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THE INFLUENCE OF CORPORATE IMAGE, INSTITUTIONAL OWNERSHIP, AND SYSTEMATIC RISK ON EARNINGS QUALITY WITH CAPITAL STRUCTURE AS A MODERATION

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ABSTRACT

This study examines the effect of Corporate Image, Institutional Ownership, and Systematic Risk on Earnings Quality with Capital Structure as Moderating. Manufacturing companies in the Consumer Good Industry sector listed on the Indonesia Stock Exchange during the 2016-2020 period. Based on the purposive sampling method, the number of manufacturing companies that were sampled in this study were 14. Hypothesis testing using panel data regression analysis using the Eviews 9.0 program. The results of this study indicate that the application of corporate image, systematic risk has no effect on earnings quality, while institutional ownership and capital structure have a significant negative effect on earnings quality. The existence of capital structure in the relationship of each independent variable to the dependent shows that the capital structure is only able to moderate institutional ownership of earnings quality. The moderating effect is to strengthen the effect of institutional ownership on earnings quality, capital structure cannot moderate corporate image variables, and systematic risk on earnings quality.

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INTRODUCTION

Financial reports are a communication medium used by companies to convey finances regarding management's responsibility for its performance. Financial reports are basically the results of the accounting process which can be used as a tool to communicate financial data or company activities to interested parties. And profit information is an important part of the company's internal and external users, so that every company is competing to increase profits (Dewi et al., 2020). Because one of the goals the company wants to achieve is to obtain high profits. Profit is used by external parties as an indicator to measure the company's operational performance. Managers as internal parties in the company have more information about the condition of the company compared to external parties.

This is what causes company management to report profits that do not reflect the actual condition of the company (profit management) for personal interests, for example to get bonuses. If this happens it will result in lower earnings quality (Warianto & Rusiti, 2016). This is also the influence of the lack of company supervision in management actions in making decisions. Because profits that do not show actual information about management performance can mislead users of financial reports. If profits like this are used by investors to form the company's market value, then profits cannot explain the company's true market value (Kusumawati & Wardhani, 2016). Assessing profit growth information if the company's systematic risk level is low will also be more trusted by investors as it can lead to greater company profit growth.

Low earnings quality will create decision-making errors for users such as investors and creditors. Low earnings quality will bias the decisions of financial report users. So investors will use information on the company's past earnings to assess the company's future prospects.

Therefore, profits reflected in financial reports must be of high quality, relevant and reliable, to be useful for decision makers. (WIJAYA, 2017).

The phenomenon of poor earnings quality occurred at PT Tiga Pilar Sejahtera Food Tbk. This case started with the rejection of financial reports by investors and shareholders on suspicion of misappropriation of funds. At the EGMS, shareholders conducted an investigation into the 2017 financial report which had previously been rejected by shareholders. This was revealed in a fact-based investigation report by PT Ernst & Young Indonesia (EY), which found that the old board of directors had inflated funds amounting to Rp. 4 trillion., as well as an inflated revenue of IDR 662 billion, and another inflated amount of IDR 329 billion in the EBITDA post (profit before interest, tax, depreciation and amortization) of the issuer's food business entity. Another finding from the report was that parties suspected of being related to the old management had poured out funds of 1.78 trillion rupiah (CNBC Indonesia, 2019).

In this research, the factors that are thought to influence earnings quality are the first factor that influences earnings quality, namely Corporate image is the image created and instilled by the company to consumers. Creating a corporate image can be done in two ways, namely through an infrastructure point of view and an external image point of view that has been implanted by the company. (Arry Eksandy, Riski Ulan Sari, 2021)

Furthermore, the factor that influences earnings quality is institutional ownership. (Ananda & Ningsih, 2016) stated that the higher the institutional ownership, the higher the quality of profits, because institutional investors are involved in making strategic decisions so they have the opportunity to carry out better supervision of financial reports and the quality of profits produced by the company. Institutional ownership itself is company share ownership, the majority of which is owned by institutions or other institutions (insurance companies, banks, investment companies, asset managers and other institutional ownership).

