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THE INFLUENCE OF LIQUIDITY (CR), PROFITABILITY (ROA), CAPITAL STRUCTURE (DAR), AND INTELLECTUAL CAPITAL (VAIC) TOWARD EARNINGS QUALITY ON INDUSTRIAL SECTOR COMPANIES THAT LISTED ON INDONESIA STOCK EXCHANGE FROM 2018-2022

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ABSTRACT

This research aims to determine the influence of Liquidity, Profitability, Capital Structure and Intellectual Capital on the Quality of Profits in Industrial Sector Companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This research uses secondary data. The sampling technique used in this research was purposive sampling and the number of samples obtained was 28 companies. The research method used is a multiple regression analysis technique using the SmartPLS4.0 software. The results of this research show that only the Capital Structure variable has a significant influence on Earnings Quality. Meanwhile, for the remainder, Liquidity, Profitability and Intellectual Capital do not have a significant influence on Earnings Quality.

Keywords: Quality of Earnings, Liquidity, Profitability, Capital Structure, Intellectual Capital

PENGARUH LIKUIDITAS (CR), PROFITABILITAS (ROA), STRUKTUR MODAL (DAR), DAN INTELLECTUAL CAPITAL (VAIC) TERHADAP KUALITAS LABA PADA PERUSAHAAN SEKTOR INDUSTRI YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2018-2022

ABSTRAK

Penelitian ini bertujuan untuk mengetahui pengaruh Likuiditas, Profitabilitas, Struktur Modal, dan Modal Intelektual terhadap Kualitas Laba pada Perusahaan Sektor Perindustrian yang terdaftar di Bursa Efek Indonesia periode 2018-2022. Penelitian ini menggunakan data sekunder. Teknik pengambilan sampel yang digunakan pada penelitian ini adalah purposive sampling dan jumlah sampel yang diperoleh sebanyak 28 perusahaan. Metode penelitian yang digunakan adalah teknik analisis regresi berganda dengan menggunakan bantuan software SmartPLS 4.0. Hasil dari penelitian ini menunjukkan bahwa hanya variabel Struktur Modal yang memiliki pengaruh signifikan terhadap Kualitas Laba. Sedangkan sisanya, Likuiditas, Profitabilitas, dan Modal Intelektual tidak memiliki pengaruh yang signifikan terhadap Kualitas Laba.

Kata Kunci : *Earnings Quality, Liquidity, Profitability, Capital Structure, Intellectual Capital*

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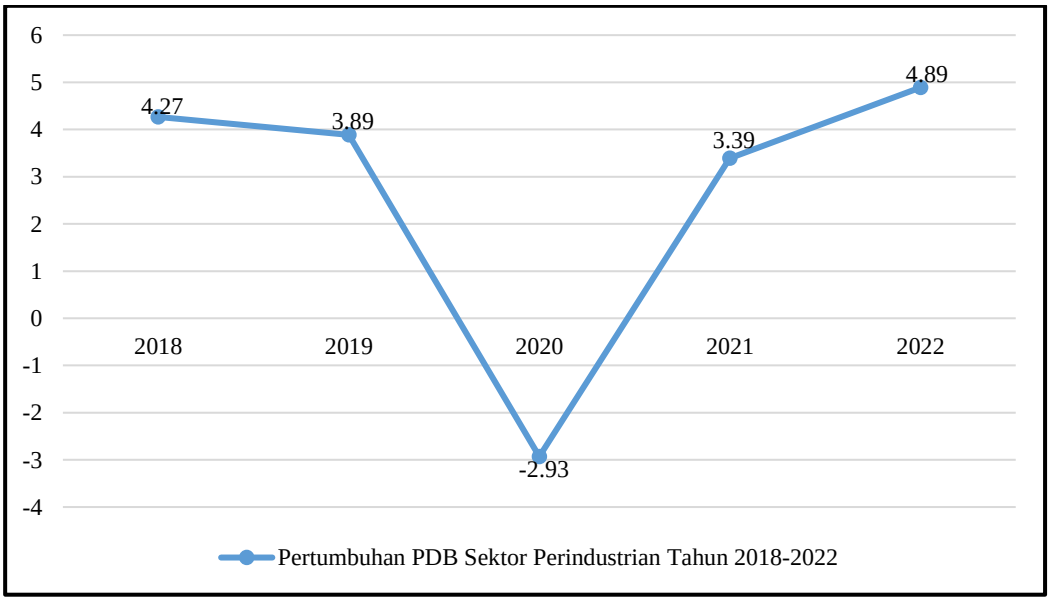
INTRODUCTION

Currently, the world is experiencing very rapid technological developments. In the current era known as the digital era, companies will certainly increasingly try to create unexpected innovations and investments. This condition is also similar in Indonesia. Indonesia, which is still categorized as a developing country, will of course try to catch up through industrialization. According to the Big Indonesian Dictionary, industrialization can be defined as an effort to promote industry in a country.

