The Influence of Prudence, Earnings Growth, Corporate Governance on Earnings Quality

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ABSTRACT

This study aims to determine the effect of Prudence, Earnings Growth, Corporate Governance on Earnings Quality in Energy Sector companies for the period 2017-2022. Prudence variables with KNSV, Earnings Growth is measured by the Earnings Growth Index, Corporate Governance uses two proxies, namely Institutional Ownership and Managerial Ownership. Quantitative research and secondary data in the form of annual financial reports from the IDX and the official website of each company. Purposive sampling is the data technique used in this study. The population of energy sector companies in this study amounted to 84 companies and had a sample of 9 companies. The research data of this research sample amounted to 54 data. The Eviews version 12 software programme is a data analysis tool in this study. The results of this study state that Prundence has a significant positive effect on Earnings Quality, while Earnings Growth, Corporate Governance have no effect on Earnings Quality.

Keywords: Prudence; Earnings Growth; Corporate Governance; Earnings Quality

INTRODUCTION

Companies that have good quality performance can be seen from the company's financial statements. Financial statements are the result of completing the accounting process and are used as a tool to convey information in the form of company financial data to users of financial statements. The financial statements that are formed must be accurate and relevant so as not to mislead users of financial statements in making a decision, one of which is an investment decision. Investors' decisions in investing in a company go through various considerations, one of which is profit.

Earnings quality, according to Herninta & Ginting (2020), is defined as an evaluation of how much profit a company gets, which serves to show the company's actual financial performance. It can be used to compare whether profits earned are comparable to the company's plans.

Earnings quality can be measured by looking at how relevant the financial data contained in the company's financial statements are. in the company's financial statements. The company's financial statements can, among other things describe profits, which are an important part of financial data that can be used by financiers when making decisions. can be used by financiers when deciding on decisions to assess the business performance and effectiveness over a period of time (Prawira et al., 2022).

This can cause managers within the company to better understand the state of the company and use opportunities to increase company profits in ways that are not in accordance with the rules. If there is an opportunity for managers to do things to increase the company's profits rather than increase their personal profits, this can cause the company's financial statements to not show the actual situation. In the PT Pertamina corruption case, there are problems related to the fact of profit. According to Firli Bahuri, Chairman of the Corruption Commission, Karen's actions caused state financial losses of Rp2.1 trillion. 'The state suffered a state financial loss of approximately USD 140 million or IDR 2.1 trillion due to the actions of GKK alias Karen,' said Firli in a press conference at the KPK building. Tuesday, 19 September 2023, in Jakarta (News.detik.com)

While the quality of a company's earnings can be influenced by several factors, prudence is considered the first aspect that affects earnings quality because it recognises assets or income (good news) prudently and recognises bad news more quickly, such as allowances for bad debts, to avoid or reduce risks that may arise from uncertainties in business. Therefore, the principle of prudence can reduce management's confidence in the company and can also reduce excessive confidence in presenting financial information. (Hellman, 2008).

The second factor that can affect earnings quality is earnings growth where the effect of earnings growth on earnings quality is supported by signal theory. Positive earnings growth will provide a positive signal to the market. Earnings growth that has increased from year to year is good news for investors which indicates that the company has good performance. This is because the profit earned shows that the company's products and services can be accepted by the public (Priyanti & Wahyudin, 2015).

The third factor is corporate governance. According to (Hasan et al., 2022) corporate governance is a management in a firm that is guided by policies as well as supervision of firm operations which are used to monitor the quality of financial information and increase transparency in the financial reporting process. This GCG is proxied using institutional ownership and managerial ownership.

Institutional ownership is company ownership that is owned by institutions or institutions such as banks, investment companies, insurance companies, and other institutional ownership. Supervision by capital owners will be effective and efficient if the level of ownership concentration is higher, because management will be careful in carrying out their duties and can reduce the actions of manipulating profits carried out by management (L. S. Dewi & Abundanti, 2019). Monitoring actions will change from active to opportunistic and passive when the level of concentration of institutional investor share ownership is greater, so that institutional investors can have great voting power to favour management or force management to make decisions in accordance with their interests and ignore the aim of increasing firm value and earnings quality.

