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## INFLUENCE OF COMPANY SIZE, DIVIDEND POLICY, CAPITAL STRUCTURE AND PROFITABILITY TO EARNINGS RESPONSE COEFFICIENT

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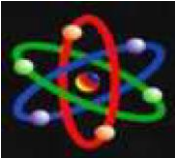
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### Abstract

**Background :** Value The economic downturn is the biggest obstacle and difficult for the state to face. This factor occurred due to the Covid-19 which made the country's economy decline. Funds that are not balanced because every day there is an increase in Covid-19 cases will have an impact on the country. **Method :** The purpose of the study is to see how the influence of company size, dividend policy, capital structure and profitability on the manufacturing sector's Earnings Response Coefficient recorded on the IDX for the 2017-2020 period. Data information is obtained from financial reports listed on the IDX. Quantitative method is determined to be the method for this research by utilizing secondary data. **Result :** A total of 172 companies were made into the population and with purposive sampling technique, a sample of 132 companies was obtained from 33 companies. ERC is used as the dependent variable and firm size, dividend policy, capital structure, profitability are used as independent variables. Based on the research, it can be concluded that (1) the size of the company has a negative and insignificant effect on the Earnings Response Coefficient. (2) Dividend policy has a positive and significant effect on the Earnings Response Coefficient. (3) Capital structure has no and no significant effect on the Earnings Response Coefficient. (4) Profitability has no and no significant effect on the Earnings Response Coefficient. With the results of Adjusted R Square 47.1% of the ERC and the remaining 72.1% influenced by other variables. **Conclusion :** Overall results of Company Size, Dividend Policy, Capital Structure, Profitability simultaneously have no effect on the Earnings Response Coefficient in the Manufacturing sector contained in the Indonesia Stock Exchange..

**Keywords:** Company Size, Dividend Policy, Capital Structure, Profitability, Earnings Response Coefficient

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## INTRODUCTION

Value The economic downturn is the biggest obstacle and difficult for the state to face. This factor occurred due to the Covid-19 which made the country's economy decline. Funds that are not balanced because every day there is an increase in Covid-19 cases will have an impact on the country(Masdupi et al., 2018). This has resulted in declining financial conditions, increasing expenses and decreasing income, including the company. One of the industries that experienced a decline in the impact of COVID-19 was a manufacturing company listed on the Indonesia Stock Exchange for the 2017-2020 period(Kadim et al., 2020). ERC is the sensitivity of the stock to any earnings, which is known as immeasurable earnings.(Toly et al., 2020) The immeasurable income is the difference between expected procuring and accumulated acquiring, indicating information that the company does not have in response to income disclosure. ERC values vary widely between companies. When the company's ERC is low, it means that the company's reported earnings do not provide sufficient information for investors to reach the right conclusions, as well as the company's stock price also falls. (Palupi et al., 2017).

The decline in stock prices is certainly a serious problem for a company, because it is very influential for investors (shareholders). A relatively long decline in shares will result in investors no longer withdrawing or withdrawing shares from the company. As a result, the company is unable to finance the company's costs or

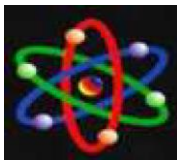
expenses due to the absence of funds from investors who come for development. The worst thing possible for the company is going bankrupt (no longer operating) but often to deal with problems like this the company's management team will act quickly to make decisions by merging with other companies. By doing a merger, the market psychology will slowly improve so that the stock price starts to rise and investors start to believe again and will invest their shares in the company again(Fadah et al., 2020).

This requires that large companies must have higher reporting responsibilities and appear in the news and media more frequently than smaller companies to provide links to ERC. The Earnings Response Coefficient includes trading activities carried out by investors based on profit expectations before and after the company's financial statements are published. The use of ERC indirectly measures the level of good or bad income and criticizes the effectiveness of the presentation of a company's financial statements, so that the information and value of financial statements can be more useful for users(Michael, 2019).

## RESEARCH METHODS

The observation strategy used is the quantitative research method. Based on the opinion of Sugiyono (2018:7) Quantitative method is a traditional technique where this technique has often been used, so many researchers use the method for research. With the reason that the observation data are numbers and data.





The generalization area consists of objects and has a special capacity and uniqueness that is determined by the investigator to be studied and then the conclusion is drawn is the understanding of the population, as stated by Sugiyono 2017:80.

The sample is a component of the total along with the uniqueness possessed by a certain population, (Sugiyono 2017:81). Determination of the sample in this observation can use a purposive sampling system.

