financial statements, especially investors, in their decision-making process. (Maskanah & Arif, 2024).

Earnings persistence can be defined as the anticipated profit in the future, which is inferred from the current year's profit. In addition, it denotes the ability of profits to serve as a reliable indicator of the company's future profitability aspirations. This is one of the metrics used to evaluate the quality of earnings, whereby quality profits are stable and consistent over time. In accordance with Putri and Aufa (2023), the concept of profit sustainability can be viewed from two distinct perspectives. Firstly, the concept of profit sustainability is closely linked to the company's performance, as evidenced by the income generated. Secondly, the profit persistence factor is also closely associated with the performance of stock prices in the capital market, as reflected in the level of take-up. This indicates that the closer the relationship between company income and investment returns in the form of stock returns, the higher the level of profit persistence (Pratomo & Suryati, 2023). A number of factors affect the sustainability of profitability, both from within and outside the company. In the event of significant profit fluctuation without a clear basis, there is a risk of profit management practices being employed. (Pratomo & Suryati, 2023).

As posited by Angelina & Trisnawati (2023), the practice of earnings management is driven by a multitude of underlying motivations. The practice of earnings management is undertaken by managers for a variety of reasons, including the pursuit of bonus incentives, the fulfillment of management compensation contracts, and the management of capital market pressures. (Warnika & Utami, 2024) In addition to the aforementioned motivations, the implementation of earnings management is also driven by the general bank manager's desire to gain favorable value from the presentation of reports to Bank Indonesia on a periodic basis. The detection of company earnings management is achieved through the calculation of the total accruals, including discretionary accruals. The latter refers to accounting policies that are utilized to influence profit reports, which are often difficult to detect. These include the recording of obsolete inventory, the increase in amortization and depreciation costs, and others. The discrepancy between the taxable profit and the profit reported in financial statements is a pervasive issue in financial reporting, often referred to as the difference in fiscal profit (Anam et al., 2023). The term "book tax differences" is used to describe discrepancies between income recorded in accounting records and tax calculations performed in accordance with applicable regulations. Additionally, it arises from discrepancies between commercial profits reported in accounting and fiscal profits, which serve as the basis for taxation. This phenomenon occurs due to differences in the recognition of income and expenses, which are subject to distinct regulatory frameworks in the context of tax regulations and financial accounting standards. (Nuraeni et al., 2019).

Agency theory posits that authority is derived from the principal to the agent for the determination of an accounting method in the process of recognizing and calculating expenses and income. This method is then utilized in the management of financial resources within the context of the agency's financial statements (Jensen et al., 1976). In this context, the term "book tax differences" refers to a method that is consistent with SAK, which has the potential to result in an increase in current year profits. This theory also posits that agents and principals have disparate interests (Yuniarti & Astuti, 2020). Agents are motivated to

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facilitate the growth of the company, as their perspective is centered on the pursuit of optimal profits. Consequently, they are entrusted with managerial responsibilities. However, the principal seeks to minimize the company's taxable income, thereby reducing the associated tax payments. In alignment with prior research, such as that of Warnika and Utami (2024), the findings indicate that book tax differences exert a significant influence on profit persistence. However, this stands in contrast to the conclusion reached in the Pratomo and Suryati (2023) study, which found that book tax differences do not affect profit persistence.

Such an action will indirectly indicate the company's condition in the future. A similar assertion was made by Khorshed, M., Uddin, M., & Gasbarro (2019), who defined a company as having high market concentration when it controls and is a major player in the market share of its sector. Similarly, Rahmawati (2018) posited that market concentration can be conceptualized as a metric for the dispersion of producers and consumers within a market, thereby facilitating an accurate assessment of the prevailing conditions in a company's market. An examination of market concentration can provide insight into the competitive position of a company in terms of market share. It indicates the extent of a company's influence on sales in the market. The market structure serves as the foundation for a company's business practices. In light of market concentration, the company formulates strategies for each target market in accordance with its criteria (Nuraeni et al., 2019). This is consistent with the findings of Garcia-Appendini (2018), who concluded that market concentration exerts a positive influence on profit persistence. Additionally, a separate investigation by Agustian (Nuraeni et al., 2019) indicated that market concentration exerts a favorable influence, whereas book-tax discrepancies exert an unfavorable influence on profit persistence. Nevertheless, the results of another study (Rahmawati, 2018) yielded contradictory outcomes.

