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THE EFFECT OF CASH FLOW VOLATILITY AND EARNINGS PERSISTENCE ON CUMULATIVE ABNORMAL RETURN (CAR) OF FIRMS WITHIN THE FOOD AND BEVERAGES SUB-SECTOR LISTED ON THE INDONESIAN STOCK EXCHANGE

PENGARUH VOLATILITAS ARUS KAS DAN KETAHANAN LABA TERHADAP KEMBALIAN ABNORMAL KUMULATIF (CAR) PERUSAHAAN DALAM SUB-SEKTOR MAKANAN DAN MINUMAN YANG TERDAFTAR DI BURSA EFEK INDONESIA

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ABSTRACT

This study investigates the effect of cash flow volatility and earnings persistence on cumulative abnormal return (CAR) in manufacturing firms within the food and beverages sub-sector listed on the Indonesia Stock Exchange during the 2019–2022 period. Grounded in signalling theory and the efficient market hypothesis, this research employs a causal research design using secondary data obtained from publicly available financial statements and stock market information. A purposive sampling method was applied, resulting in 27 firm-year observations that met the predetermined criteria. Cash flow volatility is measured using the standard deviation of operating cash flows relative to total assets, while earnings persistence is estimated through a regression model of current earnings on prior-period earnings. CAR is calculated based on abnormal returns accumulated over a one-week window following financial statement announcements. The empirical analysis is conducted using multiple linear regression after satisfying classical assumption tests. The findings reveal that cash flow volatility does not have a significant effect on CAR, indicating that investors do not strongly react to fluctuations in operating cash flows. In contrast, earnings persistence has a positive and significant effect on CAR, suggesting that the market responds favourably to firms with stable and sustainable earnings. These results imply that earnings quality, as reflected by persistence, is more relevant than cash flow volatility in influencing market reactions within the Indonesian food and beverages sub-sector.

Keywords: *Cash Flow Volatility, Cumulative Abnormal Return, Earnings Persistence*

ABSTRAK

Penelitian ini mengkaji pengaruh volatilitas arus kas dan ketahanan laba terhadap pengembalian abnormal kumulatif (CAR) pada perusahaan manufaktur di subsektor makanan dan minuman yang terdaftar di Bursa Efek Indonesia selama periode 2019–2022. Berlandaskan teori sinyal dan hipotesis pasar efisien, penelitian ini menggunakan desain penelitian kausal dengan data sekunder yang diperoleh dari laporan keuangan yang tersedia secara publik dan informasi pasar saham. Metode sampling purposif diterapkan, menghasilkan 27 observasi perusahaan-tahun yang memenuhi kriteria yang telah ditentukan. Volatilitas arus kas diukur menggunakan simpangan baku arus kas operasional relatif terhadap total aset, sementara persisten laba diperkirakan melalui model regresi laba saat ini terhadap laba periode sebelumnya. CAR dihitung berdasarkan pengembalian abnormal yang terakumulasi selama jendela satu minggu setelah pengumuman laporan keuangan. Analisis empiris dilakukan menggunakan regresi linier berganda setelah memenuhi uji asumsi klasik. Temuan menunjukkan bahwa volatilitas arus kas tidak memiliki efek signifikan terhadap CAR, menunjukkan bahwa investor tidak merespons secara signifikan terhadap fluktuasi arus kas operasional. Sebaliknya, persisten laba memiliki dampak positif dan signifikan terhadap CAR, menunjukkan bahwa pasar merespons secara positif terhadap perusahaan dengan laba yang stabil dan berkelanjutan. Hasil ini menyiratkan bahwa kualitas laba, yang tercermin melalui persisten, lebih relevan daripada volatilitas arus kas dalam mempengaruhi reaksi pasar di subsektor makanan dan minuman Indonesia.

