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The Effect of Earnings Persistence, Accounting Conservatism, Earning Management, Multiple Large Shareholder Structures, and Intellectual Capital on Earnings Quality

(Empirical Study of Manufacturing Companies Listed on the IDX in 2019-2020)

Desi Wulan Romadhoni[1], Fatchan Achyani[2]
[1]*Fakultas Ekonomi dan Bisnis*
Muhammadiyah University Surakarta, Indonesia
[2]*Fakultas Ekonomi dan Bisnis*
Muhammadiyah University Surakarta, Indonesia

Abstract: Each company has its strategy to generate as much profit as possible to prosper its members. The parties involved as a source of company funds come from outside and inside the company, so they need company information that can be accounted for. This study aims to examine the effect of earnings persistence, accounting conservatism, earning management, multiple large shareholder structures, and intellectual capital on earnings quality. The research population is manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2019-2020. Determination of research samples a using purposive sampling method. The sample that met the criteria in this study amounted to 46 companies with 92 data, data outliers were carried out so that 85 data were used. The results of the study can be seen that earnings persistence, earning management, value-added capital employed have an effect on earnings quality, while the variables of accounting conservatism, multiple large shareholder structures, value-added human capital, and structural capital value-added have no effect on earnings quality.

Keywords: Earnings Quality, Earnings Persistence, Accounting Conservatism, Earning Management, Multiple Large Shareholder Structure, Intellectual Capital

1. Introduction

Industries in Indonesia are competing to increase company profits. This is done to prosper its members. Companies must have a strategy in to be able to allocate resources, be able to develop, and survive in an era of many business competitors. Within the company, there is an element in charge of managing the resources owned by the company, namely company management. One of the tasks of management is the financial management of financial functions including how to obtain funds (raising of funds) and how to use these funds (allocation of funds) (Mulyanti, 2017).

Sources of finance in the company can come from outside and within the company. The parties involved need good and quality financial report information to determine the condition and as material for considering the feasibility of a company. Financial reports serve as a basis for making decisions, evaluating management performance, giving dividends to shareholders, and so on (Fanani, 2010). According to PSAK (2015 No. 1), quality financial reports are financial reports that have four qualitative characteristics, namely easy to understand, relevant, reliable, and comparable (Luas et al., 2021)

According to Rosmawati & Indriasih, (2021), profit is a company's profit as information in the decision-making process and explains the economic condition of a company. The importance of profit information is expressly stated in the Statement of Financial Accounting Concept (SFAC) No. 2 which states that profit is the main element in financial statements and its existence is important for those who use it because it has predictive value (Marisatusholekha & Budiono, 2015) and can provide various responses and show market reactions to disclosed profit information (Putri & Fitriasari, 2017). Profit quality is profit that shows an increase from the goal at the beginning of the plan.

The factors that can affect the quality of earnings are the first earnings persistence. Profit persistence is a measure to determine the quality of a company's earnings which is used as a reference for users who expect high-profit persistence (Wisudawati & Achyani, 2022). Accounting profit is expected future earnings and has a qualitative relevance characteristic, namely predictive value (Suhayati et al., 2021). The second factor of accounting conservatism is the concept of recognizing expenses and debts as soon as possible even though there is no certainty in the end, and recognizing income and assets when they are received. The precautionary principle in recognizing assets and profits due to economic and business activities that are shrouded in uncertainty. Accounting conservatism itself appears to intend to produce good and accountable financial reports (Charisma & Suryandari, 2021).

The third factor is earnings management (earnings management), that is, profits that are shown not by the results of management performance can have a negative impact (Yanto, 2021), so managers can practice earnings management (earnings management) by influencing the level of reported earnings. This action is an intentional mistake or omission in making a report which can be misleading to users (Robik et al., 2022) and shareholders will be harmed by the opportunistic actions of the manager (Lesmana & Sukartha, 2017).

The fourth factor is the multiple large shareholder structure, namely the large shareholders who have the authority to oversee the company and affect the ups and downs of the company's value for the company's long-term and short-term goals. The multiple large shareholder structure of a company has a share ownership structure consisting of several shareholders with a percentage of ownership above 10%, in addition to the largest shareholder (Yulistiani, 2021).

