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The importance of liquidity to improve the quality earnings of company

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ABSTRACT

This research aims to examine the relationship of Profitability, Liquidity, and Investment Opportunity Set on Earnings Quality with Good Corporate Governance as its Moderating Variable from some manufacturing companies listed on the Indonesia Stock Exchange during the 2017-2021 period. The sampling technique employed in this study is purposive sampling method by observing a total of 57 manufacturing companies, so that the total samples were 285 data. The results of this study indicate that the profitability variable has no positive effect on earnings quality; the liquidity variable has a positive effect on earnings quality; and the IOS variable has no negative effect on earnings quality. In addition, the Good Corporate Governance (GCG) variable is unable to moderate the profitability variable on earnings quality. The GCG variable is also unable to moderate the liquidity variable on earnings quality. However, the GCG variable is able to moderate the IOS variable on earnings quality.

Introduction

In this era of globalization, the business world has been experiencing many changes. In addition, an accurate information is highly required to make decisions in this sector. The information needed includes information obtained from financial reports which are the result of the accounting process and through other media; whereas, the information must be complete and accurate. This financial information is provided to both internal and external parties which attract their attention on an agency or organization that prepares its financial reports as well as their activities (Angraini & Septiano, 2019).

In Indonesia, there are several problems related with the credibility of income data information, which causes investors to lose their trust in the quality of earning. Financial reports have become a major problem because they are a source of information misuse that can have detrimental effects to interested parties. Many financial scandals in listed companies involve problems with financial reports that have been published previously. There have been many financial reporting scandals, accounting reporting scandal incidents involving the use of earnings management, such as those involving Enron, Merck, World Com, and other American businesses (Putra & Widanaputra, 2021). Many cases have started to be revealed and caused public trust to decrease. In 2020, there was a case that happened to Garuda Indonesia that managed to record a net profit of US$ 89 thousand or the equivalent of Rp. 11.33 billion. In 2019, this condition was reversed, as it suffered loss of US$ 216.58 million. This condition shows that the profit content in the financial statements was not as it supposed to be; therefore, the profit figures were considered to be of poor quality (Maulia & Handojo, 2022). This can be detrimental to parties who collaborate with the company because the financial reports presented were different from the actual situation of the company.

This situation emerged as a result of financial reporting scandals and inappropriate use of financial reports, which means that financial reports do not satisfy the information demands of their users. The quality of such reports is questionable since the profit section of the financial statements is not presented in accordance with the real facts of the company's earnings, which are meant to provide financial report information to assist in decision-making. Such issues related with earnings quality has motivated researchers to carry out some further research on earnings quality. This research, thus, was conducted since financial report information is very important for investors when making assessments, whereas poor earnings quality can mislead investors in making choices. Profitability, liquidity and good corporate governance are factors that influence earnings quality, according to a previous research by Kartika et al. (2023).

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A ratio called profitability is used to evaluate a business's potential for making profit. This ratio gauges the management effectiveness of the business, which is demonstrated by the profit earned. An annual increase in profit growth may offer reliable profit data. This implies that more investors will put money into a company the more profitable it is (Indriana & Handayani, 2021). Ilma & Subardjo's (2023) study findings indicate that profitability has a detrimental impact on the calibre of earnings. This is due to the fact that a low degree of profitability discourages a company from manipulating its profits, thus allows it to accurately reflect the results of its operations and produce high-quality profits.

Ilma and Subardjo (2023) and Qonita et al. (2022) have conducted previous studies that examined the relationship among liquidity, profitability and earnings quality. A research from Ilma and Subardjo (2023) found that liquidity does not affect earnings quality because a company's high liquidity causes its inability to manage its current assets so that the quality of the company's products gets worse. While a research from Qonita et al., (2022) shows that liquidity affects the quality of earnings, showing that companies that can fulfil their obligations are able to generate high quality profits. The commonly used ratio is current ratio. A high current ratio indicates that the absence of problems in liquidity, so that a higher liquidity means that the profit generated by a company is of high quality because it is unnecessary for the company to practice earnings management (Warianto & Rusiti, 2016).

