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Research Paper

THE EFFECT OF ENTERPRISE RESOURCE PLANNING IMPLEMENTATION, ACCOUNTING CONSERVATISM, AND GOOD CORPORATE GOVERNANCE ON EARNINGS QUALITY: AN EMPIRICAL STUDY OF COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (2016–2022)

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ABSTRACT

Purpose – This study examines the effects of Enterprise Resource Planning (ERP) implementation, accounting conservatism, and Good Corporate Governance (GCG) mechanisms on earnings quality among companies listed on the Indonesia Stock Exchange (IDX) during the period 2016–2022. The study is motivated by increasing concerns regarding financial reporting quality during periods of economic uncertainty, particularly before and during the COVID-19 pandemic.
Research Method – A quantitative research approach was employed using secondary data obtained from audited annual reports of companies operating in the food and beverage, cement, banking, and insurance sectors. Based on purposive sampling criteria, 40 companies were selected, resulting in 280 firm-year observations. Following data screening procedures, 202 valid observations were retained for regression analysis. The data were analyzed using descriptive statistics, classical assumption tests, and multiple regression analysis.
Findings – The findings reveal that Enterprise Resource Planning (ERP) implementation, accounting conservatism, audit committees, and independent commissioners have positive and significant effects on earnings quality. These results indicate that integrated information systems, prudent accounting practices, and effective corporate governance mechanisms play important roles in improving the reliability and credibility of financial reporting.
Implication – This study contributes to the literature by integrating information systems, accounting practices, and corporate governance perspectives within a single framework to explain earnings quality in an emerging market context. The findings provide practical implications for managers, regulators, and investors seeking to enhance earnings quality through digital transformation, conservative accounting practices, and stronger governance mechanisms.

Keywords: Earnings Quality, Enterprise Resource Planning (ERP), Accounting Conservatism, Audit Committee, Independent Commissioners.

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INTRODUCTION

Indonesia is one of the countries significantly affected by the COVID-19 pandemic, which spread rapidly across countries worldwide. The number of confirmed cases increased substantially, particularly outside China, where cases rose thirteenfold, and the number of affected countries tripled (World Health Organization, 2020). In response to these conditions, the World Health Organization officially declared COVID-19 a global pandemic on March 11, 2020 (JDIH Maritim, 2022). In Indonesia, the number of COVID-19 infections continued to increase daily, prompting the government to implement preventive measures to curb the spread of the virus. These measures included lockdown policies and the enforcement of Large-Scale Social Restrictions (*Pembatasan Sosial Berskala Besar* – PSBB) as strategic efforts to reduce transmission in several regions.

The manufacturing and service industries play a crucial role in Indonesia's national economy. During the pandemic, these sectors experienced significant contractions due to disruptions caused by COVID-19, such as interruptions in raw material distribution, declining exports, delayed or suspended projects, reduced sales transactions, and limited financial resources. PT Mayora Indah Tbk is one of the manufacturing companies affected by the pandemic. According to (CNBC Indonesia, 2021), the company's revenue in 2020 decreased to IDR 24.47 trillion, representing a decline of 2.2% compared to IDR 25.02 trillion in 2019. This decline was primarily driven by economic uncertainty resulting from the negative impact of global financial markets during the COVID-19 pandemic. On the Indonesia Stock Exchange, PT Mayora Indah Tbk's shares were recorded at IDR 2,530 per share with a relatively low transaction value of IDR 1.50 billion, reflecting a decrease of 8% and a year-to-date decline of 7%.

Similarly, PT Bank Tabungan Negara reported a 36.79% year-on-year decline in net profit in the first quarter of 2020, amounting to IDR 457 billion. Such conditions potentially affect the reliability of corporate financial statements. Financial reports, particularly net income, serve as a key indicator of firm performance and are closely monitored by investors when making investment decisions. (Alarussi & Alhaderi, 2018) define earnings quality as the ability of reported earnings to reflect a firm's true economic performance and to predict future earnings, considering earnings stability and growth persistence. In this context, earnings growth functions as a measure of increases or decreases in firm performance. When a company demonstrates consistent earnings growth, market responses tend to be positive, enabling stakeholders to make more accurate and reliable decisions.

However, several cases in Indonesia indicate issues related to earnings quality. PT Bank Bukopin, for instance, was involved in earnings management practices in its 2016 financial statements. The company reported a net profit of IDR 1.08 trillion for the 2015–2016 period; however, following revisions in 2016–2017, net profit declined sharply by IDR 183.56 billion. In addition, credit card revenue decreased by IDR 317.88 billion from the previously reported IDR 1.06 trillion (Detik.com, 2018). These cases highlight the importance of maintaining high earnings quality.