The fifth factor of intellectual capital is a resource owned by an intangible asset knowledge-based company which, if used optimally, can improve quality and competitive advantage (Anggraini et al., 2019). If the company can develop and motivate employees to be able to innovate and increase their productivity which is supported by having a system and structure to increase profitability and existence, it is believed to be able to improve the company's financial performance (Dumanauw & Agung Suaryana, 2021).

This research is a replication of research conducted by Yulistiani (2021) entitled Effects of Multiple Large Shareholder Structure, Leverage, and Intellectual Capital on Company Performance. The difference between this study and previous research is that the researchers added the variables of earnings persistence, accounting conservatism, and earnings management and changed the dependent variable to earnings quality in manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2020 period. By the news submitted on the official website of the Ministry of Industry of the Republic of Indonesia (https://kemenperin.go.id), which stated that manufacturing companies in Indonesia experienced a better increase than the previous period.

2. Literature Review and Hypothesis

2.1 Agency Theory (Agency Theory)

Agency theory is a theory that explains where a contract occurs between one or more people (principal) by involving another person (agent) in performing a service on behalf of the principal by giving authority to the agent to make the best decision for the principal (Charisma & Suryandari, 2021). Separation of contracts between management as agents who run the company and shareholders as owners of the company and serve as agent supervisors (Yulistiani, 2021). Linkages with multiple large shareholder structures serve to play a beneficial role in correcting agency problems and facilitating effective owner control. In addition, it is also able to improve company performance and benefit all company shareholders. Large shareholders can also reduce agency problems by monitoring management in reducing stock liquidity by increasing information asymmetry (Becker et al., 2011).

2.2 Positive Accounting Theory (Positive Accounting Theory)

This theory explains that regarding management in a company that has a profit-based bonus program related to compensation incentives, an accounting policy will be chosen that can maintain or increase current and future profits (Zulma et al., 2020). The accounting method chosen is useful for the company's financial standards to avoid costs that arise, such as agency fees, violations of debt agreements, to acts of opportunistic behavior.

2.3 Signaling Theory

According to Ashma' & Rahmawati, (2019), signal theory is something that can provide a signal related to information and if there are things related to signaling that are not visible to the signal receiver, then this indicates that the information can be changed. Profit information becomes a factor in providing signals to shareholders in determining the decisions to be taken. The condition of companies that have advantages will provide more and better information signals to the market through financial reports by company managers regarding future perspectives (Valeria & Halim, 2022).

2.4 Stakeholder Theory (Stakeholder Theory)

Stakeholder theory is a theory that illustrates that organizations voluntarily disclose information related to environmental, social, and intellectual performance to stakeholders (Yulistiani, 2021). Disclosure of intellectual capital by companies can generate added value for the company and can increase trust and reduce the risk of uncertainty from investors. So profit information that is quality and by company operations is needed by company owners to design future strategies or targets to be achieved by the company in the future (Frengky, 2019).

2.5 Efficient Market Theory

The efficient market theory states that market conditions will experience reactions to new information. The issuance of financial reports containing profit information in a period will result in market reactions that affect responses from investors regarding a company's ability to generate profits in the future (Putri & Fitriasari, 2017). Useful for investors, information plays a role in making decisions, while for the market it uses information to reach a new price balance (Anggraini et al., 2019).

2.6 Earning Quality

According to Faiqoh (2019), earning quality is profit that has little perceptual disturbance and profit is not manipulated or free from discretionary accruals. Earnings quality is an important aspect of assessing a company's financial statements that can be used as a consideration for investors in determining investment decisions (Mergia et al., 2021). Quality profit is profit that can reflect the continuation of future profits (Hanifa & Malik, 2022). There are several ways to measure earnings quality, namely accrual persistence, estimated errors in the accrual process, absence of earnings management, and conservatism (Supomo & Amanah, 2019).