Furthermore, quoted from the official website of the Ministry of Industry, it states that industrialization is capable of having large and broad impacts on the economy starting from increasing the added value of domestic raw materials, absorbing local labour, and receiving foreign exchange from exports. From this, it is hoped that it can attract investors from other companies who can create changes in the amount of production and strengthen economic sectors in Indonesia, especially the industrial sector. The industrial sector is one of the sectors that makes the largest contribution to the structure of the national Gross Domestic Product (GDP) because the industrial sector has a close relationship with economic development in Indonesia. The growth of Gross Domestic Product (GDP) in the industrial sector can be seen from official statistical data published by the Central Statistics Agency.



Source: Central Statistics Agency data (2023)

Figure 1. Industrial Sector GDP Growth 2018-2022

Based on Figure 1, it can be seen that the Central Statistics Agency (BPS) recorded Gross Domestic Product (GDP) growth in the industrial sector in 2018, which was 4.27%. Then, in 2019, this value fell to 3.89%. This is because in 2019, the industrial sector experienced a decline in performance due to the decline in imports of raw materials and of course, this has an effect as long as imported raw materials cannot be substituted. Then, in 2020 there was a very drastic decline so GDP growth in the industrial sector was negative at -2.93%. The very drastic decline was caused by the Covid-19 pandemic in Indonesia. Then, in 2021, there was a very drastic increase again so the value of GDP growth in the industrial sector in 2021 was 3.39%. This is due to the process of recovering economic activity after the Covid-19 pandemic. Then, in 2022, GDP growth in the industrial sector will increase again, bringing the value to 4.89%.

Furthermore, there is also an industrial sector stock index which is one of the determining factors for investors to invest in a company. In 2018, the industrial sector stock index value was 5.8%. Then, in 2019, the industrial sector stock index experienced the deepest decline or pressure of -16%. This is because the domestic political situation is quite heated and filled with demonstrations, causing market players to withdraw from the Indonesian financial market. Then, in 2020, the value of the industrial sector stock index began to show good signs, increasing by 4.6%. Furthermore, in 2021 it will increase with a value of 11.6%. Then, continuing in 2022, it will again increase with a value of 13.3% (www.idx.co.id).

Furthermore, if we look further, industrialization also makes companies try to improve their performance by presenting financial reports that contain correct information and can be verified by parties interested in decision-making. One component of financial reports that gets a lot of attention is the profit and loss report. This is because the income statement contains information about the profits achieved by a company in a certain period. In general, profit information can be said to be the main concern in assessing management performance and accountability. Then, profit is considered the most significant information and can guide the decision-making process by interested parties.

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Profit information is very influential and important for several parties such as companies, creditors and investors. For companies, profits are used for operating activities, increasing production capacity, expansion and investing. Then, for investors, profits can be used to attract investors to buy company shares, resulting in the company being able to obtain funds for its business activities. Not only that, profits can also be used as a decision to reserve funds, distribute dividends to shareholders, and as a basis for calculating bonuses for employees. Then, for creditors, profits can be used to make decisions in granting credit because companies that have high profits are considered and assessed as having the ability to pay their obligations.

According to Magdalena & Trisnawati (2022), profits are said to be of good quality if they can show the current condition of the company and are free from manipulation by management. Then, Magdalena & Trisnawati, 2022 also define earnings quality as the ability of earnings to show the truth of the income obtained by the company currently and can help in predicting the profits obtained by the company in the future. Companies that have good quality profits will certainly attract investors' interest in investing in their companies. Valeria & Halim (2022) also explained that consistent and increasing profits prove that the company has a good financial condition.

The phenomenon of movements in profit quality can be seen in one of the industrial sector companies, namely PT Surya Toto Indonesia Tbk (TOTO). In semester I/2018, PT Surya Toto Indonesia Tbk (TOTO) recorded a net profit of IDR 144.57 billion. Furthermore, in semester I/2019, PT Surya Toto Indonesia Tbk (TOTO) experienced a decline in net profit and recorded a net profit of IDR 63.16 billion. Then, in the first semester of 2020, there was a less than encouraging period for the company, namely a drastic decline in net profit, where PT Surya Toto Indonesia Tbk (TOTO), which initially recorded a net profit, now recorded a net loss of IDR 12.31 billion. This cannot be denied due to the pandemic period that took place in 2020 and adjustments to the new normal period which are still not optimal from a business perspective. Then, in semester I/2021, PT Surya Toto Indonesia Tbk (TOTO) experienced an increase where the company managed to record a net profit of IDR 31.0 billion. Continuing in semester I/2022, PT Surya Toto Indonesia Tbk (TOTO) experienced a very drastic increase and managed to record a net profit of IDR 199.29 billion (Miracle.co.id/, market.bisnis.com). From the case of PT Surya Toto Indonesia Tbk (TOTO), it can be concluded that the company's profits are one of the benchmarks for users of financial reports.

