

The Influence of Intellectual Capital and Good Corporate Governance on Earnings Response Coefficient (Case Study on Banks listed on IDX 2013-2015)

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Abstract: *This study aims to know the influence of Intellectual Capital and Good Corporate Governance to Earnings Response Coefficient, with Size, Leverage and Growth as control variable. The population of this study is a banking company listed on the IDX for the period of 2013-2015. Samples were obtained using Purposive Random Sampling method of 102 companies. The method used in this research is multiple regression analysis with SPSS. The results showed that: 1) Intellectual Capital has no effect on Earnings Response Coefficient, 2) Good Corporate Governance has no effect on Earnings Response Coefficient, 3) Size and Growth control variables affect Earnings Response Coefficient but Leverage has no effect on Earnings Response Coefficient.*

Keywords: Intellectual Capital, Good Corporate Governance, Earnings Response Coefficient

1. Introduction

The rapid changes in the economic environment to the emergence of challenges such as global challenges and stakeholder challenges demand the business world to survive and accept the occurrence of the global economy. The global economy is marked by the emergence of new businesses and the vast network that is open to business people, one of the occurrences of the global economy is the enactment of the Asean Economic Community (MEA) in 2015. The enactment of the Asean Economic Community (MEA) shows countries in Southeast Asia generally and those who are members of ASEAN in particular will experience regional economic integration. Economic integration can encourage higher intraregional trade and create companies capable of competing at the global level. Now companies in Indonesia, especially those who have gone public, are concerned about intellectual capital which is seen as knowledge which in the process of its formation, wealth and experience has become a company asset. The Director of Human Capital Management of PT Telkom stated that one of the focuses being developed is Intellectual Capital to prepare human resources to compete in the international arena, especially in the face of the implementation of the AEC. (www.cnnindonesia.com, 2017)

The phenomenon of the emergence of Good Corporate Governance began to be known because it was often discourse along with the increasing awareness of the public, stakeholders, the government and the management of the company itself would need a good system in increasing transparency. With the scandals of companies such as Enron, WorldComm, Tyco, Marsh & McLennan and Dick Grasso which have harmed stakeholders, raising the awareness of economists on the importance of Good Corporate Governanc. According to Daniri (2009) the application of the concept of Good Corporate Governance is expected to improve the implementation and disclosure of corporate social responsibility. To support this, the implementation of

GCG must be supported by a good corporate governance structure consisting of the main organs, namely the General Meeting of Shareholders (GMS), the Board of Directors, and the Board of Commissioners as well as other organs that help realize GCG

In the few years ago, there have been fraudulent practices carried out by PT Kimia Farma which originated from the detection of financial manipulation carried out by management to attract investors. The low level of good corporate governance, weak investor relations, lack of transparency, inefficiency in financial reports, and the lack of law enforcement on legislation in punishing perpetrators and protecting minority shareholders, are triggers and reasons for several companies in Indonesia to collapse (Hardikasari, 2011) The accumulation of the problems that occur led to a great deal of attention to improving corporate management standards, increasing transparency and improving investor relations and upholding the importance of more effective law enforcement

Many studies have been conducted on Intellectual Capital and Good Corporate Governance, one of them by Tohir (2013) which states that banking companies in 2010-2012 showed a direct influence of institutional ownership which is a structure of good corporate governance on earnings quality. But the research conducted by Tuwentina and Wirama (2014) in the influence of GCG on earnings quality shows the opposite, that companies that implement GCG have no effect on earnings quality.

From the differences in the results of previous research, the background of the writer to formulate the problem in this study is whether Intellectual Capital and Good Corporate Governance as measured by the attendance and education level of the board of commissioners, directors and audit committee affect Earnings Response Coefficient.