Managerial ownership (Alvin & Susanto, 2022) means that management plays a dual role as shareholders and internal managers. an important part of the company's management because the manager of the company owns the shares of the company that he holds to show the manager's authority over the company, if management ownership increases in the In the long run, the authority of the company's managers will increase and have an impact on the quality of company profits will be multiplied by managers.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

According to Supomo and Amanah (2019), explain that agency theory is a theory that describes the relationship between two parties who are economically related, namely the principal and the agent. The principal is the party who authorizes the agent to act on their behalf in a transaction or activity. An agent, on the other hand, is a party who receives such authority to carry out certain tasks in accordance with instructions or mandates from the principal. The main goal of agency theory is to explain how principals and agents can design efficient and effective contract structures. This is done to minimize the company's operational costs, especially in the context of the environment and the existence of asymmetric information between the two parties. Such uncertainty may arise because the principal cannot always monitor or fully control the agent's activities, while the agent may have more or more accurate information about a particular situation.

Quality of Earnings

Profit quality is a measurement used by a company to determine whether the profit generated by the company in the current period is in accordance with what was previously planned Syanita and Sitorus (2020). The higher the quality of earnings, the more useful the company's financial reports will be as a basis for decision making. Profit quality is an important benchmark for a company to determine the quality of the company's performance in generating profits.

Based on the explanation above, the researcher draws the following hypothesis:

H_1: It is suspected that prudence, profit growth, managerial ownership and institutional ownership have an influence on quality of profit.

Prudence

The principle of prudence is used to reduce the possibility of inaccurate earnings presentation by recording transactions carefully so that decisions taken are not too opportunistic (Julianingsih & Yuniarta, 2020). With the application of this principle, it is hoped that the financial statements will be prepared conservatively and the opportunity for fraud will be smaller. Prudence is an important principle in financial statements which is intended so that the recognition and measurement of assets and profits are carried out prudently because economic and business activities are surrounded by uncertainty (Lestari, 2017).

In this study, researchers assume that there is a positive relationship between conservatism and earnings quality. The more careful a company is in recognising expenses and revenues, the quality of reported earnings is expected to improve because the recognition of expenses and revenues is based on events that have actually occurred. events that have actually occurred. Conversely, if the company is less careful in recognising expenses and revenues, the quality of reported earnings is expected to be low because the recognition of expenses and revenues is not based on events that have actually occurred.

Prudence or what is called conservatism is the principle of caution in preparing company financial reports Rahmawati and Aprilia (2022). The precautionary principle in question is an approach that prioritizes losses and liabilities and delays recognizing profits so that the profits generated by the company are small in order to reduce future risks. Previous research Rahmawati & Aprilia (2022), states that prudence influences earnings quality. Research Ayem & Lori (2020), explains that prudence has a positive effect on quality of profit.

H_2: It is suspected that prudence has an effect on quality of profit.

Earnings growth

Earnings growth is a comparison of current earnings with last year's profit (Maharini, 2015). The effect of earnings growth on earnings quality is supported by signal theory. Positive earnings growth will give a positive signal to the market. Earnings growth that earnings growth that has increased from year to year is good news for investors which indicates that the company has good performance. for investors which indicates that the company has good performance. This is because the profit earned shows that the company's products and services are acceptable to the public. products and services can be accepted by the public. With the increase in company profits company's profit, the quality of the company's earnings will most likely also increase (Lestari, 2020).

Profit is part of the most important indicators for assessing the performance of a company. Profit is a measure of success or not management in a company. Companies that have the opportunity to grow their profits can be said to have good company performance Linda and Maswar (2019). Profit growth is an increase or decrease in company profits obtained by each company in the current period by comparing profits in the previous period. The size of profit as a measure of increase or decrease depends on the measurement of costs and income. Previous research Ni Wayan Juni Ayu Puspitawati, Ni Nyoman Ayu Suryandari (2019), explains that profit growth affects profit quality. Research Jumadi, et al. (2022) explains that profit growth affects quality of profit.