When entering into contracts or making investment decisions, the quality of profits stated in financial reports is the most important point that users of financial reports will consider. Earnings quality can be an indicator of accurate assessment of performance that year and can be used as a reference in predicting future performance.

According to Anjelica & Prasetyawan (2014), The stream of accounting research views earnings as either a summary indicator or a premier component of the financial reporting package. This statement has the definition that profit is seen as an indicator or core component of financial reports. So, it can be concluded that profit is the component or indicator of financial reports that has the most influence on economic decision-making activities, especially the investment decision-making process.

Please note that several factors influence earnings quality. The first factor that influences earnings quality is liquidity. The liquidity ratio used in this research is the Current Ratio (CR). Current Ratio (CR) is a general measure used to measure a company's liquidity level. Liquidity is needed by companies when the company want to implement the going concern principle by paying attention to their ability to pay off their short-term obligations. According to Sukmawati et al (2014), liquidity influences earnings quality. This is because if a company can pay its short-term debt, it can be concluded that the company has good financial performance in meeting current obligations/debts, so the company does not need to practice earnings management. Research by Silfi (2016), Hanifah et al (2021), and Kopa (2021) prove that liquidity affects earnings quality. This is different from research conducted by Sadiah & Priyadi (2015), Ginting (2017), Mauliddiyah (2020), and Magdalena & Trisnawati (2022) which proves that liquidity does not affect earnings quality.

Then, the second factor that influences earnings quality is profitability. Profitability is a description of a company's ability to generate profits during a certain period (Valeria & Halim, 2022). The profitability ratio used in this research is Return On Assets (ROA). According to Wulandari et al (2021), ROA is a ratio that measures the ability of company executives to create a level of profit in the form of company profits and the economic value of sales, company net assets and their capital (shareholder equity). Research by Hanifah et al (2021) and Luas et al (2021) prove that profitability influences earnings quality. These results are also supported by research conducted by Kepramareni et al (2021) and Telaumbanua & Purwaningsih (2022) which shows that profitability influences earnings quality. This is different from research conducted by Mauliddiyah (2020), Sejati et al (2021), and Magdalena & Trisnawati (2022) which proves that profitability does not affect earnings quality.

Furthermore, the third factor that influences earnings quality is capital structure. It should be noted that capital structure is important for a company, this is because capital structure can help managers know the composition of funding owned by the company. Company funding consists of equity and long-term debt. This funding is used by the company to finance its operational activities (Al-Vionita & Asyik, 2020). Research conducted by Kopa (2021) and Kepramareni et al (2021) proves that capital structure influences earnings quality. This is different from research conducted by Mauliddiyah (2020), Luas et al (2021), and Wulandari et al (2021) which prove that capital structure does not affect earnings quality.

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Finally, the fourth factor that influences earnings quality is intellectual capital. According to Anggraini et al (2019), Intellectual capital is all employees, companies and their abilities to create added value for a company. Furthermore, intellectual capital is a group of knowledge assets that are connected to the organization contribute most to the company's competitive advantage and can add value to the company in the eyes of stakeholders. Research on the influence of intellectual capital on profit quality has been carried out by Saputra & Mulyani (2016) which proves that intellectual capital affects profit quality. This is different from research conducted by Indra & Trisnawati (2020), Julianingsih & Yuniarta (2020), Wellyana & Sulistiawan (2021), and Magdalena & Trisnawati (2022) which proves that intellectual capital does not affect profit quality.

The objectives of this research are as follows: (1) To determine and analyze the influence of Liquidity (CR) on the Profit Quality of industrial sector companies listed on the IDX for the 2018-2022 period. (2) To determine and analyze the effect of Profitability (ROA) on the Profit Quality of industrial sector companies listed on the IDX for the 2018-2022 period. (3) To determine and analyze the influence of Capital Structure (DAR) on the Profit Quality of industrial sector companies listed on the IDX for the 2018-2022 period. (4) To determine and analyze the influence of Intellectual Capital (VAIC) on the Profit Quality of industrial sector companies listed on the IDX for the 2018-2022 period.

LITERATURE REVIEW

Agency Theory

According to agency theory, it states that there is an agency relationship where one or more people (principal) involve another person (agent) to perform several services on their behalf and involves the process of transferring some decision-making authority to the agent (Jensen & Meckling, 1976). Agency theory is also the granting of authority by company owners to company management in carrying out company operations based on approved contracts (Sudarno et al ., 2022).

