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THE CONNEXION OF FINANCIAL RATIO AND ISLAMIC SOCIAL REPORTING (ISR) ON EARNING RESPONSE COEFFICIENT WITH FIRM SIZE AS A MODERATING

Lince Bulutoding*, Rika Dwi Ayu Parmitasari & Nurfaizah Divia Maharani
Universitas Islam Negeri Alauddin Makassar

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Abstract

This study was aimed to determine the effect of profitability, leverage and Islamic Social Reporting on Earning Response Coefficient and the ability of firm size variables in moderating the relationship between profitability, leverage and Islamic Social Reporting on Earning Response Coefficient. The sample used in this research was a manufacturing company listed in Indonesia Stock Index BEI during the period 2015-2018. Total sample amounted to 30 companies by using purposive sampling technique. Methods of data analysis used multiple regression and moderating regression analysis. The results showed that profitability had a significant positive effect on Earning Response Coefficient. In this research, leverage and Islamic Social Reporting had no effect on Earning Response Coefficient. However, the firm size variable could moderate the relationship between profitability with Earning Response Coefficient and relationship between Islamic Social Reporting with Earning Response Coefficient. Conversely, firm size could not moderate the relationship between leverage and Earning Response Coefficient.

Introduction

The development of sharia capital market in Indonesia currently runs dynamically in line with the increasing need of Muslim investors to invest in halal. Increased number of investors (investors) causes companies are required to provide relevant financial and non-financial information to be useful in decision-making. According to Naimah and Utama (2006), Arfan and Antasari (2008) and Kurnia and Sufiyati (2015) accounting information are said to have value relevance if the information can describe the company's performance and the investor's response can be observed from stock price movements. The description of company performance can be seen from the amount of profit. Lev (1989) and Diantimala (2008) stated that profit is the most eagerly awaited information by the market and is still believed to be the primary information because it can have an effect on investor decision making. This is in accordance with efficient market theory that discusses the relevance of value relevance of earnings information to investor response. Profit information can affect the investor's response at the time of earnings announcement that can be seen from the movement of stock prices.
According to Santoso (2015) Earning Response Coefficient (ERC) or Profit Response Coefficient is one measure that can be used to measure the relationship between earnings and stock returns. The strong market reaction to earnings information as reflected in the high ERC, indicates that reported earnings are qualified (Melati and Kurnia, 2013). However, investor response not only focuses on profit information alone, because the information is very limited its usefulness for investors (Daud and Syarifuddin, 2008). Therefore, the profit figure is not the only thing that can affect the investor's response to the earnings announcement measured using Earning Response Coefficient.

One of the factors that can affect earning response coefficient value is profitability of company. According to Marx (2013) profitability is the ratio to measure the company's gross profit to its assets. Setiawati et al. (2014) and Aryanti and Sisdyani (2016) showed that profitability has a positive effect on earnings response coefficient. In the meanwhile, Susilo and Juniarti (2015) revealed that ROA has a negative effect on stock prices due to increase in ROA is not supported by effective and efficient asset management.

The next factor that can affect the response of investors to the company's announced earnings is the size of the leverage. Murwaningsari (2008) reveals that companies with high leverage levels mean having more debt than capital. The results of Imroatussolihah (2013) showed that leverage negatively affect earning response coefficient. This shows that if a company with high leverage announces its profits then investors will feel aggrieved because profits will be widely used to cover the debts of the company. However, the results of Kurnia and Sufiyati (2015), Paramita (2012b) and Hasanzade et al. (2013) concluded that leverage has no significant effect on earning response coefficient. This shows that leverage is not the main focus of investors in making investment decisions because it is considered not to affect the dividend payout.

According to Imroatussolihah (2013) the small number of ERC of a company is not only influenced by the company's financial information but can also be influenced by non-financial factors such as corporate social activities. Haniffa (2002) in Othman and Thani (2010) said that Islamic Social Reporting is needed by the Muslim community as a form of accountability to God and increase the transparency of business activities in the capital market. The form of disclosure of social responsibility is considered to provide legitimacy that is directly related to the survival of the company. This is evident from research Adhariani (2005) and Daud and Syarifuddin (2008) which revealed that CSR has a positive effect on earning response coefficient. While research Wulandari and Wirajaya (2014) and Restuningdiah (2007) showed that there is no significant influence between CSR and earning response coefficient. On the other hand, Sayekti and Wondabio (2007) and Kartadjumena (2010) showed that there is a negative influence between CSR and earning response coefficient. Password research (2013) says that there is a positive influence between company size and ERC. Large assets will make it easier for companies to innovate for new developments (Rahayu and Suaryana, 2015). Almilia and Devi (2007) in Diantimala (2008) also said that companies with large amounts of assets are large companies that are considered to have little risk. Therefore with a larger company size there is a guarantee that all financial information is presented in a relevant way. Based on the description above and refer to the results of previous research, then the formulation of the problem in this study are as follows: (1) Does the profitability affect the earning response coefficient? (2) Does leverage affect earning response coefficient? (3) Does Islamic Social Reporting affect the earning response coefficient? (4) Does company size moderate the relationship between profitability and earning response coefficient? (5) Does company size moderate the relationship between leverage and earning response coefficient? (6) Does company size moderate the relationship between Islamic Social Reporting and earning response coefficient?

