Accounting Analysis Journal 7(2) (2018) 135-143

Accounting Analysis Journal

https://journal.unnes.ac.id/sju/index.php/aaj

The Determinans Of Earnings Response Coefficient: An Empirical Study For The Real Estate And Property Companies Listed On The Indonesia Stock Exchange

Jacobus Widiatmoko*[1] and MG. Kentris Indarti[2]

[1,2]*Accounting Department, Faculty of Economics and Business, Unisbank University Semarang*

ARTICLE INFO

Article History:
Received January 15, 2018
Accepted March 1, 2018
Available July 31, 2018

Keywords:
Earnings persistence;
Company's growth;
Systematic risk;
Capital structure;
Company's size;
Earnings response coefficient

ABSTRACT

This study aimed to examine the influence of the earnings persistence, growth, systematic risk, capital structure, and company's size on the earnings response coefficient. The population of this research are the real estate and property companies listed on the Indonesia Stock Exchange from 2011-2014. Samples were selected by using the purposive sampling method and obtained as much as 52, 52, 51 and 50 companies respectively. The ordinary least square regression was used in this research to analyze the data. The result shows that the earnings persistence and capital structure have positive and significant effect on the earnings response coefficient, the company's growth has negative and significant on earnings response coefficient, while systematic risk, and firm size have no effect on earnings response coefficient. This condition indicates that the profit obtained by the company increases continuously, so that investors will more react to the earnings information and investors prefer to pay attention to the profit figure rather than paying attention to the opportunity to grow a company.

INTRODUCTION

Investment decisions in financial markets are influenced by information resources. From the viewpoint of stock exchange theorists, one useful source of data is financial statements, with one of the main goals of financial statements is to help users and facilitate their decision_making. One of the most important factors in financial reporting is the announcement of information related to earnings, which has probably attracted the highest rate of attention from investors (Moradi, et al, 2010).

When it has been announced, the market had expectations about how much profit of the company on the basis of available information (Soewardjono, 2005). The difference between the expectations and the company's profit is earnings surprises (unexpected earnings). Studies conducted by Ball and Brown (1968) about the relationship between stock prices and earnings that reveal information of the unexpected change in the positive earnings has abnormal rate of return on average positive. Conversely, if unexpected earnings is negative, abnormal rate of return on average is negative. One of the tools that can be used to gauge the investors' reaction to accounting earning information is the Earnings Response Coefficient (ERC) (Cho and Jung, 1991).

ERC is an estimate of the company's stock price changes as a result of the company's earning information announced to the market (Cheng and Nasir, 2010). The earnings response coefficient (ERC) is another measure for the abnormal return observed in reaction to unexpected elements of earnings announced by a firm publishing its earnings report. In other words, ERC measures the sensitivity of stock markets to the reporting of earnings through a regression slope coefficient between abnormal returns and unexpected earnings (Scott, 2009).

Research on ERC is helpful for investors in fundamental analysis to determine market reaction on the earnings information of a company. Investors are expected to be able to predict the stock price of the earnings information to have an understanding of the factors that influence the ERC. Several factors can affect the ERC are the persistence of earnings, the company's growth, the company's risk, capital structure, and the size of the

* *E-mail: jwidiatmoko@edu.unisbank.ac.id*
Address: Jl. Kendeng V Bendan Ngisor, Semarang City, Central Java, Indonesia

DOI 10.15294/aaj.v7i2.27321 p-ISSN 2252-6765 e-ISSN 2502-6216

company (Rofika, 2015).

Earning persistence is an earning that has the ability as an indicator of future earnings generated by the company repetitively in the long term (sustainable) (Penman, 2003).Earnings persistence is the influence of an innovation to the accounting earning expected in the future (Kormendi and Lipe, 1987). The persistence of earnings reflects the quality of corporate earning and show that the company can retain earnings over time. The existence of earnings persistence showed that the company was able to maintain its earning. This means that more permanent changes in earnings over time the higher the ERC, because this condition indicates that the earning that earned by the company is increasing continuously.

Research on the effect of the earnings persistence to the ERC has been done a lot. Researchs by Kormendi and Lipe (1987), Easton and Zmijweski (1989), as well as Delvira and Nelvirita (2013) concluded that the earnings persistence have a significantly positive effect on the ERC. Otherwise, research by Susanto (2012) and Ngadiman and Hartini (2011) found the different results, earnings persistence have significantly negative effect on the ERC. Meanwhile, Rofika (2015) founds that earnings persistence has negative and in significant effect on the ERC.

The growth of the company described the benchmark for the success of the company. Such success is also a measure of investment growth in the future. Earning information on the growing companies will be responded positively by investors. Companies that have greater growth opportunities will have higher ERC (Collins and Kothari, 1989). This condition indicates that the greater the opportunity to grow the company, the higher the chance of the company to acquire or increase earning from the company in the future.

