ISSN: 2338-8412 e-ISSN : 2716-4411

Ekombis Review – Jurnal Ilmiah Ekonomi dan Bisnis
Available online at : https://jurnal.unived.ac.id/index.php/er/index
DOI: https://doi.org/10.37676/ekombis.v13i2

Factors That Influence The Earning Response Coefficient In Property And Real Estate Sector Companies In Indonesia

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How to Cite :
Widarti, W., Yanti, D., S, Sugiarto, F. (2025). Factors That Influence The Earning Response Coefficient In Property And Real Estate Sector Companies In Indonesia. EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis, 132(2). doi: https://doi.org/10.37676/ekombis.v13i2

ARTICLE HISTORY
Received [04 November 2024]
Revised [20 February 2025]
Accepted [17 March 2025]

KEYWORDS
Effect of Profitability, Company Size, *Leverage*, *Growth Opportunities,* Earning Response Coefficient.

ABSTRACT

This study aims to determine the effect of Profitability, Company Size, Leverage, and Growth Opportunities on Earning Response Coefficient. This type of research data is quantitative data, the technique used in sampling for this study is using purposive sampling technique. The purposive sampling technique is a sampling technique to select samples based on several criteria so that later the samples used are more representative. The data obtained is then processed and tested so that it can be concluded how the Effect of Profitability, Company Size, Leverage, and Growth Opportunities on Earning Response Coefficient. The results of this study. Profitability, Growth Opportunities, Company Size and Leverage variables have an overall and statistically significant effect on ERC. The F statistic value of 1.425 with a significance value (Sig.) of 0.032 indicates that the regression model used has a significant effect simultaneously on the dependent variable, namely the Earning Response Coefficient (Y).

INTRODUCTION

Indonesia can develop well if economic growth increases at this time there is a transition from the pandemic era to the end of the pandemic, Indonesia is in the grip of a recession issue or also called a slump which occurs when for two quarters or more than a year economic growth or gross domestic product has decreased or is negative. Companies must be able to maintain and improve their performance as a measure of their success in facing fluctuating economic conditions. Internal and external factors can affect the capital market which plays an important role in supporting the economy. One of them is influenced by the performance of all stock exchange issuers from various industries. Investors must consider fundamental and technical factors when making investment decisions. Publication of financial statement information helps estimate the company's ability to earn reasonable profits over time and assess investment risk (Nurrahman & Yusrizal, 2020). Financial statements are records of a company's financial

information over time, designed to publish information about changes in financial condition, performance, and financial statement position. Users of financial statements use this information to assess and analyse company risks and returns, such as forecasting future cash flows and earnings (Sabrina et al., 2021). ERC is a coefficient that calculates the abnormal market return on a company's securities as a result of a component of the company's report that issues securities on unexpected earnings (Rahmawati et al., 2021). The possibility of manipulation by management can result in low earnings quality which can affect investor decisions, because earnings quality is suspect and inaccurate in describing the company's financial statements. When investors calculate the market value of the company, companies that do not earn, are unable to explain the true market value.

In an effort to avoid the risk of making bad decisions, investors must consider factors that are not revealed in the income statement, such as Profitability, Company Size, and Leverage because financial statements must be able to present exactly how the company's performance is where this financial report serves as a source of information for its users, so this variable was chosen as a component that affects ERC. In addition, earnings information serves as an information tool for investors in making investment decisions, so its quality is very important. Profitability is a factor that also has a relationship with the value of earnings. (Sarahwati & Setiadi, 2022) state that a higher response from investors to company performance occurs if the company has a high level of profitability and has a positive effect on ERC. Companies earn higher profits because high profitability is considered favourable for investors to invest in the company. Companies that make a lot of money have a higher ERC than companies that do not make a lot of money, because profits are considered favourable in dividend distribution. Regulated companies will provide high quality financial reports.

The larger the company, the greater the financial performance increases its business continuity. Company Size in (Nurrahman & Yusrizal, 2020) shows that the earnings response coefficient is influenced to a certain extent where debt is generally used by large companies to meet corporate funding and finance investment. It can be concluded that Company Size is the size of the company which focuses on the total assets owned. Investors will respond to reported profits if the company's total assets are large. High or low level of debt in a company (Leverage). In research (Sarahwati & Setiadi, 2022) states that investors will feel less trust in companies with high leverage , which will have a negative impact on ERC because the company prioritises debt payments over providing shareholder dividends.

