



The Influence of Profit Persistence, Capital Structure, and Dividend Policy on Earnings Quality

Britania Reskin Brilian ^{1*}, Effriyanti ²

^{1,2} Pamulang University, South Tangerang, Indonesia

reskinbrilian989@gmail.com

**Corresponding author*

ABSTRACT

This research is motivated by the fact that currently profit is very important for investors and other users of financial reports to understand. Quality profits can be used to make the right decisions, therefore profits are still very important to discuss. This study aims to analyze the effect of profit persistence, capital structure, and dividend policy on earnings quality. This type of research is quantitative research with secondary data sources. The population in this study is 75 energy sector companies listed on the Indonesia Stock Exchange in 2018-2022. The sample selection method used in this study is purposive sampling so that the final sample obtained by this method is 14 companies with 5 years of research obtained 70 data. The research results show that simultaneously the variables of profit persistence, capital structure and dividend policy have an effect on earnings quality. Then, partially, the earnings persistence and capital structure variables have no effect on earnings quality. Meanwhile, the dividend policy variable influences earnings quality. Based on the research results, it can be concluded that companies that have increasingly consistent profits and companies that use funds originating from debt will not influence the high or low quality of the profits produced by the company, while companies that have a higher dividend policy will have a higher quality of profits produced by the company.

Keywords: Capital Structure, Dividend Policy, Earnings Quality, Profit Persistence

INTRODUCTION

Earnings quality is earnings that reflect the actual financial performance of a company and refers to the difference between the net profit reported in the financial statements and the actual profit (Anggrainy & Priyadi, 2019). Quality profits are profits that can explain the actual performance of a company and can be used to make the right decisions. Profits originating from companies whose quality is doubtful can result in errors in decision making by investors and creditors, who need information about company profits (Oktapiani & Ruhayat, 2019).

A phenomenon related to profit quality occurred in energy sector companies, namely the net profit of coal issuer PT Adaro Energy Indonesia Tbk (ADRO) increased 613.48% on an annual basis to \$1.21 billion in Semester-1 2022. According to Fernando (2022), the underlying reason for the increase in ADRO's profits was due to the historic increase in coal prices due to bad weather, supply shortages, geopolitical events and ongoing operational efficiency. Despite heavy rain and problems with heavy equipment procurement, ADRO managed to increase production from 26.5 million tonnes to 28 million tonnes, an increase of 6% year-on-year. This increase in production will increase coal sales in the first half of 2022 it will increase from 25.8 million tonnes to 27.5 million tonnes, an increase of 7% on the same period last year. ADRO also recorded a decrease in tailings disposal of 11% in the first half of 2022 from 115.2 Mbcm to 102.05 million cubic meters (Mbcm), with the tailing ratio increasing from 4.35x to 3.64x year-on-year 16% decrease. Operating EBITDA exceeded \$2.3 billion and core profit reached \$1.4 billion, up 269% and 338% year-over-year, respectively. This shows that the profit information produced by PT Adaro Energy Indonesia Tbk (ADRO) is quality.

There are several factors that can influence earnings quality, including earnings persistence, capital structure and dividend policy. The first factor that is thought to influence earnings quality is earnings persistence. According to As'ad et al. (2021) stated that earnings persistence, namely the





ability to inform current period profits reflects the profit for the next period or the amount of profit of a company which is likely to be repeated in the future period which is influenced by a series of management policies. A simple way to test profit persistence is by asking whether the profit information is useful for testing the level of recurring income capability, namely the ability of a company to generate sustainable profits. Through profit persistence, an investor can estimate the profits that will be obtained in the future based on the historical profits of a company. Based on the results of previous research conducted by Eliana et al. (2021), research conducted by As'ad et al. (2021), and research conducted by Rizqi et al. (2020) state that earnings persistence has a positive effect on earnings quality. Meanwhile, research conducted by Priskanodi et al. (2022) state that earnings persistence has no effect on earnings quality.