To ensure high-quality earnings, companies may adopt several strategies, including the implementation of effective Enterprise Resource Planning (ERP) systems, the application of accounting conservatism, and the consistent practice of Good Corporate Governance (GCG). ERP systems support the management, tracking, and integration of business processes, from production planning to order fulfillment. Furthermore, ERP systems streamline inventory management through automated bill of materials processing and tracking, thereby preventing overproduction by integrating real-time data across departments. (Chen et al., 2016) found that ERP implementation reduces short-term accrual manipulation, which in turn enhances earnings quality.

In addition to ERP implementation, accounting conservatism is another factor influencing earnings quality. According to the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Concepts No. 2, accounting conservatism is defined as a prudent reaction to uncertainty, ensuring that risks and uncertainties inherent in the business environment are adequately considered. This practice often results in understated earnings in the current period and potential overstatements in future periods. One notable case in Indonesia involves PT Hanson International Tbk, which was found to have reported revenue in a manner that resulted in the overstatement of earnings. The company recognized gross revenue of IDR 732 billion, leading to an estimated earnings overstatement of approximately IDR 613 billion (CNBC Indonesia, 2021). The subsequent revision of its financial statements illustrates the risks associated with aggressive financial reporting practices and underscores the importance of accounting conservatism in enhancing earnings quality. As a result, management was required to revise the financial statements, causing a significant decline in reported profits. This case demonstrates a lack of prudence in conservative financial reporting and highlights the risks of overstated earnings.

Moreover, the implementation of Good Corporate Governance (GCG) plays a critical role in enhancing business effectiveness. However, the level of GCG implementation in Indonesia remains relatively low, as evidenced by frequent labor protests related to delayed wage payments and recurring economic crises that have led investors to withdraw their capital, resulting in substantial losses. These conditions indicate that many companies in Indonesia have not consistently applied GCG principles. Strengthening GCG practices is therefore essential to restoring investor confidence in earnings quality, as earnings quality is closely linked to strong corporate governance. Well-governed organizations are more likely to uphold ethical financial reporting standards.

Recent studies have emphasized the increasing importance of governance quality, transparency, and digital information systems in improving corporate reporting practices. Digital-driven governance and ESG-related disclosure mechanisms have been shown to reduce information asymmetry and strengthen stakeholder confidence in corporate reporting (Steelyana, 2026; Steelyana & Rachmi, 2026). These findings suggest that governance mechanisms and integrated information systems can play an important role in enhancing earnings quality.

Research Gap

Previous studies have extensively examined the relationship between Enterprise Resource Planning (ERP), accounting conservatism, and corporate governance mechanisms with earnings quality. However, the existing literature presents several limitations.

First, prior studies tend to examine these factors separately rather than simultaneously within a comprehensive framework. ERP implementation is often analyzed from an information systems perspective, while accounting conservatism and corporate governance mechanisms are generally examined independently within accounting and governance research streams.

Second, empirical findings remain inconclusive regarding the effectiveness of governance mechanisms in improving earnings quality. While some studies report positive effects of audit committees and independent commissioners, others find insignificant or inconsistent results across industries and institutional settings.

Third, limited evidence is available from emerging economies, particularly Indonesia, where differences in regulatory environments, governance practices, and digital transformation initiatives may influence the relationship between ERP implementation, accounting conservatism, corporate governance, and earnings quality.

Therefore, this study seeks to address these gaps by examining the simultaneous effects of ERP implementation, accounting conservatism, audit committees, and independent commissioners on earnings quality among Indonesian listed companies during the period 2016–2022.

Although prior studies have examined ERP implementation, accounting conservatism, and corporate governance mechanisms separately, limited research has integrated these variables within a single framework to explain earnings quality in emerging economies. Recent studies have highlighted the role of governance quality, disclosure practices, and digital transformation in improving corporate transparency (Steelyana, 2026; Steelyana & Rachmi, 2026). However, empirical evidence examining how ERP implementation, accounting conservatism, audit committees, and independent commissioners collectively influence earnings quality remains limited, particularly in the Indonesian context.

Research Contribution and Novelty

This study contributes to the literature in three important ways. First, it integrates information systems, accounting practices, and corporate governance mechanisms into a single analytical framework to explain earnings quality. While prior studies have generally examined Enterprise Resource Planning (ERP) implementation, accounting conservatism, and corporate governance mechanisms separately, this study investigates their simultaneous effects on earnings quality.