Based on this definition, it can be said that leverage is a ratio to calculate the proportion of debt that will be used in financing the company's asset needs. The risk faced is the uncertainty about the company's ability to pay its fixed obligations. Another investor consideration is future Growth Opportunities as measured by earnings growth which is thought to affect ERC. The results of research by (Oktavia & Yanti, 2022) state that the higher the Growth Opportunities, the higher the ERC, and vice versa so that it has a positive effect on ERC. So from the above definition, Growth Opportunities is the prospect of future growth which is used as an indicator of market valuation by investors against companies that are considered capable of providing future value. High growth rates provide high returns to investors. The rationale underlying the research on the effect of the above variables on the Earnings Response Coefficient (ERC) is that investor evaluation begins with the situation around the company's earnings announcement date, when investors react differently to reported earnings. If the company's reported earnings exceed investor expectations, investors will raise their earnings and performance ratings and buy shares. If the reported earnings fall short of expectations, investors will downgrade and sell the company's shares.

This research is a development of previous research conducted by Fitriah, Suryani (2020), entitled The Effect of Growth Opportunities and Leverage on Earnings Response Coefficient. The difference between this research and previous research lies in the time object, namely the 2015-2018 period, while this study uses the latest time object, namely the 2019-2022 period with

Property and Real Estate sector companies, besides that researchers also change variables by reducing the effect of growth opportunities and adding two independent variables, namely profitability and company size. It is assumed that profitability and company size are factors that influence the Earning Response Coefficient so as to help investors get reasonable profits and at the same time minimise investment risk.

LITERATURE REVIEW

Agency Theory

Agency theory (Agency Theory) was first introduced by Jensen and Meckling in 1979, he explained that Agency theory is the relationship between the authorising party (principal), namely the investor or shareholder and the party receiving authority (Agency), namely the company manager. The Agency party (company manager) is the party who is directly involved in carrying out the company's operational activities and has obligations and responsibilities for the assigned tasks. Then, the principal (investor or shareholder) does not directly participate in the company's operational activities, but the principal is the party that provides assistance in the form of funds and facilities for the Agency to carry out its company's operational activities (Shapiro cited in Brian & Martani, 2014).

Agency theory reveals that there is information asymmetry between the agent (company manager) and the principal (shareholder) where the company manager certainly has more information about the company's activities both internal and external than the shareholders (Ismiani Aulia & Endang Mahpudin, 2020). This theory focuses on the discussion of *principal* and *agent*. the owner of a company's capital is positioned as the *principal* and the person who will provide information to the principal is called the *agent* (Oktavia & Yanti, 2022). The agency relationship perspective is used in order to understand the correlation between shareholders and managers because the agency relationship creates differences between the two. Agency conflicts arise because agents (managers) gain a deeper understanding of the company's internal information and future aspects than principals (owners).

Signal Theory

This theory reflects how external parties receive signals on the company's financial statement information to evaluate the company based on various signalling mechanisms. Because there is a lack of information about the company from the outside, companies often offer low prices for companies with various alternatives, because external parties who hold information are believed to have the same opinion about the value of the company. This point of view is certainly detrimental to the company in the long run because external parties will value less than they should (Fitriah, 2020).

Accounting profit is another indicator where positive signals obtained by investors from the capital market occur if profits increase and vice versa. Signal theory helps provide information about the effect of company size and *leverage* on ERC for *stakeholders* because company performance is reflected in earnings information, investors will consider investment decisions when signals are received by investors.

Profitability

This profitability ratio is a measuring tool used to measure overall efficiency or effectiveness which is intended for the high and low profits earned in relation to investment and sales. The company can make a profit or profit if the profitability ratio is said to be good, and vice versa. The company really needs the calculation of this ratio, because it can concern the survival of the company. According to Sujaweni (2017: 64), determining profitability is 'The profitability ratio is the proportion used to measure the company's ability to earn profits, in relation to sales, assets and income and own capital'. According to Cashmere (2019: 198) the profitability ratio is a

ratio used by a company to assess its ability to seek profit or profit. The profitability ratio can also provide a measure of the level of effectiveness of the company's management, this is shown from the profit earned by sales and investment income. So, the point is that the use of this profitability ratio will show the efficiency of the company. Profitability is a component that shows how the company's process of generating profits to increase shareholder value through resources, which can be measured by comparing profits and assets over a certain period of time (Anggraeni & Widati, 2022).

