The Effect of Company Size, Company Growth, Earnings Growth, and Capital Structure on Earnings Response Coefficient

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ABSTRACT

Profit & Loss Statement becomes a consideration for investors in making stock transactions. Earnings response coefficient shows the attitude of an investor's transaction in profit expectancy before or after the publication of the company's financial statement. The purpose of this study is to examine factors that affect earnings response coefficient. The object of this research is consumer goods manufacturing companies listed on the Indonesia Stock Exchange during 2013-2017. The independent variables used are company size, company growth, earnings growth, and capital structure, while the dependent variable used is earnings response coefficient. The sampling technique used in this research is purposive sampling. Data analysis is done using multiple regression analysis. The results of this study show that earnings growth has a positive effect on earnings response coefficient, but firm size, firm growth, and capital structure have no effect on earnings response coefficient.

ABSTRAK

Laporan Untung & Rugi menjadi pertimbangan bagi investor dalam melakukan transaksi saham. Earnings response coefficient menunjukkan sikap transaksi investor dalam ekspektasi laba sebelum atau setelah publikasi laporan keuangan perusahaan. Tujuan dari penelitian ini adalah untuk menguji faktor-faktor yang mempengaruhi earnings response coefficient. Objek penelitian ini adalah perusahaan manufaktur barang konsumsi yang terdaftar di Bursa Efek Indonesia selama 2013-2017. Variabel independen yang digunakan adalah ukuran perusahaan, pertumbuhan perusahaan, pertumbuhan laba, dan struktur modal, sedangkan variabel dependen yang digunakan adalah earnings response coefficient. Teknik pengambilan sampel yang digunakan dalam penelitian ini adalah metode purposive sampling. Analisis data dilakukan dengan menggunakan analisis regresi berganda. Hasil penelitian ini menunjukkan bahwa pertumbuhan laba berpengaruh positif terhadap earnings response coefficient, tetapi ukuran perusahaan, pertumbuhan perusahaan, dan struktur modal tidak berpengaruh terhadap earnings response coefficient.

1. INTRODUCTION

Financial report or financial statement is one form of business communication that is prepared and presented to its users as a means of making business decisions (IAI, 2018). Financial statement also has information about company condition which is important for investors. The report that is often used by investors is the income statement because they can use this report for evaluating future performance and helping assess the risk or uncertainty of achieving future cash flows (Kieso, et al, 2011). Published earnings can also provide varied responses which indicate a market reaction to earnings information. In general, to know the reaction, it can be done by measuring earnings response coefficient, a form of measurement of information content in

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earnings (Nofianti, 2014). Scott (2015: 144) states that earnings information is said to be useful if investors change their actions that can be seen from changes in volume and stock prices after the publication of earnings information.

Market participants rely on information obtained from financial statements to make an economic decision. The actions taken by market participants are commonly referred to as market reactions. Market response to information about accounting earnings can be seen from the sensitivity of changes in stock prices called the earnings response coefficient (Nofianti, 2014). The strong market reaction to earnings information will be reflected in the high value of the earnings response coefficient. Earnings response coefficient (ERC) is one of the measurements that can be used to measure the relationship between earnings and stock returns (Santoso, 2015).

Market response to changes in stock prices at the time of earnings announcements can be known from the phenomenon that occurs. In 2017 PT Tiga Pilar Sejahtera Food Tbk (AISA) recorded sales of IDR 3.3 trillion, down from the previous year of IDR 3.57 trillion. Profit obtained was IDR 221.75 billion, down from the previous year of IDR 309.63 billion. Judging from the movement of stock prices in early February 2018 amounting to IDR 585 and at the end of February in the position of IDR 540, this means that during the first quarter the price of AISA's stocks tended to decline. Meanwhile, PT Indofood Sukses Makmur Tbk (INDF) in 2017 earned an income of IDR 70.19 trillion, up from the previous year of IDR 66.66 trillion. Profits obtained also increased to IDR 4.17 trillion from the previous year of IDR 4.14 trillion. Viewed from the movement of stock prices in early January 2018 amounting to IDR 7,650 and at the end of April 2018 in the position IDR 7,150, this means that during the first quarter the INDF stock price was experiencing a decline even though the company's performance was experiencing an increase (Source: finance. detik.com and duniainvest.com).

