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THE INFLUENCE OF PROFITABILITY, COMPANY SIZE, AND GROWTH OPPORTUNITY ON THE QUALITY OF PROFITS IN PROPERTY AND REAL ESTATE COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE (BEI) YEAR 2019-2022

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Abstract:
The importance of this research is that profit imbalance causes the company's profit quality to decline. If the quality of the company's profits decreases, it will cause errors in decision-making by users of financial reports. This study looks at the link between a firm's size, profitability, growth potential and the quality of its profits. All real estate and property firms listed on the Indonesia Stock Exchange between 2019 and 2022, whose financial reports are available to the public, comprise the research population. Saturated sampling is the sampling strategy employed in this investigation. The study sample comprised sixty-one real estate and property businesses on the Indonesia Stock Exchange (BEI). A total of 244 samples were used in the investigation during the four years. Data analysis approaches employed in this study included multiple linear analysis, hypothesis testing, classical assumption testing, and descriptive statistics. According to the study's findings, profitability significantly and favorably affects the quality of earnings; the size of the business significantly and favorably affects the quality of earnings, and growth opportunities somewhat but favorably affect the quality of earnings.

Keywords: Earnings Quality, Profitability (ROA), Company Size, Growth Opportunity

INTRODUCTION

The business world is becoming increasingly competitive in terms of growth, industry, and services. This forces every business to make efforts to continue to exist. Yuwana says, "The real estate and property industry is one of the economic sectors that is developing and makes a significant contribution." (Yuwana & Siddiq, 2022). The property and real estate sector has experienced a severe downturn for the past few years. This is because the coronavirus outbreak since the beginning of 2020 has affected many property and real estate sectors, thereby impacting the quality of profits of property and real estate business actors.

If profits meet or are above the initial plan target, then the quality of profits will be better (Rissella & Sitorus, 2020). This phenomenon shows that Businesses in the property and real estate industry experience fluctuations in income, raising doubts about the integrity of their income. These companies include "ASRI, BBSS (Bumi et al..), BEST (Bekasi et al..), CSIS (Cahayasakti et al.), and GMTD (Gowa et al..)". Four years into the study, these five businesses experienced frequent ups and downs between 2019 and 2022. One is ASRI, a real estate and property company with uncertain profit margins. In 2019, the company earned a profit of 1.67; in 2020, it made a profit of -0.32; in 2021, it made a profit of 11.29; and in 2022, it made a profit of 2.26. In addition, many people are interested in investing, so they need accurate profit information. When a business generates consistent and stable income over time, the business is considered to have strong profit qualities (Mardiana et al., 2022).

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The importance of this research is that profit imbalance causes the company's profit quality to decline. If the quality of the company's profits decreases, it will cause errors in decision-making by users of financial reports. Therefore, the findings of this research are expected to help consumers of related financial data when they make judgments about real estate and property investments.

Several variables, including profitability, company size, and growth potential, can influence earnings quality. Because a business must be profitable to grow, profitability is an issue that must be considered carefully (Yanti et al., 2023). Research conducted by Nirmalasari and Widati (2022) revealed that "profitability has a significant positive effect on profit quality." According to Erawati and Hasanah (2022), "This research is different from research which did not find a real relationship between profitability and earnings quality."

According to Suardana et al. (2020), company size refers to the scope of the business. It can be categorized based on revenue, total assets, and equity. Research by Veronica and Syahzuni in 2022 shows that the quality of a company's earnings positively correlates with its size. This research contradicts Azizah (2022), which shows that "the size of an organization does not affect the quality of its income."

According to Suwarti, " Growth opportunity is the opportunity for a company to grow in the future" (Suwarti et al., 2020). According to research by Pangestika (2019), growth opportunities positively impact income caliber. Anjani and Sukarmanto's (2022) research, which did not find this, contradicts our research on the relationship between growth potential and earnings quality. Academics have previously conducted several studies on the impact of profitability, company size and development prospects on the caliber of profits. Research returns with this term due to the phenomenon of unstable earnings quality and inconsistent research gaps or different research results from previous researchers with the title "The Influence of Profitability, Company Size and Growth Opportunity on Profit Quality in Property and Real Estate Companies that Listed on the Indonesian Stock Exchange (BEI) 2019-2022."