Second, this study provides empirical evidence from Indonesia, an emerging economy characterized by ongoing digital transformation and evolving corporate governance practices. Despite the growing importance of earnings quality, empirical evidence examining the combined role of ERP implementation, accounting conservatism, audit committees, and independent commissioners remains limited in the Indonesian context.

Third, by covering the period 2016–2022, including the COVID-19 pandemic period, this study offers insights into how ERP implementation, accounting conservatism, and governance mechanisms contribute to maintaining earnings quality during periods of heightened uncertainty and economic disruption.

Therefore, this study extends the existing literature by providing a comprehensive understanding of the determinants of earnings quality from information systems, accounting, and corporate governance perspectives within an emerging market setting.

Based on the foregoing discussion, this study aims to examine the effects of Enterprise Resource Planning (ERP) implementation, accounting conservatism, audit committees, and independent commissioners on earnings quality among companies listed on the Indonesia Stock Exchange during the period 2016–2022. Accordingly, this study is entitled: “The Effect of Enterprise Resource Planning Implementation, Accounting Conservatism, and Good Corporate Governance on Earnings Quality: An Empirical Study of Companies Listed on the Indonesia Stock Exchange (2016–2022)”

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Research Questions

Based on the research background, identified research gaps, and study objectives, the following research questions are proposed:

RQ1: Does Enterprise Resource Planning (ERP) implementation affect earnings quality?
RQ2: Does accounting conservatism affect earnings quality?
RQ3: Does the audit committee affect earnings quality?
RQ4: Do independent commissioners affect earnings quality?

Agency Theory

Agency Theory explains the relationship between principals (shareholders) and agents (managers), in which conflicts of interest may arise due to information asymmetry between management and stakeholders. Managers may possess private information and incentives to engage in opportunistic behavior, including earnings management, to maximize their personal interests. Consequently, financial reports may not fully reflect a firm's actual economic condition.

To mitigate agency problems, companies implement various monitoring and control mechanisms. Enterprise Resource Planning (ERP) systems improve information integration and transparency, accounting conservatism promotes prudent financial reporting practices, while corporate governance mechanisms such as audit committees and independent commissioners strengthen oversight and monitoring functions. Collectively, these mechanisms are expected to reduce information asymmetry and improve earnings quality.

Enterprise Resource Planning (ERP) and Earnings Quality

Agency Theory suggests that information asymmetry between managers and shareholders may create opportunities for earnings manipulation. The implementation of Enterprise Resource Planning (ERP) systems improves information integration, strengthens internal controls, and enhances the reliability of financial reporting. ERP enables real-time access to operational and financial information, thereby reducing information asymmetry and limiting managerial discretion in financial reporting.

Previous studies indicate that ERP implementation improves accounting information quality and reduces earnings management practices. (Chen et al., 2016) found that ERP implementation reduces short-term accrual manipulation and enhances earnings quality. Furthermore, digital governance and integrated information systems contribute to improving corporate transparency and reporting reliability (Steelyana & Rachmi, 2026).

Therefore, the following hypothesis is proposed:

H1: Enterprise Resource Planning (ERP) implementation has a positive effect on earnings quality.

Accounting Conservatism and Earnings Quality

Accounting conservatism refers to the prudent recognition of economic events, whereby potential losses are recognized more promptly than gains. Conservatism reduces managerial opportunism and improves the credibility of financial statements by preventing the overstatement of earnings and assets.

Prior studies suggest that conservative accounting practices improve financial reporting quality by limiting earnings manipulation and enhancing the reliability of reported earnings. Consequently, firms adopting more conservative accounting practices are expected to report higher-quality earnings.

Therefore, the following hypothesis is proposed:

H2: Accounting conservatism has a positive effect on earnings quality.

Prior studies suggest that conservative accounting practices improve financial reporting quality by limiting earnings manipulation and enhancing the reliability of reported earnings (Hanifa, 2017; Alarussi & Alhaderi, 2018).

Audit Committee and Earnings Quality

The audit committee serves as an important corporate governance mechanism responsible for monitoring financial reporting processes, internal controls, and compliance with accounting standards. Effective audit committees strengthen oversight functions and reduce agency conflicts between managers and shareholders.

Previous studies demonstrate that stronger audit committee characteristics contribute to higher reporting quality and lower earnings management practices (Fouad & I.S., 2017; Fuad, 2017).

Therefore, the following hypothesis is proposed:
H3: Audit committees have a positive effect on earnings quality.