Profitability is very important in determining the level of investor investment in companies that will provide returns consistent with investor expectations. ERC will be higher in companies that make a lot of money than in companies that don't make a lot of money (Okalesa et al., 2022). Rosa (2013) in Lasmida and Ekadjaja's research (2020) states that profitability is the ability of a company to generate profits or profits in order to increase shareholder profits. An investor must be able to understand how it is possible in the future. Meanwhile, if profitability is related to ERC, it can be explained that if the company's profitability is high, the profit generated by the company will also increase and will influence investors to invest their capital. In this study the authors used the profitability ratio calculated using *Return On Equity* (ROE).

According to Kasmir (2016) ROE serves to measure the level of net profit after tax with own capital. Return on Equity (ROE) is very important for shareholders to determine the effectiveness and efficiency of capital management carried out by company management. The conclusion that can be drawn is that profitability explains the company's ability to generate profits from its resources, by comparing profits with assets. Companies that make a lot of money have a higher ERC than companies that do not make a lot of money. Since profits are considered favourable in dividend distribution, investors react quickly to this information.

Company Size

Company size can generally be interpreted as a scale that classifies the size or size of a company in various ways, including being expressed in total assets, total sales, stock market value, and others. According to Riyanto (2013: 313) 'company size is the size of the company seen from the amount of equity value, sales value or asset value'. According to Niresh (2014: 57) 'company size is the main factor to determine the profitability of a company with a concept commonly known as economies of scale'.

This means that economies of scale point to the low cost advantage obtained by large companies because they can produce products at low per unit prices. Companies with large sizes buy raw materials (production inputs) in large quantities so that the company will get more quantity discounts from suppliers. Company size is a measurement to categorise companies in various aspects such as total assets, length, stock market value, and so on. The three basic business sizes are small firms, medium firms, and large firms. Total assets are used to calculate the size (Andiyani, 2019). The size of the company can affect whether its performance is good or not.

Large companies are more trusted by investors because they are considered capable of trying to increase profits to improve their company's performance, so the greater the total assets, the more profit is announced that will be responded to by investors (Okalesa et al., 2022). According to Sarahwati and Setiadi (2021) Based on its size, companies can be divided into two categories, namely large companies and small companies. Large companies have more developed profits and have an impact on the magnitude of the market response to stock returns. Investors prefer large companies to small companies, so that the size of the company has a positive effect on the earning response coefficient.

Some of the above definitions provide a conclusion that Company Size is the size of the company which focuses on the total assets owned. Investors will respond to reported earnings if the company's total assets are large.

Leverage

Leverage according to Cashmere (2015: 151) is a ratio used in measuring the extent to which the company's assets are financed with debt. This means how much debt burden the company bears compared to its assets. In a broad sense, it is said that the solvency ratio is used to measure the company's ability to pay all its obligations, both short and long term if the company is dissolved (liquidated). The leverage ratio describes the relationship between corporate debt and capital, this ratio can see how far the company is financed by debt or outside parties with the company's ability described by capital. This ratio is used to compare capital sources derived from debt (long-term debt and short-term debt) with own capital. In previous research (Fitriah, 2020) 'The debt (leverage) ratio is one way of measuring how large a proportion of debt will be used to finance its assets (Wulansari, 2013). The higher the level of leverage, the higher the level of risk faced and the greater the level of return or income expected. The risk here is meant by uncertainty in relation to the company's ability to pay its fixed obligations (Dendawijaya, 2009).

