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EARNINGS QUALITY DETERMINANTS OF LISTED INDUSTRIAL FIRMS IN INDONESIA

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ABSTRACT

This study will look at the impact of of interperiod tax allocation, capital structure, profitability, managerial ownership, institutional ownership, and liquidity on earnings quality. The population in this study consists of industrial sector firms listed on the Indonesia Stock Exchange from 2018 to 2022. Sampling used a purposive sampling technique, with 41 companies as samples. The data analysis technique employed is multiple linear regression analysis, utilizing the SmartPLS 4.0 application. The findings of this study suggest that interperiod tax allocation influences earnings quality. Meanwhile, earnings quality is unaffected by capital structure, profitability, managerial ownership, institutional ownership, and liquidity. When deciding whether to invest capital in a certain company, investors ought to give greater thought to and evaluate the quality of the company's profitability. For information about a company's profits to be considered high-quality earnings and to not deceive those who require it, this research contributes to companies presenting their financial reports in line with actual situations.

Keywords: Interperiod Tax Allocation; Capital Structure; Profitability; Managerial Ownership; Institutional Ownership; Liquidity; Earnings Quality

DETERMINAN KUALITAS LABA PADA PERUSAHAAN PERINDUSTRIAN YANG TERDAFTAR DI INDONESIA

ABSTRAK

Penelitian ini akan melihat dampak alokasi pajak antar periode, struktur modal, profitabilitas, kepemilikan manajerial, kepemilikan institusional, dan likuiditas terhadap kualitas laba. Populasi dalam penelitian ini terdiri dari perusahaan sektor industri yang terdaftar di Bursa Efek Indonesia pada tahun 2018 hingga 2022. Pengambilan sampel menggunakan metode purposive sampling, dengan jumlah sampel sebanyak 41 perusahaan. Teknik analisis data yang digunakan adalah analisis regresi linier berganda dengan memanfaatkan aplikasi SmartPLS 4.0. Hasil penelitian ini menunjukkan bahwa alokasi pajak antar periode berpengaruh terhadap kualitas laba. Sedangkan kualitas laba tidak dipengaruhi oleh struktur modal, profitabilitas, kepemilikan manajerial, kepemilikan institusional, maupun likuiditas. Ketika memutuskan apakah akan menanamkan modalnya pada suatu perusahaan tertentu, investor hendaknya lebih memikirkan dan mengevaluasi kualitas laba perusahaan tersebut. Agar informasi mengenai laba suatu perusahaan dapat dianggap sebagai laba yang berkualitas tinggi dan tidak menipu pihak yang memerlukannya, penelitian ini memberikan kontribusi bagi perusahaan untuk menyajikan laporan keuangannya sesuai dengan keadaan sebenarnya.

***Kata Kunci**: Alokasi Pajak Antar Periode; Struktur Modal; Profitabilitas; Kepemilikan Manajerial; Kepemilikan Institusional; Likuiditas; Kualitas Laba*

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INTRODUCTION

In general, every business owner expects his company to always generate the greatest money and be profitable in every way, with the assumption that it would continue for a long time. Profit is the net income obtained from the company's operating activity. The company's business fields include activities such as product manufacturing, marketing, and sales. The costs incurred in operational activities must then be deducted from this value to determine the company's net profit. As a result, profit can be defined as the difference between the company's total income and expenses (Suharya et al., 2021).

According to Hasna & Aris (2022), earnings quality refers to the quality of available earnings information that can influence decision-making and be utilized by investors to assess a company. Earnings quality that produces substantial profits when it approaches or exceeds the initial plan goal. Poor earnings quality can be the result of the presentation of income that is not in conformity with actual income, resulting in distorted information that misleads creditors and investors in making decisions. A shareholder or investor who invests in a corporation will receive a profit or return on the shares he acquired. If the investor is satisfied with the return, it means that the earnings per share are also higher (Manurung & Haryanto, 2015).

Figure 1. Composite Stock Price Index (IHSG) for 2018-2022

Based on Figure 1, we can deduce that the IHSG movement is unstable. The value underwent consolidation because there were little changes between the beginning of 2018 and the beginning of 2019. Then, from 2019 to 2020, share prices plummeted because of the global Covid-19 outbreak, which fueled negative sentiment. Then, between 2020 and 2021, the price index began to increase again, and the increase was significant. From 2021 to 2022, it slowly climbs.

