# Ownership Structure and Audit Committee Influence on Earnings Persistence in Banking Firms: Evidence from 2019–2023

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## ABSTRACT

The Financial Services Authority (OJK) has acknowledged that several banks have lowered their profit targets for 2024 due to single-digit profit growth in the first half of the year. As a result, banking sector profits in 2024 are expected to be lower than those recorded in the previous year. This study examines the impact of ownership structure—comprising managerial ownership, institutional ownership, and ownership concentration—as well as the role of the audit committee on the earnings persistence of banking companies from 2019 to 2023. By addressing inconsistencies in previous research findings, this study aims to provide a clearer understanding of these relationships. The analysis employs multiple linear regression using the Common Effect Model (CEM) in the EViews 12 software. The findings indicate that managerial ownership has a significant negative effect on earnings persistence, while institutional ownership does not exhibit a significant influence. Conversely, ownership concentration and the audit committee positively and significantly affect earnings persistence. Moreover, the study confirms that ownership structure and the audit committee, when considered simultaneously, have a significant impact on earnings persistence.

Keywords: Ownership Structure; Audit Committee; Earnings Persistence.

***Determinasi Struktur Kepemilikan Dan Komite Audit Pada Persistensi Laba Perusahaan Perbankan Tahun 2019-2023***

## *ABSTRAK*

*OJK mengakui bahwa beberapa bank telah mengurangi target laba tahun 2024 dikarenakan pertumbuhan laba yang hanya single digit pada semester I-2024. Hal ini membuat laba perbankan tahun 2024 tidak akan setinggi tahun sebelumnya. Penelitian ini memiliki tujuan melakukan analisis pada bagaimana dampak struktur kepemilikan yang terdiri atas kepemilikan manajerial, kepemilikan institusional, dan konsentrasi kepemilikan, serta dampak komite audit pada persistensi laba perusahaan perbankan tahun 2019-2023 untuk mengisi celah dari perbedaan temuan penelitian-penelitian sebelumnya. Penelitian ini menggunakan analisis regresi linier berganda dengan Common Effect Model (CEM) pada aplikasi EViews 12. Penelitian ini menemukan bahwa secara parsial kepemilikan manajerial berdampak signifikan negatif pada persistensi laba, kepemilikan institusional tidak berdampak signifikan pada persistensi laba, serta konsentrasi kepemilikan dan komite audit berdampak signifikan positif pada persistensi laba. Terakhir, ditemukan juga bahwa secara simultan struktur kepemilikan dan komite audit mempunyai dampak pada persistensi laba.*

*Kata Kunci:* *Struktur Kepemilikan; Komite Audit; Persistensi Laba.*

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## INTRODUCTION

In general, each company has similar goals to achieve, namely to generate profits and ensure long-term sustainability (Usmar & Surayudha, 2023). One indicator of a company's successful performance is the achievement of an optimal profit level (Damayanti & S, 2023). A company with stable profit growth is more attractive to investors than one with fluctuating earnings (Tulcanaza-Prieto et al., 2020). Stable profits reflect both the company's financial condition and the effectiveness of its management (Purwoto, 2024). A company is considered capable of sustaining its business if its revenues consistently exceed its risks (Habibie & Parasetya, 2022).

However, corporate profits fluctuate from year to year, as seen in the banking sector. The Financial Services Authority (OJK) has reported that several banks have reduced their profit targets for 2024 due to single-digit profit growth in the first half of the year. As a result, banking sector profits in 2024 are expected to be lower than in the previous year (Aprilia, 2024). Specifically, KBMI 1's net profit in January 2024 amounted to IDR 1.29 trillion, a 17.83% year-on-year (yoy) decline. KBMI 2 recorded the steepest contraction of 19.9% (yoy), dropping from IDR 2.06 trillion to IDR 1.65 trillion. KBMI 3's net profit declined by 15.05% (yoy) to IDR 3.33 trillion, while KBMI 4 reported a slight increase of 0.69% (yoy) to IDR 14.61 trillion (Sahara, 2024). Profitability is a crucial factor in a company's long-term viability and serves as a key consideration for investors when deciding whether to invest (Kusumaningrum & Iswara, 2022).

