

The Influence of Growth Opportunities, Earnings Persistence, Accounting Conservatism, and Capital Structure on Earnings Response Coefficient (ERC)

(Empirical Study of Banking Companies Listed on the Indonesia Stock Exchange for the 2019-2021 Period)

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Abstract: The Earnings Response Coefficient is a valuation model that can be used to indicate the possibility of ups and downs in stock prices due to market reactions to company earnings information. The purpose of this study is to examine the effect of growth opportunities, earnings persistence, accounting conservatism, and capital structure. The population used in this study are all banking companies listed on the Indonesia Stock Exchange (IDX). The sampling technique used was purposive sampling. Purposive Sampling is a sampling technique with predetermined criteria. The data used is secondary data for the period between 2019-2021. The number of samples collected was 99 companies for 3 years. With the data outliers as many as 29 companies, the sample becomes 70 companies. The results of the study show that Growth Opportunity has no effect on the Profit Response Coefficient, Profit Persistence has an effect on the Profit Response Coefficient, Accounting Conservatism has no effect on the Profit Response Coefficient, and Capital Structure has effect on the Profit Response Coefficient.

Keywords: Growth Opportunities, Earnings Persistence, Accounting Conservatism, Capital Structure, Earnings Response Coefficient (ERC).

1. Introduction

Financial statements or financial statements are a form of report that shows the company's financial condition at this time or in a certain period by Cashmere. The report that investors often use is the income statement because they can use this report to evaluate future performance and help assess risks or uncertainties in achieving future cash flows by Kieso, et al. Companies that have high growth rates are a good signal to stakeholders, especially investors who want to benefit from the company. The actions taken by market participants are commonly referred to as market reactions. One tool

Growth opportunities faced by the company in the future. Investors/shareholders' assessment of the possibility of a company's growth can be seen from the share price formed as an expected value of the future benefits to be obtained. Shareholders will give a greater response to companies with high growth possibilities. This happens because companies that have a high growth possibility will provide high benefits in the future for investors so that the market will also give a greater response to companies that have a large growth opportunity. That is, the growth of a company can later be compared with previous periods, in order to find out whether the company is growing or not.

Earnings persistence is a measure of earnings quality based on the view that sustainable profits are profits that have good quality. According to Chandra, earnings persistence is profit that has the ability to repeatedly and sustainably be an indicator of future earnings. Penman & Zang in Fanani, defines earnings persistence as a revision in accounting profit that is expected in the future caused by innovation in current year's earnings.

Accounting conservatism as a careful reaction to uncertainty in a company to try to ensure that the uncertainties and risks in the business environment have been considered. Accounting conservatism will provide quality profit values because it is presented with great care, when this conservatism increases, it means that earnings are getting better quality and investor response will increase or react strongly, so it can be assumed that the Earnings Response Coefficient will also increase, and when conservatism is has decreased because the profits generated are of low quality, investor reactions will also decrease so that the Earnings Response Coefficient may also decrease, because the market reaction given depends on the quality of the earnings.

Capital Structure, according to Septyarini, is part of the financial structure which is a comparison between the amount of permanent short-term debt, long-term debt and own capital related to the company's long-term spending. The Capital Structure shows how the company combines its capital from debt or own

capital so that a good composition is found for the company. Various theories of capital structure have been developed by experts who determine the optimal capital structure, by analyzing the composition of the company's debt and capital which is permanent financing for the company, namely long-term debt, preferred stock and ordinary capital. According to Mulyani, companies with high debt levels mean they have greater debt compared to capital. Thus, if there is an increase in profits, the debt holders will benefit.

2. Literature Review and Hypothesis

2.1 Market Efficiency Theory

In this context, what is meant by the capital market and the monetary market. The market is said to be efficient if individual investors and institutional investors cannot achieve abnormal returns after adjusting their risk using existing trading strategies. In other words, the price formed in the market reflects the available information or "the stock reflects all available information". Another expression indicates that the price of a security asset in an efficient market quickly and completely reflects the available information about that asset or security.