The phenomenon above makes investors consider investment decisions by looking at information non-financially. An increase in corporate profits is not always followed by an increase in stock prices and vice versa. The existence of the above phenomenon also reflects the market reaction. Market reaction has led many researchers to study earnings response coefficient (ERC). However, there are are several factors that influence ERC, including company size, company growth, profit growth, and capital structure.

Company size is one of the information that can be used by investors to get a description about the size of the company as a basis for making investment. Mashayekhi and Aghel (2016) stated that company size had an effect on earnings response coefficient. Large companies can be seen from the large assets owned. Large assets will facilitate the company to make new innovations for the development of the company. Investors also assume that large companies will be able to provide high rates of return on investments made. Therefore, it can be seen that large companies have a higher level of trust than small companies, so the response given by the market will be positive. The results of research conducted by Murwaningsari (2008) show that company size has a significant negative effect on ERC. In contrast to the results of research conducted by Santoso (2015), company size has no effect on earnings response coefficient (ERC).

Company growth is also important. The results of research conducted by Fauzan & Purwanto (2017) show that company growth has an effect on earnings response coefficient (ERC). When a company has a growth in margins, profits, and sales in a period, it tends to share the information with stakeholders, but not everything that happens to the company's internal is disclosed to the company's external. In contrast to research conducted by Aristawati & Rasmini (2018) and Sandi (2013), company growth has no effect on earnings response coefficient.

Earnings growth indicates changes in the rise and fall of earnings in each period. Mashayekhi & Aghel (2016) stated that earnings growth had an effect on earnings response coefficient. It can be assummed that the higher the earnings growth, the better the financial performance of the company. With good financial performance, the response given by the market will be positive. Bolo & Mirzaeei (2011) state that companies that experience earnings growth and revenue growth will have higher earnings quality and ERC than companies that only have earnings growth.

Capital structure has a significant influence on the continuity of company development. For investors who will make an investment, it is better to pay attention to the large amount of assets and debt owned by the company. Sandi (2013) states that a company that has a large capital structure means that the company

is in poor condition because the company uses a large debt as a source of funding compared to its own capital. Such conditions will make a heavy burden for the company so that it will affect the company's profitability. The smaller the company's profit, the lower the response will be given. In contrast to research conducted by Kurniawati (2014), capital structure does not affect earnings response coefficient.

In connection with the phenomenon and the inconsistency of the results of research conducted by previous researchers, it is important to conduct this research to know the extent of the influence of company size, company growth, profit growth, and capital structure on earnings response coefficient.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Agency Theory

According to Scott (2015: 358) "Agency theory is a branch of game theory that studies the design of contracts to motivate a rational agent to act on behalf of a principal when the agent's interests would otherwise conflict with those of the principal". It can be said that agency theory is the agency relationship in which the principal delegates the power to make decisions to the agent. The agent is the management, while the principal is the shareholder.

Management has more information about the company than the owner and management must report the company's condition to the owner in the form of financial statements. According to agency theory, problems that arise because of differences in interests between agents and principals are often referred to as agency conflicts. With a proportion of ownership that is only part of the company, managers tend to act in their personal interests and not to maximize the company. This is what causes agency conflict.

Agency theory in the company identifies the parties in the company who have various interests to achieve goals in the company's activities (Nofianti, 2014). On the basis of agency assumptions, management achieves its interests while at the same time realizing the owner's goals by increasing company profits and providing increased dividends. Management gets its interests through an assessment of its good performance, while the owners get their interests through dividends and certainty obtained about future period earnings.

Earnings Response Coefficient

According to Scott (2015: 163) "An earnings response coefficient measures the extent of a security's abnormal market return in response to the unexpected component of reported earnings of the firm". When there is earnings announcement, investors have expectations for the information that is published. The market will respond to published earnings and this response is reflected in the movement of the company's stock price. Market response will be stronger if the accounting earnings generated is of high quality. In general, earnings response coefficient can be used to find out good earnings quality. Earnings response coefficient is the effect of unexpected earnings on stock returns. Earnings response coefficient describes the market reaction to the information content of a company's earnings. High or low earnings response coefficient depends on the content of published earnings information.

According to Herdirinandasari and Asyik (2016), published earnings can provide varied responses which can indicate a market reaction to earnings information. The reaction given depends on the quality of earnings generated by the company, and the strength of the market reaction to earnings information is reflected in the high value of ERC. ERC includes the behavior of investors buying and selling earnings expectations before and after the issuance of the company's financial statements. ERC calculation is carried out in several steps. The first step is to calculate cumulative abnormal returns. In obtaining abnormal return data, it must first look for annual stock returns. The second step is to look for the value of unexpected earnings. The third step is the ERC calculation step where ERC is calculated from the slope on the CAR's relationship with the EU.

