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THE EFFECT OF PROFIT CHARACTER ON COMPANY MARKET VALUE IN COMMUNICATION SERVICES SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE IN THE 2016-2025 PERIOD

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Abstract:
Purpose – This study examines the influence of earnings characteristics, cash flow from operation (CFO), and net income (NI) on the market value of companies in the Communication Services industry listed at Indonesia Stock Exchange for the period of 2016–2025.
Methodology – The quantitative causal research design is applied in this paper. Purposeful sampling was done and 174 firm-year observations were obtained. Multiple linear regression model was used where two dummy variables represent the earnings characteristics while the condition CFO < NI and TA < NI represents the reference category.
Findings – CFO is the only variable showing positive and significant relationship with firm market value. The earnings characteristic dummy variables (D1 and D2) and NI are not significant on their own. Nevertheless, the independent variables have joint significance. It can be concluded that investors value the performance of cash flow from operation when analyzing financial information.
Originality/value – This study adds empirical insight about the relevance of earnings characteristics, CFO, and NI for firm market value in the Communication Services industry in Indonesia. Dummy variable categorization based on relations between CFO, NI, and total accruals (TA) allows differentiating the earnings composition.

Keywords: Earnings Characteristics; Cash Flow from Operations; Net Income; Firm Market Value; Communication Services

INTRODUCTION

Information on earnings is one of the accounting disclosures that investors analyze when evaluating corporate performance and prospects. However, reported earnings may not necessarily depict a complete picture of a corporation's economic situation due to the use of accrual accounting, which involves management's estimates and judgments. This is why investors not only look at the level of earnings but also at the characteristics of the earnings. The usefulness of accounting information lies in its relevance and faithful representation of economic events for making decisions (Kieso, Donald E. and Weygandt, 2016).

According to Dechow and Schrand (2004), the analysis of the characteristics of reported earnings must take into account the cash and accrual components of reported earnings. In the current paper, the characteristics of earnings are analyzed based on the correlation between net income (NI), cash flow from operations (CFO), and total accruals (TA). NI stands for a company's reported earnings; CFO reflects the ability of a firm to earn money from its operating activities, while TA is the accrual component of earnings.

Based on Signaling Theory, earning information is a signal that is sent by management of a company with regard to financial situation and prospects of the organization. Information of this

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kind is evaluated by investors prior to decision-making. Operating cash flows backed by earnings send positive signals with regard to ability of the company to create money flow through main activities. Moreover, Value Relevance Theory states that accounting information is relevant if it has impact on decisions made by investors and is incorporated in market valuation. Therefore, earnings' features, CFO, and NI may affect firm's market value.

Communication services were chosen due to the fact that advances in information technologies, digitalization, and growing demand for communication services have increased competition and investments needed in the industry. Investor confidence plays an important role in sustainability of the companies. Even though companies operate in the same sector, they can have different market valuations. For instance, the price per share at the end of the period of TLKM stock was decreased from IDR 3,980 in 2016 to IDR 3,310 in 2020 and then increased to IDR 3,480 in 2025. ISAT had its share price decreased from IDR 6,450 in 2016 to IDR 5,050 in 2020 and IDR 2,320 in 2025. Meanwhile, PT XL Axiata Tbk (EXCL) fluctuated from IDR 2,310 in 2016 to IDR 2,730 in 2020 and IDR 2,250 in 2024, before reaching IDR 3,750 in 2025. These movements illustrate differences in market assessments among companies operating in the same sector.

Previous studies exploring the relationship between earnings information and firm value have yielded inconsistent results. Ade et al. (2021) and M. Robbani (2025) found that there is a positive relationship between earnings quality and firm value, while Wardani & Dewanti (2022) found a negative relationship. On the other hand, Tanjung et al. (2025) did not find any significant impact, while Octora et al. (2024) found that accounting earnings and cash flow influence market reaction. Meanwhile, Anggraini et al. (2024) found that there was no effect from earnings management on firm value.