A company's investment opportunities are described in an Investment Opportunity Set (IOS). As companies with high IOS values are likely to gain a greater market response, they have an ability to earn higher profit. The market's response to the company's profit demonstrates good earnings quality. A good quality of reported earnings is indicated by the market's strong response to earnings information. In contrast, a worse reported profits will weaken the market's response to any earnings information (Zubaidah, 2019). Sijabat et al. (2023) research from 2023 demonstrates that IOS affects the quality of earnings. Businesses with high IOS levels typically possess excellent potential for future growth.

Good Corporate Governance (GCG) is an effort that can increase the value of the company by preventing the practice of corporate earnings management which in turn can increase investors' trust in the company's financial statements. The implementation of GCG can provide an effective protection for stakeholders and shareholders, so that they are convinced of a return on their investment (Putra & Widanaputra, 2021). Putra & Widanaputra (2021) in their study found that GCG can promote the creation of a transparent and efficient market share because investors are highly likely to invest in companies with good management data. Therefore, a good governance can control the level of profitability, liquidity and IOS maximally, impacting on the quality of the profit generated that can be more trusted.

This research is developed from the previous study conducted by Kartika et al., (2023) since some inconsistencies were found in that earlier study. Profitability, rather than liquidity or GCG, has a substantial impact on profits quality, according to the research by Kartika et al. (2023). The addition of independent variables of Investment Opportunity Set (IOS) distinguishes this study from the earlier ones because it is believed to have an impact on profit quality. To reinforce the link between profitability, liquidity, and IOS on earnings quality, the GCG variable is converted into a moderating variable as the next distinguished element. As the consumer goods business sector was the exclusive focus of the prior study, samples are now being addedby including all manufacturing companies listed on the Indonesia Stock Exchange during the years 2017 to 2021.

The Indonesia Stock Exchange (IDX), which represents a variety of market segments, is used as a research sample for manufacturing companies. The description demonstrates how many factors affect the quality of earnings. Profitability, liquidity, IOS, GCG, and other elements have some impact on the quality of earnings. This research may measure a firm's success or failure and is anticipated to be used as a benchmark to help enhance financial performance. This research is expected to help a company grow to its full potential in the future. For investors, this study is intended to be a reliable source of information, a resource for investors when making investment selections and to evaluate a firm before making the best choice.

Literature Review

Agency Theory

Agency theory is a working relationship between agent and principal. The working relationship in question is a relationship that describes the relationship between investors and management who have different interests and motivations and can cause conflict between management and principals. This conflict is called agency conflict (Rohmansyah et al., 2022). Earnings management practices can affect the quality of earnings reported by management, so that management's actions in reporting earnings to fulfil personal interests opportunistically can reduce earnings quality low-earnings quality values may cause investors and creditors to make mistakes when making decisions resulting in the decreasing value of the company.

Signalling Theory

Signalling theory is a theory that explains if the company is in good condition and situation, management will deliberately take actions such as giving signals to the market or external parties through accounts in published financial reports (Erawati & Sari, 2021). This theory assumes that information published by a company can be received by users of financial reports of different parties. This information can influence investor's investment decision making. Management aims to ensure that external parties can see management's views regarding the company's positive prospects in the future.

Profitability Affects Earnings Quality

Profitability shows a ratio that assesses a business's capacity for profit and gauges the efficiency of its management. A corporation is thought to be capable of making profits when its higher profitability is resulted from a higher ROA. Investors should be certain that their investments in such companies will be profitable as this demonstrates how the business has high-quality earnings. In contrast, the lower the resulting ratio, the less profit was made and the worse the management of the business performed (Erawati & Sari, 2021). A corporation's ability to produce high and consistent profits is based on agency theory and signalling theory linked to return on asset (ROA), which then becomes a signal or information that the company can deliver to investors and creditors when making decisions. This is supported by the findings of earlier studies by Kartika et al. (2023), Qonita et al. (2022) and Ilma and Subardjo (2023) that claim profitability significantly affects the quality of profits. However, those findings are in conflict with those of Erawati and Wuarlela (2022); Sejati et al. (2021); Safira et al. (2019); Pitria (2017) that propose profitability has no effect on the quality of profits. The following is the suggested hypothesis.
H_1: Profitability has a positive effect on earnings quality.

