

# Factors Affecting Earning Response Coefficient With Profitability as Moderating Variable in Manufacturing Companies

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## ABSTRACT

The purpose of this study was to obtain empirical evidence about the effect of Corporate Social Responsibility (CSR) Disclosure, Profitability, Leverage, and Sales Growth on Earning Response Coefficient (ERC) among manufacturing companies that listed on Indonesia Stock Exchange (IDX) during the years of 2015-2017. This study used purposive sampling method to collect data consisting of 52 companies listed on IDX during the period. Data was obtained from the annual report and financial statements which had been audited and ended on December 31, 2015-2017. The results of this study showed that (1) CSR disclosure had positive and significant effect on ERC, (2) Profitability, Sales Growth, Earning Persistence, Firm Size and Leverage had no significant effect on ERC, and (3) Profitability strengthened the effect of Corporate Social Responsibility Disclosure, Sales Growth, Earning Persistence, Firm Size and Leverage on Earning Response Coefficient.

**Keywords:** *Corporate Social Responsibility Disclosure, Profitability, Leverage, Sales Growth, Earning Persistence, Firm Size, Earning Response Coefficient.*

## 1. INTRODUCTION

Profit is a measure of a company's operational performance. Profit information in financial statements can be used by internal and external parties for consideration of decision-making and can be used to consider future company's prospects. This is what causes the quality of profit to be a concern for stakeholders. Profit that can reflect the continuation of future earnings is known as quality profit.

However, currently profit information cannot be the only instrument in determining investment decision. This is due to a weak correlation between stock returns and the level of corporate profit. With a weak correlation between stock returns and profit rates, a coefficient that can be used to measure the strength of earning information in influencing stock return is the ERC. Previous research has shown that ERC's are influenced by various factors. As the results of previous studies, there are differences regarding the effect of corporate social responsibility disclosure, profitability, leverage, and growth on the ERC. Therefore, a re-study will be conducted regarding the effect of independent variables on the ERC.

## 2. LITERATURE REVIEW

**Signaling Theory.** According to Brigham and Houston (2014: 184), signaling theory is a behavior of company

management in giving instructions to investors regarding the management's view on company's prospects for the future. Signaling theory (theory of signals) is used to explain that basically an information is used to give the company a positive or negative signal to the wearer. Based on the above opinion, it can be concluded that signaling theory is the behavior of company's management in providing all information about the company's performance in order to maintain the management's credibility.

**Agency Theory.** Jensen dan Meckling (in Godfrey, *et al*, 2010:362) stated that "Agency theory as an arising where there is a contract under which one party (the principal) engages another party (the agent) to perform some service on the principal's behalf. Under the contract, the principal delegates some decision-making authority to the agent."

The statements of Jensen and Meckling are also expressed in Schroeder, *et al*. (2014: 137), which described that the agency theory is a bound relationship between two parties whereas one party (agent) agrees to act on behalf of another party (principal). Agency relationships arise because the owner of the company does not have the ability to manage his / her own company, so consequently the owner must hire other people as representatives of the company called the agent.

**Earning Response Coefficient (ERC).** According to Jang, *et al*. (2007) in Dewi and Putra (2017: 370), Earning Response Coefficient (ERC) is a measure used to measure the earnings quality. Quality earnings can be shown from the high market reaction when responding to earnings information. Thus, it can be said that the market reaction depends on information on profits generated by the company in a certain period. The ERC

can also show the measurement of the strength of the relationship between stock returns and company profits. ERC is very useful in fundamental analysis, which is an analysis to calculate the value of actual shares with the company's financial data which is the basis of the assessment of investors to determine the market reaction to the company's stock returns. ERC is very important for investors for decision-making related to investment (Putri and Azhari, 2017: 2352).

**Corporate Social Responsibility Disclosure.** According to *The World Business Council for Sustainable Development* (in Agoes dan Ardana, 2014:89), CSR was defined as: "Continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." So, it can be concluded that the company cares about economic development and the welfare of stakeholders. Based on the signaling theory, which states that company management will provide all information about the company to investors, the disclosure of corporate social responsibility reported in the company's annual report, can signal to investors that the company cares about the environment and society.