No	Kriteria	Jumlah
1	Perusahaan manufaktur yang terdaftar dan mempublikasi laporan keuangan di BEI 2017 - 2020	172
2	Jumlah perusahaan tidak memiliki data yang lengkap	(61)
3	Laporan keuangan tidak berakhir pada tanggal 31 Desember	(21)
4	Jumlah perusahaan yang mengalami kerugian pada periode 2017 - 2020	(47)
5	Jumlah perusahaan yang tidak menggunakan mata uang rupiah	(11)
Jumlah sampel yang digunakan		33
Total sampel selama 4 tahun		132

Table 1. Sample Criteria

## RESULTS AND DISCUSSION

The results of the research data using spss 23 using outlier treatment to normalize the data with the following results.

### Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
X1	84	174715908,00	3074739014,0	1966679692,5952	795665877,26675
X2	84	306,00	49932813,00	141313789,8333	127545146,90564
X3	84	3482146,0	1450881522,0	175612400,738	251884270,65025
X4	84	2964173,0	837208781,00	435989435,928	224507320,37814
Y	84	306,00	499328183,00	142288090,4167	126757424,69821
Valia N (iistwise)	84				

Figure 1. Descriptive statistics

Based on the table above, it can be seen that the standard deviation, maximum, mean, and minimum values of Company

Size (X1), Dividend Policy (X2), Capital Structure (X3), Profitability (X4) and Earning Response Coefficient (Y) are as follows:

1. Company size (X1), with a total of 84 samples yielding a minimum value of 174715908.00 and 3074739014.0 for the maximum value. Meanwhile, the mean is worth 1966679692.5952 and 795665877,26675 for the standard deviation value.

2. Dividend Policy (X2), with a total of 84 samples yielding a minimum value of 306.00 and a maximum value of 49932813.00. Meanwhile, the mean is 141313789.8333 and 127545146.90564 for the standard deviation value.

3. Capital structure (X3) of 84 samples resulted in a minimum value of 3482146.0 and 1450881522.0 for the maximum value. Meanwhile, the mean is 175612400,738 and 251884270,65025 for the standard deviation value.

4. Profitability (X4) of 84 samples resulted in a minimum value of 2964173.0 and 837208781.00 for the maximum value. Meanwhile, the mean is 435989435.928 and 224507320.37814 for the standard deviation value.

5. Firm value (Y) of 84 samples resulted in a minimum value of 306.00 and 499328183.00 for the maximum value. Meanwhile, the mean is 142288090.4167 and 126757424,69821 for the standard deviation value.



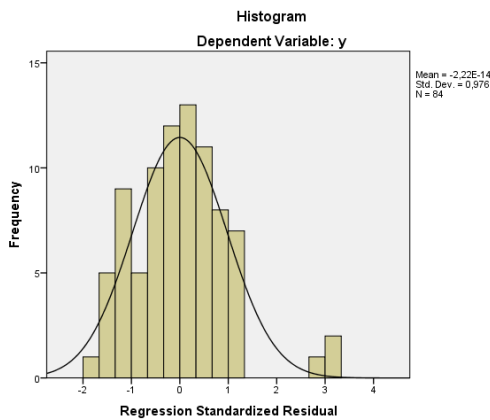
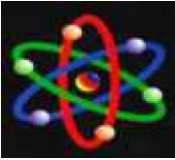


Figure 2. Normality Test With SPSS

The picture shows that the data is normal because it can be seen from the symmetrical shape that there is no left and right deviation of the graph in the visual graph. This shows no symptoms of normality.

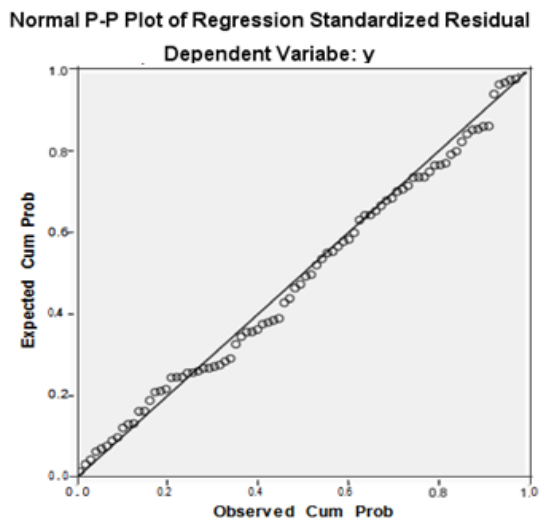


Figure 3. P-P Plot Normality Test

In the picture above it is said to be normal because it has a normal residual value on the grounds that the spread of data between the x-axis and the y-axis follows the diagonal line.

		Unstandardized Residual
N		84
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	2355103542,78041270
Most Extreme Differences	Absolute	,087
	Positive	,087
	Negative	-,049
Test Statistic		,087
Asymp. Sig. (2-tailed)		,200 <sup>c</sup>

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.

Figure 4. Kolmogorov statistical test scores - Smirnov

The results of the table above are normal, this is known through the results of the Kolmogorv - Smirnov static test score of 0.200 and compared with a significance of 0.05 ( $0.200 > 0.05$ ). In conclusion, the observation accepts  $H_0$  and there are no symptoms of normality in the table above.