Debt is defined as a liability that must be fulfilled by an entity to another party. It arises from past activities and is settled by providing assets or services within a specified time frame (Dewi & Mulyani, 2020). The company's debt level can facilitate the enhancement of profit persistence by ensuring the maintenance of optimal performance, both in the eyes of creditors and investors. An increase in a company's debt level results in a greater capital investment in its business operations, with the objective of achieving more substantial and enduring profits (Cahyani & Suryono, 2020). A company's ability to generate profits can serve as a key factor in persuading creditors of its reliability, thereby encouraging them to maintain the provision of funds, which can facilitate the settlement of debts. Debt can be classified into two categories: short-term and long-term debt. In terms of agency theory (Wardhana et al., 2024), the debt ratio can be employed to demonstrate the extent to which a company's total assets are financed through debt and the potential for such debt to give rise to conflict between the agent and the principal. In this case, the agent may assume responsibility for the company's debt obligations, as the principal may not concur with the use of debt as a funding source. This can result in the agent assuming responsibility for the principal's debt obligations. Prior research, including that of Febrianti and Isnaen (2024), corroborates these findings, indicating a positive correlation between debt levels and earnings persistence. However, Febriani and Azahra (2023) found that debt levels had no impact on earnings persistence.

The agency theory serves as the foundation for this study, emphasizing the significance of a company's resilience and stability in sustaining long-term profitability, particularly in the context of intensifying market competition. This theory is pertinent to a company's endeavours to sustain consistent profitability through optimal capital structure management, particularly in relation to book tax differences, market concentration, and debt levels. However, previous studies have demonstrated a research gap with regard to these variables, resulting in inconsistent findings regarding their impact on profit persistence. Accordingly, this study introduces cash flow as a moderating variable, with the objective of providing a more comprehensive explanation of the relationship between these three main variables and the company's profit persistence. It is hoped that this will result in new insights or novelty in optimising the company's profitability in the future. A cash flow statement is a report that provides information to users of financial statements about cash inflows and outflows, as well as cash equivalents for a specified period (Meryana & Erna Setiany, 2021). In each period, the value of operational cash flow will show new figures, and a significant discrepancy can also affect the level of the company's profit persistence. (Holly et al., 2022). In accordance with agency theory, operational cash flow is also within the purview of the manager's responsibilities. It is the responsibility of the manager to maintain and work towards a high turnover in the company's operational cash flow, as this is a key indicator of the quality of profit, or profit persistence. As demonstrated by the findings of Angelina and Trisnawati (2023), there is a positive and statistically significant correlation between operational cash flow and profit persistence. However, a contrasting finding was reported by Maskanah and Arif (2024), who discovered that operational cash flow has a negative and significant effect on profit persistence. Cash flow can also demonstrate whether the company is effectively managing its finances. If the company's cash flow demonstrates a positive value, it will foster greater confidence in its capacity to generate profits in the future, thereby reinforcing investor and creditor confidence in the company's financial performance.

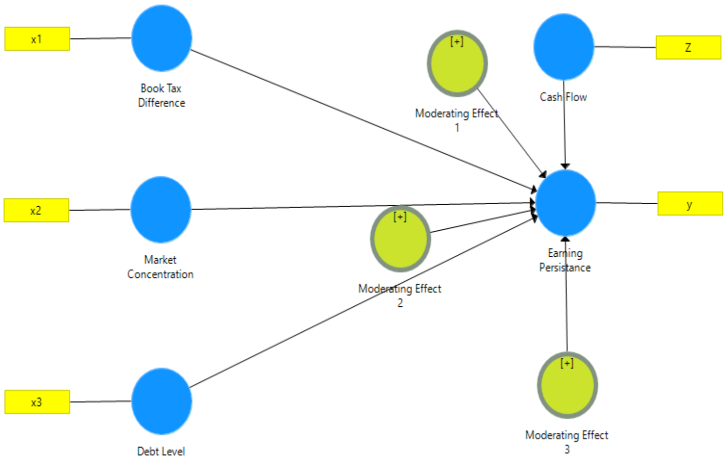

Figure 1. Conceptual Framework

METHOD

This type of research employs quantitative methodology, augmented by descriptive statistical analysis. The secondary data utilized in this study is derived from a set of numerical or statement-based data, which are subsequently aggregated and evaluated through the application of a range of pertinent statistical analysis techniques. The population under investigation in this study is constituted by all oil and gas companies listed on the IDX, sampled using the census technique, whereby the entire population is considered