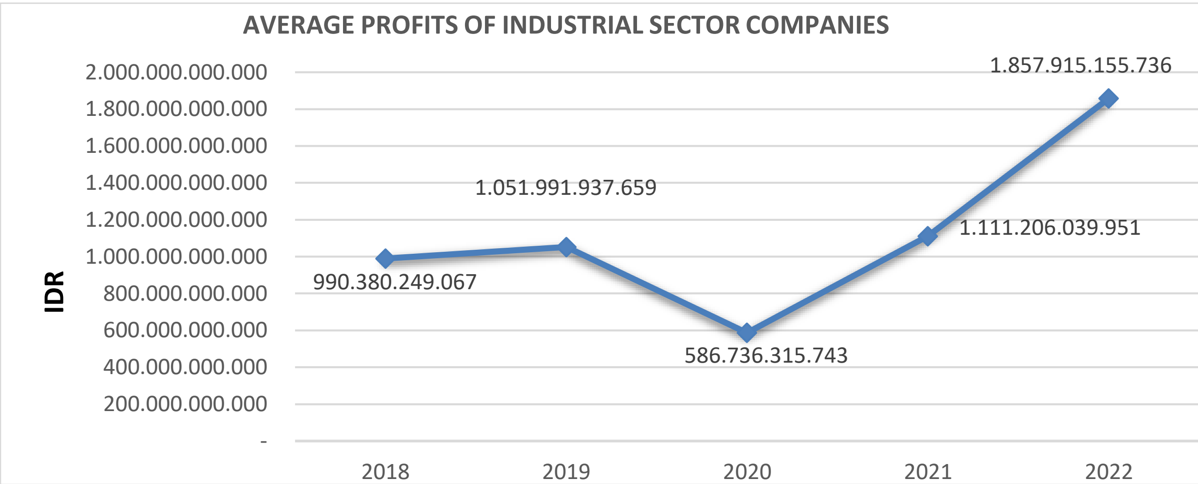

Figure 2. Profit Growth in the Industrial Sector

Figure 2 shows the profit growth in the industrial sector from 2018 to 2022. As previously explained, the movement can be visualized in the same way as graphs or already processed data. As a result, profit declined significantly in 2020. The COVID-19 epidemic has impacted the entire world in 2020, weakening the economy, particularly in Indonesia. The profit movement in 2020, 2021, and 2022 continues to gradually climb dramatically. The graphs provided above show that the upward and downward motions are relatively the same, implying that profits saw a significant decrease in 2020 before gradually increasing constantly in 2021 and 2022. Thus, profits have a significant influence on the quality of earnings information given in financial reports. Previous research suggests that interperiod tax allocation, capital structure, profitability, managerial ownership, institutional ownership, and liquidity may all have an impact on earnings quality.

High-quality earnings statistics indicate the extent to which earnings influence investors' choices and decisions. So that it serves as the foundation for investors' evaluations of the company or agency (Amalia & Dura, 2022). The first issue that can affect earnings is the interperiod tax allocation. Interperiod tax allocation is the allocation of income tax between accounting periods and the subsequent fiscal year. Allocating income tax between accounting periods is important because of the disparity between taxable income and accounting profit. Ardianti (2018) found that interperiod tax allocation did not influence on earnings quality, which contradicts Bawoni (2020) findings that interperiod tax allocation has a negative impact on earnings quality.

The second issue that could affect earnings quality is capital structure. Capital structure has an impact on earnings quality because if a company's assets are financed more by debt than equity, the role of investors is decreased. The corporation cannot maintain a financial balance between available and required capital. This has been researched by Zia & Malik (2022), who state that capital structure does not affect earnings quality. This statement is in line with the research results of Zulman & Abbas (2022) but contradicts the research results of Anggrainy (2019), which states that capital structure has a negative effect on earnings quality.

The third aspect of earnings quality is profitability. The Return on Assets (ROA) ratio is used in this study to quantify a company's profitability based on its success and capacity to use its assets productively. The ROA ratio can be used to measure a company's profitability by comparing its net profit over a given time to its total assets. Ardianti (2018) found that profitability improves earnings quality. However, Lestari (2020) states that profitability does not affect earnings quality.

Managerial ownership is the fourth component in earnings quality. According to Dahlia (2018), managerial ownership aligns management's interests with those of shareholders, allowing them to benefit directly from decisions made while simultaneously lowering the chance of loss due to incorrect decisions, which affects earnings quality. According to Dahlia (2018), managerial ownership does not affect earnings quality; however, Puspitowati & Mulya (2014) claim that managerial ownership has a negative effect on earnings quality.

Institutional ownership is the fifth determinant of earnings quality. According to Candradewi & Sedana (2016), the more institutional ownership, the lower the financial performance, because institutional ownership is a temporary owner who is more concerned with short-term profits. Puspitowati & Mulya (2014) found that institutional ownership has a negative impact on earnings quality. Meanwhile, according to Dewi & Fachrurrozie (2021), institutional ownership has a beneficial impact on earnings quality.

The sixth aspect that might affect earnings quality is liquidity. Liquidity can have an impact on earnings quality because if a firm can pay its short-term debt, it indicates that the company has solid financial performance in paying its current debt, therefore the company does not need to engage in earnings manipulation (Syawaluddin et al., 2019). In this study, to find the liquidity value, we utilize the Current Ratio (CR) or current ratio by comparing current assets and current liabilities. Ardianti (2018) found that liquidity reduces earnings quality. Contrary to the results indicated by Luas et al. (2021), liquidity does not affect earnings quality.