Apart from the factors mentioned above, there are other factors that influence earnings quality, namely systematic risk. Systematic risk is the risk associated with changes in the market as a whole, systematic risk is also the risk associated with stock movements, all investments experience this risk without exception. Therefore, this risk is also called market risk (Maisil Delvira, 2013). Risk shows the magnitude of the deviation between the expected return and the realized return. If the level of deviation is greater, the greater the level of investment risk.

Next, capital structure is calculated using the DER ratio, which measures the extent to which the company uses funding through debt. Debt is needed by companies to increase company value by increasing operational activities and business expansion. Because if you only use capital from shareholders, the company will of course have difficulties. However, a high amount of debt will also increase financial risk in terms of company liquidity.

THEORY AND HYPOTHESIS DEVELOPMENT

Agency Theory

This theory explains that management in a company is given authority by the principal to manage the company well and is able to generate high profits with good profit quality, so the agreement or contract that is ratified at the beginning is in accordance with the goals of each party. In this case, managers will learn more information about the company. Agency conflict arises because the manager (agent) as the manager of the company knows more about internal information and the company's future prospects than the owner (principal).

Signaling Theory

This theory explains that when the company is in good condition, management will deliberately give signals to the market or external parties of the company through accounts in the financial reports. This is done by management with the aim of so that external parties can see management's views regarding the company's positive prospects in the future. front.

Quality of Earnings

Profit quality is a measure to determine whether the profit generated is the same as previously planned. The closer to or exceeds the previous plan, the higher the profit quality.

Quality profits are profits that show the company's true financial performance (Rissella Jihan Syanita, 2020). The formula for measuring Profit Quality is as follows:

Profit Quality :

$$= \frac{\textbf{Cash Flow From Operating}}{\textbf{EBIT}}$$

$$\textbf{Rit} = \frac{(\textbf{Pit} - \textbf{Pit} - \textbf{1})}{\textbf{Pit} - \textbf{1}}$$

Corporate image

Corporate imageis the image created and instilled by the company to consumers. Creating a corporate image can be done in two ways, namely through an infrastructure perspective and an external image perspective that has been cultivated by the company (Arry Eksandy, Riski Ulan Sari, 2021). The formula for calculating Corporate Image is as follows:

$$Corporate\ image = \frac{\sum n}{\sum N}$$

Keterangan :
∑n : Number of sample company rewards
∑N : The highest number of sample company rewards

Institutional Ownership

Institutional ownership is the proportion of share ownership by institutions. Institutional ownership is one of the factors that can influence company performance. With the existence of institutional ownership in a company, it will encourage increased optimal supervision of management performance (Hamdiah, 2015). The formula for measuring Institutional Ownership is as follows:

$$\textbf{Kepemilikan Institusional} = \frac{\textbf{Kepemilikan saham institusional}}{\textbf{Jumlah saham yang beredar}}$$

Systematic Risk

Systematic risk is also the risk associated with stock movements and is experienced by all investments without exception. So, this risk is also called market risk (Maisil Delvira, 2013).
The formula for measuring Systematic Risk is as follows:
The measuring tool that can be used to calculate systematic risk is beta. The beta coefficient is obtained from the regression between stock returns and market returns.

$$\mathbf{R = \alpha + \beta.Rm + e}$$

Information:
R = Stock return
β = Stock beta (systematic risk indicator)
Rm = Market return

Calculating stock returns and market returns can be determined using the following formula:

a) Calculating stock returns:

Where:

Rit = Company share return at the end of month t
Pit = Closing share price at the end of month t
Pit-1 = Closing stock price at the end of month t-1

b) Calculating market returns:

$$\mathbf{Rmt} = \frac{(\mathbf{IHSGt} - \mathbf{IHSGt-1})}{\mathbf{IHSGt-1}}$$

Where:
Rmt = End of month market return
IHSGt = Composite stock price index at the end of month t
IHSGt-1 = Composite stock price index at the end of month t-1

Capital Structure

Capital Structure is a combination of total debt and total assets owned by the company. If a company's larger assets are financed by company debt, the financial risk that the company will be unable to pay its debts will also be greater.
The formula for measuring capital structure is as follows:

$$\boldsymbol{DER} = \frac{\textbf{Total Hutang}}{\textbf{Total Ekuitas}}$$

RESEARCH METHODS

The sampling method or sampling technique is a sampling technique to determine the sample to be used in research. The sample collection technique used was the purposive sampling method. Purposive sampling is a technique for determining samples with certain considerations. This research is a manufacturing company in the consumer goods and industrial sector listed on the Indonesia Stock Exchange for the 2016-2020 period. From the results of sample selection using purposive sampling, 14 companies were selected.