Theoretical Review

Efficient Market Theory

Efficient market theory was first developed by Fama in the 1970s, translating the market efficiently as a market whose price always reflects fully the information available. According to Wulandari and Wirajaya (2014) efficient capital market theory states that the price of a security reflects all information that is known or relevant in a capital market. The share price will change only if there is new information that should not be predicted before. Therefore the market is said to be efficient if information can reflect the price quickly and investors only expect to get a normal return.

Efficient market theory states that the market price of securities will show a reasonable value. Fair market value changes due to new information about the future cash flows of the securities in question. Therefore if an enterprise resulting from a sound investment, financing, and operating decision is in a financially strong condition, then its stock price will move up to reflect the positive condition. Suwardjono (2005: 489) mentions that there are three forms of market efficiency: weak (weak) where the market price of the securities reflects all information contained in a series of semi-strong market prices where the market price of the securities reflects all available information for the public and strong (strong) where the market price reflects all information including information that is not available by the public or in other words only for internal company.

Signal Theory

The theory of signal was first coined by Ross in 1997. This theory explains that the signal in the form of corporate financial information that has a good performance will be responded well by other parties. According to Paramita (2012a) signal theory is based on the premise that managers and shareholders do not have access to the same corporate information. The inequality of information held between internal parties and external parties encourages companies to disclose their information, whether financially or non-financially. Therefore, the company is required to provide information relevant to that required by investors. An announcement of information published by the company is a useful signal for investment decisions. If the signal is positive then the market will quickly react. The market reaction will be reflected through the volume of its stock price.

The theory of signals also underlies why companies make voluntary disclosures. Reporting on the disclosure of sharia-based social activities is known as Islamic Social Reporting. Signals such as voluntary information are utilized by the company's management to enhance its reputation. Signal theory also explains that for companies that have a large size, it will tend to provide a signal relevant to investors in order to maintain its reputation. Therefore, the larger the size of a company, the disclosed financial and non-financial information will be more and more.

Earning Response Coefficient

Cheng and Nasir (2010) stated that ERC is an estimate of changes in the company's stock price as a result of the announced earnings information to the market. Profit has information that is reflected in its share price. Stock prices will rise if the information published by the company is relevant to the investor's expectations. When earnings announcements are made by the company then at that time will affect the behavior of investors. If the profit according to investor expectations then stock prices tend to rise, whereas if the profit does not match the expectations of investors then the stock price will tend to fall. Kartadjumena (2010) stated that strong market reaction to earnings information will be reflected from high earnings response coefficient, otherwise weak market reaction to earnings information will be reflected on low ERC value. ERC is a coefficient obtained from the regression between the proxy of stock prices and accounting earnings. The stock price proxy used is Cummulative Abnormal Return (CAR), while the accounting profit proxy is Unexpected Earning (EU).

Profitability

Profitability is the company's ability to generate profits through the operation of its assets (Wiyadi et al., 2016). Profitability is considered to reflect the efficient use of assets and equity through profitability. Company performance in one period will be depicted from how big ratio profitability. Profit announced by the company is not an absolute reflection of the company's performance success therefore investors need to review the efficiency of the company's sales, assets and capital in generating profits. One way of measuring company profitability is by comparing net after-tax profits with total assets.

Leverage

Debt is an agreement to receive funding between a company and a creditor that has a fixed cost. The initial purpose of using debt is to increase the company's production amount and also to increase the company's profit. Therefore, the debt aims to prosper the shareholders. However, since the debt has a fixed expense of interest, then when the firm announces its profits it is likely that the profits will be allocated to the creditor to pay off the company's debt. This is what according to Scott (2003) in Imroatussolihah (2013) to cause the higher level of corporate leverage earning response coefficient will be lower. Companies that have a high percentage of debt then the profits earned by the company will be allocated more to creditors than shareholders. Investors therefore strongly avoid companies that have high leverage.

Islamic Social Responsibility

Haniffa (2002) in Fitria and Hartanti (2010) says that in particular the ISR index is an extension of social reporting which includes public expectations not only of the company's role in the economy, but also the role of the company in a spiritual perspective. Therefore ISR is a form of reporting of social activities to improve corporate social disclosure or known as CSR by adding spiritual aspect. The Social Reporting Index takes six themes: financing and investment themes, product and service themes, employee themes, community themes, environmental themes and corporate governance themes.

Company size

According to Arfan and Antasari (2008) larger size companies have larger sales (more customers), bigger capital (shareholders and / or more creditors), more employees (more people involved). With the larger size of the company, there is a tendency for more investors to pay attention to the company (Nofianti, 2014). Companies with larger sizes have a lower risk of survival. Large companies will be able to attract investors' responses and will gain substantial trust from investors. The larger size of the company is also easier to get loan from the creditors because of the guarantee of future payments with greater total assets.

