

**THE INFLUENCE OF PROFIT PERSISTENCE, PROFITABILITY, LIQUIDITY,  
AND CAPITAL STRUCTURE ON THE QUALITY OF EARNINGS IN KOMPAS  
100 INDEX COMPANIES 2019-2022**



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**Abstract**

This research aims to empirically test the influence of earnings persistence, profitability, liquidity, and capital structure on earnings quality. This research method uses quantitative data with secondary data sources. The population in this research is the Kompas 100 Index which is listed on the Indonesia Stock Exchange in 2019-2022. The sampling technique used was Purposive Sampling so the data resulted in 54 samples and 26 samples. This research uses multiple linear regression analysis techniques. The results of this research can be state that earnings persistence has a positive effect on earnings quality. This happens because there is investor interest in companies that can maintain their profits. Meanwhile, profitability, liquidity, and capital structure have a negative effect on earnings quality because the level of profitability is low both in the ability to pay short-term debt and the company also uses more capital than paying dividends. So, the company also incurs a lot of costs and the quality of profits decreases. From this, it can motivate management to carry out earnings management.

**Keywords:** Earnings Persistence, Profitability, Liquidity, Capital Structure, Earnings Quality

## INTRODUCTION

Financial reports are a form of management's accountability for performance to the authorized parties (Salihi et al., 2023). Financial reports are a source of information for making investment decisions through contracts. In addition, financial reports also show whether the company has succeeded in achieving profits or vice versa (Setiowati et al., 2023).

Profit quality is information that shows the public how much profit influences decisions so that investors can assess a company (Nirmalasari & Wahyu Widati, 2022; Agustina, 2020). High earnings quality indicates additional information regarding important financial statement characteristics related to decision-making (Maranatha, 2019). Maintaining the company's value is the company's main goal. Investors can assess the financial prospects of a business by looking at the company's profits (Anggraini, 2019).

A Kompas 100 Index company experienced a decline in the coronavirus pandemic, namely PT Bumi Serpong Damai Tbk. Ellen May is known as an Indonesian stock investor. In 2020, she said that the company PT Bumi Serpong Damai Tbk. was recorded to have experienced a significant decline in operational efficiency in the first quarter of 2020. At the end of the first quarter of 2020, its net profit was IDR 259.64 billion, down 58.09%. However, in the first quarter of 2019, there was a net profit of IDR 618.23 billion. The data information is contained in the financial report review, namely in the first quarter of 2020 which is published on the Indonesia Stock Exchange website.

The financial report clearly shows that the turnover in the first quarter of 2020 was Rp. 1.495 trillion, down 8.22% compared to the end of March 2019 which was Rp. 1.629 trillion. Meanwhile, the cost of goods sold was recorded at Rp. 452.6 billion, up 11.05% compared to the first quarter of 2019 of Rp. 407.02 trillion. In addition, in terms of equity, it was Rp. 32.18 trillion or down 4.05% compared to the end of 2019 of Rp. 33.54 trillion. In addition, the company's liabilities were Rp. 27.92 trillion or an increase of 34.13%, compared to the end of 2019 which was recorded at Rp. 20.89 trillion.

In the company's assets of Rp. 60.1 trillion, up 10.47%, and at the end of 2019 amounted to Rp. 54.44 trillion. Specifically, there is Rp. 135.3 billion from net cash flow, namely operating activities, down 70.5%. In the first quarter of 2019, it was Rp. 458.2 billion (Aziz, 2020). "PT Bumi Serpong Damai Tbk's profit in the first quarter of 2020 fell by 58%",

