"Determinant of earnings response coefficient on the Indonesian and Singaporean stock exchanges during the COVID-19 pandemic"

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DETERMINANT OF EARNINGS RESPONSE COEFFICIENT ON THE INDONESIAN AND SINGAPOREAN STOCK EXCHANGES DURING THE COVID-19 PANDEMIC

Abstract

Earnings response coefficient (ERC) is one of the important things for companies and investors, as it reflects a company's good value. The COVID-19 pandemic, which is happening globally, has greatly affected capital market conditions and companies in general. It is necessary to examine what factors affect ERC significantly to provide an overview to the company while maintaining the good name of the company. This study aims to analyze the effect of firm growth, leverage, information asymmetry, and systematic risk on ERC with dividend payout ratios as moderating on the Indonesia Stock Exchange and Singapore Stock Exchange. The study uses a quantitative approach with secondary data in the form of companies' annual reports. Population was made up of food and beverage and tobacco manufacturing companies in 2018–2020. It consists of 38 JASICA index companies on IDX, and 33 SGX index companies on SGX. The results showed that, firstly, leverage and systematic risk had a significant negative effect on ERC. Second, firm growth and information asymmetry have no effect on ERC. Third, dividend payout ratio can weaken a positive influence of information asymmetry on ERC. Fourth, dividend payout ratio failed to moderate a positive effect of firm growth and a negative effect of leverage and systematic risk on ERC. All variables have no significant statistical difference between the two stock exchanges. These results indicate that a company must improve the performance and quality of information; pay attention to obligations, mitigate and manage risk to obtain optimal ERC.

Keywords	earnings response coefficient (ERC), firm growth, leverage, dividend payout ratio, JASICA, IDX, SGX
JEL Classification	E22, E44, G15, G32

INTRODUCTION

The COVID-19 pandemic ongoing since the end of 2019 is affecting the development of the capital market. However, based on PT Kustodian Sentral Efek Indonesia (2021) statistical data, in 2020 the number of investors increased significantly by 56.21%. The increase in the number of investors is inversely proportional to the IHSG value and tends to decline. According to the efficient market theory, the concept of market efficiency explains the process of forming of market equilibrium prices. Systematic risk in the form of COVID-19 makes the market respond to changes in economic fundamentals in the form of low movement stock transactions. The market predicts that a company's fundamentals will decline as the stability of the projected performance of profit is disrupted.

The investor's response is in the form of a strong market reaction to earnings information, as reflected by the high Earnings Response Coefficient (ERC). However, other information besides earnings is still needed to predict returns. Profit has limitations influenced by calcula-

tion assumptions and the possibility of management manipulation. When profits decline, it is not necessarily followed by a decrease in stock prices, and that every increase in profit is not always followed by changes in positive stock price increases, and vice versa. Such conditions occur when companies carry out inappropriate earnings management practices (earnings manipulation). Manipulation makes profits not presented according to the facts of economic conditions, so they cannot be the basis for decision making. The impact of earnings manipulation is the imbalance of profits earned with existing stock prices. This is bad news because a company is considered to have failed to maintain the stability of its performance. Complex and complicated operational activities are the main reasons for profit manipulation practices in manufacturing companies.

ERC, which is a benchmark for market response to a company's condition, needs to be evaluated so that the company always gets a good assessment from the stock market. For this reason, an analysis of ERC determinants is needed. According to several previous studies with fairly inconsistent results, several factors that influence ERC explored in this study are firm growth, leverage, information asymmetry, and systematic risk and dividend payout ratio.

1. LITERATURE REVIEW

ERC is the sensitivity of the effect of earnings on returns, which is reflected in the high and low slope coefficient of the earnings regression model (Millatina, 2012). This study is based on efficient market theory, agency theory, and signaling theory. Efficient market theory from Fama (1970), is a theory of the implications of investor responses to information published by companies and emphasizes market conditions and reactions (Rizki & Rosyidiana, 2017). No party is able to control market efficiently, because the market reacts quickly and accurately achievea a new balance that reflects available information (Saputra & Mulyani, 2016). Efficient market theory supports the ERC, showing how strong financial information through stock price reflection affects investor response. Efficient market theory also explains the effect of systematic risk, because investment always has the opportunity to have unavoidable risks (Basuki et al., 2017; Agustina, 2021). Ball et al. (1999) stated that the implication of systematic risk encourages investors to seek the lowest risk for stocks with the same return.

