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The Effect Of Book-Tax Differences And Market Concentration On Profit Persistency

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ABSTRACT: Indonesia's economy grew slower in 2019, because at the end of 2019 the world was hit by the Covid-19 pandemic. The phenomenon of the Covid-19 pandemic caused the government to implement large-scale social restrictions (PSBB), which made people's mobility drop drastically. This led to a drop in company revenues and profits, particularly in the transportation sector. This phenomenon causes the persistence of earnings to be questioned because profits with fluctuations decrease steeply in a short time. The purpose of this study was to determine the effect of book-tax differences and market concentration on earnings persistence. The population of this study is the transportation sector companies listed on the Indonesia Stock Exchange in 2017-2019. Companies in this study were selected using purposive sampling technique. The sample used is 12 transportation companies listed on the IDX. The analysis technique used is multiple linear regression analysis. The results of the analysis show that Book-tax differences have a negative and significant effect on the earnings persistence of transportation companies. Market concentration has a positive and significant effect on the persistence of profits for transportation companies.
Keywords -*book-tax differences, market concentration, earnings persistence*.

I. INTRODUCTION

The slowing down of Indonesia's economic development from 2017 to 2019 affected small companies and large companies from various fields. This decline is of course also inseparable from investor sentiment, which saw that the Indonesian government at that time was not serious in dealing with Covid-19 so that when the health crisis occurred and these sentiments existed, investors preferred to withdraw their funds from the capital market so that This of course makes stock prices decline (Fakhrunnas, 2021).

When the PSBB occurred, many companies collapsed. If we look today, the companies listed on the capital market, which play a role in the tourism sector, are all negative. This condition also affects transportation companies involved in the tourism sector (Fakhrunnas, 2021). This caused the company's revenue and profit to fall, especially in the transportation sector, some of which even posted losses. The biggest losses were felt by airlines, because the number of passengers, both domestic and international, fell more than 50% (Aldin and Jatmiko, 2020).

This phenomenon causes earnings persistence to be questioned because earnings with steep declining fluctuations in a short time indicate the company is unable to maintain current profits or guarantee future profits. Even because earnings in financial statements are often used by management to attract potential investors, so that profits are often engineered by management to influence investor decisions (Nuraeni et al., 2018). Therefore, earnings persistence is very influential for all users of financial statements.

Earnings persistence is often used as a measure of earnings quality, because earnings persistence is an element of earnings predictive value in a relevant character, where information must be able to make a difference in decision making by helping users make predictions from the past, present and for the future (Zdulhiyanov, 2010). 2015). There are various factors that influence earnings persistence including managerial ownership, firm size, leverage, audit fees, cash flow, market concentration, debt level, and book tax differences. Book tax differences are differences in the amount of profit calculated based on accounting with profits calculated in accordance with tax regulations. Zdulhiyanov's research (2015) concludes that Book tax differences have a significant negative effect on earnings before income tax for one period ahead. This shows that companies with large differences in accounting profit and fiscal income (positive or negative) have less persistent income than companies with small tax book differences.

In theory, earnings persistence can be used to assess the quality of accounting earnings, where earnings persistence is the expected profit in the future, the change in earnings before taxes can represent the persistence of earnings. Meanwhile, theoretically, temporary differences will result in deferred tax in the form of deferred tax assets and liabilities in the future. This difference will reduce or increase the tax burden in the future so that it can lead to low or high profits. Thus, the greater the temporary difference, the lower the earnings persistence due to the uncertainty of the expected profit, so it can be concluded that Book tax differences have a significant positive effect on earnings persistence (Choiriyah, 2016). However, it is different from the research of Marnilin et al., (2015) which states that the difference between accounting profit and fiscal profit (Book tax differences) has no effect on earnings persistence.

Another factor that can affect earnings persistence is market concentration. According to (Nuraeni et al., 2018) market concentration is the number and size of the distribution of sellers and buyers in the market. The larger the market share controlled by a company, it can be said that the company has a high level of concentration (Fajri, 2013). If the market segment of large companies has a strong position in the competition, the company will give a signal about a better future for the company through its earnings persistence (Fanani et al, 2008). Based on research by Nuraeni et al., (2018), it is stated that market concentration has a positive effect on earnings persistence. A similar study by Mahendra and Suardhika (2020) explains that market concentration has a positive effect on earnings persistence. This shows that the higher the concentration of the market owned, the more persistent profits will be.

