

THE EFFECT OF EARNINGS PERSISTENCE, SYSTEMATIC RISK, AND CONSERVATISM ON EARNINGS INFORMATIVENESS

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Received: March 6, 2021; Revised: June 22, 2021; Accepted: June 23, 2022

Abstract: *This study aims to examine several factors that are predicted to affect earnings informativeness. This study examines several independent variables, namely earnings persistence, company growth, systematic risk, capital structure, profitability, and conservatism on earnings informativeness. The research sample was selected based on certain criteria with a total of 43 manufacturing companies on the Indonesia Stock Exchange for the period 2017 to 2019. The research data was tested using a statistical technique, namely multiple linear regression. The results of this study indicate that company growth has a negative effect on earnings informativeness. On the other hand, earnings persistence, systematic risk, capital structure, profitability, and conservatism have no effect on earnings informativeness.*

Keywords: Earnings informativeness, earnings persistence, systematic risk, conservatism

Abstrak: Penelitian ini bertujuan untuk menguji beberapa faktor yang diprediksi mempengaruhi keinformatifan laba. Penelitian ini menguji beberapa variabel independen yaitu persistensi laba, pertumbuhan perusahaan, risiko sistematis, struktur modal, profitabilitas, dan konservatisme terhadap keinformatifan laba. Sampel penelitian dipilih berdasarkan kriteria tertentu dengan total sebanyak 43 perusahaan manufaktur di Bursa Efek Indonesia periode 2017 sampai 2019. Data penelitian diuji menggunakan teknik statistik yaitu regresi linier berganda. Hasil penelitian ini menunjukkan bahwa pertumbuhan perusahaan berpengaruh negatif terhadap keinformatifan laba. Sebaliknya, persistensi laba, risiko sistematis, struktur modal, profitabilitas, dan konservatisme tidak berpengaruh terhadap keinformatifan laba.

Kata Kunci: Keinformatifan laba, persistensi laba, risiko sistematis, konservatisme

INTRODUCTION

PSAK 1 describes that financial statements are a means of accountability to management. There are various kinds of information in financial reports, but not all information can be used as a benchmark in

making decisions. Earnings information is a major concern in determining performance and management accountability. Therefore, earnings can be used as an indicator in measuring company performance.

The earnings information provided by the company can be used by investors in

making investment decisions, whether they are decisions to buy, sell or issue investments based on market reactions. For this reason, relevant information is very important to its existence. Relevant information can be used to estimate, evaluate and address the possible opportunities and outcomes that will be obtained. Even though the information is relevant, it cannot be denied that every information has limitations (Adhariani 2005). These limitations can be affected by assumptions and methods of calculation or recording, as well as the possibility of manipulation by management to increase earnings. The level of earnings cannot be used as a reference that the earnings is of good quality, but must meet several components, including the stability of components in the income statement, understatement and overstatement of net income, realization of asset risk, maintenance of capital, and the ability of earnings to be predictors of future earnings (predictive value) (Adhariani 2005). Therefore, the earnings informativeness (known as Earnings Response Coefficient - ERC) is used as a way to measure the earnings quality which can be used as a reference in decision making. The magnitude of the market reaction to earnings can be described through ERC (Basuki et al. 2017).

Ball and Brown (1968) are a study that studies market reactions due to accounting information and explains the relationship between accounting earnings information and stock prices, which shows that earnings contain information and have benefits for investors. Rahayu (2019) shows that PT. Puradelta Lestari Tbk (DMAS) experienced an increase in net profit by 567% to Rp625,75 billion in the first semester of 2019. The increase in net profit is followed by an increase in the share price of PT. Puradelta Lestari Tbk (DMAS) to Rp324 per share (an increase of 92,45%) in 2019. This shows that an increase in earnings is directly

