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The Effect of Company Growth and Leverage on Earnings Quality (A Case Study of Companies in the Food and Beverage Subsector, 2022–2024)

Della Fadilah*, Qur'ani Noor, Yati Nurhajati
Universitas Muhammadyah Bandung, Indonesia
Email: dellafdlh46@gmail.com*, vivi@umbandung.ac.id, yati.nurhajati@umbandung.ac.id

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Profit Quality; Company Growth; Leverage; Food and Beverage.

Abstract

This study aimed to analyze the effects of company growth and leverage on earnings quality in food and beverage subsector companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. A quantitative method with an associative approach was employed. The research sample was selected using purposive sampling, resulting in 31 companies and 93 firm-year observations over the study period. The study used secondary data obtained from the companies' annual financial statements. Data were analyzed using multiple linear regression. The results showed that, partially, company growth had no significant effect on earnings quality. In contrast, leverage had a positive and significant effect on earnings quality, supporting agency theory, which suggests that creditor monitoring through debt covenants may constrain opportunistic managerial behavior. Simultaneously, company growth and leverage had a significant effect on the earnings quality of food and beverage subsector companies during the 2022–2024 period. These findings imply that company management should maintain an optimal level of leverage as a disciplinary mechanism, while investors should pay closer attention to capital structure when assessing the reliability of earnings information. Future research is recommended to incorporate additional variables, such as good corporate governance, and to broaden the scope of the sectors examined.

INTRODUCTION

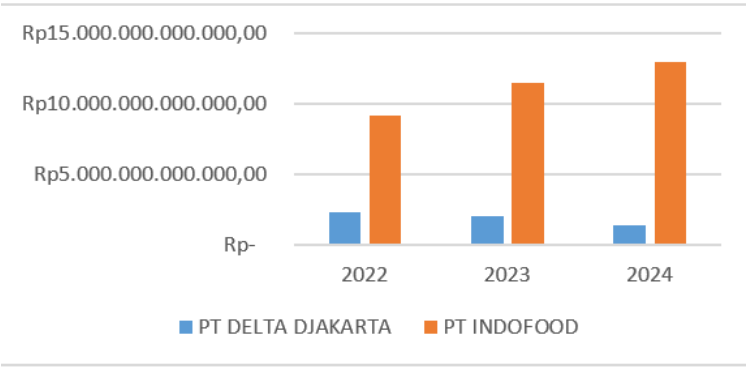
In today's business environment, the quality of earnings information has become a key factor in evaluating corporate financial performance and making investment decisions. Investors require reliable financial statements to assess the growth potential and risks of companies in which they may invest. However, in practice, earnings management remains common, meaning that reported earnings may not fully reflect a company's actual financial condition. This situation raises concerns regarding the reliability of earnings information because reported earnings can be influenced by managerial discretion in ways that make financial performance appear more favorable to stakeholders (Baskaran et al., 2020; Ghazali et al., 2015; Khan, 2022; Muttakin et al., 2015; Saona et al., 2020).

In Indonesia, earnings quality has also received increasing attention amid cases involving financial statements that were alleged not to reflect companies' actual financial conditions (Purwasih, 2023). For example, public concern increased following allegations of financial statement manipulation involving several large state-owned enterprises (SOEs), such as PT

Waskita Karya (Persero) Tbk and PT Wijaya Karya (Persero) Tbk, which were suspected of presenting financial statements in a manner that made their financial condition appear healthier (Husein et al., 2023; Amelia & Rahman, 2024). Such circumstances may reduce public confidence in published financial statements and potentially weaken investment interest in the capital market (Pridehan et al., 2024). Therefore, earnings quality is an important issue in financial accounting because it affects the reliability of financial statements for investors, creditors, and regulators (Andriani et al., 2021; Saragih et al., 2025). High-quality earnings provide relevant and faithfully represented information and are less affected by opportunistic financial reporting practices.