Previous studies have considered earnings information in terms of earnings quality and earnings management only. The relationship between earnings information and its effect on market value is not thoroughly explored, especially with the use of the characterization of earnings based on the relationships among NI, CFO, and TA, as well as testing CFO and NI separately against firm market value which is defined by closing stock price in communication service industry. Hence, this study investigates the effects of earnings characteristics, CFO, and NI on the market value of communication services firms traded in Indonesia Stock Exchange in 2016-2025.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Signaling Theory

The theory of Signaling has been proposed by Spence (1973) to explain the phenomenon of information asymmetry, where one party has more information compared to another. In a business environment, the management has more information regarding the state and future of the firm compared to that of investors. Hence, investors perceive the information provided by a firm as a signal while assessing the performance and future of the firm and making investment decisions (Brigham & Houston, 2019).

The information in financial statements, especially earnings, and cash flows is an example of such signals. The information considered in this study includes the earnings characteristics that can be obtained from the relation between NI, CFO, and TA, as well as the NI and CFO as independent variables. Such measures could be helpful for investors to assess the state and performance of the firm and how the market responds in terms of firm market value represented through closing stock prices. Thus, Signaling Theory explains the effects of earnings characteristics, NI, and CFO on firm market value.

Value Relevance Theory

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According to Value Relevance Theory, information is considered to be value relevant if it is useful in helping investors evaluate companies and make decisions on investments. Earnings and book value of equity have the ability to explain the market value of firms according to Ohlson (1995). Based on this theory, Kuswanto et al. (2017) define accounting information as value relevant when the information can explain and predict market valuations.

In this research, value relevance is used in relation to earnings characteristics which are generated from the connection between NI, CFO, and TA, as well as individual earnings measures (NI and CFO). This information can be used by investors to assess the financial status and performance of companies. This will be shown by the market valuation which is represented in closing stock prices.

Earnings Characteristics

Earnings are important accounting information used by investors and creditors to evaluate corporate performance and prospects. However, reported earnings may not fully represent economic conditions because accrual accounting requires estimates and managerial judgments. Understanding the components underlying earnings is therefore necessary when evaluating the informational content of accounting profit (P. M. Dechow & Schrand, 2004).

In this study, earnings characteristics refer to the composition of reported earnings as reflected in the relationship among NI, CFO, and TA. This definition follows the decomposition of earnings into operating cash flow and accrual components, expressed as follows:

$$TA = NI - CFO$$

CFO is the cash flow of operations, while TA refers to accruals caused by the timing difference between income recognition and actual receipt and between expense recognition and actual payment. Through the accrual accounting system, earnings can be based on economic events that may not be fully reflected through operating cash flows (Dechow & Schrand, 2004; Dechow et al., 2010).

Earnings characteristics categories utilized in this study are defined via the connection among NI, CFO, and TA. The earnings characteristic categories are operational categories developed specifically for this research and not typologies of any theory. There are three situations as described below.

1. CFO > NI

When CFO exceeds NI, operating cash flows are greater than reported net income. Under the identity TA = NI − CFO, this condition produces negative TA, indicating that reported earnings are supported by actual cash flows rather than positive accruals. Dechow et al. (2010) explain that accounting earnings and operating cash flows provide complementary information for evaluating corporate performance.

2. TA > NI

When TA exceeds NI, total accruals are greater than reported net income. Given TA = NI − CFO, this condition implies negative CFO: the company experiences net operating cash outflows despite reporting earnings. Sloan (1996) finds that accruals are less persistent than cash-flow components; consequently, the size of accruals warrants consideration when assessing whether current earnings reflect future performance.

3. CFO < NI and TA < NI

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When both CFO and TA are lower than NI, reported earnings reflect a combination of operating cash flows and accrual accounting. Thus, earnings incorporate not only realized cash transactions but also the recognition of revenue and expenses under the accrual basis.

Net Income (NI)

Net Income (NI) is defined as the remaining profits after all expenses have been subtracted from the total revenue for the accounting period. Under the accrual basis accounting system, revenue is recognized when it is earned and expense when it is incurred irrespective of whether the payment has been made or received (Kieso, Donald E. and Weygandt, 2016). NI thus offers information on the performance of the company during the reporting period.

For the purpose of investment decision-making, investors analyze the NI to evaluate profitability and prospects of a company. In this study, NI is an independent variable that will be derived from the annual income statements of communication service firms listed at the Indonesia Stock Exchange in the period 2016-2025. It will be used in the analysis of its relationship with the market value of the firm measured by the closing price.

