

# THE EFFECT OF THE OPERATING CYCLE, MARKET CONCENTRATION, OPERATING CASH FLOW AND INSTITUTIONAL OWNERSHIP ON THE PERSISTENCE OF PROFITS IN PT. INDOFOOD CBP SUKSES MAKMUR TBK

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## ABSTRAK

The purpose of this study is to find out and analyze the extent of the effect of operating cycles, market concentration, operating cash flow and institutional ownership on profit persistence in PT. Indofood CBP Sukses Makmur Tbk. The data collection technique used is secondary data in the form of an annual report 2013-2020 from the company PT. Indofood CBP Sukses Makmur Tbk. Samples in this study were taken from the financial statements of PT. Indofood CBP Sukses Makmur Tbk Medan on a quarterly basis of 2013-2020 so that the data obtained is as much as 4 periods x 8 years = 32 data. The data to be analyzed by quantitative methods. The results showed that the Operating Cycle, Market Concentration, Operating Cash Flow and Institutional Ownership together have an effect and significantly on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk and only Operating Cash Flow have a positive effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk while other variables negatively affect the Persistence of Profit in PT. Indofood CBP Sukses Makmur Tbk.

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## 1. INTRODUCTION

The current global economic conditions in Indonesia are declared in a critical state, this affects small companies and large companies and various fields of companies. Companies that experience this situation if they are unable to compete and improve performance in their fields will not last long and even cause bankruptcy. Companies that occur in this era of globalization so that they are competing to improve their performance so that they can achieve the goals of the company itself. The goal of any company is to make a profit.

There are several factors that affect the persistence of such profits, namely operating cycles, market concentration, operating cash flows and institutional holdings. According to Sukamulja (2021:355) "The operating cycle is the product cycle in current assets. Products are valued as inventories, converted into receivables when sold and eventually converted into scrapes when the debt is paid." According to researchers, longer operating cycles lead to greater uncertainty and are less helpful in predicting future cash flows. This operating cycle also directly intersects with the company's profit, this is because there is a sales factor in the operating cycle.

According to Agustian (2020:42) "Market concentration is the number and size of distribution of producers and consumers in the market. So that the concentration of the market can be seen by the naked eye in the reality in the company's market." According to researchers, a high market concentration occurs if the company is able to control most of the market share so that it has the opportunity to have a strong position because it has the potential to have large

sales and is able to maintain its sales, which can increase the company's profit. Thus, the company can signal the sustainability of the company's profitable future through profit sustainability.

According to Darmansyah (2016:2), the value in cash flow or cash flow in a period reflects the value of profit in the cash method (cash basis). Cash flow data is a better financial indicator compared to accounting because cash flow is relatively more difficult to manipulate. So that the higher the flow of operating cash to profit, the higher the quality of the profit. According to researchers, positive cash flow conditions tend to give more confidence in the company's ability to make a profit in the future.

According to Suparlan (2019: 51), institutional ownership is share ownership by other institutions, namely ownership by companies or other institutions. Share ownership by parties formed by institutions such as government, private, domestic and foreign institutions. Institutional ownership is a tool used to reduce agency conflict. Institutional ownership has the ability to control management through an effective monitoring process. So according to researchers, institutional ownership can affect profit persistence because the actions of corporate supervision by institutional ownership can encourage managers to focus more on company performance, so that it will reduce opportunistic or self-serving behavior.

The following researchers present data on the phenomenon in 2016-2020:

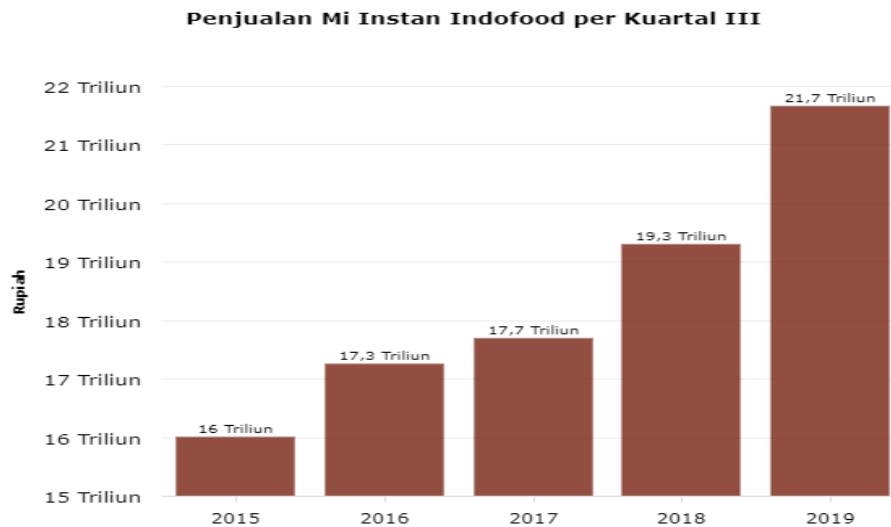
Table 1.1. Phenomenon Data on PT. Indofood CBP Sukses Makmur Tbk

Year	Cash	Sales	Operating Cash Flow	Institutional Ownership	Net Profit
2016	8.371.980	34.466.069	4.584.964	80,53	3.631.301
2017	8.796.690	35.606.593	5.174.368	80,53	3.543.173
2018	4.726.822	38.413.407	4.653.375	80,53	4.658.781
2019	8.359.164	42.296.703	7.398.161	80,53	5.360.029
2020	9.535.418	46.641.048	9.336.780	80,53	7.418.574

Source : Financial Statements of PT. Indofood CBP Success Mamur Tbk

Based on this data, it can be seen that financial performance in 2018-2020 is getting better because it shows an increase, even though in 2019 and 2020 the Indonesian country experienced the impact of the Covid-19 pandemic but actually provided benefits for the company because during the pandemic the products sold by the company were needed by the public. From the data presented, the problem is in cash and operating cash flow which did not perform well in 2018. From 2016-2020 the company was able to maintain institutional ownership that was not increasingly controlled by public ownership. However, this public ownership should not exceed 5% of the existing share ownership in the company, in addition, the company does not provide rewards in the form of managerial share ownership.

The following can be seen the sales data of PT. Instant Noodles. Indofood CBP Sukses Makmur Tbk which focuses on the concentration of the sales market on instant noodles in Indonesia.



Source : Indofood CBP Sukses Makmur Tbk

Figure 1.1. Instant Noodle Sales PT. Indofood CBP Sukses Makmur Tbk

Pt. Indofood CBP Sukses Makmur Tbk owned by Salim Group controls around 72%-75% of the instant noodle market share in Indonesia and continues to innovate products, for example launching Indomie Mi Keriting Goreng Rasa Telur Asin and its newest product, Supermi Nutrimi Rasa Steak Ayam. The noodles are green made with broccoli, without synthetic dyes, complemented by carrots and corn as the toppings. The delicious taste of chicken steak is made without preservatives and flavor enhancers. This latest innovation is not yet in other brands' instant noodle products.

## 2. LITERATURE REVIEW

### 2.1 Operating Cycle

According to Sukamulja (2021:355), the operating cycle is the length of time it takes to acquire inventory, sell it, and collect it. This cycle has two different components. The first part is the time it takes to acquire and sell supplies. The second part is the time it takes to raise money as a result of the sale on credit, for 45 days. This is called the receivables period. By definition, the operating cycle is the summation of the inventory period and the receivables period. Operating cycle = inventory period + period of accounts receivable.

### 2.2 Market Concentration

According to Sugeng (2020: 165) market concentration is the sum of the markets of the largest companies. Various empirical studies have shown a positive relationship between entry conditions and market concentration to market forces. So the higher the market concentration, the more difficult it is for new entrants to enter the market. As a result, market forces will make it more difficult for new entrants to enter the market.

According to Usman (2016: 665) market concentration is an initial indicator to assess whether merging business entities, amalgamating business entities, or taking over company shares can result in monopolistic practices and/or unfair business competition. Conversely, a merger of a business entity, an amalgamation of a business entity, or a takeover of a company's shares that create a high concentration of the market has the potential to result in monopolistic practices and/or unfair business competition depending on other analyses of the market in question.