2.7 Earning Persistence

Earning persistence according to Fanani, (2010) is interpreted from two perspectives. The first point of view states that the persistence of earnings is related to the overall performance of companies that generate profits every year. High persistent profits can be sustainable for long periods. Earning persistence is also interpreted as the company's ability to maintain profits from year to year and used as a tool for making economic decisions, such as making contracts, investment decisions, and making standards. Companies that can maintain their profits will increase market response. Tarigan (2022) states that earnings persistence has a positive effect on earnings quality. This was concluded based on the tests that have been carried out, it is proven that earnings persistence affects the quality of earnings that the company maintains from year to year so that investors can be attracted.
H1: Earnings Persistence Affects Earnings Quality

2.8 Accounting Conservatism

Accounting conservatism aims to produce good and accountable financial reports. It is closely related to the value of company assets, which slows down the recognition of lower retained earnings and recognizes losses more quickly (Millah et al., 2020). The existence of accounting conservatism also causes an understatement of profits in the current period, which leads to an overstatement of profits in the next period because costs are too low in that period (Achyani et al., 2021). According to Susanto & Ramadhani (2016), The purpose of companies to carry out accounting conservatism is to provide boundaries between opportunistic manager behavior, by increasing company value but reducing lawsuits. Maulia & Handojo (2022) states that accounting conservatism affects earnings quality. There is a higher positive effect related to the use of accounting conservatism principles, the higher the quality of the profit generated.
H2: Accounting Conservatism Affects Earnings Quality

2.9 Earning Management

The company has the authority in carrying out its duties and can take action to affect the level of profit reported by the company by practicing earnings management (earnings management). Earnings management is closely related to the accounting method chosen by managers for financial reporting by manipulating its earnings information in increasing profits or reducing earnings that affect earnings quality for the interests of managers or the interests of the company and the parties involved in the contract (Indra Kusuma & Mertha , 2021). Mergia et al's research (2021) stated that earnings management has an impact on earnings quality. This shows that the earnings management of a company strengthens the assumption that in reporting the company's operational profit there is an act of profit manipulation.
H3: Earning Management Affects Earnings Quality

2.10 Multiple Large Shareholder Structure

Multiple large shareholders are defined as ownership of at least 10% of a company's shares by more than one large shareholder in a company (Attig et al., 2009). The existence of multiple large shareholders is believed to be able to provide greater dividends than companies that do not have multiple large shareholders (Jiang et al., 2018). Multiple large shareholders can act as corporate governance in monitoring their largest shareholder to reduce private profit diversion and increase firm value (Haryono et al., 2017). So that the profit disclosed by the company will be more informative and of higher quality content. This shows that the profit disclosed by management can be the basis for decision-making by potential investors (Hastriyana & Taqwa, 2019). In

Banjarnahor's research (2013), the multiple large shareholder structure has a significant positive effect on controlling corporate governance, thereby influencing the informativeness of company profits.
H4: Multiple Large Shareholder Structure Affects Earnings Quality

2.11 Intellectual Capital

Intellectual capital is a knowledge-based resource that describes intangible assets that can enhance a company's competitive advantage. (Purba et al., 2022). If the company can develop the ability to motivate its employees which is a form of business managing its intellectual property it is believed to be able to improve the company's performance. Intellectual capital has an important role in a global competition to face strong business competition to drive economic growth (Dumanauw & Agung Suaryana, 2021). According to Anggraini et al (2019), a company's intellectual capital can be measured by the Value Added Intellectual Capital Coefficient (VAIC)

In improving the company's performance to get high profits in the future, the company needs to increase the Value Added Capital Employed (VACA) to achieve the wishes of investors and potential investors, so that the company can exist and develop from time to time. This shows that Value Added Capital Employed (VACA) has a positive effect on investor reactions.
H5.a: Value Added Capital Employed (VACA) Affects Earnings Quality

Management of human resources who manage the company will improve the quality of financial reports. The high knowledge possessed by employees can support the quality of the reports they produce so that they will also produce good quality earnings. This shows that there is a relationship between human capital and earnings quality.
H5.b: Value-Added Human Capital (VAHU) Affects Earnings Quality

A company that has strong structural capital will have a culture that supports the individuals in it to try new things and learn more, so that the company's performance will increase. produce an optimal intellectual performance as well as overall business performance. Improved company performance will affect stock prices and investor reactions to the company so that it will reflect how the quality of the company's earnings is in the eyes of investors.
H5.c: Structural Capital Value Added (STVA) Affects Earnings Quality

