

EARNINGS QUALITY, CORPORATE GROWTH ON CORPORATE PERFORMANCE: EVIDENCE FROM CONSUMPTION GOOD ON INDONESIAN STOCK EXCHANGE

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ABSTRACT

The purpose of this study is to empirically examine the effect of earnings quality and firm growth on corporate performance. Earnings quality is proxied by discretionary accruals, earnings persistence, while corporate growth is proxied by asset growth and profit growth and corporate performance is represented by the returns on equity and assets. This research method uses secondary data with a population of companies with a sample of consumer companies that are listed on the Indonesian stock exchange, namely food, beverage, cigarette and pharmaceutical companies as many as 138 companies for the years 2019-2021. Data collection with documentation and data processing with t test, f test, and coefficient of determination test for multiple linear regression utilizing the traditional assumption test. The results of the partial study (t) show that discretionary accruals, earnings persistence, asset growth and profit growth have a significant effect on corporate performance which is proxied by return on equity and return on assets, joint test (f) shows a significant effect and r square shows influence of 61.28%. The findings show that there is a significant effect of discretionary accruals, earnings persistence, assets growth and earnings growth on corporate performance (ROE and ROA).

Keywords: Discretionary accrual; earnings persistence; asset growth; earnings growth; Return On Assets; Return On Equity.

ABSTRAK

Tujuan dari penelitian ini adalah untuk menguji secara empiris pengaruh kualitas laba dan pertumbuhan perusahaan terhadap kinerja perusahaan. Kualitas laba diproksikan dengan discretionary accruals, persistensi laba, sedangkan pertumbuhan perusahaan diproksikan dengan pertumbuhan aset dan pertumbuhan laba dan kinerja perusahaan direpresentasikan dengan return on equity dan pertumbuhan aset. Metode penelitian menggunakan data sekunder dengan populasi dan sampel perusahaan konsumen yang terdaftar di Bursa Efek Indonesia yaitu perusahaan makanan, minuman, rokok dan farmasi sebanyak 138 perusahaan untuk tahun 2019-2021. Pengumpulan data dengan dokumentasi dan pengolahan data dengan uji t, uji f, dan uji koefisien determinasi regresi linier berganda dengan menggunakan uji asumsi klasik. Hasil penelitian secara parsial (t) menunjukkan bahwa akrual diskresioner, persistensi laba, pertumbuhan aset dan pertumbuhan laba berpengaruh signifikan terhadap kinerja perusahaan yang diproksikan dengan return on equity dan return on assets, uji simultan (f) menunjukkan pengaruh signifikan dan r square menunjukkan pengaruh sebesar 61,28%. Hasil penelitian menunjukkan bahwa terdapat pengaruh yang signifikan dari discretionary accruals, persistensi laba, pertumbuhan aset dan pertumbuhan laba terhadap kinerja perusahaan (ROE dan ROA).

Kata Kunci: Discretionary Accruals; Persistensi Laba; Pertumbuhan Aset; Pertumbuhan Laba, Return On Assets; Return On Equity

INTRODUCTION

Corporate performance is the result of operations achieved by the corporation during a certain accounting period. Usually proxied by the equity turnover rate or the asset turnover rate. The higher the turnover rate of equity or assets, the better the corporate performance by Scott, (2020); Louis, (2008); Suprapti, (2019); Mohammed, (2016); Martin, (2018); Weujevons, (2018); Utami, (2019); Sohail, (2019); Laily, (2014).

Other countries' capital markets also witness the use of earnings management techniques. Examples include Enron Corporation, WordCom, and Walt Disney Comp. Enron Corporation is known for inflating profits by USD 1 billion when none actually existed. Xerox Corporation was also known to engage in financial fraud. The US capital market supervisor's estimate of the Securities and Exchange Commission (ESC), which was valued at USD 3 billion at the time, was not the same as the company's (McLean, B, 2001).

Media Research in Accounting, Auditing & Information, Vol. 15 No. April 1, 2015, 160 of the several cases that occurred above, demonstrates that the practice of earnings management in financial reporting is not new. Widyaswari (2017) said that market development is increasingly rapid and the level of competition is high, making companies compete to show good quality and performance, no matter whether the method used is allowed or not.