### 2.3 Operating Cash Flow

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According to Deanta (2016:69-70) a cash flow statement is a financial statement that presents information regarding changes in cash which includes the initial cash balance, sources of cash receipts, cash expenditures and the final cash balance in a certain period. This cash flow statement will explain the impact of the company's operating, investment and financing activities. The ups and downs of a company's net cash are influenced by several factors in the following:

1. Cash flow. A positive net cash flow will increase the company's cash balance (another factor is considered fixed).
2. Changes in working capital. The working capital referred to here is current assets reduced by current debt. The increase in current assets is reduced by current debt. An increase in current assets other than cash will reduce cash. An increase in current accounts payable will usually increase cash (usually for operational purposes, while long-term debt is for investment purposes such as asset purchases), and vice versa a decrease in current debt will usually decrease cash as well.
3. Fixed assets. If there is a purchase or investment in fixed assets, then cash can decrease, however, if the company sells fixed assets, then cash can also increase.
4. Securities transactions. If the company issues bonds or shares in the current period, then cash can increase. Vice versa, if the company intends to repurchase securities or equity that has been in circulation, then cash can be reduced. The dividend distribution policy will also result in reduced cash.

According to Deanta (2016:71-72), the cash flow statement on the post or operating activity component consists of net profit, changes in current assets and current debt other than cash, depreciation, customer down payments and others. There are several sources of cash that can be generated by the company including by mail as follows:

1. Net profit. Net profit is a source of cash for the company. This post can be seen on the income statement.
2. Accounts payable. Accounts payable is a source of cash in the category of current liabilities. This post can be seen in the balance sheet report on the passiva side of the current debt group debt post. This post usually appears as a result of the purchase of goods on credit, where we have already received the goods (recorded in the inventory post) but we have not yet issued cash.
3. Salary debt. Salary debt can be used as a source of funds. This post can be seen on the balance sheet report on the current debt section. We have allocated salary costs (profit and loss) but we have not issued cash either partially or completely.
4. Tax debt. This post can also be used as a cash source. This post can be seen on the current debt post balance sheet report. We have allocated tax costs (profit and loss) but we have not issued cash.
5. Depreciation. Depreciation is a non-cash expense that is deducted in calculating net profit. Thus depreciation must be included or re-added to designate the correct operating cash flow.
6. Customer down payment. This post can be seen on the balance sheet of the current debt group. This post can be used as a source of cash because the company has received cash but has not issued the goods (see inventory post).

## 2.4 Institutional Ownership

According to Pratama (2021: 175) institutional ownership is a form of ownership of company shares by institutions (entities). Institutional ownership is closely related to the oversight efforts undertaken. The high level of institutional ownership results in the amount of supervision that must be carried out by institutional investors so that the opportunistic behavior of managers will be hindered.

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According to Subagyo, et al (2018:47) one of the factors that can affect a company's performance is institutional ownership. The existence of institutional ownership in a company will encourage increased supervision to be more optimal on management performance, because share ownership represents a source of power that can be used to support or vice versa for management performance. The scrutiny carried out by institutional investors is highly dependent on the size of the investment made. The owner's main role regarding product development is to ensure the company develops and adapts by carrying out the right product development strategy. The owner must ensure that the company continues to have new ideas to innovate product development so that the company can survive, compete, and develop better. Thus, the owner must keep his investment profitable, growing, and sustainable so that later the company can increase its profits and the rate of return on investments made by the owners is also quite high.

## 2.5 Profit Persistence

According to Wardiyah (2017:53) profit is an increase in capital or net assets derived from the main transactions of a company and side transactions of a company in a certain period, except for an increase in capital from income or investment by the owner, such as in the profit arising from the sale of fixed assets.

According to Wardiyah (2017:265) profit is the main source of the company to maintain its survival. In making decisions for the future, the company needs to make a profit and loss statement in order to see how much profit the company has gained in a certain period of time. The company's net profit is affected by changes in gross profit, while changes in gross profit can be analyzed to find out the causes of the company's profit or not making a profit.