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistical analysis is used to see a picture of the distribution of the data to be studied (Eksandy, 2018). Data distribution can be seen through the mean, median, maximum, minimum and standard deviation values. Based on the output results of eviews 9.0, the results of the descriptive analysis are as follows:

Table 1 Results of Descriptive Statistical Analysis Test

	KL	CI	KI	RISK	DER
Mean	0.986881	0.277737	0.724349	0.028667	0.810394
Median	0.890100	0.178600	0.805300	-0.001950	0.607500
Maximum	4.647300	1.000000	0.940600	0.325600	3.159000
Minimum	-1.674700	0.053600	0.051000	-0.488400	0.171400
Std. Dev.	0.861096	0.257954	0.222275	0.122609	0.625858
Skewness	1.363677	1.625996	-1.634460	-0.261435	1.975166
Kurtosis	8.695705	4.917263	5.453040	6.705814	7.130866
Observations	70	70	70	70	70

Source: Data processed 2021

Model Conclusion

Based on testing the three panel data regression models that have been carried out, it is concluded that the winner is the Common Effect Model (CEM), so it is necessary to carry out the Classical Assumption Test.

Classic assumption test

Consists of Multicollinearity Test and Heteroscedasticity Test

1. **Multicollinearity Test**

Table 1 Results of Descriptive Statistical Analysis Test

KL	1.000000	-0.121260	-0.481992	-0.003512	-0.173332
CI	-0.121260	1.000000	-0.155257	0.241916	0.109606
KI	-0.481992	-0.155257	1.000000	-0.074134	0.223014
RISK	-0.003512	0.241916	-0.074134	1.000000	0.059267
DER	-0.173332	0.109606	0.223014	0.059267	1.000000

Source: Data processed by Eviews 9,2021

Based on the results of the multicollinearity test that has been carried out above, it can be seen that there are no independent variables that have a value of more than 0.8, so it can be concluded that there is no multicollinearity in the regression model.

2. **Heteroscedasticity Test**

Table 1 Results of Descriptive Statistical Analysis Test

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	108.6541	91	0.1001
LM scaled marketing	0.270861		0.7865
CD marketing	2.789054		0.0053

Source: Data processed by Eviews 9,2021

Based on the output above, it can be seen that the Breusch-Pagan LM Prob value is 0.1.001 > a (0.05), which means Ho is accepted and Ha is rejected, so it can be concluded that the panel data regression model does not occur heteroscedasticity.

HYPOTHESIS TESTING

F test

Table 1 Results of Descriptive Statistical Analysis Test

Dependent Variable: KL	
Method: Panel Least Squares	
Date: 10/04/21 Time: 14:28	
Sample: 2016 2020	
Periods included: 5	
Cross-sections included: 14	
Total panel (balanced) observations: 70	
F-statistic	4.604571
Prob(F-statistic)	0.000340

Source: Data processed by Eviews 9,2021

The output above shows an F-statistic value of 4.604571 > F table of 2.51 and a Prob(F-statistic) value of 0.000340 < 0.005, so it can be concluded that the independent variables in this research consist of (Corporate Image, Institutional Ownership, and Risk Systematics jointly influences Earnings Quality with Capital Structure as a moderator.

Coefficient of Determination Test

Table 5 Coefficient of Determination

Adjusted R-squared	**0.267765**

The table above shows that the Adjusted R-squared value is 0.267765, meaning that variations in changes in the up and down quality of earnings can be explained by corporate image, institutional ownership and systematic risk, with capital structure as a moderator being 26.7% while the remaining 73.3% explained by other variables not examined in this research.

