**Determination of Earnings Quality and Firm Value: New Evidence from Indonesian Non-financial Companies**

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**Abstract**

This research aims to determine the factors affecting earnings quality and firm value empirically. Two theories underlie the conceptual framework of this research, namely agency theory and signaling theory. Agency conflicts arise due to conflicts of interest and information asymmetry between principals as users of information and agents as providers of information. Then, the emergence of signal theory acts as a moral reason for companies to send signals to the market to reduce information asymmetry between agents and principals by reporting on the company's operating and financial performance. The statistical population of this research consists of all non-financial companies listed on the Indonesia Stock Exchange covering the period of 2017-2020, giving 1,735 and 1,727 observations data for each dependent variable. This study employs multiple linear regression methods to test and analyze the data. The findings show a significant relationship between growth, Earnings Quality (EQ), and Firm Value (FV). Firm size, cash to current assets, current debt to total assets, listing age, market capitalization, and earnings management have no significant influence on EQ but significant on FV. The managerial capability only has a significant impact on EQ. Furthermore, the working capital ratio, earnings per share, firm age, price earnings ratio, and CSR award do not affect EQ and FV. The novelty of this research is to acumen the best factor affecting earnings quality and firm value.

**Keywords:** Earnings quality, firm value, financial determinants, firm reputation, managerial capability, earnings management.

INTRODUCTION

The demographics of Indonesian Capital Market investors are stored, recorded, managed, and represented by the Indonesian Central Securities Depository (KSEI) as mandated in Law Number 8 of 1995 concerning the Capital Market. According to KSEI data as of December 2021, each investor’s Single Investor Identification (SID) or single identity card to transact in the capital market has reached 7,489,337. This number has been a drastic increase since 2017. The high number of investors in Indonesia indicates that the interest of investors from within and outside the country to invest in Indonesia is also increasing. Therefore, high investment interest must be accompanied by the availability and transparency of financial statements presented by the company where to invest.

Reporting from PSAK No. 1 concerning the Presentation of Financial Statements (2017 Revision), the purpose of financial statements is to facilitate stakeholders with factual information that measures the amount of financial position, performance, and changes in the financial position of a company in terms of making economic decisions. However, every company scale often encounters obstacles when running its corporate business processes. Thus, the presentation of the company’s financial statements cannot describe all the financial statements as being at a good point until it is stable. Therefore, the company departs from being forced to commit fraud on financial statements.

The strategy of beautifying financial statements is a joint effort to maintain and raise the positive image and value of the company in the eyes of stakeholders, shareholders, and investors. Public companies listed on the Indonesia Stock Exchange (IDX) whose Annual Financial Statements (LKT) and corporate actions must be submitted transparently to the IDX also do the same. One of the information attached to the company's financial statements and used as a reference for evaluating the company's performance for stakeholders is the company's profit performance. A company’s profit performance is often seen as the highest power of an issuer that can influence users of financial statements in making economic decisions. Therefore, the presented and disclosed profits should meet the integrity of high quality. Profit with high-quality integrity means that profit is independent of misstatements and misinformation for readers of financial statements (Novieyanti & Kurnia, 2016).

One of the financial report scandals in Indonesia highlighted the producer of Taro snacks, namely PT FKS Food Sejahtera Tbk (formerly PT Tiga Pilar Sejahtera Food Tbk). The form of manipulation of financial statements is the misrepresentation of six affiliated distributors into third parties, inflated receivables (overstatement) from 6 affiliated distributor companies, and the flow of company funds to management (Sumardi & Wati, 2022). The purpose of this action is to increase the company’s fundamentals which is much better than sales activity, thus affecting the quality of profits, stock price, and having implications for the value of the company.

![Figure 1 Earnings quality and firm value of non-financial companies listed on IDX from 2017-2020](source: Research data processed (2022))
Researchers used 436 non-financial companies listed on the IDX for the period 2017 to 2020 as research samples after eliminating companies outside the sample selection criteria, resulting in 1,735 and 1,727 observation data for each dependent variable, namely earnings quality and firm value. Based on researcher-processed data, it is known that earnings quality from 2017 to 2020 experienced a fluctuating phase where the earnings quality in 2017 showed a figure of -0.77, then there was a decrease of 127% to -1.75 in 2018. In 2019, earnings quality increased significantly to 4.4, 351% from the previous year and decreased to -0.62 or 114% in the last year of observation, namely 2020. Earnings quality is a comparison between operating cash flow and net income. The higher the earnings quality ratio, the more significant the proportion of operating profit realized in cash.

On the other hand, firm value experienced a significant increase from 2017 to 2020, which in 2017 showed a figure of 2.46, then an increase of 6% to 2.6 in 2018. In 2019, the firm value again increased significantly to 5.6, 115% from the previous year and 11.33 or 102% in the last year of observation, namely 2020. Firm value is a comparison between market value and the replacement value of company assets. The higher the firm value ratio, the higher the market confidence in the company, characterized by a higher valuation of the firm value. In addition, Tobin’s Q is also used as a stock valuation base where Tobin’s Q is more than 1 revealing that the company’s share price is considered fundamentally expensive and management successfully manages the company’s assets, so the company is better seen from the perspective of investors.

The increase and decrease in earnings quality can be influenced by the presence of several factors that act as the basis for investment considerations for stakeholders. For example, firm size (Erawati & Rahmawati, 2022; Saleh et al., 2020; Puter & Trisnaniingsih, 2022), firm growth (Nakashima, 2019; Anam & Afrohah, 2020; Saleh et al., 2020), working capital ratio (Irawan & Ardianti, 2021; Saleh et al., 2020; Charisma & Suryandari, 2021), cash to current assets (Saleh et al., 2020), current debt to total assets (Lestari, 2020; Wijaya, 2020; Saleh et al., 2020), earnings per share (Andriani et al., 2021; Puter & Trisnaniingsih, 2022; Saleh et al., 2020), firm age (Nakashima, 2019; Erawati & Hasanah, 2022), listing age (Nakashima, 2019; Erawati & Hasanah, 2022), price earnings ratio (Marc et al., 2022; Hulasoh & Mulyati, 2022), market capitalization (Lathifatussulalah & Dalimunthe, 2022; Rahmanissa & Isyunwardhana, 2022), corporate social responsibility award (Siswantaya, 2022), managerial capability (Lukita, 2022; Romadhon & Kusuma, 2020), and earnings management (Purwaningsih et al., 2020; Saleh et al., 2020).

The increase and decrease in firm value can also be influenced by the presence of several factors that act as the basis for investment considerations for stakeholders. For example, firm size (Tiara & Jayanti, 2022; Susanti & Restiana, 2018; Dewi & Sembiring, 2022), firm growth (Faizra et al., 2022; Wati et al., 2022), working capital ratio (Nirawati et al., 2022; Devina & Purnama, 2022; Afanny et al., 2022), cash to current assets (Saleh et al., 2020), current debt to total assets (Sari, 2022; Purba & Mahendra, 2022; Larasati & Arrozi, 2022), earnings per share (Putri & Anwar, 2022; Dewi & Susanto, 2022), firm age (Wati et al., 2022; Muzayin & Trisnawati, 2022), listing age (Tiara & Jayanti, 2022; Annisa & Praptoyo, 2022), price earnings ratio (Ratnasari, 2022; Hulasoh & Mulyati, 2022), market capitalization (Lathifatussulalah & Dalimunthe, 2022; Rahmanissa & Isyunwardhana, 2022), corporate social responsibility award (Benjamin & Biswas, 2022; Sentya & Mardianto, 2022), managerial capability (Doukas & Zhang, 2020; Wiranudirja et al., 2022), and earnings management (Prabowo, 2022; Rajab et al., 2022; Putry & Murni, 2022).