Cash Flow from Operations (CFO)

Cash flows from operations (CFO) include the cash flows that are generated from the main revenue generating activities of a business. Operating cash flows are said to show the ability of the company to generate cash from its main activities according to Kieso, Donald E. and Weygandt (2016). The cash flows complement accounting earnings because it can reveal the capacity to settle financial obligations, fund operations, distribute dividends, and support investment without excessive dependence on external financing.

In this study, CFO is an independent variable obtained from the annual cash-flow statements of communication services companies listed on the Indonesia Stock Exchange during 2016–2025. The variable is examined for its effect on firm market value proxied by the closing share price, on the premise that cash-generating capacity informs investors about a company's financial condition and prospects.

Firm Market Value

Firm market value represents investors' assessments of a company's current performance and future prospects. Brigham and Houston (2019) explain that market share prices reflect investors' expectations concerning a company's capacity to create future value. Such assessments may be influenced by disclosed accounting information, including earnings characteristics, NI, and CFO.

Firm market value is treated as the dependent variable and is proxied by the closing share price at the end of each observation year. The closing price reflects the market valuation emerging from the interaction of demand and supply. This measure is used to examine the effects of earnings characteristics, NI, and CFO among communication services firms listed on the Indonesia Stock Exchange during 2016–2025.

Hypothesis Development

Earnings characteristics describe the composition of earnings through the relationship among NI, CFO, and TA. Under Signaling Theory, investors may interpret these characteristics as indicators of corporate condition and prospects. Earnings supported by operating cash flow may signal the ability to generate cash through core business activities, whereas accrual components represent earnings not immediately accompanied by cash movements.

Prior empirical findings remain inconsistent. Ade et al. (2021) and M. Robbani (2025) report that earnings quality positively affects firm value, whereas Wardani and Dewanti (2022) find a

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negative effect. Tanjung et al. (2025) report no significant association. These differences, together with the operational approach to earnings characteristics adopted here, provide the rationale for further testing.

H1: Earnings characteristics affect the market value of communication services companies listed on the Indonesia Stock Exchange during 2016–2025.

CFO represents a co3mpany's ability to generate cash through its operating activities. From the perspective of Signaling Theory, CFO disclosures may provide investors with information about the condition of core business operations. Value Relevance Theory further suggests that accounting disclosures are relevant when they assist investment decisions.

Octora et al. (2024) report a negative association between cash flows and market reactions. However, that study examines a different dependent variable and industry sector. The present research therefore tests the effect of CFO on firm market value proxied by closing share prices in the communication services sector.

H2: Cash flow from operations (CFO) affects the market value of communication services companies listed on the Indonesia Stock Exchange during 2016–2025.

Net income (NI) is an accounting measure of a company's earnings during a reporting period. In Signaling Theory, earnings disclosure may serve as a signal concerning corporate performance and prospects. Under Value Relevance Theory, earnings are value-relevant to the extent that they contribute to investors' evaluations of a company.

Octora et al. (2024) find that accounting earnings have a significant positive effect on market reactions. Nevertheless, research on the relationship between earnings information and firm value remains mixed. The separate effect of NI on closing-share-price-based market value in the communication services sector therefore warrants further investigation.

H3: Net income (NI) affects the market value of communication services companies listed on the Indonesia Stock Exchange during 2016–2025.

METHODS

Research Design, Population, and Sample

The present research employs a quantitative causal research design to examine the influence of earnings attributes, NI, and CFO on firm market value. It is an example of archival research that uses secondary data sourced from the annual financial statement and annual report of communication service firms listed on Indonesia Stock Exchange (IDX) from 2016 to 2025. Data was collected from the IDX website and official websites of the concerned firms and analyzed using statistical methods to test the research hypothesis.

The study population includes all the communication service firms listed at the IDX from 2016 to 2025. While the population refers to the overall set of observations of interest, the sample represents the subset chosen for analysis (Pujiono et al., 2023). Purposive sampling was used according to criteria appropriate for the research objective (Sugiyono, 2019). Companies eligible for inclusion in the sample must have been listed in the observation period, issued annual reports, remained listed throughout the observation period and provided data about the market, NI, CFO, and other financial measures.

