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Decoding The Impact: How Corporate Structure And Size Influence Earning Response Coefficient

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ABSTRACT

The purpose of this research is to determine how much influence the capital structure and company size have on the earning response coefficient both size of the company on the earning response coefficient either partially or simultaneously on the Computer and Device Services Companies Listed on the Indonesia Stock Exchange for the period of 2020-2022.The research methods used in this research are descriptive methods and associative methods. In this research, the unit of analysis is the Financial Statement Document at the Computer and Device Services Company Financial Report Documents on Computer and Device Services Companies Listed on the Indonesia Stock Exchange for the period 2020-2022. The samples in this study were 36 annual financial reports annual.. The analysis method uses panel data regression analysis. Based on the results showed that partially there is a significant positive effect of capital structure on earning response coefficient, and partially there is a significant positive effect of capital structure on earnings re capital structure on earning response coefficient, and partially there is a significant positive effect on earning response coefficient. significant effect of company size on earning response coefficient, and simultaneously there is an effect of capital structure and company size on earning response coefficient.

INTRODUCTION

A company that is founded must have several clear goals. The company's first goal is to achieve maximum profits or maximum profits. The second goal of the company is to make the company owner or share owners prosperous. Meanwhile, the third company goal is to maximize company value which is reflected in its share price (Harjito & SU, 2014). Profit is market information which is believed to be the main information because it can influence investors in making decisions to buy, sell or hold securities issued by the company. Profit itself has limitations which are influenced by calculation assumptions and possible manipulation carried out by company management so that other information besides profit is needed to predict stock returns company, namely the earnings response coefficient or also called the earnings response coefficient (Scott, 2015).

This earnings response coefficient shows the market reaction to earnings information published by the company which can be observed from share price movements around the publication date of the

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financial report. The earnings response coefficient value is predicted to be higher if the company's profits are more persistent in the future and the quality of earnings is better. Assuming that investors will assess current profits to predict future profits and returns, future returns are increasingly risky if investors' reactions to the company's unexpected earnings are also lower (Scott, 2015).

It is known that in the first quarter of 2022 PT Wir Asia Tbk's net profit rose 73.96%, in the second quarter 2022 it rose 43.30% and in the third quarter 2022 it rose 187.62%. The average increase was due to increased business income and increased other income. Other income comes from promotion and advertising via the platform, software application development, brand and IT consulting, transaction commissions via the platform. However, WIRG's share price has actually decreased, you can see the share price movement (Setiawati, 2023).

The controller started selling ownership in early December 2022. This caused WIRG's share price to be corrected. Apart from that, the decline also occurred because the metaverse euphoria faded. This is a negative sentiment because WIRG's image is very closely linked to the metaverse. Soaring costs in terms of technology development are a bad idea for investors. This is why WIRG's share price is still declining, because not many investors believe in putting their funds into this metaverse company (Setiawati, 2023).

The share price of PT Bank Ganesha Tbk (BGTG) over the last year has remained in the red zone or has fallen by more than 50%, whereas since the beginning of 2023 it has fallen - 26.44%. The dominating selling queue indicates high buying pressure, so BGTG shares are still vulnerable to further declines. There is potential for the decline in share prices due to management's decision to announce that they will not distribute dividends, even though throughout 2022 BGTG recorded a net profit that more than tripled on an annual basis, reaching IDR 10.88 billion. Management decided to use net profit for the 2022 financial year to cover the company's losses in previous years.

At the Annual General Meeting of Shareholders (GMS) last Friday (26/5/2023), management conveyed an agreement with shareholders that the use of profits would be allocated to mandatory/general reserve funds amounting to IDR 1 billion and the remainder kept in retained earnings to strengthen the company's capital. As a result of this, the company's condition has begun to improve, it can be seen from the financial performance in the first quarter of 2023 that BGTG's net profit managed to grow 99.58% on an annual basis (YoY) to IDR 6.13 billion (Natalia, 2023).

