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The Role of Capital Structure on Investment Opportunity Set, Earnings Growth and Earnings Quality

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ABSTRACT
This research intends to determine the influence of Investment Opportunity Set and Earnings Growth on Earnings Quality with Capital Structure as a moderating variable. Infrastructure companies listed on the Indonesia Stock Exchange during 2018-2022. This study used a purposive sampling technique with a total sample of 95 observations obtained. The analysis technique used in this research is Descriptive Statistical Analysis using Eviews applications. The results showed that the Investment Opportunity Set influences earnings quality.
Meanwhile, earnings growth does not influence earnings quality. Capital Structure can weaken the effect of earnings growth on earnings quality. This study reveals that earnings growth does not affect earnings quality, while the Investment Opportunity Set affects earnings quality. Capital structure can strengthen the effect of investment opportunity on earnings quality, and capital structure can weaken the effect of earnings growth on earnings quality.

Keywords: *Earnings Quality, Investment Opportunity Set, Earnings Growth, Capital Structure*

1. INTRODUCTION

Earnings quality is an important indicator that reflects the actual condition of a company in its financial reports (Marisatusholekha & Budiono, 2015). Companies with high earnings quality will report their actual income and conditions transparently. It means that the financial reports accurately reflect the Company's financial performance (Wulandari et al., 2021). For example, a company with high-profit quality will clearly and honestly report its income, provide a precise picture of cash flow, and present other information accurately. Conversely, if reported profits do not reflect actual performance, the quality of the company's profits will be low. It can create uncertainty for investors and creditors because information that needs to be more accurate or presented with bias can mislead decision-making. Thus, companies need to maintain profit quality to ensure that their financial reports can be trusted and provide an accurate picture to interested parties (Musyarofah et al., 2021)

However, in reality, there are Construction State-Owned Enterprises (BUMN), namely PT Waskita Karya Tbk (WSKT) and PT Wijaya Karya Tbk (WIKA) that do not maintain profit quality, so financial reports do not provide an accurate picture to stakeholders. It is because PT Waskita Karya Tbk (WSKT) and PT Wijaya Karya Tbk (WIKA) are suspected of manipulating profits so that the reported profits do not reflect actual conditions (Binekasri, 2023). The low quality of profits of PT Waskita Karya Tbk (WSKT) and PT Wijaya Karya Tbk (WIKA) can be identified through several financial data. 2017-2018, both recorded high net profits, reaching IDR 4.6 trillion, representing significant growth compared to only IDR 1.8 trillion in 2016. However, this profit increase turned out to be unsustainable, because in 2018, their net profit fell drastically

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to only IDR 1 trillion. Furthermore, the financial situation of these companies worsened, especially in 2020, when both experienced losses. However, in 2021, PT Waskita Karya Tbk (WSKT) managed to record a profit of IDR 1.8 trillion again, although this figure still needed to catch up to the results in 2018. In 2022, their profit fell again to IDR 1.7 trillion (NurFitriyani, 2023). From this data, it can be concluded that inconsistent profit fluctuations and financial turmoil in recent years reflect the low quality of profits of PT Waskita Karya Tbk (WSKT) and PT Wijaya Karya Tbk (WIKA).

Based on this phenomenon, it shows several factors that influence earnings quality, including Investment Opportunity Set (IOS) (Al-Vionita & Asyik, 2019; Kurniawan et al., 2020; Yusmaniarti et al., 2023), Earnings Growth (Anggrainy & Priyadi, 2020; Ayem & Mison, 2022; Syawaluddin et al., 2020) and Capital Structure (Kristanti, 2022; Musyarofah et al., 2021; Wulandari et al., 2021).