Applying these criteria resulted in a sample of 21 companies. PT Smartfren Telecom Tbk (FREN) was excluded because it was delisted in 2025. Firms listed after 2016 were retained when

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relevant data were available, with their observation periods beginning in the corresponding listing years. The 2016–2025 dataset consequently comprises 174 firm-year observations.

Operational Definitions of Variables

The model includes one dependent variable, firm market value, and three sets of independent measures: earnings characteristics, NI, and CFO.

1. Earnings Characteristics (X_1)

Earnings characteristics are measured using the relationships among NI, CFO, and TA, following the conceptual approach of Dechow and Schrand (2004). Two dummy variables are defined: D1 equals 1 when CFO > NI and 0 otherwise, while D2 equals 1 when TA > NI and 0 otherwise. The condition CFO < NI and TA < NI serves as the regression reference category.

The measurement rules for the dummy variables are presented below.

$$D_1 = \begin{cases} 1, jika\ CFO > NI \\ 0, selainnya \end{cases}$$

$$D_2 = \begin{cases} 1, jika\ TA > NI \\ 0, selainnya \end{cases}$$

2. Net Income (X_2)

Net income (NI) represents earnings after all expenses, including taxation, are deducted within the reporting period (Kieso, Donald E. and Weygandt, 2016). It is measured using the net income reported in each company's annual income statement.

3. Cash Flow from Operations (X_3)

Cash flow from operations (CFO) represents net cash generated by the company's operating activities during the reporting period (Kieso, Donald E. and Weygandt, 2016). It is measured using the operating cash flow disclosed in the annual statement of cash flows.

4. Firm Market Value (Y)

Firm market value reflects investors' assessments in the capital market. It is proxied by each firm's closing share price (CP) at the end of the observation year, based on its share-trading data.

Data Analysis Techniques

IBM SPSS was used to perform quantitative analysis. The dataset was examined using descriptive statistics and multiple linear regression. Model diagnostic tests and hypothesis tests were subsequently performed to evaluate the relationships of earnings characteristics, NI, and CFO with firm market value.

The multiple linear regression equation used in this study is presented as follows:

$$LnMV = \beta_0 + \beta_1 D_1 + \beta_2 D_2 + \beta_3 LnNI + \beta_4 LnCFO + \varepsilon$$

$LnMV$ = Firm market value (closing share price) transformed using the natural logarithm.
β_0 = Constant.
$\beta_1, \beta_2, \beta_3, \beta_4$ = Regression coefficient.
D_1 = Earnings-characteristic dummy for CFO > NI.
D_2 = Earnings-characteristic dummy for TA > NI.
$LnNI$ = Net income transformed using ln(abs).
$LnCFO$ = Cash flow from operations transformed using ln(abs).

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ε = Error term.

The classical assumption tests comprise the Kolmogorov–Smirnov normality test, the Durbin–Watson autocorrelation test, tolerance and variance inflation factor (VIF) diagnostics for multicollinearity, and the Glejser test for heteroscedasticity. An F-test is used to assess the joint effects of the independent variables, while t-tests examine their individual effects.

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std . Deviation
MV	174	45	43875	3002,20	6283,573
NI	174	-4414102000000	33948000000000	2104310129105,87	6940234153653,447
CFO	174	-384634000000	73354000000000	6029230729533,52	14015493950130,502
LnMV	174	3,806662489770320	10,689099960768168	6,888547914954105	1,615587262798089
LnNI	174	18,084772276383510	31,155851058035978	25,998461843062667	2,853527946131846
LnCFO	174	15,592521804843422	31,926318152091334	26,717293926704816	3,275730266837726
Valid N (listwise)	174				

Category	N	Percentage
Category 1 (CFO > NI)	**151**	**86.8%**
Category 2 (CFO ≤ NI and TA > NI)	20	11.5%
Category 3 (Reference : CFO ≤ NI and TA ≤ NI)	3	1.7%
Total	174	100.0%

This research involves a total of 174 observations from firms in the communications services sector that have been traded in the IDX during 2016-2025. The distribution of study variables is analyzed through descriptive statistics that include the minimum, maximum, mean, and standard deviation of the data.