H_3: It is suspected that profit growth has an effect on quality of profit.

Corporate Governance

According to the World Bank (World Bank) in (Effendi, 2016:2) good corporate governance (good corporate governance) is a collection of laws, regulations and principles that must be adhered to by a company. The aim is to improve company performance in an efficient manner, so that it can generate sustainable long-term economic value for shareholders and society as a whole. In corporate governance research such as institutional ownership and managerial ownership will be used as proxies in this research.

Institutional Ownership

Institutional ownership is shares owned by other companies such as institutions or institutions such as investment companies, banks, insurance companies and other institutional ownership Dewi and Abundati (2019). Effective and efficient supervision occurs because the level of concentration of share ownership in the company is getting higher, this makes management more careful in carrying out its duties for shareholders and can reduce profit manipulation carried out by management. Previous research Mergia, et al. (2021), explains that institutional ownership has a negative effect on earnings quality. Research by Dewi Rosiana, et al. (2021) explain that institutional ownership has a positive effect on profit quality of profit.

H_4: It is suspected that institutional ownership has an influence on quality of profit.

Managerial ownership

Managerial ownership has an important role in fulfilling the objectives of managers and shareholders. The higher the managerial ownership, the greater the manager's control over the company and the quality of the company's profits increases. Managerial ownership also helps overcome agency problems by minimising conflicts of interest between managers and shareholders. minimising conflicts of interest between managers and shareholders. mechanism This corporate governance mechanism makes managers more focused on monitoring and financial reports can accurately measure the state of the company. financial reports can accurately measure the state of the company

Managerial ownership can be interpreted as the percentage of shares owned by management which includes directors and commissioners who actively participate in company decision making Dewi and Abundati (2019). The company's main goal is to achieve maximum profits from management actions to improve the welfare of shareholders. From previous research, Polimpung (2020), explained that managerial ownership influences earnings quality. Research by Safira, et al. (2022), state a similar thing, where managerial ownership influences earnings quality.

H_5: It is suspected that managerial ownership has an effect on quality of profit.

RESEARCH METHOD

The type of research used by researchers is associative quantitative research. The population of this study consists of energy sector companies listed on the Indonesia Stock Exchange (BEI) in the 2017-2022 period. Sampling was carried out using a purposive sampling technique with special criteria, namely 1) Energy sector manufacturing companies listed on the Indonesia Stock Exchange during that period. 2) Energy sector manufacturing companies that publish their complete financial reports from 2017-2022. 3) Companies that generate profits during 2017-2022. 4) Companies whose cash flow reports from operational activities do not experience losses during 2017-2022. 5) Companies that have institutional ownership reports for the 2017-2022 period. 6) Companies that have managerial ownership reports for the 2017-2022 period. In this study, samples were taken from 9 companies from a total population of 84 companies, with a total of 54 data units of analysis.

This research uses secondary data obtained by downloading company financial reports via the official website of the Indonesia Stock Exchange (BEI) and the official websites of each company. The data collection techniques applied are documentation techniques and literature study. The dependent variable in this research is Quality of Profit.

The formula for calculating Earnings Quality refers to research Hakim and Abbas (2019):

$$\text{Quality of Profit} = \frac{\text{Operating Cash Flow}}{\text{Net Income}}$$

The independent variables in this research are Prudence, Profit Growth, Corporate Governance.