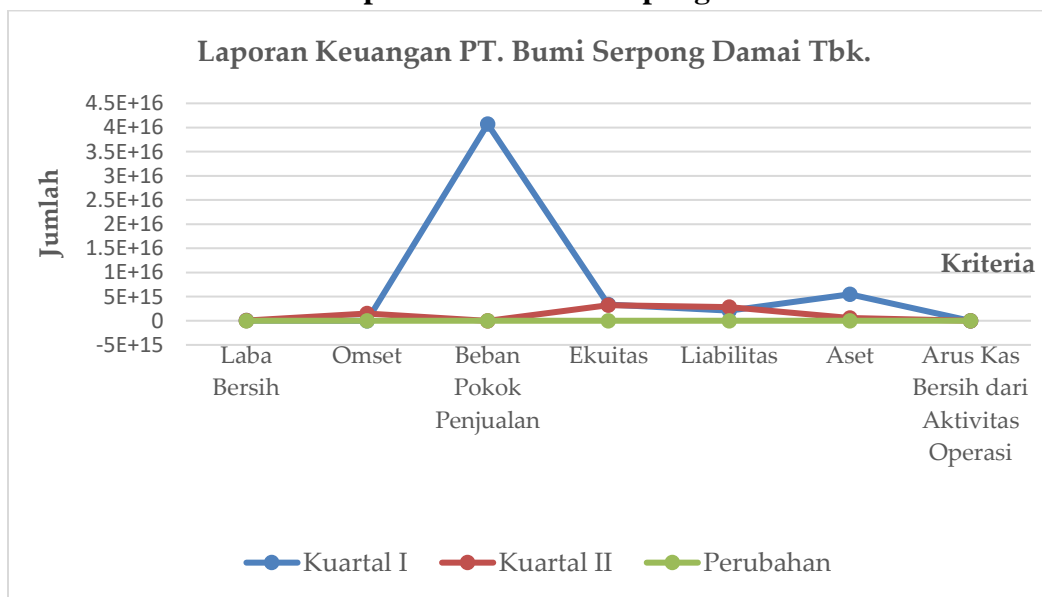
accessed May 13, 202 at 12:39). The cause of the decline in net profit was in the first quarter of 2020 by Rp. 115.1 billion due to interest expenses from sales discounts.

**Table 1.**  
**Financial Report of PT Bumi Serpong Damai Tbk.**

Criteria	Quarter I	Quarter II	Change
Net profit	61,823,000,000,000	25,964,000,000,000	-58.09%
Turnover	1,629,000,000,000,000	1,495,000,000,000,000	-8.22%
Cost of Goods Sold	40,702,000,000,000,000	4,526,000,000,000	11.05%
Equity	3,354,000,000,000,000	3,218,000,000,000,000	-4.05%
Liabilities	2,089,000,000,000,000	2,792,000,000,000,000	34.13%
Asset	5,444,000,000,000,000	601,000,000,000,000	10.47%
Operational Activities	4,582,000,000,000	135,000,000,000	-70.5%

Source: CNN Indonesia, 2020

**Figure 1.**  
**Financial Report of PT Bumi Serpong Damai Tbk.**



Source: CNN Indonesia, 2020

The condition of the decline in net profit of subsidiaries (associated entities) and ventures was also exacerbated by the company PT Plaza Indonesia Mandiri, which suffered a significant loss of Rp. 22.5 billion. Interest debt was reported to have increased from Rp. 13.5 trillion in the first quarter of 2019 and the first quarter of 2020 by Rp. 20.05.

According to Ellen, the new report, JLL Global Capital Flows, explains a 26% decline in real estate transactions in the Asia Pacific region, in the first quarter of 2020 to \$ 34. JLL Asia Pacific Capital Markets CEO Stuart Crow said that due to the Covid-19 pandemic situation, transaction volumes are expected to decline in the Asia Pacific region.

"Many investors have stopped operating due to the unstable economic situation, so many transactions are still affected. We estimate that the decline in activity will continue until the second quarter, and trading volumes should be expected to recover and strengthen in both times this year," he said in an official statement.

The impact domestically is experienced by workers in related sectors. Sanny Iskandar, President Director of the Indonesian Property Company (Apindo), said that around 30.34 million workers in the Real Estate Sector and its derivatives are at risk of being laid off, even though this happened due to the impact of the Covid-19 pandemic. Sanny explained the results of a limited survey conducted by Kadin, Apindo, and Real Estate Indonesia (REI). The survey explained that if there was a disruption in the real estate sector and a decline due to corona, it would impact 30.34 million workers. There are two sources of different workforce numbers. The first source shows that 19.17 million workers are in the property and real estate sectors. The second source, there are 11.18 million workers from the property sector and those related to property and real estate. <https://www.cnnindonesia.com> CNN Indonesia. "Corona Hits Property Sector Performance", accessed May 16<sup>th</sup>, 2020, at 09.30.