At the opening of trading PT Astra Graphia Tbk (ASGR) shares experienced a Lower Auto Rejection (ARB) of -6.86%. The decline in ASGR's share price was a reaction from market players who saw the results of PT Astra's Graphia Tbk financial report as of 31 December 2022 where ASGR's net income fell 11.80%. This decrease in income was caused by a decrease in sales of goods if seen from the financial reports. However, service and rental income actually increased from IDR 1.39 trillion to IDR 1.47 trillion. If you look more closely, ASGR's gross profit or margin actually increased by 15.39% because ASGR's cost of revenue decreased when its income fell. This indicates that ASGR is implementing cost efficiency. So that ASGR's profit for the current year as of December 31 2022 increased 11% from IDR 87.3 billion to IDR 97 billion (Setiawati, 2023).

Funding issues are an important issue that investors must take into account. According to Sudana (2015) the financial function in companies is specifically divided into two parts. The first financial function is investment decisions, where these decisions relate to the process of selecting one or more investment alternatives that are considered profitable from a number of investment alternatives available to the company. The results of investment decisions taken by company management will appear on the asset side of the balance sheet, namely in the form of fixed assets and current assets.

The second financial function is regarding funding decisions, where these decisions are related to the process of selecting the source of funds used to finance the planned investment with various alternative sources of available funds, so that the most efficient combination of expenditure is obtained.

Company size is used to represent the characteristics of the company's finances. Large companies will find it more practical to enter the capital market compared to small companies. With this easy access, companies will have greater flexibility and can obtain debt or raise higher funds. Company size (firm size) is a scale that shows the size of a company which can be seen from the level of sales, total equity and total assets. If a company has a large number of assets, the company will be better able to face the threat of financial difficulties (Gobenvy,2014).

In this research was chosen for several important reasons is capital structure and company size play an important role in influencing the earnings response coefficient (ERC), ERC is an important indicator used by the stock market to broadcast company performance, the computer and software services industry in Indonesia experienced significant growth in the 2020-2022 period, but has not been explained in depth in the context of the influence of capital structure and company size on ERC. And in 2020-2022 period is a very decisive year for the information and communication technology (ICT) industry in Indonesia, with rapid digital adoption and the impact of the global pandemic. This analysis will make a significant contribution to a better understanding of the factors that influence the stock value of ICT companies on the Indonesian stock exchange.

The research gaps in this research is lack of systematic analysis of the relationship between capital structure and firm size with ERC in ICT companies in Indonesia, the existence of a mismatch between the company's financial performance and stock market reaction, which may be caused by factors other than profit alone, the need for specific case studies on ICT companies listed on the Indonesia Stock Exchange to identify factors that affect ERC, and last the potential for financial statement manipulation that can affect ERC and needs to be analyzed further.

This research offers several important novelties is using a combination analysis method between capital structure and firm size as independent variables to predict ERC, focusing on the ICT industry in Indonesia during the global pandemic period, which provides a unique context for this research, causal analysis of the relationship between capital structure, firm size, and ERC using panel data regression techniques.

The framework for this research is :

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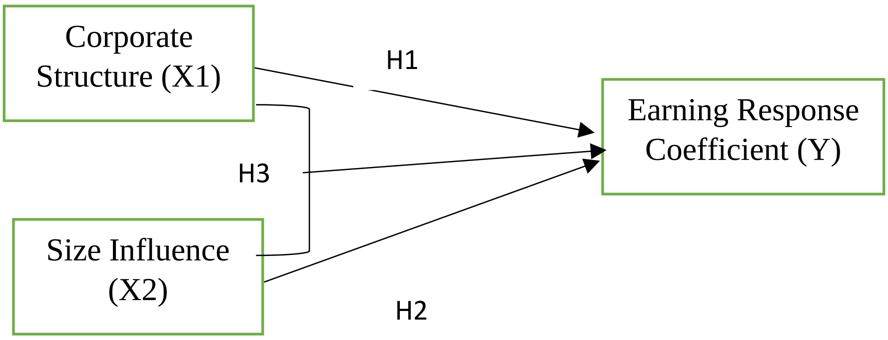

Picture 1. Research Framework

The development hypothesis is as follows:

Mulianti et al (2017) show that capital structure has a significant effect on Earnings Response Coefficient. capital structure has a significant effect on the Earnings Response Coefficient. Wahasusmiah et al., (2022) show the results that the capital structure variable affects the Earnings Response Coefficient. This shows Earnings Response Coefficient has a positive relationship with the capital structure that the company with a high level of capital structure has a positive relationship with the capital structure, capital structure that companies with high capital structure levels cause investors have less confidence in the published earnings, which in turn results in a low Earnings Response Coefficient. When the company earns profit then the debtholder is more profitable than the investor. than investors. Because, the company will prioritize the payment of debt rather than dividends. And in the research of Kusumawati et al (2021) explained that capital structure affects Earnings Response Coefficient. Based on the description above, the 1st hypothesis can be formulated as follows:

H1: Capital Structure affects the Earnings Response Coefficient

Herdirinandasari & Asyik (2016) explained the results of their research regarding the influence of company size on Earnings Response Coefficient, that company size influences Earnings Response Coefficient. Which means the larger the size of a company the higher the Earnings Response Coefficient will be, likewise conversely, the smaller the size of the company, the smaller it will be Earnings Response Coefficient. In research by Anggita & Hidayati (2021) explains that the company size variable has a significant effect on Earnings Response Coefficient. And on Wahasusmiah et al (2022) company size influences Earnings Response Coefficient. Based on the description above, the second hypothesis can be formulated
as follows:

H2: Company size influences Earnings Response Coefficient

In Anggita & Hidayati (2021) research, it was revealed that capital structure and company size simultaneously have a significant effect on the Earnings Response Coefficient. Meanwhile, partially Capital structure has no effect on Earnings Response Coefficient. Meanwhile, Darmawan et al (2022) said that company size and capital structure simultaneously have an influence on Earnings Response Coefficient. However, it is partially variable Company size has an influence on Earnings Response Coefficient, while capital structure has no influence on Earnings Response Coefficient. Based on the description above, it can be formulated 3rd hypothesis as follows:

H3: Capital Structure and Company Size have an effect on Earnings Response Coefficient

MATERIALS AND METHODS

This research uses quantitative research methods because the research data is in the form of numbers and analysis uses statistics. The objects of this research are capital structure, company size and earnings response coefficient. Meanwhile, the subject of this research is a computer services company and its equipment listed on the Indonesia Stock Exchange in 2020-2022. The data collected is in the form of balance sheets and profit/loss reports in the company's financial statements obtained from the official website of the Indonesia Stock Exchange (BEI) www.idx.com

Operational Variables

Operational variables are needed to select the type, indicators and scale of the variables related to the research, so that hypothesis testing using tools can be carried out correctly. According to the title under study, it can be seen that the variables used are the independent (free) variable and the dependent (bound) variable. Independent variables or independent variables are variables that influence and cause changes in the dependent variable or dependent variable (Sugiyono, 2019). This research uses 2 independent (free) variables, namely Capital Structure symbolized by (X1), Company Size (X2). The dependent variable or dependent variable is the variable that is influenced and as a result of the independent (free) variable (Sugiyono, 2019). The variable used is Earning Response Coeffecient (Y).

Earnings Response Coefficient measures a security's abnormal market return in response to the unexpected component of the issuing company's reported earnings these securities. Abnormal return is the excess of the actual return over the normal return or expected return (Hartono, 2017.) :

Table 1 Varible

No	Variable	Measurement	Scale
1	*Earnings Response Coefficient* (Y) Dependen	$b1 = \frac{CARit - b0}{UEit}$	Ratio
2	Capital Structure (X1) Independent	$SM = \frac{\text{Total Utang}}{\text{Total Aset}} \times 100\%$	Ratio
3	Company Size (X2) Independent	Company size = Ln Total Aset	Ratio

RESULTS AND DISCUSSION

Descriptive Analysis Test

Table 2. Descriptive Test

	X1	X2	Y
Mean	0.4667584	27.23037	0.203638
Median	0.427435	27.41632	0.016496
Maximum	1.189810	29.78079	2.299004
Minimum	0.069598	23.76212	-0.665898
Std. Dev.	0.268360	1.719734	0.596888
Skewness	0.705887	-0.320346	2.084974
Kurtosis	3.104955	1.837511	7.179691
Jarque-Bera	3.006186	2.642800	52.28743
Probability	0.222441	0.266762	0.000000

