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THE INFLUENCE OF CAPITAL STRUCTURE, GOOD CORPORATE GOVERNANCE, DIVIDEND PAYMENT ON EARNINGS QUALITY

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ABSTRACT

The purpose of this research is to examine the influence of Capital Structure, Good Corporate Governance, and Dividend Payment on Earning Quality. Secondary data is used for this study that focused on the infrastructure, utility, and transportation industry listed on the Indonesia Stock Exchange for 2016 – 2019. The sample was obtained based on a purposive sampling technique with 4 years of the observation period.

This research uses multiple linear regression analysis with a significance level of 5% to test 3 hypotheses assisted by the Eviews 10 program. Based on the multiple linear regression analysis tests, it can be proven that (a) capital structure does not affect earnings quality, the level of debt does not affect earnings quality; (b) Good Corporate Governance has a positive effect on earnings quality, the number of audit committee meetings held does not guarantee the good quality of company earnings; (c) dividend payments have a positive effect on earnings quality, companies that pay dividends can provide a positive market response to earnings quality.

Keywords:
Capital Structure, Dividend Payment, Earning Quality, Good Corporate Governance

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INTRODUCTION

One of the components of the financial statements that become the assessment of investors is information about earnings. The definition of profit in financial terms is the net result of business operations during a certain period. Profit is used as a tool to measure changes in stakeholder wealth and to estimate the extent to which the business can cover operational costs and earn profits for shareholders (K.R. Subramanam, 2017). Information about the profit achieved by the company in a period can be found in the income statement or income statement. Given the importance of information about earnings for users of financial statements, each of which has a different purpose and use, the information on earnings on the company's financial statements must be of high quality. Investors use the company's earnings information in the past to assess the company's prospects in the future. Thus, the profit that is reflected in the financial statements must be quality earnings, namely earnings that are reliable and relevant so that they can be used wisely by users of financial statements.

Quality earnings according to Turono in Nadirsyah & Muharram (2016) are profits presented in the financial statements that reflect the actual condition of the company without any interference from the interests of the related parties. It is not uncommon for internal company parties who know more about the condition of the company to act fraudulently by reporting profits that do not describe the actual company condition because they want to get a bonus or are judged good by external parties.

Earning Response Coefficient (ERC) is the response to earnings announced by a company. This response can be used as a measure of earnings quality by using abnormal returns, namely the difference between the original return obtained by the company and the expected return from investors (Rizqi, 2019). Investors tend to put great trust in investing in large companies and have a good name in the community. The size of the company is usually used as a benchmark for investors to measure the good or bad performance of a company. However, in reality, the existence and big names do not guarantee that the company does not manipulate the profits that have been generated and presented in the financial statements.

Earnings quality is influenced by several factors, one of which is the capital structure as a source of funds to carry out the company's operational activities. According to Nadirsyah & Muharram (2016), the capital structure used by the company comes from various sources, such as from shareholders, company owner's capital, or from loans or debt. The results of research conducted by Warianto & Rusiti (2016) show that the capital structure measured using leverage has a significant positive effect on earnings quality. In contrast to the research conducted by Nadirsyah & Muharram (2016), the capital structure measured using leverage shows that the capital structure is not significant to earnings quality. High leverage can lead to low ERC values.

Another factor that is considered to be able to affect the quality of earnings is Good Corporate Governance. Good Corporate Governance is a supervisory mechanism for the organization of the company so that company management does not take opportunistic actions for personal interests, but also aligns with the

interests of company owners (Soly & Wijaya, 2017). Previous research conducted by Nadirsyah & Muharram (2016) and Supomo & Amanah (2019) concluded that the audit committee has a positive and significant effect on earnings quality. On the other hand, research conducted by Puspitowati & Mulya (2014) shows that the audit the committee does not affect earnings quality because often the existence of an audit committee is only a formality and has not been interpreted as a need for good corporate governance.

Another factor is the payment of dividends. Payment of dividends is used as a way to show the company's performance because dividends are profits that are distributed to shareholders according to the percentage of ownership. Research conducted by Octoviany & Herawaty (2019) shows that dividend payments have a positive effect on earnings quality because companies that pay dividends are considered to have better cash flows than companies that do not pay dividends. However, based on research conducted by Januarti (2015) shows that there is no effect between dividend payments and earnings quality. There are still differences in the results of previous studies regarding the factors that can affect earnings quality, therefore this study can be conducted to re-examine the influence of these factors on earnings quality.

LITERATURE REVIEW

A study on the implementation of good corporate governance on financial performance by Joshua (2021) shows that showed that the capital structure only partially moderates the influence of audit committees and managerial ownership on financial performance because capital structure variables include moderation quasi criteria which mean moderation variables can moderate the influence of independent variables while on variable sizes the board of directors cannot be moderated because interaction variables (X1*Z) have no significant effect on financial performance and only appear as independent variables thus including moderating predictor criteria. The advice for further research is to add independent variables such as intellectual capital, corporate dividend policy as well as internal supervision of financial performance.