Agency theory from Jensen and Meckling (1976) expressed a cooperative owner relationship (*principal*) by delegating authority and decision making to management (*agent*) to optimize profits (Reyhan et al., 2014). There are opportunities for differences of two parties resulting in information asymmetry (Irawan & Talpia, 2021). Agency theory also plays a role as an alternative solution to overcome the weaknesses of efficient market theory, which contains anomalies such as stock price variances, namely through dividend distribution (Zein, 2016). Bathala et al. (1994) state that to reduce agent and principal, supervision can be carried out by paying dividends through the dividend payout ratio to earnings after tax.

Signaling theory from Akerlof (1970) states that companies provide signals to interested parties regarding their performance, including growth rates and funding. Earnings announcements can produce various responses. Signals can be in the form of good news or bad news, which is the basis for assessing company performance (Assagaf et al., 2019). The presentation of systematic and fair accrual earnings is a sign that a company has good ERC (Mashayekhi & Aghel, 2016).

Determinants of ERC are very diverse, and there are still inconsistencies in the results. Yeni et al. (2018), Holiawati (2017), and Tamara and Suaryana (2020) show that firm growth has a positive effect on ERC. Widiatmoko and Indarti (2018) and Kurniawati and Dwimulyani (2018) show that firm growth has a negative effect on ERC. Meanwhile, Santoso (2015) and Arif (2016) found that firm growth had no effect on ERC.

Firm growth, according to Fitriah (2020), is a measure of how far a company puts itself in the economic system. Companies with good firm growth have performance and progress that shape profits and a positive image so that ERC will be of good val-

ue (Farizky, 2016). Signaling theory from Akerlof (1970) stated that a company will provide signals to interested parties regarding their performance.

Firm growth has a positive effect on changes in stock prices (Dewi & Wirajaya, 2013). Yeni et al. (2018) and Dewi and Puspaningsih (2019) stated that firm growth has a positive effect on ERC. Companies with firm growth are able to provide returns compared to those that do not grow (An, 2015). Dewi and Puspaningsih (2019) explained that firm growth will provide benefits and opportunities for a company to earn high profits in the future (Kurniawati & Dwimulyani, 2018).

Leverage is the proportion of the use of obligations in financing investment (Wulansari, 2013). When a company has big leverage, then when profits increase, debtholders become the beneficiary (Dewi & Puspaningsih, 2019). Signaling theory from Akerlof (1970) stated that a company will provide signals to interested parties regarding their performance. Companies with high leverage are expected to increase profits due to additional funds from external parties (Lestari & Khafid, 2021).

Shiri et al. (2012) and Samosir (2018) show a positive effect of leverage on earnings quality as proxied by ERC. Suardana and Dharmadiaksa (2018) and Tamara and Suaryana (2020) show that leverage has a negative effect on ERC. Meanwhile, Kristanti and Almilia (2019) and Hasanuh et al. (2020) show that leverage has no effect on ERC.

High leverage levels provide bad news to investors, but good news to debtholders. Bad news will reduce market reaction, because creditors will benefit more (Scott, 2015). Dewi and Yadnyana (2019) and Dewi et al. (2020) prove that leverage has a negative effect on ERC. Dewi et al. (2020) concluded that a better condition of company profits financed with high leverage leads to more negative shareholder response. High leverage shows that total liabilities are greater than total equity, so expenses outside the company increase. Tamara and Suaryana (2020) indicated that investors prefer earnings announcements accompanied by bond redemptions over new bond issuances.

The relationship between agent and principal causes information asymmetry because a principal has

limited the ability to manage a company (Agusti & Pramesti, 2013). Information asymmetry occurs when an agent has more information on the state and prospects of the company than the principal (Wardani & Masodah, 2011). Agency theory from Jensen and Meckling (1976) implies a separate function of management and ownership, thus encouraging agents to report accounting numbers to maximize performance and create good news to attract investor responses (Putri & Fitriasari, 2017).

Agency theory emphasizes the importance of the principal handing over the management of a company to professionals (agents) (Paramita et al., 2020). Agents want performance results to be judged good by the principal, so they get more bonuses through a bonus plan (Prihastomo & Khafid, 2018). Indrawati (2011) and Widjayanti (2018) supported by Sari (2020) stated that information asymmetry has a positive effect on ERC. The greater the information asymmetry, the higher the opportunity for the agent to create earnings quality and form a good image of the company through earnings publications. Management prioritizes the publication of good information about companies with bad information not announced and becoming a company's internal secrets, thereby increasing investor response (Barus & Setiawati, 2015). Through the availability of information not owned by the principal the agent provides satisfaction to shareholders (Azhar, 2014).