Kata Kunci: Volatilitas Arus Kas, Pengembalian Abnormal Kumulatif, Persisten Laba

INTRODUCTION

The capital market is an essential system for meeting firms' needs for capital funding and for facilitating transactions between individuals and entities through various financial instruments (Rahmah, 2019). In Indonesia, the concept of the capital market has been formally regulated under Undang-Undang Nomor 8 Tahun 1995 concerning the capital market. And over time, the capital market has evolved into a vital component for firms, individuals, and even the government in conducting transactions, allocating capital, and obtaining funds for business growth (Attijani, 2019).

In the capital market, information plays a pivotal role as it can influence the valuation of securities or stocks (Malkiel, 1991). Among that information, financial statements such as balance sheets, income statements, and cash flow statements can serve as primary sources of information for investors in evaluating a firm's performance and in making investment decisions (Darwis et al., 2022). This research will focus on information from two of those financial statements, namely the cash flow statement and the income statement.

In the cash flow statement, information regarding the cash transactions of a company is given. Within them, information about the volatility of the cash flow can be inferred. Cash flow volatility is particularly significant in assessing the quality of a firm's financial position. A highly volatile cash flow can increase operational uncertainty and may result in a less favourable investor assessment of the firm's stock (Saptiani & Fakhroni, 2020).

In addition to cash flow volatility, earnings persistence disclosed in the income statement represents another dimension of information, as it indicates the stability of earnings over time. Earnings quality can be reflected in the degree of earnings persistence, which provides reliable and useful information for stakeholders in their decision-making (Fanani, 2010). Persistent earnings suggest that a firm consistently generates adequate returns to sustain its operational activities, thereby demonstrating financial effectiveness and long-term growth potential. Firms exhibiting high earnings persistence often attract greater investor interest and experience increases in stock prices because investors perceive such firms as having stronger prospects and sustainable financial performance.

Market efficiency likewise depends on the quality of information related to firms' earnings and financing. An efficient market will respond appropriately to the arrival of new and relevant information, such as cash flow volatility and earnings persistence, which is consequently reflected in changes in stock prices (Sahetapy, 2023). Market efficiency can be assessed using the cumulative abnormal return (CAR) metric, where market reactions are captured through abnormal returns, the difference between the actual return and the expected return of an investment. The abnormal return can be in the form of positive abnormal returns (indicating favourable information) or negative abnormal returns (indicating unfavourable information) (Tandelilin, 2010).

This data from this research is taken from the food and beverages sub-sector in Indonesia. The food and

beverages sub-sector in Indonesia was chosen because this industry is a significant contributor to Indonesia's gross domestic product and has experienced significant growth during the past years (BPS, 2023). Therefore, this research aims to analyse the effect of cash flow volatility and earnings persistence on CAR within the food and beverages sub-sector in Indonesia.

LITERATURE REVIEW

Signalling Theory

According to (Spence, 1973), signalling theory states that one party conveys relevant information to another party, which then interprets this information and adjusts its behaviour accordingly. In a financial context, the signal may originate from various sources, including financial statements, managerial actions, or specific events occurring within the firm. Such information is considered relevant because it provides insight to the information recipients (e.g., investors) regarding the firm's condition or prospects. Signals are also a step taken by the management to indicate to investors their views about the firm's future performance (Karewur, 2016). This highlights the crucial role of management in communicating with shareholders and investors regarding corporate strategies, performance, and future projections.

Fundamentally, signalling theory focuses on how individuals or organisations use specific signals to reduce information asymmetry between parties engaged in economic transactions or interactions. The concept of signalling reflects the importance of the information conveyed by firms to the market and investors. Firms communicate signals not only through financial reports but also through various actions, decisions, and communications that may shape investor perceptions and decision-making. This underscores the importance of transparency, consistency, and trust in the relationship between firms and financial markets.

Efficient Market Hypothesis

The Efficient Market Hypothesis was proposed by (Fama, 1970), who stated that an efficient market tends to reflect available information quickly and accurately. Conversely, an inefficient market provides biased or unreliable information, potentially affecting investors' decision-making (Wiryaningtyas, 2016). An efficient market creates an environment where investors must act quickly and rationally in making investment decisions.