Earnings persistence is an important indicator of earnings quality. According to Gunawan et al. (2020), earnings persistence reflects a company's ability to generate consistent long-term profits, making it a strong predictor of future performance. The higher the earnings persistence, the easier it is for investors to estimate future earnings. A company with persistent earnings is more attractive to investors because predictable earnings provide a clearer picture of future profitability (Pratomo & Nuraulia, 2021). Understanding the factors that influence earnings persistence is essential for stakeholders in making investment and risk management decisions. Ownership structure and audit committees are among the factors believed to significantly impact earnings persistence.

Managerial ownership, institutional ownership, and ownership concentration are elements of ownership structure that influence managerial decision-making, including earnings reporting. Managerial ownership, which refers to company shares held by management, is assumed to mitigate agency conflicts between management and shareholders by aligning management incentives with long-term company performance, as reflected in sustained profitability. High managerial ownership encourages better managerial performance, as executives have a direct interest in shareholder welfare, which is also linked to their own financial interests (Sintyawati & Dewi, 2018). Huda & Winarsih (2024), Rukmana et al. (2024), Zainal et al. (2024), Munir & Widiatmoko (2022), and Dewata et al. (2016) found that managerial ownership has a significant positive impact on earnings persistence. However, Sihotang et al. (2023) and Pratomo & Nuraulia (2021) reported a significant negative impact. Meanwhile, Meidiyustiani & Oktaviani (2021), Gunawan et al. (2020), and Nurochman & Solikhah (2015) found no significant effect of managerial ownership on earnings persistence.

Institutional ownership, which refers to shares held by government or private institutional investors, enhances corporate governance by strengthening managerial oversight and improving company productivity. Institutional shareholders can exert pressure on management, preventing earnings manipulation and ensuring financial transparency (Pratika & Nurhayati, 2022). Zainal et al. (2024), Munir & Widiatmoko (2022), and Sujana et al. (2017) found that institutional ownership has a significant positive impact on earnings persistence. However, Pratomo & Nuraulia (2021) found a significant negative impact, while Huda & Winarsih (2024), Sukma & Triyono (2021), Dewata et al. (2016), Nurochman & Solikhah (2015), and Junawatiningsih & Harto (2014) found no significant effect.

Ownership concentration refers to the extent to which company shares are held by a small group of shareholders, giving them significant control over corporate decision-making. A high level of ownership concentration allows dominant shareholders to monitor management closely, reducing earnings manipulation and improving earnings persistence (Sijabat et al., 2020; Supheni et al., 2024; Wardani & Setiawan, 2020). Majority shareholders often prioritize long-term company stability, which enhances earnings persistence. However, if dominant shareholders focus on short-term gains or personal interests, earnings quality may deteriorate. Mbate & Sutrisno (2023), Junawatiningsih & Harto (2014), and Agostino et al. (2005) found that ownership concentration has a significant positive effect on earnings persistence. In contrast, Pratomo & Nuraulia (2021) found a significant negative effect. Meanwhile, Azkia & Rizal (2022) and Munir & Widiatmoko (2022) found no significant effect.

Apart from ownership structure, the audit committee also plays a crucial role in maintaining financial reporting quality. The audit committee is responsible for overseeing financial reporting and ensuring compliance with applicable accounting standards and regulations (Aji et al., 2023). Therefore, an effective audit committee can enhance earnings persistence by strengthening managerial oversight and ensuring accuracy in financial reporting. According to research by Zainal et al. (2024), Sari (2021), Nurochman & Solikhah (2015), and Junawatiningsih & Harto (2014), the audit committee has a significant positive impact on earnings persistence. Conversely, studies by Gunawan et al. (2020) and Sujana et al. (2017) suggest that the audit committee has a significant negative impact on earnings persistence. Meanwhile, research by Deviyana et al. (2023), Munir & Widiatmoko (2022), and Sukma & Triyono (2021) finds no significant impact.

This study aims to build on previous research by analyzing the impact of ownership structure—comprising managerial ownership, institutional ownership, and ownership concentration—as well as the audit committee's role in earnings persistence. As a distinguishing factor, this research focuses on banking companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. The banking sector was selected due to its strategic importance in the economy and its high level of regulatory oversight, making it an interesting subject in the context of corporate governance and financial reporting. Additionally, previous studies have produced inconsistent findings regarding the effects of managerial ownership, institutional ownership, ownership concentration, and audit committees on earnings persistence. This study seeks to address these inconsistencies by conducting a more comprehensive analysis of these variables.