Company Size

According to Riyanto (2011: 299), the size (large or small) of a company can be seen from the total assets, total sales, and average sales owned. In a study conducted by Mashayekhi & Aghel (2016), it was explained that company size was measured by the ratio between the company's fixed assets and the total assets owned. The results showed that company size had a positive effect on earnings response coefficient. The total assets owned by the company can show the greater the size of the company. The total assets owned by the company can show the stability of the company

and the profit generated. Companies that have large total assets will be able to innovate for the development of the company, generate greater profits, and make the market give a positive response to the company. Similarly, Sandi (2013) shows that company size has a positive effect on earnings response coefficient. This is because large companies are more stringent in applying the rules, information systems, finance, and operational activities, thus providing more informative information to the public, and the information related to the profits generated will have higher quality. Whereas Santoso (2015) argues that company size does not affect the earnings response coefficient.

Company Growth

According to Hartono (2012: 121), company growth shows the investment opportunity set (IOS) in the future. Furthermore, according to Syafrina (2017), company growth is proxied by Price to Book Value (PBV), which is the market price per common stock divided by equity per stock. The results showed that company growth had an effect on earnings response coefficient. Companies that continue to grow have greater opportunities in getting large profits in the future. The effect of accounting profit on stock prices will be greater than that of companies that experience low growth. Company growth is usually observed by investors who have a long-term perspective to get the results of the investments made. Companies that have a greater growth value will have a high ERC. Market players' assessments of company growth appear from earnings information as expectations of future benefits to be obtained. This condition shows that with the high value of growth, it is expected to be able to increase profits earned in the future, so that the response given by the market is a positive response.

Earnings Growth

The company's performance is the result of a series of processes at the expense of various resources. One of the parameters for evaluating the company's performance is earnings growth. Earnings growth is used to assess the performance of a company. According to Mashayekhi & Aghel (2016), earnings growth is a condition where there is an increase or decrease in earnings each year. Increased earnings growth will be able to attract investors to invest in the company. With good earnings growth generated, the company is expected to

be able to provide good prospects.

According to Harahap (2013: 30), earnings growth is calculated by subtracting current year's net income with last year's net income then divided by last year's net income. Companies that have positive earnings growth are considered able to increase profits in the future so that the response obtained will also be positive. The existence of this positive response is expected to increase the growth and movement of the company's stock price so that the better the company's profit growth, the more positive the response given by the market.

Capital Structure

According to Kurniawati (2014), capital structure is proxied by leverage. Leverage is measured by comparing the company's total debt and total assets. A company that has a large capital structure means that the company is in poor condition because the company uses a large debt as a source of funding compared to its own capital. The greater the company's debt, the greater the risk to the company's finances related to debt repayment, which is a concern that the company is unable to repay existing debt (Warianto, 2013). The results of research conducted by Mulianti & Ginting (2017) show that capital structure has a significant effect on ERC.

The results of research conducted by Sandi (2013) state that capital structure does not have enough evidence to influence earnings response coefficient. Hasanzade, Darabi & Mahfoozi (2003) conducted research on companies listing on the Tehran Stock Exchange also found that leverage did not affect ERC because many companies listing on the Tehran Stock Exchange owed to their own group of companies. Therefore, although the debt appears in the financial statements, it will not affect investors.

The Effect of Company Size on Earnings Response Coefficient

Large companies are relatively more stable and capable of generating profits than small companies. According to Widayanti, et al (2014), large companies will pay attention to better performance. Because they tend to be subjects of public research, they need to be more open to stakeholder requests. Investors no longer look at the profits made by the company and tend to see information other than profits. Large companies also provide a lot

of non-accounting information such as capital structure, disclosure of social responsibility, and corporate strategic plans. Thus, larger companies are expected to provide more information disclosure than smaller companies. Large companies generally get more attention than small companies because the impact caused by large companies is very broad and large. Therefore, large companies have the initiative to disclose more information than small companies because, after all, the survival of the company depends on harmonious relations with stakeholders.

H1: Company size has an effect on earnings response coefficient.