Market value (MV) of the firms, represented by the closing price of the shares, is between IDR 45 and IDR 43,875, while the mean and the standard deviation of MV is IDR 3,002.20 and IDR 6,283.573, respectively. The mean value of NI is IDR 2,104,310,129,105.87, while the mean value of CFO is IDR 6,029,230,729,533.52.

The mean values of LnMV, LnNI, and LnCFO, after natural logarithmic transformation, are 6.889, 25.998, and 26.717, respectively. The NI and CFO variables have been natural logarithmically transformed based on the absolute value of the variables [ln(abs)]. Earnings characteristics classifications identify 151 (86.8%), 20 (11.5%), and 3 (1.7%) observations in the categories CFO > NI, CFO ≤ NI and TA > NI, and the reference category, CFO ≤ NI and TA ≤ NI, respectively.

Model Diagnostics

Model diagnostics were conducted using classical assumption tests of normality, autocorrelation, multicollinearity, and heteroscedasticity.

Normality Test

One- Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		174
Normal Parameters a,b	Mean	,0000000
	Std . Deviation	1,23574422

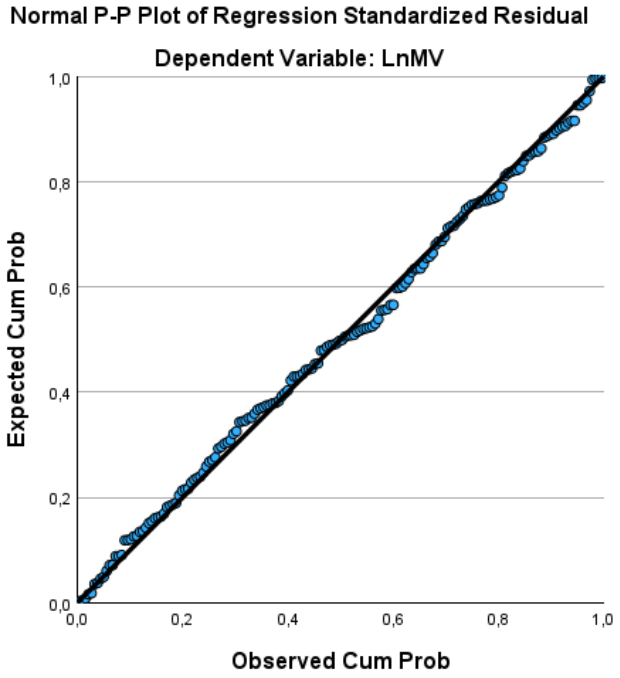
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One- Sample Kolmogorov-Smirnov Test

Most Extreme Differences	Absolute		,038
	Positive		,038
	Negative		-,037
Test Statistic			,038
Asymp . Sig . (2-tailed) c			,200 d
Monte Carlo Sig . (2-tailed) e	Sig .		,771
	99% Confidence Interval	Lower Bound	,760
		Upper Bound	,781

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction .
d. This is a lower bound of the true significance .
e. Lilliefors ' method based on 10000 Monte Carlo samples with starting seed 2000000.

The Kolmogorov–Smirnov test yields a significance value of 0.200, exceeding 0.05 and indicating no evidence against the normality assumption.



Autocorrelation Test

Model Summary b

Model	R	R Square	Adjusted R Square	Std . Error of the Estimate	Durbin-Watson
1	,644 a	,415	,401	1,250282889236670	,471

a. Predictors : (Constant), LnCFO , D2, LnNI , D1
b. Dependent Variable : LnMV

The Durbin–Watson statistic is 0.471, indicating positive autocorrelation in the regression model. Consequently, the model does not satisfy the assumption of uncorrelated errors. The regression results are nevertheless reported as obtained from the analysis.

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Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	-,065	1,165		-,056	,955		
	D1	-,228	,749	-,048	-,304	,761	,140	7,154
	D2	-,795	,784	-,157	-1,013	,312	,144	6,968
	LnNI	-,087	,063	-,154	-1,380	,170	,277	3,614
	LnCFO	,356	,051	,722	6,941	<,001	,320	3,126

a. Dependent Variable: LnMV

The VIF values are 7.154 for D1, 6.968 for D2, 3.614 for LnNI, and 3.126 for LnCFO. All values are below the threshold of 10, suggesting that none exceeds this conventional multicollinearity cutoff. Nevertheless, the comparatively high VIF values for D1 and D2 warrant caution when interpreting the regression estimates.