The second factor that is thought to influence earnings quality is capital structure. Capital structure is a source of funding received by a company which comes from outside the company (through debt) and from within the company (own capital). The cost of a company's capital arising from debt comes from interest, while the cost of its own capital comes from the amount of profit required before the capital owner hands over his capital to the company (Zatira et al., 2020; Supomo & Amanah, 2019). If a company can manage its debt well, then the company can maintain the balance of the company's finances, so that the company will manage the company's debts so that it can pay its debts on time and the profits generated by a company can be of high quality. Based on the results of previous research conducted by Al-Vionita & Asyik (2020) and research conducted by Anggrainy & Priyadi (2019), it is stated that capital structure has a significant effect and has a negative direction on earnings quality. Meanwhile, research conducted by Eliana et al. (2021), research conducted by Zatira et al. (2020), and research conducted by Priskanodi et al. (2022) states that capital structure has no effect on earnings quality.

The third factor that is thought to influence earnings quality is dividend policy. According to Purba et al. (2022) dividend policy is a company's decision whether profits generated during one period should be distributed to shareholders as dividends or retained as retained earnings which will be used as company operational costs and investment financing in the future. Dividend policy is related to determining how much of a company's net profit will be paid to shareholders as dividends or retained earnings for future financing, and dividend policy is considered as part of internal spending decisions, because the size of the dividends paid will affect the company's internal funding sources, namely retained earnings (Yudha et al., 2022). Based on the results of previous research conducted by Purba et al. (2022) and research conducted by Erawati & Sari (2021) state that dividend policy has a positive and significant effect on earnings quality. Meanwhile, research conducted by Veratami & Cahyaningsih (2020) states that dividend policy has no negative effect on earnings quality. This research is important to carry out considering that profits are still very important for investors to understand before investing. This research can be used by investors to make the right decisions.

LITERATURE STUDY

Agency Theory

Agency theory was first put forward by Jensen & Mecling (1976) which explains that an agency relationship is a contract between the principal and the agent . An agency relationship occurs when there is a binding contract in which there is a delegation of duties between the company owner (principal) and management (agent). However, agents generally tend to make decisions that are profitable for themselves, which ultimately triggers agency conflicts. Management actions that benefit oneself can be triggered by information asymmetry, namely a condition where the amount of information related to the company owned by the principal and the agent is not the same (Rizqi et al., 2020; As'ad et al., 2021). The main principle of agency theory is that there is a working relationship between the party giving authority, namely the investor, and the party receiving the authority, namely the manager. Agency problems that often arise are adverse selection and moral hazard. Adverse selection is a situation where the principal does not receive information about the company's performance. Meanwhile, moral hazard is a situation where the principal does not have certainty whether the agent has worked optimally. There are several ways





to overcome the problem of adverse selection and moral hazard, namely by presenting financial information based on accounting and by monitoring Good Corporate Governance (GCG). These efforts will result in agency costs which will be borne by the principal and agent. These agency costs are monitoring costs, bonding costs, and residual loss. Monitoring costs are costs incurred and borne by company owners to monitor management behavior. Bonding costs are costs borne by management to establish and comply with mechanisms that guarantee that management will act in the interests of the company owner. Residual loss is a sacrifice in the form of reduced prosperity of the company owner as a result of differences in agent decisions and principal decisions (Supomo & Amanah, 2019).

Agency theory is closely related to the quality of profits in a company. Based on agency theory, principals and agents have different desires and goals to achieve their respective profits. Conflict between the principal and agent occurs because of the possibility that the agent's actions may not always be in accordance with the principal's wishes. Agency conflict can result in management reporting profits opportunistically to maximize their personal interests. If this happens it will result in the low quality of profits generated by the company. One of the company performance guidelines that is often used as a reference for investors for decision making is the amount of profit generated by the company (Anggrainy & Priyadi, 2019; Veratami & Cahyaningsih, 2020).