The Effect of Company Growth on Earnings Response Coefficient

Company growth has a potent role in in increasing the company's earning. According to Aristawati & Rasmini (2018), company growth is considered by investors when investing. Growing companies will tend to choose external sources of funds through debt to avoid agency conflicts that often arise from the use of equity funds. Besides that, according to Syafrina (2017), growth is predicted to be positively related to earnings response coefficients. Companies that have a greater growth value will have high earnings response coefficients. These conditions indicate that the greater the growth of the company, the higher the chance for the company to get profits in the future. In companies that experience high growth, the effect of accounting profit on stock prices will be greater than in companies that experience low growth. This is in line with the results of research conducted by Widayanti et al (2014) that company growth has a positive effect on Earnings Response Coefficient.

H2: Company growth has an effect on earnings response coefficient.

The Effect of Earnings Growth on Earnings Response Coefficient

Good news or bad news contained in current profits can indicate future growth prospects for the company, and therefore the value of earnings response coefficient becomes higher (Scott, 2015: 167). Earnings growth has an influence on earnings response coefficient. Companies that have positive profit growth indicate that the companies have good financial performance so that the profits generated will encourage the increase in the value of ERC (Adi & Apriwenni, 2015).

H3: Earnings growth has an effect on earnings response coefficient.

The Effect of Capital Structure on Earnings Response Coefficient

Capital structure is a balance between external capital and own capital. External capital in this case is long-term and short-term debt. Meanwhile, own capital is divided into retained earnings and equity ownership of the company. Capital structure is an important for companies because the high or low value of the capital structure will have an influence on the financial position of the company, especially with the existence of very large debts that will burden the company. According to Mulianti and Ginting (2017), capital structure can be proxied by leverage. The capital structure shows the proportion of the use of debt to finance its investment, so that by knowing the capital structure investors can find out the risk and the rate of return on their investment. The capital structure of a company has a relationship with the welfare of stockholders so that the capital structure of the company also indirectly has a relationship with earnings response coefficient.

H4: Capital Structure has an effect on earnings response coefficient.

Framework

The framework of thought that underlies this research can be described as follows (Figure 1).

3. RESEARCH METHOD
Sample Classification

The population used in this study was manufacturing companies listed on the Indonesia Stock Exchange (IDX) period 2013 - 2017.

The sample was taken using purposive sampling technique, the technique of deter-mining the sample with certain considerations. The sampling criteria were as follows:
1. Manufacturing companies that produced consumer goods and were listed on the Indonesia Stock Exchange during the study period
2. Manufacturing companies that produced consumer goods and had positive profits during the study period.
3. Manufacturing companies that produced consumer goods and presented complete data as needed during the study period

Based on specified criteria, 100 company data were obtained as samples in this study.
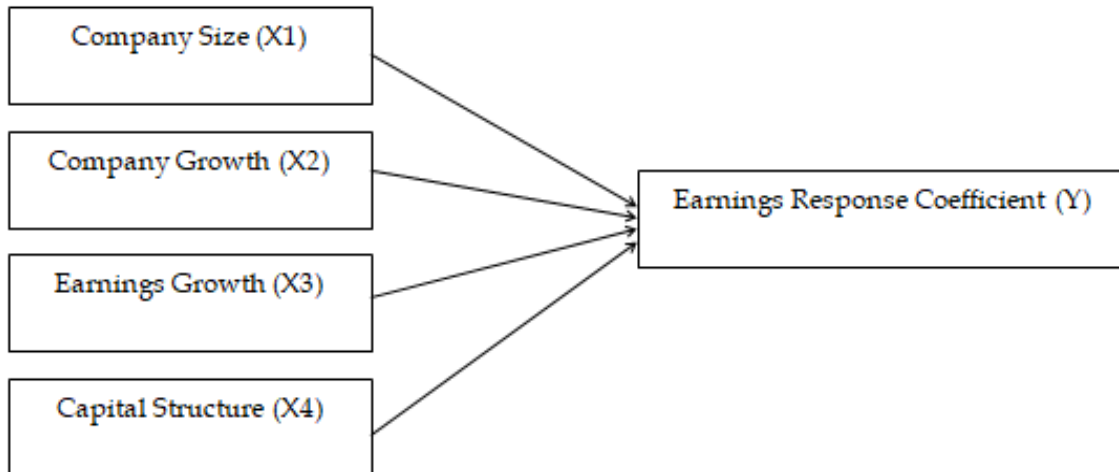
Figure 1

Research Data

This research used secondary data type taken from audited financial statement data published by manufacturing companies listed on the Indonesia Stock Exchange (IDX) obtained through the official website of the IDX.