Quality of Earnings

Earnings quality is profit in financial reports which shows the company's actual financial performance and is a comparison between reported net profit and actual profit (Anggrainy, 2019). Earnings quality as important information can be used by the public and can be used by investors as a company assessment. Quality profits reflect the company's high financial performance so that the high quality of profits owned by the company can make decisions taken by investors appropriately (Zia & Malik, 2022).

Liquidity

According to Sadiah & Priyadi (2015), liquidity is a company's ability to fulfil its financial obligations in the short term by using the current funds it has. Liquidity can be used as an indicator in measuring problems in cash flow sources to meet a company's short-term obligations. High liquidity illustrates that the company's financial condition is in fairly good condition, capable and timely in paying off its current obligations.

Profitability

According to Anjelica & Prasetyawan (2014), profitability is the company's ability to generate profits and is fundamental to showing company performance. The profitability of a company can be tested by looking at the comparison between profits and assets. Profitability is a ratio in assessing a company's ability to earn profits.

Capital Structure

Capital structure is a comparison between current liabilities, non-current liabilities and capital or it could be said that capital structure is a balance or comparison between own capital and capital from outside (Luas et al ., 2021). Capital structure is also a description of the company's financial proportions, namely a description of the capital it has which comes from long-term debt and its capital which is the source of the company's financing (Kepramareni et al ., 2021).

Intellectual Capital

Anggraini et al . (2019) stated that intellectual capital is a knowledge-based resource that describes intangible assets and if used optimally, can improve the quality and competitive advantage of the company. Intellectual capital is related to competitive advantages that can provide added value to the company along with the increasing performance of the company's intellectual capital.

Hypothesis Formulation

The Effect of Liquidity (CR) on Earnings Quality

Liquidity is a company's ability to meet its short-term debt with the current assets it owns. The means of fulfilling short-term financial obligations come from elements of liquid assets, such as current assets with a turnover of less than one year because disbursement is easier than fixed assets with a turnover of more than one year (Ananda &

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Ningsih, 2016) . Apart from that, a company that can fulfil its obligations indicates that the company has good survival. This is because liquidity is a review of company performance (Dian et al ., 2021).

This is following research conducted by Sukmawati et al . (2014), Silfi (2016), Kopa (2021), and Hanifah et al (2021) which states that liquidity influences earnings quality. This is different from research conducted by Sadiah & Priyadi, (2015), Ginting, (2017), Mauliddiyah (2020), and Magdalena & Trisnawati (2022) which states that liquidity does not affect earnings quality.

H1: Liquidity (CR) influences earnings quality.

The Influence of Profitability (ROA) on Earnings Quality

Profitability is a measure used to measure a company's income or success in generating profits in a certain period. The quality of earnings can be seen from the company's level of profitability because the greater the success of the company's operations in obtaining profits in the form of profits, the economic value of the sale of the company's net assets will increase.

This is following research conducted by Hanifah et al (2021), Kopa (2021), and Luas et al (2021) which states that profitability influences earnings quality. This is different from research conducted by Mauliddiyah, (2020), Sejati et al (2021), and Magdalena & Trisnawati (2022) which states that profitability does not affect earnings quality.

H2: Profitability (ROA) influences Profit Quality.

The Influence of Capital Structure (DAR) on Earnings Quality

Capital requirements are important for companies in developing and maintaining continuity as well as funding their operational needs (Kopa, 2021). Capital structure is a comparison of a company's long-term funding as evidenced by the comparison of long-term debt to capital sources. According to Anggrainy (2019), a company with a high level of leverage indicates that the company is dependent on external loans (debt) to finance its assets. On the other hand, companies with a low level of leverage indicate that the company finances more of its assets with its capital.

This is following research conducted by Kepramareni et al (2021) which states that capital structure affects earnings quality, due to how much of the company's assets are financed by company debt. This is also in line with research conducted by Kopa (2021) which states that capital structure influences earnings quality. This is different from research conducted by Mauliddiyah (2020), Luas et al (2021) and Wulandari et al (2021) which state that capital structure does not affect earnings quality.

H3: Capital Structure (DAR) influences Earnings Quality.