Systematic risk is a risk that affects all companies and cannot be eliminated through diversification (Tandelilin, 2010). Awawdeh et al. (2020) stated that the level of systematic risk can be measured by the beta value. A high beta value has an impact on a company's high asset portfolio risk (Kurniawati & Dwimulyani, 2018). Efficient market theory from Fama (1970) stated that no investor is able to control market efficiently. According to Santoso (2015), uncertainty always arises related to market conditions. Even though a company's operations are going well and the stock price has no reason to down, according to efficient market theory market will still react negatively due to systematic risk (Basuki et al., 2017).

Sari (2020) found evidence of information asymmetry having a positive effect on ERC. However, Reyhan et al. (2014) and Azhar (2014) stated that

information asymmetry had no effect on ERC. Susanto (2012) proves that systematic risk has a positive effect on ERC. Beredugo (2021) states that systematic risk has a negative effect on ERC, while Beredugo (2021) shows that systematic risk has no effect on ERC.

Jumaidi and Rijal (2018) stated that systematic risk has a negative effect on ERC. More fluctuating stocks change due to market conditions, so beta has high value and earnings at the end of the period are difficult to predict, thereby reducing investor response. Suardana and Dharmadiaksa (2018) and Beredugo (2021) stated that high beta increases unexpected prices and future earnings revisions. Investors tend to be risk averse and less likely to like big profit surprises. Although promising returns, large profit surprises have a high degree of uncertainty as well.

The inconsistency of the results of previous studies underlies the emergence of a moderating variable that is a dividend payout ratio. Dividend payout ratio refers to the policy of measuring dividends in the amount of profit per share (Setiawati & Yesisca, 2016). A higher dividend payout ratio means more dividends paid out of net income.

Dividends are evidence of performance, as well as an alternative to monitoring management policies (Paramita et al., 2020). Dividend distribution is able to keep shareholders from investing even increasing the amount of investment funds. Investors are interested in dividends rather than capital gains, because they provide more certainty than relying on changes in stock prices (Marina et al., 2020).

Dewi and Puspaningsih (2019) stated that firm growth has a positive effect on ERC. Companies with firm growth provide high benefits in the future. The higher the firm growth, the higher the ERC. Based on agency theory from Jensen and Meckling (1976), agency relationship causes information asymmetry and conflict of interest. Information asymmetry can be reduced by performance transparency and corporate governance. Management supervision can be controlled by paying dividends to net income through the dividend payout ratio (Fred & Copeland, 1992).

Dividend payout ratio weakens the influence of firm growth on ERC. Companies with firm growth have lower dividend payout ratio (Deng et al., 2017). A company's funds and profits are reused to finance the company's investment projects (Fitriah, 2020). Based on Sari and Daud (2016), the higher the firm growth, the greater the funding, and a company's desire to retain profits. Growing companies tend not to distribute dividend payout ratios, but use these funds for expansion (Soly & Wijaya, 2017).

Dewi et al. (2020) stated that leverage has a negative effect on ERC. The better the condition of a company financed by leverage, the more profitable the debtholders. Based on agency theory of Jensen and Meckling (1976), agency relationship causes information asymmetry and conflict of interest. Dividend payout ratio strengthens the negative effect of leverage on ERC.

Companies with high leverage have low dividend payout ratio. When a company earns a profit from liability financing, it focuses on returns to creditors rather than returns to investors. Kristanti and Almilia (2019) stated that a company's first choice of funding is retained earnings, then liabilities and equity. Dewi et al. (2020) stated that the smaller liability indicates the company has been able to use internal equity (retained earnings). The use of internal equity is the company's effort to minimize the cost of capital in reducing dividend payments through the dividend payout ratio.

Sari (2020) shows that information asymmetry has a positive effect on ERC. Agents with more information than principals are able to create positive value through reporting the company's good performance. Based on signaling theory from Akerlof (1970), information signals are given by companies to interested parties regarding their performance. The signal acts as information and comes from information asymmetry (Putra et al., 2014).

Dividend payout ratio strengthens a positive effect of information asymmetry on ERC. Dividend payout ratio indicates the agent better understands the condition and performance of the company. The information signal of the

dividend payout ratio is the answer to specific matters occurring in the company (Malau & Parhusip, 2016). Agents are motivated to convey good information to the public as quickly as possible. Information asymmetry makes external parties do not know for sure the truth of the information submitted by an agent. When an agent is able to give a convincing signal, public will be impressed and reflected in the price of securities (Khafid & Arief, 2017).