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(Sugiyono, 2019). A total of 16 companies were selected as the sample for this study. The data analysis in this study employed a variance-based structural equation model (SEM) with the partial least squares-SEM (PLS-SEM) approach, processed using SmartPLS 3, with the objective of maximizing the variation in latent variables explained by predictors (Hair et al., 2013). Descriptive statistical tests were conducted, and the measurement model was evaluated for both validity (convergent and discriminant) and reliability (composite reliability greater than 0.7, Cronbach alpha greater than 0.6). The structural model was used to analyze the relationship between latent variables, with R^2 values classified as substantial (>0.67), moderate (0.33), or weak (0.19). Hypothesis testing employed bootstrapping, with a t-statistic greater than 1.96 deemed significant at the 95% confidence level (Ghozali, 2018).

The term "book tax differences" is used to describe the discrepancy between accounting profit and taxable profit that arises due to differences in recognition between Financial Accounting Standards (FAS) and the relevant tax regulations (Pratomo & Suryati, 2023). This study focuses on temporary differences, as permanent differences do not affect the future increase or decrease in the amount of tax payable. Temporary differences emerge from tax provisions that permit the deduction of income or expenses in future accounting periods. In contrast, in commercial accounting, the recognition of income or expenses occurs in the relevant period. These temporary differences are reflected in the deferred tax expense (benefit) account. The measurement of book tax differences in this study follows the approach used by Warnika & Utami (2024), who measure temporary differences by comparing the deferred tax expense account to total assets.

$$Book\ Tax\ Defference = \frac{Deferred\ tax\ cost\ (benefit)}{Total\ Assets}$$

The term "market concentration" is used to describe the proportion of market share controlled by large companies in comparison to the total market share within a given industry. Conversely, the greater the proportion of the market share held by each company, the higher the level of market concentration. This level of market concentration serves as a crucial indicator for evaluating the existing market structure. In this context, an increase in market concentration leads to a reduction in competition between companies within the industry, thereby creating an opportunity for companies to maintain more stable and sustainable profits (Rahmawati, 2018). Previous research by Putri & Aufa (2023) and Nuraeni et al. (2019) has demonstrated that market concentration can be measured using the following formula:

$$Market\ Concentration = \frac{Income}{Industry\ Revenue}$$

The term "debt level" is used to describe the total amount of debt obligations owned by a company. As stated by Anam et al. (2023), an elevated debt level is associated with an enhanced probability of increased profit persistence. Conversely, as stated by Febriani and Azahra (2023), the debt level reflects the company's capacity to meet long-term obligations without consideration of existing financial conditions. In this study, the debt level was measured using the Debt to Total Asset (DAR) ratio, which has been employed in previous research by Febriani and Azahra (2023) and Febryanti and Isnaen (2024). This ratio provides a comparison between a company's total debt and its total assets.

$$Debt\ to\ Assets\ Ratio = \frac{Total\ Liabilities}{Total\ Assets}$$

In this study, earnings persistence is a dependent variable. It refers to the quality of earnings that are sustainable and not temporary, in accordance with the definition provided by Maskanah and Arif (2024). These authors state that quality earnings are persistent or more permanent earnings. (Putri & Aufa, 2023) employ a methodology whereby the current year's pre-tax earnings are subtracted from the previous year's pre-tax earnings, and the resulting figure is then divided by the company's total assets. Pre-tax earnings reflect the profits generated by a company from its primary business activities over a specified period, calculated in accordance with the prevailing accounting standards. A higher earnings persistence value indicates an increase in the persistence of earnings (Angelina & Trisnawati, 2023).