The Influence of Intellectual Capital (VAIC) on Earnings Quality

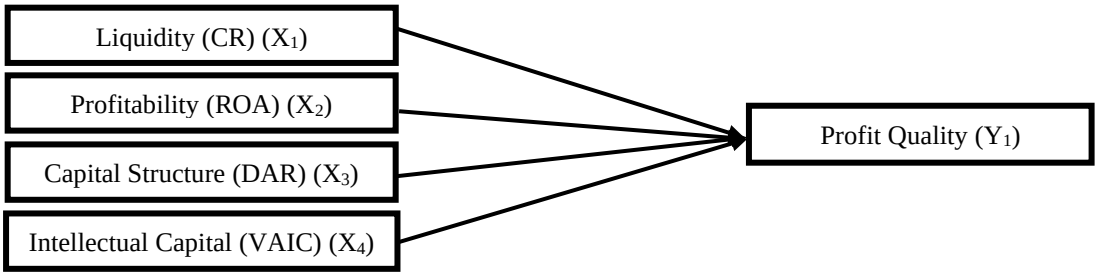
Intellectual capital is an important thing because it can influence the quality of a company's profits. Companies that have high intellectual capital will certainly have an impact on increasing the assets owned by the company and also have an impact on company profits. This illustrates that companies tend not to manipulate their financial reports so it can be said that intellectual capital within the company can influence the quality of the company's profits.

This is following research conducted by Saputra & Mulyani (2016) which states that intellectual capital influences the quality of profits. This is different from research conducted by Indra & Trisnawati (2020), Julianingsih & Yuniarta (2020), Wellyana & Sulistiawan (2021), and Magdalena & Trisnawati (2022) which stated that intellectual capital does not affect earnings quality.

H4: Intellectual Capital (VAIC) influences Earnings Quality.

Framework

Based on the description of the relationship between the variables Liquidity (CR), Profitability (ROA), Capital Structure (DAR), and Intellectual Capital (VAIC) on Profit Quality, the following framework is formulated:



Source: Developed Research Journal (2023)

Figure 2. Framework of Thought

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RESEARCH METHODOLOGY

Place and Time of Research

This research was carried out by taking data from several sites, including the Indonesian Stock Exchange (BEI), ICMD, and other relevant sources using data from Industrial Sector Companies. The time used during this research was from September 2023 to January 2024.

Population and Sample

The population in this research is industrial sector companies listed on the Indonesia Stock Exchange (BEI) during the 2018-2022 period. Based on data obtained in 2023, the population of companies is 55 companies. The sampling technique used in this research was purposive sampling. The research sample selection criteria are as follows:

Table 1. Research Sampling Criteria

No.	Research Sampling Criteria	Number of Companies
1.	Industrial companies listed on the Indonesia Stock Exchange (BEI) during the 2018-2022 period.	55
2.	Industrial companies that have an Initial Public Offering (IPO) after January 1 2018.	(16)
3.	Industrial companies that do not have complete financial report data required during the 2018-2022 research period.	(11)
	Number of Samples	28

Source: www.idx.co.id

Operational Definition of Research Variables

In this research, the dependent variable and independent variables that will be used consist of:

Quality of Earnings (Y_1)

Quality of Profit in this research is calculated using the Quality Of Income calculation Luas et al (2021 with the following formula:

$$\text{Profit Quality} = \frac{\text{Operating Cash Flow}}{\text{EBIT}} \quad (1)$$

Liquidity (CR) (X_1)

Liquidity in this research uses the current ratio Kasmir (2019) with the following formula:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \quad (2)$$

Profitability (ROA) (X_2)

Profitability in this research uses Return On Assets (ROA) as the profitability ratio Telaumbanua & Purwaningsih, (2022) with the following formula:

$$\text{Return On Assets} = \frac{\text{Profit After Tax}}{\text{Total Aset}} \quad (3)$$

Capital Structure (DAR) (X_3)

The capital structure in this research uses the Debt to Assets Ratio Kasmir (2019) with the following formula:

$$\text{Debt to Assets Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}} \quad (4)$$

Intellectual Capital (VAIC) (X_4)

Intellectual Capital in this research uses the VAIC model (Ulum, 2022) with the following formula:

$$\text{VAIC} = \text{VACA} + \text{VAHU} + \text{STVA} \quad (5)$$

Data Types and Sources

The type of data used in this research is quantitative data with secondary data sources, namely data obtained and collected indirectly from primary sources (companies) in the form of annual financial reports of issuers listed in industrial companies on the Indonesia Stock Exchange (BEI) for the period 2018- 2022 obtained from the Annual Report Database on the BEI.

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Data Analysis Techniques

Descriptive Analysis

Descriptive analysis is intended to provide an overview of the general picture of the data obtained. This follows the statement put forward by Ghozali (2021 who explains that descriptive statistics aims to provide an overview and description of the research variables to be studied. The descriptive statistics used in this research are the average value (mean), minimum value (min), maximum value (max), and standard deviation (standard deviation).