Jumaidi and Rijal (2018) stated that systematic risk has a negative effect on ERC. High systematic risk reflected in the beta value causes unexpected income due to uncertainty in returns and investors who tend to avoid risk. Signaling theory from Akerlof (1970) explains a company's signaling information to interested parties regarding its performance. Price changes depend on new information and systematic risk previously unknown (Paramita et al., 2020). Dividend payout ratio strengthens the negative effect of systematic risk on ERC.

Investments with systematic risk will not guarantee profits (Lie & Osesoga, 2020). Agustina et al. (2021) stated that companies must be able to control risk for business continuity. Dividend payout ratio indicates a company's risk is under control. A company is able to make dividend distribution decisions, when it is certain that the risks faced can be overcome and do not cause sustainable losses. When a company has a profit every year, a mechanism for distribution of retained earnings must be determined by considering the risk (Husiano & Suratno, 2014). Brealey et al. (2012) stated that companies with high risk do not get a good response from investors. Investors avoid risk, when the risk is high, the ERC weakens (Fauzan & Purwanto, 2017). Investors dislike big profit surprises because they carry a lot of risk.

This study was conducted from the inconsistency of the previous research (research gap), by adding the dividend payout ratio (DPR) as a moderating variable. DPR is considered to be able to reduce the conflict of interest between the principal and the agent. So, the aim of this study is to analyze the effect of firm growth, leverage, information asymmetry, and systematic risk on ERC with dividend payout ratio as the moderating variable, so the hypotheses of this study are:

H1:   Firm growth has a positive effect on ERC.

H2:   Leverage has a negative effect on ERC.

H3:   Information asymmetry has a positive effect on ERC.

H4:   Systematic risk has a negative effect on ERC.

H5:   Dividend payout ratio moderates a positive effect of firm growth on ERC.

H6:   Dividend payout ratio moderates a negative effect of leverage on ERC.

H7:   Dividend payout ratio moderates a positive effect of information asymmetry on ERC.

H8:   Dividend payout ratio moderates a negative effect of systematic risk on ERC.

2. METHOD

This research's population is a combination of two indices on two stock exchanges. It consists of food, beverage, and tobacco manufacturing companies 2018–2020 on the JASICA index (Jakarta Stock Exchange Industrial Classification) on the Indonesia Stock Exchange (IDX) and SGX index (Singapore Index Exchange) on the Singapore Exchange (SGX). The sample consisted of food, beverage, and tobacco manufacturing companies operating in 2018–2020 in JASICA index on IDX and SGX index on SGX, according to the established criteria.

Purposive sampling is a sampling technique of this study. The sample was selected based on certain criteria during the 2018–2020 period, so that 71 companies (38 IDX and 33 SGX companies) were obtained with total 87 data analysis units. During the study, 29 outliers were identified using the IBM SPSS version 25 program, so that the data used became 58 data analysis units. An outlier is known by looking at the Z-Score, which is then removed from the research sample.

The research was conducted using quantitative methods. All data are presented by the quantitative approach by using numerical data, which can be processed and analyzed using statistical techniques. The type of data is secondary data consisting of annual reports, daily share prices, and company joint stock prices. Data were collected using the documentation method. Data were obtained from the IDX website (www.idx.co.id), website SGX (www.sgx.com), website of each company, and through www.marketwatch.com, and analyzed using descriptive statistics, inferential statistics, and different tests.

The dependent variable of this study is Earnings Response Coefficient (ERC), which is the reflection of investor response to information in an earnings component (Fauzan & Purwanto, 2017). The independent variables are firm growth (realization of asset growth) (Nathaniel & Arfianti, 2019; Tamara & Suaryana, 2020), leverage, which is indicated by the Debt-To-Equity Ratio; information asymmetry with the percentage of bid-ask spread and systematic risk (beta stock), and the moderating variable is the dividend payout ratio with proxy Dividend per share to Earnings per share.

3. RESULTS

Different tests (Mann-Whitney test/Mann-Whitney U Test) were performed with two different samples (two indices and stock exchanges (IDX and SGX)). Test of Normality: all variables are not normally distributed, and still variables have sig < 0.05. Based on Mean, each variable has a significance > than 0.05, so the data variance is the same

(homogeneous). Based on the Mann-Whitney test results, there is no statistically significant difference for each variable as a whole.