Frame of Mind

Based on the theory that has been described regarding the operating cycle, market concentration, operating cash flow, institutional ownership and profit persistence. Then the frame of mind in this study can be described as follows:

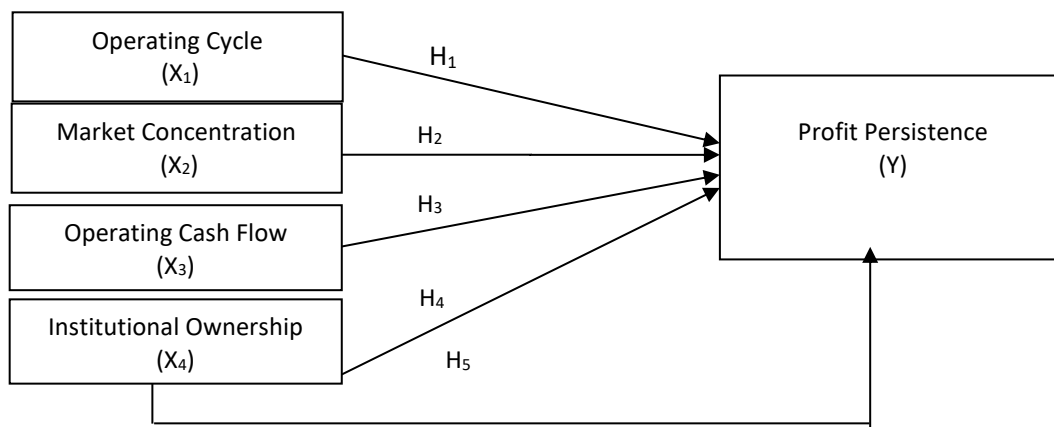


Figure 12.1 Frame of Mind

## 3. METHODS

### 3.1 Research Location and Time

The location where this research was held was at PT. Indofood CBP Sukses Makmur Tbk Medan which is located at Jalan Medan - Lubuk Pakam KM. 18.5, Tanjung Morawa, Deli Serdang Regency, North Sumatra 20362. The time of this study began to be carried out from October 2021 to June 2022.

### 3.2 Population and Samples

The population that will be used in this study is the financial data of PT. Indofood CBP Sukses Makmur Tbk Medan in 2013-2020.

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The sample in this study was taken from the financial statements of PT. Indofood CBP Sukses Makmur Tbk Medan on a quarterly basis of 2013-2020 so that the data obtained is as much as 4 periods x 8 years = 32 data.

### **3.3 Data Collection Techniques**

The data collection technique in this study used:

#### **1. Documentation studies**

In this study, the author made observations on the object of study with the aim of obtaining secondary data. The documentation in this study is the financial statements of PT. Indofood CBP Sukses Makmur Tbk Medan on a quarterly basis of 2013-2020.

#### **2. Literature study**

Literature studies in this study were carried out by collecting theories related to the variables studied obtained from various sources, namely journals and books.

### **3.4 Types and Data Sources**

This study illustrates a quantitative approach with the type of data used is secondary data, namely data that is indirectly obtained from the object of research, namely the company.

The source of this research data is secondary data, namely the financial statements of PT. Indofood CBP Sukses Makmur Tbk Medan on a quarterly basis of 2013-2020.

### **3.5 Operational Definition**

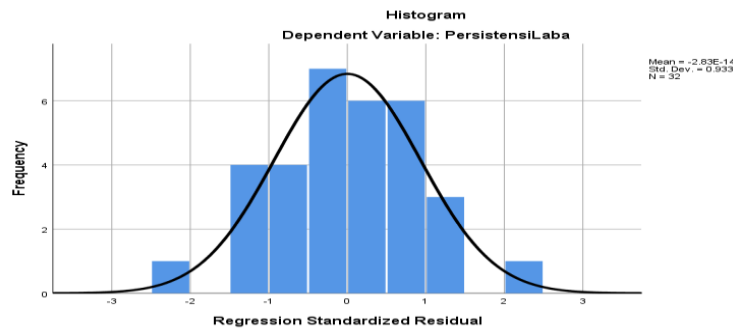
The operational definitions in this study are as follows:

1. The operating cycle is the average time period between the purchase of inventory and the cash income that the seller will later receive. Sarah, et al (2019:47).
2. Market concentration is the number and measure of distribution of producers and consumers that exist in the market. So that the concentration of the market can be seen by the naked eye in the reality in the company's market. Agustian (2020:42).
3. Operating activity is an activity carried out by a company in making a profit by selling goods and services, is a routine activity of the company. Hidayat (2018:33).
4. Institutional ownership is the proportion of a company's shares owned by institutions such as insurance, banks, investment companies and other institutional holdings. Hery (2017:30).
5. Profit persistence is one of the components of the predictive value of profit and an element of relevance. Sinurat and Ilham (2021:40).