Sum	16.83303	980.2933	7.330984
Sum Sq. Dev.	2.520598	103.5120	12.46965
Observations	36	36	36

Source : Data processed, 2024

The results of the dependent variable analysis using descriptive statistics on the Earning Response Coefficient show that the minimum value is -0.665898 owned by PT Cashlez Worldwide Indonesia Tbk, the maximum value is 2.299004 owned by PT Indosterling Technomedia Tbk. The average value is 0.203638 and the standard deviation is 0.596888, meaning that the data varies because the standard deviation value is greater than the average value (0.596888 > 0.203638).

The results of independent variable analysis using descriptive statistics on Capital Structure show a minimum value of 0.069598 owned by PT Multipolar Technology Tbk, a maximum value of 1.189810 owned by PT Arkadia Digital Media Tbk. The average value is 0.467584 and the standard deviation is 0.268360, meaning that the data is less varied because the standard deviation value is smaller than the average value (0.268360 < 0.467584).

The results of independent variable analysis using descriptive statistics on Company Size show that the minimum value is 23.76212 owned by PT Arkadia Digital Media Tbk, the maximum value is 29.78079 owned by PT Metrodata Eletronics Tbk and the average value is 27.23037 and the standard deviation is 1.719734. The average value is 27.23037 and the standard deviation is 1.719734, meaning that the data is less varied because the standard deviation value is smaller than the average value (1.719734 < 27.23037).

Panel Data Regression Test

Table 2. Panel data regression with Fixed effect Model

Dependent Variable: Y
Method: Panel Least Squares
Date: 11/25/23 Time: 01:14
Sample: 2020 2022
Cross-section included : 12
Total panel (balanced) observation: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-19.01277	9.077506	-2.094493	0.0480
X1	1.194544	0.440016	2.714774	0.0127
X2	3.702882	1.724798	2.146849	0.0431

R-squared	0.566557	Mean dependent var	1.082691
Adjusted R-squared	0.310432	S.D. dependent var	0.331714
S.E. of regression	0.275456	Akaike info criterion	0.544526
Sum squared resid	1.669277	Schwarz criterion	1.160339
Log likelihood	4.198526	Hannan-Quinn criter.	0.759462
F-statistic	2.212030	Durbin-Watson stat	3.253060
Prob(F-statistic)	0.048620		

Source : Data processed, 2024

The model built by Fixed Effect is as follows:
The linear equation is as follows:
$Y = \alpha + \beta 1X1 + \beta 2X2 + \varepsilon$
The following values are obtained:
$Y = -19.01277 + 1{,}194544\ X1 + 3.702882\ X2 + \varepsilon$

Based on the results of the panel data regression equation above, it can be interpreted as follows:

1. The regression coefficient ((β) for capital structure has a positive sign, meaning that the variables are positively related, while the regression coefficient ((β) for the company size variable has a positive sign, meaning that the variable is positively related to the Earning Response Coeffecient.

2. The constant value is -19.01277, meaning that if all the dependent variables, namely Capital Structure and company size, have a value of 0 (zero) and do not change, then the Earning Response Coeffecient will have a value of -19.01277.

3. The Capital Structure regression coefficient value is 1.194544, meaning that if the capital structure

increases by one unit, the Earning Response Coeffecient will increase by 1.194544.

4. The company size regression coefficient value is 3.702882, meaning that if the company size increases by one unit, the Earning Response Coeffecient

will increase by 3.702882.

Coefficient of Determination Test

Based on table 2, showing the ability of the independent variables to explain variations in the dependent variable, it can be seen in the table with a value of 0.566557 or 56.66% which can be explained by the capital structure variables (X1) and company size (X2) on the Earning Response Coeffecient (Y). Meanwhile, the remaining 43.34% can be explained by variables not studied by researchers.