LITERATURE REVIEW

Agency Theory and Signaling Theory

According to agency theory, the separation of ownership and management of a business can lead to conflict. An agency conflict occurs when the parties involved, notably the principal (who gives the contract or is a shareholder) and the agent (who receives the contract and manages the principal's finances), have competing interests. If the agent and the principal want to maximize their respective utility and have opposing wants and motivations, there is reason to believe that the agent (management) will not always behave in line with the principal's wishes (Silfi, 2016; Wati et al., 2023).

According to Brigham & Houston (2018) and Wati et al. (2024), signalling theory is a firm management activity in which management provides recommendations to investors about the company's prospects. Signaling theory discusses how businesses should send signals to parties requesting financial information. Signaling theory was developed to maximize firm value. According to signaling theory, there is an information asymmetry between business managers and people who are interested in that information. The main assumption of this theory allows investors to determine what decisions they will make based on the company's value. Signaling theory implies that corporations can send signals in the form of information about what management has done to meet investor expectations.

Interperiod Tax Allocation

Tax allocation is the process of distributing income tax to profits once it is imposed. Interperiod tax allocation refers to the distribution of income tax between periods in one tax year and the following budget year, or fiscal year. Because the amounts of taxable and accounting profit vary, income tax must be apportioned across periods within a single fiscal year. Tax allocation accounts for the impact of taxes and how they are shown in financial reporting.

Capital Structure

Capital structure refers to a company's distribution of assets and funding sources with fixed costs to increase shareholder profitability. According to Zia & Malik (2022), capital structure is a comparison of a company's long-term financial balance, as represented by the debt-to-equity ratio. In other words, how much debt is used to finance a firm's assets or how much debt the company owes has an impact on asset management. Capital structure can be quantified using the debt-to-equity ratio, which determines how much of the company's assets are financed by debt.

Profitability

Profitability is a critical factor in all business operations, as it can demonstrate a company's efficiency and performance. Additionally, the company's profitability indicates that it will report more favorable results to investors (Suwardika dan Mustanda, 2020). A company that generates substantial profits is likely to generate favorable investor sentiment, which in turn impacts its share price. According to Junaedah et al. (2023), profitability is a ratio that indicates a company's ability to benefit from all available possibilities and resources, such as sales, cash, capital, and so on.

Managerial Ownership

Management shares are shares of a firm owned by its management. When a firm has a high level of managerial ownership, managers are more likely to be interested in the interests of shareholders, and stock options are utilized to incentivize employees to contribute. Managerial ownership of a firm benefits the company. Transparency and openness can be accomplished when a corporation has managerial ownership. Managers are expected to act according to the principal's desires, so managers will be motivated to enhance their performance.

Institutional Ownership

Dahlia (2018) defines institutional ownership as firm shares owned by institutions (insurance companies, banks, investment companies, and other institutions). Institutional investors are usually seen as knowledgeable investors; therefore, they must be able to estimate future returns more accurately than non-institutional investors. Institutional investors are better at monitoring manager performance than individual investors.

Liquidity

Sadiah & Priyadi (2015) define liquidity as a company's capacity to meet its short-term obligations smoothly and on time. Liquidity shows that a company can meet its short-term financial obligations with its current assets. If a firm's liquidity is overly high, it implies that the company is unable to manage its current assets efficiently, which may reduce asset performance, as there are symptoms of data or information manipulation regarding profits or earnings management approaches. This can reduce the quality of revenue/profits in a corporation.

Earnings Quality

According to Zia & Malik (2022), earnings quality is crucial information that the general public and investors may use to analyze and assess firms. High quality can reflect the financial performance of a firm so that the high quality of the company's performance can make investors' decisions reasonable. Quality earnings are profits that show the company's long-term viability. The relevance of performance information for its users drives every organization to compete to increase revenues. However, some parties employ unethical means to attain certain aims relating to firm performance data, making the quality of earnings appear high. This has led to the practice of manipulating corporate profitability, which is now frequently done by company executives who are aware of the company's internal conditions. The idea is to attract investors to put money into the company. This incident had a negative influence on the company's profits.

Hypothesis Development

The Impact of Interperiod Tax Allocation on Earnings Quality

Deferred tax expenses and income reflect a company's actual profitability. As a result, the profit information contained in financial reports is useful and trustworthy to interested parties. The higher the tax income (expenses) calculated in the company's profit and loss statement, the bigger the disruption found in accounting profits. This reduces the quality of accounting earnings, as indicated in poor results quality values. Bawoni (2020), Romasari

(2013), and Hapsari (2014) discovered that interperiod tax allocation had a negative effect on earnings quality. However, this contradicts the findings of Ritonga (2021), Ardianti (2018), Zia & Malik (2022), Soa & Ayem (2021), and Hidayat (2021), who all concluded that interperiod tax allocation does not influence earnings quality.
H1 : Interperiod tax allocation has a negative impact on earnings quality

