

THE INFLUENCE OF CAPITAL STRUCTURE, PROFITABILITY, GOOD CORPORATE GOVERNANCE ON EARNINGS QUALITY AND ITS IMPACT ON COMPANY VALUE

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ABSTRACT

The primary aim of this research is to examine the impact of Capital Structure, Profitability, and the Implementation of Good Corporate Governance on Earnings Quality and then examine the impact on Company Value amid the Covid-19 pandemic. The following research will include comparative studies on companies in Indonesia and Malaysia. This research uses quantitative methods with a causality approach. Purposive sampling is a research methodology used in sampling techniques. This research was conducted on companies listed on the Indonesia Stock Exchange and the Malaysia Stock Exchange during the period 2019 to 2021. The findings of this research reveal that there are differences between Indonesia and Malaysia. The findings of a study conducted in Indonesia show that factors such as capital structure, profitability and corporate governance have a significant influence on earnings quality. However, the findings of a study conducted in Malaysia show that only profitability has an influence on earnings quality. The findings of this research also indicate that companies located in Indonesia and Malaysia in terms of the influence of capital structure and corporate governance on earnings quality have no impact on company valuation. The influence of profitability on earnings quality in Malaysia has an impact on company value.

KEYWORDS

Brainstorming, Media Compensation, Video Conference, Advertising Agency



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INTRODUCTION

The company's profit information continues to be a crucial factor in the decision-making process for investors and creditors. The quality of a company's earnings is positively correlated with the effectiveness of management in carrying out the company's activities according to the initial plan. Low earnings quality may result from discrepancies between reported earnings and actual earnings. These discrepancies can introduce bias into the information provided by earnings reports, potentially misleading investors and creditors in their decision-making process (Kepramareni et al., 2021).

PT Unilever Indonesia, Tbk with the stock code UNVR, which is also listed in the LQ45 index, recorded a decrease in net profit in 2021 by 18.9%. The decrease in the company's net profit was caused by a domestic growth slowdown of 8% in 2021. Decreased purchasing power due to the Covid-19 wave was one of the factors contributing to the decline in net profit. Additionally, the impact of the Covid-19 pandemic led to a significant increase in raw material prices due to the Implementation of Community Activity Restrictions (PPKM) in several regions in Indonesia, which hindered the transportation of raw materials (Safitri, 2022). PT Adaro Energy, Tbk also experienced a similar situation in the coal mining sector. Based on the 2020 financial report, ADRO experienced a 63.64% decrease in net profit. The Covid-19 pandemic resulted in challenging macroeconomic and industry conditions, putting significant pressure on coal demand and global coal prices in 2020 (Fernando, 2021).

Moreover, it is noteworthy that the Malaysian Bankruptcy Department has reported a total of 11,207 bankruptcy cases in Malaysia since the onset of the Covid-19 outbreak (Agus, 2021). Petronas is Malaysia's national oil company. According to Haryanto and Gustidha (2020), Petronas experienced a significant 78% decrease in profits in the early 2020 quarter. This decline may be due to unfavorable market conditions and declining oil prices. Additionally, global oil demand has shrunk due to the ongoing Covid-19 epidemic, causing economic uncertainty. One potential strategy to achieve the organization's main goals is by increasing the company's value through a focus on earnings quality (Werastuti et al., 2022). It is crucial for investors to have a comprehensive understanding of the appropriate level of earnings quality. Low earnings quality has the potential to lead to decision-making errors among users, including investors and creditors, thus resulting in a decrease in the company's value. Therefore, the importance of earnings quality lies in its potential impact on the decision-making process of investors and creditors.

The influence of capital structure on earnings quality has been demonstrated in studies conducted by Ahmad and Alrabba (2017) and Hakim and Naelufar (2020). In the realm of scientific research, it has been observed through empirical investigations conducted by Jason et al. (2019) and Marliyana & Khafid (2017) that there is no apparent impact of capital structure on earnings quality. Findings from the studies of Warrad (2017) and Orbunde et al. (2021) indicate a noteworthy relationship between profitability and earnings quality. In the realm of scientific research, Hakim and Abbas (2019) and Pandaya et al. (2021) have conducted investigations revealing the lack of influence of profitability on earnings quality. The importance of earnings quality is indicated by studies conducted by Olivia and Setiany (2021),

Melgarejo (2019), and Latif et al. (2017) in the field of corporate governance. In the field of scientific research, recent studies conducted by Ritonga et al. (2023) and Saksessia & Firmansyah (2020) have produced findings indicating a lack of observable impact from good corporate governance practices on earnings quality. According to recent research conducted by Wairisal and Hariyati (2021) and Dang et al. (2020), a significant relationship between earnings quality and company value was found. Meanwhile, the results of research conducted by Kodriyah et al. (2021) and Utami et al. (2023) indicate that there is no influence of earnings quality on company value.