$$Earning\ Presistence = \frac{Profit\ Before\ Tax\ t - Profit\ Before\ Tax\ t_{-1}}{Total\ Assets}$$

Operating cash flow is defined as the movement of cash in and out of a company that is directly related to the company's primary activities in generating income. Cash flow data is regarded as a more reliable financial indicator due to its greater difficulty of manipulation in comparison to financial statements (Angelina & Trisnawati, 2023). Accordingly, a greater ratio of operating cash flow to profit indicates a higher quality of profit generation. Furthermore, positive operating cash flow provides a stronger indication of the company's ability to generate sustainable profits in the future. In accordance with Maskanah and Arif (2024), the amount of operating cash flow can be calculated using the following formula:

$$Cash\ flow = \frac{Total\ Operation\ Cash\ Flow}{Total\ Assets}$$

RESULTS AND DISCUSSION

The descriptive statistics for the Book Tax Difference variable indicate a mean of 0.000, a median of -0.351, a minimum of -5.104, a maximum of 3.214, and a standard deviation of 1.000. These values suggest a centralized data distribution with significant variation. The mean, median, minimum, maximum, and standard deviation of the Cash Flow variable are 0.000, -0.109, -2.208, 4.529, and 1.000, respectively. While some companies experience extreme cash flows, the majority are situated near the median. The mean, median, minimum, maximum, and standard deviation of the Debt Level variable are 0.000, -0.065, -5.227, 4.360, and 1.000, respectively. These values indicate a considerable range of debt levels across firms. The mean, median, minimum, maximum, and standard deviation of the Earnings Persistence variable are 0.000, -0.030, -6.134, 5.768, and 1.000, respectively. These values indicate fluctuations in maintaining earnings. The mean value of the Market Concentration variable is 0.000, with a median of -0.180, a minimum value of -1.134, and a maximum value of 8.602. The standard deviation is 1.000, indicating a relatively narrow range of values. The majority of firms are situated in low to moderate concentration markets. The total number of observations for all variables is 88.

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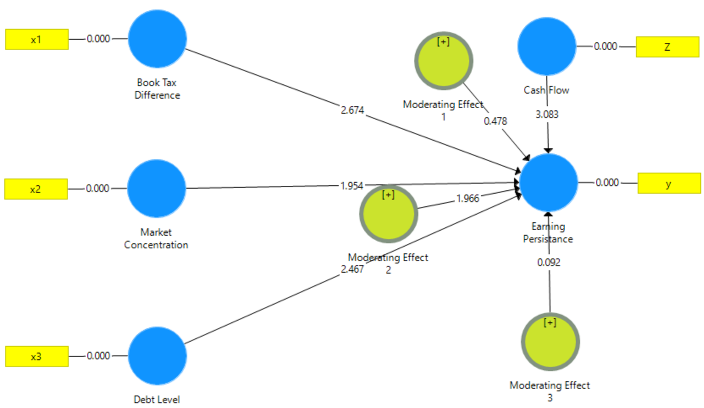

Figure 2. Bootstrapping Processing Results
Source: SEM Processing , 2024

The diagram illustrates the relationship between several independent variables—BTD, Market Concentration, and Debt Level—and the dependent variable Earnings Persistence, moderated by the Cash Flow variable. The connected values represent the path coefficients. This diagram demonstrates the direct, indirect, and moderating effects in the research model, as outlined in the following table:

Table 1. Path coefficient test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Book Tax Difference -> Earning Persistence	0.538	0.283	0.201	2,674	0.008
Cash Flow -> Earnings Persistence	0.848	0.740	0.275	3,083	0.002
Debt Level -> Earnings Persistence	-0.487	-0.233	0.198	2,467	0.014
Market Concentration -> Earning Persistence	0.994	0.760	0.508	1,954	0.051
Moderating Effect 1 -> Earning Persistence	0.089	0.024	0.185	0.478	0.633
Moderating Effect 2 -> Earning Persistence	0.383	0.274	0.195	1.966	0.050
Moderating Effect 3 -> Earning Persistence	-0.018	-0.006	0.197	0.092	0.927