This research gathers ideas from previous studies, such as Saleh et al. (2020) examining financial factors affecting earnings management and earnings quality. Saleh et al. (2020) used a sample of 20 Jordanian insurers in 2019. Firm size, working capital ratio, current debt to total assets ratio, firm growth, return on assets (ROA), and
earnings per share (EPS) as independent variables. Earnings management as an intervening variable and earnings quality as a dependent variable. The results showed that all financial factors affect earnings management and earnings quality. In addition, earnings management negatively affects earnings quality and earnings management fully mediates the influence of financial factors on earnings quality (Saleh et al., 2020).

This study aims to determine the influence of financial determination, firm reputation, managerial capability, and earnings management on earnings quality and firm value on non-financial companies listed on IDX due to the inconsistency of the results of studies by researchers in different countries and the effects of very diverse and varied variables. The novelty of this research is to acumen the best factor affecting earnings quality and firm value of companies listed on the IDX.

**LITERATURE REVIEW**

Earnings quality is a marker of the quality of financial statements and an accurate reflection of the company's performance in the form of accounting profit. The quality of profits is also a good measure and indicator in the context of long-term operating performance and valuation of the company. Earnings accurately describe economic realities, operating performance, company value, and long-term trend interests supported by cash flow, low discretionary accruals, profit consistency, and profit sustainability (Nakashima, 2019; Saleh et al., 2020; Mulchanandi et al., 2020). Therefore, high-quality profit is often referred to as sustainable profit. On the other hand, low-quality profits are managed or deliberately intervened by management in the financial reporting process. Low income-quality misleads investors and creditors in assessing the company's actual financial performance (Harymawan & Nurillah, 2017).

The success of market share control through acquiring competitive advantages and superior sustainability performance does not escape the company's good quality profits. The higher the quality of the reported profit, the higher the public trust in the company. In addition, the high quality of profits also offers insights into startup and business successes. Businesses and companies with weak financial results are under more pressure to distort financial accounting, leading to low-quality of delivered profits (Saleh et al., 2020). Thus, earnings quality is also the opposite of earnings management (Bansal et al., 2021).

Firm value is a long-term ideal that a company wants to achieve because the substance of the firm value as an indicator of the price valuation of a company that investors are willing to pay. Firm value is an essential concept for investment decisions by investors because rational investors will invest capital in high-value companies to obtain high returns (Triyuwono et al., 2020). Thus, the high share price also provides wealth for shareholders (Sunardi, 2018). Firm value is also an indicator of the overall market evaluation reflected in the stock price.

The firm value is not only solely focused on the company’s share price, but also shows how well the management, whose position represents shareholders in the company, performs (Jao et al., 2020). Value creation describes obtaining, achieving, and maintaining people's legitimacy or trust from when the company was founded until the present. Along the way to gaining legitimacy, this society can only be achieved in the long run. Therefore, the company's maximum value can only be achieved in the long term (Jao et al., 2020).

Two theories underlie the conceptual framework of this research, namely agency theory and signaling theory. Agency theory was first put forward by (Jensen & Meckling, 1976). The main problem of agency theory is agency conflict. Agency conflicts arise as a result of a conflict of interest between two prominent figures, namely the principal and the agent. Principals are identified as owners and shareholders who delegate control over the company's interests from a higher to a lower hierarchy. Furthermore, the agent is the management of the company
that acts as the recipient of a delegation from the principal to behave perfectly in the principal's best interests and maximize the company's value (Saleh et al., 2020).

Signaling theory was first proposed by (Spence, 1973), who stated that information producers (management) provide a signal of the company's prospects to information consumers (investors) in the capital market. The signals expressed by managers can be their ability and hidden attributes to realize the owners’ wishes by reporting on the company's profitable operating and financial performance (Bansal et al., 2021). In the signal mechanism, management uses discretionary actions to manipulate profits to present current growth and revenue prospects, thus enabling changes in stock prices (Saleh et al., 2020).

The size of a company is a large-scale unit of the size of a company based on total assets, total sales, total equity. Large companies have high and guaranteed business continuity, generate high profits, are relatively stable, and have more information coverage to improve the company's financial performance (Anam & Afrohah, 2020; Irawan & Ardianti, 2021). Large companies also have outstanding capabilities in maintaining and expanding their market share and a high probability of excelling in a competitive environment (Wijaya, 2020). The larger the size of a company, the greater its business continuity in improving and improving its financial condition, and the more careful and transparent it is in presenting financial statements, thereby reducing the need for earnings management and the better earnings quality (Nariman & Ekadjaja, 2018).

H1a: Firm size significantly affects earnings quality.

The company collects and sets aside funds to provide added value to the development process, such as increasing the company's fixed assets (Wijaya, 2020). Firm growth affects earnings quality because good financial performance triggers the opportunity to grow its profits and may have the opportunity to grow the quality of its profits (Anam & Afrohah, 2020). Growth prospects offer projections of whether a company grows and develops well from when the company is founded until the future (Wijaya, 2020; Saleh et al., 2020).

H1b: Firm growth significantly affects earnings quality.

Creditors and investors are believed to be the level of business risk, the especially financial risk that is relatively low when a company can survive, show its existence in the market, and meet the principle of going concern as evidenced by liquidity (Lestari, 2020; Safitri & Afriyenti, 2020). Working capital is the central nervous system of a company that handles investments in current assets directly. The availability of current assets is allocated for the repayment of current liabilities and the sustainability of an enterprise’s business processes. This condition affects financial performance’s stability, so liquid companies will find it easier to obtain alternative funding, profit, company value, and high earnings quality.

H1c: Working capital ratio significantly affects earnings quality.

Cash to current assets is an indicator that helps stakeholders consider the proportion of cash in current assets and a sensitive indicator of the company's ability to pay off liabilities. Companies tend to avoid external capital due to information asymmetry and managers accumulate excess cash in pursuit of personal interests. Earnings management is used for the purpose of signals describing the business model and financial health of the enterprise. Cash surpluses trigger managers to manipulate profits to make more profits, thus implying a decline in the quality of the company's profits (Saleh et al., 2020).

H1d: Cash to current assets significantly affects earnings quality.

Current debt to total assets ratio is a unit of ratio of a company's ability to identify how much short-term liabilities are used to meet and finance the company's assets. Asset financing by debt beyond equity capital indicates a financial imbalance between budgeted and available equity capital and actual and required equity capital. Suppose the debt is utilized effectively and efficiently. In that case, the company's profit will increase steadily and attract the attention
of investors to invest in the company, so that business continuity improves and positively impacts reported profits (Saleh et al., 2020).