Partial Influence Test (t Test)

Based on table 2:

a. On Capital Structure (X1)

Test criteria: Reject H0 if the significant value is <0.05, 0.0127 <0.05 then H1 is accepted. And t count 2.714774 > t table. 2,035. So it can be concluded that the results of statistical calculations show a profitability value of 0.0127. So it can be concluded that H0 is rejected and H1 is accepted, there is a partial influence of capital structure (X1) on Earning Response Coeffecient (Y).

b. On Company Size (X2)

Test criteria: Reject H0 if the significant value is <0.05, 0.0431 <0.05 then H1 is accepted. And t count 2.146849 > t table. 2,035. So it can be concluded that the results of statistical calculations show a profitability value of 0.0431. So it can be concluded that H0 is rejected and H1 is accepted, there is a partial influence of Company Size (X2) on the Earning Response Coeffecient (Y).

Simultaneous Effect Test (F Test)

Based On Table 2:

Test criteria: H0 is rejected if the significant value is <0.05, 0.048620 <0.05 then H1 is accepted. So it can be concluded that the results of statistical calculations show a probability value of 0.048620. So it can be concluded that H0 is rejected and H1 is accepted, there is a simultaneous influence of Capital Structure (X1) and Company Size (X2) on Earning Response Coeffecient (Y).

The Influence of Capital Structure on Earning Response Coefficient

Statistical analysis shows that Capital Structure has a significant positive effect on the Earning Response Coefficient in computer and software service companies listed on the Indonesia Stock Exchange during the 2020-2022 period. This result can be seen from the significance value reaching 0.0127, which is lower than the specified limit of 0.05. In addition, the t-count value (2.714774) also exceeds the t-table value (2.035), so that the null hypothesis (H0) can be rejected and the alternative hypothesis (H1) is accepted.

The positive effect of capital structure on ERC is in accordance with modern financial theory which states that the right capital structure can maximize company value and influence market reactions to financial statements. This is also supported by several previous studies that show a relationship between capital structure and ERC.

However, it should be noted that these results are compared with several previous studies that show no effect of capital structure on ERC. This difference may be due to several factors: Differences in resolution and measurement methods of capital structure and ERC between these studies.

Differences in the characteristics of the industry and companies studied, including company size, industry type, and macroeconomic conditions. Differences in statistical analysis methods used, which can affect the interpretation of the results. The potential for other factors affecting ERC besides capital structure, such as earnings quality and earnings persistence.

In this case, this study shows that capital structure does have a significant effect on ERC, but this effect may not always be consistent or dominant compared to other factors. Therefore, it is important to conduct further and holistic analysis of the factors affecting ERC, including capital structure, earnings quality, earnings persistence, and external factors such as digital adoption and the impact of the global pandemic.

In addition, these results indicate that computer and software service companies in Indonesia need the right financial strategy in managing their capital structure to maximize market reaction to their financial statements. Company management should consider optimizing their capital structure in order to increase company value and positively affect ERC.

In the next step, this study can be conducted to compress the factors affecting ERC in more detail, including the effect of earnings quality and earnings persistence. In addition, specific case analysis of computer services and software companies that have unique characteristics or special situations that affect ERC can also be conducted to further contribute to the understanding of the factors that affect ERC in this industry.

The results of this research are in line with previous research conducted by Mulianti et al (2017) show that capital structure has an influence significant to the Earnings Response Coefficient. In the research of Wahasusmiah et al (2022) shows the results that capital structure variables have an influence on Earnings Response Coefficient. And in the research of Kusumawati et al (2021) explains that capital structure influences earnings Response Coefficient. However, the results of this study are not in line with previous research conducted by Anggita & Hidayati (2021) capital structure has no effect on Earning Response Coefficient. Mahendra & Wirama (2017) said in the results his research shows that capital structure has no effect on Earning Response Coefficient. Kususma Dewi & Dwina Putra (2017) say that capital structure has an influence negative on the Earning Response Coefficient. This shows that increasingly If the capital structure is higher, the level of Earning Response Coefficient will increase low.