This study employs agency theory to examine the relationship between ownership structure, audit committees, and earnings persistence. According to Jensen & Meckling (1976), agency theory explains the contractual relationship between shareholders and management, where shareholders delegate authority and responsibility to managers to act in their best interests. Agency theory suggests that ownership structure can mitigate agency conflicts, as managerial ownership incentivizes managers with company shares to enhance performance and maximize profitability. Likewise, institutional ownership strengthens managerial oversight and governance (Tandelilin & Wilberforce, 2015). When profits increase, both shareholders and management benefit, fostering goal alignment between the two parties (Pratomo & Nuraulia, 2021).

Referring to agency theory, shareholders and management should align their objectives to optimize company performance. When management holds company shares, it creates an incentive for them to enhance performance and act with greater caution, as they directly bear the consequences of their decisions (Mahariana & Ramantha, 2014). The larger the shareholding by management, the greater the alignment of interests between managers and shareholders, thereby reducing conflicts of interest and motivating managers to improve performance (Herrera & Andayani, 2019). Moreover, an increase in managerial ownership is perceived positively by the market, as it signals stronger commitment from management and enhances earnings persistence (Maulita et al., 2023). Studies by Zainal et al. (2024), Huda & Winarsih (2024), Munir & Widiatmoko (2022), Rukmana et al. (2024), and Dewata et al. (2016) provide evidence that managerial ownership has a significant positive impact on earnings persistence. Based on this, the following hypothesis is proposed:

$H_1$: Managerial ownership has a significant positive impact on earnings persistence.

According to agency theory, institutional ownership can mitigate agency problems by enhancing managerial oversight, as institutional investors possess greater monitoring capabilities than individual investors (Dewi, 2019). As institutional shareholding increases, so does the institution’s influence over managerial decisions, ensuring a stronger focus on long-term profitability rather than short-term earnings manipulation. This enhanced supervision promotes efficiency and sustainable earnings generation. Research by Zainal et al. (2024), Sujana et al. (2017), and Munir & Widiatmoko (2022) supports the notion that institutional ownership has a significant positive impact on earnings persistence. Based on this, the following hypothesis is proposed:

$H_2$: Institutional ownership has a significant positive impact on earnings persistence.

Ownership concentration refers to the proportion of company shares held by a small group of shareholders, granting them significant control over corporate decision-making (Wardani & Setiawan, 2020). Majority shareholders play a crucial role in monitoring management to prevent fraudulent financial reporting. Since they rely on accurate financial information for investment decisions, their oversight ensures financial transparency, thereby enhancing earnings persistence.

Studies by Mbate & Sutrisno (2023), Junawatiningsih & Harto (2014) and Agostino et al. (2005) demonstrate that ownership concentration has a significant positive impact on earnings persistence. Based on this, the following hypothesis is proposed:

$H_3$: Ownership concentration has a significant positive impact on earnings persistence.

The audit committee is responsible for overseeing financial reporting and strengthening internal control systems to ensure good corporate governance (Sujana et al., 2017). Similar to the board of commissioners, the audit committee plays a crucial role in monitoring management's performance in achieving corporate objectives, including earnings sustainability. An effective audit committee contributes to earnings persistence by promoting consistent and reliable financial reporting. Active monitoring by the audit committee deters opportunistic managerial behavior that could undermine earnings stability. Enhanced oversight encourages managers to focus on operational performance rather than engaging in earnings manipulation (Sukma & Triyono, 2021). Furthermore, a larger audit committee may improve the quality and persistence of reported earnings (Maulita et al., 2023). Research by Zainal et al. (2024), Sari (2021), Nurochman & Solikhah (2015), and Junawatiningsih & Harto (2014) supports the argument that the audit committee has a significant positive impact on earnings persistence. Based on this, the following hypothesis is proposed:

$H_4$: The audit committee has a significant positive impact on earnings persistence.