The Research Framework Model

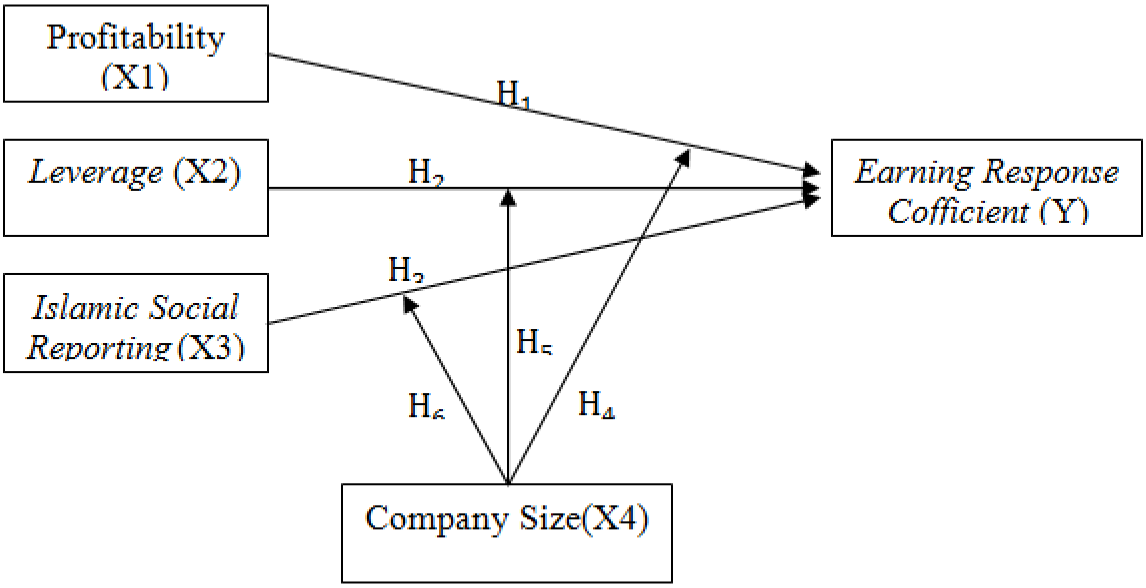

Figure 1Research Framework Model

Hypotheses

Relationship Profitability Against Earning Response Coefficient

Melati and Kurnia (2013) states that profitability is defined as the ability of companies to generate profit or profit in an effort to increase shareholder value.Increasing profitability of the company, the greater the response of investors. The greater the response of investors to corporate profits then the higher the stock price offered so that when associated with earnings response coefficient then there will be a positive influence. This is evidenced by research Setiawati et al. (2014) and Aryanti and Sisdyani (2016) which reveal a positive influence between profitability and earning response coefficient. But profitability does not always have a positive effect on earning response coefficient. This will happen if the asset turnover ratio shows a low value even if the company's profitability ratio increases. The results of Susilo and Juniarti (2015) found that profitability has a negative effect on earning response coefficient. Therefore, based on these studies it can be concluded that profitability has a significant effect on earning response coefficient.

H_1: There is a significant influence between profitability and earning response coefficient.

Relationship Leverage Against Earning Response Coefficient

The risk of a company's default is usually seen from its high leverage. According Murwaningsari (2008) companies with high leverage level means to have a larger debt than capital. Therefore, when the earnings announcement is done by the company then the most benefit is the creditor because the profits earned will be more allocated to pay the company's debt. As a result the investor's response to earnings is weak. The results of Malahayati et al. (2015) and Rahayu and Suaryana (2015) proved that leverage negatively affects earning response coefficient. The higher the leverage of the company the lower earning response coefficient. Therefore, based on these studies it can be concluded that leverage has a significant influence on earning response coefficient.

H_2: There is a significant influence between leverage and earning response coefficient.

Relationship of Islamic Social Reporting to Earning Response Coefficient

According to Adhariani (2005) the higher the disclosure level, the higher the informativeness of stock price as measured by earning response coefficient. The assumption that many companies disclose more social activity information are good news companies that have more persistent earnings and higher earning response coefficient. The results of Adhariani (2005) and Daud and Syarifuddin (2008) proved that there is a positive influence between Corporate Social Responsibility disclosure towards earning response coefficient. On the other hand Sayekti and Wondabio (2007) found a negative influence between CSR and earning response coefficient. The results of this study indicate that investors appreciate the CSR information disclosed in the company's annual report so as not to pay much attention to the company's earnings information. Investors tend to pay more attention to corporate social responsibility than the number of corporate profits. Therefore, based on these studies it can be concluded that Islamic Social Reporting has a significant influence on earning response coefficient.

H_3 : There is a significant influence between Islamic Social Reporting and earning response coefficient.

Relationship of Company Size To Moderate Relationship between Profitability To Earning Response Coefficient.

According to Sunarto and Budi (2009), companies with large sizes are relatively more stable and more able to generate profits compared with small companies. Company size can be seen through the total amount of assets owned by the company. So the greater the size of the company the greater the level of profitability that can be generated. With a high level of profitability, then the investor response to profits will increase as well. However, according to Wijanti and Sedana (2013), the greater the size of the company, can affect the inefficiency of the company's operations and this resulted in the company not generate profits optimally. So large corporate size can not only help the company to maximize profits, but the large size of the company also affects the decrease in profit optimization due to poor management of assets by managers. This is because the large amount of corporate assets is not accompanied by an increase in profitability ratios. Therefore, the investor's response to earnings is weakened as the amount of assets increased is not accompanied by an increase in profitability.