(Fama, 1970) divides market efficiency into three forms

1. *Weak form*: Asset prices reflect all available historical information, such as past prices and trading volume. Consequently, technical analysis cannot yield abnormal profits because all historical information has already been incorporated into prices.
2. *Semi-strong form*: Asset prices reflect all publicly available information, such as financial statements and market news. Therefore, neither fundamental nor technical analysis can consistently generate excess returns because all public information is already embedded in asset prices.
3. *Strong form*: Asset prices reflect all information, both public and private (including insider information). Under this form, no type of analysis can produce

abnormal returns because all information is already reflected in prices.

Capital Market

The capital market refers to a venue for trading securities, commonly called the stock exchange. A stock exchange is an organised system that connects buyers and sellers of securities, either directly or indirectly (Muklis, 2016). Additionally, the capital market facilitates the transfer of funds from investors to issuing companies. Investors will then expect compensation for providing their funds that were invested in the firm (Linanda & Afriyenis, 2018).

In the capital market, firms, individuals, and governments may transact and allocate capital through various financial instruments to obtain funding for innovation and business growth (Attijani, 2019). A wide range of financial instruments can be traded among investors in the capital market, including stocks, bonds, derivatives, commercial papers, mutual funds, and other instruments (Permata & Ghoni, 2019). All of these are regulated by Indonesia through Undang-Undang Nomor 8 Tahun 1995 concerning capital markets.

Stocks

A stock represents evidence of ownership, indicating that an individual or entity holds a portion of ownership in a company (Muklis, 2016). Stock prices are the values assigned when stocks are traded on the exchange at a given time, determined by market participants based on supply and demand conditions (Hartono, 1998). Stock prices can also serve as an indicator of managerial performance or the condition of the company. Thus, stock prices mirror investors' and market perceptions regarding the firm's performance, prospects, and risk profile. Rising stock prices benefit shareholders, whereas declining prices impose losses.

Cumulative Abnormal Return (CAR)

The capital market operates within a dynamic environment characterised by complex interactions among investors, information, and financial instruments (Mulya & Ritonga, 2017). To analyse how investors or the market respond to specific events or information, CAR is commonly used as a measurement indicator in financial and capital market research. CAR itself represents an indicator used to evaluate the impact of events or information on stock prices (Handoko & Sholichah, 2019). It captures the magnitude of the market's response to published information.

CAR is measured by accumulating abnormal returns, calculated as the difference between actual return and expected return over a given period (Tandelilin, 2001). Expected return represents what investors anticipate, while actual return reflects realised performance. CAR is negative when the actual return is lower than expected, and positive when the actual return exceeds the projected return. Expected returns are estimated by multiplying the market return by beta, plus the firm's alpha, while actual returns are determined by comparing current stock prices with previous prices (Munthe, 2017).

The market will respond positively when firm earnings reflect favourable conditions and negatively when earnings reflect unfavourable

conditions (Handoko & Sholichah, 2019). This is due to that high earnings may indicate strong growth, operational efficiency, or successful strategies, prompting investors to increase demand for the firm's stock, potentially resulting in higher stock prices as reflected in positive CAR values.

Financial Statements

Financial statements represent the final output of a sequence of recording and summarising business transactions (Hery, 2015). Their primary objective is to provide the results of the accounting process as a means of communicating financial data and corporate activities to interested parties. Thus, financial statements serve as an information tool that connects the firm with stakeholders by reflecting its financial condition, performance, and potential development. Financial statements are also particularly important in the capital market for investors to help in assessing corporate progress and in making an informed decision (Darwis et al., 2022). This research will focus on two of the financial statements, namely, the cash flow statement and the income statement.

Cash Flow Volatility

The cash flow statement provides essential information about the inflows and outflows of cash during a specific period. This statement classifies transactions into three major activities: operating, investing, and financing. In essence, a cash flow statement illustrates how funds move into and out of the company through its operational performance, financing decisions, and investment activities (Harahap, 2006).