Some researchers who examined the effect of the company's growth to the ERC among others Rofika (2015), Arfan and Antasari (2008), and Setiawati, et al (2014). The research done by Rofika (2015) and Arfan and Antasari (2008) found evidence that the growth of the company has a significant positive effect on the ERC. Meanwhile, research of Setiawati, et al (2014) found that the growth opportunities have a negative effect, but not statistically significant on the ERC.

Systematic risk is the variability of the realized return to the expected return (Hartono, 2009). Investors will reduce the level of the risk their receive by considering the risk of the company in making investment decisions. Companies with a higher risk will get lower trust from investor. It is caused by investor expectations of corporate earning become smaller. This means that the higher the risk of a company, the lower of the investor reaction to the unexpected earnings, causing its Earnings Response Coefficient will get low, and vice versa.

Systematic risk is also one of the determinant variables of ERC that is widely studied by previous researchers. Results of research by Easton and Zmijewski (1989), Collins and Kothari (1989), as well as Delvira and Nelvirita (2013) indicates that the systematic risk has significantly negative effect on the ERC. However, different results indicated by research Rofika (2015) and Susanto (2012) which concluded that there is positive effect but not significant of the systematic risk on the ERC.

The capital structure of the company described the comparison between long-term debt and equity capital used by the company (Brigham and Houston, 2010). The capital structure is proxied by the leverage ratio. Companies that have high leverage value indicate that the company has a large debt. Thus, if the company has increased earnings, the company will choose to pay the debt to the creditor than the cash dividends to investors. Therefore, the relationship between capital structure and the ERC is negative. This means that the higher the capital structure of the company then the ERC level will be lower, and conversely the lower the company's capital structure then the ERC level will be higher. The results of Moradi, et al research (2010) show that financial leverage is relevant information considered by the market in response to unexpected earnings.

Other researchers examined the effect of capital structure on ERC, such as Dhaliwal, et al. (1991), Rofika (2015), Mulyani, et al (2007), as well as Ngadiman and Hartini (2011). Research Dhaliwal, et al. (1991), and Mulyani, et al (2007) found that the capital structure of the significant negative effect on the ERC. Meanwhile, the results of research by Rofika (2015) and Ngadiman and Hartini (2011) indicate that capital structure does not affect the ERC.

Company size is the whole of the assets owned by the company that can be seen from the left side of the balance sheet (Horne and Wachowicz, 2005). Larger companies have bigger sales, bigger capital, and more employees. Larger companies also allow better performance, because they tend to be the public spotlight. Therefore, companies that are bigger will disclose more information, so that investors will respond to information more profit. Thus, the size of the company has positive effect on the ERC. The bigger the company, the company ERC will be greater.

The results of research by Chaney, Paul K. and Jeter (1992), and Setiawati *et al* (2014) showed that the size of the company's significant positive effect on the ERC. However, the different results shown by studies of Zmijwiski and Easton (1989), Rofika (2015), Arfan and Antasari (2008), as well as Ngadiman and Hartini (2011) who found that company size does not affect on the ERC. The results of the study that were not consistent motivated to do retesting the effect of earnings persistence, growth, systematic risk, capital structure and size on the company Earnings Response Coefficient (ERC).

HYPOTHESIS DEVELOPMENT

Signalling theory

Signalling Theory is based on the problem of information asymmetry that occurs within the market (Jama'an, 2008). Information asymmetry occurs between the parties as a party who has a lot of information about the condition of the company and stakeholders as

a party who has limited knowledge about the condition of the company. According to this theory, information asymmetry can be reduced by signalling by those who have much information to others. Signalling Theory tells about how a company should signal to users of financial statements. This signal is about information what has been done by management to realize the desire of the owner.

Information is an important element for investors and businessman because information essentially presents information, notes or images for both the past, present and future circumstances for the survival of a company. Information that is comprehensive, relevant, accurate, timely, and much needed by investors in the capital market as an analytical tool to make investment decisions. Information published as an announcement will give a signal to investors in making investment decisions. If the announcement contains a positive value, it is expected to increase the market price of the securities company.

Announcement of earnings information provides a signal that the company has good prospects in the future (good news), so that investors are interested in investing. The reaction of investors would increase the value of Earnings Response Coefficient (ERC). And vice versa, the absence of a signal indicating the expectation of earnings of companies in the future will make the investors did not react, thereby decreasing the ERC.

Earnings Response Coefficient (ERC)

The magnitude that shows the relationship between profit and stock return used to measure how much market reaction to information about the company as reflected by the release of financial statements, especially information on profit known as Earnings Response Coefficient (ERC).ERC is the coefficient obtained from the regression between stock price proxy and accounting profit. The stock price proxy used is Cumulative Abnormal Return (CAR), while the accounting profit proxy is Unexpected Earning (EU). Generally, ERC is measured by showing the coefficient slope in regression of abnormal stock return with unexpected earnings (Scott, 2009).This shows that ERC is a reaction to the profit announced by the company.