The study results of Moradi, et al. (2010), Husiano and Suratno (2013), Hasanzade, et al. (2013), Imroatussolihah (2013) and Nisrina (2016) show that leverage affects the earnings response coefficient. The findings of this study indicate that when the debt level of a company is high, most of the profit earned by the company will be channelled to creditors so that the share for shareholders is getting less. Creditors and shareholders both have claims or rights to be repaid for funds invested in the company, but both parties have different rights. The creditor's claim is limited in amount and must be settled by a certain date while the shareholder's claim is a residual amount and does not have to be settled or repaid by a certain date (Imroatussolihah, 2013).' Leverage is a ratio that assesses or estimates how much the company is financed with debt. According to Harahap (2013) cited (Natsir, 2018) in (Sarahwati, Seiadi: 2021), leverage is the ratio between corporate debt to capital. Leverage is used to see how high the ratio of the company's funding sources comes from debt or external parties compared to its own capital. According to Merlin (2018) in Sarahwati, Seiadi (2021), the level of corporate debt can have an influence on the quality of earnings earned. Companies with large amounts of debt often produce low quality and quality earnings. Companies with a high level of leverage, causing the company's obligation to pay debts to creditors is higher than paying dividends. This results in a low market reaction.

Based on the above definition, it is said that *leverage* is a ratio to calculate the proportion of debt that will be utilised in financing the company's asset needs. The risk faced is the uncertainty about the company's ability to pay its fixed obligations.

Growth Opportunities

Growth Opportunities describe the company's future growth prospects. The share price is determined by the expected value of future benefits which reflects the market assessment of the company's growth potential by shareholders. According to (Fitriah, 2020) *Growth Opportunities* explains the company's future growth opportunities compared to the company's growth possibilities. Growth opportunities, apart from being seen in terms of profit, will also be seen whether the company can continue to grow. *Growth Opportunities* plays a role in reporting the company's future growth prospects as measured by earnings growth. The effect of accounting profit will be greater on stock prices in high growth companies than in low growth companies (Oktavia & Yanti, 2022). According to Igusti, et al (2020) Growth opportunity is the company's growth opportunity in the future.

Growth opportunities will increase future earnings expectations so that they affect the ERC of the company. Company growth can be reflected in changes in company assets. Positive information about the company will increase the value of the company which causes the ERC to increase. However, negative information about the company can reduce the value of the company so that the ERC decreases. According to some of the definitions above, *Growth*

Opportunities is the prospect of future growth which is used as an indicator of market valuation by investors of companies that are considered capable of providing value in the future. High growth rates provide high *returns* to investors.

METHODS

The test is conducted to check and ensure that the regression model provides a Best Linear Unbiased Estimator (BLUE), which is data with estimation accuracy, unbiased, consistent, and estimates the regression coefficient effectively. The classical assumption test is divided into normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test. After the research passes the classical assumption test requirements, multiple linear regression analysis is carried out. The data must be regularly distributed and free from multicollinearity, autocorrelation, and heteroscedasticity, among other requirements. There are no specific requirements for the order in which the tests should be completed first.

Normality Test

Testing is useful for testing whether the variable data in the regression model is normally distributed or not. The best regression model is with normally distributed data.

Multicollinearity Test

The test is used to see if there is a relationship between the independent variables in a good regression model that will not be multicollinear. The use of the method proposed by (Ghozali, 2011), observing the presence or absence of multicollinearity, with the Tolerance and VIF (Variance Inflation Factor) values of each independent variable as follows:

1. There is no multicollinearity between independent variables in the regression model if the Tolerance value is more than 0.1 and the VIF value is greater than 10.
2. If the Tolerance value is 0.1 and the VIF value is greater than 10, then the independent variables in the regression model are multicollinear.

Autocorrelation Test

The test serves to test whether there is a correlation between residuals in one period (t) with residuals in the previous period (t-1). There is no autocorrelation in a proper regression model. Autocorrelation problems exist when there is a correlation. Since the residuals are not independent of each other, this is feasible. Symptoms of autocorrelation are diagnosed using the Durbin Watson test. With a significance level = 5%, the Durbin-Watson value will be compared with the value in the Durbin Watson table to determine the lower limit (dl) and upper limit (ul) (du). To determine the presence or absence of autocorrelation, the following conditions must be met:

1. The hypothesis will be rejected if d<dL or d>(4-dL) and indicates the presence of autocorrelation.
2. The hypothesis is accepted if d falls between dU and (4-dU) and indicates the absence of autocorrelation.
3. If d is between dL and dU or between (4-dU) and (4-dL), then the result is uncertain.