Liquidity Affects Earnings Quality

A firm's liquidity ratio indicates its capacity to satisfy short-term commitments. If a creditor is successful in collecting on a loan, particularly one that is about to due, the company is considered to be able to pay off its obligation. Thus, it can be assumed that a corporation is liquid if it is able to pay its short-term obligation (Charisma & Suryandari, 2021). The quality of the profit earned increases as liquidity levels rise. Signalling theory predicts that liquidity has an impact on the quality of earnings. As a company is able to pay off its short-term debts, the more liquid the company is, the more confident it is in its ability to demonstrate success, which increases its investor's interest (Erawati & Sari, 2021).This is in line with the results of some previous researches by Azizah and Asrori (2022) and Qonita et al. (2022) that found liquidity improves the quality of earnings. However, according to research by Charisma and Suryandari (2021), Wardani and Anggrenita (2022) and Kartika et al. (2023), liquidity has no effect on the quality of earnings. The following is the proposed theory:
H_2: Liquidity has a positive effect on earnings quality.

Investment Opportunity Set (IOS) Affects Earnings Quality

Investment Opportunity Set (IOS) is a tool for companies to continue to grow to achieve the company's vision and mission. According to signalling theory, investors tend to value companies with high IOS conditions positively. It is unnecessary for a company to concern its availability of funds for its business continuity, that in the future it will be able to maximize its performance and obtain maximum profits. This encourages an increase in the quality of profits within the company (Khasanah & Khafid, 2020). This study supports the signalling and agency theories, which predict that investing in IOS will result in higher profits. Future investment opportunities are suggested by the company's capacity to seize opportunities as well as the presence of projects as supported by R&D activities (Arini, 2022).This is also supported by some prior research by Pandaya et al. (2021), which found that Investment Opportunity Set (IOS) had a positive effect on earnings quality. Investment Opportunity Set (IOS), in the contrary to what Ariani (2020), Ashma' and Rahmawati (2019), Khasanah and Khafid (2020) and Ilma and Subardjo (2023) suggests, has no appreciable impact on profits quality. The proposed theory is as follows:
H_3: Investment Opportunity Set (IOS) has a positive effect on earnings quality.

GCG Moderates the Effect of Profitability on Earnings Quality

Profitability can be used as a benchmark to see the development of company profits from time to time. The company's earnings will be of higher quality if it is more profitable. Companies with high GCGis able to avoid profit management, and therefore, increase their earnings quality. According to this study's findings, which are in consistent with signalling theory, a company's profitability level is a good indicator of how well it is performing and of its potential for future growth. This will entice investors to purchase stock in the company or make other investments (Magfiroh, 2022). A study from Magfiroh (2022) has found evidence that GCG has an impact on

moderating profitability and profits quality, which supports this finding. Winarsih et al. (2023) and Anis (2020) state that GCG can moderate profitability on earnings quality. Otherwise, research findings from Alphi et al. (2022); Sari and Khafid (2020); Rohmansyah et al. (2022) show different results, GCG cannot moderate profitability on earnings quality. The following is the fourth hypothesis.
H_4: GCG can moderate the effect of profitability on earnings quality