Simultaneous Influence of Profit Persistence, Capital Structure, and Dividend Policy on Earnings Quality

Agency theory is one that is often used in accounting research because of its connection to the underlying topic of the problem to be researched. This is because the principal and agent tend to have different desires and goals to achieve their respective profits. Profit persistence is profit that is used repeatedly over a certain period of time as an indicator of the company's future profit period. Increasingly persistent profits indicate that the profits are more significant and of higher quality. When a company experiences a loss, users of financial reports, especially investors, do not want to invest their capital in the company because they will definitely not receive dividends and the loss reflects poor company performance. This encourages management to try to report profits through earnings management which can reduce earnings quality (Supomo & Amanah, 2019). Capital structure is the number of financing sources obtained from debt and equity. Good corporate governance will of course be able to cover the capital costs that must be incurred, so that the quality of the profits generated is not disturbed whatever the source of capital (Zatira et al., 2020). Dividend policy is a policy that determines the distribution of income between profit users which is paid to shareholders as dividends or for use in the company, which means that these profits must be invested in the company. Earnings quality is earnings that reflect the company's true financial performance. Therefore, companies that have high quality earnings will provide complete and transparent information and will not confuse or mislead users of financial reports.

Research conducted by As'ad et al. (2021) states that earnings persistence has a positive effect on earnings quality, the results of research conducted by Al-Vionita & Asyik (2020) state that capital structure has a significant effect and has a negative direction on earnings quality, research conducted by Purba et al. (2022) state that dividend policy has a positive and significant effect on earnings quality. Based on theory and previous research, the hypothesis in this study is as follows:

H₁: It is suspected that earnings persistence, capital structure and dividend policy simultaneously influence earnings quality.

The Effect of Earnings Persistence on Earnings Quality

Profit persistence is the profit result from the current period which is used to anticipate future profit revisions, where the revisions are obtained from management innovation in company management. Good profit persistence is profit that does not show large fluctuations, so that profits in this period can reflect profit forecasts for the next period. Quality profits tend to be characterized by high persistence. This is because if the profit generated is constant, the current annual profit can





reflect the profit that the company will generate in the future. This statement is strengthened by the results of research conducted by Eliana et al. (2021), research conducted by As'ad et al. (2021), and research conducted by Rizqi et al. (2020) which states that earnings persistence has a positive effect on earnings quality. Based on theory and previous research, the hypothesis in this study is as follows:

H₂: It is suspected that earnings persistence influences earnings quality.

The Influence of Capital Structure on Earnings Quality

Capital structure is a comparison between capital from outside the company (debt capital) and capital from within the company (equity). If the company's capital comes from debt, the costs arise from interest, while the company's capital comes from equity, then the costs are the amount of profit required by shareholders before transferring their capital to the company. If the ratio of foreign capital is greater than equity, it is assumed that the company has a large financial risk, namely the risk of default. The risk of default imposes costs on the company to manage this risk, thereby reducing company profits. This results in companies tending to carry out earnings management, so that the quality of the company's profits becomes low (Supomo & Amanah, 2019).

Capital structure is measured using leverage, which determines how much debt the company uses as the company's financial capital. By using leverage, you can find out how much of the company's assets are financed by company debt. Companies that have high debt can have an impact on greater financial risk, namely the possibility that the company will not be able to pay its debts, and can cause the risk of default which can cause the costs that the company must incur to overcome this problem to become greater, thereby reducing company profits (Zulman & Abbad, 2019). The best way to understand the proper use of leverage is to analyze its impact on a company's ability to earn profits. In financial management, leverage is the use of assets and funding sources by a company that have fixed costs with the aim of increasing potential shareholder profits (Sagala & Nurmala, 2021). This statement is strengthened by the results of research conducted by Al-Vionita & Asyik (2020), and research conducted by Anggrainy & Priyadi (2019), which states that capital structure has a significant effect and has a negative direction on earnings quality. Based on theory and previous research, the hypothesis in this study is as follows:

H₃: It is suspected that capital structure influences earnings quality.