Heteroscedasticity Test

This test analyses whether the residuals of observations differ in variance. If the variance between observations is constant, the condition is known as homoscedasticity, while heteroscedasticity is absent. Heteroscedasticity develops when the variances are different. No heteroscedasticity means a good regression model. The use of scatter plot graphs to detect heteroscedasticity. If there is no visible pattern and the points on the Y axis are scattered above

and below 0, there is no heteroscedasticity (Ghozali, 2011: 139). Here are the reasons for this decision:

1. Heteroscedasticity problems develop when regular patterns, such as dots, form (wavy, widening, then narrowing).
2. There is no heteroscedasticity problem, if there is no clear pattern, such as points on the Y-axis spreading above and below zero.

Multiple Linear Regression Analysis

There is a linear correlation between two or more independent variables and the dependent variable in multiple regression analysis. The following multiple linear regression equation serves to determine the effect of independent variables on ERC.

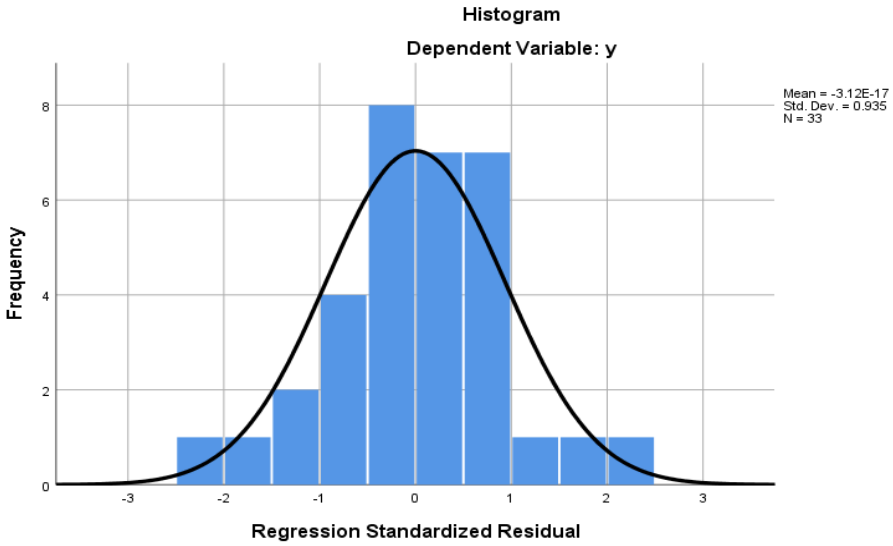
$$Y=a+b_1X_1+b_2X_2+b_3X_3+b_4X_4+e$$

RESULTS

Normality Test

To test whether the variable data in the regression model is normally distributed or not. The following are the results of the normality test graph analysis.

Figure 1 Results Of Normality Test



Based on the image above, the results of the residual histogram test displayed provide an overview of the residual distribution of the regression carried out with the dependent variable Y. In the context of regression analysis, it is important to ensure that the residuals are normally distributed. This is to validate the assumption of normality which is one of the requirements in classical linear regression analysis. The residual distribution approaches the normal curve shown by the black curve line. This curve reflects the theoretical normal distribution. The mean residual is very close to zero, which is -3.12 x 10 ^ -17, which indicates no systematic bias in the regression model applied.

The residual standard deviation of 0.935, indicates the distribution of residuals around the mean value. With a sample size (N) of 33, this histogram also shows that the number of observations is sufficient to provide significant interpretation. This near-normal residual distribution indicates that the regression model used is quite good at explaining the dependent

variable Y based on the independent variables entered into the model. This also means that the assumption of residual normality in the regression model is met, so that the results of parameter estimation and hypothesis testing of this model can be trusted. This analysis is in line with previous studies that emphasize the importance of residual normality in regression analysis to ensure the validity and reliability of the results obtained (Chatterjee & Hadi, 2015; Schoukens & Ljung, 2019).