The research topics will be explained and linked using the following conceptual framework:

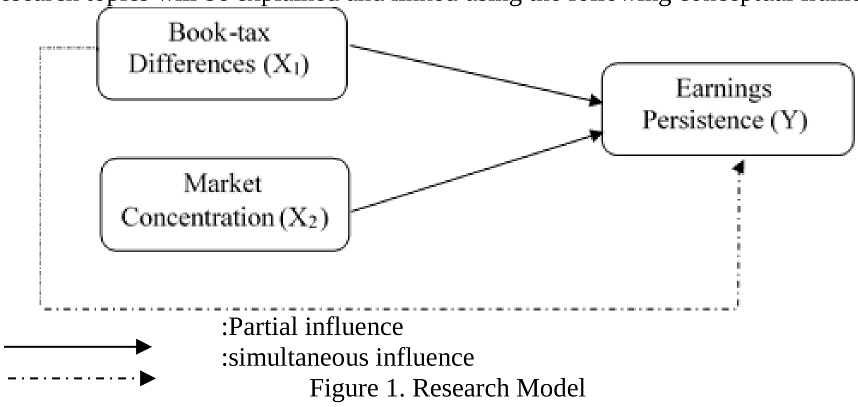

Figure 1. Research Model

Agency theory is a concept that explains the working relationship between the principal as the owner of the company and the agent as the manager of the company which is regulated in a contract to carry out the company's activities (Jensen and Meckling, 1976). This agency theory emphasizes the importance of separating the management of the company from the owner of the company, where the owner of the company submits the management of the company to professional staff called agents who understand more about the management of a company. The purpose of separating management from company ownership is for company owners to obtain maximum profits at an efficient cost by managing the company by professional personnel in their fields.

Signal theory according to Brigham and Houston (2010: 185) is an act of company management, which provides instructions for investors about how management views the company's prospects. Signaling theory provides an understanding that information provided by management to outsiders will be a signal for the market. The relationship between this research and signal theory is that, based on signal theory, the company's market concentration is closely related to the percentage of market share controlled by the company to the total market share. Market share is directly related to profit, this is due to sales activities in market share. The greater the company's sales, and the company can maintain sales, it will affect the company's profit. If the market concentration is large, the company has a strong position in the competition, so the company will give a signal about a better future for the company through its earnings persistence (Mahendra and Suardhika, 2020).

The relationship between agency theory and Book tax differences where there is a conflict that arises between the owner as the principal in obtaining the profits and not obtaining information and supervising the agent, while the management manipulates earnings so that the company looks better to attract investors to invest their capital. Meanwhile, signal theory explains that signals are the actions of company management, which provide clues for investors about how management views the company's prospects. This can provide a signal to external parties about the company's ability to generate persistent profits. Based on the two theories that have been described, it is necessary to conduct simultaneous research on the effect of book-tax differences and market concentration on earnings persistence.

H1 : book-tax differences and market concentration simultaneously affect earnings persistence.

Book tax difference can provide information about the quality of earnings for the current period (Indah, 2018). With the book-tax differences, it can be seen about the manipulations carried out by the managerial side by using freedom in the accrual process, which of course affects the quality of the information contained in the

earnings. Companies with large differences in accounting earnings and fiscal profits are estimated to have low earnings persistence compared to companies with small differences (Zdulhiyanov, 2015). In research (Dewi, 2015) states that there is an effect of book tax difference on earnings persistence. Zdulhiyanov's research (2015) concludes that Book tax differences have a negative significant effect on earnings before income tax one period ahead. This shows that companies with large differences in accounting profit and fiscal income (positive or negative) have less persistent income than companies with small tax book differences.
H2 : Book-tax differences have a negative effect on Earnings Persistence

Based on signal theory, the company's market concentration is closely related to the percentage of market share controlled by the company to the total market share. The larger the market share of the company, the higher the level of market concentration of the company. If the market concentration is large, the company has a strong position in the competition, so the company will give a signal about a better future for the company through its earnings persistence (Mahendra and Suardhika, 2020). Based on research by Nuraeni et al., (2018), it is stated that market concentration has a positive effect on earnings persistence. A similar study by Mahendra and Suardhika (2020) explains that market concentration has a positive effect on earnings persistence. This shows that the higher the concentration of the market owned, the more persistent profits will be.
H3 : Market concentration has a positive effect on earnings persistence.