**H<sub>1</sub>** : CSR Disclosure has a positive and significant effect on Earning Response Coefficient (ERC).

**Profitability.** According to Godfrey et al. (2010: 509), profitability is "The excess of revenues over expenses. The profit is only when a firm's initial amount of capital is maintained." So, it can be concluded that profitability is important for a company because with profit, the company can survive. The profit is a component in the company that becomes a concern for investors. The investor's policy to invest can be seen from the company's profitability. This is in line with the signaling theory which states that if the performance of a company is high, then management has an incentive to disclose more information to the market which aims to get a positive response from the market.

**H<sub>2</sub>** : Profitability has positive and significant effect on Earning Response Coefficient (ERC).

**Leverage.** According to Harjito and Martono (2011: 315), leverage in terms of business refers to the use of assets and sources of funds by companies, whereas in the use of assets or funds, the company must pay a fixed cost. According to Sartono (2010: 120), leverage shows the proportion of debt usage to finance its investment. According to the agency theory, with certain conditions an agent will get a high bonus if he or she is able to earn a large profit. One way to increase the profit is to optimize the company's operations, one of which is using debt as a source of funding. Therefore, the higher the leverage, the lower the market response to profit will be. This is because if there is an increase in profit, shareholders will assume that the profit will only be used to pay-off the debt.

**H<sub>3</sub>** : Leverage has negative and significant effect on Earning Response Coefficient (ERC).

**Growth.** According to Fahmi (2014: 82) Growth ratio is a ratio that measures how much the company's ability to maintain its position in the industry and in general economic development. According to Kasmir (2012: 107) Growth ratio is a ratio that describes a company's ability to maintain its economic position amid economic growth and its business sector. In accordance with signal theory which states that management will provide all information about the company's performance to maintain credibility. Investors will be attracted to a company to invest if the company has a high growth rate. Companies that continue to grow will receive a positive response because investors think they can get higher profit expectations in the future.

**H<sub>4</sub>** : Growth has positive and significant effect on Earning Response Coefficient (ERC).

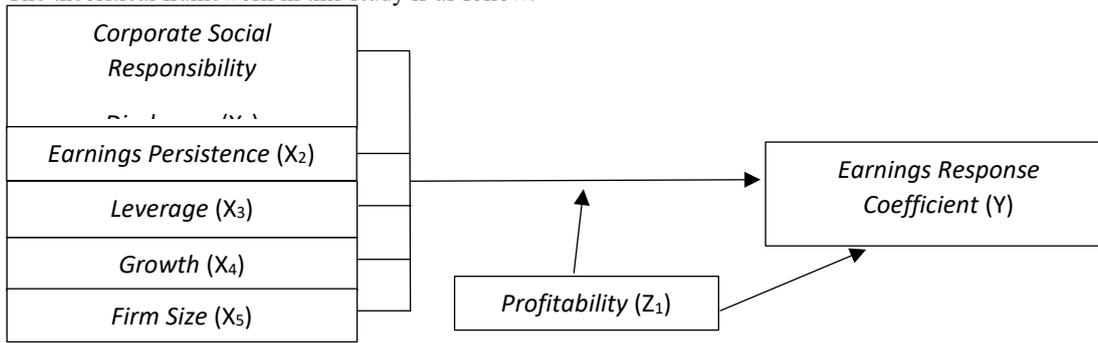
**Earnings Persistence.** Penman (2009: 238) stated that the persistence of earnings is "Revision in expected accounting profits in the future caused by current year's earnings innovation". According to Harahap (2010: 40), earnings persistence is "Revised earnings that reflect the quality of corporate earnings and shows that the company can maintain profits from time to time". Based on the description, it can be interpreted that earnings persistence is a revision of earnings that reflects the quality of expected earnings in the future and the company can maintain such profit from time to time. Scott (2009) stated that the more permanent changes in earnings over time, the higher the earnings response coefficient will be. This shows that the profit obtained by the company will increase continuously under a stable condition.