2.2 Signalling Theory

Signal theory assumes that managers can provide information about companies regarding financial statements to investors based on investment return decisions. This signal theory can increase the value of the company in the future, where the information is provided by the manager. Signal theory in financial reports is used by companies to provide positive or negative signals to users who will then help make financial decisions by Muthingah (2017).

2.3 Earnings Response Coefficient

ERC as a market reaction to earnings information published by companies that can be observed from stock price movements around the date of publication of financial statements. ERC could be obtained from the regression between the proxy of stock prices and accounting earnings. The share price proxy used was the cumulative abnormal return (CAR), while the accounting profit proxy was unexpected earnings (EU) Scott (2015). Good earnings quality can be measured using the Earnings Response Coefficient, which is a form of measuring the information content of earnings. "Earnings Response Coefficient (ERC) is a measure of the magnitude of the abnormal return of a stock in response to the component of abnormal earnings (unexpected earnings) reported by the company that issued the stock".

2.4 The Effect of Growth Opportunity on Earnings Response Coefficient (ERC)

Opportunity to grow is the company's growth prospects in the future. Investors or shareholders' assessment of the possibility of a company's growth can be seen from the share price formed as an expected value of the future benefits to be obtained. Shareholders will give a greater response to companies with high growth possibilities. This happens because companies that have a high growth possibility will provide high benefits in the future for investors so that the market will also provide a greater response to companies that have a large growth opportunity by Scott (2009). Growth opportunities explain market assessment (investors or shareholders) of the possibility of growth of a company that appears and the share price that is formed as an expected value of the future benefits that will be obtained. Shareholders will respond more to companies that have high growth opportunities, because companies with high growth opportunities will provide high benefits for shareholders in the future (Susanto, 2012). The higher the opportunity for a company to grow, the greater the opportunity to earn profits compared to companies that do not grow, so the higher the earnings response coefficient in the future by Subagyo & Olivia (2012). Mulyani (2007), Indra et al (2011), Susanto (2012) and Hasanzade et al (2013) who proved that growth opportunities have a positive effect on the Earnings Response Coefficient (ERC). From the above statement it can be concluded that:

H₁: Growth Opportunities affect the Earnings Response Coefficient (ERC).

2.5 The Effect of Earnings Persistence on Earnings Response Coefficient (ERC)

Earnings persistence is the quality of earnings and the company's ability to maintain profit continuity on an ongoing basis and not only at certain moments is reflected by earnings persistence. Same with the signal theory, namely when the company will convey information to investors about the consistency of profits within the company. So the movement of profits every year is increasingly persistent, the ERC is also getting higher by Natsir (2018: 25). Earnings persistence is often categorized as one of the measurements of earnings quality because earnings persistence contains elements of predictive value so that it can be used by users of financial statements to evaluate past, present and future earnings predictions. Therefore, the persistence of this profit is very important for the company in increasing profits in the future, and of course the greater the profit earned, the

greater the return and the higher the ERC, which will provide good news for the company. Earnings persistence in the previous study by Kormendi & Lipe (1987) showed that earnings persistence is positively related to ERC. Collins & Kothari (1989) also found a positive relationship between estimated ERC and persistence by using earnings changes as a proxy for unexpected earnings. From the above statement it can be concluded that:
H₂: Profit persistence has an effect on Earnings Response Coefficient (ERC).

2.6 The Effect of Accounting Conservatism on Earnings Response Coefficient (ERC)

Conservatism is one of the principles implemented in accounting. According to FASB No. 2 (Financial Accounting Reports Board), conservatism is a wise reaction to uncertainty to try to ensure that the uncertainties and risks inherent in business situations are adequately considered. According to accounting conservatism, it explains the precautionary principle in financial reporting where companies are not in a hurry to recognize and measure assets and profits and immediately recognize losses and debts that are likely to occur by Watts (2013). According to Siti Rahayu (2012) & Setyaningtyas (2009) that accounting conservatism has a positive effect on the Earnings Response Coefficient (ERC). From the above statement it can be concluded that:
H₃: Accounting Conservatism has an effect on Earnings Response Coefficient (ERC).