The Impact of Capital Structure on Earnings Quality
When a firm offers a loan to an entity outside the company, the loan creates debt, indicating that the company employs finance. The larger the debt, the higher the leverage. This means that the risks associated with business debt are increasing. As a result, the higher the company's earnings, the more negative the market (shareholder) reaction will be, as shareholders believe that profits will solely benefit creditors. According to Syawaluddin et al. (2019) and Anggrainy (2019), capital structure has a negative effect on earnings quality. However, Luas et al. (2021), Anjelica & Prasetyawan (2014), Romasari (2013), and Zulman & Abbas (2022) discovered that capital structure does not affect earnings quality.
H2 : Capital structure has a negative impact on earnings quality

The Impact of Profitability on Earnings Quality
A firm needs to be in a lucrative state to thrive, so profitability is an aspect that needs to be given a lot of thought. A business finds it challenging to draw in money if it is not profitable. Since corporate profits are a measure of company performance, the primary focus in evaluating a company's performance is its profitability, the capacity to turn a profit from its core operation. Research by Alqam et al. (2022), Luas et al. (2021), Suwardika & Mustanda (2020), and Ardiant (2018) revealed a positive relationship between profitability and earnings quality. Lestari (2020), Amalia & Dura (2022), and Aurelia et al. (2020) discovered that there is no correlation between profitability and earnings quality.
H3 : Profitability has a positive impact on earnings quality

The Impact of Managerial Ownership on Earnings Quality
Directors' control over stock can have an impact on the profitability and policies of the company. The interests of shareholders and management will coincide when there is managerial ownership. in order for them to directly benefit from the decisions they make and suffer immediate costs as a result of making poor judgments. Puspitowati & Mulya (2014) research on the impact of managerial ownership on profits quality indicates that managerial ownership has a negative effect on earnings quality. Next, it is stated by Dewi & Fachrurrozie (2021), Putri (2021), Dahlia (2018), and Mergia et al. (2021) that managerial ownership has no bearing on the quality of earnings.
H4 : Managerial ownership has a negative impact on earnings quality

The Impact of Institutional Ownership on Earnings Quality
Institutional shareholders have greater incentives to control and narrowly control the companies in which they invest. When institutional investors own more shares, the result is stronger control over the company. Therefore, it can be concluded that the greater the institutional ownership, the higher the quality of profits (Dewi & Fachrurrozie, 2021). Dewi & Fachrurrozie (2021), Ananda & Ningsih (2016), and Pertiwi et al. (2017) stated that institutional ownership has a positive effect on earnings quality. Puspitowati & Mulya (2014) stated that managerial ownership had a negative influence on earnings quality and Dahlia (2018) stated that institutional ownership did not affect earnings quality.
H5 : Institutional ownership has a positive impact on earnings quality

The Impact of Liquidity on Earnings Quality
High liquidity demonstrates the company's sound financial standing and capacity to make on-time payments on all short-term loans. Businesses with high liquidity disclose their earnings to a large audience. Because a firm that can pay off its short-term debt indicates that it is performing well financially in paying off its present debt, it does not need to engage in the practice of distorting financial statements, liquidity can therefore have an impact on the quality of profits. According to Alqam et al. (2022), Azizah et al. (2021), Bawoni (2020), and Lestari (2020), liquidity improves the quality of earnings. Liquidity, however, has no bearing on the quality of earnings, according to a study by Luas et al. (2021), Hidayat (2021), and Sadiah & Priyadi (2015). Researchers Ardianti (2018) claimed that the quality of earnings is negatively impacted by liquidity.
H6 : Liquidity has a positive impact on earnings quality

Conceptual Framework
Figure 3 shows the conceptual framework used in this study.