**H<sub>5</sub>** : Earning Persistence has positive and significant effect on Earning Response Coefficient (ERC).

**Firm Size.** Company size is a scale whereas companies can be categorized into two groups, namely large group and small group. The size of each company is certainly different. The size of a company is measured by three alternatives, such as the number of assets owned, the number of net sales, and the company's market capitalization. The measurements of company size are usually done by the amount of assets owned by the company, because the number of assets shows more than the size of the company. However, in this study the size of the company was measured by the amount of net sales. Large companies have better innovations than do small companies. This is because large companies tend to have requests for higher company information. So, it can be said that firm size will have positive effect on earnings response coefficient.

**H<sub>6</sub>** : Firm Size has positive and significant effect on Earning Response Coefficient (ERC).

The theoretical framework in this study is as follow:



**Fig. 1.** Theoretical framework

- H<sub>7</sub>** : Profitability strengthens the relationship between CSR Disclosure and ERC.
- H<sub>8</sub>** : Profitability strengthens the relationship between Leverage and ERC.
- H<sub>9</sub>** : Profitability strengthens the relationship between Growth and ERC.
- H<sub>10</sub>** : Profitability strengthens the relationship between Earning Persistence and ERC.
- H<sub>11</sub>** : Profitability strengthens the relationship between Firm Size and ERC.

**3. RESEARCH METHOD**

This study used a causal research design to test the effect of independent variables on the dependent variable. This study aimed to examine and explain the causal relationship between CSR disclosure, leverage, growth, earnings persistence, and firm size on Earning Response Coefficient (ERC) with profitability as moderating variable among manufacturing companies listed on Indonesia Stock Exchange (IDX) in 2015-2017.

The population used for this study were manufacturing companies listed on IDX during the period. The sampling process in this study used the non-probability sampling method, which was the purposive sampling technique. Purposive sampling is a method of sampling by using a

critierion. The following are the criteria used in determining the sample: (a) Companies that conducted an Initial Public Offering (IPO) before 2015, (b) Companies that published annual financial reports for the years of 2015-2017, ( c) Companies that presented financial statements in Rupiah, (d) Companies that obtained the operating profits during 2015-2017, (e) Companies that disclosed the information on social responsibility activities in annual reports during 2015-2017 in a row. There were 46 companies that had met the sample criteria and after being outsourced, the total sample was 138 samples after multiplying by 3 years.

The dependent variable of this study was Earning Response Coefficient and the independent variables in this study consisted of CSR Disclosure, Profitability, Leverage, Sales Growth, Earnings Persistence, and Firm Size, with Profitability as moderating variable in this study. Earning Response Coefficient variable can be calculated as follows:

**Table 1.** Variable Operationalization Summary

Variable	Measurement
Earning Response Coefficient	$CAR_{it} = \alpha + \beta UE_{it} + \epsilon_{it}$
Corporate Social Responsibility Disclosure	$CSRDI_j = \frac{\sum X_{ij}}{n}$
Profitability	$ROE = \frac{EAT}{Total\ Equity}$
Leverage	$DER = \frac{Total\ Debt}{Total\ Equity}$
Growth	$Sales\ Growth = \frac{Net\ Sales_{it} - Net\ Sales_{it-1}}{Net\ Sales_{it-1}}$
Earning Persistence	$PTBI = \frac{EBT_t - EBT_{t-1}}{Total\ Equity}$
Firm Size	Firm size = $Ln(Total\ Revenues)$

Calculating Cumulative Abnormal Return (CAR) for each sample company. Following are the stages of calculating CAR.

Calculating the stock return and market return is done by using this formula as follow:

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

Explanation:

- $R_{it}$  = Company stock return;
- $P_{it}$  = Stock closing price on day t;
- $P_{it-1}$  = Stock closing price on day t-1.

The formula for calculating daily market return is:

$$R_{mt} = \frac{(IHS_{gt} - IHS_{gt-1})}{IHS_{gt-1}}$$

Explanation:

- $R_{mt}$  = Daily market return;
- $IHS_{gt}$  = Joint stock price index on day t;
- $IHS_{gt-1}$  = Joint stock price index on day t-1.

Calculating the abnormal return:

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

Explanation:

- $AR_{it}$  = Abnormal return;
- $R_{it}$  = Company stock return;
- $R_{mt}$  = Daily market return.

