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Determinants of earnings persistence in Indonesian food and beverage firms

Juli Ismanto[1], Effriyanti[2], Lioni Indrayani[3]

[1,2,3]Bachelor of Accounting Program, Faculty of Economics and Business, Pamulang University, South Tangerang, Indonesia

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ABSTRACT

There has been a great deal of mixed empirical evidence on the determinants of earnings persistence, largely because previous research has looked at individual variables in isolation rather than within a comprehensive framework. Also, there is no evidence from non-cyclical industries in the wake of the post-pandemic recovery. This research aims to examine the joint effect of operating cash flow, tax planning strategies and debt levels on earnings persistence of Indonesian food and beverage companies listed on the Indonesia Stock Exchange in the period 2020-2024. This study adopted a quantitative approach using secondary data from 21 firms, providing 105 firm-year observations. Panel data regression analysis with the fixed-effects model was employed to test the hypotheses in the study. The results show that cash flow from operation has positive effect on earnings persistence ($\beta = 0.254$, $p = 0.015$) and tax planning has the most positive effect ($\beta = 0.500$, $p = 0.014$). Conversely, debt levels do not have a statistically significant impact ($\beta = 0.002$, $p = 0.988$) and the model explains 71.5% of the variance in earnings persistence (adjusted $R^2 = 0.715$). This study provides a wide analytical framework that shows that operational efficiency and fiscal prudence are more important drivers of earnings quality in industries with stable demand than decisions about capital structure. The results challenge the generalisability of the debt monitoring hypothesis and point to operational transparency as an alternative to debt-based governance mechanisms in sectors that are insulated from the economic cycle.

Corresponding Author:

Juli Ismanto,
Bachelor of Accounting Program, Faculty of Economics and Business
Pamulang University, South Tangerang,
Jl. Surya Kencana No.1, Pamulang, Kota Tangerang Selatan, Banten, 15417, Indonesia
Email: july.ismanto@gmail.com

1. INTRODUCTION

Financial statements serve as the principal communication channel through which stakeholders evaluate a firm's performance and facilitate informed economic decision-making (Khuong et al., 2022). Among the various components of financial statements, earnings represent the most critical element, functioning as an indicator of an enterprise's growth potential and managerial effectiveness (Eloff & Steenkamp, 2022). Nevertheless, accounting earnings do not always adequately reflect the sustainability of a company's economic performance, as multiple factors may influence their long-term trajectory (Bansal, 2024). In this context, earnings persistence emerges as a fundamental metric for evaluating the sustainability and replicability of corporate earnings, serving as a cornerstone of earnings quality theory (Eloff & Steenkamp, 2022; Khuong et al., 2022; Kim et al., 2025). Persistent earnings signal high-quality financial performance to investors and creditors while simultaneously reducing information asymmetry between management and shareholders, consistent with signalling theory premises (Sandy & Mulya, 2025). According to signalling theory, firms with superior financial fundamentals will voluntarily disclose information that distinguishes them from lower-quality competitors (Wang et al., 2022). The quality of earnings information is particularly crucial in emerging markets where institutional frameworks are still developing and information asymmetry tends to be more pronounced (Gao et al., 2023).

At the macro level, the food and beverage (F&B) subsector constitutes a substantial contributor to the national gross domestic product (GDP) and is recognised for its inelastic demand characteristics, which render it reasonably resilient to economic disturbances (Memon et al., 2021). The Indonesia Stock Exchange (IDX) phenomenon witnessed over the 2020–2024 era indicates a compelling paradox: the average quarterly earnings persistence of enterprises in the F&B subsector ranges between 0.19 and 0.24—a notably low level—despite generally consistent operating cash flows (Kim et al., 2025). This paradox suggests that traditional determinants of earnings persistence may operate differently in non-cyclical sectors during post-pandemic recovery periods, warranting the development of an integrated explanatory framework that simultaneously considers operational, fiscal, and capital structure factors.