The Influence of Company Size on the Earning Response Coefficient

The results of this study indicate that company size has a significant positive effect on the Earnings Response Coefficient (ERC) in computer services and equipment companies listed on the Indonesia Stock Exchange during the 2020-2022 period. This can be seen from the significance value of the t-test results of 0.0431, which is smaller than the limit of 0.05.

This positive effect is in accordance with economic theory which states that large companies tend to have easier access to capital markets and are able to raise funds in larger amounts than small companies. This allows large companies to make larger investments and diversify their portfolios, thereby increasing profit potential and the possibility of a positive market reaction to their financial information.

These results are consistent with several previous studies that found a relationship between company size and ERC. For example, Herdirinandasari & Asyik (2016) found that company size has an effect on ERC, while Anggita & Hidayati (2021) concluded that company size has a significant effect on ERC. Other studies such as Wahasusmiah et al (2022) and Darmawan et al (2022) also show that the company size variable affects ERC.

However, it should be noted that not all studies show the same results. Some studies find that company size has no significant effect on ERC or even shows a negative effect. This may be due to other factors such as different industries, analysis methods used, or changing economic conditions over time.

In this context, the results of this study provide an important contribution to understanding how company size affects market reactions to financial information. This information is useful for investors, market analysts, and company managers in making strategic decisions related to company growth and its impact on stock value.

Furthermore, these results suggest that companies that want to increase positive market reactions to their financial reports should consider appropriate expansion and growth strategies, as well as improve the transparency and quality of their financial information. Thus, companies can maximize stock value and maintain their position in the market effectively.

Regarding the differences in results with several previous studies, this indicates that the phenomenon may be influenced by specific factors such as different industries, analysis methods, and economic conditions. Therefore, it is important to conduct further research that considers these factors so that the results are more general and relevant.

In a practical perspective, these results indicate that company size is not only a factor that affects stock value, but also the company's ability to influence market reactions to their financial information. This highlights the importance of good communication strategies and transparency in financial reports to create positive perceptions among investors and market analysts.

The results of this research are in line with previous research conducted by Herdirinandasari & Asyik (2016) Company size has an effect on Earnings Response Coefficient. Anggita & Hidayati (2021) concluded that Company size has a significant effect on the Earning Response Coefficient. Wahasusmiah et al., (2022) company size variables influence earnings Response Coefficient. Darmawan et al., (2022) concluded that the size variable The company has an influence on the Earning Response Coefficient. And Dewi & Rahayu (2018) Company size partially has a positive influence significant to the Earning Response Coefficient. In contrast to research by Mahendra & Wirama (2017) which states that size the company has no effect on the Earning Response Coefficient. Mulianti et al., (2017) concluded that company size does not matter significant influence on Earning Response Coefficien. Kususma Dewi & Dwina Putra (2017) Company size has a negative effect on the Earning Response Coefficient. And Apriani & Mutumanikam (2021) which shows the size of the company is not has an influence on the Earning Response Coefficient. That matter is evidence that investors are considering investment decisions not influenced by company size.

The Influence of Capital Structure and Company Size on the Earning Response Coefficient

The results of this study indicate that capital structure and company size have a simultaneous effect on the Earnings Response Coefficient (ERC) in computer services and equipment companies listed on the Indonesia Stock Exchange during the 2020-2022 period. This can be seen from the significance value of the F test results of 0.048620, which is smaller than the limit of 0.05.

This simultaneous effect shows that the combination of high capital structure and large company size will produce a stronger positive reaction from the market to the company's financial information. Conversely, companies with low capital structure and small size tend to show a weaker reaction from the market.

High capital structure is often associated with decreased investor confidence in reported earnings, which ultimately leads to a lower earnings response coefficient. This can be explained by the "agency problem" theory which states that a high capital structure can trigger conflicts between shareholders and company management, so that investors become less confident in financial reports.

Large company size also shows a positive effect on ERC. Large companies tend to have easier access to capital markets and are able to raise larger amounts of funds. This allows large companies to make larger investments and diversify their portfolios, thereby increasing their profit potential and the likelihood of a positive market reaction to their financial information.

These results are consistent with several previous studies that found a relationship between capital structure and ERC. Anggita & Hidayati (2021) found that capital structure and company size simultaneously had a significant effect on ERC. Other studies such as Darmawan et al (2022) also showed that capital structure and company size variables affect ERC.