According to Scott (1997) Earnings management is a management action to choose accounting policies from a certain standard with the aim of maximizing the welfare and or market value of the company by Eighuweel, (2017); Anjelina, (2019); Se Tin, (2018); Dechow, (2010); Xu, (2019); Ester Gras Gil, (2016); Kwarbai, (2019); Balado, (2020); Kwarbai, (2019); Mulyanto, (2019); Zuhier, (2017); Nimsha, (2016); Saona, (2017); Forogh, (2012);

Debnath, (2017); Musa, (2017); Liu, (2019); Ruwanti, (2019); Lee, (2006); Abdollahi, (2020).

Research on growth and earnings management has been carried out by Collin and Kothari (1989), with the results showing a significant influence of growth on company performance by Ma, (2017); Theophillus, (2018); Huynh, (2018); Shirzad, (2015); Azeem, (2013); Vu, (2019); Growth can be measured by sales growth, asset growth, equity growth and profit growth. During the Covid-19 Pandemic, many companies showed declining performance or asset growth or profit growth but some also showed growth positive ones. Based on the above phenomenon, this study examines the effect of earnings management, earnings persistence, asset growth and earnings growth on corporate performance.

According to Scott (2000) in Saiful (2004), earnings management is the process through which managers choose accounting rules in order to accomplish particular objectives. The method in which earnings management is understood is divided into two distinct ways of thinking about it. Consider it first as opportunistic behavior on the part of managers who want to get the most out of their contracts, salaries, and political costs. Second, by considering earnings management from the viewpoint that it provides managers with the latitude to safeguard themselves and the business by foreseeing unforeseen circumstances for the advantage of the contract's parties.

However, many definitions focus on earnings management as an opportunistic action of management because it is frequently believed to be something that is bad for management. Saiful (2004) defines earnings management as an action taken specifically to affect the external financial reporting process in order to get certain personal advantages. According to Healy (1999) in Sari (2009) earnings management occurs

when management uses a policy in financial reporting and transaction preparation to change financial statements with the intention of influencing stakeholders' perceptions of the company's performance or influencing contractual results which depend on the reported accounting value.

Munter and Ketz (1999) in Saiful (2004) earnings management must be prevented, because it misleads investors. Meanwhile, Saiful (2004) states that if earnings management is carried out using the income smoothing method, there is no need to question it. Earnings management need not be prevented, if investors are able to react quickly.

Media Research in Accounting, Auditing & Information, Vol. 162 2.1.2, No. 15, April 2015. Variables Driving Earnings Management According to Scott (1997), the following factors motivate managers to engage in earning management activities: 1. According to Rahmawati, et al. (2006) and Healy (1985), managers who know the company's net income will behave opportunistically to manage earnings by maximizing present earnings. 2. Political motivations Public corporations utilize earnings management to lower reported earnings. Because of public pressure, which prompts the government to enact harsher rules, companies frequently report lower earnings. 3. Taxation Motivators The most obvious driver of income management is the desire to reduce taxes. The goal of using various accounting techniques is to lessen the tax burden placed on the organization. Income is likely to increase with the replacement of the CEO who is close to retiring.

According to Scott (2000), the pattern of profits management can be carried out by: 1. Earnings Management, Stock Returns, and Operational Performance as Moderating 163 This pattern appears during restructuring, including the appointment of a new CEO by reporting significant losses. Future profits are anticipated to rise as a result of this action. 2.

When a corporation is profitable, income minimization is carried out such that, if profits in a later period are predicted to fall sharply, they can be offset by withdrawing gains from the earlier era. 3. Profit maximization is used when profits are declining. Actions taken to maximize income are intended to report high net income in order to receive greater incentives. Companies that break loan agreements follow this trend. 4. Income Smoothing The company does this by adjusting the reported profit to smooth it out, which helps it to lessen excessive fluctuations in profits since most investors desire relatively consistent profits. The company's growth is often referred to as the investment opportunity set or the set of growth opportunities is the availability of investment tools in the future which are expected to generate returns or profits in the future such as asset expansion, increased sales so as to increase company profits.

Corporate performance Scott (2004) company performance is the ability of the company's operational activities to achieve the desired results or goals. The company's performance analysis tool is the financial report (profit/loss statement, cash flow statement, statement of financial position). The company's performance according to Septi and Nurul (2012) is a measurement of company performance arising from the management decision-making process, because it has a relationship with the effectiveness of capital utilization, efficiency and profitability of performance activities. Company performance can also be measured by ROE, ROA, value added and profit margin.

METHOD

In this study, a sample of 138 consumer products companies—including food, beverage, cigarette, and pharmaceutical firms—for the period 2019–2021 was selected from a population of companies listed on the Indonesian stock exchange. The audited

financial statements of businesses listed on the Indonesian stock exchange and the ICMD are used in this study as secondary data and gathered documentation.