Based on Figure 1, the development of the financial performance of companies in Indonesia's food and beverage subsector during the 2022–2024 period can be observed. PT Indofood Sukses Makmur Tbk consistently recorded the highest earnings compared with the other companies, with substantial increases particularly in 2023 and 2024. This pattern indicates strong financial performance and the company's ability to generate earnings over time. However, substantial increases in earnings over a relatively short period should be examined further to determine whether they were supported by fundamental factors, such as business expansion, product innovation, increased production capacity, or operational efficiency. If earnings growth is not accompanied by corresponding growth in operating activities and other performance indicators, accounting policies or managerial discretion may have influenced the reported earnings, causing them to appear stronger than the underlying economic performance.

Figure 1. Quality Profit



On the other hand, PT Delta Djakarta Tbk experienced performance pressure in 2020 as a result of the COVID-19 pandemic, which affected various sectors, including the food and beverage industry. The decline in earnings was associated with reduced sales volumes and restrictions on public activities. During the 2022–2023 period, the company showed signs of recovery in its financial performance. Earnings for the year increased gradually and remained relatively stable, in line with improving economic conditions, the relaxation of social restriction policies, and the recovery of consumer purchasing power. This trend reflected the company's ability to adjust its operational strategy and maintain business continuity during the post-pandemic period (Cardoso et al., 2025; Ejairu et al., 2022; C. J. Nosike et al., 2024; R. C. J. Nosike et al., 2024; Trisanti et al., 2025).

However, in 2024, the company experienced another decline in net income. This decrease

may have been influenced by several factors, including rising production costs, declining sales volumes, and increasing competitive pressure in the market. Therefore, the differences in earnings trends shown in the chart provide an empirical basis for examining the effects of company growth and leverage on earnings quality in the food and beverage subsector during the 2022–2024 period.

One factor that may affect earnings quality is company growth. Companies experiencing rapid growth generally require additional capital to maintain or expand their operating activities (Kasmir, 2019). This condition may encourage management to present consistently favorable earnings performance in order to maintain a positive reputation among investors and creditors. This is consistent with agency theory, in which managers, as agents, are accountable to owners, as principals, and may face pressure to demonstrate favorable financial performance (Ghozali, 2018). Previous studies have suggested that company growth may affect earnings quality because higher growth can increase managerial incentives to engage in earnings management in order to maintain the company's reputation. Growing firms may also have stronger business prospects and greater potential to generate sustainable cash flows, thereby supporting higher-quality earnings. However, rapid growth may also create pressure on management to maintain favorable performance, which may ultimately increase the risk of opportunistic earnings management (Watts & Zimmerman, 1986).

In addition to company growth, leverage may also affect earnings quality. High levels of debt can place pressure on companies to meet their obligations to creditors. Such financial pressure may encourage management to influence reported earnings in order to maintain the appearance of financial stability and avoid violations of debt covenants (Watts & Zimmerman, 1986). According to signaling theory, companies seek to convey positive signals regarding their financial condition to external stakeholders (Brigham & Houston, 2019). However, such efforts may, in some circumstances, reduce earnings quality. Previous studies have reported mixed findings, with some indicating that leverage negatively affects earnings quality and others finding no significant effect. Companies with high leverage rely more heavily on debt financing than on equity to support their operating activities. This condition indicates greater dependence on external financing and may lead companies to prioritize debt servicing over dividend payments, which can also influence financial reporting incentives and earnings quality (Maqsood et al., 2024; Njoku & Lee, 2025).

The urgency of this research is underscored by the need for robust empirical evidence to support investment decisions and corporate governance practices in the Indonesian capital market. Investors, creditors, and regulators require reliable information to assess earnings quality and identify factors that may compromise the integrity of financial reporting. By examining the effects of company growth and leverage on earnings quality, this study can provide valuable insights for stakeholders in making informed decisions. For companies, understanding these relationships can support strategic financial management, particularly in optimizing capital structure and maintaining reliable earnings information. For policymakers, the findings may contribute to the development of regulations and guidelines that promote transparency and reliability in financial reporting (Ellin, 2023; Gita Desyana et al., 2023).