2.12 Research Framework

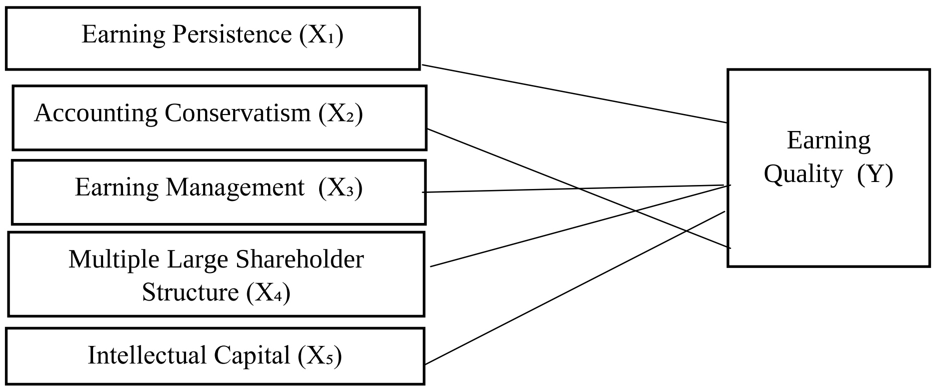

Figure II.1.
Thinking Framework Picture

3. Method

3.1 Population and Sample

The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange (IDX) with the 2019-2020 2020 observation period through the official website of the Indonesia Stock Exchange (www.idx.co.id) and the company's official website. The sample in this study was taken using a non-probability sampling technique in the form of a purposive sampling technique.

Table I. Results of Sample Selection with Purposive Sampling

No.	Information	Amount
1.	Manufacturing companies listed on the Indonesia Stock Exchange in one period.	193
2.	Manufacturing companies that do not publish Annual Reports in 2019-2020.	(12)
3.	Manufacturing companies that did not experience profits during the 2019-2020 period.	(71)
4.	Manufacturing companies that do not have complete data for the need to calculate variables in research.	(64)
	Total sample	46
	Total sample studied (multiplied by 2 financial report period)	92
	Samples excluded because of outlier data	(7)
	Total sample studied	85

Source: Data Analysis Results, 2023

In this study, the dependent variable of earnings quality is measured using the calculation of Quality of Income, namely the distribution of the ratio of cash flows from operating activities to net income (Oktaviani et al, 2015). As follows:

$$\text{Quality Of Income} = \frac{\text{Operating Activity Cash Flow Ratio}}{\text{Net Profit}}$$

While the independent variables use the measurement components described in the following table:

3.2 Earning Persistence

In this study, earning persistence is formulated by profit before tax for the current year using a ratio data scale and is measured in the following way (Wisudawati & Achyani, 2022). As follows:

$$\text{Earning Persistence} = \frac{\text{Profit Before Tax For the Year}}{\text{Rata} - \text{Rata Total Aset}}$$

3.3 Accounting Conservatism

This study uses measurement using the Book To Market Ratio, which reflects the book value of the company's equity to the relative market value and is measured by the following formula (Achyani et al., 2021). As follows:

$$\text{MTB} = \frac{\text{Closing Price Of Shares}}{\text{Equity Per Share}}$$

3.4 Earning Management

Earnings management is proxied by Discretionary accruals (DA) with the measurement model by the Modified Jones Model as follows (Irawan & Apriwenni, 2021):

1. Determine the Total Accruals (TAC) value
   $TAC_{it} = NI_{it} – CFO_{it}$
2. *Total Accruals are estimated by the OLS (Ordinary Least Square) regression equation*
   $TA_{it}/A_{it-1} = \beta 1\ (1 / A_{it-1}) + \beta 2\ (\Delta REV_{it} / A_{it-1}) + \beta 3\ (PPE_{it} / A_{it-1}) + e$
3. Calculating the value of Non-discretionary Accruals (NDA)
   $NDA_{it} = \beta 1\ (1 / A_{it-1}) + \beta 2\ ((\Delta REV_{it} / A_{it-1}) – \Delta REC_{it} / A_{it-1})) + \beta 3\ (PPE_{it} / A_{it-1})$
4. Calculating the value of Discretionary Accruals (DA)
   $DA_{it} = (TAC_{it} / A_{it}\text{-}1) – NDA_{it}$

Information:

TAC_{it}	=	Total accruals of company i in period t (now)
A_{it-1}	=	Total assets change i at the end of year t-1 (previous)
NDA_{it}	=	Non Discretionary Accruals of company i in period t (now)
DA_{it}	=	Discretionary Accruals of company i in period t (now)
NI_{it}	=	Net profit of company i in period t (now)
CFO_{it}	=	Cash flow from operating activities of company i in period t (now)
ΔREV_{it}	=	Change in company income i from year t-1 to year t (now)
ΔREV_{it-1}	=	Company revenue i year t-1 (previous)
ΔREC_{it}	=	Changes in company receivables i from year t-1 to year t (now)
ΔREC_{it-1}	=	Receivables of company i in year t-1 (previous)
PPE_{it}	=	Company fixed assets (property, plant and equipment) year t (now)
β1,β2,β3	=	Regression coefficient
e	=	Error

3.5 Multiple Large Shareholder Structure

The approach used in this study is by dividing the percentage of shares owned by the second largest shareholder by the percentage of shares owned by the first largest shareholder to measure the effect of many large shareholder arrangements on (OWN21) as follows (Sumarni & Illahi, 2022).As follows:

$$\mathrm{OWN21} = \frac{\%\text{The Second Largest Shareholder}}{\%\text{The First Largest Shareholder}}$$

3.6 Intellectual Capital

In this study the proxies used to measure the three components of VAIC (Value added Intellectual Capital), as follows (Safitri & Muliati, 2022).As follows:

1. Calculating Value added (VA)
   VA = OUT – IN
   =OP+EC+D+A
   Information:
   VA = Value added
   OUT = Total sales
   IN = Cost of production (other than employee expenses)
   OP = Operational profit (operational profit)
   EC = Employee cost (employee expense)
   D = Depreciation (depreciation)
   A = Amortization (amortization)
2. Value added of capital employed (VACA)
   VACA = VA/CE
   Information:
   VA = Value added
   CE = Capital Employed, available capital (equity, net income)
3. Value added Human Capital (VAHU)
   VAHU = VA/HC
   Information:
   VA = Value added
   HC = Human Capital (employee expenses)
4. Structural Capital Value Added (STVA)
   STVA = SC/VA
   Information:
   VA = Value added
   SC = Structural Capital (VA – HC)

4. Results and Discussion

4.1 Descriptive Statistical Analysis

Table 2. Results of Descriptive Statistical Analysis

Variabel	N	Minimum	Maximum	Mean	Std. Dev
KL	85	-5.0127	10.0703	2.093691	2.5944648
PL	85	.0041	.3111	.070605	.0563419
KA	85	26.5211	2244.3743	311.176049	515.2497822
EM	85	-.1870	.2245	-.015206	.0825986
MLSS	85	.1280	.9988	.595078	.2794777
VACA	85	-.0784	67.5245	1.498163	8.2126084
VAHU	85	-.3854	5.3378	1.754166	.9353561
STVA	85	-1.5991	3.5950	.360724	.4682781
Valid N (listwise)	85				

Source: Data Analysis Results, 2023

The variable quality of earnings is measured by the proxy Quality of Income. The results showed that the data that had been analyzed in the study were 85 samples. The minimum value is -5.0127. Meanwhile, the maximum is 10.0703. The average value is 2.093691 and the standard deviation is 2.5944648. The results show that the average profit quality of manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the 2019-2020 period is relatively small, so the sample companies have poor earnings quality.

Earning persistence variable is formulated by profit before tax for the current year compared to average total assets and using ratio data scale. The results showed that the data that had been analyzed in the study were 85 data samples. The minimum value is 0.0041. Meanwhile, the maximum is 0.3111. At an average value of 0.070605 and a standard deviation value of 0.0563419. This shows that the average manufacturing company listed on the Indonesia Stock Exchange (IDX) in the 2019-2020 period had a persistent profit of 7.06%.

Accounting conservatism variable proxied by Book To The Market Ratio. The results showed that the data that had been analyzed in the study were 85 data samples. The minimum value is 26,521. Meanwhile, the maximum value is 2244.3743. The average value is 311.176049 and the standard deviation value is 515.2497822. This shows that the average manufacturing company listed on the Indonesia Stock Exchange (IDX) in the 2019-2020 period has an average of positive responsive accounting conservatism.

