


## ANALYSIS OF EARNINGS GROWTH, DIVIDEND POLICY, CONSERVATISM, TAX AGGRESSIVENESS ON CORPORATE EARNINGS QUALITY

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E-mail: [azzahrafadia3@gmail.com](mailto:azzahrafadia3@gmail.com)<sup>1</sup>, [afiqohnyimas@umg.ac.id](mailto:afiqohnyimas@umg.ac.id)<sup>2</sup>,

Article Info	ABSTRACT
<p><b>Article history:</b> Received June 05, 2024 Revised June 25, 2024 Accepted July 05, 2024</p> <p><b>Keywords:</b> <i>Earnings growth</i> <i>Dividend policy</i> <i>Conservatism</i> <i>Tax aggressiveness</i> <i>Earnings quality</i></p>	<p>Financial statements are an important source of information for evaluating the financial position and performance of a company. This report contains information about the company's profit, which makes it possible to measure success or failure in achieving predetermined goals. This study aims to examine the effect of growth, dividend policy, conservatism, and tax aggressiveness on the quality of corporate earnings. The research sample consists of mining sector companies in Indonesia listed on the Indonesia Stock Exchange (IDX) for the period 2021-2023, using purposive sampling technique and using 34 company sample from mining sector. The results showed that dividend policy and tax aggressiveness have a significant influence on the quality of corporate earnings. Effective dividend policy and appropriate tax aggressiveness practices can improve the quality of corporate earnings. On the other hand, earnings growth and conservatism do not show a significant effect on earnings quality. This indicates that increased profits do not always reflect good financial performance, and prudent principles in financial reporting do not always correlate with improved earnings quality</p> <p>This is an open-access article under the <a href="#">CC-BY 4.0</a> license.</p> 

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### INTRODUCTION

Financial reports are a source of information to evaluate the financial position and performance of a company[1]. Financial reports contain information about the profit or profit of a company, which makes it possible to measure success or failure in achieving predetermined goals. Financial reports provide great benefits to stakeholders or users, but

there is an element of financial statements that users are very concerned about income information[2]. Earnings information is information that can influence decision making by internal and external stakeholders or stakeholders[3].

Profit is an important number to see whether the profit achieved is in accordance with the previous plan. The closer the company is to the original plan or exceeds the original plan, the higher the quality of earnings the company gets. When earnings presentation does not match actual earnings, earnings quality decreases, information from earnings reports is distorted, and decisions made by investors and creditors are misleading[4]. This is still related to agency conflict caused by the principal and agent who have conflicting interests. If the agent and principal each try to maximize their utility and have different aspirations and motivations, then there is reason to think that the agent (management) may not necessarily act in accordance with the principal's wishes[5].

Based on a report on the kontan.id website (2020), the company PT Timah (TINS) recorded an overstatement in its 2018 financial statements. The net profit should have been IDR 132.29 billion, but PT Timah's management booked a net profit of IDR 531.35 billion. The discovery occurred several months after the publication of PT Timah's 2018 financial statements[3]. The 2018 financial statements submitted by PT Timah contained overstatements regarding cost of goods sold, real estate invested, revenue recognition methods, uncollectible prepaid taxes and intercompany transactions. The following case comes from the Berita lima.com website (2016), PT Cakra Mineral falsely claimed to own 55% of the shares of the murui corporation since August 2014, when in fact PT Cakra Mineral was not registered as a murui shareholder. The deliberate assertion of share ownership of the murui company by the directors of PT Cakra (Boelio Muliadi) caused the asset value of PT Cakra Mineral Tbk to increase significantly. The two incidents above show that PT Timah and PT Cakra Mineral manipulated their financial statements.

The quality of earnings in the company's financial statements is influenced by earnings growth. Along with the consistency of good profit growth, it can be interpreted that the company is in good condition, this can be seen from the company's healthy financial condition which is characterized by an increase in optimal profit acquisition every year[6]. Investors will give a good response to the company if the company experiences high profit growth, so the company can provide benefits for investors in the future. According to research[7] which examines capital structure, earnings growth and audit committee on company quality, the results are that earnings growth has a significant positive effect on earnings quality. This is not in line with the research results from[8], [9], [10] which state that earnings growth has no significant effect on earnings quality.