Multicollinearity Test

The purpose of the multicollinearity test is to test and check whether this form of regression has a relationship between independent variables or free variables. The regression model can be said to be good and correct if there is no relationship between independent variables. The existence of this multicollinearity test can be seen from the tolerance value and Variance Inflation Factor (VIF) (Ghozali, 2018). The tolerance value limit is <0.10 while the Variance Inflation Factor (VIF) limit is> 10 (Ghozali, 2016). The results of the multicollinearity test in this study are as follows:

Table 1 Multicollinearity Test Results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	-.004	.178		-.024	.981		
	x1	.203	.191	.203	1.063	.097	.915	1.093
	x2	.200	.179	.211	1.120	.072	.937	1.067
	x3	-.012	.186	-.012	-.062	.051	.865	1.156
	x4	-.050	.155	-.066	-.324	.748	.811	1.233
a. Dependent Variable: y								

Autocorrelation Test

The purpose of this autocorrelation test is to examine and test whether this linear regression form has a relationship with the failure or error of the disturbance in the period (t-1) or before. The normal linear regression form is free from autocorrelation. In this study, to examine and test autocorrelation using the Durbin Watson test (DW test). The following are the results of the autocorrelation test, namely:

Table 2 Autocorrelation Test Results

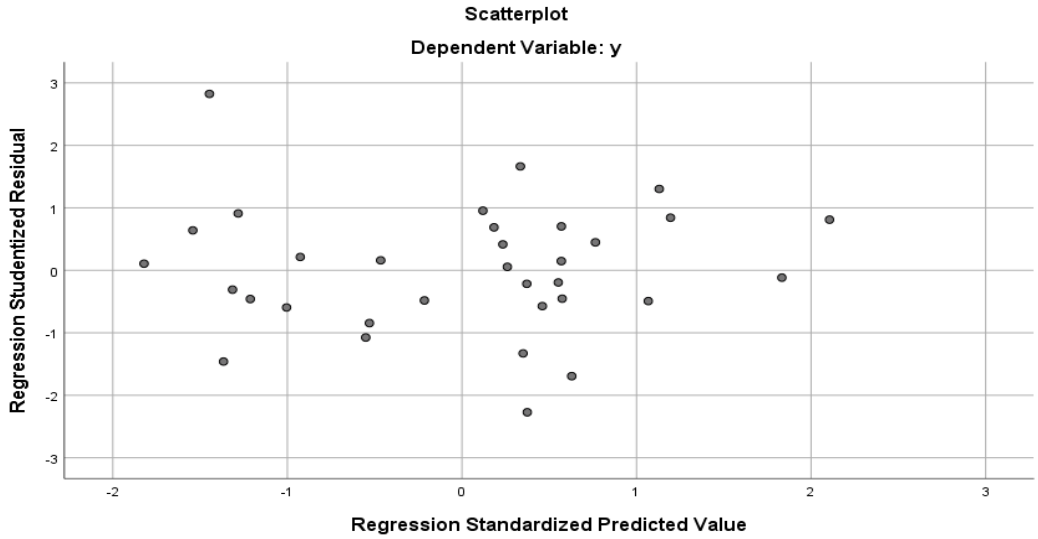
Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.257[a]	.066	-.068	1.01299	1.506
a. Predictors: (Constant), x4, x2, x1, x3					
b. Dependent Variable: y					

Heteroscedasticity Test

Heteroscedasticity test is conducted to test whether in the regression model there is inequality of variance from residuals from one observation to another (Ghozali and Ratmono, 2017). In this observation, it can be done by looking at the scatterplot graphic with graphic criteria. This test is conducted to determine whether the regression model used has inequality of residual variance between observations. The basis of experience is done by looking at the

scatterplot graphic with the criteria of a graph that has no clear pattern and the points are spread on the 0 and y axes. The following are the results of the heteroscedasticity test.

Figure 2 Heteroscedasticity Test Results



Multiple Linear Regression Analysis

Multiple linear regression analysis is conducted to see whether each independent variable has an influence or not on the dependent variable. To test the hypothesis used in this study, multiple linear regression analysis is an analysis conducted to obtain an illustration of the influence of Profitability, capital intensity, and sales growth on tax avoidance. The following is a table of data processing results using multiple linear regression analysis as follows:

Table 3 Multiple Regression Test Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.004	.178		-.024	.981
	x1	.203	.191	.203	1.063	.097
	x2	.200	.179	.211	1.120	.072
	x3	-.012	.186	-.012	-.062	.051
	x4	-.050	.155	-.066	-.324	.748
a. Dependent Variable: y						