The changes in stock prices move in accordance with investor confidence. This is in line with the Efficiency Market Theory which states that the market will react quickly to new information, so shortly before and after the financial statements are released, information on the published earnings numbers will affect the behaviour of investors. If unexpected earnings are positive, then have abnormal rate of return on average positive. Conversely, if unexpected earnings are negative then have abnormal rate of return on average negative.

There are several variables that cause different market responses to earnings, among others earnings persistence, company growth, corporate risk, capital structure, and firm size. Therefore, the company's response varies from one company to another. The higher the value of the ERC, the higher the information contained in the company's earnings. Conversely, the lower the value of the ERC, the less information of the company earnings.

The Influence of Earnings Persistence on Earnings Response Coefficient (ERC)

Earning persistence is an earning that has the ability as an indicator of future earnings generated by the company repetitively in the long term (sustainable) (Penman, 2003).An earnings information announcement gives a signal that the company has good prospects in the future (good news) so that investors are interested to make an investment. The high earning persistence shows that the company can retain earnings over time. Accordingly, investors reacted to information of corporate earning that indicates its persistence. Therefore, the higher the earnings persistence of the company, the higher the ERC. Those statement is supported by research of Kormendi and Lipe (1987), Easton and Zmijweski (1989), Mulyani, et al (2007), as well as Delvira and Nelvirita (2013) who found that earnings persistence significant positive effect on the ERC. Then the hypothesis is formulated:

H1: Earnings persistence has positive influence on Earnings Response Coefficient (ERC).

The Influence of Company Growth on the Earnings Response Coefficient (ERC)

The company growth explains the company's prospects in the future. The company growth is proxy by growth opportunities. Growth opportunities faced in the future is a good prospect that can bring profits for the company. This condition indicates that the greater the company's opportunity to grow, the higher the chance of companies profit or increase profits in the future. This will attract the attention of investors to invest in the company that will increase the company's stock price in the future. This is supported by Rofika (2015), Arfan and Antasari (2008) research which showed that the growth opportunities have a significant positive effect on the ERC. Then the hypothesis is formulated:

H2: The company growth has positive influence on Earnings Response Coefficient (ERC).

The Influence of Systematic Risk to Earnings Response Coefficient (ERC)

Systematic risk is the risk associated with the volatility of stocks and investment experienced by all without exception. Investors will reduce the level of risk acceptance by considering the risk of a company in making investment decisions. The sensitivity of investors to information about small-risk firms will be greater because firms with less risk are more secure. This shows that the higher the risk of a company, the lower the investor reaction to the unexpected earnings, causing its Earnings Response Coefficient would be lower anyway, and vice versa. This is supported by Easton and Zmijewski (1989), Collins and Kothari (1989), Mulyani, et al (2007)

researchs, as well as Delvira and Nelvirita (2013) which showed that the systematic risk has a significant negative effect on the ERC. Then the hypothesis is formulated:

H3: Systematic risk has negative influence on Earnings Response Coefficient (ERC).

The Influence of Capital Structure on Earnings Response Coefficient (ERC)

Companies with high leverage level means having a debt greater than its total assets. The leverage ratio may indicate risks faced by the company, because of the greater risks faced by the company, the uncertainty of future earning will also increase (Widiatmoko and Mayangsari, 2016). If there is an increase in earnings, then the beneficiaries are debt holders, so that investors will not respond to earnings information that contains high leverage value. Thus, there is a negative relationship between leverage and the ERC. The higher the capital structure (leverage), the lower the ERC and vice versa. The statement is in line with Dhaliwal's research, et al. (1991) and Mulyani, et al (2011) found that capital structure had a significant negative effect on ERC. Then the hypothesis is formulated:

H4: The capital structure has negative influence on Earnings Response Coefficient (ERC).

The Influence of Company Size on the Earnings Response Coefficient (ERC)

Company size is the whole of the assets owned by the company. One of the benchmarks that indicates the size of the company is the total assets of the company. Companies with a larger size have the initiative to reveal more information when compared with companies that are smaller in size. The more availability of information resources in large companies, it will increase the ERC in the long term. The statement was supported by Susanto's (2012), Mulyani, et al (2007), and Setiawati, et al (2014) studies which concluded that firm size had a significant positive effect on ERC. Then the hypothesis is formulated:

H5: Size of the company has positive influence on Earnings Response Coefficient (ERC).