Heteroscedasticity Test

Coefficients[a]

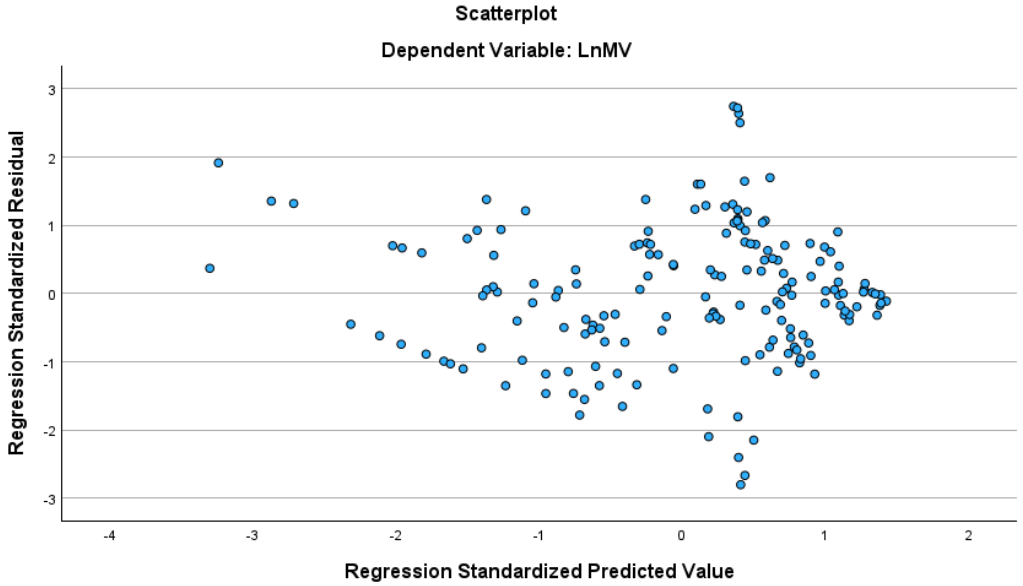
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1,844	,724		2,549	,012
	D1	,384	,465	,167	,825	,410
	D2	,183	,487	,075	,375	,708
	LnNI	,006	,039	,021	,144	,886
	LnCFO	-,052	,032	-,218	-1,633	,104

a. Dependent Variable: ABS_RES

The Glejser test yields p-values of 0.410 for D1, 0.708 for D2, 0.886 for LnNI, and 0.104 for LnCFO. Each exceeds the 0.05 threshold, suggesting no evidence of heteroscedasticity under this diagnostic test.

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Simultaneous Test (F-Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	187,369	4	46,842	29,965	<,001[b]
	Residual	264,182	169	1,563		
	Total	451,551	173			

a. Dependent Variable: LnMV

b. Predictors: (Constant), LnCFO, D2, LnNI, D1

The simultaneous regression test yields F = 29.965 with p < 0.001, below the 0.05 significance threshold. This result indicates that earnings characteristics represented by D1 and D2, together with NI and CFO, are jointly associated with firm market value.

These findings indicate that the independent variables collectively relate to firm market value. Thus, earnings characteristics, NI, and CFO together help explain variation in firm market value within the estimated regression model.

The adjusted R-squared value of 0.401 indicates that 40.1% of the variation in firm market value is explained by the independent variables in the model. The remaining 59.9% is not explained by the variables included in the analysis.

Hypothesis Testing

Partial Test (t-Test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,065	1,165		-,056	,955
	D1	-,228	,749	-,048	-,304	,761

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	D2	-,795	,784	-,157	-1,013	,312
	LnNI	-,087	,063	-,154	-1,380	,170
	LnCFO	,356	,051	,722	6,941	<,001

a. Dependent Variable: LnMV

Individual t-tests assess the relationship of each independent variable with firm market value. D1 has a regression coefficient of −0.228 (p = 0.761), D2 has a coefficient of −0.795 (p = 0.312), and LnNI has a coefficient of −0.087 (p = 0.170). As all three p-values exceed 0.05, none is individually statistically significant.