This study addresses three important gaps in the earnings persistence literature. First, there is considerable empirical inconsistency in the determinants of earnings persistence. Regarding operating cash flow, some studies find a positive effect (Almomani et al., 2023; Haqqi et al., 2024; Jia & Li, 2022; Paramaratri et al., 2023), while others do not find a significant relationship (Kim et al., 2025; Nurdina et al., 2023; Renaldo et al., 2023). The evidence on debt levels is also contested, with some research showing a negative effect (Iswati et al., 2026; Khuong et al., 2022; Paramaratri et al., 2023; C. Pereira, Monteiro, et al., 2023) while other studies find no effect (Astuti & Damayanty, 2024; Fauziah & Surya Abbas, 2024; Haqqi et al., 2024; Nurdina et al., 2023). Tax planning also has mixed results, with some researchers finding a positive relationship (Khotimah & Larasati, 2026; Lou et al., 2025) and others finding no effect (Chen et al., 2025; Â. Pereira et al., 2023). Delgado et al. (2023) show that the association between tax planning and earnings quality has nonlinear patterns. Second, the majority of existing studies have investigated these determinants in isolation rather than within an integrated analytical framework. Third, we lack empirical evidence from non-cyclical sectors during the post-pandemic economic recovery (2020–2024).

This investigation is theoretically grounded in agency theory, signalling theory, and earnings quality theory, which collectively provide a comprehensive framework for understanding the determinants of earnings persistence. Jensen and Meckling (1976) introduced agency theory, which explicates the dynamics and inherent conflicts of interest existing between principals (shareholders) and agents (managers), playing a pivotal role in comprehending the quality of earnings within organisational contexts (Sequeira et al., 2024). The debt monitoring hypothesis, derived from agency theory, posits that creditors impose discipline on management by requiring regular interest payments and adherence to debt covenants, thereby constraining discretionary behaviour and improving earnings quality (Kasbar et al., 2023). Signalling theory complements agency theory by explaining how firms communicate their quality to external stakeholders through observable actions (Oh & Park, 2021). In the context of earnings persistence, firms with high-quality operations signal their superior performance through consistent cash flows and transparent tax planning practices, reducing information asymmetry between management and investors (Wang et al., 2022). Research by Chen et al. (2025) and Choi (2021) demonstrates that earnings persistence is substantially influenced by tax avoidance persistence, while stable operating cash flows serve as a mechanism to mitigate information asymmetry because they are more resistant to manipulation than accrual-based earnings (Laghari et al., 2023; Paramaratri et al., 2023).

The novelty of this study is articulated through five interconnected contributions. First, this research develops an integrated determinants model that simultaneously examines operating cash flow, tax planning, and debt levels within a unified analytical framework, unlike prior studies that investigated these variables in isolation (Almomani et al., 2023; Nurdina et al., 2023). Second, the study focuses on the post-pandemic recovery context (2020–2024), a critical period characterised by supply chain disruptions, shifting consumer behaviour, and heightened economic uncertainty. Third, by concentrating on the food and beverage subsector—a non-cyclical industry characterised by inelastic demand and relatively stable cash flows—this study provides sector-specific evidence that challenges findings from cyclical industries (Memon et al., 2021). Fourth, this research extends agency theory by empirically demonstrating that in non-cyclical sectors, operational mechanisms and fiscal discipline serve as more effective instruments for reducing information asymmetry than debt-based monitoring. Fifth, this study provides a new theoretical perspective by integrating agency theory, signalling theory, and information asymmetry theory to explain why the traditional assumptions regarding debt's disciplinary function do not hold universally, supported by Anderson & Rahiminejad (2025)and Tulcanaza-Prieto & Lee (2022). Based on this background, the key research question is: Do operating cash flow, tax planning, and debt levels affect the sustainability of firm earnings in the food and beverage subsector on the Indonesia Stock Exchange?

2. RESEARCH METHOD

This research examines food and beverage enterprises listed on the Indonesia Stock Exchange (IDX) between 2020 and 2024, providing a comprehensive elucidation of each variable's operational characteristics as outlined in Table 1.

Table 1. Operational variables

Variable	Formula	Scale	Source
Earnings Persistence (EP)	EP= (〖Profit Before Taxes〗$_{(t+1)}$)/(Average Total Assets)	Ratio	(Nurdina et al., 2023)
Operating Cash Flow (OCF)	OCF=(Operating Cash Flow)/(Total Assets)	Ratio	(Haqqi et al., 2024)
Tax Planning (TP)	TP= (〖Earnings Before Taxes〗$_t$ - 〖Taxable Income〗$_t$)/(〖Total Asset〗$_t$)	Ratio	(Khotimah & Larasati, 2026)
Debt Level (DL)	DL=〖Total debt〗$_{it}$/〖Total Asset〗$_{it}$	Ratio	(Paramaratri et al., 2023)