The accumulation of abnormal return in the observation window is:

$$CAR_{i(-7,+7)} = \sum_{-7}^{+7} AR_{it}$$

Explanation:

- $CAR_{i(-7,+7)}$  = Cumulative of the company's abnormal return in the observation period of approximately seven days from the date of publication of financial statements (seven days before, one day of publication date, and seven days after the date of publication of financial statements);
- $AR_{it}$  = Abnormal return.

Calculate the unexpected return of each company. The UE can be calculated using the following formula:

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

Explanation:

- $UE_{it}$  = Unexpected Earning;
- $EAT_{it}$  = Earning after tax on period t;
- $EAT_{it-1}$  = Earning after tax on period t-1.

Calculating ERC obtained from the regression results between CAR and EU. The regression model to find ERC values are as follows:

$$CAR_{it} = \alpha + \beta UE_{it} + \varepsilon_{it}$$

Explanation:

- $\beta$  = Earning Response Coefficient;
- $CAR_{it}$  = Cumulative Abnormal Return;

- $UE_{it}$  = Unexpected Earnings;
- $\alpha$  = Constant from the result of the CAR and EU regression;
- $\varepsilon_{it}$  = error.

The variable of CSR disclosure can be calculated as follow:

$$CSRDI_j = \frac{\sum X_{ij}}{n}$$

Explanation:

- $CSRDI_j$  = Corporate Social Responsibility Disclosure Index;
- $\sum X_{ij}$  = The number of items disclosed by the company;
- $n$  = Number of CSR items, n = 78

Profitability in this study is calculated by Return on Equity (ROE). ROE is used to measure the fate of shareholders throughout the year, because it benefits shareholders as the goal of a company. The ROE formula is:

$$ROE = \frac{EAT}{Total\ Equity}$$

Leverage variable is measured by using Debt-to-Equity Ratio, which is a ratio used to compare total debt with total equity. Here's how to calculate it:

$$DER = \frac{Total\ Debt}{Total\ Equity}$$

In this study, company growth is measured by the annual growth rate of sales. The formula used to calculate sales growth is:

$$Growth = \frac{Net\ Sales_{it} - Net\ Sales_{it-1}}{Net\ Sales_{it-1}}$$

In this study, the persistence of corporate earnings is measured by comparing the difference in profit-before-tax from a period with prior period earnings-before-tax and compared to total assets.

$$PTBI = \frac{EBT_t - EBT_{t-1}}{Total\ Equity}$$

Explanation:

- $PTBI$  = Earning Persistence;
- $EBT_t$  = Earning before tax on period t
- $EBT_{t-1}$  = Earning before tax on period t-1

Measuring the firm size value is done by using natural logarithms of all the total net sales in a company.

$$Firm\ size = Ln(Total\ Revenues)$$

In this study, the Chow-Test and Lagrange-Multiplier test were first performed to determine the panel data model that should be selected, between Common-Effect Model (CEM), Fixed-Effect Model (FEM), or Random-Effect Model (REM). Then we did the Moderate Regression Analysis (MRA) to find out whether the moderating variable would strengthen or weaken the relationship between the independent variables and the dependent variable.

The hypotheses in this study were tested using the F-Test (ANOVA), t-Test, and test the coefficient of determination (R<sup>2</sup>). Then, we conducted the test about the effect of CSR disclosure, leverage, sales growth, earnings persistence, and firm size on earnings response coefficient with profitability as a moderator. The equations of the regression model in this study are as follows:

$$\begin{aligned}
 \text{Regression 1:} \\
 Y = \alpha + \beta_1 X_{1i,t} + \beta_2 X_{2i,t} + \beta_3 X_{3i,t} + \beta_4 X_{4i,t} \\
 + \beta_5 X_{5i,t} + \beta_6 Z_{i,t} + e
 \end{aligned}$$

$$\begin{aligned}
 \text{Regression 2:} \\
 Y = \alpha + \beta_1 X_{1i,t} + \beta_2 X_{2i,t} + \beta_3 X_{3i,t} + \beta_4 X_{4i,t} + \beta_5 X_{5i,t} \\
 + \beta_6 Z_{i,t} + \beta_7 X_{1i,t} Z_{i,t} + \beta_8 X_{2i,t} Z_{i,t} \\
 + \beta_9 X_{3i,t} Z_{i,t} + \beta_{10} X_{4i,t} Z_{i,t} \\
 + \beta_{11} X_{5i,t} Z_{i,t} + e
 \end{aligned}$$