proportional to an increase in share prices. In other words, investors see the increase in earnings as a reference in making investment decisions. However, this is different from what was experienced by PT. Housing Development (PTPP). Net profit of PT. Housing Development (PTPP) in the first semester of 2017 amounted to Rp989.9 billion, or an increase of 74.7% compared to 2016 which only recorded a profit of Rp566 billion. This increase in profit was in line with the decline in share prices by 36.3% from Rp 3,770 per share in 2016 to Rp2,400 in 2017 (Sugianto 2017). This incident shows that an increase in profit does not guarantee an increase in share prices, where there are other things that are considered in making investment decisions. This is what encourages researchers to conduct research on earnings informativeness, which is to assist investors or management in making investment decisions and overcoming what is happening in the market and companies today, and to find out about what can increase market reaction to earnings announcements.

This study is a development of previous research by Widiatmoko and Indarti (2018) using independent variables, namely earnings persistence, company growth, systematic risk, and capital structure. The differences between this study and the research conducted by Widiatmoko and Indarti (2018) include:

1. The object of the previous research was a real estate and property company listed on the Indonesian stock exchange, while the object of this research was a manufacturing company on the Indonesian stock exchange.
2. The research period used by Widiatmoko and Indarti (2018) was 2011 to 2014, while this study used the research period from 2017 to 2019.
3. Addition of profitability and conservatism variables from the research of Kristanti and Almilia (2019) to determine the effect of these

variables on earnings informativeness. The reason for adding this variable is because the results of previous studies are still inconsistent.

This study aims to test empirically the influence of the earnings persistence, company growth, systematic risk, capital structure, profitability, and conservatism on earnings informativeness. The contribution of this research is to give consideration to investors in making decisions, and to help management to determine policies related to factors that affect market reactions. In addition, this study also contributes theoretically in providing insight as well as additional literature for academics and a source of information for further research.

Signaling Theory

First stated by Ross (1977) in the *Bell Journal of Economics* "The Determination of Financial Structure: The Incentive - Signaling Approach". In this journal it is said that better information tends to be given to executives and potential investors. Signaling theory tells about how companies must provide information to users of financial reports that will be a signal for investors to make decisions. The more investors who invest, the market reaction will increase and encourage an increase in earnings informativeness. Conversely, if the signal is not given, investors will not react to the market, thus reducing the earnings informativeness. Therefore, giving signals is one of the most important and crucial things (Widiatmoko and Indarti 2018).

Earnings informativeness

Earnings informativeness (known or calculated with ERC – Earnings Response Coefficient) is a measure that shows the strength of the relationship between stock returns and company profits. The more sensitive the market reaction to earnings information, indicates the high quality of

earnings reported by the company. Earnings informativeness is the result of the regression coefficient between stock prices and accounting earnings. Stock price is proxied by cumulative abnormal return (CAR), and accounting earnings is proxied by unexpected earnings (UE) (Hartanto and Wijaya 2019).

Earnings Persistence and Earnings informativeness

Information in accounting earnings becomes the basic thing that investors observe in determining their investment decisions. Therefore, a good earnings is not only seen from the high or low earnings, but also whether the earnings is persistent or not. Earnings is said to be persistent if it can reflect future earnings (sustainable) and reflect the real financial potential of the company (Fanani 2010).

Widiatmoko and Indarti (2018); Kusuma and Subowo (2018); Wahyuni and Damayanti (2020); Kurniawati and Dwimulyani (2018); and Lucyanda and Nahomy (2014) state that earnings persistence has a positive effect on earnings informativeness, which means that the higher the persistence of earnings, the higher the informativeness of earnings. However, the results of this study are contrary to Kristanti and Almilia (2019), which states that earnings persistence has a negative effect on earnings informativeness. However, Mashayekhi and Aghel (2016); Dalimunthe (2016); and Putri and Azhari (2017) show that earnings persistence has no effect on earnings informativeness. Earnings become less relevant in predicting future policies because of the transitory component in the presentation of earnings. With the differences in the results of previous studies, the hypothesis of this study is stated as follows
H1: Earnings persistence has an effect on earnings informativeness.