II. METHODS

This research was conducted in village administrations in the Banjarangkan sub-district, Klungkung Regency, where the dependent variable of this research is accountability for managing village fund allocations, while the independent variables are village apparatus competence (X1), utilization of information technology (X2), and internal control systems (X1). X3). The purpose of this study was to empirically test the competence of village officials, the use of information technology, and the internal control system on the accountability of village fund allocation management. The object of this research is ADD management accountability in villages throughout Banjarangkan District in the planning, implementation, and ADD accountability stages.

This study uses an associative quantitative approach, namely the research method used to examine a particular population or sample which aims to examine the relationship between two or more variables (Sugiyono, 2017:36). This research was conducted on transportation sector companies listed on the Indonesia Stock Exchange (IDX) by accessing the website www.idx.co.id. Sources of data used are secondary data in the form of statistical data related to the BI Rate and annual financial statements accompanied by ratios related to this study, including book-tax differences, market concentration and earnings persistence. The object of this research is the earnings persistence of transportation sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2019. The independent variables used in this study are book-tax differences and market concentration and the dependent variable used in this study is earnings persistence.

Earnings persistence is the company's ability to maintain profits from year to year and not only because of a certain event (Delvira, 2013). The profit indicator in the future period with the predictive value component of a profit in order to assess the performance of a company in the long term can be defined as earnings persistence. The measurement of earnings persistence refers to Sembiring et al. (2020) can be measured by the formula:

$$\text{Earnings Persistence} = \frac{\text{Earn Before Tax}t+1}{\text{Totalassets}} \quad \ldots \quad (1)$$

Loss or net profit for a period before deducting tax expense calculated based on generally accepted accounting principles is called accounting profit, while loss or profit for a period calculated based on tax regulations is called fiscal profit. That difference gives rise to the term Book tax differences in tax analysis (Official, 2011:369). The difference between accounting profit and fiscal profit (Book-tax differences) is measured using the deferred tax expense proxy, namely:

$$\frac{\text{Deferred tax expense}}{\text{TotalassetsI(t-1)}} \quad \ldots \quad (2)$$

Dennis and Perloff (2000) define: “market concentration as the ownership of a large number of economic resources by a small number of economic actors.” A company that has a high market concentration is a company that is able to control the total market share. Market share is directly related to profit, this is due to the sales factor in market share. The greater the company's sales, and the company can maintain sales, it will affect the company's profit. If the market segment of large companies has a strong position in the competition, the company will give a signal about a better future for the company through its earnings persistence (Fanani et al, 2008). To measure the market concentration of a company, the following formula can be used:

$$\frac{\text{Earn}}{\text{Total Industrial Earn}} \times 100\% \quad \text{......} \quad 3)$$

The population used in this study are transportation sector companies listed on the Indonesia Stock Exchange in 2017-2019 with a total population of 47 companies. The sample used in this study is the transportation sector companies listed on the Indonesia Stock Exchange in 2017-2019 which were selected based on certain criteria in the non-probability sampling method with purposive sampling technique, so that a total sample of 12 companies was obtained with sample criteria, namely transportation companies that listed on the Indonesia Stock Exchange (IDX), which publishes complete and consecutive annual financial reports from 2017 – 2019, audited financial statements of transportation sector companies from 2017-2019 expressed in rupiah (Rp), and available financial statements has the necessary data components in research related to tabulation of data on book-tax differences, market concentration and earnings persistence. The data collection method used in this study is the documentation method, which is a data collection technique by finding and collecting data obtained from the published annual report.

The data that has been collected will be analyzed by descriptive analysis. The feasibility of the regression model in this study will be tested using the classical assumption test, namely the normality test, multicollinearity test, heteroscedasticity and autocorrelation. The analytical tool used to measure the relationship between two or more variables is multiple linear regression analysis. The magnitude of the contribution of the dependent variable to the dependent variable is known through testing the coefficient of determination (R2). The feasibility of the regression model used must be tested using the F test to determine whether the model is suitable to be used to test the effect of the dependent variable on the independent. Hypothesis testing in this study used the t-test (t-test).