Next findings from research conducted by Henryanto (2020), based on the results of the analysis and tests that have been carried out, can be concluded that there the audit committee variable does not affect earnings quality The author concludes to complete this research in involving good corporate governance based on the development of audit committee variable has included with good corporate governance.

The reseacrh used infrastructure, utility, and transportation on sector companies listed in Indonesia Stock Exchange. The characteristics of the companies are still rare. Previous studies examined manufacturing and industrial companies.

From the literature presented above, the formulate hypotheses are to conduct research on the influence of capital structure, good corporate governance, dividend payment on earning quality. The following is the hypothesis of this research:

H_1: Capital structure has a positive effect on earning quality

H_2: Good Corporate Governance has a positive effect on earning quality

H3: Dividend payment has a positive effect on earning quality.

The variables are described in the form of a conceptual framework as in Figure 1.

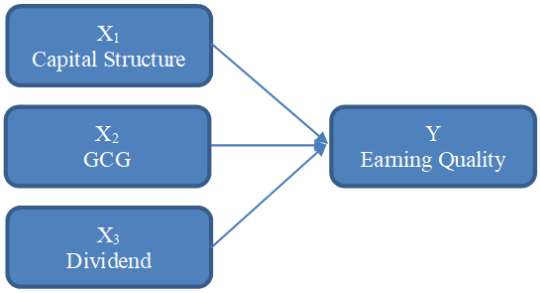

Figure 1. Conceptual Framework

The difference between this and previous research is that the object used is infrastructure, utility, and transportation sector companies which is that company listed in Indonesia Stock Exchange. The characteristic of that company is still rare and not many other researchers do the study with that object. Most previous studies examined manufacturing and industrial companies. Researchers want to know the factors that affect earnings quality, especially on the company's capital structure, governance, and dividend payments.

METHODOLOGY

This is a quantitative research. Quantitative research is used to examine predetermined research samples and analyze statistical data to test hypotheses (Sugiyono, 2018). The research data that has been obtained is then processed and analyzed using tools, namely Microsoft Office applications, the Statistical Package for Social Sciences (SPSS) program, or Eviews. Etc.

The technique used in collecting the data are documentation and literature study. The documentation technique is used to collect data related to the variables to be studied in this study. The annual reports of manufacturing companies that are the source of data in this study are obtained by downloading them through the IDX's official website, namely www.idx.co.id, and through the websites of each company. While the literature study carried out is to collect, read, and review literature from various sources, namely journals, books, articles, and other sources to obtain information relevant to this research.

The population are companies in the infrastructure, utilities, and transportation sectors listed on the Indonesia Stock Exchange in 2016-2019. The sample selection technique chosen by the researcher is a purposive sampling technique. Purposive sampling is a sample selection technique based on certain criteria that have been previously determined by the researcher. The following criteria are selected by the researchers:

1. Service companies in the infrastructure, utilities, and transportation sectors listed on the Indonesia Stock Exchange for the 2016-2019.
2. Service companies in the infrastructure, utilities, and transportation sectors whose financial reports and annual reports can be accessed in the 2016-2019 period.
3. Service companies in the infrastructure, utilities, and transportation sectors that did not suffer losses during the research year.
4. Service companies in the infrastructure, utilities, and transportation sectors that disclose audit committee

during the research year.

FINDINGS AND DISCUSSION

Descriptive statistical analysis was carried out to measure and know the distribution by describing the data related to the variables to be studied. The analysis used in this study includes the average (mean), the highest value (maximum), the lowest value (minimum), and the standard deviation.

The descriptive analysis is shown on Tabel 1

Table 1 Descriptive Statistics Test Results

	KL	SM	GCG	PD
MEAN	0.006164	1.355456	9.364238	0.396452
MAX	0.366301	13.54323	40.00000	3.340741
MIN	-0.367749	-11.90898	2.000000	0.000000
Standard Deviation	0.131322	2.028062	7.990397	0.548133
OBSERVATION	151	151	151	151

The normality test is used to determine whether the data population in the study is normally distributed or not (Ghozali, 2018). A good regression model is a regression model that has a normal data distribution. Data can be said to be normally distributed, it can be seen from the significance probability value > 0.05. Based on the results of the normality test, the significant asymp value is 0.166 > 0.05 so it can be said that the data passes the normality test because the data is normally distributed.

The multicollinearity test was conducted to test whether there was a correlation between the independent variables in the regression model. The regression model that is free from multicollinearity problems is if the Pearson correlation value of each independent variable does not exceed 0.08 (Ghozali & Ratmono, 2017). The results of the multicollinearity test in this study indicate that the regression model is free from multicollinearity because it is following the provisions, that the Pearson correlation value of each independent variable does not exceed 0.08 (Ghozali & Ratmono, 2017).

A heteroscedasticity test is carried out to determine whether or not there is a variance inequality from the residual of observation to another observation in a regression model. A good regression model is a model that is free from heteroscedasticity symptoms and in this study, a White Test will be carried out to find out. Based on the results of the white test, the probability value of Chi-Square is 0.686. These results show a number greater than 0.05, which means that there are no symptoms of heteroscedasticity in this study.