The novelty of this research lies in its specific focus on the food and beverage subsector in Indonesia during the 2022–2024 post-pandemic period, a context that has received relatively limited attention in the literature. Although previous studies have examined company growth,

leverage, and earnings quality in various settings, few have focused specifically on this subsector and period. In addition, this study employed classical assumption tests and multiple linear regression analysis to examine the proposed relationships. The integration of agency theory, signaling theory, and positive accounting theory provided a broader theoretical basis for interpreting the findings and deriving practical implications. The study contributes to both academic knowledge and practical decision-making by providing evidence relevant to investors, managers, and regulators in the Indonesian capital market.

Based on previous studies, the effects of company growth and leverage on earnings quality have remained inconsistent. In addition, studies examining both variables simultaneously using recent post-pandemic data from the food and beverage subsector remain limited. This condition indicates a research gap that requires further investigation to generate more relevant empirical evidence in the context of the Indonesian capital market. Therefore, this study was conducted to analyze the effects of company growth and leverage on earnings quality.

Most previous studies were also conducted in the manufacturing sector more broadly or during periods before and during the COVID-19 pandemic, and therefore did not specifically examine the food and beverage subsector during the 2022–2024 period of economic recovery and post-pandemic financial adjustment. The growth dynamics and financing structures observed during this period may affect earnings quality differently from those in earlier periods. Thus, the research gap lies in both inconsistent empirical findings and limitations in sectoral and temporal coverage. Therefore, this study re-examined the effects of company growth and leverage on earnings quality in food and beverage subsector companies listed on the Indonesia Stock Exchange during the 2022–2024 period to provide more contextual and up-to-date empirical evidence.

Based on this description, the study is entitled "The Effect of Company Growth and Leverage on Earnings Quality in Food and Beverage Subsector Companies Listed on the Indonesia Stock Exchange, 2022–2024."

METHOD

This study employed a quantitative approach with a causal-associative research design. The independent variables were company growth (X_1) and leverage (X_2), while the dependent variable was earnings quality (Y).

The population consisted of food and beverage subsector companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. The sample was selected using purposive sampling based on predetermined criteria, resulting in 31 eligible companies. With a three-year observation period, the study used 93 firm-year observations (31 companies × 3 years).

The study used secondary data obtained from the annual financial statements and annual reports of the sampled companies for the 2022–2024 period. Data were collected using documentation techniques from the official Indonesia Stock Exchange website and the official websites of the respective companies.

Data analysis included descriptive statistics, classical assumption tests, multiple linear regression, and hypothesis testing using IBM SPSS. Descriptive statistics were used to summarize the minimum, maximum, mean, and standard deviation values of company growth,

leverage, and earnings quality. Classical assumption tests were conducted to assess the suitability of the regression model. Multiple linear regression analysis was then performed to examine the effects of company growth and leverage on earnings quality, while hypothesis testing assessed the partial and simultaneous significance of the independent variables.

RESULTS AND DISCUSSION

Data analysis in this study was carried out with the help of the IBM SPSS (Statistical Product and Service Solutions) version 30 program to test the influence of the variables of Company Growth and *Leverage* on the Quality of Profits. Before regression modeling and descriptive statistical analysis were carried out, a data screening procedure had been carried out to detect the presence of extreme data (*outliers*) that could interfere with the fulfillment of normality assumptions. Based on the results of the initial tests, it was found that 7 observation data were categorized as *outliers* and had to be removed from the model. Therefore, the total observation sample used consistently in the entire next series of data analysis is 86 observation data.