The Effect of Dividend Policy on Earnings Quality

The dividend policy decided by the company depends on the company's financial situation. Companies that choose to pay large cash dividends to their investors show that the profits generated reflect the actual situation or the accumulated profits are of high quality, because when companies manipulate profits, it becomes difficult to distribute dividends to investors (Veratami & Cahyaningsih, 2020). Companies that distribute dividends are expected to have better earnings quality than companies that do not distribute dividends. Based on agency theory, dividends are believed to play a role in minimizing agency conflicts between managers and shareholders. Dividends play a role in minimizing agency costs by helping capital markets monitor managers' actions and performance, allowing managers to show the true financial performance of the company. Dividends are seen as a means of communication between managers and shareholders which shows the state of company performance. Companies that distribute dividends rarely report losses or report temporary losses due to special items (Erawati & Sari, 2021). This statement is strengthened by the results of research conducted by Purba et al. (2022) and research conducted by Erawati & Sari (2021) which states that dividend policy has a positive and significant effect on earnings quality. Based on theory and previous research, the hypothesis in this study is as follows:

H₄: It is suspected that dividend policy influences earnings quality.

METHOD

The type of research used in this research is quantitative methods. The type of data used is secondary data, namely data in the annual reports of Energy Sector companies for 2018-2022 which are listed on the Indonesia Stock Exchange (BEI). Quantitative research is research in the





form of numbers. This research uses quantitative research because it can analyze significant relationships with the variables studied, so that it can produce conclusions that can clarify the picture of the object being studied. This research was conducted on Energy Sector companies listed on the Indonesia Stock Exchange 2018-2022 by taking data in the form of annual financial reports which were accessed via the website: www.idx.co.id and the company's official website. The population of this research is 75 energy sector companies listed on the Indonesia Stock Exchange for the 2018-2022 period. In this research, the sampling technique used a purposive sampling technique, using this technique, a final sample of 14 companies was obtained. With 5 years of research, 70 data were obtained.

Table 1. Operations Variable Study

| Variable | Measurement Indicator | Scale |
|--|---|-------|
| Earnings Quality (Y) Source: Zatira et al. (2020) | $QER = \frac{\text{Operating Cash Flow}}{\text{Company Net Profit}}$ | Ratio |
| Profit Persistence (X1) Source: As'ad et al. (2021) | $EP = \frac{EBT}{\text{Average Total Assets}}$ | Ratio |
| Capital Structure (X2) Source: Al-Vionita & Asyik (2020) | $DER = \frac{\text{Total Debt}}{\text{Total Equity}}$ | Ratio |
| Dividend Policy (X3) Source: Purba et al. (2022) | $DPR = \frac{\text{Dividend Per Share (DPS)}}{\text{Earnings Per Share (EPS)}}$ | Ratio |

Source: Data processed by researchers, 2023

RESULTS AND DISCUSSION

The data analysis method used in this research to help calculate the data is by using the eviews 12 program. The results of descriptive statistical tests in this research are presented below:

Table 2. Descriptive Analysis Results

| | Y | X1 | X2 | X3 |
|--------------|----------|----------|----------|----------|
| Mean | 1,946 | 0.238 | 0.717 | 0.576 |
| Median | 1,354 | 0.129 | 0.592 | 0.441 |
| Maximum | 10,148 | 1,412 | 2,064 | 2,024 |
| Minimum | -1.019 | 0.021 | 0.140 | 0.104 |
| Std. Dev. | 1.789823 | 0.295267 | 0.453747 | 0.443306 |
| Observations | 70 | 70 | 70 | 70 |

Source: Data processed by researchers, 2023

Based on the results of descriptive statistical tests, the minimum value for the earnings quality variable was -1.019, namely for the Rukun Raharja Tbk (RAJA) company in 2021, the maximum value was 10.148 for the Elnusa Tbk (ELSA) company in 2021, the mean value was 1.946, the median value was 1.354, and the standard deviation value is 1.790.

Based on the results of descriptive statistical tests, the minimum value for the profit persistence variable was 0.021, namely for the Rukun Raharja Tbk (RAJA) company in 2020, the maximum value was 1.412 for the Bayan Resource Tbk (BYAN) company in 2022, the mean value





was 0.238, the median value was 0.129, and the standard deviation value is 0.295.

Based on the results of descriptive statistical tests, the minimum value for the capital structure variable was 0.140, namely for the Samindo Resources Tbk (MYOH) company in 2022, the maximum value was 2.064 for the Bayan Resource Tbk (BYAN) company in 2019, the mean value was 0.717, the median value was 0.592, and the standard deviation value is 0.454.