Signal Theory. Signaling theory explains that good financial reports are a signal or sign that the company is also operating well. Managers must provide signals regarding the company's condition to the owners as a form of responsibility for managing the company. Signaling theory explains why companies are incentivized to deliver financial report information to external parties. The company's urge to provide information is because of information asymmetry between the company and outside parties. After all, the company knows more about the company and its prospects than outside parties (especially investors and creditors).

Profitability. According to Hirdinis (2019), "Profitability is a company's ability to generate profits and measure the level of operational efficiency in using the assets it owns." According to Lestari (2020), "several ratios are used to measure profitability, including Gross Profit Margin (GPM), Net Profit Margin (NPM) and Return On Assets (ROA). In this research, the profitability proxy used is ROA."

Growth Opportunities. Growth opportunities are opportunities or opportunities available for a business to increase its expansion or development (Nathanael & Panggabean, 2021). In research conducted by Nikmah (2021), "the measurement of the growth opportunity variable in this research uses sales growth by subtracting sales in the current period from sales in the previous period."

METHODS

Quantitative data from company financial records were employed in this research. The research sample in this study consisted of 61 real estate and property industry players listed on the Indonesia Stock Exchange (BEI). The source of the study is www.idx.co.id. Thus, 244 samples were

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used during the four years of the investigation. Saturated side sampling is the technique used. Using each member of the population as a sample is known as saturated sampling. In this research, earnings quality (Y) is the dependent variable, and independent variables include ROA (X_1), company size (represented as SIZE (X_3), and growth opportunity (represented as growth) (X_3).

RESULT AND DISCUSSION

Table 1. Descriptive Analysis Results

Characteristic Statistics					
	N	Minimal	Maximum	Mean	Standard Deviation
Profitability	244	- .375	,443	.014	,075
Growth Opportunities	244	- , 985	96,670	,592	6,262
Company Size	244	13,532	31,805	26,122	4,290
Quality Profit	244	-32,379	637,176	4,474	45,339

Table 1 illustrates that "the profitability variable is because the average value > standard deviation means the data varies, in the growth opportunity variable because the average value < standard deviation means the data is less varied and in the company size variable because the average value > standard deviation then it means the data varies."

Table 2. Results from Normality Tests

		Non-standard Residual
N		244
Standard Parameters [a, b]	**Mean**	1.1393E- 15
	Std. Deviation	45.318330
"Most Extreme Differences"	**" Absolute"**	,422
	"Positive"	,422
	"Negative"	- .372
Examine Statistics		,422
Asymptotic Signals with Two Tails		,000

Based on the normality test in Table 2 shows that "the Kolmogorov-Smirnov value is 0.000, which is smaller than 0.05, indicating that the data used in this study is not normally distributed."

Table 3. Multicollinearity Research Results

Model		Statistics of Collinearity	
		Tolerance	**VIF**
1	(Constant)		
	Profitability (X1)	,995	1,006
	Size Company (X2)	,995	1,005
	Growth Opportunities (X3)	,991	1,009

Table 3 shows that "independent variables have a tolerance value of more than 0.10 and independent variables have a VIF value of less than 10. Therefore, the regression model is free from symptoms of multicollinearity.

Table 4. Autocorrelation Test Results"

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Model	"Durbin-Watson"
1	2,028

Table 4 illustrates that "the Durbin-Watson distribution is 1.78429 and 1.82672 respectively. "Then the following results were obtained, 1.78429<2.028<2.21571, so it can be concluded that there was no autocorrelation in this study."

Table 5. Heteroscedasticity Test Results

Model		Sig.
1	(Constant)	,904
	Profitability (X1)	,559
	Size Company (X2)	,521
	Growth Opportunities (X3)	,865

In Table 5, it is shown that "each model has a significance value greater than 0.05. This shows that the independent variable used in this research does not significantly affect the dependent variable, namely absolute error. Therefore, this research is free from symptoms of heteroscedasticity." Based on data that is not normally distributed, by the findings of traditional assumption tests that have been carried out (autocorrelation, heteroscedasticity, multicollinearity and normality). Therefore, outlier analysis is needed in this research.