H_4: Firm size moderates the relationship between profitability and earning response coefficient.

Relationship of Company Size To Moderate Relationship between Leverage To Earning Response Coefficient.

In general, companies that have larger sizes will be easier to obtain funds from external parties in the form of debt. According to Nuraina (2012a) the larger the size of the company then the more funds used to run the company's operations. The larger the size of the company, the more funds are used to increase production. Thus, the larger the size of the company, the loan becomes bigger. Therefore, the larger the size of the company, the higher the leverage level and the investor's response to the profit will be weakened when the company has a high level of leverage.

H_5: Firm size moderates the relationship between leverage and earning response coefficient.

Relationship of Company Size as Moderator Relation between Islamic Social Reporting To Earning Response Coefficient.

According to Wijaya (2012) larger companies are required to show / disclose their social responsibility. The larger the size of the company, the more items will be expressed in the index of Islamic Social Reporting and it will reflect that companies that have large disclosure of social activities in the ISR index have good news about the future profit increase so that the investor's response to earnings will increased. However Sayekti and Wondabio (2007) revealed that investors appreciate the CSR information disclosed in the company's annual report. So the profit relevance decreases and the investor's response to earnings becomes weak when investors are more concerned about the social activity items reported in the ISR.

H_6: Suspected firm size moderates the relationship between Islamic Social Reporting and earning response coefficient.

Research Methods

Data and Populations
Data used in the form of annual manufacturing company data report in Sharia Stock Index Indonesia in Indonesia Stock Exchange (IDX). The population in this study are as many as 107 manufacturing companies listed on the BEI during the period 2015-2018. The sample selection in this research uses purposive sampling method where the selected manufacturing company has the following criteria: (1) manufacturing companies consistently listed in Indonesia Sharia Index during 2015-2018 period. (2) Manufacturing companies that have complete data throughout the year 2015-2018. (3) Manufacturing companies that do not experience losses during the year 2015-2018. (4) Manufacturing companies that have normal leverage levels (less than 1) (5) Manufacturing companies reporting social activities in Islamic Social Reporting in sustainability reports throughout 2015-2018.

Operational Definition of Variables
Variables in the study consist of:
1. Independent Variable (Independent Variable)
a. Profitability
In this research, profitability ratios used are Return on Assets (ROA). ROA is the profitability ratio used to determine the company's ability to generate net income through the use of a number of company assets. To measure ROA the formula is:

$$\text{ROA}=\frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

Leverage
One way to measure leverage is by comparing the amount of debt and the company's capital as measured by the Debt to Equity Ratio. This ratio shows how much the company's operating capital is financed by debt. To measure the DER the formula is:

$$\text{DER}=\frac{\text{total debts}}{\text{total equities}}$$

Islamic Social Reporting
Based on research Firmansyah (2014) in six themes ISR consists of 43 items of disclosure. The ISR index is determined by the content analysis method in the company's annual report by giving a score of 1 on each item disclosed and if it does not get a score of 0. The score is then summed up according to each theme as well as overall. So the biggest score is 43 and the smallest is 0 for each company in each year. Then to measure Islamic Social Reporting then used the formula:

$$\text{ISRIj}=\frac{\Sigma \text{X ij}}{\text{n}}$$

Notes:
ISRIj = Islamic Social Resporting Index company j
ΣX ji = Number of items / indicators disclosed by the company j
n = Total item / disclosure indicator

2. Dependent Variable
The dependent variable in this research is earning response coefficient obtained from Cumulative Abnormal Return (CAR) stock price regression and Unexpected Earning (EU) accounting profit proxy.
Based on the above definition, then to find the value of ERC can be used the following equation:

$$\text{CAR}_{i(-3,+3)}= a_0+a_1\text{UE}_{it}+e_{it}$$

CAR_i = Cumulative abnormal return of firm I on 3 days before and 3 days after the financial statements are published.

UE_{it}= Non-expected profit of firm I in period t.
a_1= value of earnings response coefficient (ERC)
e_0= error term (error rate estimator in research)

a. Cumulative Abnormal Return (CAR)

$$CAR_{i(-3,+3)}=\sum_{-3}^{+3} AR_{it}$$

Notes:

$CAR_{i(-3,+3)}$= Company cumulative abnormal return during the observation period for 7 days (3 days before event, 1 day event and 3 days after event).
AR_{it} = abnormal return of firm I on day t

To calculate abnormal return company, then used the formula as follows:

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

Notes:
AR_{it} = abnormal return of firm I on day t.
R_{it} = actual return of company I on day t.
R_{mt} = market return on day t.