In contrast, LnCFO has a positive coefficient of 0.356 with p < 0.001, indicating a positive and statistically significant association with firm market value.

Accordingly, the partial regression tests show that only LnCFO is positively and significantly associated with firm market value; D1, D2, and LnNI do not exhibit statistically significant individual effects.

Regression Equation

$$LnMV = -0{,}065 - 0{,}228D_1 - 0{,}795D_2 - 0{,}087LnNI + 0{,}356LnCFO + \varepsilon$$

Relationship Between CFO and Firm Market Value

$$Y = 0{,}722X_2$$

The standardized beta coefficient for CFO is 0.722, indicating a positive relationship with firm market value.

Discussion

Effect of Earnings Characteristics (CFO > NI) on Firm Market Value

D1 has a coefficient of −0.228, p = 0.761, which exceeds the significance level of 0.05. As such, there is no significant relationship between earnings characteristics and the market value of the company when it comes to CFO > NI. The proposed hypothesis concerning the effect of D1 is not confirmed.

It can be concluded that there is no statistical relationship between operating cash flows being greater than net income and differences in stock price. Even though this criterion allows understanding the relation between recognized earnings and cash flow from operations, the data does not confirm that investors make use of this information for valuing companies.

Effect of Earnings Characteristics (TA > NI) on Firm Market Value

D2 has a coefficient of −0.795, p = 0.312, which exceeds the significance level of 0.05. As such, there is no significant relationship between earnings characteristics and market value of the company when it comes to TA > NI. The corresponding hypothesis is not confirmed.

From these results, it can be observed that total accruals above net income are not significantly significant in the market valuation of investors in the current sample. Though accruals are a very important part of the accounting earnings, their market significance could vary depending on the companies. Hence, the D2 group does not have statistical significance for value relevance during the period of this study.

Impact of Net Income (NI) on Firm Market Value

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The coefficient of the regression for LnNI is −0.087 (p=0.170), which is higher than 0.05 level of significance. Therefore, there is no statistically significant individual relationship between the net income and firm market value, and the hypothesis for the same is rejected.

While net income is used extensively as an indicator of business performance, the individual relationship of net income with firm market value is not significant in this regression analysis. The result implies that investors might take into consideration some other financial information besides the net income while evaluating the performance of a company.

Impact of Cash Flow from Operations (CFO) on Firm Market Value

LnCFO has a positive regression coefficient of 0.356 with $p < 0.001$. The result establishes a positive and statistically significant association between CFO and firm market value and therefore supports the hypothesis concerning CFO.

The absolute magnitude of operating cash flow shows a positive and significant relationship with firm market value in the estimated model. CFO conveys information about cash generated by core operating activities and may therefore assist assessments of corporate financial condition. The finding is also consistent with the view that cash-flow and earnings information have distinct roles in firm valuation.

From a signaling perspective, investors may interpret operating cash-flow disclosures as financial signals regarding a firm's operating condition. Among the independent variables tested, CFO is the only one displaying an individually significant association with firm market value. This suggests that investment decisions may reflect selective attention to relevant financial performance information rather than an equal response to every reported accounting indicator.

Overall, not all measures of earnings characteristics and earnings information exhibit significant associations with firm market value. While the independent variables are jointly significant, only CFO has a positive and statistically significant individual coefficient. The findings therefore highlight differences in the value relevance of individual financial indicators.

CONCLUSION

Based on 174 observations of firm-year communication services firms in the IDX during 2016–2025, earning characteristics denoted by D1 (CFO > NI) and D2 (CFO ≤ NI and TA > NI) do not show any statistically significant individual impact on firm market value. Similarly, NI is statistically insignificant. In comparison, CFO shows a statistically significant positive relationship with firm market value. The results suggest that the size of cash flow is a factor that matters in determining market value.

All together, the independent variables are significantly related to firm market value. The model's adjusted R-squared is 0.401. It means that the regression model can explain 40.1% of firm market value, while the rest is unexplained.

The major weakness of the study is that the regression analysis does not pass the Durbin-Watson test for the lack of autocorrelation. Therefore, statistical significance must be treated with caution. Future research may take other factors affecting the firm market value into account and choose a more suitable approach for analyzing the time series and cross-section data.

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