Table 6. Results of Multiple Linear Regression Analysis

Model		"Unstandardized Coefficients"		"Standardized Coefficients"	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,889	,496		1,792	,025
	Profitability (X1)	,727	,556	,253	3,262	,001
	Company Size (X2)	,052	.019	,216	2,787	,006
	Growth Opportunities (X3)	.113	,195	,146	2,579	.012

Based on Equation Table 4.10, the following is one way to write a multiple linear regression equation. Y = 0.889 + 0.727ROA + 0.052SIZE + 0.113GO + e

The multiple linear regression equation displays the direction of each independent variable towards the dependent variable. The following is an explanation of the multiple linear regression equation:

a. If profitability (ROA), company size (SIZE), and growth potential (GO) are all equal to 0 (zero), then the earnings quality rating is 0.889. The constant value of 0.889 shows this.
b. The profitability regression coefficient value of 0.727 indicates that earnings quality (QE) will increase by 0.727 for every 1% increase in profitability (ROA).
c. The business size regression coefficient value is 0.052, meaning earnings quality (QE) will increase by 0.052 for every increase in one company size unit (SIZE).
d. For every 1% increase in growth opportunity (GO), the growth opportunity regression coefficient value of 0.113 predicts an increase in earnings quality (QE) of 0.113.

Table 7. T Test Results

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Model		Unnormalized Coefficients (B)	t	Sig.
1	Profitability (X1)	,727	3,262	,001
	Size Company (X2)	.113	2,579	.012
	Growth Opportunities (X3)	,052	2,787	,006

1) Relationship between Profit Quality (Y) and Profitability variable (X1). With a significance level of 0.001 < 0.05, the t-test findings based on table 4.11 explain why count (3.262) > table (1.6550), so H0 is rejected, and H1 is accepted; this shows that the profitability variable has an upbeat and positive relationship. Significant impact on earnings quality.
2) The influence of the earnings quality variable (Y) on the company size variable (X2). The t-test results, which show count (2.579) > table (1.6550) at a significance level of 0.012 < 0.05, are presented in Table 4.11. This shows that H0 is rejected and H1 is accepted; the company size variable significantly influences earnings quality.
3) The Influence of Earnings Quality (Y) on the Growth Opportunity Variable (X3)

Table 7 provides evidence that, at the significance threshold of 0.006 < 0.05, the t-test findings explain why count (2.787) > table (1.6550), rejecting H0 and accepting H1, indicating a positive and substantial influence of the growth opportunity variable on quality earnings.

Table 8. F Test Results"

ANOVA [a]						
Model		"Sum of Squares"	"Df"	"Mean Square"	"F"	"Sigh."
1	Regression	20,622	3	6,874	7,558	,000 [b]
	Residual	137,326	151	,909		
	Total	157,948	154			

Based on Table 4.12 above, " H0 is rejected, and H4 is approved if it is known that Fcount (7.558) > Ftable (2.66) with a significance value of F of 0.000 < 0.05. "This shows that a large influence on earnings quality (Y) is simultaneously exerted by profitability factors (X1), company size (X2), and growth opportunities (X3)."

CONCLUSION

This research aims to ascertain how profitability, company size, and expansion potential relate to the caliber of profits. After analyzing and discussing the data, the following research findings were found: (1) Profitability has a relatively significant and mostly favorable impact on earnings quality. This means that when profitability increases, the quality of profits also increases. Company size has a significant and positive influence on profit caliber. This shows that the quality of a company's earnings will increase along with its growth. (3) There is an essential and positive correlation between growth opportunities and profit quality. This means that the quality of earnings will increase along with growth potential.

This research is subject to certain limitations. First, "the Return on Assets (ROA) proxy alone calculates profitability ratios. This is done because the return on assets (ROA) is a measure of how effectively and efficiently management uses company assets to generate profits," and further research can use GPM and NPM in food and beverage, retail and manufacturing companies. Second, "the variables included in this research are limited to profitability, company size, and development prospects." Other elements influencing company profitability quality can be used in further research.

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The author's suggestions for further research are (1) Educational institutions should add literature in the form of books, papers and journals so that students who have graduated from educational institutions can understand and apply the knowledge they have gained well, (2) Educational institutions should adding literature in the form of books, papers and journals so that students who have graduated from educational institutions can understand and apply the knowledge they have gained well.

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