Earnings management used in this study is proxied by discretionary accruals using the Modified Jones Model. Modified Jones Model. The proxy is used to determine the amount of discretionary accruals (DA). The steps in calculating the value of discretionary accruals are as follows: Calculating the Total Accruals (TAC) value of each sample company.

$TAC = Nit - CFOit$

Total Accrual Value (TAC) estimated by OLS (Ordinary Least Square) regression equation as follows: $TAit/Ait-1 = 1 (1/Ait-1) + 2 (\Delta Revt/Ait-1) + 3 (PPEt/Ait1) + i$

Calculating the value of Non Discretionary Accruals (NDA) Calculation of Non-Discretionary Accruals (NDA) Using the aforementioned regression coefficients. The equation $NDAit = 1 (1/Ait-1) + 2$ can be used to determine the value of non-discretionary accruals (NDA). $(\Delta Revt/Ait-1 - Rect/Ait-1) + 3 (PPEt/Ait1)$

Calculating the value of Discretionary Accruals (DA) After calculating the Total Accruals, and the value of Non Discretionary Accruals is obtained, then DA can then be calculated using the following formula: $DAit = TAit/Ait-1 - NDAit$

Observation: $DAit$: Discretionary Accruals of Company I in Period t.

Non-Discretionary Accruals of Company I in Period T ($NDAit$)

$TAit$: The total accrual of firm I for the time period t.

NIT : Net income during period t for firm i.

Cash flow from operations of business I in time period t

$Ait-1$: Amount of business i's assets in time period t-1.

$Revt$: Variation in the earnings of company I over time t

Fixed assets of the business in period t, $PPEt$

$Rect$: Changes in Company I's receivables during the course of Period t

Earnings persistence, earnings persistence can be measured using a proxy of next year's pre-tax earnings. Profit before tax next year is the difference between income and expenses in the next year before deducting the tax expense divided by the average total assets (Scottk, 2004 in Septavita, 2016).

$$\text{Profit Persistence} = \frac{\text{Pre-Tax Earnings} + 1}{\text{Average Assets}}$$

Information :

Pre-Tax Earnings $jt+1$ = Profit before tax of company j next year

Average Total Assets jt = Average total assets of the company j year t

Asset growth, asset growth is measured by subtracting the current year's assets by the previous year's assets divided by the previous year's assets (Indrayati, 2009).

$$\text{Asset growth} = \frac{\text{Assets year} - \text{assets year} - 1}{\text{Assets year} - 1}$$

The ratio of the previous year's profit divided by the current year's profit serves as a measure of profit growth (Indrayati, 2009).

$$\text{Profit growth} = \frac{\text{Million year profit} - \text{million year profit} - 1}{\text{Profit for the year} - 1}$$

Corporate performance, corporate performance is the result achieved by the corporation during the company's operational period, measured by return on assets (ROA) return on equity (ROE)

$$ROA = \frac{\text{Net income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total Assets}}$$

$$ROE = \frac{\text{Net Income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total assets}} : \frac{[1 - \text{Total Debt}]}{\text{Total Assets}}$$

RESULTS AND DISCUSSION

The analytical approach utilized in this study, regression analysis with classical assumption testing, is in agreement with how the problem has been formulated, the research objectives, the hypotheses, and the kind of data that has been gathered. The degree of the

independent factors' direct impact on the dependent variable is assessed using regression analysis.

A normal distribution for the residuals from the regression model must be found in order to pass the normality test. A successful regression model must have residuals that follow a normal distribution. The method used to determine normality is the Kolmogorov-Smirnov test. The residual model is thought to follow a normal distribution if the significance value of the Kolmogorov-Smirnov test is greater than the value used. The following format is used to present the test results.

Table 1. Kolmogorov-Smirnov results for the normality test

Test Statistic	Value	Description
Kolmogorov-Smirnov Z	1,218	Normal Distribution
Significantsy	0,103	

Source: Processed data, 2022

According to the assumption of normality, the residual data in the model are normally distributed because the significance value of the Kolmogorov-Smirnov test on the model is 0.103, which is greater than (0.05). (normality assumption is met). The results of the normality test for the aforementioned data groups show that the assumptions of parametric testing have not been violated, allowing for further path analysis.