The formula for calculating Prudence refers to research Rahmwati and Aprilia (2022):

$$\text{CNSV} = \frac{\text{NI} - \text{ACO} - \text{DEPRECIATION}}{\text{TA}} x - 1$$

The formula for calculating Profit Growth refers to research by Ni Wayan and Ayu (2019):

$$\text{Profith growth} = \frac{\text{Net profit this year} - \text{Net profit previous year}}{\text{Net profit previous year}}$$

The formula for calculating Institutional Ownership refers to research Dewi and Abundati (2019):

$$\text{IO} = \frac{\text{institutional number of shares}}{\text{number of shares outstanding}}\ x\ 100\%$$

The formula for calculating Managerial Ownership refers to research by Dewi and Abundati (2019):

$$\text{MO} = \frac{\text{Share ownership by managers,directors,commissioners}}{\text{number of shares outstanding}}\ x\ 100\%$$

The firm size calculation formula refers to research Fitri Rosiana Dewi (2021):

Size = LN (Total Asset)

RESULT AND ANALYSIS

Descriptive Statistical Analysis

Table 1. Descriptive Statistical Analysis Test Results

Date: 05/01/24 Time: 16:04
Sample: 2017 2022

	PRU	PL	KI	KM	SIZE	KL
Mean	0.072747	1.202273	0.601933	0.126922	19.44225	1.868544
Median	0.081409	0.232685	0.655371	0.005694	19.36433	1.241392
Maximum	0.229181	17.76265	0.907412	0.674406	27.92753	5.818399
Minimum	-0.230493	-1.315847	0.100000	1.10E-05	13.96275	0.211248
Std. Dev.	0.085529	3.073826	0.243957	0.210252	3.697306	1.530679
Skewness	-1.051191	3.758854	-0.785952	1.810584	0.878371	1.468590
Kurtosis	5.263332	18.88833	2.551738	4.970842	3.602053	3.675130
Jarque-Bera	21.47104	695.1486	6.011596	38.24341	7.759367	20.43636
Probability	0.000022	0.000000	0.049499	0.000000	0.020657	0.000037
Sum	3.928321	64.92274	32.50437	6.853780	1049.881	100.9014
Sum Sq. Dev.	0.387706	500.7655	3.154303	2.342903	724.5140	124.1779
Observations	54	54	54	54	54	54

The results of the descriptive statistical analysis test shown in table 1 above show that the amount of data (obesvations) in this study was 54 data. The following are details of the results of descriptive statistical tests, namely: In this study, the earnings quality variable (Y) has a minimum value of 0.211248 and a maximum value of 5.818399, with a mean of 1.868544 and a standard deviation of 1.530679. The prudence variable (X1) has a minimum value of -0.230493 and a maximum value of 0.229181, with a mean of 0.072747 and a standard deviation of 0.085529. The profit growth variable (X2) has a minimum value of -1.315847 and a maximum of 17.76265, with a mean of 1.202273 and a standard deviation of 3.073826. The institutional ownership variable (X3) has a minimum value of 0.100000 and a maximum value of 0.907412, with a mean of 0.601933 and a standard deviation of 0.243957. The managerial ownership variable (X4) has a minimum value of 0.000001 and a maximum value of 0.674406. Then the mean value is 0.126922 with a standard deviation value of 0.210252. The research firm size control variable has a maximum value of 27.92753, a minimum value of 13.96275, a mean of 19.44225, and a standard deviation of 3.697306.

Normality test

The results of the normality test in this study are:

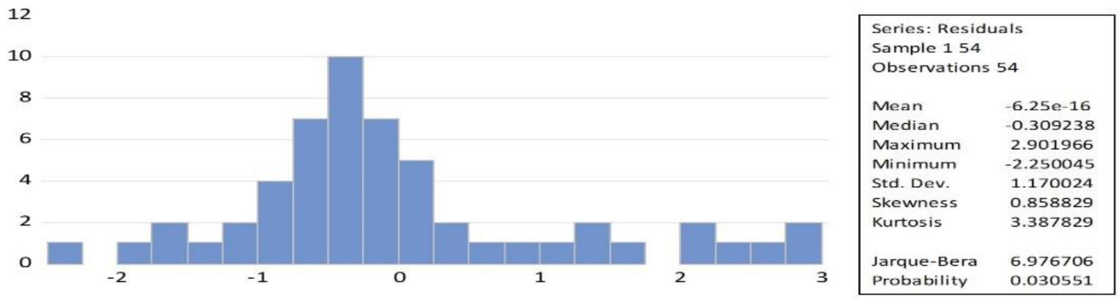

Figure 1. Normality Test Results

With a probability value of 0.030551 and a known value of 6.976706 from Jarque-Bera, it states that the distribution is not normal, so treatment needs to be carried out because the probability value is less than 0.05.