III. RESULT AND DISCUSSION

The Indonesia Stock Exchange divides the company's industrial groups based on the sectors they manage, consisting of: the agricultural sector, the mining sector, the basic chemical industry sector, the various industries sector, the consumer goods industry sector, the property and real estate sector, the infrastructure sector, the transportation sector, the financial sector, and the investment services trade sector. Transportation companies are one of the industrial sectors listed on the Indonesia Stock Exchange (IDX). The selected companies as samples were 12 companies, with 3 years of research observation, then the total sample obtained during the three years of research was 36 observational data.

Table 1. Normality Test

One-SampleKolmogorov-SmirnovTest	UnstandardizedResidual
N	36
Kolmogorov-SmirnovZ	.966
Asymp.Sig. (2-tailed)	.309

Based on the normality test as shown in Table 1 the Kolmogorov-Smirnov value, the test results on the multiple linear regression equation show that the Asymp value. Sig (2-tailed) 0.309 is greater than the level of significant, which is 5 percent (0.05) so that the tested data is normally distributed or normally distributed.

Table 2. Multicollinearity Test

Variabel	**Tolerance**	**VIF**
Book-taxdifferences(X_1)	0,992	1,008
Konsentrasipasar(X2)	0,992	1,008

Based on Table 2, it can be concluded that the tolerance value of the multiple linear regression equation for each variable is above 10% (0.10) and the VIF value is below 10. This shows that the existing regression model does not have multicollinearity symptoms.

Table 3. Autocorrelation Test

Dl	**Du**	**DW**	**4-Du**	**Simpulan**
1,3537	1,5872	2,066	2,4128	Bebasautokorelasi

Table 3 shows the Durbin-Watson value of 2.066. For the 5% significance level, the value of dl = 1.3537 and du = 1.5872. Thus, the results of the autocorrelation test with the criteria du<DW<4-du are

1.5872<2.066<2.4128, so it can be concluded that the regression model made does not contain autocorrelation symptoms.

Table 4. Heteroscedasticity Test

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std.Error	Beta	t	Sig.
1	(Constant)	.047	.012		4.110	.000
	Book-tax differences	.193	.290	.115	.666	.510
	KonsentrasiPasar	7.114E-5	.000	.085	.492	.626

a.DependentVariable:ABS_RES

Table 4 shows that the significant value of the Book-tax differences variable is 0.510, and the market concentration is 0.626. This value is greater than 0.05, which means that there is no influence between the independent variables on the absolute residual. Thus, the model made does not contain symptoms of heteroscedasticity.

Table 5. Results of Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std.Error	Beta	t	Sig.
1	(Constant)	.022	.016		1.339	.190
	Book-tax differences	-.833	.408	-.173	-2.040	.049
	KonsentrasiPasar	.002	.000	.872	10.287	.000

a.DependentVariable:PersistensiLaba

Based on Table 5, the regression equation can be arranged as follows:

$Y = \alpha + b_1X_1 + b_2X_2 + \varepsilon$

$Y = 0{,}022 - 0{,}833\ X_1 + 0{,}002X_2 + \varepsilon$

It can be seen that the constant value is 0.020, i.e. if the Book-tax differences, market concentration, is equal to zero, then the earnings persistence value is fixed at 0.020. Regression coefficient (b1) on Book-tax differences (X1) of -0.833 has a negative relationship on earnings persistence. That is, if the value of Book-tax differences (X1) increases, then earnings persistence (Y) will decrease by 0.833 assuming the other independent variables are constant. The regression coefficient (b2) on market concentration (X2) is worth 0.002 has a positive relationship on earnings persistence. That is, if the market concentration value (X2) increases, then earnings persistence (Y) will increase by 0.002 assuming the other independent variables are constant.

Table 6. Test of Determination

Model	R	RSquare	AdjustedRSquare	Std.ErroroftheEstimate
1	0,874[a]	0,765	0,750	0,08784941

The test results in Table 6 give the results where the R Square value is 0.765, which means that 76.5% of the variation in earnings persistence of transportation companies listed on the Indonesia Stock Exchange for the 2017-2019 period is influenced by variations in Book-tax differences, and market concentration. , while the remaining 23.5% is explained by other factors not included in the model.

Table 7. F .test

Model		SumofSquares	df	MeanSquare	F	Sig.
1	Regression	0,827	2	0,413	53,567	0,000[a]
	Residual	0,255	33	0,008		
	Total	10,081	35			

The results of the F test (Ftest) in Table 7 show that the calculated F value is 53.567 with a significance value of P value 0.000 which is smaller than = 0.05, this means that the model used in this study is feasible. This result means that all independent variables, namely Book-tax differences and market concentration accurately predict or explain the phenomenon of earnings persistence in transportation companies listed on the IDX for the 2017-2019 period. This means that the first hypothesis is accepted, namely Book-tax differences and market concentration collectively. simultaneous significant effect on earnings persistence.