DISCUSSION

Effect Of Profitability On Earning Response Coefficient

The results of the regression analysis show that the profitability variable (x1) has a coefficient of 0.203 with a standard error of 0.191, and a standardized coefficient (beta) of 0.203. The t value for x1 is 1.063 with a significance value of 0.097, which is close to the significance threshold of 0.05. This indicates a positive effect of profitability on the earning response coefficient. Descriptively, the profitability statistics (x1) show the same range of values as y, namely from -2.15 to 2.15, with an average of 0.0037, a standard error of 0.17070, and a standard deviation of 0.98062. This indicates that companies with higher profitability tend to get a more positive market response to changes in their profits. In economic theory, profitability is

one of the main indicators of a company's financial performance that reflects the efficiency and effectiveness of management in managing assets to generate profits. According to signaling theory, high profits can provide a positive signal to the market regarding the company's future prospects (connelly et al., 2011). An efficient market will respond positively to companies that show good profitability performance because they are considered capable of providing higher returns to investors (kumbure et al., 2022). Several studies support this finding. (ball & brown, 2013) found that companies with higher profits tend to get a positive response from the stock market. Research by (beisland, 2009) also shows that high profitability is positively correlated with market reactions to earnings announcements, because high profits are considered an indicator of good financial health and bright future prospects. However, not all studies find a significant positive relationship between profitability and market response. Research by (shive & forster, 2020) shows that in some cases, high profits are not always followed by a positive response from the market. This can happen because the market has anticipated the high profits or because of other factors that are not measured in the model, such as business risk and macroeconomic conditions, which affect the market's perception of the company's profits.

Effect Of Growth Opportunities On Earning Response Coefficient

Growth opportunities (x2) has a similar range to profitability, but with a slightly higher average, which is 0.0573, standard error 0.18003, and standard deviation 1.03420. The results of the regression analysis show that growth opportunities (x2) has a coefficient of 0.200 with a standard error of 0.179, and a standardized coefficient (beta) of 0.211. The t-value for x2 is 1.120 with a significance value of 0.072, which is close to the significance threshold of 0.05, indicating a nearly significant positive effect of growth opportunities on earning response coefficient. This shows that companies with higher growth opportunities tend to get a positive response from the market to changes in earnings. Investment theory suggests that companies with higher growth opportunities are usually seen as more promising investments by the market. These companies often have new projects that can increase future revenue and profits, thus giving a positive signal to investors (myers, 1977). High growth opportunities can also reflect management's ability to take advantage of market opportunities and innovate, which is considered positive by the market. Research by (jardak & ben hamad, 2022) shows that companies with higher growth opportunities have a stronger market reaction to earnings announcements. This suggests that the market pays more attention to the earnings of companies with high growth potential because these earnings are considered more sustainable and profitable in the long term. However, not all studies support a significant positive relationship between growth opportunities and market response. Research by (baños-caballero et al., 2014) found that market reactions to new investment announcements were not always positive, especially if the market considered that the company had invested too much without providing appropriate results. In addition, unstable market conditions and external risks can also affect how the market responds to information about a company's growth opportunities.

The Effect Of Company Size On Earning Response Coefficient

The results of the regression analysis show that the company size variable (x3) has a coefficient of -0.012 with a standard error of 0.186, and a standardized coefficient (beta) of -0.012. The t value for x3 is -0.062 with a significance value of 0.051, indicating that company size does not have a significant effect on the earning response coefficient. The descriptive statistics of company size (x3) show a similar pattern to other variables, with a mean of 0.0563, a standard error of 0.17972, and a standard deviation of 1.03243. These results indicate that the size of companies in the property and real estate sector does not significantly affect how the market responds to changes in the company's profits. In economic theory, company size is often considered an indicator of a company's ability to manage resources and achieve economies of scale. However, this theory does not always apply universally, especially in the context of the

property and real estate sector. According to market structure theory, larger firms may have competitive advantages in terms of access to capital and resources, but these advantages do not always translate into a more positive market response to changes in earnings (panda & leepsa, 2017) several studies support the finding that firm size does not always have a significant effect on market response. Research by (venturini, 2022) shows that the firm size variable is not always significant in explaining stock returns after being controlled by other variables such as the book-to-market ratio. This study concludes that the effect of size is inconsistent across industries and market conditions. However, there are also studies that find a positive relationship between firm size and market response. Research by (barberis & thaler, 2003) shows that larger firms tend to have higher stock returns compared to smaller firms, although this effect is often influenced by other factors such as systematic risk and market conditions.