Profit Persistence can be interpreted as a tool to calculate the effectiveness of a company in maintaining profits, one of which is by reviewing the usefulness of profit data to calculate the ability of a company to maintain its profits Marlina & Idayanti, (2021). Profit can be called persistence, which is profit that is stable and able to continue consistently throughout time. Petra et al., (2020). If the persistence of profit increases and experiences stability, then the quality of the profit will also increase (Abriantini, 2023). The reason for choosing earnings persistence is also because the calculation can show the consistency of a company's profits that can be maintained so that profits will be stable from year to year. A simple way to determine earnings persistence is to determine whether the data can be used to evaluate the size of potential recurring income, namely the possibility that the company's income results will persist. In previous research, according to Supomo & Amanah (2019), if

profit persistence has a negative effect on profit quality, namely good and consistent profit data information, it will reduce the profit quality of a company on the basis that the company will continue to strive to maintain stable profits, one of which is by manipulating profits so that it can reduce profits.

The next factor is profitability, which means the ability to assess a company in obtaining profit results (Putra & Susila, 2020). If it has a high profitability value, the quality of profit is also higher. Investors do not choose profits that have a low level but prefer companies with profits that have a high level. In a previous study research, Laoli and Herawaty (2019) stated that profitability has a negative influence on earnings quality.

The next factor is liquidity, which means the company's ability to pay short-term obligations through its current assets (Bawoni and Shodiq, 2020). The company will not do earnings management if the company cannot pay its short-term debt. This happens if the financial performance of the company is good and can pay its short-term debt (Septiano et al., 2022). Liquidity that has a high level indicates the wealth and financial position of the company, so it can attract investors. In theory, companies with low liquidity are theoretically considered high-risk companies. Therefore, from the perspective of rational or risk-averse investors, when making investment decisions, the quality of the company's earnings should be considered. However, if the company's liquidity level is at a very high level, then the company has difficulty managing its inventory optimally, therefore financial results decline and there is an opportunity for profit manipulation so that it can increase profits (Kepramareni et al., 2021). In previous research proposed by (Zatira et al., 2020) if liquidity is not affected by earnings quality.

Capital structure is the amount of debt and equity required by a company to finance assets measured by its capital structure and shows how much of a company's assets are funded by the company's debt (Zahiroh et al, 2023). The condition of the capital structure affects the state of the financial position so it can affect the financial performance of the company (Anggraini, 2019; Wanitasari et al, 2021). Previous research stated Putra & Anwar (2021) if the capital structure has a positive influence on earnings quality.

## REVIEW OF LITERATURE

### Agency Theory

According to Tauhid et al. (2024) shows that agency theory is stated in 3 assumptions. The first assumption is the assumption about the character of a human being, it can confirm that in essence humans tend to prioritize personal interests (self-interest), behave in a limited rationality (bounded rationality), and have no desire for risk (risk aversion). In addition, the second assumption is an organizational assumption that can provide an explanation of the existence of conflict for each individual in an organization, the criteria for effective productivity, and differences in asymmetric information between the principal and agent. The third assumption is the assumption through cognitive knowledge, which states that people view information as something that can be bought and sold.

Agency theory states that having a relationship between management and investors, to remain good in the eyes of investors, management wants to maintain profits. External parties usually choose companies with sustainable profits, because unsustainable profits will result in inappropriate investment decisions (Ashma & Rahmawati, 2019). Profit persistence is an indicator to provide a perception of the company's ability to maintain stable profits from year to year. If the company has stable profits, it can attract investors to invest in the company because investors think that if a company has stable profits, it can maintain financial stability (Agus et al., 2020).

If the level of profit persistence is high, it can show a picture of the profit acquisition in the following year which can suggest investors how to react to the reported profit. Because of the high-profit stability and recurring nature, investors have the opportunity to receive the expected return from the investment. In line with research Rizqi (2020), Yuniartika (2022), Ashma & Rahmawati (2019) state that earnings persistence has a positive effect on earnings quality. Based on this statement, the hypothesis is that

#### **H1: Earnings persistence has a positive effect on earnings quality.**

Based on agency theory, profitability can motivate management to increase company profits. A comparison between profits generated and capital issued in a company can be made to prove the company's ability to generate profits (Nirmalasari & Wahyu Widati, 2022).

Profitability is an indicator that can measure how effective a company is in making a profit. The goal is to estimate the effectiveness of management in implementing the company's operational activities (Mahmudah & Suprihhadi, 2022). The profitability of companies that have high values does not meet most of their financial needs met by internal funding with funds generated (Yulianti & Rahmah, 2022).