Source: SEM Processing , 2024

The analysis results show that the Book Tax Difference has a significant positive effect on Earnings Persistence, with a coefficient of 0.538, a T-statistic of 2.674 (>1.96), and a P-value of 0.008 (<0.05). This means that the greater the difference between accounting and fiscal profit, the higher the profit persistence. Cash Flow also shows a very strong and significant positive effect on Earnings Persistence, with a coefficient of 0.848, a T-statistic of 3.083 (>1.96), and a P-value of 0.002 (<0.05). This suggests that companies with good cash flow tend to have more persistent profits. On the other hand, the Debt Level has a significant negative effect on Earnings Persistence, with a coefficient of -0.487, a T-statistic of 2.467 (>1.96), and a P-value of 0.014 (<0.05), meaning that the higher the company's debt level, the lower the profit persistence. Meanwhile, Market Concentration shows a large positive effect with a coefficient of 0.994, but it is not statistically significant at the 95% confidence level (T-statistic of 1.954, approaching 1.96, and P-value of 0.051).

As for the moderation effects, Moderating Effect 1 has a small but insignificant positive effect, with a coefficient of 0.089, a T-statistic of 0.478 (<1.96), and a P-value of 0.633 (>0.05). Moderating Effect 2 shows a positive effect that is nearly significant, with a coefficient of 0.383, a T-statistic of 1.966, and a P-value of 0.050. Meanwhile, Moderating Effect 3 has a very small and insignificant negative effect on Earnings Persistence, with a coefficient of -0.018, a T-statistic of 0.092 (<1.96), and a P-value of 0.927 (>0.05).

Table 2. R-square test

	R Square	**R Square Adjusted**
Earning Persistence	0.847	0.833

Source: SEM Processing , 2024

The R-squared value of 0.847 for the earnings persistence variable indicates that 84.7% of the variability in earnings persistence can be explained by the independent variables in the research model, including the book tax difference, debt level, and market concentration. Meanwhile, the adjusted R-squared value of 0.833 indicates that, after accounting for the number of independent variables and samples, approximately 83.3% of the variability in earnings persistence can still be explained by the model. The slight discrepancy between the R-squared and adjusted R-squared values suggests that the model is robust and not unduly influenced by the number of independent variables employed, thereby ensuring its reliability in elucidating the relationship between variables.

The results show that the Book Tax Difference has a significant positive effect on Earnings Persistence, as indicated by the coefficient of 0.538 and a T-statistic of 2.674 (>1.96). This supports Signaling Theory (Sharma & Klein, 2024), which suggests that information regarding the difference between accounting profit and fiscal profit can send a positive signal to investors and other stakeholders. In this context, the profit difference reflects the company's management strategy in optimizing tax payments while maintaining profit stability. In other words, companies that balance financial reporting for both fiscal and accounting purposes demonstrate strong managerial capabilities, which boosts confidence in the sustainability of their profit performance (Warnika & Utami, 2024).

Additionally, this profit difference can signal the company's flexibility in managing accounting and fiscal policies to create efficiency. For example, companies that effectively utilize tax incentives or recognize revenue according to specific accounting standards will likely be better equipped to maintain profitability amid external pressures (Alkausar et al., 2020). However, it's essential to note that this strategy must be ethical and comply with regulations, as significant or unreasonable differences can raise concerns among investors regarding the transparency of the company's financial statements (Warnika & Utami, 2024). Therefore, a controlled Book Tax Difference can be a crucial indicator of a company's profit resilience and reputation in the market. This is consistent with (Warnika & Utami, 2024) However, on the other hand, research by (Pratomo & Suryati, 2023) state otherwise.

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The results of the study indicate that Market Concentration has a large positive effect on Earnings Persistence, with a coefficient of 0.994 and a T-statistic of 1.954, though it is not significant at the 95% confidence level (P-value 0.051). According to the Structure-Conduct-Performance (SCP) Theory (Assidi et al., 2016), in a highly concentrated market, dominant firms wield greater control over prices and market conditions, which enables them to sustain profits more consistently over time. With this control and less competition, firms are typically able to maintain stability in profits, contributing to higher earnings persistence (Putri & Aufa, 2023).