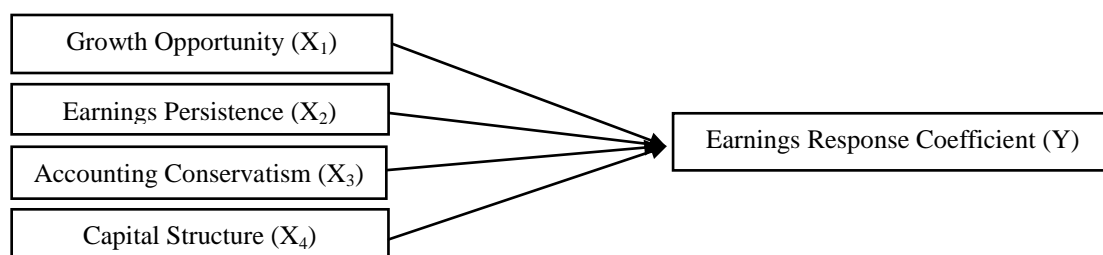
2.7 The Effect of Capital Structure on Earnings Response Coefficient (ERC)

Capital Structure is a ratio used to measure how much a company's debt affects asset management. The Capital Structure explains the ratios used to measure or assess how far a company's assets are financed by debt. The capital structure is a comparison between the amount of debt, both long-term and short-term debt, with the capital owned by the company. The capital structure has a significant influence on the sustainability of the company's development. For investors who will invest should pay attention to the amount of assets and debt owned by the company Kasmir (2016). According to Muhammad & Agustina (2020) that the Capital Structure influences the Earnings Response Coefficient (ERC). From the above statement it can be concluded that:
H₄: Capital Structure has an effect on Earnings Response Coefficient (ERC)

3. Methodology and Procedures

3.1 Research Design

Based on the literature review and the problems that have been described, as a basis for finding hypotheses, the following describes the framework model of the influence between research variables. This study wants to examine the effect of the independent variable and the dependent variable, where the independent variables are Growth Opportunity (X₁), Earnings Persistence (X₂), Accounting Conservatism (X₃), Capital Structure (X₄). While the dependent variable is the Earnings Response Coefficient (Y).



3.2 Population and Sample

This study uses a type of quantitative research (quantitative research) that uses secondary data. The population used in this study are banking companies listed on the Indonesia Stock Exchange in 2019-2021 with a total of 46 listed companies. The sample in this study were 33 companies. The sampling process used a purposive sampling method with predetermined criteria. The reason for using the purposive sampling technique is that it is suitable for quantitative research or research that is not generalized according to Sugiyono (2016: 85). The following are companies that were sampled in the study with predetermined criteria:

1. Banking companies that publish complete annual financial reports ending December 31 for 2019-2021.
2. Banking companies that publish complete annual financial statements in Rupiah during the year of study.
3. Banking companies that earn positive profits in 2019-2021.

Keterangan						Jumlah
Populasi	Perusahaan	Sektor	Perbankan	yang	terdaftar	46
	di Bursa Efek Indonesia pada tahun 2019-2021					
Sampel	a. Perusahaan	sektor	Perbankan	yang	tidak	0
	menerbitkan secara lengkap laporan keuangan tahunan yang berakhir dari tahun 2019-2021					
	b. Perusahaan	sektor	Perbankan	yang	tidak	0
	menerbitkan secara lengkap laporan keuangan tahunan dalam mata uang rupiah selama tahun 2019-2021.					
	c. Perusahaan	sektor	Perbankan	yang	tidak	(13)
	memperoleh laba positif pada tahun 2019-2021.					
	d. Jumlah Sampel Perusahaan					33
	e. Jumlah data selama 3 periode penelitian					99
	f. Jumlah data outliner					(29)
Jumlah Sampel Akhir						70