The investment opportunity set is the first-factor influencing earnings quality in this research. Investment Opportunity Set (IOS) can improve the quality of profits in a company (Al-Vionita & Asyik, 2019; Ayu et al., 2020; Wulandari et al., 2021). It is because the Investment Opportunity Set (IOS) allows management to choose more innovative and more profitable investments so that the Investment Opportunity Set (IOS) can provide a variety of investment options that the Company can choose from (Erawati & Rahmawati, 2022). If a company has various investment opportunities, such as developing new products, expanding into new markets, or investing in more efficient technology. With an Investment Opportunity Set (IOS), companies can select these projects based on the level of risk and potential return and whether they fit with the company's long-term strategy. It allows companies to avoid high-risk projects and focus on those that are more likely to generate high profits. In conclusion, the Investment Opportunity Set (IOS) helps companies optimize their resource allocation, improve earnings quality, and create a solid foundation for sustainable business growth.

However, the results of this research differ from those conducted by Yusmaniarti et al. (2023), which state that the Investment Opportunity Set (IOS) does not affect earnings quality. This is because a company with a high Investment Opportunity set value will be high. The company value will encourage investors to invest because these investors believe they will get high returns in the future. It can motivate management to carry out earnings management practices to increase the company's value so that the quality of the profits produced will be low. (Budi Rohmansyah)

The second factor that influences earnings quality in this research is earnings growth. Earnings Growth can improve the quality of profits in a company (Ayem & Mison, 2022; Kurniawan et al., 2020; Musyarofah et al., 2021). This is because increasing profits usually reflect better financial performance, which can be used to invest resources that support product or service quality (Kurniawan et al., 2020). To illustrate, companies that experience significant Earnings Growth tend to have additional funds to develop product innovations, improve production processes, or train employees, all of which contribute to improving quality. Therefore, from this research, company Earnings Growth is essential in improving quality.

In contrast, a search by Abidin et al. (2022) and Safitri et al. (2021) revealed that Earnings Growth hurts earnings quality. The reason can be explained by the fact that when a company focuses on increasing profits excessively, management may take actions that affect the quality of financial reports, such as manipulating numbers or hiding losses (Abidin et al., 2022). It can lead to inaccuracies and non-transparency in financial reporting, harming the trust of stakeholders such as investors and creditors. For example, if a company aggressively manages profits to meet specific profit targets without paying attention to the quality of financial reports. As a result, financial statements may not reflect the actual condition of the company. Thus, the conclusion that can be drawn is that an increase in Earnings Growth that is too large can hurt the quality of the company's financial reports, threatening the integrity and trust of stakeholders.

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Based on the discussion above shows that there needs to be more consistency in the results of previous research regarding investment opportunity set (ios) and Earnings Growth on earnings quality. It encourages retesting by adding capital structure as a moderating variable. Isnani et al. (2022), Kristanti (2022), and Syawaluddin et al. (2020) reveal that a company's balanced capital structure acts as a mediator that regulates the relationship between investment opportunity set (ios) and Earnings Growth so that overall quality can be optimized profits generated by the company (Syawaluddin et al., 2020). If companies have a healthy capital structure, they can generate quality profits, even in situations full of uncertainty or when Earnings Growth is high. Through research conducted by (Kristanti, 2022), it can be concluded that there is a significant relationship between capital structure and the quality of company profits. Therefore, this research examines the effect of investment opportunity set and Earnings Growth with capital structure as a moderating variable.

2. LITERATURE REVIEW

Agency theory, introduced by Jensen & Meckling in 1976, explains the relationship between shareholders (principals) in a company and management (agents) who act as company managers. Shareholders act as principals who provide capital and management authority, which must be carried out according to the shareholders' needs. On the other hand, managers act as agents tasked with receiving and managing capital that shareholders have invested. The interaction between the principal and agent is regulated through an employment contract (Al-Vionita & Asyik, 2019). Agency theory argues that when owners act as principals and managers act as agents who manage the company, both have different interests and goals to maximize their respective utilities (Yusmaniarti et al., 2023). This agency conflict can be illustrated by describing a situation where the interests of individual managers do not always align with those of shareholders, creating challenges in achieving the company's collective goals. Thus, agency conflicts arise because of these potential differences (Anggrainy & Priyadi, 2020). Shareholders may want to see maximum Earnings Growth, while managers may be more focused on achieving personal goals or internal interest groups (Anggrainy & Priyadi, 2020)