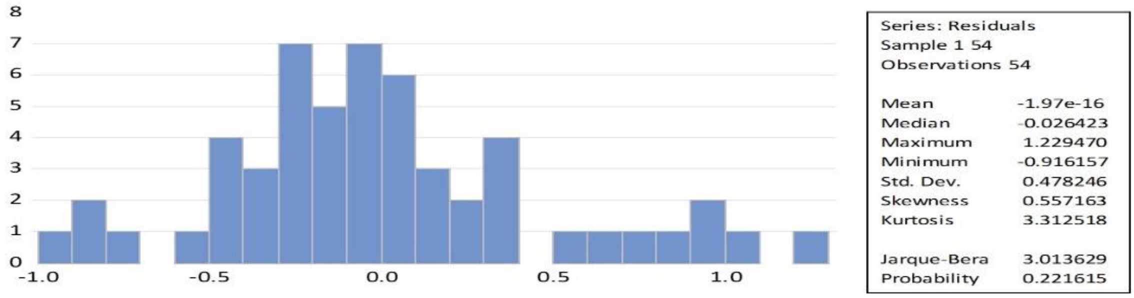

Figure 2. Normality Test Results After Data Transformation

Based on the results of the Normality Test above, it can be concluded that the data is normally distributed because the probability value is 0.221615>0.05 and the Jarque-Bera value is 3.013629>0.05.

Multicollinearity Test

Table 2. Multicollinearity Test Results

	PRU	PL	KI	KM	SIZE
PRU	1.000000	-0.262682	0.285855	-0.388330	-0.056385
PL	-0.262682	1.000000	-0.183334	0.206060	-0.100124
KI	0.285855	-0.183334	1.000000	-0.900013	-0.303808
KM	-0.388330	0.206060	-0.900013	1.000000	0.446158
SIZE	-0.056385	-0.100124	-0.303808	0.446158	1.000000

Based on the results of the Multicollinearity Test from the table above, there is no correlation value between independent variables that exceeds 10.00. Therefore, the alternative hypothesis (H_1) is accepted, which indicates that there is no multicollinearity between the independent variables.

Heteroscedasticity Test

Table 3. Heteroscedasticity Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

F-statistic	0.907881	Prob. F(5,48)	0.4839
Obs*R-squared	4.665598	Prob. Chi-Square(5)	0.4580
Scaled explained SS	4.262431	Prob. Chi-Square(5)	0.5123

Heteroscedasticity test carried out using the Bruesch-Pegan-Godfrey technique shows that there are no symptoms of heteroscedasticity due to prob. Chi-Square on Obs*R-Squared is 0.4580>0.05.

Autocorrelation Test

Table 4. Autocorrelation Test Results

Dependent Variable: KL
Method: Panel Least Squares
Date: 04/30/24 Time: 20:31
Sample: 2017 2022
Periods included: 6
Cross-sections included: 9
Total panel (balanced) observations: 54

R-squared	0.415720	Mean dependent var	1.868544
Adjusted R-squared	0.354858	S.D. dependent var	1.530679
S.E. of regression	1.229453	Akaike info criterion	3.355455
Sum squared resid	72.55462	Schwarz criterion	3.576453
Log likelihood	-84.59728	Hannan-Quinn criter.	3.440685
F-statistic	6.830489	Durbin-Watson stat	1.207567
Prob(F-statistic)	0.000070		

Based on the Autocorrelation Test using the Durbin-Watson (DW) test, the Durbin-Watson value was 1.207567. This shows that there is no autocorrelation problem in the data because the DW value is between -2 and +2.