3.3 Variable Operational Definition and Variable Measurements

Dependent Variable

Scott (2015) defines ERC as a market reaction to earnings information published by companies that can be observed from stock price movements around the date of publication of financial statements. ERC could be obtained from the regression between the proxy of stock prices and accounting earnings. The share price proxy used was the cumulative abnormal return (CAR), while the accounting profit proxy was unexpected earnings (EU). The earnings response coefficient of accounting is the effect of unexpected earnings on CAR, which is shown through the slope coefficient in the regression of abnormal returns of shares with the EU. It indicates that ERC is a CAR reaction to earnings announced by the company. The reaction given depends on the quality of earnings generated by the company (Diantimala, 2008).

1. Calculate CAR for each sample company. The following are the steps for calculating CAR:

- a. Calculating individual returns and formulated market returns:

$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}}$$

Where :

- Rit = Company's daily return on day t
- Pit = Stock price of company i at time t
- Pit-1 = Stock price of company i at time t-1

$$R_{mt} = \frac{IHSg_t - IHSg_{t-1}}{IHSg_{t-1}}$$

Where :

- RMt = Return of market index on day t
- JCI = Composite stock price index at time t
- IHSgt-1 = Composite stock price index at time t-1

- b. Calculating abnormal returns using the market adjusted model, the formula:

$$AR_{it} = R_{it} - R_{mt}$$

Where :

- Arit = Abnormal Return for company i on day t

Rit = Company's daily return on day t
 RMt = Return of market index on day t

- c. Calculating the cumulative abnormal return (cumulative abnormal return), the formula:

$$CAR_{it(-3,+3)} = \sum_{-3}^{+3} AR_{it}$$

Where :

CAR = Cumulative abnormal return of company i in year t
 Arit = Abnormal return of company i on day t

2. Calculates the EU of each company. EU or unexpected earnings are accounting profit proxies that show the company's internal performance. UE can be calculated using the following formula:

$$UE_{it} = \frac{E_{it} - E_{it-1}}{E_{it-1}}$$

Where :

UEit = Unexpected Earnings of company i in year t
 Eit = Earnings of company i in period t
 Eit-1 = Earnings of company i in period t-1

3. Earnings Response Coefficient is the dependent variable in this study obtained from the regression between stock price proxies and accounting earnings. The share price proxy used is CAR while the accounting profit proxy is UE. Mathematically ERC is calculated in the following way:

$$CAR_{it} = \alpha_0 + \alpha_1 UE_{it} + \varepsilon$$

Where :

CARit = Cumulative Abnormal Return of company i during the observation period + 3 days from the publication of the financial statements
 UEit = Unexpected Earnings of company i in period t
 α_0 = Constant
 α_1 = ERC
 ε = standard error

Independent Variables

Independent variables or independent variables are variables that influence or cause changes or the emergence of the dependent (dependent) variable. The independent variables or independent variables in this study are:

Growth Opportunity

Opportunity to grow (growth opportunity) is an assessment of the market (investors or shareholders) on the possibility of growth of a company that can be seen from the share price that is formed as an expected value of the future benefits that will be obtained. Kurnia & Sufiyati (2015) the proxy used to measure growth opportunities based on the difference between assets and company value is the market to book value of assets ratio:

$$\frac{\text{Total Assets} - \text{Total Equity} + (\text{Shares} \times \text{Closing Price of Shares})}{\text{Total Assets}}$$

Earnings Persistence

Earnings persistence is a component of earnings quality which is a sustainable or stable profit in accordance with what the company expects for a sustainable period of time. Profit persistence in this study is measured from next year's pre-tax profit divided by the current year's total assets. This variable is measured using measurements by Septavita (2016). Profit persistence can be determined by the following formula:

$$\text{Earnings Persistence} = \frac{\text{Profit Before Tax}}{\text{Total Assets}}$$