Description:

- Y = Earning Response Coefficient
- α = Constanta
- β<sub>1</sub>β<sub>2</sub>β<sub>3</sub>β<sub>4</sub>β<sub>5</sub>β<sub>6</sub>β<sub>7</sub>β<sub>8</sub>β<sub>9</sub>β<sub>10</sub>β<sub>11</sub> = Regression coefficient
- X<sub>1</sub> = Corporate Social Responsibility (CSR) Disclosure
- X<sub>2</sub> = Leverage
- X<sub>3</sub> = Sales Growth
- X<sub>4</sub> = Earning Persistence
- X<sub>5</sub> = Firm Size
- Z = Profitability
- e = Error

#### 4. STATISTICAL TEST RESULTS

**Chow-Test or Likelihood.** In Chow-Test results, for the first regression, the probability value in the chi-square cross-section was 0.5961, and for the second regression, the probability value for the chi-square cross-section was 0.2300. Both probability values in the chi-square cross-section were greater than the significance level of 0.05, which means that H<sub>0</sub> was accepted. So, the estimation model chosen for both regressions was the common effect model. The next test that needed to be done was the lagrange-multiplier test.

The lagrange-multiplier test was used to test the most appropriate common effects model or random effects model for this study. After the lagrange-multiplier test, the probability of the cross section on Breusch-Pagan was 0.0050 in the first regression, and for the second regression, it was 0.0018. Because the two values were less than 0.05, then H<sub>0</sub> was rejected. So, the chosen model was the random-effect model. So, it could be concluded that the exact estimation model for this study was the random-effect model.

Below are the results of panel data regression processing, before and after the existence of moderating variable:

**Table 2.** Results of Multiple Regression Analysis - First Regression

Dependent Variable: ERC				
Method: Panel EGLS (Cross-section random effects)				
Date: 02/21/19 Time: 16:26				
Sample: 2015 2017				
Periods included: 3				
Cross-sections included: 46				
Total panel (balanced) observations: 138				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	-0.001094	0.034473	-0.031727	0.9747
CSR	0.729250	0.255370	2.855661	0.0050
FIRMSIZE	-0.014837	0.009211	-1.610671	0.1097
GROWTH	-0.099947	0.201764	-0.495364	0.6212
PLABA	-0.379303	0.485534	-0.781208	0.4361
ROE	0.098521	0.123464	0.797969	0.4263
C	0.210566	0.258070	0.815926	0.4160
Weighted Statistics				
R-squared	0.106862	Mean dependent var	-0.000704	
Adjusted R-squared	0.065955	S.D. dependent var	0.286831	
S.E. of regression	0.277211	Sum squared resid	10.06683	
F-statistics	2.612309	Durbin-Watson stat	1.802786	
Prob (F-statistics)	0.020043			

**Table 3.** Results of Multiple Regression Analysis - Second Regression

Dependent Variable: ERC				
Method: Panel EGLS (Cross-section random effects)				
Date: 02/21/19 Time: 16:37				
Sample: 2015 2017				
Periods included: 3				
Cross-sections included: 46				
Total panel (balanced) observations: 138				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	-0.000920	0.044154	-0.020826	0.9834
CSR	0.078780	0.349778	0.225230	0.8222
FIRMSIZE	0.009881	0.017820	0.554466	0.5802
GROWTH	-0.195770	0.253390	-0.772604	0.4412
PLABA	0.139856	0.649748	0.215247	0.8299
ROE	1.465042	2.323671	0.630486	0.5295
DER*ROE	0.025957	0.239112	0.108554	0.9137
CSR*ROE	3.818448	1.796574	2.125406	0.0355
FIRMSIZE*ROE	-0.088606	0.084094	-1.053655	0.2941
GROWTH*ROE	1.016869	1.874195	0.542563	0.5884
PLABA*ROE	-1.936966	1.396230	-1.387283	0.1678
C	-0.303803	0.468808	-0.648033	0.5181
Weighted Statistics				
R-squared	0.165756	Mean dependent var	-0.000704	
Adjusted R-squared	0.092925	S.D. dependent var	0.286831	
S.E. of regression	0.273180	Sum squared resid	9.403014	
F-statistic	2.275909	Durbin-Watson stat	2.011191	
Prob (F-statistics)	0.014380			