Multiple Linear Analysis Test

Table 5. Multiple Linear Analysis Test Results

Dependent Variable: KL
Method: Panel Least Squares
Date: 05/01/24 Time: 16:29
Sample: 2017 2022
Periods included: 6
Cross-sections included: 9
Total panel (balanced) observations: 54

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.359362	1.407278	-0.255360	0.7995
PRU	8.770331	2.242338	3.911244	0.0003
PL	-0.050968	0.058500	-0.871246	0.3880
KI	-1.843201	1.675907	-1.099823	0.2769
KM	-1.875970	2.186979	-0.857791	0.3953
SIZE	0.154239	0.054765	2.816393	0.0070

From the table of multiple linear analysis test results above, it can be seen that the results of the regression equation from multiple linear analysis of the research variables are:

QF = -0.359362 + 8.770331 PRU - 0.050968 PG - 1.843201 IO - 1.875970 MO + 0.154239 SIZE

The constant coefficient for the Quality of Profit variable is -0.359362. With this negative value, it can be interpreted that when the values of Prudence, Profit Growth, Institutional Ownership, Managerial Ownership, and Firm Size as control variables are all 0, then the value of Corporate Profit Quality in Energy index companies will decrease by -0.359362.

The Prudence variable has a positive regression coefficient of 8.770331. This shows that for every 1% increase in Prudence there will be an increase in earnings quality by a coefficient value of 8.770331. vice versa.

The Profit Growth variable has a regression coefficient of -0.050968 which is negative. This means that if there is a 1 percent increase in Profit Growth, then the quality of profits tends to decrease by -0.050968, or vice versa,

The Institutional Ownership variable has a regression coefficient of -1.843201 which is negative. This means that if there is an increase of 1 percent in Institutional Ownership, then the quality of earnings tends to decrease by -1.843201 and vice versa.

The Managerial Ownership variable has a regression coefficient of -1.875970 and is negative. This shows that every 1 percent increase in Institutional Ownership will cause a decrease in earnings quality by the coefficient value, namely -1.875970 and vice versa.

The firm size variable has a positive regression coefficient of 0.154239. This shows that an increase in firm size of 1% will result in an increase in earnings quality of 0.154239.9 and vice versa.

Coefficient of Determination Test (R^2)

Table 6. Coefficient of Determination Test Results (R^2)

Dependent Variable: KL
Method: Panel Least Squares
Date: 04/30/24 Time: 20:31
Sample: 2017 2022
Periods included: 6
Cross-sections included: 9
Total panel (balanced) observations: 54

R-squared	0.415720	Mean dependent var	1.868544
Adjusted R-squared	0.354858	S.D. dependent var	1.530679
S.E. of regression	1.229453	Akaike info criterion	3.355455
Sum squared resid	72.55462	Schwarz criterion	3.576453
Log likelihood	-84.59728	Hannan-Quinn criter.	3.440685
F-statistic	6.830489	Durbin-Watson stat	1.207567
Prob(F-statistic)	0.000070		

The results of the Coefficient of Determination Test in the table above, can be seen that the Adjusted R-Squared shows a value of 0.354858 or 36%, meaning that Prudence, Profit Growth, Institutional Ownership, Managerial Ownership and Firm Size have an influence of 36%, then the remaining 64% is influenced by other variables not examined in this study.

Simultaneous Test (F)

Table 7. Simultaneous Test Results (F)

Dependent Variable: KL
Method: Panel Least Squares
Date: 04/30/24 Time: 20:31
Sample: 2017 2022
Periods included: 6
Cross-sections included: 9
Total panel (balanced) observations: 54

R-squared	0.415720	Mean dependent var	1.868544
Adjusted R-squared	0.354858	S.D. dependent var	1.530679
S.E. of regression	1.229453	Akaike info criterion	3.355455
Sum squared resid	72.55462	Schwarz criterion	3.576453
Log likelihood	-84.59728	Hannan-Quinn criter.	3.440685
F-statistic	6.830489	Durbin-Watson stat	1.207567
Prob(F-statistic)	0.000070		

The results of the research show that the calculated F value is 6.830489 with a significance value of 0.000070. Ho is rejected if the significance value ($0.000070 < 0.05$) is less than 0.05, this indicates that the independent variables together have a significant influence on the dependent variable.