Earning management variable is proxied by Discretionary accruals (DA) with the Modified Jones Model measurement model. The results showed that the data that had been analyzed in the study were 85 data samples. The minimum value is -0.1870. As for the maximum of 0.2245. At an average value of -0.015206 and a standard deviation value of 0.0825986. This shows that the average manufacturing company listed on the Indonesia Stock Exchange (IDX) in the 2019-2020 period carried out earning management with a decreasing income pattern with a minimum value of 0.1870, which means that there are manufacturing companies that carry out earning management by reducing their average profit 1.52%.

The multiple large shareholder structure variable is proxied by dividing the percentage of shares owned by the second largest shareholder by the percentage of shares owned by the first largest shareholder to measure the effect of many large shareholder arrangements on (OWN21). The results showed that the data that had been analyzed in the study were 85 data samples. The minimum value is 0.1280. As for the maximum of 0.9988. At an average value of 0.595078 and a standard deviation value of 0.2794777. This shows that the average manufacturing company listed on the Indonesia Stock Exchange (IDX) in the 2019-2020 period has implemented a multiple large shareholder structure of 59.5%.

Intellectual capital variable proxied by the VAIC (Value added Intellectual capital) component in the value-added capital employed. The results showed that the data that had been analyzed in the study were 85 data samples. The minimum value is -0.0784. As for 67.5245. The average value is 1.498163 and the standard deviation is 8.2126084. This shows that the average manufacturing company listed on the Indonesia Stock Exchange (IDX) in the 2019-2020 period has not been able to manage the company's intangible production factors and tangible assets to create the company's financial efficiency.

The intellectual capital variable is proxied by the VAIC (Value added Intellectual capital) component in the value-added human capital. The results showed that the data that had been analyzed in the study were 85 data samples. The minimum value is -0.3854. Meanwhile, the maximum is 5.3378. At an average value of 1.754166 and a standard deviation value of 0.9353561. This shows that the average manufacturing company listed on the Indonesia Stock Exchange (IDX) in the 2019-2020 period has been able to provide salaries and benefits by taking into account the competencies of the company's employees.

Intellectual capital variable proxied by the VAIC (Value added Intellectual capital) component in value-added structural capital. The results showed that the data that had been analyzed in the study were 85 data samples. The minimum value is -1.5991. As for the maximum of 3.5950. At an average value of 0.360724 and a standard deviation value of 0.4682781. This shows that the average manufacturing company listed on the Indonesia Stock Exchange (IDX) in the 2019-2020 period has not been able to create a work environment, corporate organizational culture, and utilization of scientific and technological developments.

5. Discussion

In this study, the statistical test used was a multiple linear regression test, which begins with the classical assumption test first. The first test is the Kolmogorov-Smirnov Normality Test with the Monte Carlo approach with a significance of 0.141 > 0.05 and the data can be stated to be normally distributed. For Multicollinearity Test Results, the Variance Inflation Factors (VIF) value is 1.084-1.534 and the tolerance value is around 0.652-0.922. It can be concluded that the regression model is free from multicollinearity symptoms so that the multicollinearity assumption is met. For the results of the autocorrelation test using the Run Test with a significance of 0.444 > 0.05, it can be concluded that the regression model is free from autocorrelation. The results of the Heteroscedasticity Test using the Spearmen's Test showed that the significance value of all independent variables was greater than 0.05 so it could be concluded that the regression model was free from heteroscedasticity. In this study, hypothesis testing was carried out using multiple linear regression analysis models. The following is a table of multiple linear regression analysis:

Table 3. Hypothesis Test Results

Model	B	Std. Error	Beta	t	Sig.	Description
PL	-12,545	4,779	-0,272	-2,625	0,010	H_1 Accepted
KA	-2,161E-5	0,000	-0,004	-0,044	0,965	H_2 Rejected
EM	-15,642	2,740	-0,498	-5,708	0,000	H_3 Accepted
MLSS	0,527	0,833	0,057	0,633	0,529	H_4 Rejected
VACA	0,086	0,031	0,273	2,767	0,007	$H_{5.1}$Accepted
VAHU	0,071	0,285	0,026	0,250	0,803	$H_{5.2}$Rejected
STVA	-0,151	0,492	-0,027	-0,307	0,760	$H_{5.3}$ Rejected

Source: Data Analysis Results, 2023

Based on Table 3, the results of the F test simultaneously show a significance value of 0.000 and less than 0.05 so that it can be concluded that all independent variables namely earnings persistence, accounting conservatism, earnings management, multiple large shareholder structure, value added of capital employed, value added of human capital, structural capital value added meets the requirements and it can be said that the regression model is fit.