To obtain abnormal return data, first must look for actual return (return true) company I on day t is as follows:

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

Notes:
R_{it} = annual return of firm i period t
P_{it}= closing price of company stock i in period t
P_{t-1}= closing price of company stock i in period t-1

The market return is represented by the Composite Stock Price Index (IHSG) calculated on a daily basis as follows:

$$R_{mt}=\frac{IHSG_t-IHSG_{t-1}}{IHSG_{t-1}}$$

Notes:
R_{mt} = market return on day t.
$IHSG_t$ = composite share price index on day t.
$IHSG_{t-1}$= composite stock price index on day t-1.

b. Unexpected Earning (UE)

Unexpected Earning (EU) is calculated using the comparison of current period data with the previous period. Unexpected Earning is the difference between normal profit and expected profit.

$$UE_{it}=\frac{(E_{it}-E_{it-1})}{|E_{it-1}|}$$

Notes:
UE_{it} = *Unexpected earnings of firm i in period t*
E_{it} = Accounting profit after tax of company i in period t
E_{it-1} = Accounting profit after tax of company i in period t-1
$|E_{it-1}|$= The absolute value of accounting profit after tax of company i in period t-1

3. Moderation Variables

To measure the size of the company then used the total natural logarithm of assets. To measure the size of the company then used the formula as follows:

$$SIZE = \text{Ln (Total Assets)}$$

Notes:
SIZE = Company size
Ln (Total Assets) = Natural total logarithm of company asset i in year t

C. Data Analysis Method

Data analysis was performed by conducting descriptive statistical test to give an overview of data seen from mean, standard deviation, variance, maximum and minimum. Furthermore, the classical assumption test consisted of normality test, multicollinearity test, autocorrelation test and heterokedastisity test. To test the research hypothesis, then used two stages of testing as follows.

1. Multiple Linear Regression Test

$$\mathbf{Y = a_1 + b_1 X_1 + b_2 X_2 + b_3 X_3 + e_1}$$

Notes:
α = Constant
X_1 = Profitability
X_2 = Leverage
X_3 = Islamic Social Reporting
Y = Earning Response Coefficient
β_1-β_4 = Regression Coefficient
e_1 = Error term

2. Difference of Absolute Value Test of Moderation Variable

Based on the hypothesis to be tested, then the formula mathematical model of the relationship between variables are as follows:

$$\mathbf{Y = a_1 + b_1 ZX_1 + b_2 ZX_2 + b_3 ZX_3 + b_4 ZM + b_5 |ZX_1 - ZM| + b_6 |ZX_2 - ZM| + b_7 |ZX_3 - ZM| + e_1}$$

Notes :
α = Constant
ZX_1 = Z score of Profitability
ZX_2 = Z score of *Leverage*
ZX_3 = Z score of *Islamic Social Reporting*
ZM = Z score of company size
Y = *Earning Response Coefficient*
$|ZX_1 - ZM|$ = Absolut residual $(ZX_1 - ZM)$
$|ZX_2 - ZM|$ = Absolut residual $(ZX_2 - ZM)$
$|ZX_3 - ZM|$ = Absolut residual $(ZX_3 - ZM)$
b_1-b_7 = Regression coefficients
e = *error term*

Results and Discussion

Descriptive Statistics of Variables

Based on the data collection process, it is known that there are 120 sample companies that can meet the criteria of research during the period 2015-2018. The results of the descriptive test of 120 samples are as follows.

Table 1 Descriptive Statictics Result
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ERC	120	-.06	.45	.1616	.11365
Profitabilitas	120	.00	.26	.0958	.06588
Leverage	120	.08	.91	.4162	.19668
ISR	120	.37	.74	.5519	.09015
UkuranPerusahaan	120	25.62	31.42	28.2202	1.60338
Valid N (listwise)	120				

Based on Table 1 the earning response coefficient (Y) is the lowest owned by Trias SentosaTbk. (TRST) in 2017, while the highest earning response coefficient is owned by Selamat SempurnaTbk. (SMSM) in 2015, with the mean value being 0.1616 and the standard deviation is 0.11365. Profitability (X1) lowest is owned by Star Petrochem Tbk. (STAR) in 2016-2018, while the highest profitability is owned by Duta Pertiwi Nusantara Tbk. (DPNS) in 2016 and Mandom Indonesia Tbk. (TCID) by 2017, with a mean value being 0.0958 and the standard deviation is 0.06588. The lowest leverage (X2) is owned by Intanwijaya International Tbk. (INCI) in 2016-2017, while the highest leverage is owned by Charoen Pokphand Indonesia Tbk. (CPIN) in 2017 and Trias SentosaTbk. (TRST) in 2016, with the mean value being 0.4162 and the standard deviation is 0.19668. The lowest Islamic Social Reporting (X3) is owned by Intanwijaya International Tbk. (INCI) in 2016-2017 and Tempo Scan Pacific Tbk. (TSPC) in 2017-2018, while Islamic Social Reporting is owned by Indofood CBP Sukses MakmurTbk. (ICBP) in 2016-2017, with a mean value of 0.5519 and the standard deviation is 0.09015. The company's smallest size (X4) is owned by Lionmesh Prima Tbk. (LMSH) in 2017, while the size of the largest company is owned by Cement Indonesia (Persero) Tbk. (SMGR), with the mean value being 28.2202 and the standard deviation is 1.60338.