Partial Test (t Test)

Table 8. Partial Test Results (t Test)

Dependent Variable: KL
Method: Panel Least Squares
Date: 05/01/24 Time: 16:29
Sample: 2017 2022
Periods included: 6
Cross-sections included: 9
Total panel (balanced) observations: 54

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.359362	1.407278	-0.255360	0.7995
PRU	8.770331	2.242338	3.911244	0.0003
PL	-0.050968	0.058500	-0.871246	0.3880
KI	-1.843201	1.675907	-1.099823	0.2769
KM	-1.875970	2.186979	-0.857791	0.3953
SIZE	0.154239	0.054765	2.816393	0.0070

Discussion

1. The effect of prudence, earnings growth, corporate governance, on earnings quality.

The first hypothesis of this study (H1) states that prudence, earnings growth, corporate governance all affect earnings quality. A company uses earnings quality as a metric to assess whether the profit earned during the current period is in accordance with the previously planned level (Syanita & Sitorus, 2022).

The higher the quality of earnings will increase the usefulness of the company's financial statements as a basis for decision making. Earnings quality is an important benchmark for a company to determine the quality of the company's performance in generating profits. Good quality earnings are earnings generated by the company in the accounting period that avoid the act of manipulating earnings Prudence has a significant effect on earnings quality because prudence improves the quality of earnings applied by the organisation.

This is due to the lack of opportunity to commit fraudulent acts in the preparation of financial statements, such as earnings settings, which can have an impact on earnings quality, because the development of financial statements is based on the principle of conservatism or prudence Earnings growth has a significant effect on earnings quality because the greater the earnings growth, the better the quality of earnings in the future. Companies that can increase profits in each accounting period can be said that the company has good financial performance. Good financial performance can be seen from the financial statements made by the company in each accounting period which can generate optimal profits each year.Corporate governance has a significant effect on earnings quality because corporate governance regulates the distribution of duties, rights and obligations to interested parties in the company such as shareholders, board of commissioners, managers and all members of non-shareholder stakeholders to achieve the company's goal of generating profit. stakeholders to achieve the company's goal of generating optimal profits every year, so that the company can have quality earnings. every year, so that the company can have good earnings quality. In research from corporate governance such as institutional ownership and managerial ownership will be used as proxies. and managerial ownership will be used as proxies in this study.

2. The effect of Prudence on earnings quality

Prudence affects earnings quality, this is because a company's profit will be of higher quality if it applies prudence. Because prudence is the principle of prudence used in making financial statements, it reduces the possibility of committing fraud such as manipulating earnings, which can have an impact on the quality of the company's earnings. One of the things that can affect the quality of a company's earnings is prudence. If there are no factors that can interfere with the quality of the company's earnings, including earnings manipulation in the financial statements, then the company's earnings will be of high quality.

The results of this study are in accordance with research conducted by (Rahmawati & Aprilia, 2022) which states that prudence has a postitive effect on earnings quality. This is because the higher the prudence, the higher the quality of earnings. This significant and positive effect indicates that companies that apply prudence can improve the quality of the company's earnings. Similar research is also obtained in research (Ayem & Lori, 2020) which states that prudence has a positive and significant effect on earnings quality. However, this contradicts research (Noer Azizah et al., 2022) which states that prudence has no effect on earnings quality.

3. The effect earnings growth on earnings quality

Earnings growth partially has a negative value and has no significant effect on earnings quality. This is in accordance with the results of the partial test (t test) conducted. T count is smaller than t table and the probability value is greater than the significance level. Therefore, it can be said that during the research period which lasts from 2017 to 2022, earnings growth in Energy Index companies cannot provide an influence on earnings quality because company profits fluctuate so that it cannot be ascertained how earnings growth can predict future earnings because earnings are dynamic and inconsistent.