GCG Moderates the Effect of Liquidity on Earnings Quality

Company's liquidity shows its ability to pay its short-term debt. Corporate governance is a system or process used to promote stimulation, accountability, and business success. Thus, a good governance is considered to be able to control excessive liquidity in a company, making it possible to manage its current assets to the maximum, resulting in the quality of profit generated that can be trusted (Putra & Widanaputra, 2021). Based on agency theory and signalling theory, GCG can encourage the creation of a transparent and efficient market share because investors usually believe in investing in companies that have good governance. With good governance, managers are able to perform a control in carrying out and running company operations (Putra & Widanaputra, 2021). This is supported by findings from Kartika et al. (2023); Arini (2022) that state GCG can affect the quality of earnings, and liquidity can also affect the quality of earnings. In contrast, studies conducted by Putra and Widanaputra (2021) and Angraini and Septiano (2019) found that GCG does not moderate liquidity on earnings quality. Then the hypothesis that can be put forward is as follows.
H_5: GCG can moderate the effect of liquidity on earnings quality.

GCG Moderates the Effect of IOS on Profit Quality

The investment Opportunity Set (IOS) is the present value and the company's option to make future investments. A high IOS for the company has an impact on the company's growth which is increasing in the future. Good company growth can also be influenced by GCG, because it can be an effective protection against stakeholder and shareholder, then stakeholders can believe in the return on investment they have invested and make profits in companies with good quality. Based on agency theory, GCG minimizes agency conflict within the company, due to the common interests between management and shareholders. Researchers assume that the high level of GCG in a company accompanied by an IOS in a company causes the company to have good growth prospects in the future and generate quality profits. This is supported by Arini (2022) and Ningrum (2022) who state that GCG can moderate IOS on earnings quality. Researches from Mulyati et al. (2021) and Indriana and Handayani (2021) show that IOS has a positive effect on earnings quality. In contrast, studies from Putri (2021), Sabrina et al. (2021), and Simamora, (2014) show that GCG does not moderate IOS on earnings quality. So, it can be assumed that GCG is able to moderate IOS on earnings quality; the hypothesis proposed is as follows.
H_6: GCG can moderate the effect of IOS on earnings quality.

The research theoretical framework is proposed as follows:

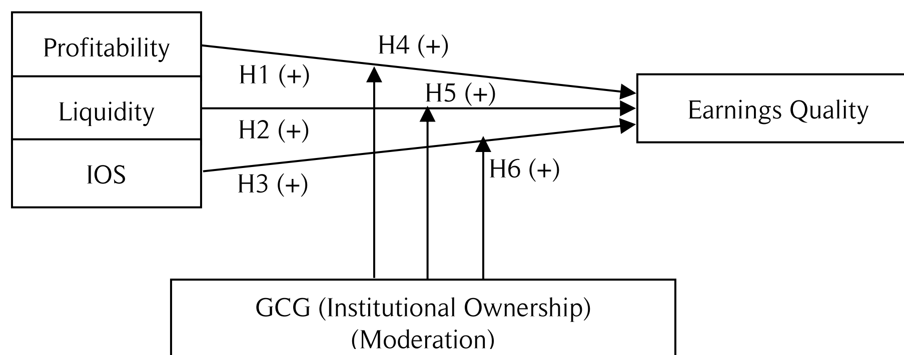

Figure 1. Research Model

Research Methods

Data and Samples

The manufacturing firms listed on the Indonesia Stock Exchange (IDX) between 2017 and 2021 are this study's target audience. The reason for choosing manufacturing companies as research targets is because manufacturing companies have diverse industries and are very broad in scope and scale. This can be generalized so that the test can be compared between companies. Purposeful sampling is the method used in the sampling procedure. One of

the requirements for the sampling technique is that manufacturing companies must be listed on the Indonesia Stock Exchange, publish financial reports for 5 (five) years in a row beginning in the 2017–2021 period, have complete financial reports and information related to the measurement of variables, and do not have any losses or negative profit balances in the financial statements during the 2017–2021 period. This research data used the 2017-2021 period, during which the Covid-19 pandemic crisis occurred. The Covid-19 pandemic crisis plays a significant role in the company's earnings quality. The main justification is that the crisis influenced economic activities, affected markets, and changed consumer behavior, that may affect company revenues and costs. However, based on the result of data processing, it is reflected that the selected manufacturing companies were slightly affected by the pandemic crisis; therefore, this evidence becomes a consideration to not exclusively put the pandemic crisis into account in this research. Out of 285 data from 57 companies in a 5-year period using these characteristics were processed in this study.