Independent Commissioners and Earnings Quality

Independent commissioners provide objective oversight and protect shareholder interests by monitoring managerial behavior. Their independence strengthens board effectiveness and reduces opportunities for opportunistic financial reporting practices.

Research indicates that independent commissioners contribute to better corporate governance and improved financial reporting quality (Pricilla, 2017; Kristanti et al., 2024).

Therefore, the following hypothesis is proposed:
H4: Independent commissioners have a positive effect on earnings quality.

Research Model

Based on Agency Theory, prior empirical findings, and the proposed hypotheses, this study develops a research model examining the influence of Enterprise Resource Planning (ERP), Accounting Conservatism, Audit Committee, and Independent Commissioners on Earnings Quality.

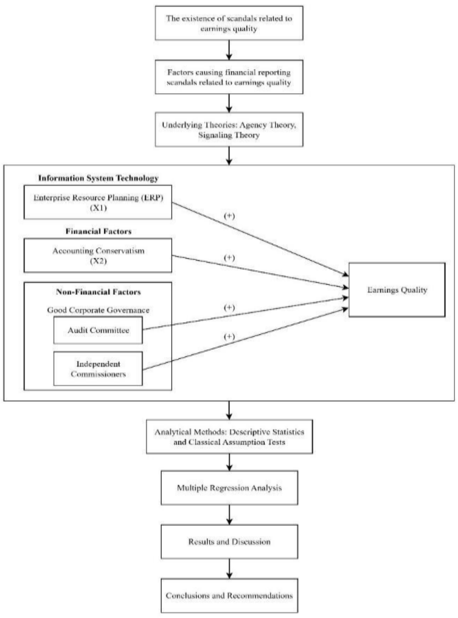

Figure 1. Research Model
Source: **(**Processed Research Data, 2022)

RESEARCH METHODOLOGY

This study employs secondary data in the form of annual reports and audited financial statements obtained from the official website of the Indonesia Stock Exchange (IDX) (www.idx.co.id) and IDN Financials (www.idnfinancials.com). Data related to Enterprise Resource Planning (ERP) implementation were collected from annual reports, company websites, corporate social media platforms, and publicly available professional information concerning employees and former employees of the sampled companies.

The financial statements used in this study consist of audited reports published by publicly listed companies. These reports were utilized to examine the relationships between the independent and dependent variables. The independent variables include Enterprise Resource Planning (ERP), Accounting Conservatism (CONACC), Audit Committee (AC), and Independent Commissioners (IC) as proxies for Good Corporate Governance (GCG), while Earnings Quality (QE) serves as the dependent variable.

This study adopts a quantitative research approach. Quantitative data are expressed in numerical form and analyzed using statistical techniques to test the proposed hypotheses and examine the relationships among variables.

The population consists of manufacturing and service companies listed on the Indonesia Stock Exchange (IDX). The manufacturing sector includes food and beverage companies and cement companies, while the service sector comprises banking and insurance companies. The total population within these sectors consists of 156 companies.

The sampling technique employed in this study is purposive sampling based on the following criteria:

1. Companies continuously listed on the Indonesia Stock Exchange during the period 2016–2022;
2. Companies that conducted their Initial Public Offering (IPO) prior to January 1, 2016, and remained listed throughout the observation period;
3. Companies that disclosed complete information in their annual reports and published audited financial statements during 2016–2022;
4. Companies that presented their financial statements in Indonesian Rupiah; and
5. Companies that consistently generated positive earnings throughout the observation period.

Based on these criteria, 40 companies met the sampling requirements, resulting in 280 firm-year observations (40 companies × 7 years). During the data screening and validation process, observations with incomplete information required for measuring one or more variables were excluded from the regression analysis. Following the listwise deletion procedure applied by SPSS, only observations with complete data for all variables were retained. Consequently, the final dataset used in the multivariate analysis consisted of 202 valid firm-year observations.

The research framework begins with the identification of earnings quality issues and factors affecting financial reporting quality. Subsequently, the study examines the influence of ERP implementation, accounting conservatism, audit committees, and independent commissioners on earnings quality. The data were analyzed using descriptive statistics, classical assumption tests, and multiple regression analysis. The classical assumption tests consisted of normality, multicollinearity, autocorrelation, and heteroscedasticity tests. Finally, hypothesis testing was conducted to determine whether the independent variables have significant effects on earnings quality.