Earnings growth that has no significant effect on earnings quality because the company's profit fluctuates so that it cannot be ascertained how earnings growth can predict future earnings because earnings are dynamic and inconsistent. This is due to the low implementation of corporate governance so that the company's performance is not stable in the accounting period. accounting period.

The results of this study are not in line with research conducted by (Ni Wayan Juni Ayu Puspitawati, Ni Nyoman Ayu Suryandari, 2019) and (Jumadi, et al. 2022) explain that earnings growth affects the quality of earnings. earnings quality. Earnings growth in this study is fluctuating, so that future earnings will have an effect on earnings quality. earnings in the future do not have certainty because of earnings that are not persistent

4. The effect institutional ownership on earnings quality

The estimated t value is smaller than the t table and the significance level is smaller than the probability value, indicating that earnings growth has an effect on earnings quality. smaller than the probability value, indicating that institutional ownership partially has no effect on future earnings. partially has no effect on the quality of sourced earnings on the results of the Partial Test (t test) conducted. Therefore, due to the poor implementation of corporate governance, it can be said that institutional ownership in the Energy Index business has no effect on earnings quality. institutional ownership in the Energy Index business during the research period 2017-2022 cannot affect earnings quality.

Institutional ownership does not have a significant effect on earnings quality this can occur due to a lack of attention in the form of training and work motivation for management due to the low implementation of good corporate governance. The implementation of good corporate governance which is still low can lead to poor quality financial performance.

The results of this study are not in line with research conducted by (Mergia, et al. 2021) and (Dewi Rosiana, et al. 2021) explaining that institutional ownership has a positive effect on earnings quality. The low implementation of good corporate governance causes poor financial performance and has less quality earnings. good and have less quality earnings

5. The effect Managerial ownership on earnings quality

   The results of this research show that managerial ownership has no impact on the quality of energy sector companies listed on the Indonesian stock exchange in 2017-2022. The following matter is in line with research conducted (Puspitawati et al., 2019) which explains that there is no impact between managerial ownership and earnings quality. there is no impact between managerial ownership and earnings quality due to the lack of implementation of adequate corporate management practices (good corporate governance) in companies in Indonesia. governance) in companies in Indonesia, such as the low percentage of share ownership by management. share ownership by management. This condition can cause earnings to be manipulated by related parties, resulting in low earnings quality. The following research findings are not in line with the research conducted by (Hasan et al., 2022), which shows that share ownership by agents impact on earnings quality in companies in Pakistan as well as the UK.

   This phenomenon is due to the fact that managerial share ownership, as part of a corporate governance mechanism, affects earnings quality. part of the corporate governance mechanism, encourages managers to focus more on the monitoring function when they own shares. focus more on the monitoring function when they own shares in the company. This contributes to the ability of financial statements to measure the true condition in the company.

CONCLUSION

Based on the research that has been conducted, the following conclusions can be drawn: 1) Prudence, earnings growth and corporate governance. Together, these variables have an influence on earnings quality. Therefore, (H1) the first hypothesis in this study can be accepted. 2) Prudence has a positive influence and value on earnings quality. (H2) the second hypothesis in this study can be accepted. 3) Earnings growth, institutional ownership and managerial ownership have no effect on earnings quality, which means (H3, H4 and H5) are rejected.
These limitations include the following:

1. In this study, earnings growth, institutional ownership, and management ownership are three independent factors that do not affect earnings quality. management ownership are three independent factors that have no have no effect on earnings quality.

2. This study only includes a sample of companies included in the Energy Index, so this study limits its focus to only the companies in the Energy Index. in the Energy Index, so this study limits its focus only to companies that generate substantial earnings and dividends. companies that generate substantial profits and dividends.
3. The study duration of six years (2017-2022) means that the number of sample data available is limited. available is limited. Research is more accurate if more data is used

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