The autocorrelation test is used to determine whether there is a correlation in a regression model. This study uses the Durbin Watson test model to determine whether

there are symptoms of autocorrelation. The results of the autocorrelation test showed that the Durbin Watson value was 1.802. Following the Durbin Watson test criteria in CHAPTER III, 1.54 < 1.802 < 2.46, where the Durbin Watson value must be greater than 1.54 and less than 2.64 (du < dw < 4-d). Based on these results, it can be concluded that there is no autocorrelation in this study.

Table 2 Panel Data Model Selection (REM)

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	81.19506 (0.0000)	1.709161 (0.1911)	82.90423 (0.0000)
Honda	9.010830 (0.0000)	-1.307349 (0.9045)	5.447184 (0.0000)
King-Wu	9.010830 (0.0000)	-1.307349 (0.9045)	0.917133 (0.1795)
Standardized Honda	9.376210 (0.0000)	-1.100800 (0.8645)	0.886287 (0.1877)
Standardized King-Wu	9.376210 (0.0000)	-1.100800 (0.8645)	-1.701958 (0.9556)
Gourieroux, et al.	--	--	81.19506 (0.0000)

Panel Data Regression Analysis

The analysis used in this research is the panel data regression analysis technique. Widarjono (2009) stated that there are several methods commonly used in estimating regression models with panel data, namely pooling least squares (Common Effect), fixed effects approach (Fixed Effect), random effects approach (Random Effect). In this study, the random effects approach was chosen as the panel data to be regressed.

The regression equation that can be formulated in this study is as follows.

KL = -0,037 + 0,0006 SM + 0,003 GCG + 0,041 PD + ε

T Test

Capital Structure (X1) has a calculated t value of 0.121 which is smaller than the value shown by the t table, which is 1.65529 (1.230 < 1.65529

Table 3 Multiple Linear Regression Analysis Results

Dependent Variable: KL
Method: Least Squares
Date: 04/20/21 Time: 14:55
Sample (adjusted): 1 151
Included observations: 151 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.036933	0.019555	-1.888682	0.0609
SM	0.000628	0.005211	0.120585	0.9042
GCG	0.002773	0.001324	2.094362	0.0379
PD	0.041049	0.019303	2.126566	0.0351

R-squared	0.053628	Mean dependent var	0.006164
Adjusted R-squared	0.034314	S.D. dependent var	0.131322
S.E. of regression	0.129049	Akaike info criterion	-1.231118
Sum squared resid	2.448082	Schwarz criterion	-1.151190
Log likelihood	96.94939	Hannan-Quinn criter.	-1.198647
F-statistic	2.776683	Durbin-Watson stat	1.802055
Prob(F-statistic)	0.043401		

In addition, the Capital Structure variable (X1) also shows a significance value of 0, 9042 which is greater than the specified significance level of 0.05 (0.9042 > 0.05) which indicates that the Capital Structure (X1) is not significant to Earnings Quality.

GCG (X2) has a t-count value of 2.094 which is greater than the value shown by the t- table, which is 1.65529 (2.094 > 1.65529) In addition, the GCG variable (X2) also shows a significance value of 0.0379 which is smaller than the specified significance level of 0.05 (0.0379 <0.05) which indicates that GCG (X2) has a positive and significant effect on Earnings Quality.

Dividend Payment (X3) has a calculated t value of 2.127 which is greater than the value shown by the t table which is 1.65529 (2.127 > 1.65529). In addition, the Dividend Payment variable (X3) also shows a significance value of 0.0351 which is smaller than the specified significance level of 0.05 (0.0351 <0.05) which indicates that Dividend Payment (X3) has a positive effect. and significant to Earnings Quality.

F Test

Ghozali (2018) explained that the F statistical test was carried out to find out whether the regression model used in the study was feasible to use. The results of the F statistical test show that the calculated F is 2.777 with a significance value of 0.043 which means that the calculated F is greater than the F table (2.777 > 2.67) and the significance value is smaller than 5% (0.0434 < 0.05). Based on the statement above, it can be concluded that the regression model in this study is feasible to use.

Coefficient of Determination Test

The Coefficient of Determination Test or also known as R Square (R^2) is carried out to measure the size of the model's ability to explain variations in the dependent variable, which means that the coefficient of determination can determine the ability of the independent variable to influence the dependent variable. the results of the coefficient of d etermination, the value of Adjusted R Square is 0.034. This value means that the independent variables consisting of Capital Structure, Good Corporate Governance, and Dividend Payments can explain Earnings Quality of 0.034 or 3.4% or rounded up to 3%, while the remaining 97% can be explained by other independent variables. which were not used in this study.

CONCLUSIONS

Based on the results of hypothesis testing and explanations that have been described previously, several things can be concluded as follows:

1. Capital structure proxied by leverage does not affect earnings quality.
2. Good Corporate Governance as proxied by the number of audit committee meetings affects earnings quality.
3. Dividend payments as proxied by the dividend payout ratio have a positive effect on earnings quality.

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