Based on the results of descriptive statistical tests, the minimum value for the dividend policy variable was 0.104, namely for the Bukit Asam Tbk (PTBA) company in 2021, the maximum value was 2.024 for the Trans Power Marine Tbk (TPMA) company in 2020, the mean value was 0.576, the median value of 0.441, and the standard deviation value is 0.443.

Table 3. Coefficient Test Results Determination

| | |
|--------------------|-------|
| R-squared | 0.453 |
| Adjusted R-squared | 0.288 |

Source: Data processed by researchers, 2023

Based on table 3, the Adjusted R-squared value is 0.288 or 28.8%. These results show that the independent variables in this study can explain 28.8% of the dependent variable and the remaining 71.2% is explained by other variables that are not included in this research model.

Table 4. F Statistical Test Results

| | |
|-------------------|-------|
| F-statistic | 2,746 |
| Prob(F-statistic) | 0.003 |

Source: Data processed by researchers, 2023

Based on table 4, the calculated F value is 2.746 with a probability value of 0.003, while to find the $F_{table\ value}$ with a significance value of 0.05, with the number of samples (n) = 70 and the number of variables (k) = 4, $DF1 = k-1 = 3$ and $DF2 = nk = 70-3 = 67$ is 2.74. From this value, the calculated F is greater than the F_{table} ($2.746 > 2.74$), while the probability value is smaller than the specified significance level, namely 0.05 ($0.003 < 0.05$). From these results it can be concluded that H_1 is accepted, which means that simultaneously the independent variables earnings persistence, capital structure and dividend policy have a significant effect on the dependent variable earnings quality.

Table 5. Results of the t statistical test

| Variables | Coefficient | Std. Error | t-Statistics | Prob. |
|-----------|-------------|------------|--------------|-------|
| Y | 2,205 | 0.718 | 3,069 | 0.003 |
| X1 | -0.291 | 0.795 | -0.366 | 0.716 |
| X2 | -1,622 | 0.897 | -1,808 | 0.076 |
| X3 | 1,687 | 0.517 | 3,264 | 0.002 |

Source: Data processed by researchers, 2023

To obtain the t table value, use the following formula:

$$df = n-k, \alpha/2$$

$$df = 70-4 = 66, 0.05/2 = 0.025.$$

Based on results calculation use the formula above obtained mark t_{table} amounted to 1.99656, whereas based on results table 5 obtained values t_{count} of -0.366 with mark probability of 0.716, so can be known that mark $t_{count} < t_{table}$ ($-0.366 < 1.99656$), while the probability value is greater than the specified significance level, namely 0.05 ($0.716 > 0.05$). Can be concluded that H_2 rejected that shows that variable persistence profit in a way Partial No influential to quality profit.

Based on the results of calculations using the formula above, the $t_{table\ value}$ is 1.99656, while based on the results of table 5, the calculated t value is -1.808 with a probability value of 0.076, so it can be seen that the calculated t value $< t_{table}$ ($-1.808 < 1.99656$), while the probability value is greater





than the specified significance level, namely 0.05 ($0.076 > 0.05$). It can be concluded that H_3 is rejected, indicating that the capital structure variable partially has no effect on earnings quality.

Based on the results of calculations using the formula above, the t_{table} value is 1.99656, while based on the results of table 5, the calculated t value is 3.264 with a probability value of 0.002, so it can be seen that the $calculated\ t\ value > t_{table}$ ($3.264 > 1.99656$), while the probability value is smaller than the specified significance level, namely 0.05 ($0.002 < 0.05$). It can be concluded that H_4 is accepted, indicating that the dividend policy variable partially influences earnings quality.