The relationship between earnings growth and earnings quality refers to agency theory. One of the constructs is earnings growth. The company's profit growth rate every year is an indicator of the achievement of running the company. In other words, companies with increased efforts and opportunities can generate profits from their operational activities[8]. The increasing rate of profit growth in a company can cause the amount of annual profit to increase [9]. This revenue growth can have an impact on the

quality of income when the company has the opportunity to increase revenue. This means that the company has good financial performance and has the opportunity to continue to grow in better earnings quality[7]. H1 : Earnings Growth has a positive effect on Earnings Quality

Another factor that affects earnings quality is dividend policy. Management decisions regarding dividend distribution will influence investors to invest in the company[11]. Companies that distribute dividends in large amounts to their investors mean that their earnings growth is good and of high quality. Then, the results of research[12], [13]show that dividend policy has a positive and significant effect on earnings quality. However, this is different from the results of research conducted by[14] showing that dividend policy has no effect on earnings quality.

The relationship between dividend policy and earnings quality refers to agency theory. One of the constructs that can be linked is dividend policy. Companies that decide to distribute the profits they earn as dividends are an indication that the company has generated good profits that are in accordance with the company's objectives and also indicate that the company has produced quality earnings quality. So it can be concluded that the distribution of dividends made by the company to shareholders really helps the company in showing investors and users of financial statements that the profits generated by the company are of high quality[12], [15], [16]. H2 : Dividend policy has a positive effect on earnings quality

Furthermore, a factor that can affect the quality of corporate earnings is conservatism. Conservatism is a principle of caution in a company's financial reporting in recognizing its assets and profits because its economic and business activities are shrouded in uncertainty[17]. The purpose of applying the principle of conservatism is to overcome excessive optimism when entrepreneurs report their performance[18]. Companies that apply the principle of conservatism in their financial reporting are less likely to be manipulated. Regarding the conservatism factor on earnings quality according to research from[11], [19] conservatism has a significant positive effect on earnings quality. Meanwhile, it is different from research from [20] whose results have a significant negative effect on earnings quality.

The relationship between conservatism and earnings quality can be linked to agency theory. One of the constructs that can be associated is conservatism. The higher the conservative principles applied, the higher the quality of earnings generated by a company. Accounting conservatism reduces the occurrence of excessive profit recognition. Management actions to carry out earnings management to beautify the company's financial statements can also be avoided. If the application of a low accounting conservatism attitude can make earnings manipulation prone to occur, so that it will reduce the quality of the company's earnings [21], [3], [19]. H3 : Conservatism has a positive effect on Earnings Quality

Most companies want to earn large profits by spending as little effort as possible. One of the tax aggressiveness policies is a strategy to reduce the tax burden incurred by

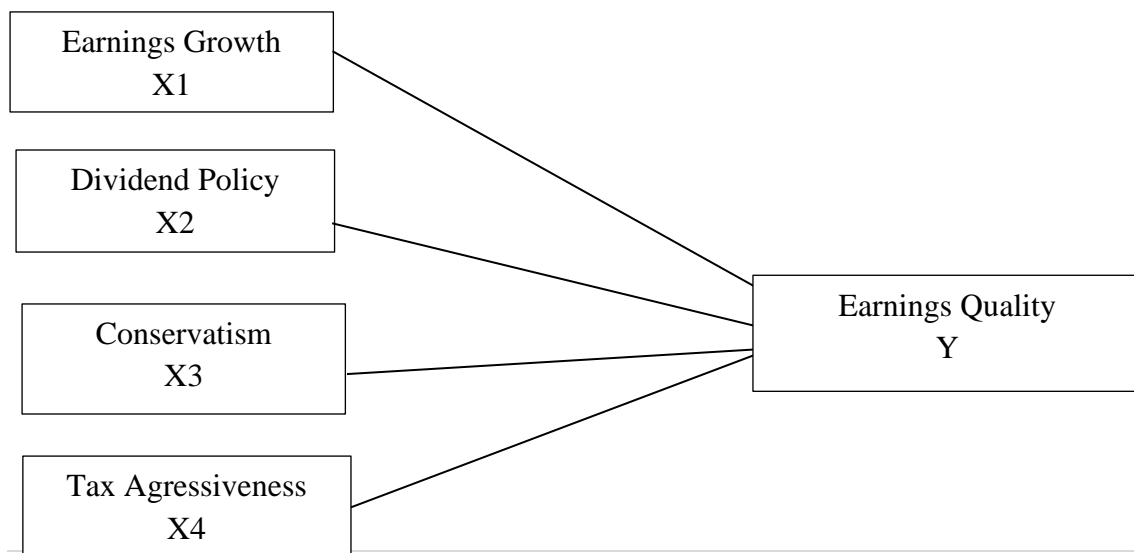
the company. According to [22] found that tax aggressiveness policy has a positive effect on managers' decisions to achieve good returns. Meanwhile, according to [22] tax aggressiveness has a negative and insignificant effect on earnings quality. Research and development on earnings quality is progressing very rapidly, and earnings quality is noteworthy because it can be used for fundamental analysis of investors by knowing the market reaction to a company's earnings information. In this way, the aim is to combine several variables that are thought to affect earnings quality and find out the test results. Including some research on earnings quality.