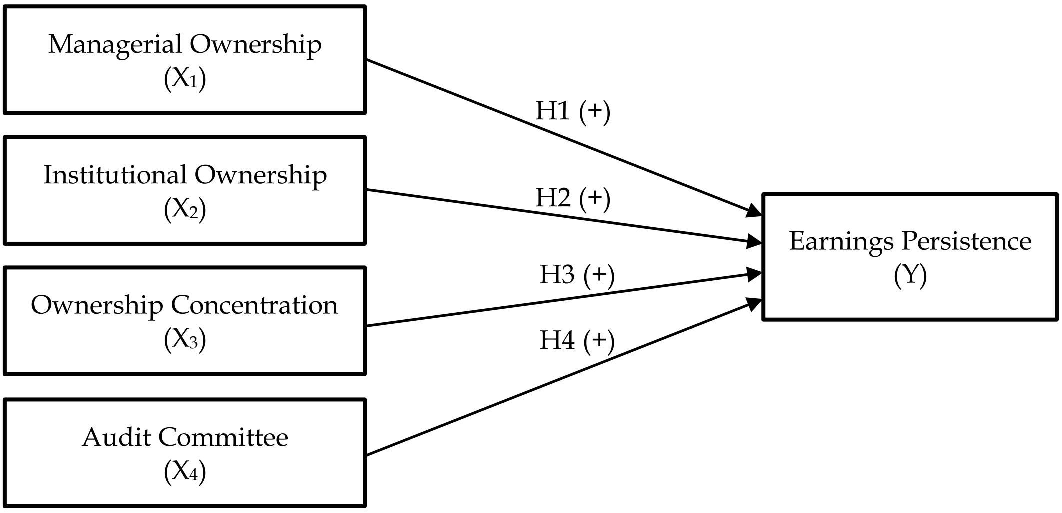


**Figure 1. Research Model**

*Source:* Research Data, 2024

## RESEARCH METHODS

This study focuses on banking companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, which also constitute the study population. The banking sector is selected due to its strategic role in the economy and its high level of regulatory oversight, making it a compelling subject for research on corporate governance and financial reporting. The 2019–2023 period is chosen as it encompasses the economic fluctuations caused by the COVID-19 pandemic, which significantly impacted the stability and operations of the banking sector.

To determine the research sample, this study employs a purposive sampling technique, selecting companies based on the following criteria: (1) banking companies that published financial statements and annual reports for the 2019–2023 period, (2) companies that recorded continuous profits from 2019 to 2023, (3) companies with managerial and institutional ownership, and (4) companies whose financial statements and annual reports contain complete information necessary for measuring the study variables. After applying these criteria and eliminating non-qualifying data, a final sample of 85 observations is obtained.

**Table 1. Research Sample**

| No. | Sample Criteria | Number of Companies |
|---|---|---|
| 1. | Banking sub-sector companies that have been listed on the IDX in 2019-2023 | 47 |
| 2. | Loss-making companies | (16) |
| 3. | Companies whose shares are not owned by managerial parties | (10) |
| 4. | Companies that do not have complete information | (4) |
| | Number of sample companies | 17 |
| | Total Sample | 17 × 5 = 85 data |

*Source:* Research Data, 2024

This research will use quantitative type data and based on its type it is also included in panel data which is a combination of cross-section and time series data and is also known as longitudinal data. Furthermore, based on the data source, the data in this study includes secondary data. Secondary data is data whose data sources are not obtained directly, this type of data is usually sourced from documents, the internet, or other sources. The data in this study comes from the financial statements and annual reports of banking companies in 2019-2023 which come from the official IDX website and come from the official website of each company.