Data collection method used in this research was documentation. The documentation method is data collection which is done by reading, recording and analyzing data or information on audited financial statements published by the manufacturing company with specified criteria.

Research Variables

The dependent variable used in this study is earnings response coefficient, and the independent variables are company size, company growth, earnings growth, and capital structure

Operational Definition of Variables
Earnings Response Coefficient (ERC)

Earnings Response Coefficient (ERC) is a coefficient obtained from the regression between stock price and accounting profit. The stock price is proxied by Cumulative Abnormal Return (CAR), while the accounting profit is proxied by Unexpected Earnings (EU).

According to Herdirinandasari and Asyik (2016), ERC is calculated by β1 slope on the relationship between CAR and EU. To get the β1 slope value, the researcher must regress the equation according to the year of research required. In this study, ERC value is obtained by regressing between the CAR and the EU in the previous 2 years. The steps to calculate ERC are as follows:

a. Calculating actual return:

$$Rit = \frac{(p_{it} - p_{it-1})}{p_{it-1}}$$

Where:
R_{it}: The company stock returns in period t
P_{it}: The closing price of company's stocks on the day of publication
P_{it-1}: The closing price of company's stocks before the day of publication

b. Calculating the daily market index return:

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

Where:
R_{mt} : market return in period t
IHSGt : composite stock price index on the day of publication
IHSGt-1 : composite stock price index before publication day

c. Calculating abnormal return:

$$AR_{it} = R_{it} - R_{mt}$$

Where:
AR : Abnormal Return of company i in year t
R_{it} : Company stock returns in period t
R_{mt} : Market return in period t

d. Calculating Cumulative Abnormal Return (CAR):

$$CAR_{it} = \sum_{-5}^{+5} AR_{it}$$

Where:
CARi: Cumulative abnormal return of company i at time t
ARit : Cumulative abnormal return of company i on day t

e. Calculating Unexpected Earnings :

$$UE_{it} = \frac{E_{it} - E_{t-1}}{E_{t-1}}$$

Where:
UE_{it}: Unexpected earnings of the company i in t
E_{it} : Earnings per stock of company i in year t
E_{t-1} : Earnings per stock of company i before the year t

f. Calculating earnings response coefficient for each sample:

$$CARi_{(-5,+5)} = \beta_0 + \beta_1 UE_{it} + \varepsilon_{it}$$

Where:
CARi: Cumulative Abnormal Returns of company i during the observation period ± 5 days publication date of the financial statements (calculated in the event window for 11 days, i.e. 5 days before the event, 1 day of the event, and 5 days after the event).
UE_{it}: Unexpected Earnings
e_{it} : The error component in the company's upper model in period t

Company Size (X₁)
Company size is the scale used to determine the size of a company by looking at the company's total assets at the end of the year. According to Kurniawati (2014), to determine the size of a company, researchers can use the logarithm of total assets as a measurement. The use of logarithmic values is done to avoid bias in measurement due to the different scales used in the research variables. The formula used is as follows:

$$UP_t = Log\ TA$$

Where:
UP_t : Company Size in 2013-2017
TA : Total Company Assets in 2013-2017

Company Growth (X₂)
The company growth includes sales growth, profits, and assets. Syafrina (2017) uses a Price to Book Value (PBV) proxy to calculate the value of a company growth.

$$PBV = \frac{Market\ price\ per\ common\ stock}{Equity\ per\ share}$$

Earnings Growth (X₃)
Earnings growth is an occurrence of an increase or decrease in the value of profits generated by the company in a certain period. The data used to measure earnings growth is the value of the company's net income. Earnings growth is the rate of change in total profits from year to year. According to Harahap (2013: 30), the amount of net profit is reflected in the company's financial statements.

$$Earnings\ Growth = \frac{net\ income_t - net\ income_{t-1}}{Net\ income\ t-1}$$

Capital Structure (X₄)
Capital structure is the degree of the company's ability to use assets and repayment of resources by debt. The data used in relation to capital structure consists of the total debt compared to the total assets of the company. This data can be known in the financial statements of manufacturing companies during the study period. According to Kurniawati (2014), capital structure is measured using the formula as follows:

$$Capital\ Structure = \frac{Total\ Debt}{Total\ Assets}$$

Data Analysis Technique
The data analysis technique used in this study was a quantitative data analysis technique which was processed with statistical technique using SPSS 24 software, through the following stages:
1. Descriptive statistical analysis
2. Classical assumption test consisting of normality test, multicollinearity test, Heteroscedasticity test, and autocorrelation test
3. Multiple linear regression analysis
4. Hypothesis test consisting of the coefficient of determination (R2), F test (model test) and statistical test t.