**H1e:** Current debt to total assets significantly affects earnings quality.

Profitability is a unit of ratio of a company’s ability to efficiently utilize assets, sales, capital and so on to make a profit. In addition, profitability is a benchmark for the level of management effectiveness of a company (Lestari, 2020). A company that successfully maintains profitability indicates that it operates effectively, efficiently, and productively supported by an effective internal control system to optimize profits while increasing competitive advantage. The quality of profit increases, accompanied by high profitability and vice versa.

**H1f:** Earnings per share significantly affects earnings quality.

A company that has been established for a long time shows that the company is in a stable equilibrium position and has gained complete experience in improving company performance and earnings quality. Progressively, firm age causes the company’s low performance, characterized by a decrease in profits in startups and ultimately losing out on the balance of competitors, mainly medium-sized companies. Thus, the age of the company implicitly interprets the level of experience and stability of a company.

**H2a:** Firm age significantly affects earnings quality.

The company’s listing age is long-standing since it was listed on the Indonesia Stock Exchange (IDX) until now. Companies that have been listed on the IDX for a long time show that the company can face the flow of business competition with competitors in similar industries characterized by many assets and high profits in old companies. In the end, startups lose out on keeping up with competitors (Muzayin & Trisnawati, 2022). However, the older a company is in the business world, the more it maintains a moment of inertia in implementing innovation signals from the market. Therefore, listing age weakens performance to the point of failing to keep up with the trend and dynamic market (Erawati & Hasanah, 2022).

**H2b:** Listing age significantly affects earnings quality.

Price earnings ratio (PER) is a market value ratio that evaluates a company’s prospects (Marc et al., 2022) and determines future stock returns (Setiyaning & Mispiyanti, 2022). The market, especially investors, are willing to pay a high price for a company’s stock because a high PER reflects the high growth prospects (Marc et al., 2022), the excellent performance of the company (Ratnasari, 2022), and the healthy financial condition (Setiyaning & Mispiyanti, 2022). High stock demand indicates that the stock price has also soared and has the potential to reap profits from the difference in stock prices, so the quality of profits increases.

**H2c:** Price earnings ratio significantly affects earnings quality.

Market capitalization reflects financial performance, good company growth, and effective risk management strategies. A high market capitalization will likely attract new investors in funding the company and increase investor retention. The higher the company’s market capitalization, the lower the need for earnings management and the better earnings quality.

**H2d:** Market capitalization significantly affects earnings quality.

Fostering close relationships and facilitating accountable, transparent, and quality financial and non-financial information with stakeholders, such as employees, suppliers, and customers; creating brand awareness; being sensitive to social and environmental stimuli; and maintaining integrity, as well as morality are the driving factors for presenting a company’s superior performance. Thus, companies that express social responsibility tend to avoid earnings management, which impacts decreasing stakeholder trust, thus presenting a good and informative earnings quality (Puteri & Trisaningsih, 2022; Rezaee et al., 2020; Siswantaya, 2022; Sitepu et al., 2022).

**H2e:** Corporate social responsibility award significantly affects earnings quality.
Managerial capability is defined as a strong vitality in efficiently empowering a company’s resources to increase higher sales (Bazrafshan et al., 2021). As for the asserting arguments about the direction of the relationship between managerial capability and earnings quality. The first perspective is that fluency in business managerial knowledge and operational environment pioneers a better degree of evaluation accuracy, reliability of predictions, and effectiveness of inspections in complex situations that, in turn, report high-quality profits (Bazrafshan et al., 2021). The second perspective is that the extraction of higher information leases pioneered the degree of disclosure of the company’s opaque financial statements, which ultimately deteriorated the quality of profits.

H3: Managerial capability significantly affects earnings quality.

The main incentives behind earnings management practices are sending signals or information to financial markets to influence stock prices, encouraging managerial compensation contracts that rely on accounting information (Moardi et al., 2020), and circumventing regulatory control over price and market share (ElBannan & Farooq, 2019). Therefore, the accrual system is urgent in demonstrating the relevance of information and sustainability related to finance because managers have the opportunity to act aggressively toward the recognition, recording, and reporting of accounting and financial transactions. Earnings quality improves due to low earnings management practices but decreases as earnings management practices increase (Cug & Cugova, 2021; Saleh et al., 2020).

H4: Earnings management significantly affects earnings quality.

Large companies accompanied by an extensive number of assets have a small risk of bankruptcy or business risk, generate high profits, relatively stable financial conditions, and are well-known to ordinary people, so it is easy to get information that can improve financial performance and company value, and become an attraction for the market, especially in the eyes of investors (Khusnurifaq, 2022; Kristi & Yanto, 2020; Muzayin & Trisnawati, 2022; Setiawan et al., 2021; Wati et al., 2022). Demands for transparency in information on company performance and operational activities affect the amount of capital invested by investors (Annisa & Praptoyo, 2022). In addition, the higher the level of resilience that large companies have, the higher the value of a company (Khusnurifaq, 2022).

H5a: Firm size significantly affects firm value.

Firm growth implies the prospect of value growth and counter-investment achievements of a company in the future. In realizing competitive competitiveness, the company effectively, efficiently, and productively improves policies related to company growth. This will have an impact on the growth of expansion and new investment, thus promising the company’s bright prospects, increasing stock prices, the company’s value in the capital market, and the high rate of return on investment that investors are targeting (Faizra et al., 2022; Rahmaandi & Wulandari, 2022; Wati et al., 2022).

H5b: Firm growth significantly affects firm value.

Liquidity is a unit of ratio of a company’s ability to maximize current assets to meet liabilities maturing within a year or short-term liabilities (Jihadi et al., 2021). The high liquidity triggers the confidence and confidence of the public, investors, and creditors in the company’s performance, which is explained by the ability to bear liabilities with current assets. Liquid companies have an adequate proportion of funds for the company’s operating and investment needs (Khusnurifaq, 2022). This condition affects investment interest from investors, including stock demand, which impacts high stock prices accompanied by an increasing and optimal company value (Darmawan et al., 2020; Jihadi et al., 2021; Purba & Mahendra, 2022).

H5c: Working capital ratio significantly affects firm value.

Cash to current assets is an indicator that helps stakeholders consider the proportion of cash in current assets and a sensitive indicator of the company’s ability to pay off liabilities.
From a shareholder perspective, managers' control of high resource allocation raises concerns about whether or not excess cash is invested in a project to increase the company's value.

H5d: Cash to current assets significantly affects firm value.

Current debt to total assets ratio is a unit of ratio of a company's ability to identify the utilization rate of short-term liabilities to company-owned assets. From the perspective of investors, the level of solvency is equivalent to the level of risk (Jihadi et al., 2021) and the uncertainty of return on yield (Tampubolon et al., 2021) inherent in companies or stocks, so investors are cautious and undo the intention in investing in companies whose solvency ratio is high (Stevani & Pernamasari, 2019). The high amount of external capital that causes a high level of solvency is not necessarily alarming for investors if the debt is intended for the development of the company, such as expansion and new investments that create good corporate value (Sari, 2022).

H5e: Current debt to total assets significantly affects firm value.