Accounting Conservatism

The measurement of conservatism in this study refers to Beaver & Ryan (2003) which uses a measure of net assets. Achyani & Lovita (2019) measures accounting conservatism with the following formula:

$$\text{Accounting Conservatism} = \frac{\text{Close Price}}{\text{Equity Per Share}}$$

Where :

Closing Price = Price at the end of the year

Equity per Share = Total Equity : Number of Outstanding Shares

Capital Structure

Capital Structure is a wealth or economic resource owned by a company that is expected to provide benefits in the future. According to Kurniawati (2014), capital structure is measured using the following formula:

$$\text{Capital Structure} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

3.4 Data Analysis Method

In this study, the model used is multiple linear regression analysis. It is used to examine the relationship and resulting effects of several independent variables on one dependent variable. It is also used to estimate the average population value or the average value of the dependent variable based on the value of the independent variable. This analysis can also measure the strength of the relationship between the variables used and indicate the direction of the relationship between these variables. The regression model used to test the hypothesis in this study is formulated as follows:

$$\text{ERC} = \alpha + \beta_1\text{KB} + \beta_2\text{PL} + \beta_3\text{KA} + \beta_4\text{SM} + \varepsilon$$

Information:

ERC = Earnings Response Coefficient or Profit Response Coefficient

A = A constant

$\beta_1\text{KB}$ = Growth Opportunity

$\beta_2\text{PL}$ = Earnings Persistence

$\beta_3\text{KA}$ = Accounting Conservatism

$\beta_4\text{SM}$ = Capital Structure or Capital Structure

ε = Standard Error

4. Result Analysis

4.1 Descriptive Statistics

Table 4.1: Statistic Analysis Result

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Growth Opportunity	70	0,77869	1,56852	0,9553594	0,11820315
Earnings Persistence	70	0,00016	0,12573	0,0182570	0,02445949
Conservatism Accounting	70	0,06788	2,19434	0,8844286	0,38245188
Capital Structure	70	0,13189	0,91890	0,7461317	0,22158962
Earning Response Coefficient	70	-0,01755	0,04100	0,0078847	0,01280033
Valid N (listwise)	70				

Each of these variables can be described as follows:

1. Growth Opportunity Based on the results of the descriptive test analysis, it can be explained that the Growth Opportunity Variable has a minimum value of 0.77869, a maximum value of 1.56852, a mean value of 0.9553594 with a standard deviation of 0.11820315.
2. Earnings Persistence Based on the results of the descriptive test analysis, it can be explained that the Earnings Persistence Variable has a minimum value of 0.00016, a maximum value of 0.12573, a mean value of 0.0182570 with a standard deviation of 0.02445949.
3. Conservatism Accounting Based on the results of the descriptive test analysis, it can be explained that the Conservatism Accounting variable has a minimum value of 0.06788, a maximum value of 2.19434, a mean value of 0.8844286 with a standard deviation of 0.38245188.
4. Capital Structure Based on the results of the descriptive analysis test, it can be explained that the Capital Structure Variable has a minimum value of 0.13189, a maximum value of 0.91890, a mean value of 0.7461317 with a standard deviation of 0.22158962.
5. Earning Response Coefficient Based on the results of the descriptive test analysis, it can be explained that the Earning Response Coefficient Variable has a minimum value of -0.01755, a maximum value of 0.04100, a mean value of 0.0078847 with a standard deviation of 0.01280033.

4.2 Normality Test

Table 4.2: Normality Result Test

Variable	Kolmogorov-Smirnov	Sig (2-tailed)	Information
Unstandardized residual	0,086	0,200	Normal

Source: Secondary Data processed by author, 2023

The results showed that the Kolmogorov-Smirnov (K-S) value was 0.086 and the Asim value. Sig. (2-tailed) is 0.200. Asim value. Sig. (2-tailed) 0.200 > 0.05. With these results, it can be concluded that the regression equation model in this study has normally distributed data, so that the research model is stated to have met the assumption of normality.