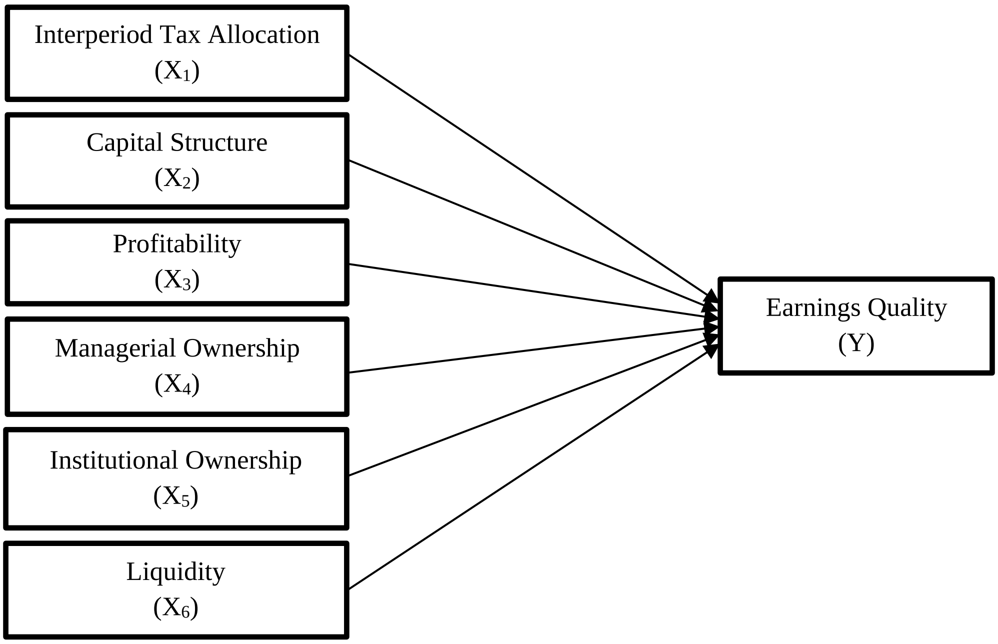

Figure 3. Conceptual Framework

RESEARCH METHODS

Research Object

This study was carried out between 2018 and 2022 in the industrial sector listed on the Indonesia Stock Exchange (IDX).

Population and Sample

A population is a group of individuals who share particular traits or attributes. The study's population consists of 55 industrial businesses that were listed between 2018 and 2022 on the Indonesia Stock Exchange (IDX). Based on the sample criteria of 41 companies, the sample employed in this study. Sample purposive sampling was employed in this study to identify the research sample based on numerous factors, in compliance with the criteria, so that the data gathered can properly and correctly achieve the research objectives. It can also be more representative. The following criteria were utilized to choose the sample for this research: Industrial enterprises listed on the Indonesia Stock Exchange (BEI) from 2018 to 2022; Industrial enterprises listed on the Indonesia Stock Exchange (BEI) after 2018 do not represent a sample; Industrial enterprises that were suspended during the research period, which was from 2018 to 2022.

Operational Research Variables

Table 1. Operational Variable

Research Variables	Label	Measurement Indicator	Scale
Interperiod Tax Allocation (X_1)	APAP	$\frac{\text{Deferred tax expenses}}{\text{Profit (loss) before tax}}$	Ratio
Capital Structure (X_2)	DER	$\text{Debt to equity ratio} = \frac{\text{Total liquidity}}{\text{Total equity}}$	Ratio
Profitability (X_3)	ROA	$\text{Return on assets} = \frac{\text{Net profit after tax}}{\text{Total assets}} x\ 100\%$	Ratio
Managerial Ownership (X_4)	KM	$\frac{\sum \text{Managerial shares}}{\sum \text{Outstanding shares}} x\ 100\%$	Ratio
Institutional Ownership (X_5)	KI	$\frac{\sum \text{Institutional shares}}{\sum \text{Outstanding shares}} x\ 100\%$	Ratio
Liquidity (X_6)	CR	$\text{Current ratio} = \frac{\text{Current asset}}{\text{Current liabilities}}$	Ratio
Earnings Quality (Y)	KL	$\frac{\text{Cash of operation}}{\text{Net income}}$	Ratio

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There are seven variables in this study as shown in Table 1. The dependent variable (Y) is influenced by the presence of other variables, in this study, the dependent variable is earnings quality, meanwhile the independent variable (X) is a variable that influences changes in other variables, in this study it consists of interperiod tax allocation, capital structure, profitability, managerial ownership, institutional ownership, and liquidity.

Sources and Types of Data
This study employed a quantitative approach using a descriptive methodology. Research that merely describes a circumstance or item without putting a hypothesis to the test is known as descriptive research. Quantitative research holds that studies are founded on quantitative data or data represented as numbers or figures.

Secondary data sources were used in this study. Secondary data is information gathered from already-existing sources, specifically information gleaned from examining the annual reports and financial reports of industrial companies listed on the Indonesia Stock Exchange (IDX) between 2018 and 2022. The source of this secondary data was the www.idx.co.id website.

Data Analysis Techniques
Descriptive Analysis
Sinaga (2018) states that the descriptive approach is a set of procedures that involve gathering, organizing, deciphering, and evaluating data to produce comprehensive knowledge for resolving issues. The mean value, minimum value, maximum value, and standard deviation all reveal the features of each study variable, which are ascertained through descriptive statistical analysis. Without making any broad conclusions, descriptive statistics are used to characterize or give an overview of a data set's properties. The most common formats for descriptive statistics presentations are graphs, tables, and diagrams.

Normality Test
Purba et al. (2021) state that determining whether or not the data is normally distributed is essential to acquiring reliable results from classical assumption tests. The normal distribution of data can be ascertained using several techniques, including the probability plot test, the histogram test, and the Kolmogorov-Smirnov test. The probability curve test yields normal data if the analysis of the data reveals that the points are distributed along a diagonal line. The data is normally distributed based on the results of the Histogram test if the test results show a perfect bell-shaped histogram. The data is normally distributed based on the Kolmogorov-Smirnov test if the data receives a value of asymp.sig (2 - tailed) > 0.05.

Multicollinearity Test
Testing, if the regression model creates a strong or flawless connection between the independent variables, is the goal of the multicollinearity test. Ragner Frisch is credited with introducing multicollinearity, which is a highly linear relationship between each independent variable in a regression model (Azizah et al., 2021). Because the variable regression coefficients are very large and the regression estimates and estimates are unstable, multicollinearity may render the use of the regression method undesirable.