Earnings quality has a close relationship with agency theory. It is because the separation of roles and interests between agents (managers) and principals (shareholders) can give rise to agency conflicts that impact the quality of the Company's financial reporting (Yusmaniarti et al., 2023). Managers may be incentivised to present financial information that benefits themselves, whereas shareholders are more oriented towards the company's long-term interests. Conflicts arise when managers are tempted to embellish financial information to make it look better for personal gain, while shareholders focus on the company's long-term interests. This conflict can be detrimental to the quality of company profits because it encourages practices that prioritize individual interests over the company's overall health (Anggrainy & Priyadi, 2020). Therefore, understanding agency theory is essential in earnings quality analysis and efforts to manage agency conflicts to ensure accurate and reliable financial information.

The Investment Opportunity Set (IOS) significantly impacts the quality of company profits. It is an essential basis for classifying company growth in the future, as described by (Erawati & Rahmawati, 2022). This statement is also supported by agency theory, which emphasizes that the value of the investment opportunity set (ios) is influenced by management's expenditure plans in the coming period (Ashma' & Rahmawati, 2019). In this framework, agency theory explains that the information provided by management to external parties will provide a positive signal to external parties. A high investment opportunity set is considered positive by investors because it has high profits, so many investors are interested in investing in companies with a high investment opportunity set value. (fathin). Previous research supports that the Investment Opportunity Set (IOS) can influence earnings

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quality (Al-Vionita & Asyik, 2019; Ayu et al., 2020; Wulandari et al., 2021). Therefore, a hypothesis can be formulated as follows:

H1: Investment Opportunity Set Hurts Earnings Quality

Earnings Growth is a percentage increase or decrease in a company's profits in the relevant accounting period (Anggrainy & Priyadi, 2020). The higher the opportunity for a company to develop and grow in the future, the higher the quality of the company's profits. High earnings quality is often related to the company's potential growth and development in the future (Musyarofah et al., 2021). Agency theory highlights the significant impact of Earnings Growth on the quality of company profits by emphasizing the relationship between management as agents and shareholders as principals. Imagine a company as a team with management and shareholders in this context. Management tries to achieve high-Earnings Growth to beautify the company's image in the eyes of investors (Anggrainy & Priyadi, 2020). However, agency theory warns that management has personal interests that can encourage practices detrimental to shareholders. Therefore, a deep understanding of these relationships, as outlined by agency theory, can help critically analyze how management actions influence the quality of a company's financial information, whether they reflect actual performance or are adjusted to look better. Previous research supports that Earnings Growth can influence quality (Ayem & Mison, 2022; Kurniawan et al., 2020; Musyarofah et al., 2021). Therefore, a hypothesis can be formulated as follows:

H2: Earnings Growth has a positive effect on Earnings Quality

As a moderating variable, capital structure plays a crucial role in changing or controlling the impact of the investment opportunity set (IOS) on the quality of company profits (Kristanti, 2022). The core concept of capital structure lies in the choice between debt and equity in the company's capital, which, if implemented effectively, allows the company to manage its financial resources better and, therefore, influences the impact of the investment opportunity set (IOS) on earnings quality. The Agency Theory perspective discusses the influence of a company's capital structure on the relationship between investment opportunity set and earnings quality. This theory focuses on the differences in interests between management and shareholders. Capital structure is a control tool that influences how a company manages investments to achieve desired profits. Companies with many investment opportunities can design capital structures to manage risk and signal the quality of earnings to shareholders so that the financial structure is not just about raising money but also managing it for optimal returns. Therefore, an in-depth understanding of how capital structure moderates the influence of investment opportunity set on earnings quality is essential in detailing the complexity of the relationship between management, capital structure and shareholders within the framework of Agency Theory. Therefore, a hypothesis can be formulated as follows:

H3: Capital Structure Can Moderate the Effect of Investment Opportunity Set on Earnings Quality