Based on the background and description provided, the author is interested in conducting research to examine the influence of capital structure, profitability, and effective corporate governance practices on earnings quality and their impact on company value.

Literature Review

Agency Theory

The concept of agency theory relates to contractual relationships within an organization, especially between the principal, who is the owner, and the agent, who acts as a representative. The agent plays a crucial role in this relationship (Jensen and Meckling, 1976). The formation of agency relationships can be considered to stem from the owner's choice to delegate their authority to managers, with the anticipation that managers will maximize the utility of entrusted assets. Managers, in line with this perspective, strive to enhance the owner's welfare through optimizing operational efficiency within the organization (Moeljadi 2021: 7).

Earnings Quality

According to Desak (2022:223), earnings quality refers to the earnings in financial statements that reflect the actual financial performance of a company. Earnings quality indicates the extent to which earnings can be sustained or retained in the following period. High variability and volatility of earnings are considered low quality because earnings uncertainty represents a risk to company operations and increases the cost of capital (Ruki 2022:132).

Capital Structure

According to Baker & Martin (2011:1), a company's capital structure generally refers to the financing mix used to fund the company. Debt and equity are the two main sources of a company's financing with different levels of risk, benefits, and control. Evaluating the effectiveness of a company's use of debt is facilitated by considering the capital structure (Sudrajat & Setiyawati, 2021). The company's capital structure is of significant importance as it directly impacts the organization's financial status (Mohamad & Dwi, 2021:141). An ideal financial structure has a significant influence on influencing the overall quality of the company (Sufyati & Anlia, 2021). An optimal capital structure, which is a combination of long-term financing sources, aims to minimize total capital costs (Rafsanjani & Surjandari, 2022).

Profitability

According to Tulsian & Bharat (2020:51), profitability ratios are used to assess the overall management efficiency, as indicated by the returns obtained from income, as well as the costs incurred for operations and investments. Higher profitability ratio figures indicate a more favorable position for the company. High valuation indicates high profitability and operational effectiveness of the company, as seen from its revenue and cash flow levels (Hermaya & Sunarto, 2021: 39).

Good Corporate Governance

According to the Institute of Directors India (2021:3), effective corporate governance also requires the establishment of a comprehensive framework consisting of various structures and processes aimed at guiding and overseeing organizational operations. This aims to ensure the allocation of rights and obligations among various organizational stakeholders, as well as establish a framework of rules and procedures for decision-making processes related to organizational sustainability. The National Committee on Corporate Governance Policy (KNKG) has identified five main pillars of Good Corporate Governance (GCG) that are crucial for effective and efficient implementation. These pillars include Transparency, Accountability, Responsibility, Independence, and Fairness.

Company Value

The concept of company value relates to the overall condition of the company, which has the capacity to influence investor perceptions of the company's valuation. Therefore, company owners strive to demonstrate commendable performance to attract the interest of potential investors and encourage investment (Ningrum, 2022). Company valuation is often correlated with its stock price, which can be assessed by looking at the stock price trajectory in the capital market. If the stock price experiences an upward trend, then the company's value also tends to increase. According to Indrarini (2019), the increase in stock prices indicates a positive level of trust among the general public in the company, thus creating a desire among individuals to invest in the company.

Conceptual Framework

Several factors influence both the quality of a company's earnings and its overall value. Firstly, capital structure has a direct impact on the financial situation of the company. An optimal capital structure optimizes the risk balance and can enhance the company's value. Secondly, profitability is also a crucial factor in evaluating the quality of a company's earnings. High profitability ratios indicate favorable financial conditions and high operational efficiency, contributing to the increase in the company's value. Thirdly, the implementation of good corporate governance also affects the quality of earnings and the company's value. Effective governance practices promote transparency and efficiency, enhancing confidence in the quality of earnings produced and contributing to an increase in stock prices and the overall value of the company. Thus, the interaction between earnings quality, capital structure, profitability, and corporate governance has a significant impact on the overall value of the company.