According to [23] state that tax aggressiveness has a positive relationship with the company's earning quality. This means that the tax aggressiveness actions taken by family-owned companies are less than those of non-family companies or public companies. [24] state that one way of doing tax aggressiveness by using tax avoidance in the company does not have sufficient influence in affecting the quality of earnings obtained by the company itself [25].

#### H4: Tax Aggressiveness has a positive effect on Earnings Quality

Based on the explanation that each variable  $x$  can be related to agency theory because Agency theory according to [26], namely as a relationship between the principal (company owner) and the agent (company management) there is an interesting conflict between the two parties, due to the desire to improve the quality of the company (utility). The principal wants his company to continue to run and get the maximum profit from the investment invested in the company, while the agent wants a large compensation from the performance he has done, this understanding is explained in agency theory. Agents or company management can engineer or manipulate the accounting numbers presented in the financial statements in various ways, because the assessment of company performance is reflected in the profits generated [27].

According to the theoretical foundation and previous research explained above, this study develops a framework that will explain the relationship between 4 variables suspected to influence the variable of earnings quality, namely earnings growth, dividend policy, conservatism, and tax aggressiveness.



## METHODS

### Research Approach

The research approach used in this study is a quantitative approach. Quantitative data is a research method based on positivism (concrete data), research data in the form of numbers that will be measured using statistics as a calculation test tool, related to the problem under study to produce a conclusion[28].

### Population and sample

The population used in this study is the annual report of mining sector companies in Indonesia for 2021 - 2023 which are listed on the IDX. Sampling was carried out using purposive sampling technique, namely where sampling is done using certain considerations in accordance with the desired criteria to obtain the number of samples to be studied. The criteria that have been determined are as follows:

1. Companies listed on the Indonesia Stock Exchange (IDX)
2. Mining sector companies listed on the Indonesia Stock Exchange for 3 years in 2021-2023
3. Availability of company financial statement data and data for complete variable calculations for 2021-2023
4. Financial statements must have a financial year ending December 31<sup>st</sup>
5. Financial statements that generate profits

### Types and sources of data

The type of data used is documentary. Documentary is a method used to obtain data and information in the form of books, archives, written documents, numbers and images in the form of reports and information that can support research. Documentary data in research can be a material or basis for data analysis. The documentary data uses data obtained from the annual reports of mining sector companies in Indonesia for 2021 - 2023 which are listed on the IDX.

### Data Retrieval Technique

In this study, using documentation techniques to search for and collect data such as financial reports, transcript notes and others. This research data was collected from the annual reports of mining sector companies available on the Indonesia Stock Exchange (IDX) for 2021-2023.