**Table 2. Operational Definition of Variables**

| Variable | Definition | Measurement |
|---|---|---|
| Earnings Persistence (Y) | Persistence is a profit that has the ability to describe future profits that are continuously obtained by the company in the long term (Pratomo & Nuraulia, 2021). | $\frac{\text{Earnings before tax}_t - \text{Earnings before tax}_{t-1}}{\text{Total Assets}}$ (Munir & Widiatmoko, 2022) |
| Managerial Ownership ($X_1$) | Managerial ownership is part of the number of shares in the hands of management such as directors and commissioners who are active in making company decisions (Kartikasari et al., 2022). | $\frac{\text{Managerial-owned shares}}{\text{Number of shares outstanding}}$ (Zainal et al., 2024) |
| Institutional Ownership ($X_2$) | Institutional ownership is a portion of the company's shares owned by other institutions such as mutual funds, pension funds, and so on (Kartikasari et al., 2022). | $\frac{\text{Institutionally-owned shares}}{\text{Number of shares outstanding}}$ (Zainal et al., 2024) |
| Ownership Concentration ($X_3$) | Ownership concentration is defined as a portion of the company's shares with a large amount owned by a particular party so that the individual or institution that owns the shares has a more dominating number of shares than other shareholders and has the power to control the company (Sijabat et al., 2020; Supheni et al., 2024; Wardani & Setiawan, 2020). | $\frac{\text{Biggest shareholding}}{\text{Number of shares outstanding}}$ (Pratomo & Nuraulia, 2021) |
| Audit Committee ($X_4$) | The audit committee is a body that is responsible to the board of commissioners in overseeing the company's activities (Arif & Cheisiviyanny, 2023). | $\sum \text{Audit Committee}$ (Munir & Widiatmoko, 2022) |

*Source:* Research Data, 2024

To analyze the data, this research will apply multiple linear regression analysis to test the research hypothesis that has been set. By using this technique, the impact of each independent variable on the dependent variable will be known. The regression model equation in this study is as follows:

$Y = \alpha + \beta 1(X1) + \beta 2(X2) + \beta 3(X3) + \beta 4(X4) + \varepsilon$..............................................................(1)

Where:

Y : Earnings Persistence
α : Constant
β1 - β4 : Regression coefficient of each independent variable
X1 : Managerial Ownership
X2 : Institutional Ownership
X3 : Ownership Concentration
X4 : Audit Committee
ε : Standard error

The analysis in this study is conducted using the EViews 12 application. Three statistical tests are employed in the multiple linear regression analysis: the t-test, F-test, and $R^2$ test.

The t-test is used to examine the partial effect of each independent variable on the dependent variable. If the probability (p-value) is less than 0.05 ($p < 0.05$), the independent variable has a significant impact on the dependent variable; otherwise, the effect is not significant. Additionally, if the coefficient of the independent variable is positive, it indicates a positive relationship with the dependent variable. Conversely, a negative coefficient suggests an adverse effect on the dependent variable.

The F-test assesses the simultaneous effect of all independent variables on the dependent variable. If the p-value is less than 0.05 ($p < 0.05$), the independent variables collectively have a significant impact on the dependent variable; otherwise, they do not.

The $R^2$ test measures the explanatory power of the independent variables in predicting variations in the dependent variable. Since this regression model includes multiple independent variables, the Adjusted R-squared value is used to provide a more reliable estimate. The Adjusted R-squared value, presented in decimal form, can be converted into a percentage to better interpret the proportion of variance in the dependent variable explained by the independent variables.

## RESULTS AND DISCUSSION

**Table 3. Descriptive Analysis Results**

| Variable | MIN | MAX | MEAN | STD. DEV | IV |
|---|---|---|---|---|---|
| Earnings Persistence (Y) | -0.017 | 0.015 | 0.001 | 0.006 | 606.99% |
| Managerial Ownership ($X_1$) | 0.000 | 0.193 | 0.005 | 0.023 | 471.65% |
| Institutional Ownership ($X_2$) | 0.704 | 0.999 | 0.946 | 0.043 | 4.53% |
| Ownership Concentration ($X_3$) | 0.242 | 0.941 | 0.622 | 0.193 | 31.01% |
| Audit Committee ($X_4$) | 3 | 8 | 4.247 | 1.371 | 32.27% |

*Source:* Research Data, 2024

Institutional ownership, ownership concentration, and audit committee have a standard deviation that is lower than the mean, this means that these variables are homogeneous. Furthermore, earnings persistence and managerial ownership which have a higher standard deviation than the mean (average) indicate that these variables are heterogeneous.

In addition, based on the Index of Variation (IV) value of each variable, it is known that earnings persistence has a variation rate of 606.99%, institutional ownership has a variation rate of 471.65%, institutional ownership has a variation rate of 4.53%, ownership concentration has a variation rate of 31.01%, and the audit committee has a variation rate of 32.27% throughout 2019-2023. Based on this, it is known that throughout 2019-2023 earnings persistence has the highest level of data distribution, while institutional ownership has the lowest level of data distribution of the variables in the research model.