Source: Processed secondary data

In the analysis of tax planning, book-tax differences (BTD) serve as a preferred proxy due to their methodological and theoretical advantages over other measures such as the Effective Tax Rate (ETR) and Cash ETR. The BTD proxy quantifies tax planning activities by representing the absolute difference between accounting income and taxable income, demonstrating both permanent and temporary discrepancies resulting from legitimate tax strategies. This comprehensive measure captures variations due to timing strategies and accelerated depreciation, offering a clearer perspective on tax planning intensity compared to ETR, which merely reflects tax burden as a percentage of pre-tax income. ETR measures, while common, possess significant limitations; the GAAP ETR can be skewed by non-cash tax accruals and deferred tax adjustments, which do not accurately represent tax planning outcomes. Meanwhile, Cash ETR, while addressing some accrual concerns, is susceptible to timing differences, leading to inconsistency in interpretation. Delgado et al. (2023) highlight the non-linear relationship between ETR indicators and earnings management, making BTD a more stable and interpretable choice. Additionally, BTD aligns with the study's focus on earnings persistence, effectively capturing the structural differences between accounting and taxable income elements crucial for assessing the sustainability of tax planning strategies over time. In the context of Indonesia, where the corporate tax rate has remained stable, the BTD proxy's robustness is enhanced, alleviating interpretive challenges associated with rate fluctuations inherent in ETR measures. Scaling by total assets further allows for comparability across firms, reinforcing the validity of BTD as a tax planning metric. Sensitivity analyses affirm the stability of results across various specifications, solidifying its theoretical and practical applicability in analysing earnings quality and tax strategies.

This study uses secondary data from food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024, employing purposive sampling criteria that include complete financial statements in rupiah, as well as a consistent track record of generating profits and paying dividends consecutively. The sampling process based on the established criteria is as follows:

Table 2. List of total research samples for the 2020–2024 period

No	Criteria	Total
1	Food and beverage corporations publicly traded on the Indonesia Stock Exchange (IDX) between 2020 and 2024.	62
2	Food and beverage firms that do not match the requirements because they lack comprehensive data to support the study for the period 2020–2024	41
3	Number of Samples per Year	21
4	Number of Observations (5x21)	105

Source: Processed secondary data

This research employs causal analysis to evaluate the correlation between distinct independent and dependent variables within a sample of 21 enterprises. The study utilises panel data regression techniques, amalgamating cross-sectional and time-series data to forecast the incidences of the dependent variable (Rosadi, 2021). The investigation incorporates descriptive statistical methods and regression analyses, with the utilisation of EViews 12 software for data analysis.

3. RESULTS AND DISCUSSIONS

Table 3. Results of the descriptive statistics analysis

	Mean	Maximum	Minimum	Std. Dev.	Observations
EP	0,214593	0,508922	0,023248	0,113965	105
OCF	0,105379	0,286483	-0,067572	0,075683	105
TP	0,774928	0,967985	0,611075	0,046459	105
DL	0,382881	0,831508	0,067154	0,192495	105

Source: Processed secondary data

The report on earnings persistence in the Indonesian food and beverage subsector reveals multiple insightful statistics and theoretical perspectives. The average earnings persistence (EP) is noted to be 0.2146 with a standard deviation of 0.114, indicating low to moderate persistence among firms. A wide variability (0.023–0.509) is observed, suggesting significant heterogeneity; some firms experience stable earnings near 0.51, while others exhibit low persistence closer to zero, highlighting the necessity to understand firm-specific factors that influence earnings quality.

The document underscores the significance of Operating Cash Flow (OCF), which averages 0.1054, equating to about 10.5% of total assets. OCF is posited as the most dependable element of earnings, reflecting authentic economic transactions rather than mere accounting estimates. According to earnings quality theory, cash flows offer a more direct indication of a firm's capacity to generate economic value (Eloff & Steenkamp, 2022). Signalling theory additionally supports that consistent OCF enhances earnings predictability and reduces the informational asymmetry between management and investors (Wang et al., 2022). The document also points out anomalies during the pandemic that negatively impacted cash flow, urging a clear distinction between transitory and sustainable earnings.

Tax planning emerges as critical to earnings persistence, with an average value of 0.7749 and a compact standard deviation (0.046). This denotes firms' conservative tax strategies, which serve dual purposes: enhancing efficiency by minimising cash outflows and acting as signalling devices that reinforce management competence to stakeholders (Chen et al., 2025; Choi, 2021; Hizazi et al., 2022a). The stable range (0.611–0.968) suggests minimal aggressive tax avoidance, implicit in the necessity for predictable post-tax earnings, which build stakeholder trust.