2. Literature Review

Agency Theory

Agency theory comes into force when there is a contractual relationship between the owner of the capital (principal) and the agent. Principals who are unable to manage their own companies hand over the operational responsibilities of the company to the agent in accordance with the employment contract. The management as an agent is morally and professionally responsible for running the company as well as possible to optimize the company's operations and profits. In return, the manager as an agent will receive compensation according to the existing contract. While the principal controls the agent's performance to ensure that capital is managed properly. The motive is that the capital that has been planted develops optimally. The relationship between the principal and agent is fundamental to the practice of implementing Good Corporate Governance widely. We can see this in the theories that underlie the notion of the company as a place for implementing Good Corporate Governance (corporate governance)

Resourced Based Theory

Resourced Based Theory is widely used as a theory reference from Intellectual Capital management. According to Barney (1991), in a Resourced Based Theory that companies will gain superior competitive advantage and performance through acquisition, acquiring and using important strategic assets for competitive advantage and superior financial performance. When most intangible assets do not qualify as strategic assets, Intellectual Capital is generally considered an important strategic asset.

Intellectual Capital (IC)

Management of Intellectual Capital in recent years has increased, due to the awareness that IC is the foundation for companies to develop and have advantages over other companies. Organization for Economic Co-operation and Development (OECD, 1999), describes IC as the economic value of two categories of intangible assets: (1) organizational (structural) capital; and (2) human capital. More precisely, organizational (structural) capital refers to things like software systems, distribution networks, and supply chains. Human capital includes human resources within the organization (ie labor / employee resources) and external resources related to the organization, such as consumers and suppliers. Williams (2001) defines Intellectual Capital as information and knowledge that is applied in work to create value. Investors will give higher value to companies that have higher intellectual resources compared to companies that are higher than companies that have low intellectual resources. The value given by investors to the company is reflected in the company's stock price (Chen et al, 2005).

Good Corporate Governance (GCG)

According to the Forum Corporate Governance on Indonesia (FCGI), Corporate Governance is a set of rules that govern the relationship between shareholders, management (managers) of the company, creditors, government, employees, and other internal and external stakeholders related to rights and their obligations or in other words related to their rights and obligations or in other words a

system that controls the company. The term Good Corporate Governance arises because of the existence of agency theory, where the management of a company is separate from ownership.

Good Corporate Governance Concept According to the IICG, Gede Raka, one of the panel experts from the Indonesian Institute for Corporate Governance (IICG), stated that in GCG implicitly implies that a company is not a profit-making machine for its owner, but an entity to create value for all parties have an interest. The concept of GCG reflects the importance of sharing, caring, and preserving. All of these concerns the psychological aspects of GCG. Thus, it is clear that changes towards better GCG practices must include changes in the technical dimension (system and structure) and the psychosocial aspects (paradigm, vision, and values) of the organization. In the research conducted by Nengzih (2014) concluded that many companies in Indonesia have practiced GCG, which is about 76.76%.

According to the Good Corporate Governance guidelines issued by the National Committee on Governance (KNKG) there are basically nine parties involved in implementing Good Corporate Governance, namely Shareholders, Board of Commissioners, Audit Committee, Directors, Corporate Secretary, Internal Audit Unit, Independent Auditors, Managers and Employees, and other Stakeholders.

Earnings Response Coefficient

Earnings Response Coefficient (ERC) is defined by Scott (2015) as a measure of the size of securities market returns as a response to unexpected income components reported by stock issuing companies. ERC values are predicted to be higher in the call of good news reported by the company or bad news reflected in current earnings to reduce future earnings. (Scott, 2015). Quality earnings can be shown from the height when the market responds to earnings information (Jang et al, 2007).

The assumption that is the basis of ERC research is that investors respond differently to accounting earnings information in accordance with the credibility or quality of the accounting earnings (Syafrudin, 2004). The announced report is said to have information content if the number of shares traded becomes larger when earnings are announced compared to other times (Subekti, 2005). So that in this case the market will react to the information provided by the company both positive and negative information. As long as financial statements can provide information that will change investor expectations of the company, the information will be reflected in the company's trading volume and changes in stock prices.

3. Control Variables

Size

Size is measured based on the total assets owned by the company obtained from the company's financial statements. The size measured from total assets will be transformed in the form of logarithms in order to equate with other variables, because the value of the company's total assets is relatively large compared to other variables in this study. Size size will be calculated based on the natural log (ln)

value of the total set of companies at the end of the year, because the total assets are more stable and representative in showing the size of the company (Ardi and Lana, 2007). Total assets can be used as a proxy for the size of the company because the total assets include current and non-current assets used by the company, thus representing the actual size of the company (Oktavianti and Wahidahwati, 2014).