1. Classic Assumption Test Results

Hypothesis testing is done after the prerequisite test to test the feasibility of the model used. The result of kolmogorov-smirnov test on the normality test is 0.087 which is more than 0.05 so that the data is normally distributed. The multicolinearity test shows that the tolerance value of each variable is greater than 0.1 and the VIF value is below 10, so it can be concluded that there is no multicollinearity. Based on the results of autocorrelation test using Durbin Watson (DW) test it is known that DW>dU and DW <(4-dU) or 1,7896 <2,006 <2,2104, so it can be concluded that there is no autocorrelation in this research model and feasible to be tested regression. Heterokedasticity test using Park test and it is known that the significance of all variables is above 0.05 so that all independent variables of heterokedastisitas.

2. Hypothesis Test Results

Coefficient of Determination

Table2Coefficient of Determination Results (R^2)
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754[a]	.568	.557	.07567

a. Predictors: (Constant), ISR, Leverage, Profitabilitas

Based on the results of the coefficient of determination test, the value of R^2 (Adjusted R Square) is known that the value of R is 0.754 or 75.4% where according to the correlation coefficient interpretation guidelines, this figure belongs to the correlation category strongly influenced because it is at interval 0 , 60 - 0.799.

The value of R^2 (Adjusted R Square) is 0,557, this means that 55,7% variable earning response coefficient influenced by profitability, leverage and Islamic Social Reporting. While the rest of 44.3% explained by other variables.

Simultaneous Test Results (F)

Table 3 F Test
Anova[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.873	3	.291	50.827	.000[b]
	Residual	.664	116	.006		
	Total	1.537	119			

a. Dependent Variable: ERC

b. Predictors: (Constant), ISR, Leverage, Profitability

Based on the test, the calculated F value of 50.827 with a significance level of 0,000 well below 0.05 or F arithmetic (50.827) is greater than the F table of 2.68 (where df (N1) = 4-1 is 3 and the df value N2) = 120-4 is 116). Therefore, it can be concluded that profitability (X1), leverage (X2) and Islamic Social Reporting (X3) simultaneously or simultaneously have an effect on earning response coefficient.

Partial Test Results (t)

Table 4 t Test
Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.223	.015		14.603	.000
	Zscore (Profitabilitas)	.092	.007	.805	13.301	.000
	Zscore (Leverage)	.002	.006	.021	.378	.706
	Zscore (ISR)	-.030	.008	-.263	-3.755	.000
	Zscore (UkuranPerusahaan)	.042	.008	.369	5.383	.000
	ABSX1_M	-.041	.009	-.272	-4.643	.000
	ABSX2_M	-.001	.008	-.006	-.105	.916
	ABSX3_M	-.028	.010	-.169	-2.749	.007

a. Dependent Variable: ERC

The regression equation is as follows:

$$\mathbf{Y= 0.223+0,092_{X1}+0,002_{X2} - 0,30_{X3}+0,042_{M} - 0,041_{X1.M} - 0,001_{X2.M} - 0,028_{X3.M}}$$

Based on table 4 of partial test result or hypothesis test result, it seems that the influence of variable of profitability to earnings response coefficient shows significance value equal to 0.000 below level of significance 0.05 with regression coefficient equal to 0.092 with positive direction. This shows that the first hypothesis (H1) is accepted.

Based on the table 4 partial test results or hypothesis test results, it appears that the influence of leverage variables on earning response coefficient shows the significance value of 0.706 where this value is greater than the 0.05 significance level with a regression coefficient of 0.002 with a positive direction. This shows that the second hypothesis (H2) is rejected.

Based on table 4 partial test results or hypothesis test results, it appears that the influence of Islamic variables reporting variable on earning response coefficient shows a significance value of 0,000 where this value is greater than the 0.05 significance level with a regression coefficient of -0.030 with a negative direction. This shows that the third hypothesis (H3) is rejected.

Based on table 4 of partial test results or hypothesis test results, it appears that firm size has a significant value of 0.000 and profitability value minus firm size value shows a significance value of 0.000 with negative coefficient of -0.041. This means that the relationship between profitability to earnings response coefficient moderated by firm size suggests moderation moderation weakens. This means that the fourth hypothesis (H4) is rejected.

Based on table 4 of partial test result or hypothesis test result, it is seen that firm size has significant value 0.000 and leverage value minus firm size value shows significance value equal to 0,916 with negative coefficient equal to -0,001. This means that the relationship between leverage to earning response coefficient moderated by firm size indicates a predictor. This means that the fifth hypothesis (H5) is rejected.

Based on table 4 of partial test result or hypothesis test result, it is seen that firm size has significant value 0.000 and Islamic social response value minus firm size value shows significance value equal to 0,007 with negative direction equal to -0,028. This means that the relationship between Islamic social response to earning response coefficient moderated by firm size suggests quasi moderation weakens. This means that the sixth hypothesis (H6) is rejected.