However, despite the positive relationship, this effect is not significant at the 95% confidence level, suggesting that other factors beyond the firm's control—such as regulatory changes, new market entrants, or other external influences—may impact the effect of market concentration on earnings persistence (Putri & Aufa, 2023). These factors can lead to earnings instability, even in a concentrated market. For example, while high market concentration tends to encourage earnings stability, external pressures like competition and government policies can disrupt a company's ability to sustain consistent profits over the long term. This is in line with (Rahmawati, 2018) However, research by (Nuraeni et al., 2019) argues that stated to be influential, but on the contrary .

The results of the study indicate a significant negative effect between debt levels and Earnings Persistence, with a coefficient of -0.487 and a T-statistic of 2.467 (>1.96). This finding aligns with the Trade-Off Theory (Umdiana & Sari, 2020), which suggests that while debt can offer advantages like tax savings, a high debt burden increases a company's financial risk. The required interest payments and other debt obligations can constrain a company's financial flexibility, limit its ability to invest in new opportunities, and create uncertainty in cash flow. When companies rely too heavily on debt, they often struggle to maintain profit stability because a large portion of profits is allocated to servicing debt, reducing the consistency and sustainability of earnings over time (Febryanti & Isnaen, 2024).

Moreover, excessive debt can influence managerial decisions, as management may prioritize meeting debt obligations over pursuing growth strategies or managing profits sustainably. This shift in focus can lead to an imbalance in resources, diminishing the company's ability to generate steady and consistent profits. Therefore (Saif-Alyousfi et al., 2020), the Trade-Off Theory cautions that while debt can offer financial advantages, its excessive use may undermine the stability of corporate earnings—an essential factor in cultivating a positive market perception and attracting investors. This is in line with (Angelina & Trisnawati, 2023) However, research by (Febriani & Azahra, 2023) contends that otherwise.

The results show that the company's Cash Flow has a strong and significant positive influence on Earnings Persistence, with a coefficient of 0.848 and a T-statistic of 3.083 (>1.96). This finding can be explained using Agency Theory (Jensen et al., 1976), which emphasizes the importance of stability in a company's operations and finances. According to this theory, companies with good cash flow management are able to meet operational and investment obligations smoothly without sacrificing financial health. Stable cash flow allows companies to avoid excessive reliance on debt or external resources, which could disrupt profit stability. This provides a positive signal to investors, demonstrating that the company is resilient in the face of economic fluctuations and can maintain consistent profits over time.

Moreover, cash flow stability reflects the company's ability to manage its financial resources effectively, ensuring that short-term obligations are met while supporting sustainable long-term investments. Companies with healthy cash flow tend to better manage their costs and revenues, which leads to more stable and predictable performance. Effective cash flow management also enhances the market's perception of the company's earnings resilience, as sufficient cash flow to support operations and growth strengthens the company's ability to maintain strong financial performance, even during uncertain market conditions. This is in line with (Maskanah & Arif, 2024).

The results of the study indicate that the interaction between Book Tax Difference (BTD) as an independent variable and cash flow as a moderating variable has a small positive effect on Earnings Persistence, but it is not significant (T-statistic 0.478 and P-value 0.633). The small coefficient suggests that, while there is some indication that cash flow may strengthen the relationship between BTD and earnings persistence, its effect isn't significant enough at the 95% confidence level. This indicates that the role of cash flow in moderating the relationship between the difference in accounting and fiscal earnings (BTD) and earnings persistence may not be strong enough in the context of the data analyzed. In this case, Agency Theory provides a relevant explanation(Jensen et al., 1976). This theory suggests that the effectiveness of moderating variables, like cash flow, is highly dependent on the specific conditions and contexts present in the company or industry under study. While cash flow might theoretically strengthen the relationship between BTD and earnings persistence, its effect might not be immediately visible if other factors, such as capital structure or tax policy, have a more dominant influence on earnings stability (Warnika & Utami, 2024). Therefore, this finding suggests that a company's financial or operational conditions—being more complex and varied—may reduce the effectiveness of cash flow as a moderator.