4. DATA ANALYSIS AND DISCUSSION
Descriptive Statistical Analysis
Descriptive statistical analysis is used to determine the characteristics of the samples used and describe the variables in the study. The results of the descriptive statistical analysis can be seen in Table 1:

Based on Table 1, it can be seen that the samples used in this study during the observation period in 2013-2017 were 77 company data. The minimum ERC value of -0.06 is because the stock returns on the date of publication of the financial statements is greater than on day t_{+1} until t_{+5} of the publication date. This illustrates that the company's stock price decreases. Conversely, the maximum ERC value of 0.039 indicates that the company's stock price has the highest increase.

The variable of company size has a minimum value of 25.7957 and a maximum value of 32.1510. Company size is measured by the natural logarithm of the company's total assets. This means that the greater the logarithm value of natural assets, the greater the assets owned by the company.

The variable of company growth, which is measured by PBV, has a minimum value of 0.2560. This means that the market price per common stock is 25.6% of the company's equity. While the maximum value of 8.9941 means that the market price per stock is almost 9x of the equity per stock.

The variable of arnings growth has the minimum value of -0.7215 and the maximum value of 2.09371. Earnings growth is measured by the difference in net income of year t by t-1 divided by net income of t-1. The maximum value of 2.09371 means that the company managed to increase profits more than 2x from the previous profit. While the minimum profit growth with a negative value means that the company experienced a decline in profit of 72.15% from the previous year.

The variable of capital structure has a minimum value of 0.1463. This shows that 85.37% of the company's assets are financed by equity and only 14.63% is financed by debt. The maximum value of the capital structure of 0.75178 shows that companies use debt as the largest source (75.178%).

Classical Assumption Test
Normality Test
Normality test is done with the aim to test whether in the regression model, confounding or residual variables have a normal distribution. Normality test of the data used in this study was done using the Kolmogorov-Smirnov Test. The normality test results can be seen in Table 2 below:

Table 2
Normality Test

	Unstandardized Residual
N	77
Test Statistic	.093
Asymp. Sig. (2-tailed)	.098[c,d]

Source: Data processed

This research was conducted five times with outlier data. The results in Table 2 show a significance value of 0.099, or greater than 0.05, so it can be interpreted that the residual data is normally distributed.

Multicollinearity Test
Multicollinearity test is conducted with the aim to test whether in the regression model there is a correlation between independent variables. The results relating to the presence or absence of multicollinearity can be seen in Table 3.

Table 3
Multicollinearity Testing Results

Model	Tolerance	VIF
1 (Constant)		
SIZE	.897	1.115
GROWTH	.869	1.151
PER_LABA	.992	1.008
LEV	.872	1.146

Source : Data processed

Table 1
Results of Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
ERC	77	-.0600	.0390	.0000130	.015436
SIZE	77	25.7957	32.1510	28.81047	1.629697
GROWTH	77	.2560	8.9941	3.30712	2.406353
PER_LABA	77	-.7214	2.0937	.13237	.502878
LEV	77	.1463	.7517	.39819	.157458
Valid N (listwise)	77				

Source: Data processed

Based on Table 3, it can be seen that there are no independent variables that have a VIF value of more than 10 and a tolerance value of less than 0.10. This can be interpreted that there is no multicollinearity in this regression model because all independent variables (company size, company growth, earnings growth, and capital structure) have a VIF value <10 and tolerance value> 0.10.

Heteroscedasticity Test
Heteroscedasticity test is done with the aim to test whether in a regression model there is an inequality of variance from residuals from one observation to another. The Heteroscedasticity test in this study was carried out using the Glejser Test. The results of testing the presence or absence of Heteroscedasticity can be seen in Table 4.

Table 4
Heteroscedasticity Testing Results

Model	Sig.
1 (Constant)	.988
GROWTH	.591
SIZE	.542
PER PROFIT	.844
LEV	.788

Source: Data processed

Based on Table 4, it can be seen that there is no Heteroscedasticity problem found because each of the independent variables has a significant value above 0.05.