Table 1. Variable Measurement and Operational Definition

Variable	Symbol	Measurement	Reference
Earnings Quality	QE	Earnings quality ratio	(Alarussi & Alhaderi, 2018)
ERP	ERP	Dummy variable (1=ERP implementation; 0=otherwise)	(Chen et al., 2016)
Accounting Conservatism	CONACC	Conservatism proxy	(Givoly & Hayn, 2000)
Audit Committee	AC	Number of audit committee members	(Kartal et al., 2018)
Independent Commissioners	IC	Proportion of independent commissioners	(Rudi et al., 2019)

Source: Developed by the (Authors, 2026)

The dependent variable in this study is Earnings Quality (QE). The independent variables consist of Enterprise Resource Planning (ERP), Accounting Conservatism (CONACC), Audit Committee (AC), and Independent Commissioners (IC). The measurement of each variable follows approaches commonly adopted in prior accounting, corporate governance, and information systems literature. Table 1 presents the operational definitions and measurement methods used in this study.

RESULTS AND DISCUSSION

Descriptive Statistics

The results of descriptive statistics for the Enterprise Resource Planning variable, measured using ERP, show a mean value of 0.6286 with a standard deviation of 0.48405. These results indicate that the average ERP owned by companies listed on the Indonesia Stock Exchange (IDX) during 2016–2022 was 62.86% of the total implementation of ERP systems. The smallest (minimum) proportion of Enterprise Resource Planning was held by insurance companies during the period 2016–2022. The largest (maximum) proportion of Enterprise Resource Planning was owned by manufacturing companies in the research sample for the 2016–2022 period. The mean value being greater than the standard deviation indicates that there is no significant data deviation in the Enterprise Resource Planning variable.

Table 2. Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Deviation
ERP	280	.00	1.00	.6286	.48405
CONACC	280	-.22	5.65	.3129	.50534
AC	280	1.00	10.00	3.5536	1.14096
IC	280	.17	.75	.4589	.13085
QE	280	-146.24	192.29	3.5023	25.96956
Valid N (listwise)	280				

Source: (Processed Research Data, 2025)

The results of descriptive statistics for the Accounting Conservatism variable, measured using CONACC, show a mean value of 0.3129 with a standard deviation of 0.50534. These results indicate that the average level of conservatism of companies listed on the Indonesia Stock Exchange (IDX) during 2016–2022 was 31.21% of the total application of accounting conservatism within companies. The smallest (minimum) Accounting Conservatism value was held by PT Bank Capital Indonesia Tbk in 2022, amounting to −0.22. The largest (maximum) Accounting Conservatism value was held by PT Asuransi Bintang in 2022, amounting to 5.65. The mean value being smaller than the standard deviation indicates the presence of data deviation in the Accounting Conservatism variable.

The results of descriptive statistics for the Audit Committee variable, measured using AC, show a mean value of 3.5536 with a standard deviation of 1.14096. These results indicate that the average audit committee owned by companies listed on the Indonesia Stock Exchange (IDX) during 2016–2022 was relatively large. The smallest (minimum) number of audit committee members was held by PT Wijaya Karya Beton Tbk in 2020 and 2021, amounting to 1. The largest (maximum) number of audit committee members was held by PT Bank Rakyat Indonesia (Persero) in 2020, amounting to 10. The mean value being greater than the standard deviation indicates that there is no data deviation in the Audit Committee variable.

The results of descriptive statistics for the Independent Commissioner variable, measured using KI, show a mean value of 0.4589 with a standard deviation of 0.13085. These results indicate that the proportion of independent commissioners owned by companies listed on the Indonesia Stock Exchange (IDX) during 2016–2022 was 45.89% of the total number of commissioners within companies. The smallest (minimum) proportion of independent commissioners was held by PT Bank Pan Indonesia Tbk during 2016–2022, amounting to 0.17. The largest (maximum) proportion of independent commissioners was held by PT Bank Woori Saudara Indonesia 1906 Tbk during 2016–2022, amounting to 0.75. The mean value being smaller than the standard deviation indicates the presence of data deviation in the Independent Commissioner variable.

The results of descriptive statistics for the Earnings Quality variable, measured using the earnings quality ratio, show a mean value of 3.5023 with a standard deviation of 25.96958. These results indicate that the earnings quality of companies listed on the Indonesia Stock Exchange (IDX) during 2016–2022 was higher than their revenue growth value. The smallest (minimum) earnings quality value was held by PT Bank Capital Indonesia Tbk in 2022, amounting to −146.24. The largest (maximum) earnings quality value was held by PT Asuransi Bintang Tbk in 2022, amounting to 192.29. The mean value being smaller than the standard deviation indicates the presence of data deviation in the earnings quality ratio variable.