Data Multicollinearity Test

The multicollinearity test aims to check or test whether there is a high correlation between independent variables in a regression model (Ghozali, 2021). A good regression model should not correlate with independent variables. If there is a high correlation between the independent variable and the dependent variable, the relationship between the variables will be disrupted. To detect whether there are symptoms of multicollinearity, statistical tools are needed to test multicollinearity disorders, namely looking at the tolerance value of each variable and using Variance Inflation Factors (VIF). If the tolerance value is greater than 0.10 or the VIF value obtained is smaller than 10, then it can be concluded that there is no multicollinearity problem in the data.

Model Feasibility Test (R^2)

The model feasibility test in this research used the coefficient of determination. The coefficient of determination (R^2) aims to measure the extent of the model's ability to explain and explain the dependent variables (Ghozali, 2021). The coefficient of determination value ranges between 0 and 1 ($0 < \text{Adjusted } R^2 < 1$). The small Adjusted R^2 value indicates that the ability of the independent variables to explain the dependent variable is very limited. Adjusted Value An R^2 that is close to 1 indicates that the independent variables provide almost all the information needed to predict variations in the dependent variable. Conversely, if the value is Adjusted The further the R^2 obtained is from 1, it means that the independent variables are considered unable to explain the strong influence on the dependent variable.

Multiple Linear Regression Analysis

Multiple regression analysis aims to measure how strong the relationship is between the dependent variable and the independent variable (Ghozali, 2021). In the multiple linear regression model, there is a hypothesis test that must be passed first which aims to provide predictions between the dependent variable and the independent variable.

t Statistical Test (Hypothesis Test)

The t-statistical test generally shows how much influence an independent variable individually has in explaining variations in the dependent variable (Ghozali, 2021). To understand whether or not there is an influence of each independent variable on the dependent variable, the significance level used by researchers is 5%. The basis for decision-making for the t-statistical test is as: (1) If the significant value of $t < 0.05$ (α), then H_0 is rejected and H_1 is accepted, meaning that the independent variable has a significant influence on the dependent variable. (2) If the significant value of $t > 0.05$ (α), then H_0 is accepted and H_1 is rejected, meaning that the independent variable does not have a significant influence on the dependent variable.

RESULTS AND DISCUSSION

Descriptive Analysis

Descriptive analysis and frequency distribution of the research model can be seen in the following table:

Table 2. Descriptive Analysis of the Industrial Sector 2018-2022

Variable	Average	Minimum	Maximum	Standard Deviation
Liquidity (CR)	5,556	0.804	421,994	35,576
Profitability (ROA)	0.037	-1,023	0.401	0.123
Capital Structure (DAR)	0.435	0.006	0.976	0.206
Intellectual Capital (VAIC)	2,882	-6,625	9,143	1,851
Quality of Earnings	0.100	-101,067	18,440	9,329

Source: SmartPLS Processed Data (2023)

Liquidity (CR)

The minimum value for the Liquidity (CR) variable for 28 Industrial Sector Companies Listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period is 0.804, obtained by Asahimas Flat Glass Tbk (AMFG). Meanwhile, the maximum value of the Liquidity variable (CR) is 421,994 obtained by Tanah Laut Tbk (INDX). The average value obtained from the Liquidity (CR) variable is 5.556 and the standard deviation is 35.576.

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Profitability (ROA)
The minimum value for the Profitability (ROA) variable for 28 Industrial Sector Companies Listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period is -1.023 obtained by Tanah Laut Tbk (INDX). The maximum value for the Profitability (ROA) variable is 0.401 which was obtained by Keramika Indonesia Association Tbk (KIAS). The average obtained from the Profitability (ROA) variable is 0.037 and the standard deviation is 0.123.

Capital Structure (DAR)
The minimum value for the Capital Structure (DAR) variable for 28 Industrial Sector Companies Listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period is 0.006, obtained by Tanah Laut Tbk (INDX). The maximum value for the Capital Structure (DAR) variable is 0.976 obtained by Kokoh Inti Arebama Tbk (KOIN). The average obtained from the Capital Structure (DAR) variable is 0.435 and the standard deviation is 0.206.

Intellectual Capital (VAIC)
The minimum value for the Intellectual Capital (VAIC) variable from 28 Industrial Sector Companies Listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period is -6.625 obtained by Voksel Electric Tbk (VOKS). The maximum value for the Intellectual Capital (VAIC) variable is 9.143 obtained by Dyandra Media International Tbk (DYAN). The average obtained from the Intellectual Capital (VAIC) variable is 2.882 and the standard deviation is 1.851.

Quality of Earnings
The minimum value for the Profit Quality variable for 28 Industrial Sector Companies Listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period is -101,067 obtained by Kabelindo Murni Tbk (KBLM). The maximum value for the Profit Quality variable is 18,440 obtained by Surya Toto Indonesia Tbk (TOTO). The average obtained from the Earnings Quality variable is 0.100 and the standard deviation is 9.329.