Profitability is a unit of ratio of a company's ability to manage and efficiently utilize assets, investments, sales, capital, and so on in generating profit and value for shareholders. High profitability refers to the return on investment or profit rate from high capital participation, an added value reflected in the stock price (Tahu & Susilo, 2017), and a consistent growth rate (Kristi & Yanto, 2020). Rational investors will respond positively to signals, invest capital, trigger stock demand, and influence the rise in stock prices and company value (Komarudin & Affandi, 2019; Sari & Seanda, 2020). In addition, investors can also form investment portfolios that are low in risk and high in profitability to optimize profits.

H5f: Earnings per share significantly affects firm value.

The success of a long-established company indicates that the public has obtained information about the company widely, the public is increasingly familiar with and recognizes its existence, as well as the company's advantages, good reputation in the eyes of the public, has the ability of kaizen to reduce costs and increase sales, and has a strategy in maintaining business continuity (Muzayin & Trisnawati, 2022; Wati et al., 2022). Progressively, firm age causes people, consumers, and investors to be more confident and interested in a long-established company that is supported by survival to remain competitive. Thus, a long-established company can generate high profits, so the stock price also increases and impacts the company's value.

H6a: Firm age significantly affects firm value.

For a long time, companies listed on the IDX have shown that the company competes and maintains a presence in the business realm. The age of the company's listing also illustrates how the company faces conflicts, threats, obstacles, and difficulties that threaten the company's continuity from the beginning of the initial public offering on the IDX until the current year. Progressively, listing age leads to a low company performance which is characterized by a decrease in profits in the old company and, ultimately, a loss in keeping up with competitors, especially new companies or startups.

H6b: Listing age significantly affects firm value.

Price earnings ratio is a unit of ratio of a company's ability to assess a stock's price fairness according to current circumstances. For companies, investment is urgent to achieve the company's goals, which are to maximize shareholder prosperity and add value to the company. For investors, this ratio examines the comparison of stock prices to the profit on the shares owned by investors (Dewi & Sembiring, 2022). In other words, investors use this ratio to research the ability to make a company's profit, so that it becomes the substance of making investment decisions that impact stock prices and company value (Ratnasari, 2022).

H6c: Price earnings ratio significantly affects firm value.

Market capitalization is a market value ratio that shows a company's value in the form of a share price multiplied by the number of outstanding shares. The factors causing the increase
in market capitalization are the increase in stock prices and the addition of shares through IPOs. For investors, this ratio is one of the ways to assess companies, identify the level of risk carried by investors, and the development of the stock exchange (Lathifatussulalah & Dalimunthe, 2022). In other words, investors use this ratio to estimate the rate of return on investment from capital participation caused by a high market value (stock price) which has implications for the value of the company (Handayani et al., 2022).

H6d: Market capitalization significantly affects firm value.

The company's orientation to stakeholders' interests through its CSR activities increases the tendency, which in turn supports products and services and impacts shareholder prosperity. The stakeholder value optimization perspective treats CSR as more than a burden, cost, constraint, or philanthropic act. On the contrary, CSR is a source of opportunity, innovation, sustainability competitive advantage, and strategic steps to enhance the company's reputation resulting in positive shareholder wealth. CSR ties foster trust and collaboration with stakeholders, which can ultimately increase the company's profitability and value (Benjamin & Biswas, 2022).

H6e: Corporate social responsibility award significantly affects firm value.

Managerial capability are an intangible asset of managers in adapting to the complexity of the environment to achieve sustainable growth (Doukas & Zhang, 2020 and Wiranudirja et al., 2022). Skilled managers rely on experience, knowledge, and skills to accurately predict emerging complications and determine the best resolution. Any signal or information disclosed to the market by management must first be interpreted whether the information is a positive or negative market signal. When the market catches and perceives the signal well, it will place the highest confidence in companies of good quality rather than those not and achieve a positive market reaction to the value of the company (Wiranudirja et al., 2022).

H7: Managerial capability significantly affects firm value.

Earnings management arises from conflicts of interest and information asymmetry between principals (owners and shareholders) and agents (management). It asserts arguments about the direction of the relationship between earnings management and the value of the enterprise. The first perspective, as opportunistic behavior to maximize its utility in the face of compensation contracts, debt contracts, and political costs. Managers manipulate profits to avoid presenting actual fundamental values below market expectations by adjusting accruals and operating strategies to reduce reported revenue volatility (Suriawinata & Correia, 2018). The second perspective, as an efficient contract that gives managers the flexibility to protect themselves and the company in anticipation of unforeseen events for the benefit of the parties involved in the contract.

H8: Earnings management significantly affects firm value.

The following is a research model on the impact of financial determination, firm reputation, managerial capability, and earnings management on earnings quality and firm value.
METHODOLOGY

Research is quantitative, pure, historical, and comparative causal in terms of the nature of the data, research objectives, and problem characteristics. This study uses secondary data. The study population includes all non-financial companies listed on the Indonesia Stock Exchange (IDX). The samples in this study used the purposive sampling method, including non-financial companies listed on the IDX, consistently publishing financial, annual, and sustainability reports from the 2017-2020 period, closing every year on December 31, and having complete data related to research variables. Based on these criteria, 1,735 and 1,727 observation data were obtained for each measurement of earnings quality and firm value.

Table 1 Operational Definitions of Variables

<table>
<thead>
<tr>
<th>Variable Name</th>
<th>Variable Measurement</th>
<th>Reference</th>
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<tbody>
<tr>
<td><strong>DEPENDENT</strong></td>
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<tr>
<td>Earnings Quality (EQ)</td>
<td>EQ = Operating Cash Flow / Net Income</td>
<td>Saleh et al. (2020)</td>
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<tr>
<td>Firm Value (FV)</td>
<td>FV = Equity Market Value + Liability Book Value / Asset Book Value</td>
<td>Winarta et al. (2021).</td>
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<tr>
<td><strong>INDEPENDENT</strong></td>
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<td>Financial Determination</td>
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<tr>
<td>Firm Growth (GROWTH)</td>
<td>GROWTH = Total Assets_t / Total Assets_{t-1}</td>
<td>Saleh et al. (2020)</td>
</tr>
<tr>
<td>Cash to Current Assets (CCA)</td>
<td>CCA = Cash / Current Assets</td>
<td>Saleh et al. (2020)</td>
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</tbody>
</table>
Current Debt to Total Assets (CDA)  
\[ \text{CDA} = \frac{\text{Current Liabilities}}{\text{Total Assets}} \]

Earnings per Share (EPS)  
\[ \text{EPS} = \frac{\text{Net Income Attributable to Owner}}{\text{Number of Common Shares Outstanding}} \]

Saleh et al. (2020), Tang and Fiorentina (2021)

Firm Reputation

Firm Age (AGE)  
\[ \text{AGE} = \text{Year of research} - \text{Year firm was established} \]

Edi and Susanti (2021), Kristina & Wati (2019)

Listing Age (LAGE)  
\[ \text{LAGE} = \text{Year of research} - \text{Year firm listed on IDX} \]

Edi and Susanti (2021)

Price Earnings Ratio (PER)  
\[ \text{PER} = \frac{\text{Stock Price}}{\text{Earnings per Share}} \]

Edi and Susanti (2021)

Edi and Susanti (2021), Kristina & Wati (2019)

Corporate Social Responsibility Award (CSRA)  
Receive award = 1 & Didn’t receive award = 0

Edi and Susanti (2021)