Table 4. F test results

Model	F_{count}	Sig.	Information
1	9.346	.000[b]	Significant

Source: Data Analysis Results, 2023

The decision-making criteria on $F_{count} > F_{table}$ and Sig <0.05 means that HA is accepted. Based on the F test above, it was found that the F_{count}value of 9.346 with an F_{table} value of 2.322 and a Sig value of 0.000 <0.05. So we get the result that earnings persistence, earnings management, and value-added of capital employed simultaneously have a significant effect on earnings quality because the value is 9.346 > 2.322 ($F_{count} > F_{table}$).

Table 5. Test Value of the Coefficient of Determination (Adjusted R2 Test)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.678[a]	.459	.410	1.9925263

Source: Data Analysis Results, 2023

The coefficient of determination shows an Adjusted R Square value of 0.410. This indicates that the dependent variable, namely earnings quality, is explained by independent variables, namely earnings persistence, accounting conservatism, earnings management, multiple large shareholder structure, and intellectual capital of 41%. Meanwhile, 59% is influenced by other variables outside of this study.

Based on the results of the multiple linear regression test, the results of the calculation of each variable can describe the effect of each independent variable on the dependent variable as follows:

Based on the results of statistical tests, it states that earnings persistence with a significance value of 0.010 is less than a significance level of 0.05 so **H1 is Accepted** because it shows that earnings persistence hurts earnings quality. Earning persistence can be an indicator of a company's ability to maintain profits so that they can be persistent from year to year. Disclosure of financial reports by companies aims to interested parties to monitor expected future earnings movements. The more persistent the company's profits, the more attractive it will be in the eyes of investors. The negative relationship between earnings persistence and earnings quality is caused because the company's income is not sustainable every year, there are times when the company's profit increases this year, but the following year it experiences a decrease in profits and vice versa. The results of this study are in line with the results of research conducted by Hanifa & Malik (2022), Supomo & Amanah (2019), and Putri & Fitriasari (2017) which states that earnings persistence hurts earnings quality.

Based on the results of statistical tests stated that accounting conservatism with a significance value of 0.965 is greater than a significance level of 0.05 so **H2 is Rejected** because it shows that accounting conservatism does not affect earnings quality. The company's decision not to apply accounting conservatism was due to considering the policies taken from the IASB (International Accounting Standards Board) which resulted in a reduced emphasis on consistently applying conservative accounting in financial reporting based on International Financial Reporting Standards (IFRS). International accounting standards focus more on increasingly relevant records, which can lead to a higher dependence on estimates and various judgments. Conservatism also conflicts to disclose all relevant information other than that conservatism can reduce the comparability of financial statements because there is no uniform standard in its application. The results of this study are in line with research conducted by Magdalena & Trisnawati (2022), Aderman, Ethika, & Meihendri (2022), and Maulida et al (2015) which state that accounting conservatism does not affect earnings quality.

Based on the results of statistical tests stated that earning management with a significance value of 0.00 is less than a significance level of 0.05 so **H3 is Accepted** because it shows that earning management hurts earnings quality. In the company's financial statements, there is profit information for each period, so it does not rule out the possibility that the company's financial reporting will cause an act of profit manipulation. This profit can be changed in terms of decreasing or increasing the amount of profit. This is done to suit the interests of the manager or the interests of the company and the parties involved in the contract. Earnings management behavior, either for efficiency or opportunistic purposes, will reduce the quality of reported earnings. Earnings management behavior, either for efficiency or opportunistic purposes, will reduce the quality of reported earnings. This research is in line with Mergia et al (2021), Robik et al (2022), and Yanto (2021) who state that earnings management hurts earnings quality.