Based on theoretical analysis and research results, the research concept can be seen in the picture below:

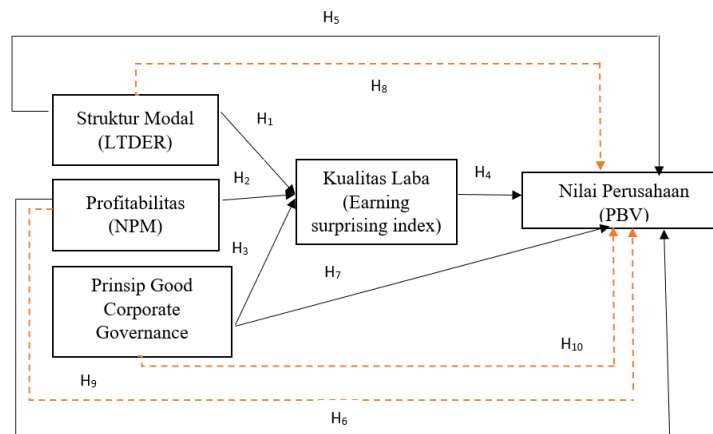


Figure 1. Conceptual Model

Hypothesis

Based on the framework outlined above, the proposed hypotheses for the following research are:

H1: There is an influence of Capital Structure on Earnings Quality.

H2: There is an influence of Profitability on Earnings Quality.

H3: There is an influence of the implementation of Good Corporate Governance on Earnings Quality.

H4: There is an influence of Earnings Quality on Firm Value.

H5: There is an influence of Capital Structure on Firm Value.

H6: There is an influence of Profitability on Firm Value.

H7: There is an influence of the implementation of Good Corporate Governance on Firm Value.

H8: There is an influence of Capital Structure on earnings quality and its impact on Firm Value.

H9: There is an influence of Profitability on earnings quality and its impact on Firm Value.

H10: There is an influence of the implementation of Good Corporate Governance on earnings quality and its impact on Firm Value.

RESEARCH METHOD

The following study utilizes secondary data. It employs secondary data in the form of financial reports obtained from companies or issuers that are constituents of the LQ45 index and the KCLI index. The research sample consists of companies included in the LQ45 index listed on the Indonesia Stock Exchange (IDX) and companies included in the KCLI index listed on the Bursa Malaysia within the period from 2019 to 2021. The sampling technique used is purposive sampling. Data is analyzed using regression models and then processed using EViews software. The factors used in this study are evaluated using ratio scales. A summary of the operational variables can be provided as follows:

Table 1. Operational Variables

No	Variable	Dimention	Indicator	Scale
1.	Profit Quality (Putra, 2019)	<i>Cash Flow to Net Income Ratio</i>	$\frac{\text{Operating Cash Flow}}{\text{Net Income}}$	Ratio
2.	Capital Structure (Hery & Si, 2016)	<i>Long Term Debt to Equity Ratio</i>	$\frac{\text{Hutang Jangka Panjang}}{\text{Total Ekuitas}}$	Ratio
3.	Profitability (Hery, 2016)	<i>Net Profit Margin</i>	$\frac{\text{Laba Bersih}}{\text{Penjualan Bersih}}$	Ratio
4.	Implementation of <i>Good Corporate Governance Peraturan Bank Indeks Indeks. 8/4/PBI/2006 General Guidelines Corporate Governance Indeks Perbankan (KNKG, 2004)</i>	Principles GCG 1. Transparency 2. Accountability 3. Responsibility 4. Independency 5. Fairness	CGPI (Corporate Governance Perception Index) score developed by IICG and MCCG (Malaysia Code Corporate Governance) score.	Ratio
5.	Company Value (Brigham dan Houston, 2017)	<i>Price to Book Value</i>	$\frac{\text{Harga per Lembar Saham}}{\text{Book Value}}$	Rasio

RESULT AND DISCUSSION

RESULT

Descriptive Statistics

The results of descriptive statistics of the study are shown in the following table:

Table 2. Descriptive Statistics

Country	Statistic	Capital Structure	Profitability	Corporate Governance	Profit Quality	Company Value
Indonesia	Mean	0.505116	0.137321	0.900952	2.586274	3.919026
	Maximum	3.772177	0.601008	1.000000	37.53918	56.79190
	Minimum	0.029259	0.009883	0.440000	-17.44222	0.568497
	Std. Dev.	0.640572	0.107528	0.128378	5.071938	7.221879
Malaysia	Mean	1.007033	0.146719	0.838483	1.826375	9.847962
	Maximum	8.362887	0.447098	0.958333	6.282741	66.69063
	Minimum	0.011745	0.014559	0.555556	-0.326136	0.868823
	Std. Dev.	1.768591	0.110905	0.084614	1.253289	18.46779

Source: Data processed with EViews 12, 2023

The Variable of Capital Structure has a minimum value of 1.17% in the company Inari Amertron Berhard in 2021. The minimum value of 2.29% in the

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company PT Adaro Energy Indonesia Tbk in 2021 and 1.17% in the company Inari Amertron Berhard in 2021. The maximum value of 377.21% in the company PT Tower Bersama Infrastructure Tbk in 2019 and 836.29% in the company Digi.com Berhard in 2020. The Profitability variable has a minimum value of 0.99% in the company PT Erajaya Swasembada Tbk in 2019 and 1.45% in the company Petronas Dagangan Behard in 2020. The maximum value of 60.10% in the company PT Harum Energy Tbk in 2019 and 44.70% in the company Petronas Chemicals Group Berhard in 2019.

The Good Corporate Governance variable has a minimum value of 44% in the company PT Chandra Asri Petrochemical Tbk in 2019 and 55% in the company Petronas Chemicals Group Behard in 2019. The maximum value of 100%, indicating that the company has implemented all aspects stipulated by regulations properly, is held by several companies such as PT Indofood CBP Sukses Makmur Tbk, PT Indofood Sukses Makmur Tbk, PT Sumber Alfaria Trijaya Tbk, and others. For Malaysia, the maximum value is held by Telkom Malaysia Behard in 2021 at 95.83%.

The Lowest Profitability variable is -17.44 in the company PT Wijaya Karya (Persero) Tbk in 2021 and -0.32 in the company PPB Group Behard in 2021. The maximum value of 37.54 in the company PT XL Axiata Tbk in 2020 and 6.28 in the company Telkom Malaysia Behard in 2019. The Variable of Company Value has a minimum value of 0.56 times in PT Wijaya Karya (Persero) Tbk in 2021 and 0.86 times in Sime Darby Behard in 2020. The maximum value of 56.79 times in PT Unilever Indonesia Tbk in 2020 and 66.69 times in Nestle Berhard in 2020.

Panel Data Regression Model Selection

In the regression technique approach using data panels, three simple regression tests were held with the Common effect Model (CEM), Fixed effect Model (FEM) and Random effect Model (REM) models. In determining a good and appropriate model, three stages of model estimation testing are carried out, namely using the Chow test, Hausman test, and Lagrange Multiplier test.

Table 3. Panel Data Regression Model

Country	Regression Model	Equition (Prob)	I Equition (Prob)	II Result
Indonesia	Chow Test	0.0000	0.0000	FEM
	Hausman Test	0.6009	0.6991	REM
	Lagrange Multiplier Test	0.0002	0.0000	REM
Malaysia	Chow Test	0.0000	0.0000	FEM
	Hausman Test	0.3553	0.1575	REM
	Lagrange Multiplier Test	0.0044	0.0000	REM

Source : Data processed with Eviews 12, 2023

From the results of chow testing, hausman testing and lagrange multiplier testing in table 3, as a result, the method that is suitable for the implementation of regression testing in equations 1 & 2 is a random effect model.

Multicollinearity Test

The multicollinearity test has a purpose in testing whether the regression model found the existence of high or perfect correlation between independent variables. If there is a correlation between independent variables > 0.8 , multicollinearity can be indicated.