Autocorrelation Test
The autocorrelation test, according to Janie (2012), is used to determine whether confounding errors or residuals for period t and period t-1 (prior) in the linear regression model are correlated. An autocorrelation problem arises when the correlation is present. When related observations are made over time in succession, autocorrelation arises. The residuals, or nuisance errors, are independent of individual observations, which gives rise to this issue. Time series data frequently show this since there is "disruption" in a person or group that tends to affect the following period.

Multiple Linear Regression
Multiple linear regression is intended to examine the impact of two or more independent factors on a single dependent variable, according to Janie (2012). A direct or linear link between each predictor and the dependent variable is assumed by this model. We employ the interaction test or Moderate Regression Analysis (MRA) to examine the influences that exist on moderating factors. Moderate Regression Analysis is an analytical technique that preserves the integrity of the sample and offers a framework for managing the impact of moderator variables. Usually, a formula is used to express this relationship. The following equation was employed in this study:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + e$$

Description:
Y = Earnings Quality
α = Constant
β_1 ... β_6 = Regression Coefficient
X_1 = Interperiod Tax Allocation

X_2 = Capital Structure
X_3 = Profitability
X_4 = Managerial Ownership
X_5 = Institutional Ownership
X_6 = Liquidity
e = Error

Coefficient of Determination (R^2 test)
The adjusted R-squared coefficient of the determination test, according to Purba et al. (2021), is used to calculate the proportion of the independent variable's capacity to explain the dependent variable. The range of values for the coefficient of determination is zero to one. The customized R^2 or coefficient of determination has a value near one, indicating a strong impact of the independent variable (X) over the dependent variable (Y). Conversely, it can be stated that there is less influence of the independent variable (X) on the dependent variable (Y) if the coefficient of determination value is smaller or nearly zero (Nanincova, 2019).

F test
Purba et al. (2021) state that an F test should be performed to determine the combined (simultaneous) influence of the independent factors on the dependent variable. According to the F test, if the significance value is less than 0.05 and the computed F value is greater than the F table, it may be said that the independent variable and the dependent variable are significantly influenced by each other concurrently.

T-test
The purpose of the t-test, according to Ghozali (2018), is to determine each independent variable about the dependent variable. It can be inferred that the independent variable significantly influences the dependent variable (Y) if the t count is greater than the t-table value or the t-test significance value is less than 0.05.

RESEARCH RESULTS AND DISCUSSION

Results of the Variable Descriptive Analysis
The interperiod tax allocation, capital structure, profitability, managerial ownership, institutional ownership, and liquidity are the independent factors that this study looks at. Earnings quality is the dependent variable in the meantime. The following describes the development of the variables examined from 2018 to 2022 based on the descriptive analysis.

Multicollinearity Test Results
The purpose of the multicollinearity test is to determine if the independent variables in the regression model have a high or perfect correlation. According to Nanincova (2019) judgment criteria, the multicollinearity test yields the following results: It is said that multicollinearity has not occurred if the VIF value is less than 10 or the tolerance value greater than 0.01, and that multicollinearity has occurred if the VIF value is greater than 10 or tolerance value less than 0.01.

Table 2. Multicollinearity Test Results

No	Variable	VIF	Description
1	Interperiod Tax Allocation	1.016	Multicollinearity did not exist
2	Capital Structure	1.027	Multicollinearity did not exist
3	Profitability	1.020	Multicollinearity did not exist
4	Managerial Ownership	2.077	Multicollinearity did not exist
5	Institutional Ownership	2.076	Multicollinearity did not exist
6	Liquidity	1.020	Multicollinearity did not exist

The multicollinearity test in Table 2 indicates no correlation between independent factors and the dependent variable, as all have VIF values less than 10. This suggests that there are no signs of multicollinearity in the variables analyzed.

Multiple Linear Regression Equation
According to Janie (2012), multiple linear regression is designed to examine the influence of two or more independent factors on one dependent variable. This model assumes that each predictor has a direct or linear relationship with the dependent variable.

Table 3. Multiple Linear Regression Analysis Test Results

Variable	Original sample (O)	Conclusion
APAP (X1) → KL	-0.176	Negative
DER (X2) → KL	0.011	Positive
ROA (X3) → KL	0.053	Positive
KM (X4) → KL	0.059	Positive
KI (X5) → KL	0.110	Positive
CR (X6) → KL	-0.012	Negative