Research Discussion

The influence of Profitability on Earning Response Coefficient
Based on the results obtained, profitability has a significant effect on the positive direction of earning response coefficient. This means the higher the profitability of the company then the value of earning response coefficient is also greater. Profitability as a description of the company's performance responded well by investors. Investors provide a positive response to the company's efforts in managing assets owned to obtain profit. The results of this study are in line with Setiawati et al. (2014) who say that companies with high profitability also have a large profit response coefficient compared with companies with low profitability. The capability of asset management in obtaining profit is assessed to increase investor's response during earnings announcement. As the amount of assets is increasing, the profits will be increased as well.

Dewi et al. (2016) also argues that companies with high profitability can be said that the company's financial statements contain good news and companies that experience good news will tend to submit financial reports on time. Therefore, profitability information can provide an overview of the company's financial condition generally relates to the company's ability to earn profit. The higher profitability will provide good news for investors that the company has better future earnings. This study is also in accordance with the theory of signals that say that the signal in the form of corporate financial information that has a good performance will be responded well by other parties. When the company gives a good news signal then the investor will quickly react to the profit announced by the company.

The influence of Leverage Against Earning Response Coefficient
Based on the results obtained, leverage has no significant effect on earnings response coefficient. This means that, leverage is not a good determinant of earning response coefficient. This is because companies that have high leverage does not mean they have no future certainty to earn profits because basically the debt contract is done to increase production in obtaining higher profits, but companies that have high debt contracts will not enter into investor considerations as a risk in returning debt that will cause a low dividend payout. So although the company has a high leverage, it does not affect the level of dividend received by investors. With this

consideration, investors do not make leverage a major consideration in affecting earnings. The result of this research is in line with Hasanzade (2013) research result which states that there is no significant correlation between financial leverage and earnings response coefficient means that with increasing or decreasing of financial leverage, the change of dividend and annual stock return is maintained.

Efficient market theory said that stock prices will change only when new information should be unpredictable. Leverage information is not information that shocks the market in reacting because it is considered less able to predict the dividend return that will be obtained by investors. Marlina and Danica (2009) say that the company's commitment in the manufacturing sector to make regular dividend payments causes the ability to pay dividends is not influenced by the size of the company's debt and even the increase in debt can increase the company's ability to pay dividends during the use of debt is always accompanied by an increase in corporate profits. Delay in dividend payout is not based on the high level of leverage owned by the company, but is caused by other factors such as to cover the deficit in previous years or the profit earned is used to build production facilities to increase profit in the next period. Therefore, leverage information does not become the benchmark of investors in reacting when earnings announcements made by the company. It happened because of the size of the leverage does not affect the return received by investors.

The Influence of Islamic Social Reporting on Earning Response Coefficient

Based on the results obtained, leverage has a significant negative effect on earnings response coefficient. That is, Islamic Social Reporting is not a determinant of earning response coefficient. This is because the voluntary disclosure information in Islamic Social Reporting is considered not to give an adequate picture of the future earnings of companies so that companies that have high voluntary disclosure and low will not affect the response of investors when the earnings announcement made by the company. The reason of Islamic social reporting that is not influential is because the stock exchange of Indonesi (IDX) does not require the existence of Islamic syariah disclosure in company report listing on IDX. Because ISR is not a requirement so investors are not interested in seeing from the ISR side. According Restuti and Nathaniel (2012) the market response to CSR implementation conducted by the company cannot directly affect the return, but it takes a long time. Hidayati and Murni (2009) said that CSR information does not affect the cumulative abnormal return because investors only buy shares for sale, do not hold stocks for long periods, so, investors do not take into account the company's long-term survival but only return can be given the stock in the short term. Therefore, the market is less reacting to ISR information at the time of earnings announcements made by the company.

The results of this study are in line with the results of research Widiastuti (2004) who said that the area of voluntary disclosure has no significant effect on ERC. This is because of two factors, the first investor is not quite convinced by the disclosure of voluntary management so that investors will not use the information contained in voluntary expressions as a basis for revising the belief. Signal theory is the theory underlying why firms make voluntary disclosures. Signals such as voluntary information are utilized by the company's management to enhance its reputation. Therefore, the company's voluntary information is sometimes considered biased by investors because of the element of image improvement by management.

The Influence of Profitability on Earning Response Coefficient with Company Size as Moderating Variables

Based on the results obtained, the size of the company is only quasi moderation weaken the relationship of profitability to earning response coefficient. The results of this test means that the size of the firm is quasi moderation or only temporary weaken the relationship between profitability and earning response coefficient. This is because the performance described by the company projected to the profit generated by the company will be temporarily weakened by the size of the company. This means that investors consider that performance achieved when associated with profit by a large company is common, so this is not the focus of investor consideration but only temporarily. According Gobel (2013) large companies have large expenses and if not managed properly will have an impact on the decline in profits generated company. The size of a company that is valued based on the amount of assets, fluctuates from year to year. If asset management can not increase profits then the investor will not be interested in buying the company's shares. Therefore large size companies do not necessarily have greater profitability.