Managerial Capability (Demerjian)

\[ \max_y \theta = \frac{\text{Sales}}{\text{Firm Efficiency}} = \alpha + \beta_1 \text{Size} + \beta_2 \text{Market Share} + \beta_3 \text{Free Cash Flow} + \beta_4 \text{Firm age} + \beta_5 \text{BussSegCont} + \beta_6 \text{Forex Earnings} + \epsilon \]

Bazrafshan et al. (2021)

1. Calculating Total Accrual (TAC)

\[ \text{TAC}_t = NI_t - CFO_t \]

2. Estimating TAC with Ordinary Least Square (OLS) to obtain regression coefficients

\[ \frac{\text{TAC}_t}{\text{A}_{t-1}} = \alpha_1 + \frac{1}{\text{A}_{t-1}} \frac{\Delta \text{Rev} - \Delta \text{Rec}}{\text{A}_{t-1}} + \alpha_2 \frac{\text{PPE}}{\text{A}_{t-1}} + \epsilon \]

Saleh et al. (2020)

3. Calculating Nondiscretionary Accruals (NDA)

\[ \frac{\text{NDA}_t}{\text{A}_{t-1}} = \alpha_1 + \frac{1}{\text{A}_{t-1}} \frac{\Delta \text{Rev} - \Delta \text{Rec}}{\text{A}_{t-1}} + \alpha_2 \frac{\text{PPE}}{\text{A}_{t-1}} \]

4. Calculating Discretionary Accruals (DA)

\[ \text{Earnings Management} = \left( \frac{\text{TAC}_t}{\text{A}_{t-1}} \right) - \left( \frac{\text{NDA}_t}{\text{A}_{t-1}} \right) \]

Source: Research data processed (2022)

Information:
HPP = cost of goods sold.
AUP = administrative, general, and sales expenses.
SO = operational lease.
R&D (Research and Development) = research and development expenses.
PPE (Property, Plant, and Equipment) = property, factory, and equipment.
GW = goodwill.
ATB = intangible assets.
Size = firm size.
MarketShare = percentage of net profit to revenue.
Freecashflow = free cash flow. A score of 1 if the FCF is positive and 0 if otherwise.
Firmage = age of the company.
Business_Segment_Concentration = ratio of segment sales to total sales of all segments.
Forexearnings = score 1 if profit is reported in foreign currency and 0 if vice versa.
TAC_t = total accrual in year t.
NI_t = net profit in year t.
CFO_t = operating cash flow in year t.
NDA_t = non discretionary accrual in year t.
\( \Delta \)Rev = change in revenue for year t and year t-1.
\( \Delta \)Rec = change in receivables year t and year t-1.
PPE = property, plant, and equipment.

Multiple linear regression is used to analyze cross-section and time series data. This study used SPSS for outlier test, descriptive statistics, F test, t test, coefficient of determination test (R2), and Eviews for the Chow test and Hausman test.

### RESULTS AND DISCUSSION

#### Table 2 Descriptive Statistic Test Results of Earnings Quality Measurement.

<table>
<thead>
<tr>
<th>Research Variables</th>
<th>N*</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings quality (EQ)</td>
<td>1735</td>
<td>(186.3994)</td>
<td>185.9911</td>
<td>1.5405</td>
<td>13.3895</td>
</tr>
<tr>
<td>Firm size (SIZE)</td>
<td>1735</td>
<td>21.9068</td>
<td>33.4945</td>
<td>28.6586</td>
<td>1.7500</td>
</tr>
<tr>
<td>Firm growth (GROWTH)</td>
<td>1735</td>
<td>(0.9843)</td>
<td>15.7053</td>
<td>0.0824</td>
<td>0.5456</td>
</tr>
<tr>
<td>Working capital ratio (WC)</td>
<td>1735</td>
<td>0.0002</td>
<td>421.9943</td>
<td>3.6975</td>
<td>19.0034</td>
</tr>
<tr>
<td>Cash to current assets (CCA)</td>
<td>1735</td>
<td>0.0001</td>
<td>0.7904</td>
<td>0.1200</td>
<td>0.1197</td>
</tr>
<tr>
<td>Current debt to total assets (CDA)</td>
<td>1735</td>
<td>0.0003</td>
<td>822.5191</td>
<td>1.0530</td>
<td>20.8180</td>
</tr>
<tr>
<td>Earnings per share (EPS)</td>
<td>1735</td>
<td>(2,270.3768)</td>
<td>60,656.3539</td>
<td>147.0127</td>
<td>2,042.8842</td>
</tr>
<tr>
<td>Firm age (AGE)</td>
<td>1735</td>
<td>7.0000</td>
<td>105.0000</td>
<td>35.6530</td>
<td>14.7483</td>
</tr>
<tr>
<td>Listing age (LAGE)</td>
<td>1735</td>
<td>4.0000</td>
<td>45.0000</td>
<td>19.1078</td>
<td>9.9270</td>
</tr>
<tr>
<td>Price earnings ratio (PER)</td>
<td>1735</td>
<td>(12,267)</td>
<td>21,107</td>
<td>31</td>
<td>747</td>
</tr>
<tr>
<td>Market capitalization (MC)</td>
<td>1735</td>
<td>8.85</td>
<td>550,185</td>
<td>10,334</td>
<td>37,449</td>
</tr>
<tr>
<td>Managerial capability (KPM)</td>
<td>1735</td>
<td>(0.1776)</td>
<td>1.1620</td>
<td>0.6181</td>
<td>0.2160</td>
</tr>
<tr>
<td>Earnings management (EM)</td>
<td>1735</td>
<td>(6.5489)</td>
<td>0.1964</td>
<td>(0.0051)</td>
<td>0.1696</td>
</tr>
</tbody>
</table>

**Dummy variable:** CSRA : 0 : 512 (29.51%) and 1 : 1223 (70.49%)

*: Research Data = 1735

Source: Research data processed (2022)

#### Table 3 Descriptive Statistic Test Results of Firm Value Measurement.

<table>
<thead>
<tr>
<th>Research Variables</th>
<th>N*</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Value (FV)</td>
<td>1727</td>
<td>0.2158</td>
<td>23.2752</td>
<td>1.6989</td>
<td>2.1439</td>
</tr>
<tr>
<td>Firm size (SIZE)</td>
<td>1727</td>
<td>22.3766</td>
<td>33.4945</td>
<td>28.6865</td>
<td>1.7146</td>
</tr>
<tr>
<td>Firm growth (GROWTH)</td>
<td>1727</td>
<td>(0.9234)</td>
<td>6.2092</td>
<td>0.0739</td>
<td>0.3759</td>
</tr>
<tr>
<td>Working capital ratio (WC)</td>
<td>1727</td>
<td>0.0005</td>
<td>421.9943</td>
<td>3.7102</td>
<td>19.0436</td>
</tr>
<tr>
<td>Cash to current assets (CCA)</td>
<td>1727</td>
<td>0.0001</td>
<td>0.7904</td>
<td>0.1192</td>
<td>0.1188</td>
</tr>
</tbody>
</table>

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Current debt to total assets (CDA) 1727 0.0003 12.4420 0.3548 0.6162
Earnings per share (EPS) 1727 (2,270.3768) 60,656.3539 147.7847 2,047.5813
Firm age (AGE) 1727 7.0000 105.0000 35.7638 14.7376
Listing age (LAGE) 1727 4.0000 45.0000 19.1517 9.9388
Price earnings ratio (PER) 1727 (12.267) 23.092 47 935
Market capitalization (MC) 1727 9 550,185 10,324 37,521
Managerial capability (KPM) 1727 (0.1776) 1.1620 0.6198 0.2154
Earnings management (EM) 1727 (0.0228) 0.0210 0.0000 0.0010

Best Model Selection Test Results

The results of the Chow test showed a probability of 0.0000 (<0.05), in both the EQ and FV regression equations. Therefore, the Fixed Effect Model was selected and continued with the Hausman test. Hausman test results on EQ and FV yielded probabilities of 0.0000 and 0.0002 (<0.05). Thus, the researchers concluded that the Fixed Effect Model is the most suitable model to be used in testing the hypothesis of this study.