Data Multicollinearity Test
The results of the multicollinearity test are shown in Table 3.

Table 3. Multicollinearity Test Results

No.	Variable	VIF	Standard	Information
1.	Liquidity (CR)	2,537	< 10	There is no multicollinearity
2.	Profitability (ROA)	2,831		There is no multicollinearity
3.	Capital Structure (DAR)	1,190		There is no multicollinearity
4.	Intellectual Capital (VAIC)	1,307		There is no multicollinearity

Source: SmartPLS Processed Data (2023)

Based on Table 3, the dependent variable in the form of Profit Quality (Y1) against the independent variables consisting of Liquidity (X1), Profitability (X2), Capital Structure (X3), and Intellectual Capital (X4) has a VIF value < 10 or tolerance value > 0 .10 which indicates that there are no symptoms of multicollinearity.

Model Feasibility Test (R^2)
The test results of the Model Feasibility Test (R^2) are shown in Table 4.

Table 4. Model Feasibility Test Results (R Square)

No	Variable	R Square Adjusted
1.	Earnings Quality (Y1)	0.013

Source: SmartPLS Processed Data (2023)

From the test results above, the adjusted R Square value for the variables Liquidity, Profitability, Capital Structure and Intellectual Capital on Profit Quality is 0.013 or equal to 1.3%, where the remaining 98.7% is explained by other variables that are not examined in this research.

Multiple Linear Regression Analysis
Based on the test results in Table 5, you can see the output produced by SmartPLS after testing, so a regression model is prepared as follows:

$$\mathbf{Y_1 = 0.170X_1 + 0.124X_2 + 0.205X_3 + 0.073X_4} \quad \mathbf{(6)}$$

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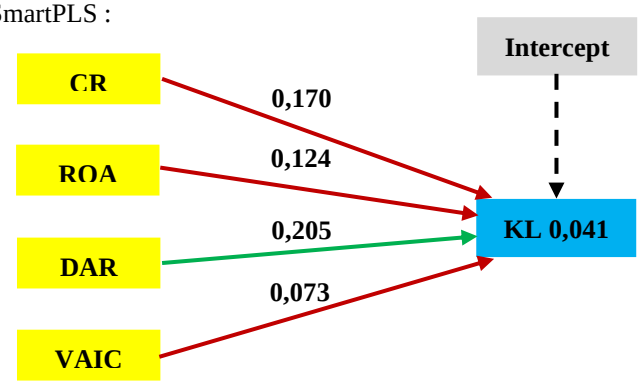
Table 5. Summary Coefficients Results

Variable	Unstandardized Coefficients	Standardized Coefficients	S.E	T Value	P Value	Conclusion
CR → CL	0.045	0.170	0.035	1,270	0.206	Not Significant
ROA → TOS	9,375	0.124	10,726	0.874	0.384	Not Significant
DAR → KL	9,287	0.205	4,155	2,235	0.027	Significant
VAIC → KL	0.369	0.073	0.486	0.761	0.448	Not Significant

Source: SmartPLS Processed Data (2023) Significant if P Value < 0.05

The output results from SmartPLS :



Source: SmartPLS Processed Data (2023)

Figure 3. SmartPLS output

From the results of the regression equation above, the following interpretation results are obtained: (1) The regression coefficient for the Liquidity variable (CR) is 0.170. This means that if Liquidity (CR) increases by one unit, it will affect the Quality of Profits by increasing by one unit, namely 0.170 and vice versa. (2) The regression coefficient for the Profitability variable (ROA) is 0.124. This means that if Profitability (ROA) increases by one unit, it will affect the Quality of Profits by increasing by one unit, namely 0.124 and vice versa. (3) The regression coefficient for the Capital Structure (DAR) variable is 0.205. This means that if the Capital Structure (DAR) increases by one unit, it will affect the Quality of Profits by increasing by one unit, namely 0.205 and vice versa. (4) The regression coefficient for the Intellectual Capital variable (VAIC) is 0.073. This means that if Intellectual Capital (VAIC) increases by one unit, it will affect the Quality of Profits by increasing by one unit, namely 0.073 and vice versa.

Discussion

The Effect of Liquidity (CR) on Earnings Quality

Based on the tests that have been carried out, it can be concluded that Liquidity does not affect Earnings Quality. These results follow research conducted by Sadiah & Priyadi (2015), Ginting (2017), and Magdalena & Trisnawati (2022) which states that if a company's liquidity level is too high, it means that the company is unable to manage its current assets. as much as possible, resulting in the company's financial performance not being good.

A company's poor financial performance can cause the company to manipulate its profits to embellish the profit information in the company's financial reports to attract the attention of investors to invest their funds in the company. The results of this study are not in line with Sukmawati et al (2014), Silfi (2016), Kopa (2021), and Hanifah et al (2021) which state that liquidity influences earnings quality.