Company Growth and Earnings informativeness

In general, the company's growth is characterized by increased revenue, higher margins and sales. On the other hand, an earnings decrease, margin and sales indicates a decline in company growth (Porter 1980 in Arfan and Antasari 2008).

Kusuma and Subowo (2018); Yusuf et al. (2019); Lisdawati et al. (2016); and Arif (2016) stated that company growth has a positive influence on earnings informativeness. While Widiatmoko and Indarti (2018); Kurniawati and Dwimulyani (2018) state that company growth has a negative influence on earnings informativeness. Another result of this study states that company growth has no effect on earnings informativeness. Research that obtained these results included research conducted by Lucyanda and Nahomy (2014); Alifiana and Praptiningsih (2016); Putri and Azhari (2017); Hidayati and Pure (2009); and Irawati (2018). There are differences in the results of previous studies, the hypothesis of this study is stated as follows:

H2: Company growth has an effect on earnings informativeness.

Systematic Risk and Earnings informativeness

Beta is a parameter that can be used to calculate systematic risk. Beta shows the sensitivity of a security's returns to changes in market returns. The higher the beta value, the more sensitive the stock price to market changes (according to Tandelilin 2001 in Arif 2016).

Hidayati and Murni (2009); Zakaria et al. (2013); and Kurniawati and Dwimulyani (2018) show that the higher of systematic risk, the higher earnings informativeness. This result contradicts the study of Kim et al. (2018); Hasanzade et al. (2013); Kurnia and Sufiyati (2015); An (2015); Syafruddin (2005); and Jati et al. (2017) which states that the

higher systematic risk, the lower earnings informativeness.

Meanwhile, Kusuma and Subowo (2018); Lisdawati et al. (2016); Rullyan et al. (2017); Arif (2016); and Putri and Azhari (2017) show that systematic risk has no effect on earnings informativeness. The reason is because systematic risk is a risk that cannot be diversified, so investors tend not to use beta as a basis for decision making. There are still differences in previous research, the hypothesis of this study is stated as follows
H3: Systematic risk has an effect on earnings informativeness.

Capital Structure and Earnings informativeness

Mahendra and Wirama (2017) state that capital structure shows how a company combines its capital so that a good composition can be found for the company. Capital can come from within or outside the company. Retained earnings are one of the funds originating from within the company, while from outside can be in the form of debts or loans from creditors.

According to research by Wahyuni and Damayanti (2020); Dalimunthe (2016); as well as Lucyanda and Nahomy (2014), it is said that the capital structure as measured by leverage has a negative effect on earnings informativeness. These results contradict with Widiatmoko and Indarti (2018); Arif (2016); Mahendra and Wirama (2017); and Fajar and Hapsari (2016). There are inconsistencies in previous research, so the hypothesis of this research is:

H4: Capital structure has an effect on earnings informativeness.

Profitability and Earnings informativeness

Hartanto and Wijaya (2019), profitability is a company's ability to get earnings and is a measure of the effectiveness of company management, which is shown through the earnings

generated by the company. Kristanti and Almilia (2019); Mahendra and Wirama (2017); and Marlina and Anna (2018) show that profitability has a positive effect on earnings informativeness.

Other results show that profitability has no effect on earnings informativeness. This result is supported by Nurmalina et al. (2018); Rullyan et al. (2017); Tania (2018); Irawati (2018); Fajar and Hapsari (2016); and Putri and Azhari (2017). With the inconsistency in previous research, the hypothesis of this research is:

H5: Profitability has an effect on earnings informativeness.

Conservatism and Earnings informativeness

The principle of conservatism reflects the minimum profit that can be obtained by the company, in other words, the profit is not exaggerated in value so that the profit becomes of high quality. Quality earnings can be measured using earnings informativeness (ERC), namely by measuring the information content in earnings or reactions to profits announced by the company (Marlina and Anna 2018).