## **4. RESULTS AND DISCUSSION**

### **4.1 Normality Test**

The normality test is carried out by looking at the histogram chart and normal probability plots. Test normality with a histogram chart as follows:



Source : processed data, 2022 (SPSS output result)

Figure 4.2 Histogram Chart Normality Test

Based on Figure 4.2, it shows that the data has been presented normally as evidenced by a near-normal distribution pattern and the curve presented has formed an inverted bell.

#### 4.2 Kolmogorav-Smirnov test

**Table 4.2 Kolmogorav-Smirnov Test Results**  
**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		32
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.02074094
Most Extreme Differences	Absolute	.064
	Positive	.058
	Negative	-.064
Statistical Test		.064
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

a. Test distribution is Normal.

b. Calculated from data.

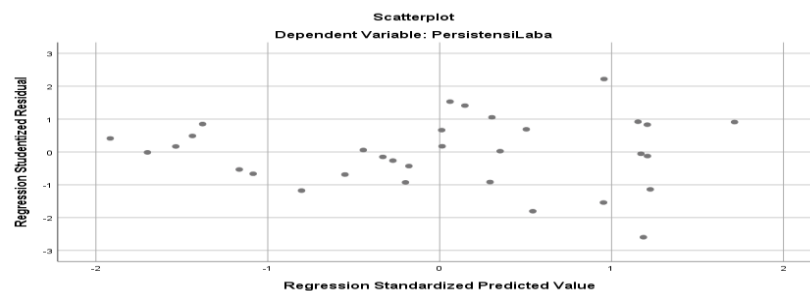
c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source : processed data, 2022 (SPSS output result)

Based on table 4.2 the sig value is 0.200 which means that the sig value > 0.05 which indicates that the data is normally distributed.

#### 4.3 Heteroskedasticity Test



Source : processed data, 2022 (SPSS output result)

Figure 4.2 Scatterplot Graph Heteroskedasticity Test Results

Figure 4.2 shows the Scatterplot chart produced by SPSS to see almost all points spread randomly, not forming a specific clear pattern and spreading above or below the number 0 on the Y axis.

Detection of the presence or absence of heteroskedasticity can use the glejser method. The glejser test was performed to find out that statically the free variable has a  $\alpha = 0.05$ .

Table 4.3 *Glejser* Heteroskedasticity Test

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.317	1.416		-.930	.361
	CycleOperation	-.001	.000	-.367	-1.690	.103
	Market Concentration	.006	.162	.010	.039	.969
	CurrentKasOperati on	8,716E-17	.000	.014	.052	.959
	Institutional Ownership	.017	.017	.304	.961	.345

a. Dependent Variable: Abs\_ut

Source : Research results, 2022 (Data processed)

Based on Table 4.3 above the significant value of the variables Operating Cycle, Market Concentration, Operating Cash Flow and institutional ownership is above 0.05 thus from the results of the glejser test there is no Heteroskedasticity.

#### 4.4 Test Autocorrelation

Table 4.4 Autocorrelation Test Results

##### Runs Test

	Unstandardized Residual
Test Value <sup>a</sup>	.00010
Cases < Test Value	16
Cases >= Test Value	16
Total Cases	32
Number of Runs	13
Z	-1.258
Asymp. Sig. (2-tailed)	.208

a. Median

Source : Research results, 2022 (Data processed)

Based on table 4.4 above, it shows a sig value of 0.208 which means that the sig value > 0.05 which indicates that the data does not occur autocorrelation.

#### 4.5 Multicholinerarity Test

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Table 4.5 Multicholinerity Test Results

Type	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
CycleOperation	.582	1.718
Market Concentration	.391	2.555
CurrentKasOperation	.359	2.783
Institutional Ownership	.275	3.633

Source : Research results, 2022 (Data processed)

Based on the data in Table 4.5, it is explained that the independent variables in this study did not experience multicholinerity because the independent variables (Operating Cycle, Market Concentration, Operating Cash Flow and Institutional Ownership) had a VIF value of  $< 10$  and a tolerance value  $> 0.1$ .