### Operational definition and measurement of variables

#### Earnings Growth

Earnings growth shows the company's ability to maintain economic stability and management's ability to achieve previously set profit targets[8]. Earnings growth in this study was calculated using the net profit increase formula. This increase in net profit shows how well the company increased its net profit compared to the previous year.

$$\text{Increase In Net Income} = \frac{\text{Net Income This Year}}{\text{Net Income Last Year}}$$

### Dividend Policy

Dividend policy is the company's decision to determine whether its net profit will be distributed to shareholders in the form of dividends or retained earnings for future investment [29]. Companies that have the consistency to distribute dividends to their shareholders indicate that the quality of the company's earnings is good[30]. Dividend policy in this study is calculated using the Dividend Payout Ratio formula.

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend}}{\text{Net Income}}$$

### Conservatism

Conservatism is the principle of caution in the preparation of financial statements. Conservatism can prevent excessive dividend distribution to shareholders, thus helping to avoid disputes between investors and creditors. Conservatism in this study was calculated using the model formula[31].

$$KA = \frac{(\text{Net Income} - \text{Depreciation} - \text{Operating Cash Flow})}{\text{Total Assets}} \times -1$$

### Tax Agressiveness

Tax Agressiveness is a tax avoidance practice where companies take advantage of legal loopholes or laws to implement tax planning that aims to reduce company profits in order to achieve tax savings but is done either legally (Tax Avoidance) or illegally (Tax Evasion) [32]. In this study, Tax Agressiveness uses the Current Effective Tax Rate (CETR) formula[25].

$$\text{Current ETR} = \frac{\text{Current Tax Expense}_{i,t}}{\text{Pretax Income}_{i,t}}$$

### Earnings Quality

Earnings quality refers to the quality of a company's earnings or profit information contained in financial statements and publicly available[33]. Earnings quality can be used to determine whether a company's performance is running well or not, so that it can provide information to shareholders for decision making. In this study, earnings quality uses the model formula[34].

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

### Data Analysis Technique

The data that has been accumulated will go through several stages of analysis, including descriptive statistical analysis, classical assumption tests which include (normality, multicollinearity, heteroscedasticity and autocorrelation tests), multiple linear regression tests, followed by hypothesis testing using partial T statistical tests,

simultaneous F statistical tests, and the coefficient of determination. The multiple linear regression analysis test uses the following equation:

$$Y = b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Description:

Y= Earnings Quality

a = Constant

X1 = Earnings Growth

X2 = Dividend Policy

X3 = Conservatism

X4 = Tax Aggressiveness

b1, b2, b3, b4 = Regression Direction Coefficient

e = Variable Outside Research (Error Estimate)

## RESULTS AND DISCUSSION

### Descriptive Analysis Results

Descriptive analysis is used to provide a data description of a sample data that has been collected in this study. The formulas used in descriptive statistics are average, lowest value, highest value, and standard deviation. The description of statistical data is shown by the results of descriptive statistics whose data is processed using SPSS version 25. The following are the results of the data processing:

Table 1. Descriptive Statistics Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Earnings Growth	92	,21	7,77	1,5816	1,26329
Dividend Policy	92	,20	6,14	1,8930	1,31152
Conservatism	92	,54	32,89	4,5226	4,02500
Tax Aggressiveness	92	,13	8,30	1,9652	1,69123
Earnings Quality	92	,19	6,06	1,4205	1,15507
Valid N (listwise)	92				

Based on table 1 with a total of 92 observations and data, it can be concluded that earnings growth has a minimum value of 0.21, a maximum of 7.77, a mean of 1.5816 and a standard deviation of 1.26329. Dividend policy has a minimum value of 0.20, a maximum of 6.14, a mean of 1.8930 and a standard deviation of 1.31152. The conservatism variable has a minimum value of 0.54, a maximum of 32.89, a mean of 4.5226 and a standard deviation of 4.02500. The tax aggressiveness variable has a minimum value of 0.13, a maximum of 8.30, a mean of 1.9652 and a standard deviation of 1.69123. And the earnings quality variable has a minimum value of 0.19, a maximum of 6.06, a mean of 1.4205 and a standard deviation of 1.15507.

### Normality Test Results



The normality test is used to test whether the research data is normally distributed. In this study, to determine the results of the Kolmogorov-Smirnov test, one of them can see the significance value at Exact Sig (2-tailed). Data is said to be normally distributed if the significance value is  $> 0.05$ .