Furthermore, the ERC value was reanalyzed with descriptive statistics based on the research year period (2018–2020) from each stock exchange, or a combination of both. A summary graph of the movement of the average ERC value in 2018–2020 is shown in Figure 1.

The ERC value of IDX stock exchange in 2018, 2019, 2020 has an average value of (-0.1760), 0.1152, (-0.0051), with the highest value in 2019. In 2019 (the beginning of COVID-19), the Indonesian capital market has received the impact of COVID-19 with increasing investor response. While in 2020 (increase in COVID-19 cases), ERC has decreased because investors have reacted to the impact of COVID-19 since the initial announcement of the case.

The average ERC of SGX stock exchange in 2018, 2019, 2020 has a value of (-0.1004), (-0.2297), (-0.0294). While the combined stock exchanges (IDX and SGX) also have the highest average ERC value in 2020, with 2018, 2019, 2020 the value was (-0.1436), (-0.0268), and (-0.0161). Higher average value in 2020 (increase in COVID-19 cases and the year when COVID-19 was announced as a pandemic), indicating the increase in ERC was due to increased investor response to information published by companies during the COVID-19 pandemic. Every information will become more valuable, and we look forward to its development, because it has the potential to affect investment activities and have a global impact due to COVID-19.
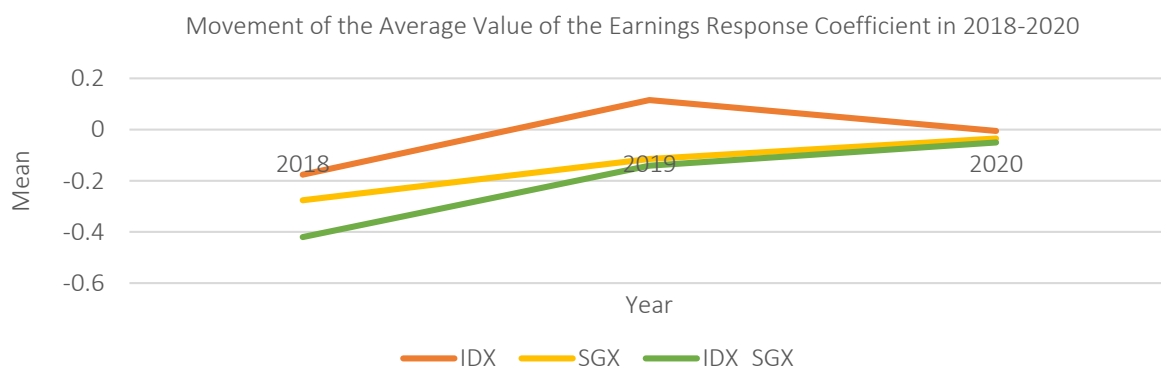

Figure 1. Summary of the movement of the average ERC value in 2018–2020

Table 1. Partial significance test results (t-test)

Model		Coefficients[a]					
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Decision
		B	Std. Error	Beta			
1	(Constant)	0.047	0.088		0.530	0.599	
	FG → ERC	−0.047	0.045	−0.160	−1.064	0.292	H1 Rejected
	LEV → ERC	−0.112	0.050	−0.376	−2.242	0.030**	H2 Accepted
	SPREAD → ERC	0.026	0.053	0.087	0.485	0.630	H3 Rejected
	BETA → ERC	−0.085	0.041	−0.286	−2.054	0.045**	H4 Accepted
	FG_DPR → ERC	0.041	0.052	0.132	0.798	0.429	H5 Rejected
	LEV_DPR → ERC	0.044	0.060	0.133	0.728	0.470	H6 Rejected
	SPREAD_DPR → ERC	−0.168	0.064	−0.516	−2.638	0.011**	H7 Rejected
	BETA_DPR → ERC	0.000	0.050	−0.001	−0.007	0.995	H8 Rejected

Note: a. Dependent Variable: ERC. ** Significant at 5%.

4. DISCUSSION

Firm growth does not affect ERC and is contrary to Akerlof's (1970) signaling theory, according to which a company will give signals to interested parties regarding its performance. High asset growth does not necessarily result in a high profit response, and vice versa. While firm growth for this study uses proxy in total assets for the current and previous periods, according to Tamara and Suaryana (2020), so that it does not only focus on data for the current period. The goal of investors is not long-term profit, but short-term performance (capital gain) (Suwarno et al., 2017), while firm growth tends to have long-term goals (Kristi & Yanto, 2020). COVID-19 made investors focus on the stability of their investments than investment prospects.