According to research Aprilian et al. (2020), and Zatira et al. (2020) stated that profitability has a positive effect on profit quality. Thus, (Kepramareni et al., 2021) support this research and state that profitability affects profit quality. The better the company's condition and business opportunities, the higher the level of profit in future profitability. The hypothesis used according to the description is.

**H2: Profitability has a positive effect on profit quality.**

Agency theory explains the ability of management to manage profits which ultimately has an impact on inaccurate financial reporting, causing poor profit quality. A high level of profit quality indicates that the company's business risk tends to be low. The higher the current assets for current liabilities, the greater the company's ability to pay to meet its current obligations within the specified time. Liquidity indicates that the company's short-term obligations along with the company's free fund sources have good capabilities. So, with the high value of the liquidity correlation, the profit quality will also increase. This explanation is in accordance with research by Sejati et al. (2021) explains that liquidity has a positive influence on earnings quality. According to this explanation, the hypothesis is

**H3: Liquidity has a positive effect on profit quality.**

Funding comes from external sources to minimize debt in the form of agency conflicts between principals and agents, so the company bears large agency costs (Santoso & Handoko, 2023). Capital structure is a description that allows a company to determine the use of internal and external capital to finance the company by calculating and comparing total debt divided by the company's business equity (Rozet & Kelen, 2022). The company's external capital sources increase if the results of the capital structure value calculation are higher and vice versa, the company's internal capital sources increase if the results are lower. This explanation is in line with the research of Rohmansyah et al. (2022), Al-Vionita & Asyik

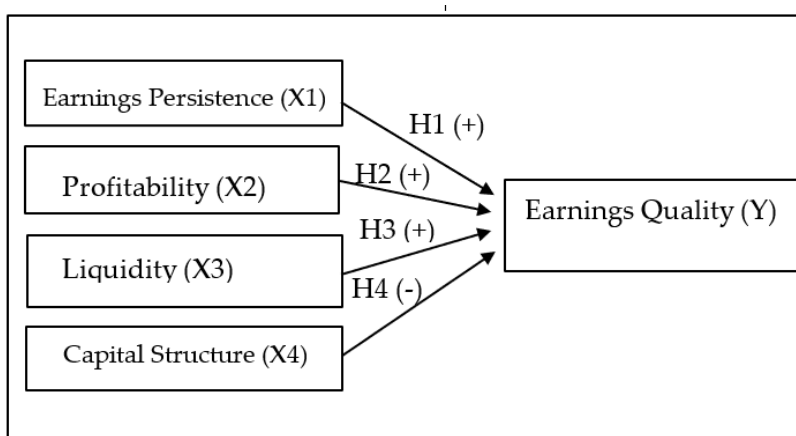
(2020), and Pane & Rahmadhani (2021), who explain that capital structure has a negative effect on profit quality.

**H4: Capital structure has a negative effect on earnings quality.**

### Research Framework

A framework of thought is a fundamental interpretation that can underlie an idea or research process (Sugiyono, 2019). The framework for thinking carried out in this research is:

**Figure 2.**  
**Research Framework**



### RESEARCH METHOD

The research was conducted using quantitative data or in the form of numbers, so that it aims to test the predetermined hypothesis. The data source is secondary data. The population used by the researcher is the Kompas 100 Index listed on the Indonesia Stock Exchange in 2019-2022. Purposive Sampling is a technique for taking samples, criteria, and certain characteristics (Amin et al., 2023). The criteria are (1) Companies listed on the Kompas 100 Index for 2019-2022, (2) Companies listed and registered their companies on the IDX in 2019-2022, (3) Companies continuously publishing financial reports on the IDX in 2019-2022, (4) Companies with positive profits during 2019-2022. So, 51 Kompas 100 Index companies were obtained.