The results of the study also show that the interaction between Market Concentration as an independent variable and Cash Flow as a moderating variable has a positive and almost significant effect on Earnings Persistence, with a coefficient of 0.383, T-statistic 1.966, and P-value 0.050. While this effect is just above the conventional significance limit of 0.05, the results suggest that market concentration, when influenced by cash flow, could strengthen the relationship between market concentration and firm earnings persistence. This indicates that firms operating in highly concentrated markets, supported by good cash flow, may be better positioned to maintain stable profits over the long term. This result can be explained using Signalling Theory (Sharma & Klein, 2024), which states that companies with high market concentration and strong cash flow can send a positive signal to investors about their ability to maintain consistent profit performance. Market concentration provides companies with greater control over prices and profitability in competitive markets, supporting profit stability. In contrast, healthy cash flow enhances the credibility of this signal, as stable cash flow indicates that the company has enough liquidity to support operations and meet financial obligations without relying on unpredictable external factors. The interaction between these two variables forms a stronger signal regarding the company's ability to generate stable profits, thereby boosting investor confidence in the sustainability of the company's financial performance (Putri & Aufa, 2023). However, it's worth noting that external factors like market regulations or intense competition can affect the effectiveness of this moderation, which might explain why the effect is not fully significant.

Finally, the study reveals that the interaction between Debt Level as an independent variable and Cash Flow as a moderating variable on Earnings Persistence has a very small

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and insignificant effect, with a coefficient of -0.018, T-statistic 0.092, and P-value 0.927. This shows that while Debt Level has a significant direct effect on earnings persistence, the interaction between Debt Level and Cash Flow as a moderating factor does not significantly impact earnings persistence. The very small negative effect suggests that the combination of debt level and cash flow does not notably influence the company's ability to maintain profits over the long term (Saif-Alyousfi et al., 2020). This result can be explained using the Trade-Off Theory (Umdiana & Sari, 2020), which suggests that companies must balance the benefits and costs associated with debt use. High debt, while providing tax advantages and cheaper funding, can add financial strain and increase bankruptcy risk, potentially reducing the company's ability to maintain stable profits. Inadequate cash flow can exacerbate the negative effects of debt, as limited cash flow reduces the company's flexibility to meet debt obligations (Putri & Aufa, 2023). The interaction between Debt Level and Cash Flow may not be sufficient to offset the risks associated with high debt, thus reducing its effect on earnings persistence. Moreover, inefficiency in this moderating factor could reflect conflicting priorities in the company's financial management. On one hand, companies may aim to maximise profits through debt, while on the other hand, they may struggle with the potential negative impacts of excessive debt on long-term earnings stability . This finding suggests that the moderating role of Debt Level with Cash Flow in maintaining earnings persistence may be less relevant, particularly when the company faces high financial risk (Putri & Aufa, 2023).

CONCLUSION

The results show that Book Tax Difference, Cash Flow, and Debt Level significantly affect Earnings Persistence, while the effect of Market Concentration is close to being significant. Regarding moderation effects, only Moderating Effect 2 shows results that are nearly significant. Based on these findings, companies need to pay close attention to managing the Book Tax Difference, as it can signal to investors the company's ability to maintain consistent profits. Additionally, efficient cash flow management is crucial to ensuring profit stability and meeting operational obligations without undue pressure. Wise debt management is equally important, as excessive debt can undermine profit persistence. For companies operating in highly concentrated markets, it's essential to consider the dynamics of competition and regulations in place to maintain profit stability. Further research is needed to explore the role of moderating variables in the relationship between these factors and profit persistence.

This study has some limitations, one of which is the limited sample that only includes companies from certain sectors, which restricts the generalization of the results to the broader industry. Additionally, reliance on secondary data from company financial reports might affect the accuracy of the findings, as the data may not fully reflect current conditions.

The findings of this study have practical implications for corporate managers to focus more on tax, cash flow, and debt management in order to improve long-term earnings stability, which can boost investor confidence and enhance corporate financial performance. For researchers, these findings offer a basis for further exploration into the factors that influence earnings persistence and the role of more complex moderating variables. From a policy perspective, the results suggest the importance of regulations that support transparency in managing corporate financial risks and cash flows, which can help strengthen corporate resilience against market and economic uncertainties.

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