Table 4. Multicollinearity Test

	Capital Structure	Profitability	Corporate Governance	Profit Quality	Company Value
Struktur Modal	1.000000	0.074261	-0.001807	0.110052	0.511115
Profitabilitas	0.074261	1.000000	-0.117777	-0.219738	0.033939
Corporate Governance	-0.001807	-0.117777	1.000000	-0.038770	-0.062171
Profit Quality	0.110052	-0.219738	-0.038770	1.000000	-0.038106
Company Value	0.511115	0.033939	-0.062171	-0.038106	1.000000

Source : Data processed with Eviews 12, 2023

Based on table 4 above, it can be observed that the correlation test value of regression results shows that each matrix has no results above 0.8, thus the model formed is free from violations of Multicollinearity.

Hypothesis Test

The statistical test t tests the extent to which an independent variable affects the dependent variable. This study used a significance level of 0.05 ($\alpha = 5\%$). The results of the t-test held in this study are presented in the following table:

Table 5. Indonesian Hypothesis Test

Model	Variable	Coefficient	t-statistic	Prob.
Equation I	Constanta	6.297765	7.595155	0.0000
	Capital Structure	0.896326	3.832702	0.0003
	Profitability	-6.698259	-5.603975	0.0000
	Corporate Governance	-4.069934	-4.753228	0.0000
Equation II	Constanta	2.301610	1.423341	0.1586
	Profit Quality	-0.053667	-1.097078	0.2759
	Capital Structure	0.432693	1.825176	0.0718
	Profitability	1.158064	0.625620	0.5334
	Corporate Governance	1.121319	0.635349	0.5270

Source : Data processed with Eviews 12, 2023

Table 6. Malaysian Hypothesis Test

Model	Variable	Coefficient	t-statistic	Prob.
Equation I	Constanta	0.023488	0.019026	0.9849
	Capital Structure	0.085994	1.448591	0.1545
	Profitability	-3.234243	-4.013680	0.0002
	Corporate Governance	2.416751	1.651010	0.1059
Equation II	Constanta	8.274821	1.813855	0.0767
	Profit Quality	-2.560790	-4.989627	0.0000
	Capital Structure	6.802365	20.84555	0.0000
	Profitability	-7.168909	-2.041504	0.0474
	Corporate Governance	-2.646305	-0.525360	0.6020

Source : Data processed with Eviews 12, 2023

Analysis of hypothesis testing in table 5 and table 6 revealed significant differences in the results obtained from Indonesia and Malaysia. When viewed in equation I, where the probability value is smaller than the α significance level of 0.05, it can be concluded that the variables of capital structure, profitability, and corporate governance have a significant influence on the quality of profits in a number of companies listed in Indonesia. As for Malaysia, it can be observed that the quality of profit is only influenced by profitability. Equation II states that variables such as profit quality, capital structure, profitability, and corporate governance do not influence the valuation of companies listed in Indonesia. While in Malaysia, the value of the company is influenced by a number of factors such as profit quality, capital structure, and profitability.

Double Regression Analysis

Based on the regression results in table 5 of the multiple regression analysis equation as follows:

Equation I :

$$EQ = 6.298 + 0.896 SM - 6.698 PR - 4.069 GCG$$

$$EQ = 0.023 + 0.085 SM - 3.234 PR + 2.416 GCG$$

Equation II :

$$NP = 2.301 - 0.053 KL + 0.432 SM + 1.158 PR + 1.121 GCG$$

$$NP = 8.274 - 2.560 KL + 6.802 SM - 7.168 PR - 2.646 GCG$$

Path Analysis

Path analysis is by comparing the magnitude of direct and indirect influence by observing the magnitude of the coefficient.

Table 7. Sobel Test in Indonesia

Variable	Direct Effect	Indirect Effect	t-count
Capital Structure → Quality Profit → Company Value	0.896	-0.047	-1.054

Profitability → Quality Profit → Company Value	-6.698	0.355	1.076
Corporate Governance → Quality Profit → Company Value	-4.069	0.215	1.068

Source : Data processed with Eviews 12, 2023

Table 7. Sobel Test in Malaysia

Variabel	Direct Effect	Indirect Effect	t-count
Capital Structure → Quality Profit → Company Value	0.086	-0.220	-1.391
Profitability → Quality Profit → Company Value	-3.234	8.282	3.127
Corporate Governance → Quality Profit → Company Value	2.417	-6.188	-1.567

Source : Data processed with Eviews 12, 2023

Based on the Sobel test in Table 6 above, it is known that:

1. Based on the calculations mentioned above, it can be observed that the t-values for Indonesia and Malaysia, namely 1.054 and 1.391, are smaller than the corresponding t-table values, namely 1.989 (Indonesia) and 2.041 (Malaysia). Therefore, this implies that hypothesis H8 is rejected, while hypothesis H0 is accepted. This suggests that the influence of capital structure on earnings quality does not affect the overall firm value.
2. Based on these calculations, it can be concluded that for the case of Indonesia, the t-value for profitability is lower than the t-table value, namely $1.076 < 1.989$. This implies that hypothesis H9 is rejected, and alternative hypothesis H0 is accepted. This suggests that the relationship between profitability and earnings quality does not affect firm valuation. In the context of Malaysia, it appears that the calculated t-value of 3.127 exceeds the t-table value of 2.041, indicating that hypothesis H0 is rejected and hypothesis H9 is accepted. This implies that the relationship between profitability and earnings quality significantly affects overall firm value.
3. Based on the calculations mentioned above, it can be seen that the t-value for Indonesia (1.068) is smaller than the t-table value (1.989), and the t-value for Malaysia (1.567) is smaller than the t-table value (2.041). The following findings reveal that hypothesis H10 is rejected, and alternative hypothesis H0 is accepted. This implies that the effective implementation of good corporate governance practices on earnings quality does not affect overall firm value.

Discussion

The Influence of Capital Structure on Earnings Quality

In Indonesia, the company's capital structure has a positive influence on earnings quality. This indicates that companies with larger capital structures have better

earnings quality. Companies that heavily utilize debt financing have the ability to increase their financial resources to support operational efforts, thus generating larger profits for the entity. The research findings are consistent with previous studies conducted by Hakim and Naelufar (2020) and Ahmad and Alrabba (2017). However, in Malaysia, the research findings indicate that there is no observable influence of capital structure on earnings quality. How companies choose to finance their activities, whether through debt or equity, does not have a direct impact on the disclosure of earnings quality. Besides capital structure, there are other factors that may have a substantial impact on earnings quality. The analysis results align with previous research conducted by Jason et al. (2019) and Marliyana and Khafid (2017), which stated that the influence of capital structure on earnings quality is not significant.

The Influence of Profitability on Earnings Quality

The study findings in Indonesia and Malaysia indicate that profitability has a significant negative influence. This implies an inverse relationship between the company's profitability ratio and earnings quality ratio, where an increase in profitability ratio leads to a decrease in earnings quality ratio. High profitability can potentially create conflicts of interest between management and shareholders. Practices of earnings manipulation are usually carried out by management, where efforts are made to present better performance than the actual situation. The potential consequence of this phenomenon is a decline in earnings quality, as the reported financial figures do not accurately represent the actual operational success of the organization. The research findings are consistent with previous studies conducted by Warrad (2017) and Orbunde et al. (2021), which revealed that profitability influences earnings quality. However, the findings of this study are inconsistent with the research conducted by Hakim and Naelufar (2020) and Pandaya et al. (2021), which showed that profitability does not impact earnings quality.

The Influence of Good Corporate Governance Implementation on Earnings Quality

The study findings in Indonesia indicate that the implementation of corporate governance practices affects earnings quality negatively. This implies that the higher the level of effective corporate governance practices in companies, the lower the value of earnings quality ratios. The level of corporate governance correlates positively with the level of supervision, audit completeness, and regulatory pressure provided by regulatory bodies to ensure the accuracy and fairness of financial reporting. This phenomenon poses challenges for management in conducting earnings management for their personal interests, thus leading to a decline in reported earnings quality. These research findings are consistent with previous studies conducted by Melgarejo (2019), Latif et al. (2017), and Olivia and Setiany (2021). Conversely, recent research conducted in Malaysia suggests that the effective implementation of corporate governance practices does not have a significant impact on earnings quality. The success of implementing good governance can be seen in the long term. Therefore, the implementation of a corporate governance system

cannot directly affect the earnings quality of the company in the short term. This assertion is consistent with the findings of Ritonga et al. (2023) and Saksessia & Firmansyah (2020), who concluded that there is no apparent influence of effective corporate governance on earnings quality.