Autocorrelation Test
Autocorrelation test aims to test whether in the linear regression model there is a correlation between the errors of the intruder in the period t with the error of the intruder in the period t-1 (previous). The autocorrelation test was done using the Durbin Watson test. The results of autocorrelation testing can be seen in Table 5:

Table 5
Autocorrelation Test Results

Model	Durbin-Watson
1	2.155

Source: Data processed

Based on the results presented in Table 5, it is known that the Durbin Watson value of 2.155 is then compared to the significance table value of 5 percent of the number of samples n = 77 and the number of independent variables k-4. Then the DU value obtained is 1.7407.

DW value is greater than the upper limit (DU) which is 2.155 and less than (4-DU) which is 4-1.7407 = 2.2593. Thus, it can be concluded that there is no autocorrelation in the research data.

Multiple Linear Regression Analysis
Multiple linear regression analysis is used to test the effect of firm size, company growth, earnings growth, and capital structure on the earnings response coefficient variable. Based on multiple linear regression analysis using SPSS 24, the results obtained are shown in Table 6.

Table 6
Results of Multiple Linear Regression Analysis

Model	B	Sig.
1 (Constant)	-.030	.326
GROWTH	.002	.344
SIZE	-.003	.515
PER PROFIT	.010	.002
LEV	.001	.954

Source: Data processed

The equation used in the multiple linear regression modeling in this study is as follows:
ERC=-0.030 + 0.002 SIZE – 0.003 GROWTH + 0.01PER_PROFIT + 0.001 LEV + e

Where:
ERC = Earnings Response Coefficient
SIZE = Company Size
GROWTH = Company Growth
PER_POFIT= Earnings Growth
LEV = Capital Structure
ε = Standard error

Hypothesis Testing
Coefficient of Determination (R^2)
The coefficient of determination testing is used to measure how far the model's ability to explain the variation of independent variables. The results of the coefficient of determination testing can be seen in Table 7.

Table 7
Results of Coefficient of Determination Testing

Model	Adjusted R Square
1	0.102

Source: Data processed

Based on the results of coefficient of determination testing in Table 7, it can be seen that the Adjusted R Square value is 0.102 or

10.2 percent. This can be interpreted that the proportion of company size, company growth, earnings growth, and capital structure can affect earnings response coefficient of 10.2 percent while the remaining 89.8 percent is influenced by other variables outside this regression model.

F Test (Model Test)

The F statistical test basically shows whether all the independent variables used in the model simultaneously have a influence on the dependent variable. The results of F test can be seen in Table 8.

Table 8
F Test Results

Model	F	Sig.
1	3.156	.019[b]

Source: Data processed

Based on the results of the F test in Table 8 it can be seen that the value of F_{count} is 3.156 with a significance level of 0.019. This means that the independent variables (company size, company growth, earnings growth, and capital structure) can explain the dependent variable of earnings response coefficient because it has a significant value of F_{count} that is smaller than 0.05.

T Statistic Test

The t-statistic test is used to find out how far the influence of each independent variable on the dependent variable. If the significant value of t-count ≥ 0.05, H0 is accepted. This means that the independent variable partially has no significant effect on the dependent variable. Conversely, if the significant value of t-count <0.05, H0 is rejected. This means that the independent variable partially has a significant effect on the dependent variable. The results of the t-test can be seen in Table 9.

Table 9
Results of t Test

Model	t	Sig.
1 (Constant)	-.988	.326
SIZE	.952	.344
GROWTH	-.654	.515
PER_PROFIT	3.237	.002
LEV	.058	.954

Source: Data processed

Based on the results of the t-test, it can be seen that company size has a t-count value of 0.952 with a significance level of 0.344. This shows that the level of significance of company size is more than 0.05, which means that H0 is accepted. Thus, it can be concluded that the variable of company size has no effect on earnings response coefficient.

The variable of company growth (GROWTH) has t-count value of 0.654 with a significance level of 0.515. This shows that the level of significance of the company growth is more than 0.05, which means that H0 is accepted. Thus, it can be concluded that the variable of company growth has no effect on earnings response coefficient.

The variable of earnings growth (PER_PROFIT) has t-count value of 3.237 with a significance level of 0.002. This shows that the level of significance of earnings growth is less than 0.05, which means that H0 is rejected. So it can be concluded that the variable of earnings growth has an effect on earnings response coefficient.