METHOD

Population and Sample

The population in this study are the real estate and property companies listed on the Indonesia Stock Exchange 2011-2014. The reason is that in recent years the real estate and property industries have developed quite rapidly so that the appeal to investors and potential investors. Samples were selected by using purposive sampling technique and the results are presented in Table 1. Based on table 1, it is known that the number of the real estate and property companies listed on the Indonesia Stock Exchange (BEI) in the period 2011-2014 are 52, 52, 51 and 50 respectively. Based on the predetermined criteria, the samples are 28, 27, 28 and 36 respectively, so that the amount of data processed in this research is 119.

Table 1. The Population and Sample

No	Information	2011	2012	2013	2014	Total
	Real estate and property company listed on the Indonesia Stock Exchange (BEI) in 2011-2014	52	52	51	50	205
1	Not to publish annual financial reports consistently over years of research that is 2011-2014 in the official website of the Stock Exchange.	(5)	(4)	(4)	(2)	(15)
2	The Company obtained the opinion adverse opinion or disclaimer of opinion.	0	0	(2)	(2)	(4)
3	Experiencing delisted from the Indonesia Stock Exchange so it cannot continue to trade on the Indonesia Stock Exchange during the period of estimation.	0	0	0	0	0
4	Have a negative retained earnings or losses during the study period.	(19)	(21)	(17)	(10)	(67)
	Total Sample	28	27	28	36	119

Operational Definition and Measurement of Variables Earnings Response Coefficient (ERC) (ERC)

ERC is obtained from the slope coefficient β between cumulative abnormal return (CAR) and the unexpected earnings (UE) (Mulyani, et al*.,* 2007; Syarifulloh and Wahyudin, 2016), which can be expressed in the empirical model as follows:

$$CAR = \alpha + \beta (UE) + e$$

Explanation:
CAR = Cummulative Abnormal Return
UE = Unexpected Earnings
α = Coefficient
β = The coefficient of the regression results ERC)
e = error

ERC indicates the extent of the information content of earnings of the company. When statistically β not equal to zero, meaning that earning contains useful information for investors in decision-making. ERC calculation is done in two stages. The first stage is to calculate the CAR. Furthermore, the second stage is calculates the UE.

Cumulative Abnormal Return (CAR)

CAR is a proxy of the stock price or market reaction (Soewardjono, 2005). The formula used to calculate CAR, namely:

$$CARit(-3.+3) = \sum_{t=-3}^{+3} ARit$$

Explanation:
$CAR_{it(-3,+3)}$ = Cumulative Abnormal Return of firm during the observation period of approximately 3 days from the date of publication of financial statements
AR_{it} = Abnormal return for firm i on day t

To obtain the data of the abnormal returns, it must first seek daily stock returns and daily market return.

$$ARit = Rit - Rmt$$

Where:

$$Rit = \frac{P_{it} - P_{it-1}}{P_{it-1}}$$

$$Rmt = \frac{IHSGt - IHSGt\text{-}1}{IHSG_{t-1}}$$

Explanation:
AR_{it} = Abnormal return of firm i on day t
Rit = Return to the company in the period-t
P_{it} = The closing price of the stock i on day t
P_{it-1} = closing price of share i on day t-1
Rmt = Return to the market in the period-t
$IHSG_t$ = Composite Index on day t
$IHSG_{t-1}$ = composite stock price index on day t-1

Unexpected Earnings (UE)

UE is defined as the difference between accounting earning expected by the market. The calculation uses earnings per share (EPS) measurement with random walk model (Moradi et al., 2010). UE formula is:

$$UE_{it} = (EPS_{it} - EPS_{it-1}) EPS_{it-1}$$

Explanation:
UE_{it} = Unexpected Earnings firm i in period t
EPS_{it} = Earnings per share for firm i in period t
EPS_{it-1} = Earnings per share for firm i in period t-1

Earnings persistence

The earnings persistence is earning that has the ability of indicators of future earnings generated by the company repeatedly (Sunarto, 2010). The more persistent an accounting earning, the greater the value of the ERC. Earnings persistence can be measured using the regression coefficient between accounting earning in the current period to the prior period accounting earning. Formula earnings persistence, namely:

$$X_{it} = \alpha + \beta X_{it-1} + e$$

Explanation:
X_{it} = Earning of firm i in period t
α = Constant
β = coefficient regression results (earnings persistence)
X_{it-1} = Earnings of firm i in period t-1
e = Error component

Company growth

Investors will give a greater response to the company with the possibility of high growth, because it will provide high benefits in the future. The growth opportunity variable can be measured from the market to book ratio, which is the ratio between the market value of equity and the book value of equity (Palupi, 2006, An, 2015). The formula is as follows:

$$\text{Market to Book Ratio} = \frac{\text{Market Value of Equity}}{\text{Equity Book Value}}$$