### Multicollinearity Test

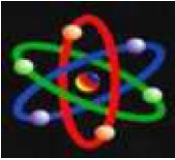
Model		Collinearity Statistics	
		Tolerance	VIF
1	x1	,946	1,058
	x2	,964	1,037
	x3	,944	1,060
	x4	,977	1,024

a. Dependent Variable: y

Table 2. Multicollinearity Test

The results of the table test are understood that all variables have tolerance results  $> 0,10$  and VIF results  $< 10$ , then the variables of Company Size, Dividend





Policy, Capital Structure and Profitability are said to have passed the Multi collinearity test because they meet the requirements of this test.

**Autocorrelation Test**

Runs Test	Unstandardized Residual
Test Value <sup>a</sup>	,21039
Cases < Test Value	42
Cases >= Test Value	42
Total Cases	84
Number of Runs	38
Z	-1,098
Asymp. Sig. (2-tailed)	,272

a. Median

Table 3. Autocorrelation Test

The results of the table explain that the test value is 0.21039 with a probability or significant result of 0.272 and the significance must be above 0.05 (0.272 > 0.05) and the observation results H0 is accepted with the overall conclusion that there are no symptoms of autocorrelation and is normal.

**Heteroscedasticity Test**

This test is carried out to evaluate the data whether there is a change in equilibrium for all observations in the regression model. The heteroscedasticity test applied to this observation is the Scatterplot.

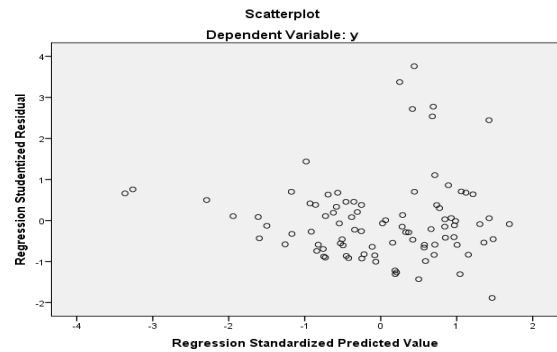


Figure 5. Scatterplot He Heteroscedasticity Test

Based on the picture above, it is said that the picture is normal, because the points in the picture above are spread throughout, there is no set of dots in the form of a pattern. so that there are no symptoms of heteroscedasticity.

**Result**

Model		Coefficients <sup>a</sup>				Sig.
		Unstandardized Coefficients		Standardized Coefficients	t	
		B	Std. Error	Beta		
1	(Constant)	0.562	0.115		1,675	,098
	x1	-.016	,013	-.102	-1,267	,209
	x2	,682	,080	,686	8,566	,000
	x3	,024	,041	,047	,579	,564
	x4	,042	,046	,075	,909	,366

a. Dependent Variable: y

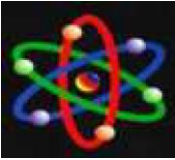
Figure 6. Multiple Linear Regression Analysis Results

By getting results

$$ERC = 0.562 - 0.16 + 0.682 + 0.024 + 0.042$$

1. If the Constant has a value of 56.2 percent then the variables x1 (Company Size), x2 (Dividend Policy), x3 (Capital Structure), x4 (Profitability) are equal to zero, then the ERC will decrease by 56.2 percent .
2. Company size of 1.6 percent means that every 1 percent increase in company size





will cause the value of ERC to experience depreciation of 1.6 percent.

3. The dividend policy of 68.2 percent means that every 1 percent increase in the dividend policy will cause the ERC value to increase by 68.2 percent.

4. Capital Structure 2.4 percent means that every 1 percent increase in capital structure will cause an increase in ERC by 2.4 percent

5. Profitability of 4.2 percent means that every 1 percent increase in profitability will result in an increase in ERC of 4.2 percent.

**Coefficient of Determination (R<sup>2</sup>)**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.705 <sup>a</sup>	.497	.471	0,2189

a. Predictors: (Constant), x1, x2, x3, x4  
 b. Dependent Variable: y

Figure 7. Coefficient of Determination (R<sup>2</sup>)

The Adjusted R Square is 0.471 with 47.1% influence on ERC and the remaining 72.1 is influenced by other variables.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.562	0,115		1,675	,098
	x1	-.016	,013	-.102	-1,267	,209
	x2	,682	,080	,686	8,566	,000
	x3	,024	,041	,047	,579	,564
	x4	,042	,046	,075	,909	,366

a. Dependent Variable: y

Figure 8. Partial Hypothesis Testing (T Test)

The magnitude of t table in alpha 0.05 (two tailed), df 79 is 1.99045. Through the comparison of the results of the partial test above and the t table value, it is concluded:

1. Firm Size variable produces a t-value of -1.267, with a significance of 0.209. Then the results of the comparison on this variable are  $t_{count} -1.267 > t_{table} -1.99045$  and  $0.209 > 0.05$  with the conclusion that the firm size variable has a negative and insignificant effect on the Earnings Response Coefficient.