Capital structure, as a moderating variable, plays a crucial role in

change or control the effect of Earnings Growth on the quality of a company's profits. The company's decision regarding the proportion of debt and equity in its capital is the essence of the capital structure concept (Kristanti, 2022). By implementing an adequate capital structure, companies can more efficiently manage financial resources, which can influence how earnings growth impacts earnings quality. The proper capital structure can guide high-Earnings Growth towards the creation of high-quality profits, which is in line with optimizing the use of financial resources. On the other hand, a capital structure that could be more optimal can limit the positive impact of Earnings Growth on earnings quality, creating a mismatch between the Earnings Growth achieved and the quality of the profits produced (Ayem & Mison, 2022). In the context of Agency Theory, capital structure, namely the way a company funds itself through debt or its capital, plays a moderator role that emphasizes the importance of capital management in linking Earnings Growth and profit quality,

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implying that decisions related to company funding have a significant impact on its financial results and reflect the complexity of the relationship. Between capital structure and performance, especially Earnings Growth and quality (Anggrainy & Priyadi, 2020). Based on the discussion above, the hypothesis obtained is:

H4: Capital Structure can moderate the influence of Earnings Growth on Earnings Quality.

3. RESEARCH METHOD

3.1. Research Methodology

This research is a quantitative research method. Quantitative research methods are research methods that are based on the philosophy of positivism, namely researching specific populations or samples, collecting data through research instruments, and quantitative/statistical data analysis, which aims to test a given hypothesis. This research includes secondary data research (Sugiyono, 2019).

This research was conducted on companies listed on the Indonesian Stock Exchange over five years, starting from 2018 to 2022. The data collection process was taken from the official website of the Indonesian Stock Exchange to obtain data in the form of annual reports and financial reports. Research observations were carried out from 2022 to 2024, approximately four months after research preparation, implementation, and reporting of research results.

3.2. Data Collection Techniques

Document using secondary data obtained from the IDX website and the Company website. Meanwhile, literature study is a method used to complete the theoretical basis, which is carried out by reading library books, references, and previous research results to obtain information about the variables studied so that research problems can be solved correctly.

3.3 Operational Definitions of Variables

Table 1: Variable Measurement

Variables	Measurement
Dependent Variables:	
Earnings Quality	$Earnings\ Quality = \dfrac{Cash\ Flow\ From\ Operation}{EBIT}$
Independent Variables:	
Investment Opportunity Set	$MV/BVA = \dfrac{Total\ Asset - Total\ Equity}{Total\ Assets}$
Earnings Growth	$Earnings\ Growth = \dfrac{Net\ Income\ year\ t - Net\ Income\ year\ t\text{-}1}{Net\ Income\ year\ t\text{-}1}$
Moderating Variables:	
Capital Structure	$Leverage = \dfrac{Total\ Liability}{Total\ Equity}$

3.3. Sample Collection Techniques

The sample determination method in this research used a purposive sampling technique. According to Sugiyono (2019:127), the sample is part of the number and characteristics of the population. The purposive sampling technique was chosen in this research because it allows researchers to deliberately select samples based on the research objectives or certain criteria relevant to the research problem. In other words, researchers can select the most relevant samples to provide in-depth insights related to the research topic or achieve research objectives more efficiently. Therefore, purposive sampling techniques allow researchers to focus on the most relevant or representative samples, thereby saving time and resources and increasing the validity of research findings. The sample selection criteria for this research include:

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Table 2: Variable Measurement

Description	No Of Companies
Companies listed on the Indonesia Stock Exchange (BEI) as of December 31, 2022	62
Companies that are not listed on the IDX during the 2018-2022 period	(14)
Companies that do not publish complete financial reports for the 2018-2022 period	(1)
Outlier Data	(28)
Total sample for 5 years (5 x 19)	95

3.4. Data Analysis Techniques

Data analysis techniques are a way to group data based on variables, tabulate data based on variables, present data for each variable studied, perform calculations to answer problem formulation and carry out hypothesis testing. This data analysis aims to determine the role of each independent variable in influencing the dependent variable. The research data will be calculated using the E-views (Econometric Views) series nine statistical software program and the Microsoft Office Excel application.