However, it should be noted that not all studies show the same results. Several studies found that capital structure and company size did not have a significant effect on ERC or even showed a negative effect. This may be due to other factors such as different industries, analysis methods used, or changing economic conditions over time.

In this context, the results of this study provide an important contribution to understanding how the combination of capital structure and company size affects market reactions to financial information. This information is useful for investors, market analysts, and company managers in making strategic decisions regarding company growth, capital structure, and its impact on stock value.

Furthermore, these results suggest that companies that want to increase positive market reactions to their financial statements should consider appropriate expansion and growth strategies, as well as improve the transparency and quality of their financial information. Thus, companies can maximize stock value and maintain their position in the market effectively.

Regarding the differences in the results with several previous studies, this indicates that the phenomenon may be influenced by specific factors such as different industries, analysis methods, and economic conditions. Therefore, it is important to conduct further research that considers these factors so that the results are more general and relevant.

In a practical perspective, these results indicate that the combination of capital structure and company size is not only a factor that affects stock value, but also the company's ability to influence market reactions to their financial information. This highlights the importance of good communication strategies and transparency in financial statements to create positive perceptions among investors and market analysts. In addition, these results also indicate that companies should consider optimizing a balanced capital structure and growth to achieve maximum positive market reactions to their financial statements.

This shows that the Earnings Response Coefficient has a relationship positive with the capital structure that the company with the level of capital structure high causes investors to have less confidence in published profits, which ultimately results in a low Earnings Response Coefficient. And This means that the larger the size of a company, the higher the earnings The Response Coefficient, and vice versa, the smaller the company size the smaller the Earnings Response Coefficient will be. The results of this research are in line with previous research conducted by Anggita & Hidayati (2021) reveal that capital structure and size companies simultaneously have a significant effect on Earnings Response Coefficient. And Darmawan et al (2022) said that company size, and Capital structure simultaneously influences Earnings Response Coefficient.

CONCLUSIONS AND SUGGESTIONS

The conclusion of the results of this research shows that company size and capital structure have a significant effect on the Earnings Response Coefficient (ERC) in computer service companies listed on the Indonesia Stock Exchange. This study found that:

1. Company Size: Larger companies tend to have better added value in the eyes of investors, which can increase market response to their financial statements. This suggests that companies should strive to increase the value of their assets in order to attract more attention from investors.
2. Capital Structure: Company management needs to consider the right strategy in managing their capital structure. The use of high debt can raise concerns among investors, so companies are advised to look for alternatives other than debt to strengthen their capital structure.
3. Implications for Management: Companies need to optimize their capital structure and increase their company size to maximize market reaction to their financial statements. This is important to increase company value and provide greater benefits to shareholders.

Overall, this study emphasizes the importance of effective management in capital structure and company size to improve financial performance and market response to financial statements. Recommendations for further research include several aspects that can be explored further to deepen the understanding of the Earnings Response Coefficient (ERC) and the factors that influence it. Here are some of these recommendations:

1. Additional Factor Analysis: Future research can consider investigating other factors that influence ERC, such as earnings quality and earnings persistence. This will provide a more comprehensive picture of how various elements influence the market response to financial statements.
2. Specific Case Study: Conducting a specific case analysis on a computer services and software company that has unique characteristics or special situations that can affect ERC. This can help in understanding the dynamics of the industry more deeply and provide more relevant insights for companies in the sector.
3. Sector Comparison: Future research can compare the effect of capital structure and company size on ERC across different industry sectors. This will help to identify whether the same findings hold across other industries or if there are significant differences that need to be considered.
4. External Influence: Examine the influence of external factors such as macroeconomic conditions, government policies, and global factors that can affect ERC. This will provide a broader context and help companies formulate better strategies.
5. Diverse Methodologies: Using different research methodologies, such as qualitative or mixed approaches, to gain a more holistic perspective on how companies can improve their ERC.

By following these recommendations, future research can contribute more to the understanding of ERC and help companies formulate more effective strategies to increase their value to investors

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