2. The dividend policy variable has a t-count value of 8.566 with a significant value of 0.00. So the results of the comparison on this variable are  $t_{count} 8.566 > t_{table} 1.99045$  and  $0.000 < 0.05$  with the conclusion that the dividend policy variable has a partial effect on the Earnings Response Coefficient.

3. The capital structure variable has a tcount of 0.579 with a significant value of 0.564. Then the results of the comparison are  $t_{count} 0.579 < 1.99045$  and  $0.564 > 0.05$  with the conclusion that the Capital Structure has no effect and is not significant on the Earning Response Coefficient.

4. Profitability variable has a tcount value of 0.909 with a significant value of 0.366. Then the comparison results are  $0.909 < 1.99045$  and  $0.366 > 0.05$  with the conclusion that Profitability has no effect and is not significant on the Earning Response Coefficient.

**Simultaneous Hypothesis Testing (F Test)**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0,258	4	0,39	2,089	,089 <sup>b</sup>
	Residual	1,315	79	0,20		
	Total	1,573	83			

a. Dependent Variable: y  
 b. Predictors: (Constant), x4, x3, x2, x1



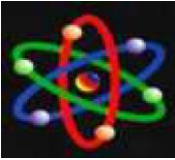


Figure 9. Simultaneous Hypothesis Testing (F Test)

In the picture above examines all variables, where the compared values of  $f_{count}$  and  $f_{table}$  with  $(df_1) = 4$  and  $(df_2) = 79$  with  $f_{table}$  results 2.49 and significant 0.05. Then it can be concluded that  $f_{count} 2,089 < f_{table} 2,53$  and the significance is  $0,089 < 0,05$ . So the overall result is that all variables, namely Company Size, Dividend Policy, Capital Structure, and Profitability have no effect on the Earnings Response Coefficient.

Firm Size variable has a negative and insignificant effect on the Earnings Response Coefficient. The results of Intan's previous research (2020) also prove that company size has an influence on the Earnings Response Coefficient. The conclusion of this finding is in line with the findings of Mashayekhi and Aghel (2016), suggesting that with increasing company size, large companies will have a smaller bankruptcy risk than small companies because in large companies all activities will be more structured and controlled and supervision will be much tighter.

The dividend policy variable has a positive and significant effect on the Earnings Response Coefficient. The results of previous research Nofianti, Nana (2014) said that dividend policy has a negative and significant effect on the Earnings Response Coefficient. Dividend policy is certainly something that must be considered in the company because information about dividend policy greatly affects investors and potential investors

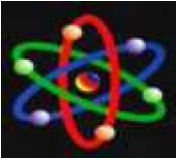
who want to invest their shares in the company.

This research is contrary to research from Firmansyah, Amrie (2016), dividend policy does not have an ERC impact because investors will not respond to a company's dividend policy as an indication to earn profits now and in the future.

The Capital Structure variable has no impact and is not significant on ERC. This observation is supported by the observations of Mahendra Yuda et al. (2017) who summarize that Capital Structure has no influence on ERC. This statement contradicts Willjayanti Dita (2012) who examines whether high quality companies prefer external or internal funding over new shares. The value of the company can decrease if the new shares issued are assessed negatively in the market.

Profitability variable has no and no significant effect on Earnings Response Coefficient. This result contradicts the signal theory which explains that companies that have high profits have a profitable perspective in the future. Profitability is considered as the core information provided is in the company's financial statements. If profitability is associated with ERC, it can be concluded that the profit of the company will increase, thereby attracting investors to invest their capital. The data obtained are not in line with the observations when it was produced by Melati (2013) who found that profitability had an impact on ERC.





## CONCLUSION

The results of observations in this study can be concluded that:

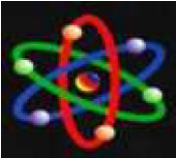
1. Company size has a negative and insignificant effect on the Earnings Response Coefficient in the Manufacturing sector on the IDX in 2017-2020
2. Dividend Policy has a positive and significant impact on the Earnings Response Coefficient in the Manufacturing sector on the IDX in 2017-2020
3. Capital structure has no effect and is not significant on the Earnings Response Coefficient in the Manufacturing sector on the IDX in 2017-2020
4. Profitability has no and no significant effect on the Earnings Response Coefficient in the Manufacturing sector on the IDX in 2017-2020
5. Company Size, Dividend Policy, Capital Structure, Profitability simultaneously have no effect on the Earnings Response Coefficient in the Manufacturing sector on the IDX in 2017-2020

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