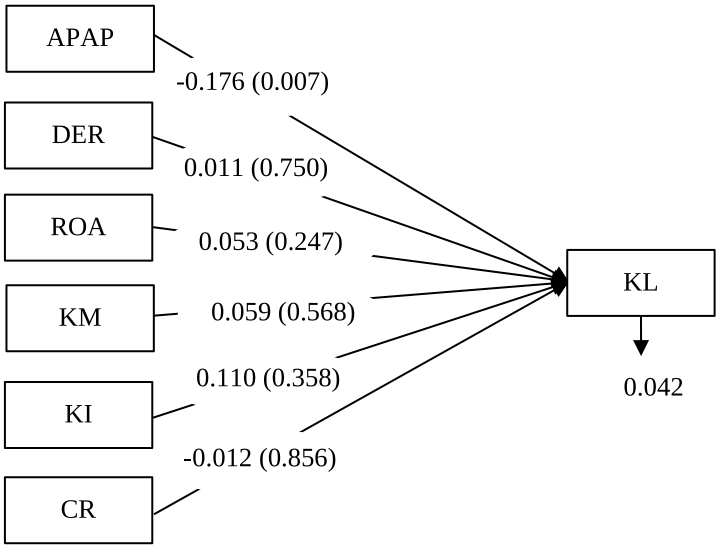

Figure 4. Bootstrapping Results

According to Table 3 and Figure 4, the multiple linear regression equation can be built as follows:

$$Y = -0.176\,X_1 + 0.011\,X_2 + 0.053\,X_3 + 0.059X_4 + 0.110\,X_5 - 0.012\,X_6 + e$$

The multiple linear regression equation above can be explained: (1) The regression coefficient for the interperiod tax allocation variable (APAP) is -0.176. This suggests that interperiod tax allocation has a negative connection with earnings quality; increasing interperiod tax allocation reduces earnings quality by -0.176, and vice versa. (2) The regression coefficient of the capital structure variable (DER) is 0.011. This suggests that capital structure has a positive association with earnings quality; as capital structure increases, earnings quality (KL) rises by 0.011, and vice versa. (3) The regression coefficient for the profitability variable (ROA) is 0.053. This suggests that profitability has a positive relationship with earnings quality and that as profitability increases, earnings quality (KL) rises by 0.053, and vice versa. (4) The regression coefficient for managerial ownership variable (KM) is 0.059. This suggests that managerial ownership has a positive association with earnings quality; as managerial ownership grows, earnings quality (KL) increases by 0.059, and vice versa. (5) The regression coefficient for the institutional ownership variable (KI) is 0.110. This suggests that institutional ownership has a positive association with earnings quality, and as institutional ownership increases, so does earnings quality (KL), which rises by 0.110, and vice versa. (6) The regression coefficient for the liquidity variable (CR) is -0.012. This suggests that liquidity has a negative association with earnings quality; as liquidity grows, earnings quality (KL) decreases by -0.012, and vice versa.

Coefficient of Determination Test Results (R^2)

The coefficient of determination test (R^2) assesses the model's ability to explain variations in the dependent variable. The value of the determinant coefficient ranges between zero and one.

Table 4. Coefficient of Determination Test Results (R^2)

No	Variable	R-squared	R-squared adjusted
1	Earnings quality (Y)	0.042	0.013

Based on the data in Table 4, the determination test (Adjusted R^2) yields an adjusted R-squared value of 0.013, or 1.3%. This means that the variables of interperiod tax allocation, capital structure, profitability,

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managerial ownership, institutional ownership, and liquidity collectively influence earnings quality by 1.3%, while the remaining 98.7% is influenced by other factors or variables not included in this study.

Hypothesis Test Results (T-test)

The t-test is used to determine how each independent variable compares to the dependent variable. If the t count exceeds the t-table value or the t-test significance value is less than 0.05, it indicates that the independent variable has a substantial impact on the dependent variable (Y). The foundation for determining t-test judgments is: (1) If the sig (α) value is < 0.05, it can be considered significant. You must first look at the regression coefficient value; if the direction is consistent with the direction of the hypothesis, then it may be argued that H0 is rejected and Ha is accepted. (2) If the sig value (α) > 0.05, it is considered not significant. So, H0 is accepted, while Ha is denied, indicating that the independent variable does not influence the dependent variable. The statistical value of the t-test will be compared to the t table value for each variable. The t table value for $\alpha = 0.05$ and df = n-k-1 = 205-6-1 is 1.972.

Table 5. Hypothesis Test Results

Variable	Original sample (O)	T statistics	P values	Results
APAP → KL	-0.176	2.720	0.007	effect
DER → KL	0.011	0.318	0.750	no effect
ROA → KL	0.053	1.159	0.247	no effect
KM → KL	0.059	0.571	0.568	no effect
KI → KL	0.110	0.919	0.358	no effect
CR → KL	-0.012	0.181	0.856	no effect

Significant if P value < 0.05

The Impact of Interperiod Tax Allocation on Earnings Quality

Based on Table 5, the t count for interperiod tax allocation variable is 2.720, which is larger than the t table value of 1.973. With a significant value of 0.007, which is less than 0.05. This demonstrates that interperiod tax allocation has a negative impact on earnings quality. So we might conclude that Ho is rejected and Ha is accepted. The findings of this study are consistent with Bawoni (2020), Romasari (2013), and Hapsari (2014). The allocation of taxes between periods is an important accounting method. However, if not handled properly, tax allocation between periods can become a tool for manipulating results and lowering earnings quality. As a result, consumers of financial reports must exercise caution when assessing reports with significant deferred tax allocations.