This method accommodates differences in individual characteristics and time with errors from the model. Considering that two components contribute to the formation of error (individual and time), this method needs to be broken down into errors from individual components, errors for the time component, and combined errors. The random effect equation can be formulated as follows:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3Z + \beta 4X1Z + \beta 5X2Z + e$$

Where:

Y = Earnings Quality
α = Constant
β1 = Coefficients
X1 = Investment Opportunity Set
X2 = Earnings Growth
Z = Capital Structure
E = error

4. RESULTS AND DISCUSSIONS

4.1. Results

Table 3: Statistic Descriptive

Variables	N	Mean	SD	Min	Max
Dependent variables:					
Earnings Quality	95	0,961368	0,906630	-0,800000	3,190000
Independent variables:					
Investment Opportunity Set	95	166,2644	798,5749	0,000000	5737,050
Earnings Growth	95	-0,416737	3,401529	-21,93000	7,220000
Moderating variables:					
Capital Structure	95	5,262000	37,99967	-3,720000	370,5700

Source: Proceed by E-views, 2024

Table 3 shows the results of descriptive statistical tests with a sample size of 19 companies from 2018 to 2022. The sampling technique used purposive sampling. The descriptive analysis table above shows that 95 data were obtained from 19 companies multiplied by the observation period of 5 years, namely from 2018 to 2022. The results of the descriptive analysis in Table 4 above show the following:

The earnings quality variable observed during the research period can be seen from the output results: the lowest Earnings Quality value was -0.80, obtained by PT. PP (Persero) Tbk. in 2018 means that 2018 the operating cash flow obtained by PT PP (Persero) Tbk was 80 times lower than EBIT. Meanwhile, the highest score was 3.19, obtained by PT. Tower Bersama Infrastruktur Tbk in 2018 means the cash flow from operations obtained by PT Tower Bersama Infrastruktur Tbk was 3.19 times greater than EBIT. The average value (mean) of Earnings Quality is 0.961368, which means that the average cash flow from

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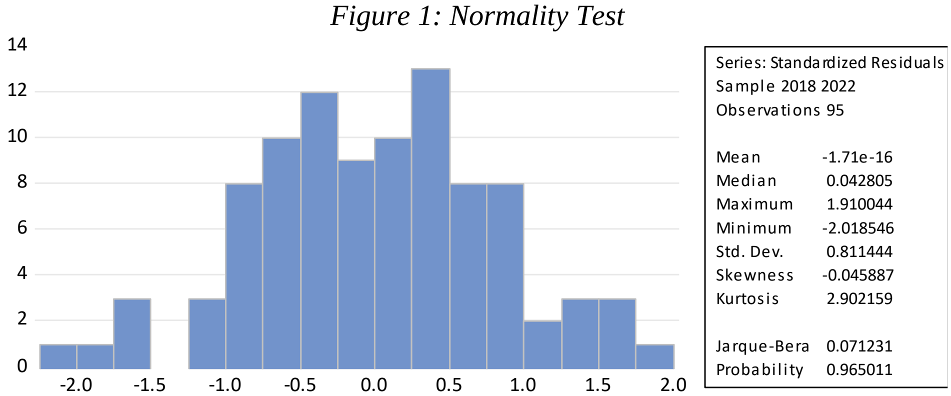
operations obtained by the sample companies during the observation period was 96.13 of EBIT. The standard deviation of Earnings Quality is 0.906630, meaning that the difference in the ratio between cash flow from operations and EBIT between the company and one period with the company and another period is 90.66 of EBIT.