Classical assumption tests are carried out before multiple linear regression modeling to ensure that the resulting regression model meets the eligibility criteria, is free from bias, and has efficient and consistent estimates (Ghozali, 2018). This is done so that the parameter estimation from the regression model meets the *Best Linear Unbiased Estimator* (BLUE) criteria. The classical assumption test in this study includes the normality test, the multicollinearity test, the heteroscedasticity test, and the autocorrelation test using the IBM SPSS version 30 program.

The test in this study used the non-parametric statistical test *Kolmogorov-Smirnov (K-S)*. In the initial test with a total of 93 observational data, the regression model was indicated to be not normally distributed. Therefore, a data transformation procedure and reduction of extreme data (*outlier*) as many as 7 observation data were carried out. Thus, the total final observation sample used in this test is 86 observation data. A summary of the results of the normality test after the *outlier* procedure is presented in Table 1 as follows:

Table 1. Results of the Kolmogotov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test	Unstandardized Residual
N	86
Normal Parameters (a,b)	
Track-Track (*Mean*)	-0,1458679
Standard Deviation (*Std. Deviation*)	135,525,606
Most Extreme Differences	
Absolute (*Absolute*)	0,053
Positive	0,042
Negative	-0,053
Test Statistic	0,053
Asymp. Sig. (2-tailed) (c)	**0.200 (d)**

Source: IBM SPSS data processing results, 2026

Based on the test results in Table 1 above, an *Asymp. Sig. (2-tailed)* value of 0.200 was obtained. Based on the decision-making criteria, if the significance value is greater than 0.05, then the residual data is declared to be normally distributed. Since *the Asymp. Sig. (2-tailed) value* of 0.200 is greater than 0.05 (0.200 > 0.05), it can be concluded that the residual values in this regression model have been distributed normally and meet the normality assumption. To strengthen the results of the statistical test, the following test results are presented visually through the analysis of the Histogram graph in Figure 1 below:

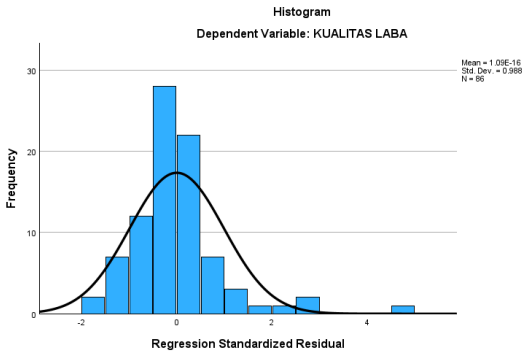


Figure 2. Normality Test Results with Histogram Graph
(Source: IBM SPSS data processing results, 2026)

Based on Figure 2 above, the results of the histogram graph show that the curve line pattern curves upwards and symmetrically resembles a *bell-shaped* shape, and does not deviate to the left or right extremely. Thus, the visualization of this histogram graph supports the results of previous statistical tests and confirms that the regression model in this study is normally distributed.

The multicollinearity test in this study was carried out by looking at *the Tolerance* and *Variance Inflation Factor* (VIF) values through the IBM SPSS program. The decision-making criterion for this test is that if *the Tolerance value* is greater than 0.10 and the VIF value is less than 10, then the regression model is declared free of multicollinearity symptoms. A summary of the results of the multicollinearity test is presented in Table 2. Next:

Table 2. Multicollinearity Test Results

Model	Independent Variables	Tolerance	LIVE	Remarks
1	Company Growth (LN_X1)	1,000	1,000	Bebas Multikolinearitas
	Leverage (LN_X2)	1,000	1,000	Bebas Multikolinearitas

(Source: SPSS output of 30 data processed by the author, 2026)

Based on the results of the multicollinearity test in Table 2, the tolerance value for the Company Growth (LN_X1) variable is 1,000 and *Leverage* (LN_X2) is 1,000. All of these tolerance values are greater than 0.10, which indicates the absence of multicollinearity problems. Moreover, the *Variance Inflation Factor* (VIF) value for Company Growth (LN_X1) is 1,000 and *Leverage* (LN_X2) is 1,000. Since all VIF values are less than 10, this

regression model meets the criteria of being free of multicollinearity. Thus, it can be concluded that there is no problem of multicollinearity in this regression model.