#### 4.6 Multiple Linear Regression Analysis

Table 4.6. Multiple Linear Regression Analysis Results

Type	Coefficients <sup>a</sup>					
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1 (Constant)	8.216	2.647		3.104	.004	
CycleOperation	-.002	.001	-.453	-3.794	.001	
Market Concentration	-1.316	.304	-.630	-4.332	.000	
CurrentKasOperation	1.204E-14	.000	.580	3.818	.001	
Institutional Ownership	-.097	.032	-.522	-3.007	.006	

a. Dependent Variable: PersistenceLaba

Source : processed data, 2022 (SPSS output result)

Based on table 4.6 i.e. : Profit Persistence =  $8.216 - 0.002$  Operating Cycle -  $1.316$  Market Concentration +  $1.204E-14$  Operating Cash Flow -  $0.097$  Institutional Ownership

1. The value of the constant ( $\alpha$ ) of 8,216 that the Operating Cycle, Market Concentration, Operating Cash Flow and Institutional Ownership were up to 0 with a profit persistence of 8,216.
2. The operating cycle of -0.002 where the operating cycle goes up by one unit assuming other independent variables are considered fixed resulting in a decrease in profit persistence by 0.002.
3. The market concentration is -1.316 where the market concentration rises by one unit assuming other independent variables are considered to remain resulting in a decrease in profit persistence of 1,316.
4. Operating cash flow of  $1.204E-14$  where operating cash flow increased by one unit assuming other independent variables were considered fixed resulting in an increase in profit persistence of  $1,204E-14$ .

5. Institutional Ownership of -0.097 where Institutional Ownership rises by one unit assuming other independent variables are considered to remain resulting in a decrease in profit persistence of 0.097.

#### 4.7 Descriptions of Determination

Table 4.7. Coefficient of Determination Test Results

Model Summary				
Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.881 <sup>a</sup>	.776	.743	.02222

a. Predictors: (Constant), Institutional Ownership, CycleOperation, Market Concentration, FlowKasoperation

Source : SPSS output results (processed data, 2022)

Based on table 4.7, the result of the adjusted R Square coefficient of determination (R<sup>2</sup>) was obtained at 74.3%. Operating Cycle, Market Concentration, Operating Cash Flow and Institutional Ownership can explain the Profit Persistence variable of 74.3% while the remaining 25.7% of the Profit Persistence variable is explained by other unexperienced variables such as Company Size, Leverage, Audit Fee and Debt Level.

#### 4.8 Test t (Partial Significance Test)

Table 4.7. T Test Results (Partial Significance Test)

Coefficients <sup>a</sup>						
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.216	2.647		3.104	.004
	CycleOperation	-.002	.001	-.453	-3.794	.001
	Market Concentration	-1.316	.304	-.630	-4.332	.000
	CurrentKasOperation	1.204E-14	.000	.580	3.818	.001
	Institutional Ownership	-.097	.032	-.522	-3.007	.006

a. Dependent Variable: PersistenceLaba

Source : processed data, 2022 (SPSS output result)

##### 1. Effect of Operating Cycle on Profit Persistence

The t test result of the Operating Cycle variable (X1) has a calculated value of -3.794 with a significance value of 0.001. The value is  $32-4-1 = 27$  of 2,051 which indicates that  $-3.794 < -2.051$  with a significant value of  $< 0.05$  which is  $0.001 < 0.05$  it can be concluded that the Operating Cycle has a negative and significant effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk.

##### 2. The Effect of Market Concentration on Profit Persistence

The results of the t test of the Market Concentration variable (X2) have a  $< -t$ -table value of  $-4.332 < -2.051$  with a significant value of  $< 0.05$ , namely  $0.000 < 0.05$  it can be concluded that the Market Concentration has a negative effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk.

##### 3. Effect of Operating Cash Flow on Profit Persistence

The  $t > t$ -table test result of the Operating Cash Flow (X3) variable has a calculated value  $> t$ -table of  $3.818 > 2.051$  with a significant value of  $< 0.05$ , namely  $0.001 < 0.05$ , it can be

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concluded that Operating Cash Flow has a significant positive effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk.