The Influence of Profit Persistence, Capital Structure, and Dividend Policy on Earnings Quality

Based on the results of simultaneous testing (F statistical test), the $calculated\ F\ value$ was 2.746 with a probability value of 0.003, while the F_{table} value had a significance value of 0.05, with the number of samples (n) = 70 and the number of variables (k) = 4, $DF1 = k-1 = 3$ and $DF2 = nk = 70-3 = 67$ is 2.74. From this value, the $calculated\ F$ is greater than the F_{table} ($2.746 > 2.74$), while the probability value is smaller than the specified significance level, namely 0.05 ($0.003 < 0.05$). From these results it is concluded that H_1 is accepted, which means that simultaneously the independent variables profit persistence, capital structure and dividend policy have a significant effect on the dependent variable profit quality in energy sector companies listed on the Indonesia Stock Exchange (BEI) in 2018-2022. The test results are in accordance with the first hypothesis which states that earnings persistence, capital structure and dividend policy simultaneously influence earnings quality. This means that each independent variable together has a role that can influence earnings quality.

Based on research conducted by As'ad et al. (2021) states that earnings persistence has a positive effect on earnings quality as measured using comparisons between profit before tax and average total assets, which shows that persistent profits are preferred by investors, this is because investors usually assess companies based on their growth through historical company profit information, so investors can use this year's profit information to predict next year's profits. A company that is able to maintain persistent profits indicates that the company is capable of managing its profits. So the, company can show that the profits generated by the company are quality.

Based on research conducted by Al-Vionita & Asyik (2020) states that capital structure has a significant and negative effect on earnings quality as measured using leverage using the Debt to Equity (DER) formula, which indicates that a company that has a high level of leverage will result in management actions to manipulate profits being low, so that the quality of the profits produced by the company will be high. The higher the level of leverage can be reducing a company's profits, because the profits obtained by the company so far have been used more paying interest expenses rather than paying dividends. Companies that have large amounts of debt will result in the risk of default which can increase the costs incurred by the company in managing the debt and will have an impact on decreasing company profits, which will result in a decline in the quality of the company's profits.

Based on research conducted by Purba et al. (2022) stated that dividend policy has a positive and significant effect on earnings quality as measured using the Dividend Payout Ratio (DPR), which shows that companies that distribute their profits as dividends are considered to be able to generate good profits in accordance with the company's objectives, this can help the company to show investors that the profits generated by the company are quality.

The explanation above shows that implementing good profit persistence, good capital structure management and a good dividend policy can have a positive impact on the profits generated by a quality company. Increasingly persistent profits indicate that the profits are more significant and of higher quality. When a company experiences a loss, users of financial statements, especially investors, do not want to invest their capital in the company because they will definitely not receive dividends and the loss reflects the poor performance of the company. Companies that have high profit quality will provide complete and transparent information, so that it will not confuse or mislead users of financial reports.





The Effect of Earnings Persistence on Earnings Quality

Based on the results of the t statistical test, the t_{table} value is 1.99656, and the $t_{calculated}$ value is -0.366 with a probability value of 0.716, so it can be seen that the $t_{calculated} < t_{table}$ ($-0.366 < 1.99656$), while the probability value is greater than the specified significance level, namely 0.05 ($0.716 > 0.05$). It can be concluded that H_2 is rejected, indicating that the earnings persistence variable has no effect on earnings quality in energy sector companies listed on the Indonesia Stock Exchange (BEI) in 2018-2022.

The results of this study are in line with research conducted by Priskanodi et al. (2022) which states that earnings persistence has no effect on earnings quality. Meanwhile, the results of this study are in contrast to research conducted by Eliana et al. (2021), research conducted by As'ad et al. (2021), and research conducted by Rizqi et al. (2020) which states that earnings persistence has a positive effect on earnings quality. This is in line with agency theory where the agent and principal try to maximize profits for their respective profits by manipulating profits which can reduce the quality of the company's profits. It can be concluded that earnings persistence has no effect on earnings quality because the more stable the profits produced by a company, the lower the quality of profits produced by the company.

The Influence of Capital Structure on Earnings Quality

Based on the results of the t statistical test, the t_{table} value is 1.99656, and the t_{count} value is -1.808 with a probability value of 0.076, so it can be seen that the $t_{count} < t_{table}$ value ($-1.808 < 1.99656$), while the probability value is greater than the significance level specified. determined to be 0.05 ($0.076 > 0.05$). It can be concluded that H_3 is rejected, which shows that the capital structure variable has no effect on the quality of profits in energy sector companies listed on the Indonesia Stock Exchange (BEI) in 2018-2022.