Leverage

According to Sugiyarso (2005) leverage is the use of assets and sources of funds by companies that have a fixed burden with the intention of increasing the potential profit of shareholders. This ratio is useful to show the quality of the company's obligations and how much the comparison between these obligations and company assets (Umar, 2003).

Growth

According to Kasmir (2012: 107), the growth ratio is a ratio that describes the company's ability to maintain its economic position amid the growth of the economy and its business sector. Companies that have growth opportunities are expected to provide high profitability in the future, and are expected to have more persistent profits. Market valuation of the possibility of growing a company can be seen from the stock price that is formed as an expectation value for future benefits that will be obtained. Shareholders will give a greater response to companies that have high growth opportunities. This happens because companies that have high growth possibilities will provide high benefits in the future for investors (Scoot, 2009).

4. Hypothesis Formulation

Intellectual Capital Influence on Earnings Response Coefficient

Conservatism accounting practices emphasize that the company's investment in Intellectual Capital presented in the financial statements results from an increase in the difference between market value and book value (Ulum, 2008). So if the market value is efficient, investors will give a high value to a large IC. However, IC is believed to provide an important role in increasing corporate value and financial performance. Chen et al (2005) and Tan et al (2007) have proven that IC has a positive effect on the company's financial performance. So the hypothesis proposed by the author is:

H1: Intellectual Capital has a positive effect on Earnings Response Coefficient.

Effectiveness on Earnings Response Coefficient

Dalton et al (1998) stated that there was a positive relationship between the board and company performance. The board of commissioners is one of the mechanisms of Good Corporate Governance that is very important in determining company performance. . In this study, researchers used the effectiveness measured by the level of attendance at meetings and education of the Board of Commissioners, so that the more attendance and the more who received economic education, the more effective the performance of the Board of Commissioners. So the hypothesis proposed by the author is:

H2: The effectiveness of the Board of Commissioners has a positive effect on Earnings Response Coefficient.

Effectiveness on Earnings Response Coefficient

The board of directors is the policy maker that will be taken or the company's strategy in the short and long term. In his research, Wardhani (2006) explained that the greater the need for external relations, the greater the needs of the board of directors, while the shortcomings of the large number of board of directors are the increasing problems of communication and coordination. Ratnawati et al (2015) in her study stated that the board of directors had a significant effect on earnings quality. In this study, researchers used the effectiveness measured by the level of attendance at meetings and education of the Board of Directors, so that the more attendance and the more who received economic education, the more effective the performance of the Board of Directors. So the hypothesis proposed by the author is:

H3: Effectiveness of the Board of Directors has a positive effect on Earnings Response Coefficient.

Effect of Audit Committee Effectiveness on Earnings Response Coefficient

In a study conducted by Kawatu (2009), the audit committee has an influence on earnings quality. In this study, researchers used effectiveness measured by the level of attendance at meetings and education of the Audit Committee, so that the more attendance and the more who received economic education, the more effective the performance of the Audit Committee. So the hypothesis proposed by the author is:

H4: The effectiveness of the Audit Committee has a positive effect on Earnings Response Coefficient.

Effect of Control Size, Leverage and Growth Variables on Earnings Response Coefficient

Company size (Size) is a variable that is widely used in the disclosure of annual company size reports based on the total assets owned by the company, and the amount of sales or capital. Larger assets can mean that companies can generate large profits, this is used as an investor as an indication of obtaining large returns. This statement was supported by the research conducted by Sembiring (2005)

Leverage is the ratio between total liabilities and total assets of a company. This ratio shows the amount of assets of a company financed by debt. The higher the leverage value, the higher the risk faced by investors and investors will ask for a large return (Welvin and Herawaty, 2009).

A growing company (Growth) will have consequences on increasing investment in company assets and will require the provision of funds in its assets (Artfiandi, 2015). This will have an impact on investment decisions and financing decisions, which will affect the stock returns received by investors. So the hypothesis proposed by the author is:

H5: Size, Leverage and Growth have a positive effect on Cumulative Abnormal Return.

5. Research Methods

In this study, the object to be studied is a banking company listed on the Stock Exchange in 2013-2015. The dependent

variable in this study is the Earnings Response Coefficient, the independent variable of this study using Intellectual Capital and Good Corporate Governance. This study also uses control variables namely Size, Leverage and Growth.