T test

Table 6 t test results

Dependent Variable: KL
Method: Panel Least Squares
Date: 10/04/21 Time: 14:28
Sample: 2016 2020
Periods included: 5
Cross-sections included: 14
Total panel (balanced) observations: 70

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.859323	0.596916	6.465439	0.0000
CI	-1.206944	0.866518	-1.392867	0.1686
KI	-3.175083	0.738046	-4.302013	0.0001
RISK	0.061115	1.349164	0.045298	0.9640
DER	-2.992642	1.208347	-2.476640	0.0160
CI*DER	1.155333	0.989750	1.167297	0.2476
KI*DER	3.080431	1.409910	2.184843	0.0327
RISK*DER	0.125437	1.153416	0.108753	0.9137

Source: Data processed by Eviews 9,2021

Based on the calculation results above, it can be seen that the KI and DER variables have an effect on Earnings Quality. Meanwhile, the KI*DER variable means capital structure is able to moderate Institutional Ownership on Earnings Quality..

DISCUSSION

The Influence of Corporate Image on Profit Quality

Based on the results of the t test, the CI (Corporate Image) t-statistic value was -1.392867, while the t-table with a level of a = 5%, df(nk) 70-5 = 65 obtained a t-table value of 1.99714. Thus, the CI t-statistic is -1.392867 < 2.01537 and the probability value is 0.1686> 0.05, so it can be concluded that the CI variable in this study has no effect on Earnings Quality. Where the size of the award owned by the company does not guarantee that the quality of the company's profits looks good.

The Influence of Institutional Ownership on Earnings Quality

Based on the t-test results, the KI (Institutional Ownership) t-statistic value is -4.302013, while the t-table with a level of a = 5%, df(nk) 70-5 = 65, the t-table value is 1.99714. Thus the KI t-statistic -4.302013 > 1.99714 and the prob value is 0.0001 < 0.05, so it can be concluded that the KI variable in this study has a negative effect on Earnings Quality. Institutional ownership of company supervision. Institutions are considered to have the ability to increase their portfolio by increasing supervision of company management, but the opposite is true. Institutions are not the final owners, institutions are only agents of individuals as ultimate owners. The amount of ownership may not necessarily provide an incentive to maximize the valuation of institutional

control which is an extension of the individual. Institutions as the highest shareholders have the ability to intervene in management performance in such a way (Darabali & Saitri, 2016). The results of this research are in line with (Darabali & Saitri, 2016) which states that Institutional Ownership has a negative effect on Earnings Quality.

The Effect of Systematic Risk on Earnings Quality

Based on the t-test results, the RS (Systematic Risk) t-statistic value is 0.045298, while the t-table with a level of a = 5%, df(nk) 70-5 = 65, the t-table value is 1.99714. Thus the RS t-statistic is 0.045298 < 1.99714 and the probability value is 0.9640 > 0.05, so it can be concluded that the RS variable in this study has no effect on Earnings Quality. From the resulting data, the low value of the beta variable for all the companies studied were companies that had a beta of less than 1 (low risk). meaning, overall the company has low risk. The low systematic risk variable causes investors to be more likely to pay attention to profit figures for decision making rather than the company's beta or systematic risk (Kusumawati & Wardhani, 2016). The results of this research are in line with (Kusumawati & Wardhani, 2016) which states that Systematic Risk has no effect on Earnings Quality.

The Influence of Capital Structure on Earnings Quality

Based on the results of the t test, the DER (Capital Structure) t-statistic value is -2.476640, while the t-table with a level of a = 5%, df(nk) 70-5 = 65, the t-table value is 1.99714. Thus the t-statistic DER -2.476640 > 2.01537 and the probability value is 0.0160 < 0.05, so it can be concluded that the DER variable in this study has a negative effect on Earnings Quality. The capital structure used mostly comes from debt, so it can be a risk for the company if the debt cannot be paid, and incur greater costs in dealing with it. The higher the debt, the higher the costs will be, which will reduce the company's profits, thereby bringing the company closer to the possibility of contract breaches. debt. Thus, management is motivated to carry out earnings management to avoid violating debt contracts which will result in very high costs and result in company bankruptcy (Pratama & Sunarto, 2018). The research results are in line with (Wijaya, 2020) which states that Capital Structure has a negative effect on Earnings Quality.