The investment opportunity set variable was measured by comparing the market value of assets and the book value of assets, which was observed during the research period. It can be seen from the output results that the lowest investment opportunity set value is 0.75, obtained by PT PP Presisi Tbk. in 2022, which means that in 2022, PT PP Presisi Tbk. has a market value of assets that is 0.75 times greater than the book value of its assets. Meanwhile, the highest score was 5737.05, obtained by PT Leyand International Tbk in 2021, which means that in 2021, PT Leyand International Tbk has a market value of assets of 5737.05 times greater than the book value of its assets. The investment opportunity set's average (mean) value is 166.2644, which means that the companies sampled during the observation period have a market value of assets that is 166.2644 times greater than the book value of their assets. The standard deviation of the investment opportunity set is 798.5749, meaning that the difference in IOS between one company and one period and another company and period has a market value of assets that is 798.5749 times greater than the book value of the assets.

The Earnings Growth variable observed during the research period can be seen from the output results that the lowest Earnings Growth value was -21.93, obtained by PT Jasa Marga (Persero) Tbk in 2021, which means that in 2021 PT Jasa Marga (Persero) Tbk experienced a decrease in net profit of 2,193% from the previous year's net profit. Meanwhile, the highest score was 7.22, obtained by PT Mitra Pemuda Tbk in 2020, which means that in 2020, PT Mitra Pemuda Tbk experienced an increase in net profit of 722% from the previous year's net profit. The average value (mean) of Earnings Growth is -0.416737, which means that, on average, the companies sampled during the observation period experienced a decrease in net profit of 42% from the previous year's net profit. The standard deviation of Earnings Growth is 3.401529, meaning that the difference in the ratio of net Earnings Growth this year to net profit the previous year between one company and one period and another company and another period is 340%.

The Capital Structure variables observed during the research period can be seen from the output results that the lowest Capital Structure value was -3.72, obtained by PT Mitra Pemuda Tbk in 2021, which means that in 2021, PT Mitra Pemuda Tbk had a debt of -372% of its total equity. Meanwhile, the highest score was 370.57, obtained by PT Leyand International Tbk in 2018, which means that PT Leyand International Tbk has a debt of 370% of its total equity. The average value (mean) of Capital Structure is 5.262000, which means that the average debt owed by the sample companies during the observation period was 526% of their total equity. The standard deviation of Capital Structure is 37.99967, meaning that the difference in the ratio between debt and equity between one company and one period and another company and another period is 38%.

Figure 1: Normality Test



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Source: Proceed by E-views, 2024

The histogram graph above shows that the Jarque-Bera value is 0.071231, while the probability value is 0.965011, which is greater than the significance of 0.05. Thus, it can be concluded that the data is normally distributed or that the assumption of the data normality test has been met.

Table 4: Multicollinearity test

Variables	*Growth Opportunity*	*Asset Structure*	*Sales Stability*
Investment Opportunity Set	1,000000		
Earnings Growth	-0,256334	1,000000	
Capital Structure	-0,034162	0,134983	1,000000

Source: Proceed by E-views, 2024

Based on Table 4 above, the calculation results show that all independent variables have a value <0.8. Thus, there is no multicollinearity in all independent variables.

Table 5: Regression test

Variables	Coefficient	Sig.
Independent variables:		
Investment Opportunity Set	-0.016901	0.006508
Earnings Growth	-0.009784	0.026368
Moderating Variables:		
Capital Structure	0.027456	0.027238
*Investment Opportunity Set*Capital Structure*	-0.016896	0.006507
*Earnings Growth*Capital Structure*	0.000504	0.006794
R-square	0,620934	
Prob(F-statistic)	0.000000	
Observations	95	

Source: Proceed by E-views, 2024

Based on Table 5, it is known that the probability value obtained is 0.000000. Compared with the value α = 0.05, the probability value obtained is smaller than the significance level. So, it can be concluded that the model built is suitable for use (fit).

Based on the table above, the Adjusted R-squared value is 0.620934, which means that 6.20% of the quality of earnings can be explained by the investment opportunity set, Earnings Growth and capital structure variables studied. In contrast, the rest is explained by the variables other than research. These include Profitability, Company Size, Company Risk, and auditor quality.