Autocorrelation literally means that data from one observation are correlated with data from other observations made at various periods. Autocorrelation is a correlation between one residual and another residual in regard to the assumption of the least squares method (OLS). The OLS method's key premise regarding residuals is that there is no correlation between any given residual and any other residual. Test criteria:

Table 2. Statistic Test Criteria Durbin Watson

Conclusion	Test Area
Autocorrelation positive	$d < d_L$
Hesitate	$d_L < d < d_U$
No autocorrelation	$d_U < d < 4 - d_U$
Hesitate	$4 - d_U < d < 4 - d_L$
Autocorrelation negative	$4 - d_L < d$

Source: Processed data, 2022

The value of d_U is 1.76 ($k=4$; $n=100$) and the value of d_L is 1.59 ($k=4$; $n=100$). After going through the data processing process, the output of the Durbin-Watson statistical calculation is as follows:

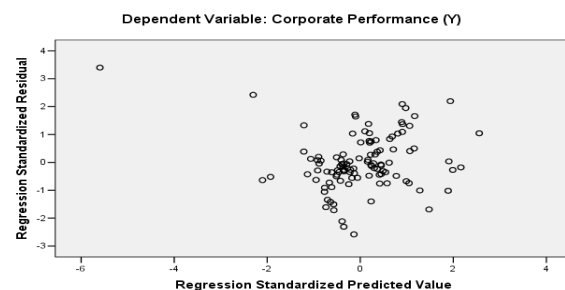
Table 3. Statistic Value Durbin-Watson

Auto Correlation Test	Durbin-Watson (d)	Category Area Test	Conclusion
Discretionary accrual and growth on performance (Y)	2,007	$d_U < d < 4 - d_U$ $1,76 < 2,007 < 2,24$	Free Auto correlation

Source: Processed data, 2022

From the Table 3, the discretionary accrual (X) on performance (Y) obtained the d value of 2.007. This value is then compared with the d_L and d_U values in the Durbin-Watson critical point table. Because d lies between the region $d_U < d < 4 - d_U$, it is concluded that the data in the model is declared free from autocorrelation problems.

It was determined whether the data had the same variance (homo) using the heteroscedasticity test (Gujarati: 177). A scatterplot was used to perform the data heteroscedasticity test. The scatterplot's outcomes are as follows:



Source: Processed data, 2022

Figure 2. Heteroscedasticity s test with used Scatterplot

Each of the aforementioned images demonstrates how the dots are dispersed randomly and do not follow a certain pattern. Along with the spots scattered above and below zero on the Y axis. Since the regression model does not contain any heteroscedasticity, it can be used for further investigation.

To determine whether the regression model identified a correlation between the independent variables, the multicollinearity test is used. There shouldn't be any association between the independent variables in a suitable regression model. If the independent variables are correlated with one another, then these variables are not orthogonal. Orthogonal variables are independent, unrelated variables with a zero correlation between them.

The tolerance value and its opposite, the variance inflation factor, can be used to determine if multicollinearity exists in the regression model or not (VIF). These two metrics show how much of each independent variable can be accounted for by the other independent variables. Each independent variable is essentially transformed into the dependent variable and regressed to other independent variables. Tolerance measures the variability of the selected independent variables that cannot be explained by additional independent variables. $VIF = 1/\text{tolerance}$, meaning that a low tolerance value corresponds to a high VIF value and indicates a strong collinearity. A tolerance value of 0.10 or an equivalent VIF value of larger than 10 is the typical cut-off value. (Ghozali, Application of Multivariate Analysis with the SPSS Program, 2001).

Table 4. Multicollinearity Test

Variable	VIF	Description
Discretionary Accrual (X1.1)	1,497	Free Multicollinearity
Earnings Persistence (X1.2)	1,032	Free Multicollinearity
Assets growth (X1.3)	1,070	Free Multicollinearity
Earnings growth (X1.4)	1,481	Free Multicollinearity

Source: Processed data, 2022

In the Table 4, each significant independent variable shows a VIF value of not more than 10, it is concluded that the non-multicollinearity assumption has been met.

This analysis is intended to determine the effect of the variable Discretionary Accrual (X1.1), Earnings Persistence (X1.2), Asset Growth (X1.3) and Profit Growth (X1.4) on the Corporate Performance variable (Y). The goal is to predict or estimate the value of the dependent variable in a causal relationship to the value of other variables.

To determine the impact of the independent variable on the dependent, various stages were taken when processing data using multiple linear regression analysis. Depending on the outcomes of the data processing, a summary is obtained as shown in the following table.