Systematic risk

Systematic risk is the risk that can not be eliminated by diversifying, because the fluctuation of this risk is influenced by macro factors that can affect the overall market. The systematic risk (beta) is measured by using market model. (Hartono, 2013). Measurement of beta can use the following formula:

$$R_{it} = \alpha + \beta R_{mt} + e$$

Explanation:
R_{it} = Return stock company i in period t
α = Constant
β = Beta stocks (systematic risk indicators)
R_{mt} = Return market in period t
e = Error component

Capital structure

Proxy for company's capital structure is leverage. High leverage level indicates that the company has more debt than capital. Therefore, the capital structure is negatively related to the ERC. Measurement of leverage uses the ratio of total debt (liabilities) to the total assets of the company (Dhaliwal *et al.,* 1991, Mulyani *et al.*, 2007, Widiatmoko and Mayangsari, 2016), which is formulated as follows:

$$\text{Leverage} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Company size

The size of the company is divided into two categories, namely large company size (large firm) and small companies (small firm). There is a positive relationship between company size and ERC, because large size companies will present more information, thus getting more response from investors. Parameter that can be used to measure the size of the company is the number

of assets owned by the company. In this study, the size of the company measured by using the natural log of the assets of each company (Collins and Kothari, 1989, Riantani and Nurzamzam, 2015). The formula is:

$$UP = Ln (TA)$$

Explanation:
UP = Company size
Ln = Natural log
TA = Total assets

Data analysis technique

Data analysis techniques used in this research is regression ordinary least squares (OLS), with the following equation:

$$ERC = \alpha + \beta_1 Persist + \beta_2 Growth + \beta_3 Risk + \beta_4 Lev + \beta_5 Size + e$$

Explanation:
ERC = Earnings Response Coefficient
α = Constant
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = Coefficient of each independent variable and control
Persist = Earnings persistence
Growth = Firm's growth
Risk = Systematic risk
Lev = Leverage (Capital structure)
Size = Companies size
e = Component *error*

RESULTS AND DISCUSSION

Descriptive statistics for all variables after the transformation can be seen in Table 2. The variables analyzed were the ERC, earnings persistence, growth, systematic risk, capital structure (leverage), and size.
ERC variable as the dependent variable indicates the minimum value -0.4694 which occurred at PT. Jaya Real Property Tbk (JRPT) 2012. The minimum value is caused due to the share price before and after the date of publication did not differ significantly. The maximum value of 0.3805 occurs in PT. Pembangunan Jaya Ancol Tbk (PJAA) in 2012. The maximum value is caused because the stock price after the publication date is constantly increasing. The ERC variable has an average value of 0.0132 and a standard deviation of 0.0937.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ERC	103	-.4694	.3805	.013212	.0937305
Persist	103	-.3583	2.3734	.806948	.6716278
Growth	103	.1942	17.9502	1.7435E0	1.9798157
Risk	103	-3.9584	4.5646	.448803	1.4094481
Lev	103	.0582	.6942	.413791	.1307777
Size	103	25.7210	31.0747	2.8899E1	1.3022281
Valid N (listwise)	103				

Earnings persistence variable shows the minimum value of -0.3583 is owned by PT. Danayasa Arthatama Tbk (SCBD) in 2014. The minimum value occurs because of changes in income that is not persistent. The maximum value of 2.3734 occurs in PT. Bekasi Fajar Industrial Estate Tbk (BEST) 2012.This value is due to a substantial increase in profits. Earnings persistence variable has an average value of 0.806948 with a standard deviation of 0.6716.

Company growth variable shows minimum value 0.1942 owned by PT. Mas Murni Indonesia Tbk (MAMI) in 2014.The cause of the minimum value obtained by PT. Mas Murni Indonesia Tbk is due to its price per share is the lowest compared with other companies. Maximum value of 17.9500 occurred at PT. Jaya Real Property Tbk (JRPT) in 2012. This is because the number of outstanding shares of PT. Jaya Real Property Tbk (JRPT) in 2012 more and the price per share is quite high. The company's growth variable has an average value of 1.7435E0 with a standard deviation value of 1.978.

The systematic risk variable shows the minimum value of -3.9584, occurring at PT. Bekasi Asri Pemula Tbk (BAPA) in 2012. The minimum value resulting from stock prices in 2012 did not increase. The maximum value of 4.5646 occurs in the company of PT. Duta Anggada Realty Tbk (DART) in 2014, this is because the stock price changes significantly. The systematic risk variable shows an average value of 0.448, and a standard deviation of 1.409.

The variable of capital structure (Leverage) shows the minimum value of 0.0582 that occurs in PT. Agung Podomoro Land Tbk (APLN) in 2012.The minimum value occurs because the company has a relatively small debt compared to its total assets. The maximum value of 0.6942 happened at PT. Summarecon Agung Tbk (SMRA) in 2011. The maximum value is caused by PT. Summarecon Agung Tbk has less debt compared to its total assets. The capital structure variable (Leverage) shows the average value of 0.4137 and the standard deviation of 0.1307.