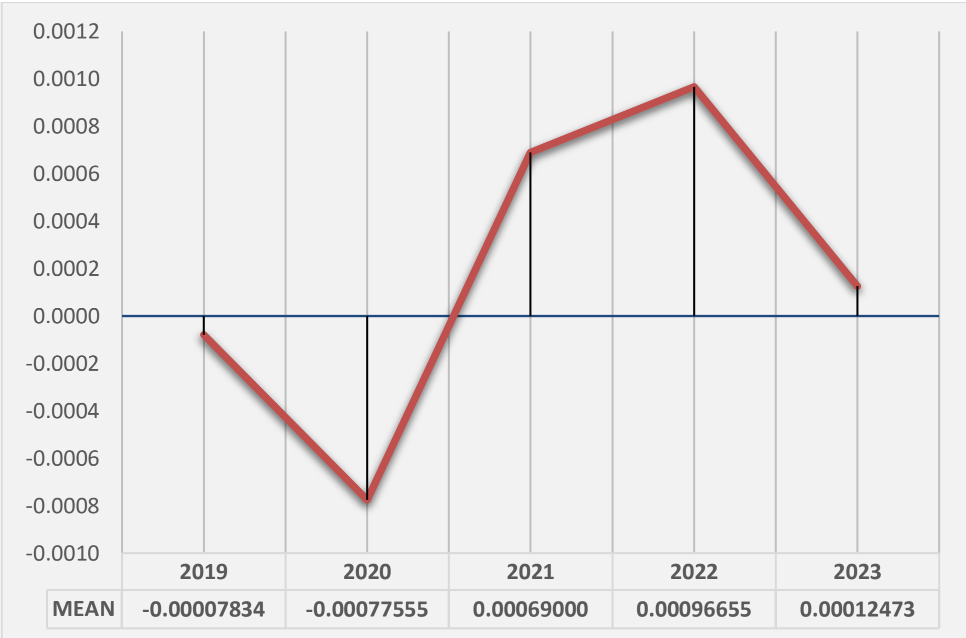


**Figure 2. Average Earnings Persistence in 2019-2023**

*Source:* Research Data, 2024

Based on the results of data processing, it is revealed that from 2019 to 2023 the highest average banking company earnings persistence is in 2022 with a value of 0.00096655 and the lowest average banking company earnings persistence is in 2020 with a value of -0.00077555. The earnings persistence of banking companies has decreased in 2020 when compared with 2019. Furthermore, the banking company's profit persistence experienced an increase from 2021 to 2022 and then decreased again in 2023.

**Table 4. Model Testing Results**

| Testing | Results | Conclusion |
|---|---|---|
| Chow Test | Prob>0.05 | CEM |
| Hausman Test | Prob>0.05 | REM |
| Lagrange Multiplier (LM Test) | Prob>0.05 | CEM |

*Source:* Research Data, 2024

Referring to the model testing results, it is found that the Common Effect Model (CEM) is the best model that can be applied in this study. Therefore, this study will apply the Common Effect Model (CEM) to multiple linear regression analysis to conduct analysis.

**Table 5. Normality Test Results**

| Testing | Results |
|---|---|
| Jarque-Bera | 1.319579 |
| Probability | 0.516960 |

*Source:* Research Data, 2024

Referring to the results of the normality test, the Probability value in this research model is 0.516960 which is greater than 0.05, so it can be stated that it passes the normality test.

**Table 6. Multicollinearity Test Results**

| | Correlation | | | |
|---|---|---|---|---|
| | X1 | X2 | X3 | X4 |
| X1 | 1.000 | -0.647 | -0.346 | -0.164 |
| X2 | -0.647 | 1.000 | 0.278 | 0.202 |
| X3 | -0.346 | 0.278 | 1.000 | -0.040 |
| X4 | -0.164 | 0.202 | -0.040 | 1.000 |

*Source:* Research Data, 2024

Referring to the results of the multicollinearity test using the Pair Wise Correlation Test, the correlation coefficient of each independent variable is smaller than 0.8, so it can be stated that it passes the multicollinearity test.