The population of this research is all banking companies listed on the IDX for the period 2013-2015. The author uses purposive random sampling technique, then obtained a sample of 34 companies. The following is the sample selection table.

Table 1: Sample selection results

Number	Information	Amount
1	Banking listed on IDX 2013-2015	42
2	Banking delisted on IDX 2013-2015	-1
3	Companies whose data is incomplete	-7
4	Number of Samples	34
5	Number of sample companies during 2013-2015 (3 years)	102

To support this research, data collection techniques are used in the form of literature study and documentation by collecting available data. The data used is secondary data using information on financial reports from the official website, the official website of the company and other related literature.

This study uses multiple regression analysis method with SPSS 24 software. This research analytical method includes descriptive test, static analysis, hypothesis testing, determination coefficient test, partial test and multiple linear regression analysis. The following is an estimation of this research regression equation.

$$CAR = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \alpha_4 X_4 + \alpha_5 X_5 + \alpha_6 X_6 + \alpha_7 X_7 + \alpha_8 X_8 + \alpha_9 X_9 + \alpha_{10} X_{10} + \alpha_{11} X_{11} + \alpha_{12} X_{12} + \alpha_{13} X_{13} + \alpha_{14} X_{14} + \alpha_{15} X_{15} + \alpha_{16} X_{16} + \alpha_{17} X_{17} + \alpha_{18} X_{18} + \epsilon$$

Table 2: Variable Information

Variable	Information
X1	Unexpected Earnings
X2	Intellectual Capital
X3	Intellectual Capital for ERC Measurement
X4	Board of Commissioners education
X5	Presence of Board of Commissioners meeting
X6	Directors Education
X7	Presence of Directors meeting
X8	Committee Audit education
X9	Presence of Committee Audit meeting
X10	Size
X11	Growth
X12	Leverage
X13	Board of Commissioners education for ERC Measurement
X14	Presence of Board of Commissioners meeting for ERC Measurement
X15	Directors education for ERC Measurement
X16	Presence of Directors meeting for ERC measurement
X17	Committee Audit education for ERC Measurement
X18	Presence of Committee Audit meeting for ERC Measurement

6. Result

Code	Hypothesis	Result
H1	Intellectual Capital has an effect on Earnings Response Coefficient	Rejected
H2	The effectiveness of the Board of Commissioners has an effect on Earnings Response Coefficient	Rejected
H3	The effectiveness of the Directors influences Earnings Response Coefficient	Rejected
H4	The effectiveness of the Audit Committee affects the Earnings Response Coefficient	Based on the proxy for the attendance of the meeting, it was rejected, but the education proxy was received
H5	Control Size, Leverage and Growth variables affect Earnings Response Coefficient	Based on Size and Growth Received, but Leverage Denied

The results of the Intellectual Capital variable test show that Intellectual Capital has no effect on Earnings Response Coefficient. this conclusion is consistent with the research conducted by Tohir (2013), as well as the study conducted by Istianingsih (2016) that Intellectual Capital has no effect on CAR, which in this study also shows the same thing. This result is because the average IC is still low in the annual report so that it cannot reveal the real value of the company, and the IC value is not paid too much attention by investors because of the assumption that labor change is very fast, so it cannot be used to predict investor goals in investing.

Test results The effectiveness of the Board of Commissioners has no effect because the commissioner as a neutral party is expected to oversee and monitor the management has not been able to guarantee the quality of earnings information because of the control of the shareholders, so that the shareholders assume that the commissioner does not have enough knowledge about the company.

Test results The effectiveness of the Board of Directors has no effect because the board of directors as a company policy maker has not been able to guarantee the quality of earnings information, because the agency theory is that the interests of different shareholders and directors make the board of directors only considered as a tool to run the company and many assumptions that profits are generated from directors' performance can be engineered.

The test results on the Audit Committee show a significant profile on education but not significant in attendance because investors do not see the level of attendance of auditors and are more concerned with their individual profiles because of a quality profile that will build investor confidence in the results of the audit.

The test results on the control variables are Size, Leverage and Growth shows Size and Growth influence but leverage has no effect because the size and growth proxied by total assets is considered important as a measure of company performance and by looking at the growth of the company will attract investors because it relates to the return that will

accepted, while leverage has no effect because investors in making decisions in investing look more at how management manages funds effectively and efficiently. Investors do not see transactions related to equity and debt in investment decisions.