The first multiple regression equation model in this study before the moderation was as follow:

$$Y = 0.2106 + 0.7293X_1 - 0.0011X_2 - 0.0999X_3 - 0.3793X_4 - 0.0148X_5 + 0.0985Z + e$$

The second multiple regression equation model after the moderation was as follow:

$$Y = -0.3038 + 0.0788X_1 - 0.0009X_2 - 0.1958X_3 + 0.1399X_4 + 0.0099X_5 + 1.4650Z + 3.8184X_1Z + 0.0260X_2Z + 1.0169X_3Z - 1.9370X_4Z - 0.0886X_5Z + e$$

**F-Test (ANOVA).** The value of probability (F-statistics) for the first regression in Table 2 was 0.020043, which was less than the significance level of 0.05 (0.020043 < 0.05). So, it can be concluded that the variables of CSR disclosure, leverage, sales growth, earnings persistence, firm size, and profitability could simultaneously predict the ERC.

The value of probability (F-statistics) for the second regression in Table 3 was 0.014380, which was less than the significance level of 0.05 (0.014380 < 0.05). Thus, it can be concluded that the variables of CSR disclosure, leverage, sales growth, earnings persistence, firm size, profitability, CSR disclosure with profitability as moderation, leverage with profitability as moderation, sales growth with profitability as moderation, earnings persistence with profitability as moderation, firm size with profitability as

moderation, can simultaneously predict the Earnings Response Coefficient.

**t-Test.** Based on the results of t-test for second regression in Table 3, it could be seen that the coefficients of CSR disclosure, firm size, earnings persistence, profitability, leverage with profitability as moderation, CSR disclosure with profitability as moderation, and sales growth with profitability as moderation, showed positive regression direction.

Meanwhile, leverage, sales growth, firm size with profitability as moderation, and earnings persistence with profitability as moderation, showed negative regression direction, because they had negative coefficient values. Thus, it could be concluded that only the CSR disclosure variable had significant effect on Earnings Response Coefficient with profitability as moderation, while other variables did not.

**Determination Coefficient Test (R<sup>2</sup>).** R<sup>2</sup> test results for the first regression could be seen from the Adjusted R-Squared in Table 2. Hence, the variables of CSR disclosure, leverage, sales growth, earnings persistence, firm size, and profitability could only explain the Earnings Response Coefficient variable as much as 0.065955 or 6.5955%, while the remainder was explained by other variables not found in this research model.

R<sup>2</sup> test results for second regression could be seen from Adjusted R-Square in Ttable 3. The variables of CSR disclosure, leverage, sales growth, earnings persistence, firm size, profitability, CSR disclosure with profitability as

moderation, leverage with profitability as moderation, sales growth with profitability as moderation, earnings persistence with profitability as moderation, and firm size with profitability as moderation, could only explain the Earnings Response Coefficient variable as much as 0.092925 or 9.2955%, while the remainder was explained by other variables not included in the model.

The coefficient of determination in the first regression was 0.065955, while after the existence of moderating variable

in the second regression, the coefficient of determination rised to 0.92955. So, it can be concluded that the existence of profitability as a moderating variable was able to strengthen the relationship between CSR disclosure and ERC, between leverage and ERC, between sales growth and ERC, between earnings persistence and ERC, and between firm size and ERC.