#### 4. The Effect of Institutional Ownership on Profit Persistence

The results of the t test of the Institutional Ownership variable (X4) have a calculated value of -3.007 with a significance value of 0.006. The ttable value is  $32-4-1 = 27$  of 2.051 which indicates that  $-t_{hitung} < -t_{tabel}$  which is  $-3.007 < -2.051$  with a significant value of  $< 0.05$  which is  $0.006 < 0.05$  it can be concluded that Institutional Ownership has a negative and significant effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk.

#### 4.9 Test F (Simultaneous significance test)

Table 4.9. F Test Results (Simultaneous Significance Test)

		ANOVA <sup>a</sup>				
Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.046	4	.012	23.403	.000 <sup>b</sup>
	Residual	.013	27	.000		
	Total	.060	31			

a. Dependent Variable: PersistenceLaba

b. Predictors: (Constant), Institutional Ownership, CycleOperation, Market Concentration, FlowOperation

Source : processed data, 2022 (SPSS output result)

Based on table 4.10, the F test results have a Ftable value obtained is  $32-4-1 = 27$  of 2.73 which shows that the  $F_{count} > F_{table}$  is  $23,403 > 2.73$  with a significant value of  $< 0.05$  which is  $0.000 < 0.05$ . This means that the free variables namely Operating Cycle, Market Concentration, Operating Cash Flow and Institutional Ownership have a significant effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk.

### Discussion

#### Effect of Operating Cycle on Profit Persistence

Based on the calculation results of the t test (partial) on the operating cycle variable (X1) has a value of  $-t_{hitung} < -t_{tabel}$  which is  $-3.794 < -2.051$  with a significant value of  $< 0.05$ , namely  $0.001 < 0.05$ , it can be concluded that the Operating Cycle has a negative and significant effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk.

The results of this study are not in line with Amaliyah and Suwarti (2017) which show that the operating cycle has a positive effect on profit persistence, but there are differences in this study that the operating cycle negatively affects profit persistence where the level of sales that occurs in the company increases or decreases resulting in the persistence of profits up and down. The results obtained are not in line with research conducted by Ningsih, et al (2019) that the operating cycle does not affect profit persistence.

Another study that is in line with this research is Piter (2021) stated, the operating cycle cannot be a positive signal for investors and creditors in making decisions, because operating cash flow describes the company's operational activities. Good company operations will generate good and persistent profits in other words, the company has sufficient funds in carrying out its operational activities without having to borrow capital from other parties.

#### The Effect of Market Concentration on Profit Persistence

Based on the calculation results of the t test (partial) on the market concentration variable (X2) has a value of  $-t_{hitung} < -t_{tabel}$  which is  $-4.332 < -2.051$  with a significant value of  $< 0.05$ , namely  $0.000 < 0.05$ , it can be concluded that market concentration has a negative effect on profit persistence in PT. Indofood CBP Sukses Makmur Tbk. Market concentration that covers a wide market can be reached by products in increasing profit persistence because Indofood CBP Sukses Makmur Tbk products have been known among the public so that the management is easy to

expand the product introduction market. Automatically, people who know their products will still purchase their products so that the persistence of profits can increase.

The results obtained are not in line with research conducted by Agustian (2020) that market concentration has a positive effect on profit persistence. The results of this study are in line with Ariyanti, et al (2021: 1015) Market concentration negatively affects profit persistence. A large percentage of market share is closely related to market concentration. Market concentration is the number and scale of distribution of producers and consumers in the market. High market concentration occurs when the company is able to control most of the market share.

#### **Effect of Operating Cash Flow on Profit Persistence**

Based on the calculation results of the t test (partial) on the operating cash flow variable (X3) has a calculated value  $t_{hitung} > t_{tabel}$  of  $3,818 > 2,051$  with a significant value of  $< 0.05$ , namely  $0.001 < 0.05$ , it can be concluded that Operating Cash Flow has a significant positive effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk. This rising operating cash flow can be put to good use in generating the company's profit.

The results obtained are in line with research conducted by Agustian (2020) cash flow affects the persistence of profits of property and real estate companies. The effect of cash flow discusses the amount of cash inflows that occur in the company's operations. Cash flow is the flow of cash inflows and outflows as well as the source and use of cash in a company in a certain period.