## Independent Variables

### Earnings Persistence

Profit persistence is a tool to measure and maintain profits that can be seen through the use of profit data information that has the aim of measuring the company's potential for sustainable operations (Marlina & Idayanti, 2021). The following is the measurement of the profit persistence variable:

$$PL = \frac{EBT_t - EBT_{t-1}}{\text{Total Aset}}$$

Information:

- PL : Earnings persistence  
EBT<sub>t</sub> : Profit before tax t  
EBT<sub>t-1</sub> : Profit before tax t-1  
Total Assets : Total Asset

### Profitability

Profitability is an assessment of a company's performance to obtain profit. The following is a measurement of profitability variables according to Salihi et al. (2023):

$$\text{Return On Asset (ROA)} = \frac{\text{Net profit}}{\text{Total Assets}} \times 100\%$$

### Liquidity

Liquidity is the ability to assess a company's current assets to pay off its short-term liabilities (Bawoni et al., 2020). The following are measurements of liquidity variables:

$$\text{Current Ratio (CR)} = \frac{\text{Current assets}}{\text{Current Liabilities}}$$

### Capital Structure

Capital structure is an important activity process for a company to achieve success (Syawaluddin and Sujana, 2019). The following is a measurement of capital structure variables according to (Anggraini, 2019):

$$\text{Debt to Equity Ratio (DER)} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

## Dependent Variable

### Profit Quality

Profit quality is financial reporting information that shows events with facts. Decision information from investors can be taken if the financial report can provide quality profits (Rohmansyah et al., 2022). The following are measurements of earnings quality variables:

$$KL = \frac{\text{Operating Cash Flow}}{\text{Net Income}}$$

Information:

KL : Profit Quality

Operating Cash Flow : Operating cash flow

Net Income : Profit

### Analysis Techniques

The analysis technique applied is multiple linear regression analysis. Multiple linear regression analysis is a statistical model to evaluate the relationship or influence of dependent variables and independent variables (Putra & Susila, 2020). Based on the description, the equation model is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Information:

Y = Profit Quality

X1 = Earnings Persistence

X2 = Profitability

X3 = Liquidity

X4 = Capital Structure

$\alpha$  = Constants

$\beta_1, \beta_2, \beta_3, \beta_4$  = Regression Coefficient

e = Standard error

**RESULTS AND DISCUSSION**

**Table 2.**  
**Descriptive Statistical Test**

<b>Descriptive Statistics</b>					
	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Earnings Persistence	54	-0.04	0.07	0.0115	0.02436
Profitability	54	0.03	0.10	0.0628	0.02062
Liquidity	54	0.53	2.92	1.6934	0.50178
Capital Structure	54	0.23	1.49	0.8852	0.30899
Profit Quality	54	0.33	3.21	1,5140	0.71634
Valid N (listwise)	54				

Source: Processed Data 2024

According to the results of the descriptive statistical test, it is stated that the variables of profit persistence, profitability, liquidity, capital structure, and capital structure show as many as 54 samples (N) contained in the financial statements for the period 2019-2022. In the profit persistence variable in 2020, PT Astra International Tbk. has a minimum value of -0.04, while PT Medikaloka Hermina has a maximum value of 0.07. The mean value is 0.0115 and the standard deviation is recorded as 0.02436. So, the data is less varied because the mean value is smaller than the standard deviation or is not accurate with the mean value.

In the profitability variable in 2021, PT Bumi Serpong Damai Tbk. has a minimum value of 0.03, while in 2021 PT Charoen Pokphand Indonesia Tbk has a maximum value of 0.10. The mean value is recorded at 0.0628, which is more than the standard deviation value of 0.02062. Therefore, the data varies because the mean value is higher than the standard deviation and is more accurate with the mean.

In the liquidity variable in 2022, PT Energi Mega Persada Tbk. has a minimum value of 0.53 while in 2019 PT MNC Studios International Tbk. has a maximum value of 2.92. The mean value is recorded at 1.6934 and the standard deviation is 0.50178. So, the data varies because the mean value is greater than the standard deviation and is more accurate with the mean.

In the capital structure variable in 2020, PT Indocement Tunggal Prakarsa Tbk had a minimum value of 0.23 while in 2021 PT MNC Studios International Tbk. had a maximum value of 1.49. The mean value was recorded at 0.8852 and the standard deviation was

0.30899. Thus, the data varies because the mean value is greater than the standard deviation and is more accurate with the mean.