Meanwhile, cash flow volatility refers to the degree of fluctuation or variability in a firm's cash flow distribution (Dechow & Dichev, 2002). It indicates the extent of changes or movements in operating cash flow over a specific period (Nahak et al., 2021). Cash flow volatility is important because it can significantly affect a firm's ability to manage finances and meet its financial obligations.

High cash flow volatility makes predictions difficult, increases operational uncertainty, and may cause investors to assign lower valuations to firms experiencing such volatility. This uncertainty may hinder financial planning and business strategies, leading investors to question the firm's future performance. Ideally, cash flows should be stable because high volatility is associated with greater financial risk, including difficulties in debt repayment, inadequate operating funds, or challenges in executing business strategies (Hastutiningtyas & Wuryani, 2019).

Cash flow volatility can be measured by dividing the standard deviation of operating cash flows by total assets. A larger ratio indicates higher volatility relative to firm size, while a smaller ratio indicates greater stability.

Earnings Persistence

An income statement reflects the output of business activities over a specific period (Kasmir, 2014). It records revenues and expenses incurred during an accounting period to determine net income or loss. Thus, an income statement provides insight into the firm's financial performance and operational efficiency during that period (Brigham & Houston, 2001).

Meanwhile, earnings persistence refers to the ability of earnings to consistently and repeatedly predict future earnings (Sunarto, 2010). It indicates how stable and sustainable a firm's earnings are over time. Stable earnings are less affected by random disturbances and therefore provide a more accurate representation of financial performance (Wijayanti, 2006). Thus, earnings persistence reflects the sustainability of the firm's financial effectiveness.

According to Tucker and Zarowin (2006), higher earnings persistence reflects greater informativeness, while inconsistent earnings reduce informativeness. Persistent, high-quality earnings help explain and predict stock prices and returns. Conversely, low-quality earnings may mislead users such as shareholders and creditors, resulting in poor decision-making and a potential decline in firm value.

Cash Flow Volatility, Earnings Persistence, and Cumulative Abnormal Return (CAR)

Information obtained from the capital market must be relevant to the current conditions and actual situation of a firm, as it directly influences stock prices (Malkiel, 1991). Such information is primarily conveyed through financial statements, which serve as a crucial source of information in capital markets for assessing corporate performance and supporting the decision-making process (Darwis et al., 2022).

The cash flow statement reflects fluctuations in cash inflows and outflows from one period to another. Although cash flows naturally fluctuate across periods, these fluctuations generally do not change significantly within a short time horizon. However, when a firm's operating cash flows experience drastic and persistent changes, such conditions may indicate that cash flows no longer represent the firm's underlying economic reality. Moreover, high cash flow volatility reduces predictability, thereby increasing operational uncertainty and leading investors to assign less favourable valuations to firms with highly volatile cash flows. Consequently, sound cash flow management is characterised by stable and consistent cash flows, as high volatility in cash flows is associated with greater risk exposure (Hastutiningtyas & Wuryani, 2019).

The income statement also provides information regarding earnings persistence, which enhances the reliability of financial information for users (Fanani, 2010). Persistent earnings are defined as earnings that are sufficiently stable to support ongoing operational needs, indicating that the firm is able to maintain financial effectiveness and sustain growth. Firms with high earnings persistence signal consistent profitability, which may attract investors and increase stock prices, as investors perceive such firms to have favourable prospects and strong financial sustainability.

The degree of market efficiency influences how information related to corporate earnings and financing activities affects stock prices. An efficient market responds appropriately to new and relevant information, such as cash flow volatility and earnings persistence, thereby reflecting stock values that are consistent with available market information (Hartono, 2005). Variables such as CAR are commonly used to measure market efficiency by

capturing market reactions to good or bad news. CAR is calculated as the difference between actual returns and expected returns (Tandelilin, 2010). This measure provides insight into how the market processes new information over a specific period, thereby reflecting market efficiency and investors' interpretation of firm value.