The significance of the F test results from the EQ and FV equations is 0.0000 (<0.05). It is concluded that independent variables simultaneously significantly affect earnings quality and firm value. Adjusted R² denotes values of 0.0947 (EQ) and 0.7915 (FV), which means the ability of independent variables to describe changes in dependent variables by 9.47% and 79.15%.

Table 4 Test Results Measurement of Earnings Quality and Firm Value.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Testing with EQ dependent</th>
<th>Testing with FV dependent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>Prob</td>
</tr>
<tr>
<td>C</td>
<td>10.3302</td>
<td>0.1094</td>
</tr>
<tr>
<td>Firm size (SIZE)</td>
<td>-0.3736</td>
<td>0.1312</td>
</tr>
<tr>
<td>Firm growth (GROWTH)</td>
<td>-1.4687</td>
<td>0.0136</td>
</tr>
<tr>
<td>Working capital ratio (WC)</td>
<td>-0.0111</td>
<td>0.5190</td>
</tr>
<tr>
<td>Cash to current assets (CCA)</td>
<td>1.2126</td>
<td>0.6558</td>
</tr>
<tr>
<td>Current debt to total assets (CDA)</td>
<td>-0.0062</td>
<td>0.7582</td>
</tr>
<tr>
<td>Earnings per share (EPS)</td>
<td>0.0000</td>
<td>0.9905</td>
</tr>
<tr>
<td>Firm age (AGE)</td>
<td>-0.0098</td>
<td>0.7304</td>
</tr>
<tr>
<td>Listing age (LAGE)</td>
<td>-0.0314</td>
<td>0.4443</td>
</tr>
<tr>
<td>Price earnings ratio (PER)</td>
<td>0.0000</td>
<td>0.1063</td>
</tr>
<tr>
<td>Market capitalization (MC)</td>
<td>0.0000</td>
<td>0.9685</td>
</tr>
<tr>
<td>Corporate social responsibility award (CSRA)</td>
<td>-0.4716</td>
<td>0.5509</td>
</tr>
<tr>
<td>Managerial capability (KPM)</td>
<td>5.1725</td>
<td>0.0035</td>
</tr>
<tr>
<td>Earnings management (EM)</td>
<td>0.1714</td>
<td>0.9448</td>
</tr>
</tbody>
</table>

F-statistic = 0.0000003  Adj.R2 = 0.094727  F-statistic = 0.0000000  Adj.R2 = 0.791491
Description of the significance level in the results of the t test and F test above = *(10%), **(5%).****(1%)

**Regression equations:**

\[
\begin{align*}
EQ & = -0.3736 \times SIZE - 1.4687 \times GROWTH - 0.0111 \times WC + 1.2126 \times CCA - 0.0062 \times CDA + 0.0000 \times EPS - 0.0098 \times AGE - 0.0314 \times LAGE + 0.0000 \times PER + 0.0000 \times MC - 0.4716 \times CSRA + 5.1725 \times KPM + 0.1714 \times EM \\
FV & = -0.3862 \times SIZE + 0.4605 \times GROWTH - 0.0012 \times WC + 1.3549 \times CCA + 1.2870 \times CDA + 0.0000 \times EPS + 0.0041 \times AGE - 0.0209 \times LAGE + 0.0000 \times PER + 0.0000 \times MC - 0.0597 \times CSRA + 0.2955 \times KPM - 116.0759 \times EM
\end{align*}
\]

Source: Research data processed (2022)

The financial determination variable proxied by firm size (SIZE) has a regression coefficient of -0.3736 and a significance value of 0.1312 (>0.05). The results of this test proved that firm size had a negative and insignificant effect on earnings quality, so **H1a is rejected.** This study’s findings align with the study’s results of (Safitri & Afriyenti, 2020; Marliyana & Khafid, 2017; Charisma & Suryandari, 2021; Puteri & Tris nanisih, 2022). However, the results of this study contradict the research of Anam and Afrohah (2020), Wijaya (2020), Andriani *et al.* (2021), Cahyani and Khafid (2020), Nariman and Ekadaja (2018), Irawan and Ardianti (2021), Warianto and Rusiti (2014), Erawati and Rahmawati (2022), and Frangky (2019) who stated that firm size has a significant positive effect on earnings quality. As for the research from Saleh *et al.* (2020) and Idhastari (2021) found a negative correlation.

The financial determination variable proxied by firm growth (GROWTH) has a regression coefficient of -1.4687 and a significance value of 0.0136 (<0.05). This test proved that firm growth negatively and significantly affects earnings quality, so **H1b is accepted.** The findings of this study are in line with the research results (Anam & Afrohah, 2020 and Wijaya, 2020). However, the results of this study contradict the research of Saleh *et al.* (2020), Lestari (2020), and Cahyani and Khafid (2020), who stated that the firm growth did not have a significant effect on earnings quality. Research from Nakashima (2019) found a positive correlation.

The financial determination variable proxied by the working capital ratio (WC) has a regression coefficient of -0.0111 and a significance value of 0.5190 (>0.05). The results of this test proved that the working capital ratio had a negative and insignificant effect on earnings quality, so **H1c is rejected.** This study’s findings support the study’s results of (Anam & Afrohah, 2020; Wijaya, 2020; Marliyana & Khafid, 2017; Cahyani & Khafid, 2020; Charisma & Suryandari, 2021; and Murniati, 2019). In contrast to the research of Lestari (2020), Safitri and Afriyentri (2020), Irawan and Ardianti (2021), Warianto and Rusiti (2014), and Erawati and Hasanah (2022), which stated that the working capital ratio had a significant positive effect on earnings quality. As for the research from Saleh *et al.* (2020) finding a negative correlation.

The financial determination variable proxied by cash to current assets (CCA) has a regression coefficient of 1.2126 and a significance value of 0.6558 (>0.05). The results of this test prove that cash to current assets has a positive and insignificant effect on earnings quality, so **H1d is rejected.** The findings of this study support the results of the study (Saleh *et al.*, 2020).

The financial determination variable proxied by current debt to total assets (CDA) has a regression coefficient of -0.0062 and a significance value of 0.7582 (>0.05). The results of this test prove that current debt to total assets has a negative and insignificant effect on earnings quality, so **H1e is rejected.** The findings of this study are consistent with the results of the study (Saleh *et al.*, 2020; Nariman & Ekadaja, 2018; Irawan & Ardianti, 2021; Murniati, 2019; Erawati & Rahmawati, 2022; Erawati & Hasanah, 2022; and Sitepu *et al.*, 2022). However, the results of this study reject the research of Nakashima (2019) and Lestari (2020), which states that current debt to total assets has a significant positive effect on earnings quality. The research from Wijaya (2020) and Warianto and Rusiti (2014) revealed a negative correlation.