One-Sample Kolmogorov-Smirnov Test

The Kolmogorov–Smirnov test produced a significance value of 0.59. Since the significance value is greater than 0.05, it can be concluded that the residual data in the regression model are normally distributed.

Table 3. One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			202
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		1.18537916
Most Extreme Differences	Absolute		.062
	Positive		.060
	Negative		-.062
Test Statistic			.062
Asymp. Sig. (2-tailed)[c]			.059
Monte Carlo Sig. (2-tailed)[d]	Sig.		.061
	99% Confidence Interval	Lower Bound	.055
		Upper Bound	.067

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 484067124.

The Kolmogorov–Smirnov test produced a significance value of 0.59. Since the significance value is greater than 0.05, it can be concluded that the residual data in the regression model are normally distributed.

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	ERP	.734	1.363
	CONACC	.607	1.648
	AC	.764	1.309
	IC	.767	1.304

a. Dependent Variable: QE

Figure 2. Multicollinearity Test

The multicollinearity test results, as shown in the collinearity statistics, indicate that the tolerance value for ERP is 0.734, which is greater than 0.100. The tolerance value for CONACC is 0.607, which is greater than 0.100. The tolerance value for AC is 0.764, which is greater than 0.100, and the tolerance value for IC is 0.767, which is greater than 0.100. These results indicate that there is no correlation among the independent variables exceeding 95%. In addition, the Variance Inflation Factor (VIF) values for ERP, CONACC, AC, and IC are 1.363, 1.648, 1.309, and 1.304, respectively, all of which are less than 10.00. Based on these results, it can be concluded that there are no multicollinearity problems among the variables in the regression equation.

Table 4. Results of the Autocorrelation Test

Model Summary[b]					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	.504[a]	.254	.239	1.197352986876000	1.850

a. Predictors: (Constant), IC, AC, ERP, CONACC
b. Dependent Variable: QE
Source: Secondary data processed using SPSS version 23.0

The results of the autocorrelation test are presented in the Model Summary. The Durbin–Watson value obtained is 1.850. This value is compared with the Durbin–Watson table value using a significance level of 5%, a sample size of 202, and four independent variables (k = 4). Based on the Durbin–Watson table, the upper bound (du) value is 1.810, while the lower bound (dl) value is 1.729. Since the Durbin–Watson value (1.850) lies between du and (4 − du), that is, 1.810 < 1.850 < 2.190, it can be concluded that this study is free from autocorrelation problems.

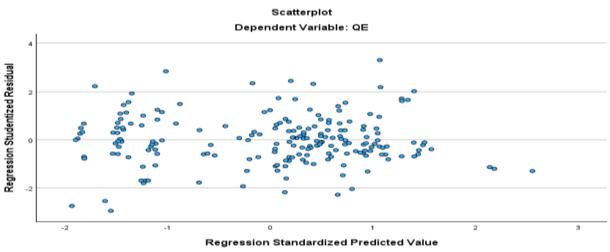

Figure 3. Regression Result

The heteroskedasticity test using the scatterplot graph shows that the data points do not form a clear pattern and are randomly distributed above and below zero (the regression line) on the Y-axis. Therefore, it can be concluded that there is no heteroskedasticity in this study.

Table 4. Results of Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.758	.602		-2.919	.004
	ERP	.905	.212	.306	4.262	.000
	CONACC	1.359	.327	.328	4.155	.000
	AC	.277	.092	.211	2.999	.003
	IC	1.565	.768	.143	2.039	.043

a. Dependent Variable: QE

Source: Secondary data processed using SPSS version 23.0

Based on the results of the regression analysis, the following regression equation is obtained:

$$Y = 1.758 + 0.905X_1 + 1.359X_2 + 0.277X_3 + 1.565X_4$$

The multiple regression equation above indicates that the constant value (α) is negative, amounting to −1.758. This implies that if the values of ERP, Accounting Conservatism, and Good Corporate Governance (Audit Committee and Independent Commissioners) are assumed to be absent or equal to zero, then earnings quality will decrease.

