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DETERMINANT EARNINGS QUALITY, SIZE OF COMPANIES REGISTERED IN INDONESIA, MALAYSIA, AMERICA AND SINGAPORE

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Leverage, Profitability, Earnings Quality, Size Companies

ABSTRACT
The industrial revolution 4.0 at this time requires companies to interact directly with the global market. The intense global competition we are facing includes the economic sector which is growing rapidly accompanied by technological developments. The purpose of this research is to examine the influence of the factors that influence earnings quality. the data analysis technique used in this study is multiple linear regression analysis. The population in this study are companies listed on the Indonesia Stock Exchange, the Kuala Lumpur Stock Exchange, the United States Stock Exchange and the Singapore Stock Exchange. Data collection used a purposive sampling method, with a total sample of 52 with a quota of 13 samples for each country. The independent variables of this study are Leverage and Profitability, the dependent variable of this study is Earnings Quality. The results showed that the Leverage and Profitability variables had no effect on earnings quality in all categories of this study, while Size Companies were able to moderate the effect on earnings quality in Indonesia and Malaysia.

INTRODUCTION

The industrial revolution 4.0 at this time requires companies to interact directly with the global market. The tight global competition faced includes the economic sector which is growing rapidly accompanied by technological developments (Gomes & Schmid, 2021). It is known that currently the number of companies listed on the Indonesia Stock Exchange (IDX) is increasing, one example of the latest public company being (PT GoTo Gojek Tokopedia Tbk) with the stock code (GOTO), one of the reasons for the acceptance of Gojektokopedia on the stock exchange for the public is the high public trust in Gojektokopedia previously, now the Gojektokopedia company is required to always maintain and increase its profits in order to maintain the electability of its business on the stock exchange. Earnings quality is a multi-dimensional concept where there are several aspects to consider in determining what earnings are said to be of quality (Ananda & Ningsih, 2016). Earnings quality is a measure of the profit generated equal to what was previously planned, if the profit generated approaches the initial plan or exceeds the target of the previous plan, the higher the earnings quality. Earnings quality is earnings in financial statements that reflect the company's real financial performance (Dewi & Widiatmoko, 2018). Profit that can accurately and correctly describe the profitability of the company's operations. Profits that are not reported according to the facts that occur can be of doubtful quality. Earnings quality is very influential for users of financial statements so that companies expect good earnings quality. The low quality of earnings will make decision-making errors for users such as investors and creditors (Penman, 2001).

Signaling Theory

Signaling theory was first put forward by (Spence, Helmreich, & Stapp, 1973) which explained that the sender (owner of the information) gives a signal or signal in the form of information that reflects the condition of a company that is beneficial to the recipient (investor).

According to (Brigham & Houston, 2006) a signal or signal is an action taken by the management of a company that gives instructions to investors about how management views the company's prospects. Signal theory explains the reasons for companies providing financial and non-financial reporting information to external parties, one of which is a holder with the aim of reducing asymmetry (Sugiyono, 2014).

Leverage

According to signal theory, corporations will provide information, such as financial statements, and investors and external parties may utilize that to make judgments. Potential investors may turn elsewhere if the financial statements don't appear good. The debt-equity ratio measures how well a corporation can pay back its debt. The higher this ratio is, the more dangerous it is for the company's finances (Sudana, 2015). Leverage is the company's ability to finance its operations using funds originating from outside loans (Setiawan, 2017).

H1 : The Leverage has a positive effect on earnings quality

Profitability

Profitability is a ratio to measure the effectiveness of management as a whole which is aimed at the size of the profit level obtained in relation to sales and investment (Fahmi 2016). One of the profitability ratios is a measure of return on assets (ROA), which is the ratio of net income to total assets. In this study, profitability is calculated using Return On Assets (ROA), which is a comparison between earnings after tax and total assets.

H2 : The Profitability has a positive effect on earnings quality

Size of Companies Moderate Leverage

Leverage is the company's ability to finance its operations using funds originating from outside loans (Setiawan, 2017). Size of company is a company size that can be classified according to the size of the company according to the log size of (Anggrainy & Priyadi, 2019). Companies that are large in size are also given more attention by the public and receive good market response, so these companies must be more careful in presenting financial reports and report company performance more accurately. This shows that the information in the financial statements is more transparent, so there is less possibility of earnings management and the company has quality earnings information.