Prior research was done on this topic by (Marlina & Haryanto, 2018), who examined the effects of cash flow components and net income on stock prices of insurance companies listed on the Indonesia Stock Exchange from 2010 through 2014. Their findings indicate that operating cash flow has a positive and significant effect on stock prices, whereas investing and financing cash flows have negative but insignificant partial effects. Additionally, net income exhibits a positive but insignificant partial effect on stock prices. However, when examined simultaneously, operating, investing, and financing cash flows, along with net income, have a significant effect on stock prices. In contrast, Almira (2021) investigated the impact of cash flows and earnings on stock prices of pharmaceutical firms listed on the Indonesia Stock Exchange during 2020-2021. The results show that cash flows have a positive but insignificant effect on stock prices, while earnings have a positive and significant effect. These mixed findings across different industries suggest that the relationship between cash flow, earnings, and market reactions varies depending on industry characteristics. Therefore, the hypotheses and the conceptual framework of this research are as follows:

H1: Cash flow volatility has a significant effect on cumulative abnormal return in the food and beverages sub-sector in Indonesia

H2: Earnings persistence has a significant effect on cumulative abnormal return in the food and beverages sub-sector in Indonesia

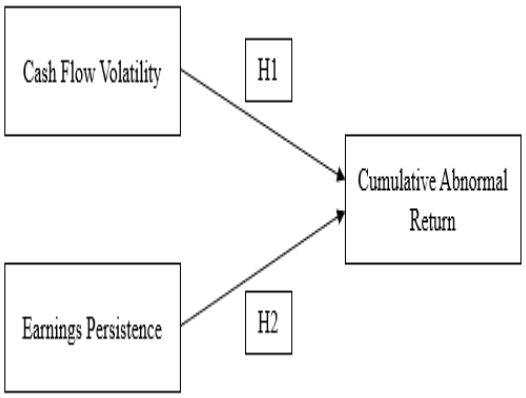

Figure 1. Conceptual Framework

RESEARCH METHOD

Population and Sample

The population of this study is firms that are part of the food and beverages sub-sector within the manufacturing industry in Indonesia. Furthermore, purposive sampling was applied in this study. The selection criteria include: (1) firms are listed on the Indonesia Stock Exchange during 2019-2022; (2) firms that conducted an Initial Public Offering no later than 2015; and (3) firms with complete and available data for all variables examined in this study. Based on these criteria, a total of 27 firm-year observations were obtained as the final sample. Meanwhile, the data used in this study were secondary data obtained from sources such as the official site of Bursa Efek Indonesia, firms' websites, and an online database of stock prices.

Research Variables – Cash Flow Volatility

Cash flow volatility is measured

using the following formula (Lutfiyah, 2016):

$$CFV_{i,t} = \frac{\sigma(OCF_{i,t})}{TA_{i,t}}$$

Where:
CFV : cash flow volatility
σ : standard deviation
OCF : operating cash flow
TA : total assets
i : firm
t : year

A higher value indicates greater fluctuations in operating cash flows around their mean, reflecting higher cash flow volatility. Conversely, a lower standard deviation value indicates lower fluctuations or volatility in cash flows, suggesting more stable cash flow patterns relative to their average value. A standard deviation that equals zero indicates no variation in cash flows, implying that cash flows remain constant from one period to another.

Research Variables – Earnings Persistence

Earnings persistence is measured by examining the extent to which the slope coefficient of the regression of after-tax earnings in year *t* is associated with after-tax earnings in the previous year (Fitriati, 2019). The model is specified as follows:

$$E_{i,t} = \beta_0 + \beta_1 E_{i,t-1} + \varepsilon_{i,t}$$

Where:
E : after-tax earnings in year t
E : after-tax earnings in year t-1
β_0 : standard deviation
β_1 : earnings persistence coefficient
i : firm
t : year

The calculation of earnings persistence is based on after-tax earnings data for the previous five years. A persistence coefficient that is larger than 1 indicates that the firm's earnings exhibit a high level of persistence. If the persistence coefficient is between 0 and 1, earnings are considered persistent. However, if the persistence coefficient is lower than 0, the firm's earnings are classified as volatile or non-persistent.