Tables and Figures

Table 1: Statistic Descriptive

	N	Minimum	Maximum	Mean	Std. Deviation
VAIC	102	-3,590	6,180	2,72892	1,265935
UE	102	-79,870	3,980	-1,08824	8,504263
ABSN_DK	102	,520	1,000	,91319	,110918
PDDKN_DK	102	,200	1,000	,62605	,208490
ABSN_DIR	102	,580	1,000	,88722	,088638
PDDKN_DIR	102	,200	1,000	,67139	,170468
ABSN_KA	102	,510	1,000	,92284	,118257
PDDKN_KA	102	,330	1,000	,86561	,179995
SIZE	102	20,570	27,540	24,33069	1,680619
LEVERAGE	102	,779	18,207	7,42853	2,711302
GROWTH	102	-,340	2,200	,23093	,332151

VAICxUE	102	-132,58	31,32	-,9631	14,05837
ABSN_DKxUE	102	-71,082	3,544	-,96736	7,594934
PDDKN_DKxUE	102	-39,933	2,656	-,58497	4,326254
ABSN_DIRxUE	102	-56,705	3,982	-,78303	6,137040
PDDKN_DIRxUE	102	-39,933	3,453	-,51048	4,226047
ABSN_KAxUE	102	-42,329	3,453	-,69562	5,070868
PDDKN_KAxUE	102	-79,867	3,453	-1,07434	8,479007
CAR	102	-1,794	15,691	,20517	1,781756
Valid N (listwise)	102				

Tables 2: Normality Test

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		99
Normal Parameters ^{a,b}	Mean	-,1440658
	Std. Deviation	,77433755
Most Extreme Differences	Absolute	,087
	Positive	,051
	Negative	-,087
Test Statistic		,087
Asymp. Sig. (2-tailed)		,063 ^c

Table 3: Multicollinearity Test

Model		Coefficients ^a					Collinearity Statistics	
		Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.	Tolerance	VIF
1	(Constant)	-12,377	4,847		-2,553	,012		
	VAIC	,243	,190	,173	1,280	,204	,453	2,206
	UE	-2,827	1,578	-13,625	-1,791	,077	,000	7002,574
	ABSN_DK	-1,699	1,971	-,106	-,862	,391	,549	1,823
	PDDKN_DK	-,015	,885	-,002	-,016	,987	,770	1,299
	ABSN_DIR	,499	2,310	,025	,216	,830	,626	1,599
	PDDKN_DIR	,343	1,158	,033	,296	,768	,673	1,487
	ABSN_KA	-1,416	1,696	-,094	-,835	,406	,652	1,533
	PDDKN_KA	1,329	1,015	,134	1,310	,194	,786	1,272
	SIZE	,334	,129	,315	2,590	,011	,557	1,795
	LEV	4,766	2,119	,259	2,249	,027	,622	1,607
	GROWTH	3,380	,769	,630	4,396	,000	,402	2,487
	VAICxUE	-,172	,112	-1,459	-1,539	,128	,009	108,912
	PDDKN_DKxUE	-,918	1,290	-2,251	-,712	,479	,001	1211,124
	ABSN_DIRxUE	1,464	1,586	3,734	,923	,359	,001	1979,599
PDDKN_KAxUE	-,511	,536	-1,527	-,953	,343	,003	310,258	
ABSN_KAxUE	3,111	1,383	14,948	2,249	,027	,000	5347,061	