4.3 Multicollinear Test

Table 4.3: Multicollinear Result Test

Variable	Tolerance	VIF	Information
Growth Opportunity	0,946	1,057	No multicollinearity occurs
Earnings Persistence	0,449	2,225	No multicollinearity occurs
Conservatisme Accounting	0,985	1,015	No multicollinearity occurs
Capital Structure	0,444	2,250	No multicollinearity occurs

Source: Secondary Data processed by author, 2023

The results of the multicollinearity test in table 4.3 show that each independent variable in this study, namely Growth Opportunity, Earnings Persistence, Conservatisme Accounting, and Capital Structure has a tolerance value of > 0.10 and a VIF value of < 10, so it can be concluded that the data passes the multicollinearity test or the data does not occur multicollinearity.

4.4 Heteroscedasticity Test

Table 4.4: Heteroscedasticity Result Test

Variable	Sig.	Information
Growth Opportunity	0,764	No heteroskedasticity
Earnings Persistence	0,224	No heteroskedasticity
Conservatisme Accounting	0,950	No heteroskedasticity
Capital Structure	0,191	No heteroskedasticity

Source: Secondary Data processed by author, 2023

The results of the heteroskedasticity test in table 4.4 show that each independent variable in this study, namely Growth Opportunity, Earnings Persistence, Conservatisme Accounting, and Capital Structure has a significance value of > 0.05 so that the regression model in this study is free from the inequality of residual variants to one another observation or heteroskedasticity does not occur.

4.5 Autocorrelation Test

Table 4.5: Autocorrelation Result Test

Durbin-Watson	Information
1,739	No Autocorrelation Occurs

Source: Secondary Data processed by author, 2023

Based on table 4.5 it can be seen that the Durbin Watson value lies between -2 to +2 so that the value indicates that the Durbin-Watson test results are passed or no autocorrelation occurs.

4.6 Multiple Linear Analysis

Table 4.6: Multiple Linear Analysis Result Test

Variable	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-0,013	0,013		-0,986	0,328
Growth Opportunity	-0,007	0,013	-0,063	-0,540	0,591
Earnings Persistence	0,307	0,088	0,587	3,479	0,001
Conservatisme Accounting	-0,002	0,004	-0,054	-0,476	0,636
Capital Structure	0,032	0,010	0,546	3,214	0,002

Source: Secondary Data processed by author, 2023

Based on the regression equation that has been described, it can be explained as follows:

1. A constant value (α) of -0.013 indicates that if the variables of Growth Opportunity, Earnings Persistence, Conservatisme Accounting, and Capital Structure have a fixed value of 0 (zero) then the Earnings Response Coefficient has a value of 0.013.
2. The regression coefficient for growth opportunities as measured by the market to book value of assets is -0.007 and is negative. This means that any change in growth opportunities as assessed from the market to book value of assets with the other assumption variables constant, will reduce the earnings response coefficient or earnings response coefficient that occurs by 0.007% in the same direction.
3. The regression coefficient for earnings persistence as measured by the comparison of profit before tax with total assets is 0.307 and is positive. This means that any change in earnings persistence assuming the other variables are constant, the change in earnings response coefficient that occurs is an increase of 0.307% in the same direction.
4. The regression coefficient for accounting conservatism is -0.002 and is negative. This means that any changes in accounting conservatism assuming other variables are fixed, it will be able to reduce the earnings response coefficient or the earnings response coefficient that occurs is 0.0021% in the same direction.
5. The regression coefficient for capital structure is 0.032 and is positive. This means that any change in capital structure assuming other variables are constant, the change in earnings response coefficient that occurs is an increase of 0.032% in the same direction.