Table 5. Analysis Test Result Multiple Linier Regression

Variable	Independent variable	Coefficient regression	t-count	P-value	Description
Corporate Performance (Y)	Constant	-89,995			
	Discretionary Accrual (X1.1)	8,939	3,275	,001	significant
	Earnings Persistence (X1.2)	9,090	2,176	,032	significant
	Assets Growth (X1.3)	0,102	2,850	,005	significant
	Profit Growth (X1.4)	2,419	7,170	,000	significant
Alpha		0,05			
t		0,783			
Coefficient of determination (R ²)		0,613 (61,3%)			
t-account		42,337			
t-table		2,457			
t-table		1,982			

Source: Processed data, 2022

Table 5, Regression model is below :

$$Y = -89,995 + 8,939 X1 + 9,09 X2 + 0,102 X3 + 2,419 X4$$

The above equation can be interpreted as follows:

1. The constant value is -89.995, meaning that if all the independent variables are zero, then the Y variable will be -89.995.
2. Discretionary Accrual (X1.1) regression coefficient is 8.939, meaning that if Discretionary Accrual (X1.1) increases by 1 unit, then the Y variable will increase by 8.939 units.
3. The regression coefficient of Earnings Persistence (X1.2) is 9.09, meaning that if Earning Persistence (X1.2) increases by 1 unit, then the Y variable will increase by 9.09 units.
4. The regression coefficient of Asset Growth (X1.3) is 0.102, meaning that if Asset Growth (X1.3) increases by 1 unit, then the Y variable will increase by 0.102 units.
5. Profit Growth regression coefficient (X1.4) is 2,419, meaning that if Profit Growth (X1.4) increases by 1 unit, then the Y variable will increase by 2,419 units.

The coefficient of determination is used to see the percentage of influence given by the variable Discretionary Accrual (X1.1), Earnings Persistence (X1.2), Asset Growth (X1.3) and Profit Growth (X1.4), on the Corporate Performance (Y) variable. After knowing the R value of 0.783, the coefficient of determination can be calculated using the following formula:

$$\begin{aligned} KD &= R^2 \times 100\% \\ &= (0.783)^2 \times 100\% \\ &= 61.28\% \end{aligned}$$

Thus, the KD value of 61.28% is obtained which indicates that Discretionary Accrual (X1.1), Earnings Persistence (X1.2), Asset Growth (X1.3) and Profit Growth (X1.4) have a simultaneous effect (together) of 61.28% of Corporate Performance (Y). While unobserved factors account for 38.72% of the remaining variance.

The F test was conducted to show whether all the variables used in the regression model had a significant effect on Y or to measure the accuracy of the regression model.

H0: Discretionary Accrual (X1.1), Earnings Persistence (X1.2), Asset Growth (X1.3) and Profit Growth (X1.4) together have no significant effect on Corporate Performance (Y).

Ha: Discretionary Accrual (X1.1), Earnings Persistence (X1.2), Asset Growth (X1.3) and Profit Growth (X1.4) together have a significant effect on Corporate Performance (Y).

After processing the data, the F-count value is 42,337 and the F-table value is 2,457. It can be seen that the value of F-count is greater than F-table ($42.337 > 2.457$). So it was taken the decision H0 was rejected at the level of $\alpha = 5\%$. So it is concluded that Discretionary Accrual (X1.1), Earnings Persistence (X1.2), Asset Growth (X1.3) and Profit Growth (X1.4) together have a significant effect on Corporate Performance (Y). The regression model's independent variables are tested for significance by using the t-test on the outcome variable, Y. If

the t-count > t-table, -t-count t-table, or the significance value (p-value) 0,05, the independent variable constituting the regression model is considered to have a significant effect. Here is how these factors were partially tested:

Table 6. Partial Hypothesis Test (t Test)

Variable	T _{account}	p-value	Description
Discretionary Accrual (X1.1)	3,275	0,001	Significant
Earnings Persistence (X1.2)	2,176	0,032	Significant
Assets growth (X1.3)	2,850	0,005	Significant
Earnings growth (X1.4)	7,170	0,000	Significant

Source: Processed data, 2022

a. Discretionary Accrual (X1.1)

The test hypotheses used are:

H₀ : 1 = 0 (the X1 variable has no significant effect on Y)

H_a : 1 ≠ 0 (variable X1 has a significant effect on Y)