The research results of Marlina and Anna (2018) state that conservatism has a positive effect on earnings informativeness. Meanwhile, Natalia and Ratnadi (2017) show that conservatism has a negative effect on earnings informativeness. Different results were found by Kristanti and Almilia (2019); Nurmalina et al. (2018); Tania (2018); Nymmo and Siregar (2019); Silphia (2017); Farhan et al. (2019); Lucyanda and Nahomy (2014); and Faradiza et al. (2016) who stated that conservatism had no effect on earnings informativeness. There is a difference in the test results of previous studies, the hypothesis of this research is:

H6: Conservatism has an effect on earnings informativeness.

RESEARCH METHODS

The sample of this research is manufacturing companies on the Indonesia Stock Exchange in 2017-2019. The research data is taken from www.idx.co.id and the ticmi.co.id. The research sample is based on certain criteria listed in table 1.

Operational Definition and Variable Measurement

Earnings informativeness

Earnings informativeness is used to determine how much the market reaction is determined by measuring the amount of abnormal return of a stock as a response to the component of unexpected earnings reported by the company that issued the stock. Earnings informativeness calculations use a ratio scale obtained from the slope between cumulative abnormal return and unexpected earnings (Widiatmoko and Indarti 2012):

$$CAR_{jk} = \alpha + \beta 1UE_{jk} + \epsilon$$

Information:

CAR_{jk} = Cumulative abnormal return company j current period

UE_{jk} = Unexpected earnings company j current period

α = Constant

$\beta 1$ = regression coefficient

ϵ = Error

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

Information:

CAR_{jk} = The company's cumulative abnormal return with observations of about 3 days from publication date of the financial statements.

AR_{jk} = Abnormal return for company j on day k which is calculated using the formula:

$$AR_{jk} = R_{jk} - R_{mk}$$

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

$$R_{mk} = \frac{IHSG_k - IHSG_{k-1}}{IHSG_{k-1}}$$

Information:

AR_{jk} = Abnormal return of company j on day k

R_{jk} = Return of company j on day k

P_{jk} = Closing stock price of company j on day k

P_{jk-1} = Closing stock price of company j on day k-1

R_{mk} = market return in period k

IHSG_k = composite stock price index on day k

IHSG_{k-1} = composite stock price index on day k-1

The calculation of unexpected earnings (UE) uses the formula:

$$UE_{jk} = \frac{EPS_{jk} - EPS_{jk-1}}{EPS_{jk-1}}$$

Information:

UE_{jk} = Unexpected earnings for company j in period k

EPS_{jk} = Earnings per share of company j in period k

EPS_{jk-1} = Earnings per share of company j in period k-1

Earnings informativeness is obtained from the value of the coefficient of the interaction between unexpected earnings and the independent variables, namely earnings persistence, company growth, systematic risk, capital structure, profitability, and conservatism. This coefficient value shows the effect of each independent variable on earnings informativeness (Susanto 2012).

Earnings persistence can be measured using a ratio scale which is the result of the regression coefficient between accounting earnings in the current period and previous accounting earnings by regressing profit after tax for five years, as used by

Nuraeni et al. (2018) with the following formula:

$$E_{jk} = \beta_0 + \beta_1 E_{jk-1} + \varepsilon$$

Information:

E_{jk} = net profit after tax company j in period k

β₀ = Constant

β₁ = Result of regression coefficient (earnings persistence)

E_{jk-1} = net profit after tax company j before period k

ε = Error

Company growth is measured using the market to book value ratio, which is the ratio or comparison between equity market value and equity book value (Widiatmoko and Indarti 2018) with the formula:

$$MBV = \frac{\text{Equity Market Value}}{\text{Equity Book Value}}$$

Systematic Risk

Systematic risk is a risk that cannot be eliminated through diversification, because the fluctuation of this risk is caused by macro factors that can affect the entire market (Widiatmoko and Indarti 2018). The measured using a market model (Kurnia and Sufiyati 2015) with the formula:

$$R_{jk} = \alpha + \beta R_{mk} + \varepsilon$$

Information:

R_{jk} = Stock Return of company j in period k

α = Constant

β = Stock beta (systematic risk)

R_{mk} = the company's market return in period k

ε = Error

Capital structure can be proxied using leverage. Leverage is a ratio analysis that aims to assess the company's liabilities. The measurement of leverage uses a ratio scale, namely the ratio of total liabilities to the company's total assets (Widiatmoko and Indarti 2018), which is formulated as follows:

$$\text{Leverage} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

According to Kristanti and Almilia (2019), profitability describes a company's ability to generate earnings. The scale used in calculating profitability is to use a ratio scale, which is the ratio or comparison between net profit and the company's total assets which can be described in the following formula:

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Information:

ROA = *Return on assets*

Conservatism is the suspension of possible income/assets and the immediate recognition of possible expenses or debts (Tania 2018). Referring to (Kristanti and Almilia 2019), Conservatism can be measured using a ratio scale calculated using a formula:

$$\text{Conservatism} = \frac{\text{Net Profit bef. Depreciation}}{\text{Cash flow from Operating Activities}}$$

Data analysis method

Hypothesis testing in this research uses multiple regression analysis equation model with a confidence level of 95% (alpha 5%). The regression equation model as follows:

$$\begin{aligned} \text{CAR}_{jk} = & \alpha + \beta_1 \text{UE}_{jk} + \beta_2 \text{EP}_{jk} + \beta_3 \text{GR}_{jk} + \beta_4 \text{SR}_{jk} \\ & + \beta_5 \text{LEV}_{jk} + \beta_6 \text{ROA}_{jk} + \beta_7 \text{CON}_{jk} + \\ & \beta_8 \text{UExEP}_{jk} + \beta_9 \text{UExGR}_{jk} + \\ & \beta_{10} \text{UExSR}_{jk} + \beta_{11} \text{UExLEV}_{jk} + \\ & \beta_{12} \text{UExROA}_{jk} + \beta_{13} \text{UExCON}_{jk} + \varepsilon_{jk} \end{aligned}$$

Information:

CAR = Cumulative abnormal return

α = Constant

$\beta_1 \dots \beta_7$ = Regression coefficient

EP = Earnings persistence

GR = Growth

SR = Systematic risk

LEV = Leverage

ROA = Profitability

CON = Conservatism

ε = Error

RESEARCH RESULT

Table 1 shows the sample selection procedure, which are as follows:

Table 1 Sample Selection

Descriptions	Total Company	Total Data
1. Manufacturing companies consistently listed on the Indonesia Stock Exchange from 2013 to 2019.	127	381
2. Manufacturing companies that do not consistently use the Rupiah currency from 2017 to 2019.	(28)	(84)
3. Manufacturing companies that do not consistently provide information regarding the publication date of financial statements from 2017 to 2019.	(19)	(57)
4. Manufacturing companies that did not consistently publish financial statements that ended on December 31 from 2013 to 2019.	(2)	(6)
5. Manufacturing companies that did share splits during the estimation period and observation period from 2017 to 2020 (before the publication date).	(7)	(21)
6. Manufacturing companies that did not consistently book positive earnings from 2013 to 2019.	(28)	(84)
Total sample	43	129

The results of descriptive statistics in table 2 show that the amount of data used in this research is 129 data, starting from 2017 to 2019. The cumulative abnormal return (CAR) variable has a mean value of 0,019197 and a standard deviation of 0,096681. Unexpected earnings (UE) has a mean value of 0,983076, standard deviation of 8,883746. Earnings persistence (EP) has a mean value of 0,267028, standard deviation of 1,362751. Company growth (GR) has a mean value of

2,218914, standard deviation of 2,453554. Systematic risk (SR) has a mean value of 0,534386, standard deviation of 3,090217. Capital structure (LEV) has a mean value of 0,358571, standard deviation of 0,164976. Profitability (ROA) has a mean value of 0,082413, standard deviation of 0,098985. Conservatism (CON) has a mean value of 2,232473, standard deviation of 8,720692.