Table 2. Normality Test Results After Outliers  
**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		92
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	,72698561
Most Extreme Differences	Absolute	,063
	Positive	,063
	Negative	-,059
Test Statistic		,063
Asymp. Sig. (2-tailed)		,200 <sup>c,d</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Table 2 shows that the Kolmogorov-Smirnov test for firm value shows a significance of 0.200. So it can be concluded that the regression model residuals are normally distributed because the resulting significance value is  $0.200 > 0.05$ .

### Multicollinearity Test Results

The multicollinearity test serves to test whether the regression model finds a correlation between the independent variables. To determine the detection of multicollinearity symptoms, it can be seen through the variance inflation factor (VIF) value of more than 10 and tolerance less than 0.1, indicating the occurrence of multicollinearity in the independent variables.

Table 3 Multicollinearity

		Collinearity Statistics		
Model		B	Tolerance	VIF
1	(Constant)	,167		
	Earnings Growth	-,121	,852	1,174
	Dividend Policy	,476	,741	1,350
	Conservatism	,001	,941	1,063
	Tax Aggressiveness	,273	,691	1,447

a. Dependent Variable: Earnings Quality

Test Results Based on table 3, the VIF value of earnings growth is 1,174, dividend policy is 1,350, conservatism is 1,063, and tax aggressiveness is 1,447. Overall, it can be seen that the VIF value shows a value of less than 10 and a tolerance value of more than



0.1 by each independent variable, namely 0.852, 0.741, 0.941, and 0.691. Thus, it can be concluded that there are no multicollinearity symptoms in the research sample data.

### Heteroskedasticity Test Results

Table 4 Heteroscedasticity

		Correlations				
		Pertumbuhan Laba	Kebijakan Dividen	Konservatisme	Tax Agressiveness	Kualitas Laba
Spearman's rho	Earnings Growth	Correlation Coefficient	1,000	,160	,065	,105
		Sig. (2-tailed)	.	,127	,538	,321
		N	92	92	92	92
	Dividend Policy	Correlation Coefficient	,160	1,000	,293**	,532**
		Sig. (2-tailed)	,127	.	,005	,000
		N	92	92	92	92
	Conservatism	Correlation Coefficient	,065	,293**	1,000	,380**
		Sig. (2-tailed)	,538	,005	.	,000
		N	92	92	92	92
	Tax Agressiveness	Correlation Coefficient	,153	,417**	,380**	1,000
		Sig. (2-tailed)	,147	,000	,000	.
		N	92	92	92	92
	Earnings Quality	Correlation Coefficient	,105	,532**	,204	,430**
		Sig. (2-tailed)	,321	,000	,051	,000
		N	92	92	92	92

\*\*, Correlation is significant at the 0.01 level (2-tailed).

Test Results Based on table 4, the significance value of earnings growth is 0.321, dividend policy is 0.000, conservatism is 0.051, tax aggressiveness is 0.000 and earnings quality is 0.000. From these results it is known that the data as a whole shows that the significant value of dividend policy and earnings quality occurs heteroscedasticity while other variables do not occur symptoms because the significant value is above 0.05.

### Autocorrelation Test Results

The autocorrelation test is used to test whether there is a correlation between confounding error in period t and confounding error in period t-1 (previous period). In this study using the Durbin-Watson test, a study is said not to experience autocorrelation symptoms if the Durbin Watson value lies between dU and (4-dU) or can be formulated with  $dU < dW < 4-dU$ .

### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
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1	,777 <sup>a</sup>	,604	,586	,74351	1,259
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a. Predictors: (Constant), Tax Agressiveness, Conservatism, Earnings Growth, Dividend Policy

b. Dependent Variable: Earnings Quality

Based on table 5, it is known that the durbin watson value is 1.259. This study uses 4 independent variables ( $k = 4$ ) and samples ( $N = 92$ ), so the dL value is 1.5713 dU is 1.7523 and 4-dU is  $(4 - 1.7523) = 2.2477$ . From the results obtained, it can be concluded that the value of  $1.7523 > 1.259 < 2.247$  which means that the data occurs autocorrelation problems.