Investment Opportunity Set influences earnings quality. The output value of the t-test shows that the investment opportunity set variable has a probability value lower than the significance level (0.05), namely 0.0114. So, the investment opportunity set has a significant effect on earnings quality. Because the probability value is lower than the significance level, or in other words 0.0114 < 0.05.

Earnings Growth does not affect earnings quality. The output value of the t-test shows that the Earnings Growth variable has a probability value higher than the significance level (0.05), namely 0.7117. So, Earnings Growth does not affect profit quality because the probability value is higher than the significance level or, in other words, 0.7117 < 0.05.

Capital structure does not affect earnings quality structure. The output value of the t-test shows that the capital structure variable has a probability value higher than the significance level (0.05), namely 0.3169. So, capital structure does not affect earnings quality. Because the probability value is higher than the significance level, or in other words, 0.0028 < 0.05.

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Capital structure can moderate the influence between investment opportunity set and earnings quality. The output results above show that the probability value is 0.0114, lower than the significance level. Capital structure can moderate the influence of investment opportunity set and earnings quality. Because the probability value is lower than the significance level, or in other words 0.0114 < 0.05.

Capital structure cannot moderate the influence between earnings growth and earnings quality. The output results above show that the probability value is 0.9411, where this value is higher when compared to the significance level. So, the capital structure cannot moderate the effect of earnings growth on earnings quality because the probability value is greater than the significance level, or 0.9411 > 0.05.

4.2. Discussion

The first hypothesis proposed in the research is that investment opportunity set significantly affects earnings quality. The results of the tests carried out show that the probability value of the investment opportunity set is 0.0114, meaning the probability value is lower than the significance value (0.05). Therefore, the investment opportunity set variable significantly affects Earnings Quality. This shows that the fourth hypothesis is accepted.

The research results show that the Investment Opportunity Set (IOS) significantly influences Earnings Quality. Companies with high levels of IOS tend to show higher growth prospects in the future (Ayu et al., 2020). The availability of growth opportunities reflected in IOS leads to increased company profits in the future, eliciting a more significant positive response from the market. In other words, the greater the investment opportunities a company has, the better the quality, and the resulting profit information is a more accurate indicator of the company's financial health (Kurniawan et al., 2020). The importance of IOS in determining earnings quality can also be understood from the agency theory perspective. This theory confirms that management's spending plans influence the value of IOS in the future period. Thus, agency theory explains how uncertainty in managerial decision-making can create uncertainty among shareholders (Ashma' & Rahmawati, 2019). This relates to how management decisions and strategies align with shareholder expectations related to the Investment Opportunity Set. Thus, the link between IOS, earnings quality, and agency theory provides a solid basis for understanding the complex relationship between these aspects in corporate decision-making.

The results of this research are in line with research conducted by (Ayu et al., 2020) (Al-Vionita & Asyik, 2019); (Aningrum & Muslim, 2021); (Kurniawan et al., 2020) which states that the Investment Opportunity Set has a significant effect on Earnings Quality. The results of this research indeed contradict research conducted by (Ashma' & Rahmawati, 2019); (Erawati & Rahmawati, 2022); (Wulandari et al., 2021) stated that the Investment Opportunity Set does not have a significant effect on Earnings Quality.

The second hypothesis proposed in the research is that Earnings Growth has no significant effect on earnings quality. The results of the tests show that the probability value of Earnings Growth is 0.7117, meaning the profitability value is greater than the significance value (0.05). Due to this condition, the Earnings Growth variable does not significantly affect profit quality. This shows that the hypothesis is rejected.

The research results show that Earnings Growth does not significantly influence earnings quality. The results of this research are supported by research conducted by Anggrainy. which states that a conflict of interest between the company owner (principal) and management (agent) can cause the nature of company management to report profits opportunistically to maximize their interests (Anggrainy & Priyadi, 2020). Therefore, the profits generated by the Company do not reflect the actual condition of the Company. This can cause a decrease in investor confidence in companies that experience Earnings Growth, so the quality of profits also decreases. Profits that increase are good news for investors, while profits that decrease will be bad news for investors (Yusuf et al., 2021).