Size variable shows the minimum value of 25.7210 that occurred at PT. Bekasi Asri Pemula Tbk (BAPA) in 2012, this value is occurs because the total assets of the company is smallest compared to the total assets of other companies. The maximum value of 31.0747 occurs at PT. Lippo Karawaci Tbk (LPKR) in 2013, because the total value of its assets is relatively large compared to others. The maximum value is due to PT. Summarecon Agung Tbk has less debt than its

total assets. The Size variable shows an average value of 2.8899E1 with a standard deviation of 1.3022.

Hypothesis Testing

Normality testing in this study was conducted by using Kolmogorov-Smirnov Test. The result of normality test before transformation with 119 data shows that the residual significance value of 0.000 is smaller than 0.05, so it can be concluded that the data is not normally distributed. Since regression analysis requires normally distributed data, the next step taken is to eliminate outlier data. The result of residual normality test after transformation shows that the value of 0.777 is greater than 0.05, so it can be concluded that the data is normally distributed with the amount of data 103.

The results of heteroscedasticity test are presented in Table 3. Based on table 4, it can be seen that the probability value of all variables is above the 5% confidence level. Thus we can conclude that there are no symptoms of heteroscedasticity in the regression model.

Table 3. Test results of Heteroskidastity Testing using the Park Test

Model	Unstandardized Coefficient		Standardized Coefficient	t	sig
	B	Std. Error	Beta		
Constant	1.311	4.639		.283	.778
Persist	.103	.311	.035	.332	.740
Growth	-.194	.103	-.193	-1.889	.062
Risk	-.274	.147	-.193	-1.860	.066
Lev	1.287	1.567	.084	.822	.413
Size	-.251	.164	-.164	-1.527	.13

a. Dependent Variable: LNSQRES_1

Table 4. The Results of Hypothesis Testing

Model	Unstan dardized Coefficient		Stan dardized Coefficient	t	sig	VIF
	ß	Std Error	ß			
Constant	0.278	0.191		1.455	0.149	
Persist	0.026	0.013	0.187	2.041	0.044	1.180
Growth	-0.027	0.004	-0.566	-6.310	0.000	1.125
Risk	-0006	0.006	-0.094	-1.030	0.306	1.164
Lev	0.119	0.065	0.167	1.847	0.068	1.138
Size	-.010	0.007	-0.138	-0.138	0.147	1.239
DW	: 2.074					
R^2	: 0.306					
R^2Adjusted	: 0.270					
Fcount	: 8.561					
Sig F	: 0.000					

The result of multicollinearity test shown in table 4 shows that the persistence of profit, company growth, systematic risk, leverage structure, and firm size have tolerance values greater than 0.1 and VIF value less than 10. It is means that the regression model is free from multicollinearity problems. Based on table 4 also seen that with the amount of data as much as 103 DW value of 2.074.The DW value of 2,074 is between the lower limit (du) of 1.7814 and the upper limit (4-du) of 2.2183, it can be concluded that there is no autocorrelation.

The result of determination coefficient test shows that the value of Adjusted R Square is 0,270.Thus, it can be concluded that the variables of earnings persistence, systematic risk, company growth, capital structure (leverage) and size of the firm are able to explain the variability of ERC of 27%.The remaining 73% can be explained by other variables not included in this research model. The simultaneous test results in table 4 shows the F value of 8,561 with a significance level of 0.000 smaller than 0.05, which means that the variables of earnings persistence, systematic risk, growth, capital structure (leverage) and size of the firm can be used to predict the value of Earnings Response Coefficient (ERC).

Variable earnings persistence has a beta coefficient of 0.026 with a significance level of 0.044, less than 0.05. These findings prove that earnings persistence has significant positive effect on the ERC. The results are consistent with research by Mulyani, et al (2007) and Delvira & Nelvirita (2013) which proves that the earnings persistence has positive and significant effect on the ERC. Earning persistence is the effect of an innovation on expected accounting earnings in the future. The existence of earnings persistence showed that the company was able to maintain its profit. If the change in earnings increases over time, the higher the value of ERC because this condition indicates that the earning generated by the company increases continuously, so that investors will more react to the earnings information.

The growth variable has a beta coefficient value of -0.027 with a significance level of 0.000, lower than 0.05.These results indicate that company growth has a significant negative effect on ERC. These findings are consistent with the results of research conducted by Indra, et al (2011) which showed that the growth of the company has a significant negative effect on the Earnings Response Coefficient (ERC).The explanation that can be given is that investors prefer to pay attention to the profit figure rather than paying attention to the opportunity to grow in a company. In investing, investors tend to want to get a short-term profit that is capital gains rather than long-term gains. In companies with high growth rates, usually have a low dividend rate. This is because in a high growth company, the funds should be distributed as cash dividend to shareholders is used for reinvestment.