**Table 4.** The Results of Hypotheses Testing

No.	Hypothesis	Result	Previous Research Result
1.	CSR Disclosure has positive and significant effect on ERC.	Accepted	Pro : Daud and Syarifuddin (2008) in “ <i>Pengaruh Corporate Social Responsibility Disclosure, Timeliness, dan Debt to Equity Ratio Terhadap Earning Response Coefficient (Studi Empiris pada Perusahaan Manufaktur dayang Terdaftar di Bursa Efek Indonesia)</i> ” Contra : Harmanta and Yadnyana (2016) in “ <i>Pengaruh Pengungkapan Corporate Social Responsibility pada Earning Response Coefficient Perusahaan Publik yang Terdaftar di BEP</i> ”
2.	Profitability has positive and significant effect on ERC.	Rejected	Pro : Arfan and Antasari (2008) in “ <i>Pengaruh Ukuran, Pertumbuhan, dan Profitabilitas Perusahaan Terhadap Koefisien Respon Laba pada Emiten Manufaktur di Bursa Efek Indonesia</i> ” Contra : Mahendra and Wirama (2017) in “ <i>Pengaruh Profitabilitas, Struktur Modal, dan Ukuran Perusahaan pada Earnings Response Coefficient</i> ”
3.	Leverage has negative and significant effect on ERC.	Rejected	Pro : Wijayanti (2013) in “ <i>Leverage dan Firm Size Terhadap Earning Response Coefficient (ERC) Dengan Voluntary Disclosure Sebagai Variabel Intervening</i> ” Contra : Herawaty and Wijaya (2016) in “ <i>Leverage dan Firm Size Terhadap Earning Response Coefficient (ERC) Dengan Voluntary Disclosure Sebagai Variabel Intervening</i> ”
4.	Growth has positive and significant effect on ERC.	Rejected	Pro : Irawati (2018) in “ <i>The Effect of Free Cash Flow, Size, and Growth with Profitability as Moderating Variabel on Earning Response Coefficient</i> ” Contra : Arfan and Antasari (2008) in “ <i>Pengaruh Ukuran, Pertumbuhan, dan Profitabilitas Perusahaan Terhadap Koefisien Respon Laba pada Emiten Manufaktur di Bursa Efek Indonesia</i> ”
5.	Earning Persistence has positive and significant effect on ERC.	Rejected	Pro : Dewi Ratnasari (2017) and Edi Sukarmanto (2017) in “ <i>Pengaruh Leverage dan Ukuran Perusahaan pada Earnings Response Coefficient</i> ” Contra : Delvira and Nelvirita (2013)
6.	Firm Size has positive and significant effect on ERC.	Rejected	
7.	Profitability strengthens the relationship between CSR disclosure and ERC.	Accepted	
8.	Profitability strengthens the relationship between leverage and ERC.	Accepted	

- |     |   |          |
|-----|---|----------|
| 9.  | Profitability strengthens the relationship between growth and ERC.              | Accepted |
| 10. | Profitability strengthens the relationship between earning persistence and ERC. | Accepted |
| 11. | Profitability strengthens the relationship between firm size and ERC.           | Accepted |
- 

## 5. CONCLUSION

The result of this study indicates that H<sub>1</sub> was accepted, which means that CSR disclosure has a positive and significant effect on ERC. Then, the results of this study also show that H<sub>2</sub>, H<sub>3</sub>, H<sub>4</sub>, H<sub>5</sub>, and H<sub>6</sub> were rejected, which mean that profitability, growth, earnings persistence, and firm size did not have positive and significant effects on earnings response coefficient, while leverage did not have negative and significant effect on ERC. And the results of this study show that H<sub>7</sub>, H<sub>8</sub>, H<sub>9</sub>, H<sub>10</sub>, and H<sub>11</sub> were accepted, which mean that profitability as moderating variable was able to strengthen each of the relationships between CSR disclosure, leverage, growth, earnings persistence, firm size and ERC.

## 6. LIMITATIONS AND SUGGESTIONS

The limitations of this study are: (a) The period used in this study was limited to 3 years, namely 2015, 2016, and 2017. So, the data collected only described the period, (b) This study was only conducted among manufacturing companies, so that the results only represented the conditions in the sector, (c) There were differences in the results of determining the CSR disclosure items among several studies, because these items were determined based on the interpretation of each study.

Below are some suggestions that can be considered for further research, which are: (a) Increasing the length of research by extending the observation period, (b) Further research can use companies in other sectors such as mining, banks, transportation, etc. so that it is not limited to the manufacturing sector only, (c) Further research can consider other independent variables for sales growth, such as the growth of Earning Per Share (EPS), net income, etc., (d) Future studies may consider the use of other moderating variables.

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