H3 : The Size of Companies moderate leverage has a positive effect on earnings quality

Size of Companies Moderate Profitability

Profitability is a ratio to measure the effectiveness of management as a whole which is aimed at the size of the profit level obtained in relation to sales and investment (Fahmi, 2016). Size of company is a company size that can be classified according to the size of the company according to the log size of (Anggrainy & Priyadi, 2019). Companies that are large in size are also given more attention by the public and receive good market response, so these companies must be more careful in presenting financial reports and report company performance more accurately. This shows that the information in the financial statements is more transparent, so there is less possibility of earnings management and the company has quality earnings information.

H4 : The Size of Companies moderate profitability has a positive effect on earnings quality

RESEARCH METHOD

The purpose of this study is to determine the effect of Leverage and Profitability on Earnings Quality. This type of research is included in the type of descriptive descriptive research which aims to test hypotheses through theory validation or testing the application of theory and explaining the characteristics of the variables studied.

Earnings Quality
The measurement of earnings quality, namely:

$$\frac{\text{Cash Flow From Operation}}{\text{Net Income}}$$

Leverage
The measurement of leverage, namely:

$$\text{DAR}\ \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Profitability
The measurement of profitability, namely:

$$\frac{\text{Earning After Tax}}{\text{Total Assets}}$$

Size of Companies
The measurement of size of companies, namely:
LN= Total Asset

The population used in this study were food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange, Kuala Lumpur Stock Exchange, United States Stock Exchange and Singapore Stock Exchange in 2016 - 2020 with a sample of 52 companies. This study used qoata sampling with 13 sample companies in each country, a list of companies as a research sample and listed in the food and beverage industry sub-sectors on the Indonesia Stock Exchange, Kuala Lumpur Stock Exchange, United States Stock Exchange and Singapore Stock Exchange in 2016 - 2020.

RESULTS AND DISCUSSION

Descriptive Statistics

There are 52 company sample data using secondary data, so the total sample data for the period 2016 – 2020 is 260. The tabel 1 displays the findings of descriptive statistical study manufacturing company for 2016 - 2020.

Tabel 1
Descriptive Statistics

Descriptive Statistics	Develop and Developed Country			Develop Country			Developed Country		
	C	Mean	Std. Dev	C	Mean	Std. Dev	C	Mean	Std. Dev
Earnings Quality	260	1.4744	2.0286	130	1.320	1.6676	130	1.6282	2.3310
Leverage	260	0.5391	0.6386	130	0.4337	0.5066	130	0.6444	0.7347
Profitability	260	0.1427	0.5000	130	0.1561	0.5881	130	0.1292	0.3947
Size of Companies	260	22.5791	4.1734	130	23.4812	5.0566	130	21.6771	2.7856

Develop and Developed Country

Earnings Quality descriptive statistics for developing and developed countries have an average value of 1.4744, and the standard deviation has a value of 2.0286. Descriptive statistical leverage for developing and developed countries has an average value of 0.539116, and the standard deviation has a value of 0.638637. Descriptive statistical profitability for developing and developed countries has an average value of 0.1427, and the standard deviation has a value of 0.5000. Size Companies descriptive statistics for developing and developed countries have an average value of 22.5791, and the standard deviation has a value of 4.1734.

Develop Country

Earnings Quality descriptive statistics for developing countries have an average value of 1.320, and the standard deviation has a value of 1.6676. Descriptive statistical leverage for developing countries has an average value of 0.4337, and the standard deviation has a value of 0.5066. Descriptive statistical profitability for developing countries has an average value of 0.1561, and the standard deviation has a value of 0.5881. Size Companies descriptive statistics for developing countries have a mean value of 23.4812, and the standard deviation has a value of 5.0566.

Developed Country

Earnings Quality descriptive statistics for developed countries have an average value of 1.6282, and the standard deviation has a value of 2.3310. Descriptive statistical leverage for developed countries has an average value of 0.6444, and the standard deviation has a value of 0.7347. Profitability descriptive statistics for developed countries have an average value of 0.1292, and the standard deviation has a value of 0.3947. Size Companies descriptive statistics for developing countries have a mean value of 21.6771, and the standard deviation has a value of 2.7856.