The Influence of Earnings Quality on Firm Value

There are differences in results between Indonesia and Malaysia. Empirical evidence from Indonesia indicates that there is no significant relationship between earnings quality and firm value. This suggests that investors are not only motivated by earnings statistics, but there are additional factors that attract them to invest in companies. These research findings align with studies conducted by Kodriyah et al. (2021) and Utami et al. (2023), which stated that there is no significant influence of earnings quality on firm value. In Malaysia, recent study findings show a negative relationship between earnings quality and firm value. This implies an inverse relationship between earnings quality and firm value, where an increase in earnings quality is associated with a decrease in firm value. The agency theory concept explains the dynamics underlying potential conflicts of interest between management and shareholders. Management often engages in earnings manipulation to align their interests with bonus receipts, which can result in reported earnings not accurately reflecting actual earnings quality. These research findings are consistent with previous studies conducted by Wairisal and Hariyati (2021) and Dang et al. (2020), which stated that earnings quality impacts firm assessment.

The Influence of Capital Structure on Firm Value

Research conducted in Indonesia indicates that there is no significant influence of capital structure on firm value. Companies with large capital structures bear significant responsibility to repay borrowed funds from creditors promptly. Loan interest burdens are expected to have adverse effects on company profitability, potentially leading to investors' decreased perceptions of the company. This allows investors to consider analysis not only of the company's earnings but also of other factors such as industry factors and corporate governance. These research findings are consistent with previous research conducted by Setiadharna and Machali (2017) and Amin (2021). In Malaysia, there is a positive relationship between capital structure and firm value. This indicates that an increase in capital structure is associated with an increase in firm value. This conclusion implies that significant debt usage is viewed as a positive indicator by investors. Integrating debt into the company's capital structure has the capacity to increase the company's value from an investor's perspective. These research findings align with other studies conducted by (Hirdinis, 2019; Ibrahim, 2017), and Suzulia et al. (2020), which stated that the company's capital structure influences firm value.

The Influence of Profitability on Firm Value

The hypothesis analysis results on Indonesian company samples show that there is no significant relationship between profitability and firm value. This finding indicates that company profitability, regardless of its magnitude, does not have any influence on firm value overall. These research findings are consistent with

previous studies conducted by Hirdinis (2019), Amin (2021), Reschiwati et al. (2020), and Harahap et al. (2018), collectively suggesting that there is no significant relationship between profitability and firm value. Conversely, in Malaysia, profitability has an impact on firm value with a negative direction. This implies an inverse relationship between profitability and firm value, where an increase in profitability value is associated with a decrease in firm value. Investors view high profits as unfavorable news, thus leading to failures in attracting investment and therefore hindering the appreciation of the company's stock price. The findings of Suzulia et al. (2020) and Putri & Wiksuana (2021) are consistent with the assumption that firm value is influenced by profitability.

The Influence of Good Corporate Governance Implementation on Firm Value

The effective implementation of corporate governance practices does not have a significant influence on firm value. The research findings indicate that shareholders do not react significantly to the implementation of GCG practices. Investor doubts about the implementation of company GCG practices may be a reason for the lack of interest. Due to incomplete GCG disclosures in financial reports, investors view the implementation of company GCG only as a framework that regulates and supervises interactions between management and shareholders. The presented results are consistent with the findings of Mukhtaruddin et al. (2019), Arlita and Aghivirwiati (2021), and Baihaqqi et al. (2023), which indicate that good corporate governance does not significantly affect firm value. This assumption contradicts the results of previous studies by Nadia et al.

CONCLUSION

The findings of this study reveal a clear difference between Indonesia and Malaysia. The research conducted in Indonesia indicates that factors such as capital structure, profitability, and corporate governance have a significant influence on the quality of earnings. However, the findings from studies conducted in Malaysia suggest that only profitability influences the quality of earnings. Furthermore, the research indicates that companies in Indonesia and Malaysia differ in terms of the impact of capital structure and corporate governance on the quality of earnings, which do not affect the company's assessment. The influence of profitability on the quality of earnings in Malaysia has an impact on the company's value.

Practitioners' recommendations for companies are that the findings of this research can be used as key factors in company management. Specifically, these findings can assist in improving optimal capital structure, profitability ratios, and corporate governance practices in accordance with applicable regulations. The aim is to enhance company performance and uphold the quality of earnings by utilizing these findings to inform company policies and decision-making processes. This is crucial because profitability is a primary priority and benchmark for decision-making within the company.

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