Based on the results of statistical tests, it states that the multiple large shareholder structure with a significance value of 0.529 is greater than the significance level of 0.05 so **H4 is Rejected** because the multiple large shareholder structure does not affect earnings quality. The majority of companies in Indonesia have a concentrated ownership structure or their share ownership tends to be owned by families (Haryono et al, 2017). Thus, the level of share ownership does not affect the profits contained in the financial statements. Meanwhile, companies with a high percentage of management and state ownership may be able to help improve the supervisory system. Through a balanced percentage of ownership, it can support company policies on information transparency (Lestari&Naimah, 2020).

Based on the results of statistical tests, it states that value-added capital employed with a significance value of 0.007 is less than a significance level of 0.05 so **H5.1 is Accepted** because it shows that Value Added Capital Employed (VACA) has a positive effect on earnings quality. The existence of intellectual capital can act as a contributor to the process of creating value and company performance. Value Added Capital Employed (VACA) can generate added value from the use of company funds for company activities. Utilization of capital assets and utilization of funds owned by the company which if managed properly can contribute to increasing the company's income and income which will certainly have a positive effect on the quality of company profits. This research is in line with research conducted by Rosmawati & Indriasih (2021), Anggraini et al (2019), and Purba et al (2022) which state that Value Added Capital Employed (VACA) affects earnings quality.

Based on the statistical test results stated that the value-added human capital with a significance value of 0.803 is greater than the 0.05 significance level so **H5.2 is Rejected** because it shows that Value Added Human Capital (VAHU) does not affect earnings quality. Labor as a vital element in the company does not contribute to earnings quality. A large number of corporate sectors causes companies to prioritize human capital or skilled human resources to operate facilities and infrastructure in the production process, so companies will usually maximize the abilities of their employees by providing training. The form of training provided by the company is also a form of the company's concern for employees for the long term. The level of work risk is high so insurance is needed for employee work safety. So that this study shows that human capital does not affect earnings quality. On the other hand, too high a charge can cause the company's profits to decrease due to the burden on employee safety guarantees. Not only that, companies are relatively wasteful in using their wealth to manage the workforce due to excessive investment. This can be seen from the high salary given to employees but does not reflect the competence of the employees and is not able to motivate employees to improve their performance so it will only increase the company's burden. This research is in line with research conducted by Julianingsih & Yuniarta (2020), and Yudha & Nasir (2012) which state that Value Added Human Capital (VAHU) affects earnings quality.

Based on the statistical test results stated that structural capital value added with a significance value of 0.760 is greater than the 0.05 significance level so **H5.3 is Rejected.** This shows that Structural Capital Value added (STVA) does not affect earnings quality. This is because the company's capital structure does not affect the quality of company profits. After all, the company has not been able to manage it and does not create added value for the company. However, the act of investing in structure capital will reduce the funds in the company due to the improvement of technology, systems, and other facilities. In addition, all of these facilities require maintenance which causes low added value so profits are also low. This research is in line with research that has been conducted by Anggraini et al (2019) and Julianingsih & Yuniarta (2020).

6. **Conclution**

This study aims to determine the influence of the independent variables in the form of earnings persistence, accounting conservatism, earnings management, multiple large shareholder structure, and intellectual capital on the dependent variable in the form of earnings quality in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2019 observation period. 2020.

Based on the results of the tests that have been carried out and the results described in the previous chapter, there are limitations faced by the researchers, namely the observation period of the 2019-2020 manufacturing companies studied, there were companies that made an Initial Public Offering (IPO) in that year so that the companies were eliminated from research sample data and research population selected by researchers, namely manufacturing companies do not have the second largest ownership resulting in a ratio that cannot be processed through statistical tests. So that the last sample data obtained was only 85 data. In addition, the use of the Multiple Large Shareholder Structure variable is a topic that is rarely researched, so the references used are very limited.

Based on the conclusions and limitations of this study, the researchers provide the following suggestions:

1. Researchers use manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2019-2020. For further researchers, they can expand the object of research to other companies, such as certain sectors of companies listed on the Indonesia Stock Exchange (IDX), non-financial companies, and service companies. Then the observation period can also be added so that you can find out a wider picture in the long term.
2. Future research can use a proxy calculation of the Multiple Large Shareholder Structure variable, for example using the dummy calculation method so that more data samples are used.

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