Table 2 Descriptive Statistics

Variable	N	Min.	Max.	Mean	Std. Deviation
CAR	129	-0,270621	0,380024	0,019197	0,096681
UE	129	-1,030582	100,500000	0,983076	8,883746
EP	129	-11,782110	3,132978	0,267028	1,362751
GR	129	0,054717	16,128301	2,218914	2,453554
SR	129	-13,521215	18,980455	0,534386	3,090217
LEV	129	0,083064	0,732498	0,358571	0,164976
ROA	129	0,000282	0,920997	0,082413	0,098985
CON	129	-14,130903	88,686576	2,232473	8,720692

F test results in table 3 obtain the sig. value $0,020 < \alpha (0,05)$ which indicates that the model is fit. Value of Adj. R2 (coefficient of determination) of 0,099 shows that statistically the amount of variation in the dependent variable cumulative abnormal return (CAR) can be explained by variations in the independent variable unexpected earnings (UE), earnings persistence (EP), company growth (GR), systematic risk (SR), capital structure (LEV), profitability (ROA), conservatism (CON), the interaction between unexpected earnings and earnings

persistence (UExEP), the interaction between unexpected earnings and firm growth (UExGR), the interaction between unexpected earnings and systematic risk (UExSR), the interaction between unexpected earnings and capital structure (UExLEV), the interaction between unexpected earnings and profitability (UExROA), and the interaction between unexpected earnings and conservatism (UExCON) is 9,9%. The remaining 90,1% is explained by other variables not included in the regression model.

Table 3 The Research Result

Variable	B	Sig.
(Constant)	-0,052	0,100
UE	0,062	0,095
EP	-0,019	0,115
GR	-0,004	0,452
SR	-0,001	0,724
LEV	0,168	0,008
ROA	0,393	0,076
CON	-0,001	0,350
UExEP	0,002	0,771
UExGR	-0,035	0,008
UExSR	0,000	0,935
UExLEV	-0,036	0,638
UExROA	-0,016	0,884
UExCON	0,005	0,083

Adj. R² = 0,099; F-test = 2,083; Sig. = 0,020

T test results in table 3 show that the unexpected earnings (UE) variable has a coefficient value of 0,062 with a sig. 0,095, greater than α (0,05), which means that unexpected earnings (UE) have no effect on cumulative abnormal return (CAR). The variable earnings persistence (EP) has a coefficient value of -0,019 with a sig. 0,115, greater than α (0,05), which means that earnings persistence (EP) has no effect on cumulative abnormal return (CAR). The company growth variable (GR) has a coefficient value of -0,004 with a sig. of 0,452, greater than α (0,05), which means that company growth (GR) has no effect on cumulative abnormal return (CAR). Systematic risk (SR) variable has a coefficient value of -0.001 with a sig value. 0,724, greater than α (0,05), which means systematic risk (SR) has no effect on cumulative abnormal return (CAR). Capital structure (LEV) has a coefficient value of 0,168 with a sig. 0,008, less than α (0,05), which means that the capital structure (LEV) has a positive effect on cumulative abnormal return (CAR). This means that the greater the value of the capital structure (LEV), the higher the value of the company's cumulative

abnormal return (CAR). Profitability (ROA) has a coefficient value of 0,393 with a sig. 0,076, greater than α (0,05), which means that profitability (ROA) has no effect on cumulative abnormal return (CAR). The conservatism (CON) variable has a coefficient value of -0,001 with a sig. 0,350, greater than α (0,05), which means that conservatism (CON) has no effect on cumulative abnormal return (CAR).