F Test

Tabel 2
F Test Statistic

F Test	Develop and Developed Country	Develop Country	Developed Country
Prob(F-Statistic)	0.265660	0.238318	0.764530

Based on the summary table above, it can be concluded that simultaneously the variables leverage, profitability and company size have no effect on earnings quality. The results of this study are in line with what has been done by (Wulansari, 2013) which says that leverage has a negative and insignificant effect on earnings quality in manufacturing companies listed on the Indonesia Stock Exchange in 2008-2011.

T Test

Tabel 3
T Test Statistic

Variabel	Category	Sig	Information
Leverage	Develop and Developed Country	0.4286	Rejected
	Moderate	0.8159	Rejected
	Develop Country	0.1876	Rejected
	Moderate	0.0192	Received
	Developed Country	0.6381	Rejected
	Moderate	0.6161	Rejected
Profitabilitas	Develop and Developed Country	0.3747	Rejected
	Moderate	0.3227	Rejected
	Develop Country	0.5464	Rejected
	Moderate	0.0756	Rejected
	Developed Country	0.5877	Rejected
	Moderate	0.8159	Rejected

The results of this study indicate that leverage affects earnings quality if it is moderated by company size. The results of the panel data regression test that has been carried out show that leverage has an effect on earnings quality after moderation with size companies in the developing country category, so the hypothesis is accepted. However, for the category of developing and developed countries and the category of developed countries, it does not affect earnings quality. This condition shows that if leverage is moderated by company size, it does not affect earnings quality. This research is in line with research by (Agustina & Mulyani, 2017) which says leverage has no effect on earnings quality if moderated by size companies in companies indexed by the Indonesian Stock Exchange (IDX) for the 2013-2017 period, but the research is not in line with the results of research that has been conducted by (Yanto, 2021) said that leverage has a significant positive effect on earnings quality in LQ 45 indexed companies on the Indonesia Stock Exchange (IDX) for the 2014-2017 period. These results are in line with research conducted by (Irma Dewi, 2020) which says profitability does not affect earnings quality if moderated by the size of companies indexed by the Indonesian Stock Exchange (IDX) for the 2017-2019 period, but this research is not in line with the results of research that has been conducted by (Ananto, Mustika, & Handayani, 2017) who said profitability has a positive and insignificant effect on the quality of earnings in Public Companies Included in the 2013-2016 CGPI Rating. in line with the Signaling Theory first put forward by (Spence et al., 1973) which explains that the sender (owner of the information) gives a signal or signal in the form of information that reflects the condition of a company that is beneficial to the recipient (investor) about how management views the company's prospects. Signal theory explains the reasons for companies providing financial and non-financial reporting information to external parties, one of which is a holder with the aim of reducing asymmetry.

R^2 Test

Tabel 4
R^2 Test Statistic

R^2 Test	Develop and Developed Country	Develop Country	Developed Country
Adjusted R-Squared	0.003	0.009	0.014

Based on the table above, it shows an R value of 0.003 or 0.3% for the category of developing and developed countries. This can be explained that the variation in the earnings quality variable can be explained by the variable variations of the variables leverage, profitability, size of companies, while the overall factor yield value minus R (1- 0.003) obtained 0.997 or 99.7% can be explained by other factors not included in this research model.

Based on the table above, it shows an R value of 0.009 or 0.9% for the category of developing countries. This can be explained that the variation in the earnings quality variable can be explained by the variable variations of the variables leverage, profitability, size of companies, while the overall factor yield value minus R (1 - 0.009) obtained 0.991 or 99.1% can be explained by other factors not included in this research model.

Based on the table above, it shows an R value of 0.014 or 1.4% for the developed country category. This can be explained that the variation in the earnings quality variable can be explained by the variable variations of the variables leverage, profitability, size of companies, while the overall factor yield value minus R (1- 0.014) obtained 0.986 or 98.6% can be explained by other factors not included in this research model.

CONCLUSION

The results showed that the Leverage and Profitability variables did not affect earnings quality in all categories of this study, while Size Companies were able to moderate the effect on earnings quality in Indonesia and Malaysia.

For further research, it is hoped that it will continue the post-pandemic covid research period from this study, because the authors took the research period before the covid pandemic period and are currently in the covid pandemic, namely 2016 - 2020. By adding to the post-pandemic research period, it will provide research results, like how the results of the research would be if, before, ongoing and after the covid pandemic.

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