a. Dependent Variable: CAR

Table 4: Heterocedasticity

Model		Coefficients ^a					Collinearity Statistics	
		Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.	Tolerance	VIF
1	(Constant)	-6,803	3,034		-2,243	,028		
	VAIC	,164	,119	,171	1,383	,170	,453	2,206
	UE	-1,350	,988	-9,519	-1,367	,175	,000	7002,574
	ABSN_DK	-,540	1,234	-,049	-,438	,663	,549	1,823
	PDDKN_DK	-,175	,554	-,030	-,316	,753	,770	1,299
	ABSN_DIR	1,012	1,446	,074	,700	,486	,626	1,599
	PDDKN_DIR	,436	,725	,061	,602	,549	,673	1,487
	ABSN_KA	-2,625	1,061	-,255	-2,473	,015	,652	1,533
	PDDKN_KA	,291	,635	,043	,458	,648	,786	1,272
	SIZE	,200	,081	,276	2,472	,015	,557	1,795
	LEV	3,914	1,326	,311	2,951	,004	,622	1,607
	GROWTH	2,672	,481	,729	5,553	,000	,402	2,487
	VAICxUE	-,055	,070	-,684	-,788	,433	,009	108,912
	PDDKN_DKxUE	-,185	,807	-,662	-,229	,820	,001	1211,124
	ABSN_DIRxUE	,737	,992	2,750	,743	,460	,001	1979,599
PDDKN_KAxUE	-,409	,335	-1,788	-1,220	,226	,003	310,258	
ABSN_KAxUE	1,396	,866	9,814	1,613	,110	,000	5347,061	

a. Dependent Variable: RES_2

Table 5: Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,546 ^a	,298	,166	1,627534	2,026

Table 6: F Tes

ANOVA ^a						
Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	86,401	16	5,400	1,960	,025 ^b
	Residual	234,239	85	2,756		
	Total	320,640	101			

Table 7: Coefficient Determination (R²)

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,519 ^a	,269	,132	1,660047

Table 8: Coefficient Regression Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-8,635	4,947		-1,745	,085
	VAIC	,216	,194	,154	1,117	,267
	UE	-2,727	1,658	-,13016	-1,644	,104
	ABSN_DK	-1,685	2,013	-,105	-,837	,405
	PDDKN_DK	,055	,903	,006	,061	,952
	ABSN_DIR	,355	2,389	,018	,149	,882
	PDDKN_DIR	,649	1,186	,062	,548	,585
	ABSN_KA	-1,195	1,771	-,079	-,675	,502
	PDDKN_KA	,932	1,014	,094	,919	,361
	SIZE	,340	,133	,321	2,565	,012
	LEVERAGE	,053	,069	,081	,769	,444
	GROWTH	2,848	,734	,531	3,881	,000
	PDDKN_DKxUE	-,799	1,422	-1,941	-,562	,576
	ABSN_DKxUE	,046	,505	,196	,091	,928
	PDDKN_DIRxUE	,588	1,139	1,395	,516	,607
	ABSN_DIRxUE	-,051	,625	-,175	-,081	,935
	ABSN_KAxUE	,134	,215	,380	,621	,537
	PDDKN_KAxUE	2,988	1,438	14,218	2,077	,041
	VAICxUE	-,137	,113	-1,081	-1,216	,227

7. Conclusion

Based on the results of the research conducted author, it can be concluded that:

- 1) Intellectual Capital has no effect on Earnings Response Coefficient. The average low Intellectual Capital value cannot reveal the real value of the company.
- 2) The effectiveness of the Board of Commissioners, measured by Attendance and level of education does not affect the Earnings Response Coefficient. There is an assumption that the commissioner does not have sufficient knowledge about the company.
- 3) The effectiveness of the Board of Directors is measured by Attendance and the level of education does not affect the Earnings Response Coefficient. The Board of Directors has not been able to guarantee the quality of earnings information because of the assumption that profits generated from the performance of directors can be engineered because of personal interests, such as the agency theory.

- 4) The effectiveness of the Audit Committee, measured by absences that have no effect on Earnings Response Coefficient, because of the possibility even though the audit committee is always present at the meeting, but does not provide recommendations so that they do not participate in building the company better. Different results obtained by proxy level of education, which affects the Earnings Response Coefficient, with the relevant level of education of the audit committee, the audit committee's performance will be effective.
- 5) Size Control variables affect the ERC, because the larger the company, the more complete the information than the small company. Variable Growth influences because of growth The company will increase investment and provide funds and affect the return and risk that occur. Leverage has no effect on ERC, because market players respond to earnings announcements seeing management in managing funds, the higher the debt to capital ratio, will increase the risk of debt failure for the company

8. Suggestion

In this study there are still many drawbacks so that it is expected that further research will need to be added in data retrieval such as surveys and interviews, addition of other variables that have not been included in this study, and other mechanisms to overcome the problem of multicollinability so that the estimated coefficients generated are not biased

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