Definition and Measurement of Variables

Dependent variable

Earnings Quality

Ariska (2020) states that quality earnings are profits that reflect the company's actual financial performance. The formula used is as follows:

$$\text{Earnings Quality} = \frac{\text{Cash flow from operating activities}}{\text{Earnings before interest and tax}} \quad (1)$$

Independent variable

Profitability

Indriana and Handayani (2021) states that profitability is used to measure net profit after tax with the total equity in the company. The formula used is as follows:

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Asset}} \times 100\% \quad (2)$$

Liquidity

Erawati and Sari (2021) proposes that liquidity is a company's ability to fulfil short-term obligation at ease and on-time. The formula used is as follows:

$$\text{CR} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \quad (3)$$

IOS

Mulyati et al. (2021) explains that IOS depends on future spending decisions made by management, which is now a choice of investment that is anticipated to generate a high return on capital expenses and profit. The formula is as follows.

$$\text{MVE/BE} = (\text{Number of outstanding shares} \times \text{Closing price}) / \text{Total Equity} \quad (4)$$

Moderating variable

Good Corporate Governance (GCG)

Kartika et al. (2023) declared that institutional ownership is a component of the institution's share ownership. The proportion of shares owned by institutions is known as institutional ownership. The formula is as follows:

$$\text{KI} = (\text{Number of Institutional Shares/Number of Outstanding Shares}) \times 100\% \quad (5)$$

Results and Discussion

Table 1. Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability (X1)	285	0.00	5.40	0.859	0.824
Liquidity (X2)	285	0.00	312.80	5.540	28.319
IOS (X3)	285	0.40	150.20	2.576	9.148
Earnings quality (Y)	285	0.00	295.60	4.740	24.226
GCG (Z)	285	0.00	1.00	0.651	0.253
Valid N (listwise)	285				

Source: SPSS processing data, 2023

A summary or description of the data is provided by descriptive statistics. The lowest, maximum, and standard deviation values of each research variable in this study are given as descriptive statistics. The profitability variable runs from 0.00 to 5.40, with an average value of 0.859 and a standard deviation of 0.824, as shown in Table 1 above, which summarizes the findings of the descriptive test. The value of the liquidity variable is between 0.00 and 312.80, with an average of 5.540 and a standard deviation of 28.31. With a mean value of 2.576 and a standard deviation of 9.1483571, the IOS variable values vary from 0.40 to 150.20. The earnings quality variable ranges from 0.00 to 295.60, with an average value of 4.740 and a standard deviation of 24.226. The final variable is the GCG variable, with a range of 0.00 to 1.00, an average value of 0.651, and a standard deviation of 0.253.

Table 2. Hypothesis Test Results (T Test and F Test)

Model		Unstandardized Coefficients		t	Sig.	Information
		B	Std. Error			
1	(Constant)	.813	.710	1.145	.253	
	Profitability (X1)	.007	.292	.023	.981	H1 Not Supported
	Liquidity (X2)	.843	.008	100.240	.000	H2 Supported
	IOS (X3)	-.041	.026	-1.568	.118	H3 Not Supported
	GCG (Z)	-.986	.936	-1.054	.293	
F Statistics		2,602.187				
Significance of the F Test		0.000				

a. Dependent Variable: Earnings Quality (Y)
Source: SPSS processing data, 2023

Table 3. Test Results Moderated Regression Analysis (MRA)