The results of this research are in line with research conducted by Eliana et al. (2021) and research conducted by Zatira et al. (2020) which states that capital structure has no effect on earnings quality. Meanwhile, the results of this research contradict research conducted by Al-Vionita & Asyik (2020) and research conducted by Anggrainy & Priyadi (2019) which states that capital structure has a significant effect and has a negative direction on earnings quality. This is because companies that have a high level of leverage do not necessarily produce high quality profits, and vice versa. Companies with a high leverage ratio must be able to manage their debt effectively so that management cannot carry out earnings management actions that could cause the low quality of profits produced by the company. This result is strengthened by agency theory where differences in the desires and goals of the principal and agent can cause losses to shareholders because their desires are not fulfilled, this is because the profits generated by the company are used more to finance interest expenses than to distribute dividends (Al-Vionita & Asyik, 2020).

The Effect of Dividend Policy on Earnings Quality

Based on the results of the t statistical test, the t_{table} value is 1.99656, and the $t_{calculated}$ value is 3.264 with a probability value of 0.002, so it can be seen that the $t_{calculated} > t_{table}$ ($3.264 > 1.99656$), while the probability value is smaller than the specified significance level, namely 0.05 ($0.002 < 0.05$). It can be concluded that H_4 is accepted, which shows that the dividend policy variable influences the quality of profits in energy sector companies listed on the Indonesia Stock Exchange (BEI) in 2018-2022.

A company's decision to distribute the profits it generates as dividends is proof that the company produces efficient profits, is consistent with the company's goals, and also indicates that the company produces high-quality profits (Purba et al., 2022). With agency theory, dividends are believed to play a role in minimizing agency conflicts between managers and shareholders. By distributing dividends, companies have several earnings management techniques that influence the profits reported by management. Earnings management practices can reduce the quality of reported earnings. Profits can be said to be of high quality when the reported profits are useful to help users make the best decisions and help explain and predict stock prices and returns. The influence of dividend policy on earnings quality proves that when dividend payments to shareholders increase,





the quality of a company's earnings also increases (Yudha et al., 2022). The results of this research are in line with research conducted by Purba et al. (2022) and research conducted by Erawati & Sari (2021) which states that dividend policy has a positive and significant effect on earnings quality, this is because dividend policy is seen as a communication tool between management and shareholders to show company performance. Meanwhile, the results of this research contradict research conducted by Veratami & Cahyaningsih (2020) which states that dividend policy has no negative effect on earnings quality.

From the explanation above, it can be concluded that dividend policy can influence earnings quality, where a constant increase in dividend policy will increase earnings quality. This is because the more consistently the company chooses to pay large cash dividends to its investors, it shows that the profits generated reflect the true situation, so that the quality of the profits produced increases. Thus, the higher the dividend policy, the greater the quality of profits produced.

CONCLUSION

This research was conducted to examine the influence of earnings persistence, capital structure and dividend policy on earnings quality in energy sector companies listed on the Indonesia Stock Exchange (BEI) in 2018-2022. Based on the results of the research and hypothesis testing that has been carried out, it can be concluded that earnings persistence, capital structure and dividend policy simultaneously influence earnings quality. This indicates that companies that have good profit persistence, a low capital structure, and a high dividend policy can improve the quality of the company's profits. Furthermore, partially, earnings persistence and capital structure have no effect on earnings quality, while dividend policy influences earnings quality. Based on the results of the research discussion and conclusions, the author realizes that there are still many limitations and shortcomings in conducting research, so the researcher will provide suggestions for further research to develop this research further. The following suggestions can be given from researchers for further research, namely as follows: It is recommended that future researchers add new variables that can influence earnings quality to broaden the discussion regarding other factors that can influence earnings quality. Future researchers are advised to add research samples to other sectors listed on the Indonesia Stock Exchange, not just using energy sector companies. If you want to conduct research with the same variables, you are expected to choose a wider sector so that you get more samples and can meet the sample selection criteria.

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