The financial determination variable proxied by earnings per share (EPS) has a regression coefficient of 0.0000 and a significance value of 0.9905 (>0.05). The results of this
test proved that earnings per share had a positive and insignificant effect on earnings quality, so **H1 is rejected**. The findings of this study are in line with the research of (Saleh et al., 2020; Lestari, 2020; and Frengky, 2019). It is also different from the research of Andriani et al. (2021), which states earnings per share has a significant positive effect on earnings quality. The research from Erawati and Hasanah (2022) and Puteri and Trisnaningsih (2022) found a negative correlation.

The firm reputation variable proxied by firm age (AGE) has a regression coefficient of -0.0098 and a significance value of 0.7304 (>0.05). The results of this test proved that firm age had a negative and insignificant effect on earnings quality, so **H2a is rejected**. The findings of this study are in line with the research of Erawati & Hasanah (2022). However, the results of this study refute Nakashima (2019), which found that firm age has a significant positive effect on earnings quality.

The firm reputation variable proxied by listing age (LAGE) has a regression coefficient of -0.0314 and a significance value of 0.4443 (>0.05). The results of this test prove that listing age has a negative and insignificant effect on earnings quality, so **H2b is rejected**. This study’s findings align with the research of Erawati & Hasanah (2022). However, the results of this study refute Nakashima (2019), which found that listing age has a significant positive effect on earnings quality.

The firm reputation variable proxied by the price earnings ratio (PER) has a regression coefficient of 0.0000 and a significance value of 0.1063 (>0.05). The results of this test prove that the price earnings ratio has a positive and insignificant effect on earnings quality, so **H2c is rejected**. The findings of this study are in line with the research (Hulasoh & Mulyati, 2022). However, it is not in the same direction as the research of Ratnasari (2022), Dewi and Sembiring (2022), Marc et al. (2022), Larasati and Arrozi (2022), Setiyaning and Mispiyanti (2022), and Adeliani and Roosdiana (2022) who stated that the price earnings ratio has a significant positive effect on earnings quality.

The firm reputation variable proxied by market capitalization (MC) has a regression coefficient of 0.0000 and a significance value of 0.9685 (>0.05). The results of this test proved that market capitalization has a positive and insignificant effect on earnings quality, so **H2d is rejected**. The findings of this study agree with the research (Fakhrudin & Wulandari, 2022; Handayani et al., 2022; Rahmanissa & Isynuwardhana 2022). However, it is not in line with the research of Lathifatussulalah and Dalimunthe (2022) which states that market capitalization has a significant positive effect on earnings quality.

The firm reputation variable proxied by corporate social responsibility award (CSRA) has a regression coefficient of -0.4716 and a significance value of 0.5509 (>0.05). The results of this test proved that appreciation for social responsibility had a negative and insignificant effect on earnings quality, so **H2e is rejected**. The findings of this study contradict the research of Rezaee et al. (2020), Siswantaya (2022), Sitepu et al. (2022), and Puteri & Trisnaningsih (2022) who said that corporate social responsibility award has a significant positive effect on earnings quality.

The managerial capability (KPM) variable has a regression coefficient of 5.1725 and a significance value of 0.0035 (<0.05). The results of this test prove that managerial capability have a positive and significant effect on earnings quality, so that **H3 is accepted**. The findings of this study are consistent with the research (Bazrafshan et al., 2021 and Lukita, 2022). However, the results of this study refute the research of Romadhon and Kusuma (2020), which states that managerial capability significantly negatively affects earnings quality.

The earnings management (EM) variable has a regression coefficient of 0.1714 and a significance value of 0.9448 (>0.05). The results of this test proved that earnings management has a positive and insignificant effect on earnings quality, so **H4 is rejected**. The findings of this study refute the research of Saleh et al. (2020) and Cug and Cugova (2021), who stated
that earnings management has a significant negative effect on earnings quality. The discovery of Purwaningsih et al. (2020) reveals the presence of a positive correlation.

The financial determination variable proxied by firm size (SIZE) has a regression coefficient of -0.3862 and a significance value of 0.0000 (<0.05). The results of this test prove that firm size has a negative and significant effect on firm value, so \textbf{H5a is accepted}. This study’s findings align with the research (Susanti & Restiana, 2018). However, contrary to the research of Salimah and Herliansyah (2019), Komarudin and Affandi (2019), Stevani and Pernamasari (2019), Purwohandoko (2017), Tampubolon et al. (2021), Faizra et al. (2022), Dewi and Sembiring (2022), Putri and Anwar (2022), and Marc et al. (2022) which states firm size has no significant effect on the value of the company. As for research from Kristi and Yanto (2020), Sofura et al. (2020), Muzayin and Trisnawati (2022), Setiawan et al. (2021), Khusnurifaq (2022), Tiara and Jayanti (2022), Annisa and Praptoyo (2022), Wati et al. (2022), and Setiyaning and Mispiyanti (2022) found a positive correlation.

The financial determination variable proxied by firm growth (GROWTH) has a regression coefficient of 0.4605 and a significance value of 0.0008 (<0.05). The results of this test prove that firm growth has a positive and significant effect on the value of the company, so \textbf{H5b is accepted}. This study’s findings support the study’s results of (Tampubolon et al., 2021; Rahmaandi and Wulandari, 2022; and Faizra et al., 2022). However, contradictions with the research of Salimah and Herliansyah (2019) and Wati et al. (2022) state that the firm growth has no significant effect on firm value.

The financial determination variable proxied by the working capital ratio (WC) has a regression coefficient of -0.0012 and a significance value of 0.5876 (>0.05). The results of this test proved that the working capital ratio had a negative and insignificant effect on the firm value, so \textbf{H5c is rejected}. The findings of this study agree with the research (Sari & Seanda, 2020; Erdiyaningsih et al., 2021; Shalini et al., 2020; Tampubolon et al., 2021; Sari, 2022; Azizah & Cahyono, 2022; Ratnasari, 2022; and Afanny et al., 2022). However, there is a discrepancy in the research of Jihadi et al. (2021), Hasanudin et al. (2020), Purba and Mahendra (2022), Khusnurifaq (2022), Dewi and Sembiring (2022), and Nirawati et al. (2022) which explains that the working capital ratio has a significant positive effect on the value of the company. As for research from Kristi and Yanto (2020), Darmawan et al. (2020), and Devina and Purnama (2022) found a negative correlation.

The financial determination variable proxied by cash to current assets (CCA) has a regression coefficient of 1.3549 and a significance value of 0.0002 (<0.05). The results of this test prove that cash to current assets has a positive and significant effect on firm value, so that \textbf{H5d is accepted}. The findings of this study contradict the results of the study (Saleh et al., 2020).