The larger the size of the company will be able to increase the inefficiency of the company's operations in production and impact on the unoptimal in profit (Wijayati and Sedana, 2013). The large size of a company that is not accompanied by high profitability gains leads investors who see it to be uninterested in investing in stocks and declining share prices. According to Wulandari and Wirajaya (2014) efficient capital market theory states that the price of a security reflects all information that is known or relevant in a capital market. The price of securities will increase if the information provided by the company is considered to be beneficial to the investor when investing. Therefore, when companies that have large sizes are not able to produce a higher return on asset ratio compared with small companies, the investor response to earnings announcements made by the company will decrease because the information is considered unprofitable for the investor.

The Influence of Leverage on Earning Response Coefficient with Company Size as Moderating Variable

Based on the result of the research, the company size is not the variable of moseration but acting as predictor variable to the relationship between leverage to earning response coefficient. The results of this test showed that firm size is a predictor variable if it is connected between leverage and earning response coefficient. It means Debt and profit are both as predictor variables that will affect the earnings response coefficient. The reason is the size of the company, the larger the funds needed to manage the company, so the company will seek a debt loan and if managed properly it will generate profits of the company. According Nuraina (2012b) the larger the size of the company the more funds used to run the company's operations. However, the use of such funds is basically used to maximize corporate profits. With the use of debt, the company's production is expected to increase and generate greater profits. Therefore, the use of debt can indirectly increase company earnings.

The size of a company that is valued based on the amount of its assets is assumed to ensure that the company is able to pay its debts in the future. Hence firms with larger firm sizes are considered easier to lend funds than firms that have smaller sizes. But on the other hand Hasanzade et al. (2013) says that there is no influence between financial leverage and earning response coefficient because the decrease or increase in financial leverage will not affect the amount of dividend to be received by the investor. Therefore, the size of the company that impact on the high leverage is not able to influence the investor in responding to earnings at the time of earnings announcements made by the company.

The Influence of Islamic Social Reporting on Earning Response Coefficient with Company Size as Moderating Variables

Based on the results obtained, the size of the company is quasi moderation or weakening the relationship temporarily between Islamic Social Reporting to earning response coefficient. The results of this test means that the size of the firm weakens the quasi moderation of a temporary relationship between Islamic Social Reporting and earning response coefficient. This is because companies that have a large size will do the disclosure of social responsibility in order to maintain the survival of the company. Although the company discloses its social responsibilities, the ISR is not a criterion or requirement that should be disclosed to companies listing on the IDX. IDX does not have a policy to require ISR disclosure, so this will not affect ERC despite the size of large companies. However, these considerations are only temporary. Investor's consideration to ERC is not seen from the ISR disclosure that will be weakened by firm size, but this consideration is only temporary.

Signal theory explains that in improving corporate image, management will seek to disclose social responsibility as much as possible to attract investor response. The number of corporate social activity items reported in Islamic Social Reporting can be assumed as good news for shareholders so that investors will tend to be more interested in social activity items reported in the index of Islamic Social Reporting compared to the number of earnings at the time of the announcement. Therefore, with large corporate size and many items of social activity reported in the index of Islamic Social Reporting, then it will likely attract the attention of investors, so that earnings at the time of the announcement less responded by investors. Sayekti and Wondabio (2007) say that companies that have uncertain future prospects are large have a large profit response so as to reduce uncertainty of the business prospects then the company will conduct more CSR disclosure. Investors therefore will focus more on the information disclosed in Islamic Social Reporting compared to earnings information on earnings announcement date.

Conclusion

The results of this study found that profitability has a positive and significant effect on earning response coefficient, where the higher the profitability of a company the higher the value of the response coefficient. Then, leverage has an insignificant effect on earning response coefficient because the ups and downs of the leverage rate will not affect the stock return and the amount of dividend distributed by the company significantly. Furthermore, Islamic Social Reporting also has a significant negative effect on earning response coefficient because investors consider information in Islamic Social Reporting can not give an idea of future earnings of the company, while investors have a typical to buy stocks and not hold for a long time. And ISR is not one of the criteria required by companies listing on the IDX by investors so that this will affect investors' decisions.

The results also found that firm size is a moderation quasi that weakens the effect of profitability on earning response coefficient because the larger the size of the company the less the maximum profit obtained, this happens when investors get information that the size of a large company is not able to generate maximum profit . Then, firm size does not moderate the effect of leverage on earning response coefficient because if the company has leverage along with increasing profit and dividend distribution is distributed regularly then leverage information is no longer the main focus of investor in responding to earnings at the time of earnings announcement done by company. Furthermore, firm size is a moderation quasi weakening the influence of Islamic Social Reporting on earning response coefficient. The larger the size of the company, the more disclosure items of social responsibility disclosed in Islamic Social Reporting which impact on the lack of investor focus on the profits announced by the company.

Based on the results of analysis, discussion and conclusion, as for the implications of this study are: (a) For potential investors who will make investments in capital markets, the results of this study is expected to be useful as a consideration in making investment decisions. (b) For the management of the company, this research is expected to be used as one of the considerations for the disclosure of the reported social responsibility can be responded well by the prospective investor. (c) For further research is expected to use other variables that can be related to earning response coefficient. Some of these variables are company growth, profit persistence, stock price volatility and so on.

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