Model		Unstandardized Coefficients		t	Sig.	Information
		B	Std. Error			
1	(Constant)	.778	1.016	.765	.445	
	Profitability (X1)	-.199	.996	-.200	.842	
	Liquidity (X2)	.780	.041	19.253	.000	
	IOS (X3)	-.004	.033	-.117	.907	
	GCG (Z)	-.282	1.505	-.188	.851	
	X1.Z	.227	1.389	.164	.870	H4 Not Supported
	X2.Z	.176	.111	1.582	.115	H5 Not Supported
	X3.Z	-.419	.116	-3.617	.000	H6 Supported
Adjusted R Square		0.975				
F Statistics		1554.863				
Significance of the F Test		000				

a. Dependent Variable: Earnings Quality (Y)
Source: SPSS processing data, 2023

Profitability Affects Earnings Quality

Hypothesis 1, according to which the earnings effect positively influences earnings quality, is not supported by this study. The study has a calculated t value of 0.023, with significant value of 0.981 > 0.05, and the coefficient value of the regression is positive, meaning that H1 is not supported. This provides a gauge of how effectively corporate governance policies are working while demonstrating how Indonesian manufacturing companies increase profits. High or low levels of profitability do not affect the level of earnings quality because investors tend not to pay attention to existing profitability signals or information, so investors are not interested. The level of profitability cannot be used as a basis for making investment decisions. Profitability cannot trigger the market to obtain profit information, this shows that profitability does not help investors in assessing market conditions.

Kartika et al. (2023), Qonita et al. (2022) and Ilma and Subardjo (2023) who propose that profitability significantly effect on earnings quality, thus, refute the findings of this study. This research is in opposite with findings from Erawati & Wuarlela (2022); Sejati et al. (2021); Safira et al. (2019); Pitria (2017) which claim that profitability has no effect on the quality of profits.

Liquidity Affects Earnings Quality

This study lends credence to Hypothesis 2, which contends that liquidity has a beneficial effect on the standard of earnings. The research has a calculated t value of 100.240, with significant value of 0.000 < 0.05, and a positive direction regression coefficient value, meaning that H2 is supported. This illustrates how managing assets and current obligations may be reconciled by Indonesian manufacturing companies. In this study, liquidity is able to fulfil its immediate obligations, enabling the company to operate profitably enough to produce high-quality earnings and attract investors. The company will be in debt and suffer a decline in the quality of its earnings if the liquidity results reveal that the company's liquidity is insufficient to satisfy its present obligations.

The findings of this study are supported by Azizah and Asrori (2022) and Qonita et al. (2022), who claim that liquidity improves the quality of earnings. Companies with good liquidity are able to manage their short-term obligations by maintaining a healthy ratio between their assets and liabilities.

IOS Affects Earnings Quality

This study does not provide evidence for Hypothesis 3, which contends that IOS has a beneficial impact on earnings quality. The calculated t value of this research is -1.568 and the significant value is 0.118 > 0.05 with a negative direction regression coefficient value, meaning that H3 is not supported. This demonstrates how Indonesian manufacturing enterprises' costs are based on what the management decides to do in the future. IOS is not the focus of investors' attention when making investment decisions because their primary goal when investing is to make short-term profits, instead of the long-term ones. Companies that have a high IOS will always expand their business strategy, so they will be increasingly in need of external funds. If the company is in good condition, management will prefer new investments rather than paying high dividends (Mulyati et al., 2021).

Studies by Ariani (2020), Ashma' and Rahmawati (2019), Khasanah and Khafid (2020) and Ilma and Subardjo (2023) backed up this study's findings by stating that they had no negative influence on profits quality. Market does not conceive that investment spending should be put into consideration when determining the quality of a company's profitability.

GCG Moderates The Effect of Profitability on Earnings Quality

This study does not provide evidence for Hypothesis 4, which claims that GCG can reduce profitability on earnings quality. The study's findings produced a significant value of 0.870 > 0.05, t value of 0.164, and had a positive direction regression coefficient value; meaning that H4 is not supported. This demonstrates how Indonesian manufacturing enterprises can raise their company value by focusing on their stakeholders. A governance structure cannot constantly monitor businesses as they strive to increase their revenues and the quality of their earnings. The size of GCG in a company cannot closely monitor and supervise the performance carried out by management to generate quality profits. The GCG mechanism is expected to be able to guarantee and supervise the governance system within the company to run according to the direction set by the company (Kartika et al., 2023).