The Impact of Capital Structure on Earnings Quality

According to Table 5, the t count for the capital structure variable is 0.318, which is less than the t table value of 1.973 and has a significant value of 0.750, which is larger than 0.05. So, we can conclude that Ho is accepted and Ha is denied. The findings of this study are consistent with Luas et al. (2021), Anjelica & Prasetyawan (2014), Romasari (2013), and Zulman & Abbas (2022). In this study, capital structure had no effect on earnings quality, maybe because capital structure is more concerned with maximizing funding so that the company's operational operations function smoothly in order to meet predetermined targets and earn profits. A company's fundraising and financing capabilities do not ensure a company's earning capacity.

The Impact of Profitability on Earnings Quality

According to Table 5, the t count for the profitability variable is 1.159, which is less than the t table value of 1.973, and has a significant value of 0.247, which is larger than 0.05. This demonstrates that profitability does not affect earnings quality. So, we can conclude that Ho is accepted and Ha is denied. The findings of this study are consistent with Lestari (2020), Amalia & Dura (2022), and Aurelia et al (2020). Companies can use many accounting methods to recognize revenue, such as the accrual or cash approach. Differences between these approaches can alter revenue and profit recognition in a given period, therefore great profitability does not always imply high earnings quality.

The Impact of Managerial Ownership on Earnings Quality

Table 5 shows that the t count for the managerial ownership variable is 0.571, which is less than the t table value of 1.973 and has a significant value of 0.568, which is larger than 0.05. This demonstrates that managerial ownership does not affect earnings quality. So, we can conclude that Ho is accepted and Ha is denied. The findings of this study are consistent with Dewi & Fachrurrozie (2021), Putri (2021), Dahlia (2018), and Mergia et al. (2021). In large corporations, managerial ownership is frequently distributed among multiple managers, reducing individual impact on corporate decisions.

The Impact of Institutional Ownership on Earnings Quality

Based on Table 5, the t count for the institutional ownership variable is 0.919, which is less than the t table value of 1.973 and has a significant value of 0.358, which is larger than 0.05. So, we can conclude that Ho is accepted and Ha is denied. The findings of this study are consistent with Dahlia (2018). Institutional ownership has no effect on earnings quality because the extent of institutional ownership in a company prevents it from closely monitoring and supervising management's effectiveness in producing quality earnings.

The Impact of Liquidity on Earnings Quality

Based on Table 5, the t count for the liquidity variable is 0.181, which is less than the t table value of 1.973 and has a significant value of 0.856, which is larger than 0.05. This demonstrates that liquidity has no impact on earnings quality. So, we can conclude that Ho is accepted and Ha is denied. The findings of this study are consistent with Luas et al. (2021), Hidayat (2021), and Sadiah & Priyadi (2015). If a company's liquidity is too high, it suggests that it is unable to manage its present assets adequately, resulting in poor financial performance and the possibility of profit manipulation.

CONCLUSION

The research outcomes can be determined based on the data analysis carried out as well as the comments given in the preceding chapters: (1) Interperiod tax allocation has a negative influence on earnings quality in industrial companies listed on the Indonesia Stock Exchange from 2018 to 2022. (2) Capital structure does not affect earnings quality in industrial companies listed on the Indonesia Stock Exchange from 2018 to 2022. (3) Profitability does not affect earnings quality in industrial companies listed on the Indonesia Stock Exchange from 2018 to 2022. (4) Managerial ownership does not affect earnings quality in industrial companies listed on the Indonesia Stock Exchange from 2018 to 2022. (5) Institutional ownership does not affect earnings quality in industrial companies listed on the Indonesia Stock Exchange from 2018 to 2022. (6) Liquidity has no impact on earnings quality in industrial companies listed on the Indonesia Stock Exchange from 2018 to 2022.

Based on the conclusions of the research results above, this research has many limitations, including (1) The research was not conducted in a normal distribution. The Asymp. value Sig. (2-tailed) is 0.000, signifying the significant value is smaller than 0.05, so data processing, which was initially scheduled to utilize the SPSS application, was moved to the SmartPLS application. (2) The samples used were only industrial sector companies listed on the Indonesia Stock Exchange, namely 55 companies. (3) The observation term is rather short, five years, namely 2018–2022.

Based on the conclusions and limitations mentioned in this study, numerous proposals will be provided that are intended to be valuable and become material for consideration in future research, such: (1) Companies are hoped to produce financial reports by the actual situation so that information about company profits does not deceive those who require it and company profits can be described as quality profits. (2) Investors should pay more attention and examine the quality of corporate profits when deciding to invest capital in a specific company. (3) Future researchers are encouraged to include factors or ratios that were not included in this study model, such as interperiod tax allocation, capital structure, profitability, managerial ownership, institutional ownership, and liquidity. Furthermore, authors can broaden the research sample by including a larger period or sector.

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