In contrast, debt level (DL) shows substantial variation (SD = 0.192) with a mean of 0.3829 and a range from 0.067 to 0.832, yet it does not significantly influence earnings persistence. This outcome diverges from traditional debt monitoring hypotheses, explicable by the non-cyclical nature of the food and beverage sector, which ensures consistent revenue streams. Thus, firms can meet debt obligations regardless of leverage levels, reducing debt's supposed disciplinary role (Sequeira et al., 2024). Moreover, the transparent operations typical of the sector minimise agency problems related to excess cash flows, undermining the necessity for debt as a monitoring tool (Kasbar et al., 2023). The findings advocate for alternative governance mechanisms, such as operational transparency and tax planning, positing that they can effectively supplant the need for debt-based oversight in stable, non-cyclical industries.

Table 4. Analysis of Regression Model Validity

Effects Test	Statistic	d.f.	Prob.
Uji Chow			
Cross-section F	6.129.199	-20,81	0.0000
Cross-section Chi-square	96.771.089	20	0.0000
Uji Hausman			
Cross-section random	20.577.590	3	0.0001
Heteroskedasticity Test: Glejser			
Prob. Chi-Square(3)	0.3042		
Uji Multikolinearitas			
OCF	1.000000		
TP	0.074670		
DL	-0.380140		
TP	1.000000		
DL	-0.289239		

Source: Processed secondary data

The Fixed Effects Model (FEM) was selected as the most appropriate panel data regression approach based on both theoretical and statistical considerations. From a theoretical standpoint, the FEM is particularly suitable for this study because earnings persistence is likely influenced by time-invariant firm-specific characteristics such as corporate culture, management style, historical business relationships, and industry positioning. These unobservable heterogeneous factors vary substantially across food and beverage companies but remain relatively stable over the five-year observation period. By including firm-specific intercepts, the FEM effectively controls for these omitted variables that could otherwise bias the estimated relationships between operating cash flow, tax planning, debt levels, and earnings persistence. Furthermore, since the sample comprises a specific subset of firms purposively selected from the Indonesia Stock Exchange rather than randomly drawn from a larger population, the fixed effects assumption that individual effects are correlated with the explanatory variables is more defensible than the random effects assumption of independence (Rosadi, 2021).

From a statistical perspective, the Chow test confirmed that the FEM outperforms the Common Effects Model (CEM), with probability values of 0.0000 for both the cross-sectional F-statistic and chi-square statistic. The Hausman test further validated this choice, yielding a probability value of 0.0001 (< 0.05), demonstrating that FEM is preferable to the Random Effects Model (REM) due to correlation between individual effects and regressors. The model satisfies classical assumption tests: the Glejser heteroscedasticity test indicates homogeneous residual variances (probability = 0.3042 > 0.05), and multicollinearity tests reveal low correlation coefficients among independent variables (ranging from -0.380 to 0.075), confirming the absence of severe multicollinearity.

Table 5. Regression analysis results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.200106	0.168879	-1.184.909	0.2395

OCF	0.254417	0.102064	2.492.724	0.0147
TP	0.499683	0.199320	2.506.935	0.0142
DL	0.001751	0.115135	0.015207	0.9879
Prob(F-statistic): 0.000000				

Source: Processed secondary data

Based on the results of the panel data regression model estimates using the Fixed Effects-Model (FEM) approach in Table 5, the following results were obtained:

$$EP = -0.200106 + 0.254417OCF + 0.499683TP + 0.001751DL$$

Regression analysis was employed to investigate the impact of autonomous variables on the reliant variable in the context of corporations operating in the food and beverage subsector that are publicly traded on the Indonesia Stock Exchange (IDX) between 2020 and 2024. The regression data reveal that the constant coefficient of -0.200106 signifies that when all independent variables (OCF, TP, DL) are zero, the expected earnings persistence is -0.200106. Statistically, this constant works as the model's baseline; yet, in an industrial setting, this negative value suggests that, in the absence of contributions from operating cash flow, tax strategy, and debt structure, a company's earnings are unlikely to be sustainable. The Operating Cash Flow (OCF) coefficient is 0.254417, indicating a positive value. This indicates that for each one-unit rise in operating cash flow, earnings persistence will augment by 0.254417, provided all other variables are held constant (ceteris paribus). Consistent and favourable operating cash flow substantially enhances the sustainability of earnings for food and beverage companies, particularly due to the subsector's reliance on daily operational cycles. The Tax Planning (TP) coefficient possesses the highest positive value in the model, recorded at 0.499683. This indicates that tax planning exerts the most significant impact on earnings persistence. For each one-unit enhancement in tax planning efficacy, earnings persistence escalates by around 0.5 units. The debt ratio (DL) coefficient is positive, however minimal (0.001751). The influence of debt level on earnings persistence, albeit positive, is somewhat less significant relative to the other two factors. In the food and beverage subsector, debt levels do not significantly influence earnings persistence, likely due to the good cash flow of food and beverages companies, which enables them to fulfil their debt obligations, hence preventing debt from being a predominant factor in earnings stability.

Table 6. Model summary

Variabel	Adjusted R Square
Operating Cash Flow (OCF), Tax Planning (TP), and Debt Level (DL) on Earnings Persistence (EP)	0.715291

Source: Processed secondary data

According to the chosen regression-model, specifically the Fixed Effects Model' (FEM), Table-6 reveals that the adjusted R-squared value of 0.715291 (71.53%) signifies that earnings persistence (EP) is elucidated by Operating Cash Flow (OCF), Tax Planning (TP), and Debt Level (DL) to the extent of 71.5%, with the residual 28.5% attributable to other unexamined variables. This percentage is comparatively elevated in relation to other studies in emerging markets, such as the one conducted by Pereira et al. (2023), which indicated only approximately 45–50% for small and medium-sized firms in Portugal.

Operating Cash Flow and Earnings Persistence

The regression analysis demonstrates a significant positive relationship between operating cash flow (OCF) and earnings persistence ($\beta = 0.254$, $p = 0.015$), supporting the theoretical predictions of agency theory, signalling theory, and earnings quality theory. This finding aligns with prior research by (Almomani et al., 2023; Haqqi et al., 2024; Jia & Li, 2022; Paramaratri et al., 2023), which consistently found that stable operating cash flows enhance sustainable profit generation and minimise earnings manipulation. Agency theory posits that OCF restricts managerial discretion because cash flows are inherently less manipulable than accrual-based earnings, thereby reducing agency costs and aligning reported earnings with economic reality (Zimon et al., 2021). Signalling theory further suggests that stable cash flows serve as credible signals of managerial competence, with operational efficiency resulting in reliable cash flows that bolster stakeholder confidence in earnings sustainability (Wang et al., 2022). The food and beverage sector benefits from steady consumer demand, which enhances the importance of effective supply chain management and cost control as indicators of earnings persistence (Memon et al., 2021). According to Choi (2021), the Sloan (1996) accrual anomaly indicates a negative correlation between accruals and earnings persistence, with a higher proportion of cash flows leading to more consistent earnings. Paramaratri et al. (2023) further identify operational cash flow as critical for earnings stability during economic crises. While contrasting studies by (Kim et al., 2025; Nurdina et al., 2023; Renaldo et al., 2023) question the universality of these results across different industries and economic environments, this study concludes that the OCF-earnings persistence link is particularly robust in non-cyclical sectors characterised by stable demand and low volatility, further enhanced by the food and beverage industry's resilience to economic fluctuations during the 2020–2024 period.

Tax Planning and Earnings Persistence

The regression analysis reveals that tax planning exerts the strongest positive influence on earnings persistence ($\beta = 0.500$, $p = 0.014$) among all independent variables, which can be explained through agency theory, signalling theory, and information asymmetry theory. This finding aligns with Khotimah & Larasati (2026), who found that effective tax planning enhances earnings sustainability in food and beverage companies on the Indonesia Stock Exchange. From an agency theory standpoint, transparent tax planning maximises shareholder value by aligning managerial incentives with shareholder interests and preserving after-tax cash flows, while aggressive strategies risk regulatory scrutiny and reputational damage. Velte (2023) emphasises that institutional investors closely monitor corporate tax behaviour, viewing moderate tax planning as responsible fiscal management. Signalling theory further articulates that consistent tax planning practices enhance perceived managerial quality to stakeholders; firms demonstrating stable book-tax differences are perceived as committing to transparent reporting, thereby reducing information asymmetry. Hizazi et al. (2022) support the notion that consistent tax planning boosts earnings persistence by increasing predictability in tax-related cash flows. However, the relationship exhibits non-linear characteristics, as noted by Delgado et al. (2023), who identify an inverted U-shaped relationship where moderate tax planning positively affects earnings persistence, while extreme tax avoidance negatively impacts it. Chen et al. (2025) and Memon et al. (2021) find that aggressive tax strategies coupled with earnings management diminish earnings persistence due to heightened uncertainty. The Indonesian food and beverage sector demonstrates a conservative tax planning profile (mean TP = 0.775), positioning firms to enhance earnings persistence without leveraging aggressive tactics. Proper tax planning is thus shown to stabilise cash flows and sustain after-tax earnings, particularly in non-cyclical industries where operational stability aids predictable fiscal outcomes.