4.7 Determination Coefficient Test

Table 4.7: Determination Coefficient Result Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,409	0,168	0,116	0,01203217

The results of the coefficient of determination (R²) test in table 4.7 show that the adjusted value of R² in the regression model is 0.116 or 11,6%. This means that the independent variables in this study, namely Growth Opportunity, Earnings Persistence, Conservatisme Accounting, and Capital Structure, can explain the dependent variables of this study, namely Earnings Response Coefficient of 11.6% and 88.4% explained by other factors outside the research model used.

4.8 Model Feasibility Test (F-Test)

Table 4.8: Model Feasibility Result Test

Model	F	Sig	Information
1	3,273	0,017	influential

Based on the output of SPSS table 4.8, it can be known that the results of the F test obtained a significance value of $0.017 < 0.05$, so as the use of the basis for decision making in the F test can prove that the hypothesis is accepted or in other words the variables of Growth Opportunity, Earnings Persistence, Conservatism Accounting, and Capital Structure simultaneously affect Earnings Response Coefficient. It can be concluded that the regression model is otherwise fit of goodness.

4.9 T-Test

Table 4.9: T-Test Result Test

Variable	T	Sig	Information
Growth Opportunity	-0,540	0,591	H ₁ REJECTED
Earnings Persistence	3,479	0,001	H ₂ ACCEPTED
Conservatism Accounting	-0,476	0,636	H ₃ REJECTED
Capital Structure	3,214	0,002	H ₄ ACCEPTED

Based on the results of the t test in table 4.9, the conclusions drawn are as follows:

1. Growth Opportunity has no effect on the Earnings Response Coefficient because the t value of significance of the variable Growth Opportunity is 0.591 with a value > 0.05 so it can be concluded that H₁ is rejected
2. Earnings Persistence affect the Earnings Response Coefficient because the t value of significance of the variable Earnings Persistence is 0.001 with a value < 0.05 so it can be concluded that H₂ is accepted
3. Accounting Conservatism has no effect on the Earnings Response Coefficient because the t value of significance of the variable Accounting Conservatism is 0.636 with a value > 0.05 so it can be concluded that H₃ is rejected
4. Capital Structure affect the Earnings Response Coefficient because the t value of significance of the variable Capital Structure is 0.002 with a value < 0.05 so it can be concluded that H₄ is accepted.

5. Discussion

1) The Effect of Growth Opportunity on Earnings Response Coefficient (ERC)

Based on the results of this study, Growth Opportunity (KB) shows a significance t value of $0.591 > 0.05$. Hi, this means that growth opportunities have no effect on the earnings response coefficient or profit response coefficient for banking companies on the Indonesia Stock Exchange for the 2019-2021 period. Because, the opportunity to grow has a significance value > 0.05 so it can be concluded that H₁ is rejected. Thus the first hypothesis in this study which explains that growth opportunities affect the earnings response coefficient (ERC) is not proven true. The results of this study indicate that the growth opportunities that exist in banking companies that are on the Indonesia Stock Exchange cannot be used as an indicator of market assessment to see the prospects of banking companies in the future. Because, the opportunity to grow will not affect the earnings response coefficient in a company. Whether or not there is a growth opportunity owned by a company is not always the center of attention of investors in determining investment. This happens because there is a fundamental reason on the part of investors that in investing investors do not always wish to obtain long-term profits but prefer to obtain short-term profits, namely capital gains.

2) The Effect of Earnings Persistence on Earnings Response Coefficient (ERC)

Based on the results of this study, the earnings persistence (PL) in the table above shows a significance t value of $0.001 < 0.05$. This means that accounting conservatism has an effect on the earnings response coefficient or earnings response coefficient in banking companies on the Indonesia Stock Exchange for the 2019-2021 period. Because, earnings persistence has a significance value < 0.05 so it can be concluded that H₂ is accepted. Thus the second hypothesis in this study which explains that earnings persistence affects the earnings response coefficient (ERC) is proven to be true. The results of this study indicate that the persistence of earnings will be able to provide predictions related to permanent profits generated by the company (quality earnings) will be able to provide a positive response to the earnings response coefficient. Because earnings persistence reflects the quality of the company's earnings and shows that the company can maintain profits from

time to time and not just because of a certain event. The more permanent changes in earnings from time to time, the higher the earnings response coefficient. If the company is believed to be able to maintain the profits generated in the future, then the profit information presented will tend to have a stronger influence on the market.