Capital Structure Moderates the Effect of Corporate Image on Earnings Quality

Based on the results of the t test, the CI*DER t-statistic value is 1.167297, while the t-table with a level of a = 5%, df(nk) 70-5 = 65, the t-table value is 1.99714. Thus the CI*DER t-statistic is 1.167297 > 2.01537 and the prob value is 0.2476 > 0.05, so it can be concluded that the moderating variable capital structure in this study is unable to moderate Corporate Image on Earnings Quality. These results indicate that the level of capital structure provided by the company does not guarantee an increase in the quality of the company's profits.

Capital Structure Moderates the Effect of Institutional Ownership on Earnings Quality

Based on the t-test results, the KI*DER t-statistic value is 2.184843, while the t-table with a level of a = 5%, df(nk) 70-5 = 65, the t-table value is 1.99714. Thus, the t-statistic KI*DER is 2.184843 > 2.01537 and the prob value is 0.0195 < 0.05, so it can be concluded that the moderating variable capital structure in this research is able to strengthen institutional ownership of earnings quality. These results indicate that the presence of a capital structure provides the capital ratio needed by the company, be it own capital or debt. The higher the institutional ownership, the higher the control or supervision carried out by institutions or outside parties so that it can influence manager decision making regarding the company's capital structure in terms of investment decisions.

Capital Structure Moderates Systematic Risk on Earnings Quality

Based on the results of the t test, the RISK*DER t-statistic value is 0.108753, while the t-table with a level of a = 5%, df(nk) 70-5 = 65, the t-table value is 1.99714. Thus, the t-statistic RISK*DER is 0.108753 < 2.01537 and the prob value is 0.9137 > 0.05, so it can be concluded that the moderating variable capital structure in this study is unable to moderate systematic risk on earnings quality. The results identify that the presence of Capital Structure in the relationship

between systematic risk and earnings quality cannot easily be a factor that can strengthen or weaken systematic risk on earnings quality. Because with a high capital structure, the company has to bear the risk of large losses when the economic situation declines, causing the quality of profits to decline, so that investors think twice about investing.

CONCLUSION

This research aims to determine the influence of the variables Corporate Image, Institutional Ownership, and Systematic Risk on Profit Quality with Capital Structure as a moderator in manufacturing companies in the consumer goods and industrial sector listed on the IDX for the 2016-2020 period.

Based on the research results described previously, conclusions can be drawn. As follows:

The CI (Corporate Image) t-statistic value is -1.392867 < 1.99714 and the prob value is 0.1686> 0.05, so it can be concluded that the CI variable in this study has no effect on Earnings Quality.

The t-statistic value of KI (Institutional Ownership) is -4.302013 > 1.99714 and the probability value is 0.0001 < 0.05, so it is concluded that the KI variable in this study has a negative effect on Earnings Quality.

The t-statistic value of RISK (Systematic Risk) is 0.046298 < 1.99714 and the probability value is 0.9640 > 0.05, so it can be concluded that the RS variable in this study has no effect on Earnings Quality.

The DER (Capital Structure) t-statistic value is -2.476640 > 1.99714 and the probability value is 0.0160 < 0.05, so it is concluded that the DER variable in this study has a negative effect on Earnings Quality.

The CI*DER t-statistic value is 1.167297 < 1.99714 and the prob value is 0.2476 > 0.05, so it can be concluded that the moderating variable Capital Structure in this study is unable to moderate Corporate Image

The KI*DER t-statistic value is 2.184843 > 1.99714 and the prob value is 0.0327 < 0.05, so it can be concluded that the moderating variable capital structure in this research is able to strengthen institutional ownership of earnings quality.

The RISK*DER t-statistic value is 0.108753 < 1.99714 and the prob value is 0.9137 > 0.05, so it can be concluded that the moderating variable capital structure in this study is unable to moderate systematic risk on earnings quality.

SUGGESTION

a) For future research

Future researchers are expected to be able to add other variables to the research so that they can provide a broader picture of what factors can influence Earnings Quality.

b) For issuers (Companies)

This research can be used as reference material for management to better pay attention to and manage the company's financial condition so that the quality of earnings is better, so that investors can make decisions about investing in the company.

c) For Investors

Investors should be more thorough and careful in assessing company financial reports, especially those relating to the company's financial condition, whether the company is in good condition, so that the investment decisions taken are appropriate and do not cause regrets in the future.

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