Variable systematic risk has a beta coefficient of -0.006 with a significance level of 0.306, greater than 0.05. The result of the third hypothesis testing shows that the systematic risk variable has no effect on ERC. This result is in line with the results of a study conducted by Susanto (2012) which states that the systematic risk does not significantly affect the ERC. This is probably caused by the investor on the Stock Exchange is a risk taker (dare to take the risk). In addition, investors do not consider that profit is an indicator of earnings power and returns in the future.

The capital structure variable (leverage) has a beta coefficient value of 0.119 with a significance level of 0.068, greater than 0.05.Thus H4 which states the

capital structure (leverage) negatively affect the ERC rejected. The results are consistent with the results of research conducted by Delvira & Nelvirita (2013) which states that the capital structure and no significant positive effect on the ERC. These results provide evidence that the investor does not take into consideration the level of debt held by the company in making investment decisions.

The firm size variable (size) has a beta coefficient value of -0.010 with a significance level of 0.147, higher than 0.05.The results of this study indicate that the variable firm size does not affect the ERC. These findings are consistent with the results of research conducted by Ngadiman and Hartini (2011) which states that the size of the company does not affect the ERC. This fact shows that firm size is not a consideration for investors in making investment decisions, but more considering the prospects of the company in the future.

CONCLUSION AND RECOMMENDATION

Earnings persistence has positive and significant impact on the ERC. If the change in profit has increased over time, the higher the value of ERC. This condition indicates that the profit obtained by the company increases continuously, so that investors will more react to the earnings information. The company's growth has negative and significant effect on the ERC. This is because investors prefer to pay attention to the profit figure rather than paying attention to the opportunity to grow a company. Systematic risk has no significant negative effect on the ERC. Investors on the Stock Exchange are risk taker investors (dare to take the risk). In addition, investors do not perceive that profit is an indicator of earnings power and returns in the future.

Capital structure has no significant positive effect on the ERC. This shows that investors do not consider the high low debt owned by the company in making investment decisions. Meanwhile, firm size has negative and insignificant effect on ERC. This fact indicates that company size is not the consideration of investors in investing.

This research has several limitations among others samples of research only real estate and property companies in Indonesia Stock Exchange (BEI) in the period 2011-2014.This causes the results of the study cannot be generalized to other types of companies. The results also showed that the adjusted R2 value is relatively low at 27%. Therefore, the next researcher can improve the results of this study by extending the sample with a longer time range so that it gives better results. In addition, the next researcher can consider other variables that be expected to affect the ERC such as Return On Investment (ROE), Net Profit Margin (NPM), and other variables.

REFERENCES

An, Y. (2015). Earnings response coefficients and default risk: case of korean firms. *International Journal of Financial Research*, *6*(2), 67–71.

Andayani, N. F. A., & Mulyani, S. (2007). Faktor-Faktor yang Mempengruhi Earnings Response Coefficient Pada Perusahaan yang Terdapat Di Bursa Efek Jakarta. *Jurnal Akuntansi Dan Keuangan. STIESIA Surabaya*, *11*(1).

Arfan, M., & Antasari, I. (2008). Pengaruh ukuran, pertumbuhan, dan profitabilitas perusahaan terhadap koefisien respon laba pada emiten manufaktur di bursa efek jakarta. *Jurnal Telaah Dan Riset Akuntansi*, *1*(1), 50–64.

Ball, R., & Brown, P. (1968). An empirical evaluation of accounting income numbers. *Journal of Accounting Research*, *2*, 159–178.

Brigham, E. F., & Houston, J. F. (2010). *Dasar-dasar Manajemen Keuangan Buku 1 Edisi 11*. Jakarta: Salemba Empat.

Chaney, P. K., & Jeter, D. C. (1992). The effect of size on the magnitude of long□window earnings response coefficients. *Contemporary Accounting Research*, *8*(2), 540–560.

Cheng, F. F., & Nasir, A. (2010). Earning response coefficients and the financial risks of China commercial banks. *International Review of Business Research Papers*, *6*(3), 178–188.

Collins, D. W., & Kothari, S. P. (1989). An analysis of intertemporal and cross-sectional determinants of earnings response coefficients. *Journal of Accounting and Economics*, *11*(2–3), 143–181.

Delvira, M., & Nelvirita, N. (2013). Pengaruh Risiko Sistematik, Leverage Dan Persistensi Laba Terhadap Earnings Response Coefficient (ERC). *Wahana Riset Akuntansi*, *1*(1), 129–153.