One method to detect heteroscedasticity is to use *scatterplots*. The following are the results of the heteroscedasticity test:

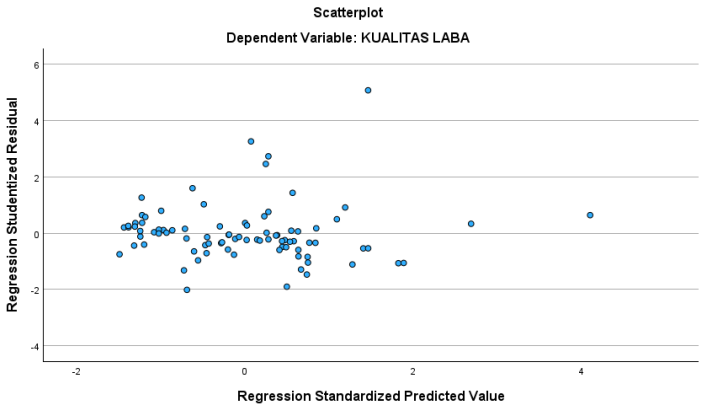


Figure 3. Results of the Heteroscedasticity Test (Scatterplot)
(Source: SPSS output of 30 data processed by the author, 2026)

Based on Figure 3 above, it can be seen that the data points are scattered randomly and do not form a particular irregular or geometric pattern. In addition, the data points are also evenly distributed both above and below the number 0 on the Y axis. Based on the characteristics of the data distribution, it can be concluded that there are no symptoms of heteroscedasticity in this regression model, so the regression model is feasible to be used to predict the Profit Quality variable.

To detect the presence of autocorrelation in the regression model, the *Durbin-Watson* test (DW test) is used. The following are the results of the autocorrelation test:

Table 3. Autocorrelation Test Results

Models	**Durbin-Watson**
1	1,753
a. Predictors: (Constant), LN_X2, LN_X1	
b. Dependent Variable: PROFIT QUALITY	

(Source: SPSS output of 30 data processed by the author, 2026)

Based on Table 3, the results of the autocorrelation test showed a *Durbin-Watson* (DW) value of 1.753. This value is compared with the table value at a significance level of 5% (0.05) with a sample count of 86 () and the number of independent variables 2 (). The score was 1.6831 and 2.3169. According to the $N = 86k = 2dU4 - dUDurbin\text{-}Watson$ test criteria, i.e. (). Thus, the test results show that this regression model does not undergo autocorrelation, or in other words, is free of autocorrelation problems.$dU < DW < 4 - dU1{,}6831 < 1{,}753 < 2{,}3169$

Hypothesis testing aims to provide a temporary answer to the formulation of a problem that has not been proven to be true. In this study, hypothesis testing includes partial regression

coefficient test (t test), as well as simultaneous regression coefficient test (F test), determination coefficient test ().R^2

This test was performed with a significance level of 5% (0.05). This study examines the influence of company growth (LN_X1) and *Leverage* (LN_X2) on the quality of profits. The test results are as follows:

Table 4. Partial Regression Coefficient Test Results (t-test)

Variabel	B	t	Sig.
(Constant)	1,156	2,563	0,012
Company Growth (LN_X1)	-2,535	-1,680	0,097
Leverage (LN_X2)	1,454	3,682	< 0.001

Dependent Variable: PROFIT QUALITY

Source: SPSS output 30 data processed by author, 2026

Based on table 4, the hypothesis testing in this study can be explained as follows:

1. The Effect of Company Growth (LN_X1) on Profit Quality

The Company Growth variable measured using a natural logarithmic value (LN_X1) shows a minimum value of 0.03 and a maximum value of 0.50. The mean value of this variable is 0.2329 with a standard deviation of 0.07424. Since the mean value (0.2329) is greater than its standard deviation value (0.07424), this indicates that the data distribution on the Company Growth variable tends to be homogeneous and does not have extreme volatility or data gaps among the observed sample of companies.