Table 8. Hypothesis Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std.Error	Beta	t	Sig.
1	(Constant)	.022	.016		1.339	.190
	Book-tax differences	-.833	.408	-.173	-2.040	.049
	KonsentrasiPasar	.002	.000	.872	10.287	.000

a.DependentVariable:PersistensiLaba

In table 8, it can be seen that the results of the analysis of the effect of Book-tax differences on earnings persistence obtained a significance value of 0.049 with a coefficient value of 1 = -0.833. Significance value of 0.049<0.050 indicates that the second hypothesis is accepted. These results mean that Book-tax differences have a negative and significant effect on the persistence of earnings of transportation companies. The results of the analysis of the effect of market concentration on earnings persistence obtained a significance value of 0.000 with a coefficient value of 2 = 0.002. The significance value of 0.000 < 0.050 indicates that the third hypothesis is accepted. This result means that market concentration has a positive and significant effect on the persistence of profits for transportation companies.

It can be explained that Book-tax differences and market concentration simultaneously have a significant effect on earnings persistence (H1 is accepted). This indicates that if the company has small book-tax differences and the presence of a large market concentration, it will lead to higher profit persistence of transportation companies.

The findings of this study indicate that Book-tax differences have a negative and significant effect on the persistence of earnings of transportation companies (H2 is accepted). This means that the higher the Book-tax differences, the persistence of earnings will decrease. This means that temporary differences cause the company's earnings to be not persistent and can predict earnings in the following year, because temporary differences cause a delay in its recognition. Companies with large differences in accounting and fiscal profits are estimated to have low earnings persistence compared to companies with small differences. Because deferred tax is caused by temporary differences in the book tax difference, it can inform management activities in managing earnings related to the accrual process. If the difference between accounting profit and fiscal profit is greater, it is suspected that management manipulates earnings with larger numbers, so that earnings persistence will also be lower.

The results of the regression analysis in this study indicate that market concentration has a positive and significant effect on the persistence of transportation company profits (H3 is accepted). This means that the higher the market concentration level, the higher the company's profit persistence will be. This shows that the higher the concentration of the market owned, the more persistent profits will be. The company's market concentration is closely related to the market share controlled by the company, because market concentration is the percentage of market share controlled by the company relative to the total market share.

Market concentration is the number and size of the distribution of sellers and buyers in the market. The larger the market share controlled by a company and the company relative to the total market share, it can be said that the company has a high level of concentration (Fajri, 2013). Market share is closely related to profit, this is due to sales activities in market share. The higher the sales level of the company and the company can maintain and even increase its sales level, the higher the company's profit growth rate will also be. If the market segment of large companies has a strong position in the competition, the company will give a signal about a better future for the company through its earnings persistence (Fanani et al, 2008).

IV. CONCLUSION

Book-tax differences have a negative and significant effect on earnings persistence of transportation companies. This shows that the greater the difference between accounting profit and fiscal profit, the persistence of earnings will also be lower. Market concentration has a positive and significant effect on the persistence of profits of transportation companies. This shows that the higher the concentration of the market owned, the more persistent profits will be. Book-tax differences and market concentration simultaneously have a significant effect on earnings persistence. This indicates that if the company has small book-tax differences and the presence of a large market concentration, it will lead to higher profit persistence of transportation companies.

For the Company, to increase shareholder confidence in the company, the company should improve the company's performance optimally and convey relevant and reliable information to investors regarding the company's development, without having to do earnings persistence. Because the indication of earnings persistence can be seen from the difference between accounting profit and taxable profit reported by the company and tax reported. For investors and potential investors, to find out the company's performance from the profits generated by the company and other supporting items in the financial statements, before investing, investors and potential investors should find out about the company's profile. Company profiles can be obtained through the Indonesia Stock Exchange (IDX) and the Government Agency, namely Bapepam as the party that determines the policies on the Indonesia Stock Exchange in ensuring the accuracy of financial information data and providing quality information with sophisticated technology facilities so that the quality of the company's financial reports is more accurate and relevant.

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