In the 2021 earnings quality variable, PT Japfa Comfeed Indonesia Tbk. has a minimum value of 0.33, while in 2021 PT Semen Indonesia (Persero) Tbk. has a maximum value of 3.21. The mean value is recorded at 1.5140 and the standard deviation is 0.71634. Therefore, the data varies because the mean value is greater than the standard deviation and is more accurate than the mean

**Classical Assumption Test**

**Table 3.**  
**Normality Test**

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		54
Normal Parameters <sup>a,b</sup>	Mean	0.0000000
	Std. Deviation	0.43278793
Most Extreme Differences	Absolute	0.090
	Positive	0.072
	Negative	-0.090
Test Statistics		0.090
Asymp. Sig. (2-tailed)		0.200 <sup>c,d</sup>

Source: Processed Data 2024

According to the results of the normality test, the variables of profit persistence, profitability, liquidity, capital structure, and profit quality have a significance of 0.200<sup>c,d</sup> > 0.05, indicating that the data is normal.

**Table 4.**  
**Multicollinearity Test**

Coefficients <sup>a</sup>		Collinearity Statistics	
Model		Tolerance	VIF
1	Earnings		
	Persistence	0.802	1,248
	Profitability	0.705	1,417
	Liquidity	0.729	1,372
	Capital Structure	0.670	1,493

a. Dependent Variable: Earnings Quality

Source: Processed Data 2024

The results of the multicollinearity test indicate that there are no symptoms of multicollinearity because each variable has a tolerance value  $> 0.10$  and  $VIF < 10.00$ .

**Table 5.**  
**Heteroscedasticity Test**

		<b>Unstandardized Coefficients</b>		
<b>Model</b>		<b>B</b>	<b>t</b>	<b>Sig.</b>
1	(Constant)	0.505	1,982	0.053
	Earnings Persistence	-0.086	-0.057	0.955
	Profitability	-1.04	-0.544	0.589
	Liquidity	-0.094	-1,214	0.231
	Capital Structure	0.084	0.643	0.523

a. Dependent Variable: ABRESID

Source: Processed Data 2024

The results of the heteroscedasticity test do not show any symptoms of heteroscedasticity. Because the significance value is  $> 0.05$ .

**Table 6.**  
**Autocorrelation Test**

<b>Model</b>	<b>R</b>	<b>Durbin-Watson</b>
1	0.797a	1,745

Source: Processed Data 2024

The results of the autocorrelation test found a Durbin-Watson value (d) of 1.745. The measurement of the autocorrelation test is  $dU < d < 4-dU$ . This study used 4 variables and 54 samples so the resulting value was  $1.724 < 1.745 < 2.276$ , which means that there is no autocorrelation symptom.

**Table 7.**  
**F Test (Goodness of Fit)**

<b>Model</b>		<b>F</b>	<b>Sig.</b>
1	Regression	21,310	0.000b
	Residual		
	Total		

Source: Processed Data 2024

The results of the F test are stated if H0 is rejected and Ha is accepted, it is known that the significance value is  $0.000 < 0.05$  and  $F_{count} 21.310 > F_{table} 2.56$ . So, it has a significant influence in terms of fit on the earnings quality variable (Y). And shows the feasibility of the model in making a description that shows that earnings quality is simultaneously influenced by earnings persistence, profitability, liquidity, and capital structure.

**Table 8.**  
**Multiple Linear Regression Test**

		Unstandardized		
		Coefficients	t	Sig.
Model	B			
1	(Constant)	5,273	11,069	0,000
	Earnings Persistence	9,648	3,403	0.001
	Profitability	-29,040	-8,134	0,000
	Liquidity	-0.497	-3,442	0.001
	Capital Structure	-1,360	-5,563	0,000

a. Dependent Variable: Earnings Quality

Source: Processed Data 2024

The results of the multiple regression model equation show that the constant value (a) The positive sign means one direction, namely the independent and dependent variables. From this condition, it is known that if all independent and dependent variables have a value of 0 (constant) or do not change, then the earnings quality variable (Y) is worth 5.273.

The test results on hypothesis 1, namely profit persistence, show that the regression coefficient value is 9.648 and increases by one unit and other variables are constant. The test results on hypothesis 2, namely profitability, show that the regression coefficient value is -29.040 so it decreases by one unit and other variables are constant. The test results on hypothesis 3, namely liquidity, show that the regression coefficient value is -0.497 so that it decreases by one unit and other variables are constant. The test results on hypothesis 4, namely capital structure, have a regression coefficient value of -1.360 and decrease by one unit and other variables are constant.