The results of this research are supported by Alphi et al. (2022), Sari and Khafid (2020) and Rohmansyah et al. (2022) promoting that GCG cannot moderate profitability on earnings quality. These are contradicted by a research by Magfiroh (2022) showing that there is an effect of GCG moderating profitability on earnings quality.

GCG Moderates the Effect of Liquidity on Earnings Quality

This study does not support Hypothesis 5, which claims that GCG can control liquidity on profits quality. The significant value for the research findings is 0.115 > 0.05, t value of 1.582 and had a positive regression coefficient value, meaning that H5 not supported. This demonstrates that a governance system is not necessarily necessary to oversee and regulate Indonesian manufacturing enterprises that are profitable and able to pay their present debts. Corporate governance, in contrast, is a structure or procedure that promotes responsibility and commercial success. In order for a company to be considered as being able to manage its current assets to the fullest extent, a strong governance is regarded to be able to handle excessive liquidity in the business, and thus, impacting on the quality of profit earned to be reliable (Putra & Widanaputra, 2021).

Findings proposed by Putra and Widanaputra (2021) and Angraini and Septiano (2019) support this study's results asserting that GCG is unable to moderate liquidity on earnings quality. Nevertheless, the result of this research is contradictory to those of Kartika et al. (2023), Arini (2022) and Mulyati et al. (2021) which declare that GCG can affect the quality of earnings and liquidity can also affect the quality of earnings.

GCG Moderates the Effect of IOS on Earnings Quality

This study supports Hypothesis 6, which suggests that GCG can moderate IOS on earnings quality. The results of the significant value from this study are 0.000 > 0.05, t value of -3.617 and had a negative direction regression

coefficient value, meaning that H6 supported. This shows that manufacturing companies in Indonesia can be guaranteed to invest in the future under a monitoring and supervising of a governance system and are able to generate good profits. This study is corresponding with agency theory stating that GCG minimizes agency conflict within the company, due to the similarity of interests between management and shareholders. Researchers assume that the high level of GCG in a company accompanied by an IOS in a company causes the company to have good growth prospects in the future and generate quality profits.

The results of this study are supported by joint researchers from Arini (2022); Ningrum (2022); Mulyati et al. (2021); Indriana and Handayani (2021) where GCG is able to moderate IOS on earnings quality. In contrast, research from Putri (2021); Sabrina et al. (2021); Simamora (2014) affirmed that GCG does not moderate IOS on earnings quality.

Conclusion

Earnings quality is significantly impacted by liquidity. This shows that assets can be utilized as a counterbalance to short-term liabilities or to assets that are larger than short-term liabilities. The profitability variable does not improve the standard of earnings in any way. IOS has no negative consequences on the quality of earnings. Therefore, the lower profits of a company, the lower the level of quality of earnings.

The variable that can be moderated by the GCG variable is the IOS variable on earnings quality. Raising the current value, deciding to invest in the future, and having a high IOS, all have some impact on the company's growth, which improves in the future. GCG factors have a little control on how profitability and liquidity affect the quality of earnings. The governance structure can no longer control and monitor a company's ability to generate profits and fulfil immediate obligations, which decreases the standard of earnings.

The findings of this study can be used by potential investors to consider decision making when investing, so they can gain profits and avoid risks. It is expected that this research can be used as a benchmark to improve financial performance, and it can also measure the success or failure of a company. This research also helps companies to create optimized companies in the future.

Nevertheless, there was only a small sample employed in this research. Other variables, such as firm size (Marlina & Idayanti, 2021), profits growth (Andariesta, 2022), and dividend policy (Kartika et al., 2023) are suggested to be considered in the future researches. In addition, the length of time in conducting further research should also be increased. Finally, it is recommended that further researchers will be able to include other business sectors, like mining industry.

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