The financial determination variable proxied by current debt to total assets (CDA) has a regression coefficient of 1.2870 and a significance value of 0.0000 (<0.05). The results of this test prove that current debt to total assets has a positive and significant effect on firm value, so that \textbf{H5e is accepted}. The findings of this study are in line with the results of the study (Susanti & Restiana, 2018; Jihadi et al., 2021; Stevani & Pernamasari, 2019; Tampubolon et al., 2021; Hasanudin et al., 2020; Setiawan et al., 2021; Khusnurifaq, 2022; Sari, 2022; Azizah & Cahyono, 2022; and Ratnasari, 2022). However, it is not in the same direction as the research of Komarudin and Affandi (2019), Tahu and Susilo (2017), Waryati et al. (2018), Muzayin and Trisnawati (2022), Rahmaandi and Wulandari (2022), Afanny et al. (2022), Dewi and Sembiring (2022), Wati et al. (2022), and Larasati and Arrozi (2022) who stated that current debt to total assets has no significant effect on firm value. As for research from Kristi and Yanto (2020), Shalini et al. (2020), Darmawan et al. (2020), Purba and Mahendra (2022), Dewi and Susanto (2022), and Devina and Purnama (2022) found negative correlations.
The financial determination variable proxied by earnings per share (EPS) has a regression coefficient of 0.0000 and a significance value of 0.4802 (>0.05). The results of this test proved that earnings per share had a positive and insignificant effect on firm value, so H5f is rejected. The findings of this study are in the same direction as the research (Dewi & Susanto, 2022 and Devina & Purnama, 2022). However, contrary to the research of Sari and Seanda (2020), Komarudin and Affandi (2019), Susanti and Restiana (2018), Erdiyaningsih et al. (2021), Kristi and Yanto (2020), Jihadi et al. (2021), Wijaya (2020), Stevani and Pernamasari (2019), Tahu and Susilo (2017), Shalini et al. (2020), Putri and Wiksuana (2021), Darmawan et al. (2020), Tampubolon et al. (2021), Jao et al. (2020), Waryati et al. (2018), Muzayin and Trisnawati (2022), Faizra et al. (2022), Purba and Mahendra (2022), Sari (2022), Azizah and Cahyono (2022), Ratnasari (2022), Dewi and Sembiring (2022), Putri and Anwar (2022), Annisa and Praptoyo (2022), Setiyaning and Mispiyanti (2022), and Adeliani and Roosdiana (2022) which explains earnings per share has a significant positive effect on firm value.

The firm reputation variable proxied by firm age (AGE) has a regression coefficient of 0.0041 and a significance value of 0.2637 (>0.05). The results of this test prove that firm age has a positive and significant effect on firm value, so H6a is rejected. The findings of this study reject the research of Susanti and Restiana (2018) and Wati et al. (2022), which state that firm age has a significant positive effect on firm value. The discoveries of Muzayin and Trisnawati (2022) and Dewi and Susanto (2022)) revealed a negative correlation.

The firm reputation variable proxied by listing age (LAGE) has a regression coefficient of -0.0209 and a significance value of 0.0001 (<0.05). The results of this test prove that listing age has a negative and significant effect on firm value, so H6b is accepted. The findings of this study agree with the research (Tiara & Jayanti, 2022). In contrast to the research of Putri and Anwar (2022) and Annisa and Praptoyo (2022), listing age did not significantly affect firm value.

The firm reputation variable proxied by the price earnings ratio (PER) has a regression coefficient of 0.0000 and a significance value of 0.3215 (>0.05). The results of this test proved that the price earnings ratio has a positive and insignificant effect on firm value, so H6c is rejected. The findings of this study are in line with the research (Hulasoh & Mulyati, 2022). However, it is not in the same direction as the research of Ratnasari (2022), Dewi and Sembiring (2022), Marc et al. (2022), Larasati and Arrozi (2022), Setiyaning and Mispiyanti (2022), and Adeliani and Roosdiana (2022) who stated that the price earnings ratio has a significant positive effect on firm value.

The firm reputation variable proxied by market capitalization (MC) has a regression coefficient of 0.0000 and a significance value of 0.0000 (<0.05). The results of this test prove that market capitalization has a positive and significant effect on firm value, so H6d is accepted. The findings of this study agree with the study (Lathifatussulalah & Daliminthe, 2022). However, it is not in the same direction as the research of Fakhrudin and Wulandari (2022), Handayani et al. (2022), Rahmanissa and Isnuwardhana (2022), who stated that market capitalization has no significant effect on firm value.

The firm reputation variable proxied by corporate social responsibility award (CSRA) has a regression coefficient of 0.0597 and a significance value of 0.5616 (>0.05). The results of this test proved that corporate social responsibility award had a positive and insignificant effect on firm value, so H6e is rejected. The findings of this study support the results of the study (Kristi & Yanto, 2020; Marc et al., 2022; Larasati & Arrozi, 2022; Wiranudirja et al., 2022; and Sentya & Mardianto, 2022). However, the results of this study break the research of Benjamin and Biswas (2022), which states that corporate social responsibility award has a significant positive effect on firm value.
The managerial capability (KPM) variable has a regression coefficient of 0.2955 and a significance value of 0.2007 (>0.05). The results of this test prove that managerial capability have a positive and insignificant effect on firm value, so **H7 is rejected**. The findings of this study are consistent with the research (Wiranudirja et al., 2022). However, it refutes the research of Doukas and Zhang (2020), which states that managerial capability significantly positively affect firm value.

The earnings management (EM) variable has a regression coefficient of -116.0759 and a significance value of 0.0333 (<0.05). The results of this test prove that earnings management has a negative and significant effect on firm value, so **H8 is accepted**. The findings of this study are like-minded to the research (Suriawinata & Correia, 2018; Rajab et al., 2022; Panjaitan et al., 2022). Unlike the case with the research of Sentya and Mardianto (2022) and Putry and Murni (2022), earnings management does not have a significant effect on firm value. The discovery of Sunardi (2018), Sofura et al. (2020), Winarta et al. (2021), Larasati and Lestari (2022), and Prabowo (2022) revealed a positive correlation.

**CONCLUSION**

This study aims to test and empirically prove the factors that affect earnings quality and firm value. Based on the study’s results, there is a significant influence between firm growth, EQ, and FV. Firm size, cash to current assets, current debt to total assets, listing age, market capitalization, and earnings management do not significantly influence EQ, but are significant on FV. Managerial capability only has a significant impact on EQ. In addition, working capital ratio, earnings per share, firm age, price earnings ratio, and CSR award do not affect EQ and FV. Ultimately, the research results related to earnings quality and firm value match the agency theory and signaling theory. Agency theory discusses information asymmetry between principals as users of information and agents as information providers. Therefore, it is necessary to have an internal control system to mitigate earnings management activities and reduce the risks posed by earnings management, so as not to negatively affect earnings quality and firm value disclosed to the market. In addition, the signaling theory explores the presence of information asymmetry between the principal and the agent, which is the moral reason corporate management empowers financial and non-financial information to send market signals about management's achievements in realizing owners' wishes. Positive information disclosure can also achieve a positive market reaction, thereby reducing earnings management and improving earnings quality and firm value.

The cause of insignificant hypothesis testing results occurs due to limitations, such as the number of samples because they do not meet the criteria for the intended sample. Future research is suggested to further explore research by extending the research period, assessing other variables, and expanding the scope of research by comparing samples between countries.

**REFERENCES**


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