**Table 7. Heteroscedasticity Test Results**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 1.356 | 1.974 | 0.686 | 0.494 |
| X1 | 6.094 | 3.962 | 1.538 | 0.128 |
| X2 | -0.276 | 2.095 | -0.131 | 0.895 |
| X3 | 0.107 | 0.377 | 0.284 | 0.776 |
| X4 | -0.080 | 0.050 | -1.592 | 0.115 |

*Source:* Research Data, 2024

Referring to the results of the heteroscedasticity test, the Prob. value of each independent variable is greater than 0.05, so it can be stated that it passes the heteroscedasticity test.

**Table 8. Autocorrelation Test Results**

| Testing | Results |
|---|---|
| Durbin-Watson stat | 1.789687 |

*Source:* Research Data, 2024

Referring to the autocorrelation test, the Durbin-Watson value in this research model is 1.789687. Furthermore, with $k = 3$ and $n = 85$ from the Durbin-Watson value table $\alpha$ 5%, the dU value is 1.7470 and the 4-dU value is 2.2530. Therefore, by the requirements $dU < dW < 4\text{-}dU$ ($1.7470 < 1.789687 < 4\text{-}1.7470$) the result is $1.7470 < 1.789687 < 2.2530$. So, it can be stated that the data does not experience autocorrelation symptoms.

**Table 9. T Test Results**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -10.159 | 3.364 | -3.019 | 0.003 |
| X1 | -21.712 | 6.751 | -3.215 | 0.001 |
| X2 | 2.544 | 3.571 | 0.712 | 0.478 |
| X3 | 1.383 | 0.643 | 2.148 | 0.034 |
| X4 | 0.228 | 0.086 | 2.634 | 0.010 |

*Source:* Research Data, 2024

Referring to the results of hypothesis testing from the t-test, the probability (p-value) for the first hypothesis (H1) regarding managerial ownership is 0.0019, which is smaller than 0.05, with a negative coefficient of -21.71221. This indicates that managerial ownership has a significant negative impact on earnings persistence. Thus, H1 is rejected, as the relationship is negative rather than positive. These results suggest that an increase in managerial ownership reduces earnings persistence, whereas lower levels of managerial ownership contribute to higher earnings persistence. This finding is consistent with the research of Sihotang et al. (2023) and Pratomo & Nuraulia (2021), which also found a significant negative relationship between managerial ownership and earnings persistence.

Managerial ownership can negatively affect earnings persistence due to potential conflicts of interest between managers' personal financial goals and the company’s long-term objectives. Managers who hold company shares may prioritize short-term financial gains, such as profit-based bonuses, dividends, or stock price increases, rather than focusing on long-term business sustainability. Additionally, high levels of managerial ownership may reduce external oversight, as managers with significant shareholdings may weaken governance controls or limit transparency in financial reporting. This can encourage earnings management practices, artificially inflating short-term profits while undermining earnings quality. Such practices ultimately distort the reflection of a company’s true operational performance, making earnings difficult to sustain over time.

Based on the t-test results, the p-value for the second hypothesis (H2) concerning institutional ownership is 0.4782, which is greater than 0.05. This indicates that institutional ownership does not have a significant impact on earnings persistence. Consequently, H2 is rejected. This finding suggests that fluctuations in institutional ownership levels do not significantly influence earnings persistence. These results align with the studies of Huda & Winarsih (2024), Sukma & Triyono (2021), Dewata et al. (2016), Nurochman & Solikhah (2015), and Junawatiningsih & Harto (2014), which also found no significant relationship between institutional ownership and earnings persistence.

Institutional ownership may not significantly impact earnings persistence because some institutional investors prioritize short-term returns over long-term corporate stability. Many institutional investors, such as mutual funds or hedge funds, focus on immediate financial performance rather than ensuring sustainable profits. As a result, they may exert less pressure on management to maintain consistent earnings and instead encourage short-term earnings maximization strategies. Additionally, institutions with diversified investment portfolios may lack the incentive to actively oversee individual companies. This passive approach weakens their ability to influence corporate governance and financial reporting practices that contribute to earnings stability.

Referring to the t-test results, the p-value for the third hypothesis (H3) regarding ownership concentration is 0.0347, which is smaller than 0.05, with a positive coefficient of 1.383. This indicates that ownership concentration has a significant positive impact on earnings persistence. Thus, H3 is accepted. These results suggest that as ownership concentration increases, earnings persistence improves. Conversely, lower ownership concentration reduces earnings persistence. This finding is consistent with the research of Mbate & Sutrisno (2023), Junawatiningsih & Harto (2014), and Agostino et al. (2005), which also found a significant positive relationship between ownership concentration and earnings persistence.