The interaction variable between unexpected earnings and earnings persistence (UExEP) on CAR has a coefficient value of 0,002 with a sig. equal to 0,771, greater than α (0,05). This shows that Ha1 is not accepted, which means that earnings persistence has no effect on earnings informativeness, in other words the company's ability to maintain its earnings is not a signal for investors to influence market reactions to earnings information. The reason is that there is a transitory component (activities that are not commonly carried out and not always repeated in the future) which causes profit to be less relevant for predicting future policies (Dalimunthe 2016).

The interaction variable between unexpected earnings and firm growth

(UEXGR) on CAR has a coefficient value of -0,035 with a sig. of 0,008, smaller than α (0,05). This indicates that Ha2 is accepted, which means that company growth has a negative effect on earnings informativeness. The greater company growth (GR), the lower earnings informativeness that is generated. The company's growth rate is directly proportional to the company's need for funds. The higher the growth, the greater the need for funds to finance investment and expansion in the future. Companies with high growth tend to hold back their profits and have low dividend rates. A low dividend rate will certainly encourage negative reactions for investors, especially long-term investors who expect high dividend rates or returns (Widiatmoko and Indarti 2018).

The interaction variable between unexpected earnings and systematic risk (UEXSR) on CAR has a coefficient value of 0,000 with a sig. of 0,935, which is greater than α (0,05). This indicates that Ha3 is not accepted, which means that systematic risk (SR) has no effect on earnings informativeness, in other words systematic risk is not a signal for investors to influence market reactions to earnings information. Systematic risk is a risk that cannot be diversified, investors tend to pay more attention to earnings figures for decision making (Lisdawati et al. 2016).

The interaction variable between unexpected earnings and capital structure (UEXLEV) on CAR has a coefficient value of -0,036 with a sig. equal to 0,638, greater than α (0,05). This shows that Ha4 is not accepted, which means that capital structure has no effect on earnings informativeness, in other words, the level of leverage or the level of debt owed by the company is not a signal for investors to influence market reactions to earnings information. High leverage can indicate that the company prefers financing through debt. Meanwhile, low leverage can indicate that the company is paying off its

debts. In this case, high or low capital structure is more beneficial for debtholders, so it does not affect investor response (Mahendra and Wirama 2017).

The interaction variable between unexpected earnings and profitability (UEXROA) on CAR has a coefficient value of -0,016 with a sig. equal to 0,884, greater than α (0,05). This indicates that Ha5 is not accepted, which means that profitability does not affect the earnings informativeness, in other words the level of profitability of the company is not a signal for investors to influence market reactions to earnings information. In this situation, investors pay more attention to the rate of return as seen from their investment compared to the level of profitability (Rullyan et al. 2017).

The interaction variable between unexpected earnings and conservatism (UEXCON) on CAR has a coefficient value of 0,005 with a sig. amounted to 0,083, greater than α (0,05). This indicates that Ha6 is not accepted, which means that conservatism has no effect on earnings informativeness, in other words, financial reports that use the conservatism principle are not a signal for investors to influence market reactions to earnings information. The principle of conservatism in accounting can cause financial reports to be biased (unreliable) so that they cannot be used as a reference in evaluating the actual condition of the company (Faradiza et al. 2016).

CONCLUSION

This research has the conclusion that company growth has a negative effect on earnings informativeness. Meanwhile, other independent variables, namely earnings persistence, systematic risk, capital structure, profitability, and conservatism have no effect on earnings informativeness.

Limitations found in this study include: (1) The sample of this study is limited

because only manufacturing companies are listed on the IDX from 2017 to 2019. (2) This study uses only 6 independent variables, namely earnings persistence, company growth, systematic risk, capital structure, profitability, and conservatism, so that it cannot explain the earnings informativeness as shown by the small Adjusted R2 value.

Recommendations for further research as follows: (1) Increase the

research period and expand the research sample by conducting cross-country testing so that better research results can be obtained. (2) test several other independent variables that affect earnings informativeness such as audit committee expertise, corporate social responsibility disclosure, liquidity, stock volatility, and firm size.

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