Dhaliwal, D. S., Lee, K. J., & Fargher, N. L. (1991). The association between unexpected earnings and abnormal security returns in the presence of financial leverage. *Contemporary Accounting Research*, *8*(1), 20–41.

Easton, P. D., & Zmijewski, M. E. (1989). Cross-sectional variation in the stock market response to accounting earnings announcements. *Journal of Accounting and Economics*, *11*(2–3), 117–141.

Ghozali, I. (2018). *Aplikasi analisis multivariete dengan program IBM SPSS 23*. Semarang: Badan Penerbit Universitas Diponegoro.

Horne, J. C. Van, & Wachowicz, J. M. (2013). *Prinsip-Prinsip Manajemen Keuangan* (1st ed.). Jakarta: Salemba Empat.

Jogiyanto, H. M. (2013). *Teori portofolio dan analisis investasi*. *BPFE*. Yogyakarta: BPFE.

Jung, K., & Cho, J. (1991). Earnings Response Coefficients: Synthesis of Theory and Empirical Evidence. *Journal of Accounting Literature*, *10*(1), 85–116.

Kormendi, R., & Lipe, R. (1987). Earnings innovations, earnings persistence, and stock returns. *Journal of Business*, *60*, 323–345.

Moradi, M., Salehi, M., & Erfanian, Z. (2010). A Study of the Effect of Financial Leverage on Earnings Response Coefficient through out Income Approach: Iranian Evidence. *International Review of Accounting, Banking and Finance*, *2*(2), 104–116.

Ngadiman, & Hartini, Y. (2011). Pengaruh Ukuran Perusahaan, Persistensi Laba Akuntansi, Struktur Modal, dan Variabel Indikator Terhadap Koefisien Respon Laba Akuntansi Perusahaan yang Terdaftar di BEI untuk Tahun 2009. *Akuntansi Krida Wacana*, *11*(2), 491–512.

Palupi, M. J. (2006). Analisis Faktor Faktor Yang Mempengaruhi Koefisien Respon Laba Bukti Empiris pada Bursa Efek Jakarta. *Jurnal Ekubank*, *3*, 9–24.

Penman, S. H., & Penman, S. H. (2003). *Financial statement analysis and security valuation* (Vol. 3). McGraw-Hill New York.

Restuti, M. I. M. D., & Nathaniel, C. (2012). Pengaruh Pengungkapan Corporate Social Responsibility terhadap

Earning Response Coefficient. *Jurnal Dinamika Manajemen*, *3*(1), 40–48.

Riantani, S., & Nurzamzam, H. (2015). Analysis of Company Size, Financial Leverage, and Profitability and It's Effect to CSR Disclosure. *Jurnal Dinamika Manajemen*, *6*(2), 203–2013.

Rofika. (2015). Faktor-Faktor yang Mempengaruhi Earnings Response Coefficient (ERC) pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia. *Jurnal Akuntansi*, *3*(2), 174–183.

Scott, W. R. (2009). *Financial accounting theory* (5th ed.). Prentice Hall Toronto.

Setiawati, E., & Nursiam. (2014). Analisis Pengaruh Ukuran, Pertumbuhan dan Profitabilitas Perusahaan Terhadap Koefisien Respon Laba (Studi Empiris Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia (BEI) Tahun 2009-2011). In *Research Methods and Organizational Studies*. Universitas Muhammadiyah Surakarta.

Soewardjono. (2005). *Teori Akuntansi: Perekayasaan Pelaporan Keuangan* (3rd ed.). Yogyakarta: BPFE.

Sugiyono. (2012). *Metodologi Penelitian Kuantitatif, Kualitatif dan R&D*. Bandung: Alfabetha.

Sunarto, S. (n.d.). Peran Persistensi Laba terhadap Hubungan antara Keagresifan Laba dan Biaya Ekuitas. *Kajian Akuntansi*, *2*(1), 22–38.

Susanto, Y. K. (2012). DeterminanKoefisienResponLaba. *JurnalAkuntansi&Manajemen*, *23*(1), 22–38.

Syarifulloh, R., & Wahyudin, A. (2016). Determinan Koefisien Respon Laba. *Accounting Analysis Journal*, *5*(1), 1–9.

Tandelilin, E. (2010). *Portofolio dan Investasi Teori dan Aplikasi*. Yogyakarta: Kanisius.

Widiatmoko, J., & Mayangsari, I. (2016). The Impact of Deferred Tax Assets, Discretionary Accrual, Leverage, Company Size and Tax Planning Onearnings Management Practices. *Jurnal Dinamika Manajemen*, *7*(1), 22–31.

Zubaidi, A. I., Zuhron, A., & Rosianawati, A. (2011). Analisis Faktor- faktor yang Mempengaruhi Earnings Response Coefficient (ERC) : Studi pada Perusahaan