The variable of capital structure (LEV) has t-count value of 0.058 with a significance level of 0.954. This shows that the level of significance of the capital structure is more than 0.05, which means that H0 is accepted. So it can be concluded that the variable of capital structure has no effect on earnings response coefficient.

The Effect of Company Size on Earnings Response Coefficient

The t-test results in table 9 show that the value of sig. is 0.344> 0.05, which means that company size has no effect on earnings response coefficient, thus H1 which states that company size has an effect on earnings response coefficient is rejected. It can be explained that changes in the value of total assets owned by the company have no effect on earnings response coefficient. From these results it can be seen that the market does not consider the size of the company in reacting to the earnings response coefficient. This can be caused by the fact that for investors the size of the company which is assessed from the log of total assets cannot reflect the performance of the company, especially in the future, so it does not affect the earnings response coefficient.

The results of this study are consistent with those conducted by Santoso (2015) that company size has no effect on earnings response coefficient. These results are not consistent with those conducted by Syafrina (2017), Herdirinandasari and Asyik (2016), Mashayekhi & Aghel (2016) and Sandi (2013).

The Effect of Company Growth on Earnings Response Coefficient

The t-test results in table 9 show that the value of sig. Is 0.515> 0.05 which means that company growth has no effect on earnings response coefficient, thus H2, which states that company growth has an effect on earnings response coefficient, is rejected. It can be explained that the value of growth owned by the company has no influence on earnings response coefficient. From these results, it can be seen that the market does not consider the company growth in reacting to earnings announcements. This could also be due to the measurement of company growth with PBV using only the stock market price at the time of closing so that it can less reflect market reaction and stock returns around the date of earnings publication.

The results of this study are consistent with those of the study conducted by Santoso (2015) and Sandi (2013) that company growth has no effect on earnings response coefficient. These results are not consistent with those of the study conducted by Syafrina (2017) that company growth has an effect on earnings response coefficient.

The Effect of Earnings Growth on Earnings Response Coefficient

The t-test results in table 9 show that the value of sig. is 0.002 <0.05 which means that earnings growth has an effect on earnings response coefficient, thus H3 which states that earnings growth influences the earnings response coefficient is accepted. It can be explained that the value of the company's earnings growth has an influence on the earnings response coefficient.

The purpose of each investment is to generate returns for investors. If a company experiences earnings growth, it is certainly a positive signal for investors because companies that have accounting profit growth are expected to provide high profits in the future (Herdirinandasari and Asyik, 2016).

The results of this study are consistent with those conducted by Mashayekhi & Aghel (2016) and Kurniawati (2014) that earnings growth has a positive effect on earnings response coefficient. These results are no consistent with those conducted by Nofianti (2017) that earnings growth has a negative effect on earnings response coefficient.

The Effect of Capital Structure on Earnings Response Coefficient

The t-test results in table 9 show that the sig. value is 0.954> 0.05 which means that the capital structure does not affect the earnings response coefficient, thus H4 which states that the capital structure influences the earnings response coefficient is rejected. It can be explained that the value of debt owned by the company has no effect on earnings response coefficient. From these results, it can be seen that the market does not consider the company's capital structure in reacting to the earnings response coefficient.

Capital structure, which is calculated by the ratio between total debt and total assets, shows the company's ability in solvency. The greater the value of this ratio, the greater the percentage of assets owned by using debt is. In this study, capital structure has no effect on ERC. This shows that the actions of investors do not fully use the consideration of accounting information in decision making. According to Santoso (2015), there is a tendency for investors to consider the market and psychological conditions when investing.

The results of this study are consistent with the results of the studies conducted by Hasanzade (2003), Santoso (2015) and Sandi (2013) that the variable of capital structure has no effect on earnings response coefficient.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Based on the research results and discussions, it can be concluded as follows:
1. Company size has no effect on earnings response coefficient.
2. Company growth has no effect on earnings response coefficient.
3. Earnings growth has a positive effect on earnings response coefficient.
4. Capital structure has no effect on earnings response coefficient.

This study has several limitations, in which out of 100 data, 23 of them must be outliers because they do not meet the criteria for data normality.

It is recommended that further researchers overcome the abnormal data by doing log transformation and ensuring that the data entered is correct. In addition, further researchers can also use a longer window of time and add other variables such as stock volatility to produce more accurate conclusions for the factors that influence ERC.

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