### Multiple Linear Regression Analysis Test Results

Multiple linear regression analysis is used to test the effect of two or more independent variables on one dependent variable. This study uses the independent variables of earnings growth, dividend policy, conservatism and tax aggressiveness, while the dependent variable is the quality of corporate earnings.

Table 6 Multiple Linear Regression Test Results

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	
1	(Constant)	,167	,167		,997
	Earnings Growth	-,121	,067	-,132	-,075
	Dividend Policy	,476	,069	,541	,000
	Conservatism	,001	,020	,004	,949
	Tax Agressiveness	,273	,055	,400	,000

a. Dependent Variable: Earnings Quality

Based on table 6, the multiple linear regression equation is obtained as  $Y = 0.167 - 0.121X_1 + 0.476X_2 + 0.001X_3 + 0.273X_4 + e$ , so that from the linear equation it can be concluded that:

- The constant value (a) is 0.167 which indicates that if the value of the independent variable is stated as 0, then the value of variable Y, namely earnings quality, is 0.167.
- The regression coefficient of earnings growth is -0.121, which means that if the value of the independent variable is constant and the value of earnings growth increases, the value of earnings quality decreases by 0.121.
- The regression coefficient of the dividend policy is 0.476, which means that if the value of the independent variable and the dividend policy are constant, the earnings quality value increases by 0.476.
- The regression coefficient of conservatism is 0.001, which means that if the value of the independent variable and conservatism are constant, the earnings quality value increases by 0.001.

- e. The regression coefficient of tax aggressiveness is 0.273, which means that if the value of the independent variable and tax aggressiveness is constant, the earnings quality value increases by 0.273.

### Hypothesis Test Results

This partial test is carried out to determine how far the influence of an independent variable partially on the dependent variable. The decision-making criteria if the significance  $<0.05$  and  $t_{count} > t_{table}$  then  $H_0$  is rejected and  $H_a$  is accepted, and vice versa.

Table 7 Partial Test Results (t Test)

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	,167	,167		,997
	Earnings Growth	-,121	,067	-,132	,075
	Dividend Policy	,476	,069	,541	,000
	Conservatism	,001	,020	,004	,949
	Tax Agressiveness	,273	,055	,400	,000

a. Dependent Variable: Earnings Quality

Based on Table 7, the calculated t value obtained from each variable is known. To determine the conclusion of the t test results, first determine the t table used. The t table value is obtained from N-K, where N is the number of samples and K is the number of dependent variables. So that  $df = N - K = 92 - 5 = 87$ , then the table is 1.98761 with a significance of 5% (0.05). Based on these results, it can be concluded that:

1. The earnings growth variable shows a t table value of -1.804 and a significant 0.075, indicating that earnings growth has no significant effect on earnings quality.
2. The dividend policy variable shows a t table value of 6.895 and a significant 0.000, indicating that dividend policy has a significant effect on earnings quality.
3. The conservatism variable shows a t table value of 0.065 and a significant 0.949 indicating that conservatism has no insignificant effect on earnings quality.
4. The tax aggressiveness variable shows a t table value of 4.930 and a significant 0.000 indicating that tax aggressiveness has a significant effect on earnings quality.

### Simultaneous F Test Results

Table 8 Simultaneous F Test Results

ANOVA <sup>a</sup>					
Model		Sum of Squares	df	Mean Square	Sig.
1	Regression	73,316	4	18,329	,000 <sup>b</sup>

Residual	48,094	87	,553		
Total	121,410	91			

a. Dependent Variable: Earnings Quality

b. Predictors: (Constant), Tax Aggressiveness, Conservatism, Earnings Growth, Dividend Policy

Based on the results of the simultaneous F test, the F table value is 33,156 with a significant value of 0.000. It is known that the variables of earnings growth, dividend policy, conservatism and tax aggressiveness have a simultaneous or overall effect on the quality of corporate earnings.