Based on a double-sided test using a significant degree of and with a degree of freedom, . The result of the calculation on multiple linear regression was obtained a value of -1.680, thus less than (). So the company growth variable (LN_X1) which has a calculation of -1.680 and has a significance value can be concluded that . $\alpha = 0{,}05 df = N - k - 1 = 86 - 2 - 1 = 83 t_{\text{tabel}} = 1{,}9889 t_{\text{hitung}} t_{\text{hitung}} t_{\text{tabel}} - 1{,}680 < 1{,}9889 t 0{,}0970{,}097 > 0{,}05$Therefore, it can be concluded that there is no effect of company growth on the quality of profits in companies listed on the Indonesia Stock Exchange (IDX). And the hypothesis (H1) which reads "company growth affects the quality of profits", **is rejected**.

In addition to or further testing to see the direction of the causal relationship, testing is also carried out by positioning Profit Quality as an independent variable and Company Growth () as a dependent variable. Based on the test, a significance value of 0.111 (> 0.05) was obtained. This shows that testing from the opposite direction also has no significant effect, thus reinforcing the finding that there is no reciprocal relationship between company growth and profit quality.LN_X1

Although in Chapter 2 it is hypothesized that company growth has an effect on the quality of profits based on the assumption of agency theory, empirical results in the field show a different condition. The results of this study indicate that the high or low growth rate experienced by a company is not the main determining factor that affects the quality of profits reported by the company. In the perspective of agency theory, when the company experienced

growth, the managers in this study sample preferred to focus on operational management and the use of existing investment opportunities to maintain the growth, rather than taking opportunistic actions such as profit management that can reduce the quality of profits.

In addition, the company's growth assessed from asset expansion or increased operating capacity is an organic positive signal for the market. Therefore, the management does not feel compelled to manipulate or engineer profit figures to attract investors' attention, because the growth performance itself is already a sufficient attraction. This condition causes the profit information presented to still reflect the economic reality of the company as it is, without being influenced by the aggressiveness of the entity's growth. This is also strengthened by the characteristics of the sample in this study which has been strictly screened by excluding companies that have experienced financial losses and companies that use foreign currency, so that the sample's operational activities tend to be more stable and not fluctuate in triggering profit engineering practices.

The results of this study are in line with and support previous research conducted by Erich Alfredo (2022) and Bobby & Sihar Tambun (2025) which stated that company growth has no effect on the quality of profits. Erich Alfredo (2022) explained that the market or investors pay more attention to the stability of the core profit component than simply looking at the expansion or expansion of the company's assets. In line with this, Bobby & Sihar Tambun (2025) who proximate growth through *asset growth* also proves that the dynamics of asset growth are not a driver for management to change the quality of reported profits.

2. The Effect of *Leverage* (LN_X2) on Profit Quality

The Company Growth variable measured using a natural logarithmic value (LN_X1) shows a minimum value of 0.03 and a maximum value of 0.50. The mean value of this variable is 0.2329 with a standard deviation of 0.07424. Since the mean value (0.2329) is greater than its standard deviation value (0.07424), this indicates that the data distribution on the Company Growth variable tends to be homogeneous and does not have extreme volatility or data gaps among the observed sample of companies.