Based on the table above, the t-count value for the Discretionary Accrual (X1.1) variable is 3.275, while the t-table value with degrees of freedom is 107 (n-k-1) = 1.982. When compared, the value of t count > t table (3.275 > 1.982). This test shows that H₀ is rejected, so it can be concluded that Discretionary Accrual (X1.1) has a significant effect on Corporate Performance (Y).

b. Earnings Persistence (X1.2)

The test hypotheses used are:

H₀ : 2 = 0 (variable X2 has no significant effect on Y)

H₁ : 2 ≠ 0 (the X2 variable has a significant effect on Y)

Based on the table above, the calculated t value for the Profit Persistence variable (X1.2) is 2.176, while the t-table value with degrees of freedom is 107 (n-k-1) = 1.982. When compared, the value of t count > t table (2.176 > 1.982). This test shows that H₀ is rejected, so it can be concluded that Earnings Persistence (X1.2) has a significant effect on Corporate Performance (Y).

c. Asset Growth (X1.3)

The test hypotheses used are:

H₀ : 3 = 0 (the X3 variable has no significant effect on Y)

H_a : 3 ≠ 0 (the X3 variable has a significant effect on Y)

The Asset Growth variable (X1.3) has a determined t value of 2.85 according to the preceding table, whereas the t-degrees table's of freedom are 107 (n-k-1) = 1.982. T count has a higher value than T table (2.85 > 1.982) when compared. H₀ is disproved by this test, indicating that Asset Growth (X1.3) has a major impact on Corporate Performance (Y).

d. Earnings Growth (X1.4)

The test hypotheses used are:

H₀ : 4 = 0 (the X4 variable has no significant effect on Y)

H_a : 4 ≠ 0 (variable X4 has a significant effect on Y)

Based on the table above, the calculated t value for the Profit Growth variable (X1.4) is 7.17, while the t table value with degrees of freedom is 107 (n-k-1) = 1.982. When compared, the value of t count > t table (7.17 > 1.982). This test shows that H₀ is rejected, so it can be concluded that Profit Growth (X1.4) has a significant effect on Corporate Performance (Y).

Table 7. Frequency Distribution Respondent Identity

Variable	Minimum	Maximum	Average	Std. Deviation
Discretionary Accrual (X1.1)	-0,57	0,85	0,055	0,160
Earnings Persistence (X1.2)	-0,23	0,58	0,048	0,085
Assets growth (X1.3)	-19,06	144,29	7,437	15,533
Earnings growth (X1.4)	-7,69	3,08	0,156	1,316
ROE (Y1.1)	-12,34	50,52	6,410	9,302
ROA (Y1.2)	-11,58	19,73	3,394	5,128

The Table 7, provides a description of the respondents based on the amount of data concentration (Central Tendency). The Discretionary Accrual Indicator's (X1.1) Minimum value is known to be -0.57, its Maximum value is 0.85, its Average value

(Mean) is 0.055, and its Standard Deviation value is 0.16. The Profit Persistence Indicator's (X1.2) Minimum value is known to be -0.23, Maximum value is 0.58, Average value (Mean) is 0.048, and Standard Deviation value is 0.085. The Asset Growth Indicator (X1.3) has known values of -19.06 as its minimum, 144.29 as its maximum, 7.437 as its average (mean), and 15.533 as its standard deviation. The Profit Growth Indicator (X1.4) minimum's and maximum values, average (mean), and standard deviation are all known to be -7.69 and 3.08, respectively. The minimum and maximum values for the ROE Indicator (Y1.1) are -12.34 and 50.52, respectively. The average value (Mean) is 6.41, and the standard deviation is 9.302. The Minimum value for the ROA Indicator (Y1.2) is known to be -11.58, the Maximum value is known to be 19.73, the Average value (Mean) is known to be 3.394, and the Standard Deviation value is known to be 5.128.

Discussion

The research findings show that discretionary accruals, earnings persistence, asset growth and earnings growth have a significant effect on corporate performance, this study supports previous research conducted by Collin and Kothari, (1989) and Singuang Ma, (2017); Aququom Theophilus, (2018); Quanglinh Huynh, (2018); Ali Shirzad, (2015); Mohammad Azeem, (2013); ThiHannh Vu, (2019).

CONCLUSION

The conclusion of this study is the quality of earnings proxied by discretionary accruals and earnings persistence and growth which is proxied by asset growth and profit growth has a significant effect on corporate performance as proxied by return on equity (ROE) and return on assets (ROA). This study was limited to only 138 samples from food, beverage, cigarette and pharmaceutical companies. Future research is

expected to increase the research sample or add variables that are thought to affect corporate performance.

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