### Coefficient of Determination Results

Table 9 Test Results of the Coefficient of Determination (R<sup>2</sup>)

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,777 <sup>a</sup>	,604	,586	,74351	1,259

a. Predictors: (Constant), Tax Aggressiveness, Conservatism, Earnings Growth, Dividend Policy

b. Dependent Variable: Earnings Quality

Based on table 9, it is known that the coefficient of determination is 0.586. This value means that the variables of earnings growth, dividend policy, conservatism and tax aggressiveness are simultaneously able to influence earnings quality by 58.6%, while the remaining 42.4% is influenced by other factors not observed in this study.

### Effect of Earnings Growth on Earnings Quality

The earnings growth variable shows a t table value of -1.804 and a significant 0.075, indicating that earnings growth has no significant effect on earnings quality. Earnings growth can be interpreted as a parameter in determining the success of company performance which is used as a measurement of the decrease or increase in the percentage of company profits. Earnings growth has no effect on earnings quality. Companies that have the opportunity to grow their profits do not mean that they have good corporate financial performance.

Due to the negative response of financial statement users (investors) in responding to earnings quality information. Earnings growth of a company is usually caused by a surprise profit earned in the current period. Investors can respond to the surprise earnings information as an indication of intervention from the company's management in the financial statements so that earnings have increased. Therefore, the profit generated by the company does not reflect the actual state of the company.

### The Effect of Dividend Policy on Earnings Quality

Dividend policy shows a t table value of 6.895 and a significant 0.000, indicating that dividend policy has a significant effect on earnings quality. Dividend policy is the company's decision to determine whether its net profit will be distributed to shareholders in the form of dividends or retained earnings for future investment[29].

Companies that decide to distribute the profits they earn as dividends are an indication that the company has generated good profits that are in accordance with the company's objectives and also indicate that the company has produced quality earnings quality. So it can be concluded that the distribution of dividends made by the company to shareholders is very helpful for the company in showing investors and users of financial statements that the profits generated by the company are of high quality.

#### **The Effect of Conservatism on Earnings Quality**

The conservatism variable shows a t table value of 0.065 and a significant 0.949, indicating that conservatism has no significant effect on earnings quality. Conservatism is the principle of caution in the preparation of financial statements. Conservatism can prevent the distribution of excessive dividends to shareholders, thus helping to avoid disputes between investors and creditors. The concept of conservatism is made to improve financial statements and to be accounted for by management. The recognition of conservatism is based on the assumption that companies are faced with uncertain economic conditions in the future, so companies need to use careful measurement and recognition of the results of the company's financial statements.

Conservatism is an accounting principle in the form of prudence taken by companies in reporting financial positions. This has an impact on the company not recognizing profits too quickly and immediately recognizing losses in that period. Therefore, conservatism has an influence on the financial position of profits that look low in that period. However, if you look at the long-term conservatism variable, it actually makes profits look high. When the company receives income from revenues that have not been received in the past period.

#### **The Effect of Tax Aggressiveness on Earnings Quality**

The tax aggressiveness variable shows a t table value of 4.930 and a significant 0.000, indicating that tax aggressiveness has a significant effect on earnings quality. Tax Aggressiveness is a tax avoidance practice where companies take advantage of legal or legal loopholes to implement tax planning aimed at reducing company profits in order to achieve tax savings but is done either legally (Tax Avoidance) or illegally (Tax Evasion). Tax Aggressiveness is the act of reducing taxes paid by companies in order to maximize their profits. Tax aggressiveness can be legal or illegal. Tax aggressiveness refers to the utilization of loopholes in tax regulations. There are fewer tax aggressiveness actions taken by family-owned companies compared to non-family companies or public companies.

### **CONCLUSION**

This study concludes that dividend policy and tax aggressiveness have a significant influence on corporate earnings quality, where effective dividend policy and appropriate tax aggressiveness practices can improve earnings quality. In contrast, earnings growth and conservatism do not show a significant effect on earnings quality,

signaling that increased earnings do not always reflect good financial performance, and prudence in financial reporting does not always correlate with improved earnings quality. In addition, statistical analysis shows that the regression model used in this study is free from multicollinearity, heteroscedasticity, but autocorrelation problems, and the independent variables are able to explain 58.6% of the variation in earnings quality

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