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This can be seen at PT. Jasa Marga (Persero) Tbk. 's Earnings Growth value in 2021 is -21.93, and the profit quality value is 1.34. In 2022, the Earnings Growth value will increase by 1.67, and the profit quality value will decrease by 0.94. The results of this research state that the Earnings Growth value obtained by the company cannot affect the quality of profits. The results of this research align with research conducted by (Al-Vionita & Asyik, 2019) and (Proyadi, 2020), which stated that Earnings Growth has no significant effect on Profit Quality. The results of this research indeed contradict research conducted by (Isnani et al., 2022); (Musyarofah et al., 2021) and (Kurniawan et al., 2020) state that Earnings Growth has a significant effect on earnings quality.

The Investment Opportunity Set (IOS) significantly impacts the quality of company profits. It is an essential basis for classifying company growth in the future (Erawati & Rahmawati, 2022) in line with capital structure, where capital structure plays a crucial role in changing or controlling the impact of the investment opportunity set (ios) on the quality of company profits (Kristanti, 2022). The test results show that the probability value of the interaction between the investment opportunity set and earnings quality is 0.0114, where this value is smaller than the significance level (0.05). This shows that the third hypothesis in this research is accepted.

This statement is strengthened by agency theory, which focuses on the dynamics of different interests between management and shareholders. In this context, capital structure is a control tool crucial in determining the company's investment management approach to achieve the desired profit goals. By setting the proper capital structure, management can be guided to optimize the investment opportunity set (ios) to improve the quality of the company's profits. When a company faces few profitable investment opportunities, management may choose a more conservative capital structure to avoid unnecessary risks. Although this capital structure does not directly affect the company's profits, this decision reflects management's efforts to ensure long-term business continuity. These actions, ultimately, contribute to long-term stability and profitability for shareholders as management strives to maintain business sustainability over the longer term.

The fourth hypothesis proposed is that Capital Structure can moderate the effect of earnings growth on earnings quality. The analysis results in this study show a profitability value of 0.9411, which is greater than the significance value (0.05). So, the capital structure cannot moderate the effect of earnings growth on earnings quality. This shows that the fourth hypothesis is rejected. Capital structure cannot significantly strengthen or weaken the relationship between earnings growth and earnings quality. This is because capital structure does not directly affect Earnings Growth but can impact the quality of profits generated. Capital structure includes the composition of debt and equity used to fund company operations. Although capital structure can influence capital costs and financial risk, Earnings Growth is more influenced by operational efficiency, marketing strategy and project management (Mardiana et al., 2022). A company with a balanced capital structure may have a lower cost of capital. However, significant Earnings Growth still depends on successfully winning contracts, managing projects efficiently, and ensuring customer satisfaction. Therefore, while capital structure can influence earnings quality through its impact on financial risk, operational and managerial factors are more dominant in determining a company's earnings growth and quality.

5. CONCLUSIONS

This research aims to measure the effect of investment opportunity set and Earnings Growth on profit quality with capital structure as a moderating variable carried out in infrastructure companies listed on the Indonesia Stock Exchange. Based on the research results obtained and the discussion previously explained, the Investment Opportunity Set (IOS) significantly affects Earnings Quality. Earnings Growth does not have a significant

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effect on Earnings Quality. Capital Structure can moderate the influence of the Investment Opportunity Set (IOS) on Earnings Quality. Capital Structure cannot moderate the influence of Earnings Growth on Earnings Quality.

Suppose you want to carry out the same research. In that case, the next researcher can choose a more specific type of industry so that you get research results that are more representative of each business sector and can strengthen the research results that previous researchers have carried out. Since the Adjusted R-Square value only explains 6.20%, future researchers deemed it necessary to look for and add other independent variables that might influence the dependent variable of capital structure. Future researchers are expected to be able to take longer and longer research periods so that they can reflect the company in the long term and get more accurate research results.

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