Based on a double-sided test using a significant degree of and with a degree of freedom, . The result of the calculation on multiple linear regression was obtained a value of 3.682, thus greater than (). So the $\alpha = 0{,}05 df = N - k - 1 = 86 - 2 - 1 = 83 t_{\text{tabel}} = 1{,}9889 t_{\text{hitung}} t_{\text{hitung}} t_{\text{tabel}} 3{,}682 > 1{,}9889$*Leverage* variable (LN_X2) which has a calculation of 3.682 and has a significance value can be concluded that . So it can be concluded that there is an influence of $t < 0{,}001 0{,}000 < 0{,}05$*leverage* on the quality of profits in companies listed on the Indonesia Stock Exchange (IDX). And the hypothesis (H2) which reads "*Leverage* affects the quality of profits", **is accepted**.

These empirical results support the assumption in agency theory (*Agency Theory*) regarding the role of debt as a control mechanism for managers' actions. When a company has a certain *level of leverage*, most of the entity's asset funding is sourced from creditors or third parties. This puts managers under close *monitoring* from creditors who want to ensure that their funds are managed safely and able to be returned on time. This strict external oversight effectively limits the manager's room to engage in opportunistic actions, such as manipulating or engineering *earnings management*. As a result, managers are encouraged to present more

credible and conservative financial statements, which ultimately improves the quality of reported profits.

In addition, the characteristics of the research sample, which have been strictly screened by excluding companies that have experienced financial losses and companies with foreign currency reporting, also strengthen this positive influence. The sample of companies in this study is an entity with relatively healthy and stable operational conditions. In a healthy financial condition, high *leverage* is not seen as a danger signal of financial *distress*, but as proof of creditors' confidence in the company's payment capacity. Therefore, the management does not face heavy pressure to cover up poor performance through profit manipulation, so that the profit information presented remains of high quality and reflects the real economic reality.

The results of this study are in line with and support previous research conducted by Nova Ayu Maulita & Nurma Gupita Dewi (2023) which stated that partially, *Leverage* has a significant influence on the quality of profits in companies listed on the IDX. In addition, this finding is also supported by research by Ersa Amanda Maulida, et al. (2022) who affirm that the level of *Leverage* affects the quality of profits presented by the management in the company's annual financial statements.

3. The Effect of Company Growth and *Leverage* Simultaneously on Profit Quality

The *Leverage* variable measured using natural logarithmic values (LN_X2) has a minimum value of 0.24 and a maximum value of 1.58. The mean value for this variable was recorded at 0.6468 with a standard deviation value of 0.28380. An average value greater than its standard deviation indicates that *the Leverage* data on the food and beverage subsector entities during the observation period had a stable spread and clustered around their average values.

Descriptive statistical analysis was carried out to provide a general overview of the summary characteristics of the research data from 86 observational data tested. A summary of the results of descriptive statistical processing is presented in the following Table 5:

Table 5. Descriptive Statistical Analysis Results

Variabel	N	Minimum	Maximum	Red	Std. Deviation
LN_X1 (Company Growth)	86	0,03	0,50	0,2329	0,07424
LN_X2 (*Leverage*)	86	0,24	1,58	0,6468	0,28380
PROFIT QUALITY (Y)	86	-0,82	7,31	15,059	111,776
Valid N (listwise)	86				

Source: IBM SPSS data processing results, 2026

Based on the results of the F test, the company's growth and *Leverage* have a simultaneous effect on the quality of profits in companies listed on the Indonesia Stock Exchange (IDX). This is evidenced by statistical testing on the F-test, where the F-calculated value is greater than the F-table (), and based on a significance value of 0.000. These results

show that with the company's growth and $8{,}269 > 3{,}11$ *leverage* , it will have a simultaneous effect on the quality of profit.

a. The Qur'an and Hadith

The results of this research are in line with the guidance of sharia in QS. Al-Baqarah verse 282 which commands that every recording of financial transactions be carried out correctly, honestly, and fairly. Allah SWT said:

O you who believe, if you owe a debt for an indefinite term, write it down, and let a notary public write it down between you.

(O you who have believed! If you do debts and receivables for a specified time, you should write them down. And let a writer among you write it rightly or justly).

