# ABSTRACT

Lilian Hadibrata / 30150060 / 2019 / Effect of Earnings Persistence, Profitability, Company Size, and *Corporate Social Responsibility* on *Earnings Response Coefficient* in LQ 45 Companies on the Indonesia Stock Exchange in 2015-2017 / Advisor: Prima Apriwenni, SE, Ak., MM, M.Ak.

The company's main goal is to make a profit. But companies can also develop with economic assistance from investors who invest in companies. Investors make decisions based on information that has been obtained from financial statements. The magnitude of the strength of the relationship between changes in accounting Earnings and the response of stock prices in the accounting literature was measured using *Earnings Response Coefficient*s (ERC). The purpose of this study is to determine whether profitability, Earnings persistence, firm size, *Corporate Social Responsibility* have an effect on *Earnings Response Coefficient*.

The theory used this research is agency theory, signal theory, and legitimacy theory. Agency theory will explain that there is a relationship of interests between stakeholders and their managers. Signal theory will explain the efforts of managers in communicating profits to the market using financial statements. Legitimacy theory will explain how to convince the public that the company has operated according to the values ​​and norms that apply.

This study uses an observation method with a sample of 31 observational data consisting of 31 LQ 45 companies over a period of 3 years (2015-2017). Data analysis technique used is descriptive statistics, structural model evaluation, *overall fit* assessment and hypothesis test using Warppls.

Based on the results of the *overall fit* assessment, the model is said to be feasible. While based on hypothesis testing with p-values ​​of 5%, the profit persistence variable (PL) is 0.0350, the variable profitability (ROI) has a sig value of 0.0135 with a negative direction, and the variable firm size (SIZE) is 0.0265, which proves to influence *Earnings Response Coefficient*. Variable *Corporate Social Responsibility* (CSRD) has a sig value of 0.1785 so it is not proven to affect *Earnings Response Coefficient*.

The conclusion that can be drawn is that there is enough evidence on earnings persistence variables and firm size to influence *Earnings Response Coefficient*, there is not enough evidence on *Corporate Social Responsibility* variables to affect *Earnings Response Coefficient*, while profitability to *Earnings Response Coefficient* cannot be concluded.

Keywords: *Earnings Response Coefficient*, Profitability, Earnings Persistence, Firm Size, *Corporate Social Responsibility*