Research Variables – Cumulative Abnormal Return

The cumulative abnormal return in this research is calculated by following these five steps. Finding the stock return, the market return, the expected return, the abnormal return, and lastly the cumulative abnormal return (Marsheilla, 2021). The steps are as follows:

(1) Stock Return

$$R_{i,t} = \frac{P_{i,t} - P_{i,t-1}}{P_{i,t-1}}$$

(2) Market return

$$R_{m,t} = \frac{IHSG_{m,t} - IHSG_{m,t-1}}{IHSG_{m,t-1}}$$

(3) Expected return

$$E(R_{i,t}) = \alpha_i + \beta_1 R_{m,t} + \varepsilon_{i,t}$$

(4) Abnormal return

$$AR_{i,t} = R_{i,t} - E(R)_{i,t}$$

(5) Expected return

$$CAR = \sum_{t=1}^{n} AR_{i,t}$$

Where:
R_i : stock return
P : stock price
R_m : market return
IHSG : closing value of the Indonesia composite index (IHSG)
E(R) : expected return
AR : abnormal return
CAR : cumulative abnormal return
n : number of stock observations, calculated using a cumulative event window of one week following the financial statement announcement.

i : firm
m : market
t : day

Research Model

This study employs a multiple linear regression model, which is estimated using the equation below:

$$CAR = \alpha + \beta_1 CFV + \beta_2 EP + \varepsilon$$

Where:
CAR : cumulative abnormal return
CFV : cash flow volatility
EP : earnings persistence

Before conducting the statistical analysis, normality test, multicollinearity test, and heteroscedasticity test were conducted. The result of the classical assumption test finds that there is no problem with the data.

FINDINGS AND DISCUSSION

Descriptive Analysis

The descriptive statistics are presented in Table 1. Cash flow volatility (CFV) has a minimum value of 0.01, a maximum value of 0.19, and a standard deviation of 0.04452, indicating that firms within the food and beverages sub-sector have a wide dispersion of CFV values. Ranging from relatively stable cash flows with minimal fluctuations to substantial fluctuations in operating cash flows over the observed period. Meanwhile, the mean number of 0.0585 indicates that, on average, the firms observed have a relatively low cash flow fluctuation.

Table 1
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CFV	27	0.01	0.19	0.0585	0.04452
EP	27	-0.63	3.71	0.4778	0.91314
CAR	27	-78.23	140.82	6.6437	39.0071

Source: Processed data

Another independent variable, namely the earnings persistence, has a minimum value of -0.63 over the analysed period, indicating that some firms experienced inconsistent earnings or even losses in certain years. The maximum value of 3.71 indicates that some firms have shown highly persistent earnings and even substantial earnings growth. The standard deviation of 0.91314 indicates considerable variability in earnings persistence, reflecting notable fluctuations between firms' earnings performance. Lastly, a mean of 0.4778 suggests that, on average, firms' earnings tend to be persistent or show an upward trend during the observation period.

The CAR has a minimum value of -78.23 per cent during the analysed period, indicating that some firms experienced significant negative abnormal returns. This may reflect firm performance falling below market expectations or the impact of adverse events. Meanwhile, the standard deviation of 39.0071 per cent reflects a high degree of variability in CAR. With a maximum value of 140.82 per cent, it suggests that some firms' performance exceeds market expectations and experienced a substantial positive abnormal return. The mean value of 6.6437 per cent indicates that, on average, firms have a positive abnormal return over the observation period.