Effect Of Leverage On Earning Response Coefficient

The results of the regression analysis show that the leverage variable (x4) has a coefficient of -0.050 with a standard error of 0.155, and a standardized coefficient (beta) of -0.066. The t value for x4 is -0.324 with a significance value of 0.748, indicating that leverage does not have a significant effect on the earning response coefficient. Descriptive statistics of leverage (x4) show a wider range of values, namely from -2.15 to 4.78, with an average of 0.1449, a standard error of 0.22386, and a standard deviation of 1.28600. Higher leverage values reflect variations in the capital structure of larger companies in this sector. In financial theory, a company's leverage is the ratio of debt to equity that shows how much a company uses third-party funds to finance its assets. According to the modigliani-miller capital structure theory, in a perfect market, capital structure does not affect firm value. However, in reality, factors such as taxes, bankruptcy costs, and agency costs can cause leverage to affect firm value (roychowdhury et al., 2019) several studies support the finding that leverage does not always have a significant effect on market response. Research by (kao et al., 2019) shows that companies with high levels of leverage often face a higher risk of bankruptcy, which can offset the benefits of tax deductions on debt interest. This can cause the market not to respond significantly to changes in the company's leverage. However, there is also research that finds a relationship between leverage and market response. Research by (kumar et al., 2017) shows that leverage can be a positive or negative signal depending on the specific context of the company and market conditions. Companies with high leverage can be seen as companies that are aggressive in taking risks, which can attract or scare investors depending on the perception of risk and return.

Effect Of Profitability, Growth Opportunities, Company Size, Leverage On Earning Response Coefficient

The results of the f statistical test (anova) show that the regression model used in this study is statistically significant overall. The f statistical value of 0.493 with a significance value (sig.) Of 0.041 indicates that the regression model used has a significant influence simultaneously on the dependent variable, namely the earning response coefficient (y). A significance value smaller than 0.05 indicates that together, the independent variables profitability (x1), growth opportunities (x2), company size (x3), and leverage (x4) contribute significantly to explaining variations in the earning response coefficient. In economic theory, a combination of various financial factors such as profitability, growth opportunities, company size, and leverage can provide a more comprehensive picture of company performance and how the market responds to financial information. According to signaling theory, positive financial information, such as increased profitability or high growth opportunities, can provide positive signals to investors regarding the company's future prospects (ross, 2011). This theory states that an efficient market will integrate all available information, including a combination of various financial indicators, to assess the overall value of the company (fama & french, 2012).

CONCLUSION

The conclusions that can be drawn from the results of this study and the discussion that has been described in the previous chapter are as follows:

1. The Profitability variable has a partial positive effect on ERC because investment decisions are seen from companies with higher profits tend to get a positive response from the stock market.
2. The Growth Opportunities variable has a not very significant effect on ERC. This shows that companies with higher growth opportunities tend to get a positive response from the market to changes in profits.
3. The Company Size variable has an effect on ERC. These results indicate that the size of companies in the property and real estate sector significantly affects how the market responds to changes in the company's profits.
4. The Leverage variable is proven to have an effect on ERC. Higher leverage values reflect variations in the capital structure of larger companies in this sector.
5. The Profitability, Growth Opportunities, Company Size and Leverage variables have an overall and statistically significant effect on ERC. The F statistic value of 0.493 with a significance value (Sig.) of 0.041 indicates that the regression model used has a significant simultaneous influence on the dependent variable, namely the Earning Response Coefficient (Y).

SUGGESTION

1. The company is expected to be able to maintain the proportion of the company's profit appropriately because profitability has a positive influence in the long term.
2. The company must always maximize the increase in the company's prospects in order to be able to compete because several companies in this sector have a book value that is quite far apart which indicates that the company's future growth prospects have disparities between companies.
3. The company must increase the value of the company's assets because it can affect the Company Size and not only that, the company must clearly report the increase so that the data value can be trusted and minimize investor suspicion.
4. The company must still be able to minimize the debt to equity ratio, although in this study it has a positive effect, the company must still maintain the debt ratio because it can cause bankruptcy risk.
5. Further researchers are advised to use other variables outside of the variables that can affect ERC such as Income Smoothing or Default Risk and other more specific company samples.

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