In the context of this research, the quality of the profits generated by the company is a manifestation of the mandate in conducting financial records. A company that has a measurable *level of leverage* and stable growth shows that management has carried out its functions correctly and transparently. This reflects the company's commitment to presenting accountable financial statements, a manifestation of Islamic values that demand honesty in every economic information submitted to the public.

b. Grand Theory-Agency Theory (Teori Agensi)

The relationship between agency theory and this research is to explain the existence of information asymmetry and conflict of interest between management (agent) and shareholders (principal).

Table 6. Research Hypothesis Results

No	Hypothesis	Hypothesis Test Results Coef.	Det.	t hitung	F hitung	Sig.	Kesimpulan Hipotesis
1	Company growth affects earnings quality	-2,535	-	-1,680		0,097	Tidak Berpengaruh
2	Leverage affects earnings quality	1,454	-	3,682		0,000	Berpengaruh
3	Company growth and leverage simultaneously affect earnings quality	-	0,166		8,269	0,000	Berpengaruh

Source: data processed by researchers, 2026

Based on Table 6, the results of the significant F test prove that simultaneously, the company's growth variables and leverage are an effective supervisory mechanism for principals to monitor the actions of agents so that they continue to run according to the company's interests. Thus, the quality of profits in this study is positioned as a crucial transparency instrument to verify whether the agent has carried out the mandate in managing assets and capital structure fairly. This emphasizes that the existence of quality financial information is able to minimize agency costs and ensure that the decisions made by management are truly aligned with the company's long-term goals.

c. Middle Theory-Signaling Theory (teori Sinyal)

The relationship between signal theory and this research is about how financial reports are used as a medium by management to convey information signals to the market related to the company's prospects. Referring to the Coefficients Table, the results of the t-

test showing the significant influence of *the leverage variable* (Sig < 0.001) prove that investors in the capital market respond to the capital structure as a positive signal (*good news*) that indicates the operational efficiency of management in managing the company's liabilities.

Thus, the high quality of profits is a credible signal to investors that the company has strong fundamentals and good operational stability. This also strengthens the consistency of this study with the signal theory that states that the market will give a positive appreciation to the disclosure of credible information as the basis for making the right investment decisions.

d. Middle Theory-Positive Accounting Theory

The relationship between positive accounting theory and this research is to explain the rational behavior of managers in choosing accounting policies, especially when facing debt covenant limitations. Significant results in the t-test table show that company management tends to adjust reporting behavior to keep the profits generated quality and meet compliance requirements, in order to maintain the company's reputation in the eyes of creditors.

Thus, managers are proven to act pragmatically but remain within the corridor of quality reporting in order to mitigate the risk of political costs and maintain funding stability. This analysis confirms that *the leverage* variable is not just a debt figure, but a determining factor that motivates management to present a reliable profit report as a form of fulfilling the company's contractual obligations.

CONCLUSION

Based on the results of the data analysis and discussion regarding the effects of company growth and leverage on earnings quality in food and beverage subsector companies listed on the Indonesia Stock Exchange during the 2022–2024 period, several conclusions can be drawn.

Company Growth: The results showed that company growth did not have a significant effect on earnings quality. The regression coefficient was negative, indicating that higher company growth, as reflected in asset expansion, was not necessarily accompanied by an improvement in earnings quality. Thus, asset growth alone did not guarantee that a company would generate higher-quality earnings.

Leverage: In contrast, leverage had a positive and significant effect on earnings quality. This finding suggests that companies with higher levels of debt may be subject to greater monitoring by creditors. Such monitoring may encourage management to provide more reliable and transparent financial reporting in order to maintain creditor confidence and comply with debt-related obligations.

Simultaneous Effect: Company growth and leverage simultaneously had a significant effect on earnings quality. Although company growth did not have a significant partial effect, leverage contributed significantly to explaining variations in earnings quality. These findings indicate that financing structure played a more substantial role than asset growth in determining earnings quality among food and beverage subsector companies during the observation period.

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