Ownership concentration positively affects earnings persistence because majority shareholders are more motivated to closely monitor management, ensuring that company profits are well-managed and sustainable over the long term. Majority shareholders have a vested interest in enhancing firm value, as stable profits increase share value and provide consistent returns. Their strong oversight reduces opportunities for earnings management, which in turn improves the reliability and consistency of financial statements. Additionally, majority shareholders exert considerable influence over strategic decision-making, encouraging management to adopt long-term financial policies that enhance earnings stability and corporate governance.

Referring to the t-test results, the p-value for the fourth hypothesis (H4) concerning the audit committee is 0.0101, which is smaller than 0.05, with a positive coefficient of 0.228129. This indicates that the audit committee has a significant positive impact on earnings persistence. Thus, H4 is accepted. These results suggest that a larger audit committee enhances earnings persistence, whereas a smaller audit committee weakens it. This finding aligns with the research of Zainal et al. (2024), Sari (2021), Nurochman & Solikhah (2015), and Junawatiningsih & Harto (2014), which also found a significant positive impact of the audit committee on earnings persistence.

The audit committee contributes to earnings persistence by ensuring financial reporting quality and corporate transparency. Larger audit committees typically include diverse members with extensive expertise, enabling them to effectively monitor financial statements and internal controls. This enhances financial oversight, reducing opportunities for earnings manipulation and promoting accurate, reliable financial reporting. Stronger oversight reinforces investor confidence, ensuring that reported earnings reflect true operational performance. Additionally, audit committees deter managerial misconduct, encouraging managers to focus on sustainable financial performance rather than short-term earnings management. As a result, firms with effective audit committees tend to exhibit greater earnings stability and persistence over time.

**Table 10. F Test & $R^2$ Test Results**

| Testing | Results |
|---|---|
| F-statistic | 12.593 |
| Prob(F-statistic) | 0.000 |
| R-squared | 0.386 |
| Adjusted R-squared | 0.355 |

*Source:* Research Data, 2024

Referring to the F-test results, the probability (p-value) is 0.000000, which is smaller than 0.05, indicating that managerial ownership, institutional ownership, ownership concentration, and the audit committee collectively have a significant impact on earnings persistence.

Furthermore, the $R^2$ test results show an Adjusted R-squared value of 0.355705, indicating that managerial ownership, institutional ownership, ownership concentration, and the audit committee collectively explain 35.57% of the variation in earnings persistence among banking companies. The remaining 64.43% is influenced by other variables not included in this study.

These findings highlight the significant role of ownership structure and audit committee size in maintaining sustainable profits, which is crucial for both management and investors. Ownership structure—comprising managerial ownership, institutional ownership, and ownership concentration—affects decision-making processes and corporate oversight, ultimately influencing earnings persistence. Meanwhile, the audit committee's size, representing the number of committee members, plays a vital role in enhancing financial statement oversight and ensuring that reported earnings accurately reflect the company's financial position.

## CONCLUSION

Based on the data analysis conducted on 17 banking companies, the findings reveal that managerial ownership has a significant negative impact on earnings persistence, institutional ownership has no significant impact, and ownership concentration and the audit committee have a significant positive impact. Additionally, managerial ownership, institutional ownership, ownership concentration, and the audit committee collectively influence earnings persistence and account for 35.57% of earnings persistence among banking companies from 2019 to 2023. These results underscore the importance of corporate governance policies and ownership structures in enhancing earnings persistence and ensuring long-term financial sustainability.

This study contributes to addressing inconsistencies in prior research by utilizing a different sample and refining the purposive sampling criteria. However, this research has limitations, particularly due to the limited number of banking companies sampled from 2019 to 2023, which may affect the generalizability of the findings and the estimated relationships between variables. Future researchers are encouraged to explore alternative research focuses or modify purposive sampling criteria to obtain broader and more diverse data. Additionally, for the audit committee variable, future studies could employ different measurement approaches to better assess the quality and effectiveness of the committee's supervisory function.

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