The Influence of Profitability (ROA) on Earnings Quality

Based on the tests that have been carried out, it can be concluded that Profitability does not affect Profit Quality. These results follow research conducted by Mauliddiyah (2020) and Magdalena & Trisnawati (2022) which states that the level of profitability owned by a company will not always guarantee that the company will present financial reports that follow the actual situation. Companies that have a high level of profitability have a high probability of presenting profits that are not following the actual situation. Apart from that, the profits presented in financial reports are not always a benchmark for investors in making investment decisions. So, it can be said that a company that has a high level of profitability does not always guarantee that the company will have good profit quality. The results of this research are not in line with Kopa (2021) and Luas et al (2021) which state that companies will not manipulate profits if the profits presented are quality profits so profitability will affect Profit Quality.

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The Influence of Capital Structure (DAR) on Earnings Quality

Based on the tests that have been carried out, it can be concluded that Capital Structure affects Earnings Quality. These results follow research conducted by Kepramareni et al (2021) and (Kopa (2021) which state that companies with a capital structure that originates more from external funding (debt) will try to maximize this funding, so that, it can be used effectively and efficient in optimizing the company's operational activities so that indirectly large amounts of debt will spur the company to generate optimal profits. The company will not waste external funds (debt) to use them in the company's business activities. The results of this research are not in line with those of Mauliddiyah (2020), Luas et al (2021), and Wulandari et al (2021) which state that Capital Structure does not affect Profit Quality because capital structure is more focused on maximizing funding so that the process The company's operations run properly to achieve the targets that have been set and make a profit. A company that has good capabilities in terms of funding and financing does not guarantee that the company has good profit quality.

The Influence of Intellectual Capital (VAIC) on Earnings Quality

Based on the tests that have been carried out, it can be concluded that Intellectual Capital does not affect Earnings Quality. These results follow research conducted by Indra & Trisnawati (2020), Julianingsih & Yuniarta, (2020), Wellyana & Sulistiawan (2021), and Magdalena & Trisnawati (2022) which states that intellectual capital will not always be able to guarantee the quality possessed by the company when reporting profits in the financial statements. Furthermore, when investors want to invest, they do not pay attention to the intellectual capital owned by the company because they believe that with an auditor who audits the company's financial reports, a company's financial reports will show results that can be trusted and maintained. The results of this research are not in line with Saputra & Mulyani (2016) which states that Intellectual Capital influences earnings quality.

COCLUSION

Based on the data analysis described above, the conclusions from the research results are: (1) Liquidity Variable (CR) has no effect on the Quality of Profits in Industrial Sector Companies Listed on the Indonesia Stock Exchange for the 2018-2022 Period. Ho accepted Ha rejected. (2) The Profitability Variable (ROA) has no effect on the Quality of Profits in Industrial Sector Companies Listed on the Indonesian Stock Exchange for the 2018-2022 Period. Ho accepted Ha rejected. (3) The Capital Structure Variable (DAR) influences the Quality of Profits in Industrial Sector Companies Listed on the Indonesian Stock Exchange for the 2018-2022 Period. Ho rejected Ha accepted. (4) The Intellectual Capital Variable (VAIC) has no effect on the Quality of Profits in Industrial Sector Companies Listed on the Indonesian Stock Exchange for the 2018-2022 Period. Ho accepted Ha rejected.

Based on research that has been conducted on the Influence of Liquidity (CR), Profitability (ROA), Capital Structure (DAR), and Intellectual Capital (VAIC) on the Quality of Profits in Industrial Sector Companies Listed on the Indonesia Stock Exchange for the 2018-2022 Period and from the conclusions drawn has been explained, there are still research limitations, including the following: (1) There are still many other variables that can influence Earnings Quality apart from the variables used in this research. (2) In collecting data from each company's financial and annual reports, not all activities are disclosed in the report, so you have to look for other sites. (3) This research only made observations on industrial sector companies for 5 years, namely from 2018-2022, so the sample obtained was not very broad.

The suggestions that are expected to be useful for further research are: (1) For companies, it is hoped that they can continue to maintain and improve their financial performance every year to attract investors to invest in the company. (2) Investors are expected to be careful in choosing companies to invest in to avoid company risks and poor financial performance. (3) For future research, it is hoped that this research can be developed and if you want to research the same company sector, it is recommended that you add other independent variables because remember that this research only uses 4 independent variables, namely Liquidity (CR), Profitability (ROA).), Capital Structure (DAR), and Intellectual Capital (VAIC). Apart from that, it is recommended for future researchers to expand the population and sample by looking for other company sectors to be researched because it can influence the results of the research model.

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