Results and Discussions

The result of the statistical analysis is presented in Table 2. Based on the F-test result, all independent variables jointly have a significant effect on the dependent variable. This is evidenced by a probability value of 0.13, which is less than the significance level of 0.05, indicating that the research model is statistically acceptable.

Table 2
Statistics Result

Model	Coefficients	Sig.
Constant	-11.632	0.373
CFV	109.540	0.491
EP	24.813	0.004*
F-Value	5.214	0.013*
Adjusted R^2	0.245	
Dependent Variable	CAR	

Source: Processed data

The first hypothesis (H1) states that cash flow volatility (CFV) has a significant effect on cumulative abnormal return (CAR). However, the t-test result in Table 2 yields a significant value of 0.491, which is greater than the 0.05 significance level. Therefore, it can be concluded that cash flow volatility does not have a significant effect on CAR. Accordingly, H1 is rejected.

These findings are consistent with (Almira, 2021), who reports that cash flow does not have a significant effect on stock prices in pharmaceutical firms. This may be because information related to cash flow volatility does not always directly correspond to firm performance or investment decisions. Prior authors have mentioned that other factors may receive greater attention from investors include earnings persistence such as earnings persistence (Ramadanti & Rahayu, 2019), dividend policy (Rahayu & Wardana, 2021), financial ratios (Visanti, 2021), and other firm-specific indicators.

Additionally, cash flow volatility may reflect the impact of the COVID-19 pandemic. Economic uncertainty and significant fluctuations in corporate cash flows across various sectors made it difficult for firms to maintain operational stability. At the same time, investors had already formed expectations regarding these market conditions. Consequently, the performance of the Indonesian capital market in 2021 showed improvement, as reflected in market stability, increased capital fundraising, and a record number of retail investors (Ulhaqqi et al., 2023). Therefore, cash flow volatility did not exert a significant influence on CAR during the observation period.

Meanwhile, the second hypothesis (H2) states that earnings persistence (EP) has a significant effect on cumulative abnormal return (CAR). Referring to Table 2, the t-test results for earnings persistence

yield a significance value of 0.004, which is less than the 0.05 significance level. This indicates that earnings persistence has a highly significant effect on CAR. Therefore, H2 is accepted.

This finding is consistent with (Ramadanti & Rahayu, 2019), who find that earnings persistence has a positive effect on the earnings response coefficient, indicating a positive market reaction to earnings persistence information. The results are also consistent with (Amalia et al., 2014), who find that earnings have a positive effect on stock abnormal returns.

Moreover, these findings align with signalling theory, which posits that firms convey relevant information to information recipients through financial disclosures (Spence, 1973). Higher earnings persistence enhances the informativeness of earnings for the market, enabling investors to make more accurate projections regarding firm performance. Persistent earnings signal that a firm is consistently able to maintain its financial performance, thereby eliciting a favourable market response.

SUMMARY AND RECOMMENDATIONS

This study examines the effect of cash flow volatility and earnings persistence on cumulative abnormal return within the food and beverages sub-sector listed on the Indonesia Stock Exchange during the 2019-2022 period. Using a causal research design and purposive sampling, the findings indicate that cash flow volatility does not have a significant impact on CAR, suggesting that investors do not primarily rely on cash flow volatility when reacting to financial information. In contrast, earnings persistence has a significant positive effect on CAR, implying that the market responds favourably to firms that demonstrate stable and sustainable earnings performance, consistent with signalling theory and prior empirical evidence.

This research is, however, limited by the variables analysed and the samples chosen. Future research is encouraged to expand the analytical model by incorporating additional firm-specific, industry-related, and macroeconomic variables such as earnings growth, dividend policy, financial ratios, competitive positioning, economic conditions, and other variables that may influence CAR. Subsequent studies may also consider including investing and financing cash flows to capture a more comprehensive view of cash flow information. In addition, comparative analysis across different industries and subsectors, as well as approaches examining changes over time, may provide deeper insights into how the relationship between cash flow volatility, earnings persistence, and CAR evolves under varying market conditions.

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