1. The ERP coefficient (X_1) has a positive value of 0.905, indicating that every one-unit increase or improvement in the ERP system increases earnings quality by 0.905. This relationship is positive and strong, assuming that an increase in accounting conservatism is followed by an increase in earnings quality.
2. The Accounting Conservatism coefficient (X_2) has a positive value of 1.359, indicating that every one-unit increase in the level of accounting conservatism increases earnings quality by 1.359. This relationship is positive and strong, assuming that higher accounting conservatism leads to higher earnings quality.
3. The Audit Committee coefficient (X_3) has a positive value of 0.277, indicating that every one-unit increase in the audit committee variable increases earnings quality by 0.277. This relationship is positive and strong, assuming that an increase in the audit committee score is followed by an increase in earnings quality.
4. The Independent Commissioner coefficient (X_4) has a positive value of 1.565, indicating that every one-unit increase increases earnings quality by 1.565. This relationship is positive and strong, assuming that an increase in the score of independent commissioners leads to higher earnings quality.

Table 5. Simultaneous Significance Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	96.081	4	24.020	16.755	.000[b]
	Residual	282.430	197	1.434		
	Total	378.511	201			

a. Dependent Variable : QE

b. Predictors: (Constant), IC, AC, ERP, CONACC

Source: Secondary data processed using SPSS version 23.0

Level of Significant (*a*) = 5%

Degrees of Freedom (*df*) = df 1 = 5-1 = 4

k, n-k = 4, 202-4 = 4,198
Ftable = 2,42
Fstatistic = 16,755

The calculated F-statistic has a value of 16.755 with a significance level of 0.000. Since the predetermined significance value is smaller than 0.05 ($\alpha = 0.05$) and the calculated F-value (16.755) is greater than the F-table value (2.42), this indicates that the variables Enterprise Resource Planning, Accounting Conservatism, and Good Corporate Governance (from the perspectives of the Audit Committee and Independent Commissioners) simultaneously have an effect on the company's earnings quality.

Table 6. Coefficient of Determination Test (R^2)

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.504[a]	.254	.239	1.197352986876000
a. Predictors: (Constant), IC, AC, ERP, CONACC				

Source: Secondary data processed using SPSS version 23.0

The correlation coefficient (R) is 0.504. This indicates that the relationship between the independent variables and the dependent variable is 50.4%, which suggests a moderate relationship between the independent and dependent variables. Furthermore, the value of R Square, or the coefficient of determination, is 0.254, or 25.4% when expressed as a percentage. However, for multiple regression analysis, it is more appropriate to use the Adjusted R Square value, which is 0.239 or 23.9% in percentage terms. This value is always smaller than the R Square value in interpreting the magnitude of the simultaneous effect. The remaining 76.1% (100% − 23.9%) is influenced by other variables outside this model, such as firm size, company assets, investment, capital, and other factors not included in this research model.

Table 7. Results of the T-Statistic Test

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	-1.758	.602		-2.919	.004
	ERP	.905	.212	.306	4.262	.000
	CONACC	1.359	.327	.328	4.155	.000
	AC	.277	.092	.211	2.999	.003
	IC	1.565	.768	.143	2.039	.043

a. Dependent Variable: QE

Source: Secondary data processed using SPSS version 23.0

1. Hypothesis 1 Testing

   Based on the results of the t-test conducted to examine the effect of Enterprise Resource Planning on the Earnings Quality Ratio, the coefficient value is 0.905, the t-statistic is 4.262, and the significance value is 0.000. Since the significance value is smaller than 0.05 ($\alpha = 0.05$), Hypothesis 1, which states that Enterprise Resource Planning has a positive and significant effect on the earnings quality ratio, is accepted. This indicates that the implementation of Enterprise Resource Planning in a company has a positive and significant effect on the resulting earnings quality ratio.
2. Hypothesis 2 Testing

   Based on the results of the t-test conducted to examine the effect of Accounting Conservatism on the earnings quality ratio, the coefficient value is 1.359, the t-statistic is 4.155, and the significance value is 0.000. Since the significance value is smaller than 0.05 ($\alpha = 0.05$), Hypothesis 2, which states that Accounting Conservatism has a positive and significant effect on the earnings quality ratio, is accepted. This indicates that the application of Accounting Conservatism in a company has a positive and significant effect on the resulting earnings quality ratio.

3. Hypothesis 3 Testing

Based on the results of the t-test conducted to examine the effect of the Audit Committee on the Earnings Quality Ratio, the coefficient value is 0.277, the t-statistic is 2.999, and the significance value is 0.003. Since the significance value is smaller than 0.05 ($\alpha = 0.05$), Hypothesis 3, which states that the Audit Committee has a positive and significant effect on the earnings quality ratio, is accepted. This indicates that the implementation of the audit committee in a company has a positive and significant effect on the resulting earnings quality ratio.

