ABSTRACT

Earnings response coefficient (ERC) is a valuation model to measure how much the market reacts to information about a company as reflected by the issuance of financial statements, especially earnings information. In theory, if the company's profits are increased, then the stock price also increases. Vice versa, if the profits obtained by the company experience a decline or loss, it will reduce the stock price. But there are some phenomena that are not in line with the theory which leads to changes in the value of ERC.

This study aims to examine the effect of corporate social responsibility quality, default risk, and profitability simultaneously or partially on earnings response coefficients in mining companies listed on the Indonesia Stock Exchange (IDX).

The population in this study are mining companies listed on the Indonesia Stock Exchange (IDX) in 2013-2018. The sampling technique in this study was purposive sampling and obtained as many as 6 companies within a period of 6 years to obtain 36 total sample companies. The analysis technique used in this study is panel data regression analysis using the EViews 9 Version application.

The results of this study show that simultaneously the variables of corporate social responsibility quality, default risk, and profitability affect earnings response coefficient. Partially the variable of corporate social responsibility quality and default risk does not affect earnings response coefficient, while profitability variables have a significant negative effect on earnings management.

Based on the results of the study, companies must pay attention to profitability to increase the ERC value in order to provide good news for investors. For investors to pay attention to overall earnings and non-profit information so there are no analyzing errors that result in increased risk.

Keyword: Earnings Response Coefficient, Corporate Social Responsibility Quality, Default Risk, Profitability.