**Table 9.**  
**Coefficient of Determination (R<sup>2</sup>)**

Model	R	R Square	Adjusted R Square
1	0.797a	0.635	0.605

Source: Processed Data 2024

The results of the determination coefficient test obtained an Adjusted R Square value of 0.605. It can be explained that the dependent variable has a 60.5% influence on the independent variable and other variables of 39.5% are outside the model or are not in this study.

**Table 10.**  
**T-Test (Partial Test)**

Unstandardized Coefficients				
	Model	B	t	Sig.
1	(Constant)	5,273	11,069	0,000
	Earnings Persistence	9,648	3,403	0.001
	Profitability	-29,040	-8,134	0,000
	Liquidity	-0.497	-3,442	0.001
	Capital Structure	-1,360	-5,563	0,000

Source: Processed Data 2024

### **The Effect of Earnings Persistence on Earnings Quality**

The results of the profit persistence test show a significance value of  $0.001 < 0.05$  and a value of  $t_{count} 3.403 > t_{table} 2.00958$ . The conclusion is that  $H_0$  is rejected and  $H_a$  is accepted. So, it has a significant positive influence on earnings persistence and earnings quality, so  $H_1$  is accepted. This happens because the ideal company condition describes good earnings quality for investors and is considered to be able to maintain a stable and quality financial position (Ashma' & Rahmawati, 2019). This description is in accordance with the research obtained by Marlina & Idayanti (2021) if earnings persistence has a positive effect on earnings quality.

### **The Influence of Profitability on Profit Quality**

The results of the profitability test have a significance value of  $0.000 < 0.05$  and the  $t$  count value is  $-8.134 > t_{table} -2.00958$ . The conclusion is that  $H_0$  is accepted and  $H_a$  is rejected. So, it has a significant negative influence on the profitability variables on earnings

quality. So, it can be stated that H2 is rejected. Profitability has negative results due to the low level of profitability in the company, this can encourage management to implement earnings management. The company's discretionary accrual value will increase along with the decline in its profitability. As a result, the company's earnings quality will decrease. This description follows the research that was presented by Ningsih (2019) that is, if profitability is low, it indicates low company profits.

### **The Effect of Liquidity on Profit Quality**

The liquidity test results have a significance value of  $0.001 < 0.05$  and the tcount value is  $-3.442 > t_{table} -2.00958$ . The conclusion is that H0 is accepted and Ha is rejected. So, it has a significant negative influence on the liquidity variables on the earnings quality variable. So, the results show that H3 is rejected. So, the company in this study is unable to pay its short-term debt. However, the company can use its current assets optimally. This is in accordance with the research of Septiano et al (2022) if liquidity has a negative effect on earnings quality.

### **The Influence of Capital Structure on Profit Quality**

The test results on the capital structure show that the significance value is  $0.000 < 0.05$  and the tcount value is  $-5.563 > t_{table} -2.00958$ . The conclusion is that H0 is rejected and Ha is accepted. So, it has a significant negative influence on the capital structure variables on the earnings quality variable. So, the results show that H4 is accepted. The negative direction shows that if there is high leverage in the company, it can reduce profits, this is because the higher the capital structure, the worse the results of the earnings quality because the company uses more of its capital than paying dividends. The risk of bankruptcy of a company increases when the company's debt is high, so to solve this, the company must spend more money. Ultimately, this can cause earnings quality to decline (Amanda & NR, 2023). This is following research by Al-Vionita & Asyik (2020) if the capital structure has a negative effect on earnings quality.

## **CONCLUSION**

This study focuses on the influence of earnings persistence, profitability, liquidity, and capital structure variables on earnings quality. The population is the Kompas 100 Index

listed on the Indonesia Stock Exchange from 2019 to 2022. Thus, based on the tests and discussions that have been carried out, the conclusion is that earnings persistence has a positive effect on earnings quality while profitability, liquidity, and capital structure have a negative effect on earnings quality. This study implies that companies must manage debt carefully, monitor the company's financial statements regularly to identify potential financial problems, and inaccuracies, and handle them by taking preventive measures against the decline in financial management, especially in earnings quality. If the company can maintain the position of the financial report, investors will be interested in companies that can maintain their profits.

The limitations of this study are that it focuses on earnings persistence, profitability, liquidity, and capital structure. So, financial report data is only obtained from companies with continuous positive profits. For further researchers, they can add periods, because the period in this study has a relatively small sample, and can add independent variables to positively influence earnings quality.

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