4. Hypothesis 4 Testing

Based on the results of the t-test conducted to examine the effect of Independent Commissioners on the Earnings Quality Ratio, the coefficient value is 1.565, the t-statistic is 2.039, and the significance value is 0.043. Since the significance value is smaller than 0.05 ($\alpha = 0.05$), Hypothesis 4, which states that Independent Commissioners have a positive and significant effect on the earnings quality ratio, is accepted. This indicates that the implementation of Independent Commissioners in a company has a positive and significant effect on the resulting earnings quality ratio.

Discussion

This study investigates the influence of Enterprise Resource Planning (ERP) implementation, Accounting Conservatism, Audit Committee effectiveness, and Independent Commissioners on Earnings Quality among companies listed on the Indonesia Stock Exchange during the period 2016–2022. The findings indicate that all four variables have a positive and statistically significant effect on earnings quality.

First, the results demonstrate that ERP implementation positively affects earnings quality. This finding suggests that companies with more advanced ERP systems are better able to integrate operational and financial information, thereby improving the accuracy, consistency, and timeliness of financial reporting. ERP systems reduce information asymmetry and limit opportunities for earnings manipulation because financial transactions are recorded in a more transparent and systematic manner. This finding is consistent with previous studies that argue ERP implementation enhances internal control systems and improves the reliability of accounting information.

Second, accounting conservatism is found to have a positive and significant effect on earnings quality. This result supports the view that conservative accounting practices encourage managers to recognize losses more promptly than gains, thereby reducing the risk of overstated earnings. Conservatism acts as a governance mechanism that limits managerial opportunism and enhances the credibility of financial statements. Consequently, companies that apply higher levels of accounting conservatism tend to produce earnings information that more accurately reflects their economic performance.

Third, the audit committee has a positive and significant influence on earnings quality. The finding indicates that effective audit committees strengthen monitoring mechanisms within organizations and improve oversight of financial reporting processes. Audit committees play a critical role in ensuring compliance with accounting standards, evaluating internal controls, and supporting external audit functions. Therefore, companies with stronger audit committee structures are more likely to generate high-quality earnings information.

Fourth, independent commissioners are also found to positively affect earnings quality.

This result suggests that independent commissioners contribute to enhancing corporate governance by providing objective oversight and protecting stakeholder interests. Their independence enables them to monitor management decisions more effectively and reduce the likelihood of earnings management practices. As a result, stronger board independence contributes to greater transparency and reliability of reported earnings.

Among the variables examined, accounting conservatism and ERP implementation exhibit the strongest effects on earnings quality, indicating that both prudent accounting policies and robust information systems are essential in improving the credibility of financial reporting. The findings also highlight the complementary role of governance mechanisms, particularly audit committees and independent commissioners, in strengthening financial reporting quality.

Overall, the results support Agency Theory, which suggests that governance mechanisms and information systems can reduce agency conflicts between managers and shareholders. The findings also support Information System Theory and Corporate Governance Theory, which emphasize the importance of reliable information systems and effective governance structures in improving financial reporting quality.

CONCLUSIONS

This study examines the effects of Enterprise Resource Planning (ERP) implementation, Accounting Conservatism, Audit Committee effectiveness, and Independent Commissioners on Earnings Quality among companies listed on the Indonesia Stock Exchange during the period 2016–2022.

The results reveal that ERP implementation, accounting conservatism, audit committees, and independent commissioners all have positive and significant effects on earnings quality. These findings indicate that both technological capabilities and corporate governance mechanisms play important roles in enhancing the reliability and credibility of financial reporting. ERP systems contribute by improving information integration and reducing reporting errors, while accounting conservatism promotes prudent financial reporting practices. Furthermore, audit committees and independent commissioners strengthen oversight functions and reduce opportunities for earnings manipulation.

The study contributes to the literature by integrating information systems, accounting practices, and corporate governance perspectives within a single framework to explain earnings quality. The findings provide empirical evidence from Indonesia, an emerging economy where the implementation of ERP systems and governance mechanisms continues to evolve.

From a practical perspective, companies are encouraged to invest in ERP implementation, strengthen audit committee effectiveness, maintain adequate board independence, and consistently apply conservative accounting principles to improve earnings quality and enhance stakeholder confidence. Policymakers and regulators may also use these findings to encourage stronger governance practices and greater transparency in corporate reporting.

Despite these contributions, this study has several limitations. The sample is limited to selected sectors listed on the Indonesia Stock Exchange, and the explanatory power of the model remains moderate, indicating that other factors may also influence earnings quality. Future research is encouraged to include additional governance variables, such as board diversity, ownership structure, ESG performance, and risk management practices, as well as broader industry coverage and longer observation periods.

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