3) The Effect of Accounting Conservatism on Earnings Response Coefficient (ERC)

Based on the results of this study, accounting conservatism (KA) in the table above shows a significance t value of $0.636 > 0.05$. Hi, this means that accounting conservatism has no effect on the earnings response coefficient or earnings response coefficient in banking companies on the Indonesia Stock Exchange for the 2019-2021 period. Because, accounting conservatism has a significance value > 0.05 so it can be concluded that H3 is rejected. Thus the third hypothesis in this study which states that accounting conservatism affects the earnings response coefficient is not proven true. Because, the principle of accounting conservatism used by companies in financial reporting is not able to increase investor reactions. Financial reports that use the principle of accounting conservatism cannot reflect the actual situation and seem biased. Profit generated from the principle of accounting conservatism will tend to fluctuate and have lower predictive power than more stable earnings to predict future cash flows. Low earnings predictive power can make current year earnings information less useful and the Earnings Response Coefficient value lower. In other words, the more conservative the financial statements, the lower the Earnings Response Coefficient.

4) The Effect of Capital Structure on Earnings Response Coefficient (ERC)

Based on the results of this study, the Capital structure (SM) in the table above shows a significance t value of $0.002 < 0.05$. This means that capital structure has an effect on the earnings response coefficient or profit response coefficient in banking companies on the Indonesia Stock Exchange for the 2019-2021 period. Because, Capital structure has a significance value < 0.05 so it can be concluded that H4 is accepted. Thus the fourth hypothesis in this study which states that capital structure affects the earnings response coefficient is proven to be true. Because, the earnings response coefficient has a positive relationship with the capital structure that companies with high leverage levels cause investors to have less confidence in published earnings, which in turn results in a low earnings response coefficient. When the company makes a profit, it is the debtholders who are more profitable than the investors. This is because the company will prioritize debt payments rather than dividends. In addition, companies with high levels also have high financial risk because they experience financial leverage difficulties so that there is a risk of default which results in bankruptcy.

6. Conclusion

The purpose of this study was to analyze the effect of Growth Opportunities, Earnings Persistence, Accounting Conservatism, Capital Structure on Earnings Response Coefficients (Empirical studies of banking companies listed on the IDX for the 2019-2021 period) with a sample of 70 banking companies in 2019-2021. Based on the results of data analysis and discussion that has been described in the previous chapter, the following conclusions can be drawn. Based on the results of the t test in table IX, the conclusions drawn are Opportunity to grow has no positive and insignificant effect on the earnings response coefficient, Earnings persistence has a positive and significant effect on earnings response coefficient, accounting conservatism has no positive and insignificant effect on earnings response coefficient, capital structure has a positive and significant effect on earnings response coefficient.

7. Limitation

In this study there were several limitations experienced by researchers. This can be used as material for consideration for future researchers, these limitations are as follows: This study only uses 4 independent variables, namely Growth Opportunity, Earnings Persistence, Accounting Conservatism, and Capital Structure. This study examines each independent variable and the dependent variable for 3 periods only, namely from 2019-2021 so this has not been able to clearly describe all the factors that affect the Earnings Response Coefficient (ERC).

8. Suggestion

Based on the conclusions in this study, suggestions can be formulated that can be recommended related to the problems discussed in this study, including: It is better if the company can increase the use of capital and debt to increase the company's production operational activities which can increase company profits so that it will be able to provide more returns good for investors. For investors, they can start to see the growth opportunity factor as an indicator of a company's ability to generate income

9. References

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