#### **The Effect of Institutional Ownership on Profit Persistence**

Based on the results of the calculation of the t test (partial) on the institutional Ownership variable (X4) has a calculated value of  $-3.007$  with a significance value of  $0.006$ . The ttable value is  $32 - 4 - 1 = 27$  of  $2.051$  which indicates that  $-t_{hitung} < -t_{tabel}$  i.e.  $-3.007 < -2.051$  with a significant value of  $< 0.05$  i.e.  $0.006 < 0.05$  it can be concluded that Institutional Ownership has a negative and significant effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk.

The results obtained are in line with research conducted by Pratomo and Nuraulia (2021) that institutional ownership negatively affects profit persistence. Pratomo and Nuraulia (2021:15) In institutional ownership, investors outside the company are considered capable of controlling company management. Institutional investors usually already have sufficient knowledge and resources and are broader compared to individual investors. Institutional investors can also influence companies by controlling pressure on certain issues and activities during the internal decision-making process through management. Therefore, institutional investors as parties who can monitor agents with ownership tend to be large, so that managers are more motivated and the desire to organize profits is reduced or improve the performance of managers to make a profit instead of manipulating profits. So it can be concluded that the greater the number of institutional holdings, the more it will increase the persistence of the company's profits.

#### **Effect of Operating Cycle, Market Concentration, Operating Cash Flow and Institutional Ownership on Profit Persistence**

Based on the calculation results of the F test is  $F_{hitung} > F_{tabel}$  which is  $23.403 > 2.73$  with a significant value of  $< 0.05$  which is  $0.000 < 0.05$ . This means that the free variables namely Operating Cycle, Market Concentration, Operating Cash Flow and Institutional Ownership have a significant effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk.

The results of this study are supported by research by Amaliyah and Suwarti (2017: 180) "The operating cycle is in direct contact with the company's profit, because this profit will later be used to predict cash flow in the future."

The results of this study are supported by research by Ariyanti, et al (2021: 1015) High market concentration occurs if the company can control most of the market share. In addition, if the market share is high, the company will have the opportunity to also have a strong position. The greater the sales of a company and the able to maintain its sales, it can increase the company's

profit. Companies can signal the sustainability of a profitable company's future through profit sustainability.

The results of this study are supported by an anwar research (2019: 55) companies are also expected not to experience surpluses (excess cash) in large quantities too often. Because if the company too often experiences a large amount of excess cash, it shows that the company is not able to carry out the right cash allocation policy, which as a result of which the company experiences over liquidity. Generally, when the company has a surplus, the company can only invest in short-term instruments with a low rate of return (profit).

The results of this study are supported by research by Pratomo and Nuraulia (2021: 15) In institutional ownership, investors outside the company are considered capable of controlling company management. Therefore, institutional investors as parties who can monitor agents with ownership tend to be large, so that managers are more motivated and the desire to organize profits is reduced or improve the performance of managers to make a profit instead of manipulating profits. So it can be concluded that the greater the number of institutional holdings, the more it will increase the persistence of the company's profits.

## 5. CONCLUSIONS

Based on the results of the study, the following conclusions were made The Operating Cycle has a negative and significant effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk. Market Concentration negatively affects Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk. Operating Cash Flow has a positive and significant effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk. Institutional Ownership has a negative and significant effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk. Operating Cycle, Market Concentration, Operating Cash Flow and Institutional Ownership have an effect and significant effect on Profit Persistence in PT. Indofood CBP Sukses Makmur Tbk. Based on the results of the study, there are several suggestions, namely: We recommend that the management improve the operating cycle starting from increasing sales by minimizing cost of goods sold and accelerating the turnover of inventory in the warehouse and controlling receivables that occur in the company, The management needs to increase sales to third parties by selling company products such as noodle and seasoning products, culinary food products, biscuits, snacks, nutrition and special foods, packaging so that the market concentration can be increased, especially profit before tax by using the total assets owned by the company, The company's management needs to manage operating cash flow generated from net profit, especially cash to fund the company's operational activities such as purchasing raw materials in carrying out the product production process and other non-operational activities, The company's management seeks to increase institutional shares by attracting investors to invest in the company, Profit persistence can be a consideration for investors in investing their funds.

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