Debt Levels and Earnings Persistence

The regression analysis reveals an insignificant impact of debt levels on earnings persistence ($\beta = 0.002$, $p = 0.988$), providing valuable theoretical insights into the contingent supervisory function of debt. This finding is consistent with prior studies by (Astuti & Damayanty, 2024; Fauziah & Surya Abbas, 2024; Haqqi et al., 2024; Nurdina et al., 2023) while challenging the conventional debt monitoring theory rooted in Jensen's (1986) free cash flow paradigm. According to this theory, debt serves to discipline managers by enforcing interest payments and covenants to mitigate agency costs, thereby enhancing earnings quality in highly leveraged enterprises through heightened creditor oversight (Sequeira et al., 2024).

However, the results suggest that this disciplinary mechanism is ineffective within the Indonesian food and beverage subsector. The operational cycle specific to this industry necessitates continual reinvestment in working capital and inventory, leading to restricted discretionary cash flows that managers could potentially exploit (Sequeira et al., 2024). Consequently, the agency problem associated with free cash flow is minimised, thereby diminishing the role of debt as a monitoring instrument. Additionally, the concept of information asymmetry asserts that the efficacy of debt monitoring hinges on substantial information differentials between management and external stakeholders (Kasbar et al., 2023). In the food and beverage sector, standardised business models and transparency serve to diminish these disparities, thereby reducing the efficacy of debt covenants. Furthermore, the enduring demand characteristics intrinsic to non-cyclical industries contribute to stable revenue streams that enable firms to meet debt obligations regardless of leverage levels.

The inconsequential debt coefficient, in conjunction with the notably positive coefficients for operating cash flow and tax planning, supports the substitution hypothesis, wherein operational transparency and fiscal prudence supplant the necessity for debt-based governance in ensuring earnings quality. This study reconciles extant disparities in literature by establishing contextual limitations, as previous research highlighting the adverse effect of debt on earnings persistence by (Iswati et al., 2026; Khuong et al., 2022; Paramaratri et al., 2023) predominantly focuses on cyclical industries marked by heightened earnings volatility and clearer debt disciplinary functions. Ultimately, the analysis illustrates that operational variables, quality of cash flows, and effective tax planning exert a significantly more substantial influence on earnings stability than capital structure decisions within non-cyclical industries.

4. CONCLUSION

The study shows that operating cash flow and tax planning have a significant impact on earning persistence in Indonesian food and beverage companies, while debt levels are statistically insignificant on earnings. This study presents a comprehensive framework for considering these factors jointly and finds operational and fiscal mechanisms to be more influential than capital structure decisions in non-cyclical sectors. It offers empirical evidence against the universality of the debt monitoring hypothesis, suggesting that in industries with stable demand, debt is not the main governance mechanism, as stable revenues mitigate the pressure of fixed payments. The results also offer additional insights to agency theory by showing that operational transparency and proactive tax planning can serve as a feasible alternative to debt-based monitoring to mitigate information asymmetry and safeguard earnings quality. Moreover, the paper contributes to the signalling theory by demonstrating that, in non-cyclical sectors, stable cash flows and tax practices are credible signals of managerial competence that enable firms to reduce information asymmetry in the absence of external pressure from creditors. It also proposes a new explanatory model to account for the particular economic context of the post-pandemic recovery period. The findings highlight the importance of operational efficiency and fiscal discipline for sustainable earnings, indicating that under stable demand conditions, investors value cash flow quality and consistency in tax planning more than leverage ratios. Finally, the paper acknowledges the limitations of the research, for example, the short observation period and the narrow focus on a single industry, and proposes that future research should explore the cross-industry dynamics, the role of governance, and the broader economic context. Investigating these issues could broaden the understanding of the determinants of earnings persistence in diverse environments.

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