Santoso (2015) stated that investors tend to see market movements compared a company's fundamental aspects. Based on the technical information announcement, there are three factors that do not affect firm growth on ERC. It consists of the expected content and timing of information announcements, the implications of earnings announcements on the distribution returns of future (Syarifulloh & Wahyudin, 2016). Investors tend not to care about firm growth because it does not directly affect their returns.

The results of this study are in line with Syarifulloh and Wahyudin (2016), Suwarno et al., (2017), and Rizki and Rosyidiana (2017). However, they are not in line with Yeni et al. (2018), Puspaningsih (2019), and Tamara and Suaryana (2020) that firm growth has a positive effect on ERC. This finding also contradicts with Kurniawati and Dwimulyani (2018), Suardana and Dharmadiaksa (2018), Widiatmoko and Indarti (2018), Kristanti and Almilia (2019), and Awawdeh et al. (2020), which proves that firm growth has a negative effect on ERC.

Leverage has a significant negative effect on ERC and shows conformity signaling theory. Akerlof's (1970) signaling theory stated that companies provide signals to interested parties regarding their performance. High level leverage gives a signal of bad news to investors, but a signal of good news to debtholders. Bad news reduce market reaction, because creditors will get more benefits (Scott, 2015).

The negative impact is exacerbated by the COVID-19 pandemic, causing the obligation to increase. When a company has leverage and profits increase, debtholders will get more benefits. A company prioritizes payment obligations to debtholders, compared to dividend distribution to investors. Investors lack confidence in investing in the company, because the risk of bankruptcy is higher. Investors need returns and guarantee funds that have been invested (Agustina & Baroroh, 2016). The better the condition of profit financed by leverage, the more negative the shareholder response.

The results of this study are in line with Suardana and Dharmadiaksa (2018), Tamara and Suaryana (2020), and Dewi et al. (2020). However, they are not in line with Shiri et al. (2012), Samosir (2018), and Assagaf et al. (2019) that leverage has a positive effect on ERC. This result is also inconsist-

ent with Kristanti and Almilia (2019), Hasanuh et al. (2020), Awawdeh et al. (2020), and Irawan and Talpia (2021) that leverage has no effect on ERC.

Information asymmetry has no effect on ERC and is contrary to agency theory. Jensen and Meckling's (1976) agency theory implies a separate function of management and ownership function (Reyhan et al., 2014). Agents with more information ownership know internal information and company prospects (Putri & Fitriasari, 2017). This encourages agents to report accounting numbers to maximize performance, create good news, and attract investor responses.

Reyhan et al. (2014) explained that when information asymmetry is high, management has the opportunity to manipulate information. Investors will not respond to published earnings information, because it is not guaranteed, and its reliability, credibility, and validity are doubted. Investors tend to focus on the final information that is publicly published, compared to the company's internal secrets in the form of information asymmetry (Azhar, 2014). Its lack causes market participants to rate the company on average with a lower or higher rating. The investor's response is not in accordance with the actual situation of each company. The results of this study are in line with Reyhan et al. (2014) and Azhar (2014). However, this result is not in line with Widjayanti (2018), Sari (2020), Widjayanti (2018), and Sari (2020) that information asymmetry has a positive effect on ERC.

Systematic risk has a significant negative effect on ERC and is in accordance with efficient market theory. Fama's (1970) efficient market theory stated that no party is able to control the market consistently. Beredugo (2021) explained that the more fluctuating stocks due to market conditions led to a high beta value. Income at the end of the period is difficult to predict and reduces the level of market demand, so ERC is low because systematic risk is a risk that cannot eliminated, targeting fluctuations in macro factors, affecting overall market conditions (Suardana & Dharmadiaksa, 2018).

According to Beredugo (2021), manufacturing companies are defensive with uncertainty always appearing. Even though the company's operations are going well and the stock price has no reason to down,

according to efficient market theory, the market will still react negatively because of systematic risk (Basuki et al., 2017). Widiatmoko and Indarti (2018) stated that investors choose safe conditions when investing by avoiding risk and dislike big profit surprises. Investment decisions in financial markets always have risks and uncertainties (Shivaprasad et al., 2022). Although promising returns, large earnings surprises have a high degree of uncertainty.

The results of this study are in line with Suardana and Dharmadiaksa (2018) and Beredugo (2021). However, they contradict Susanto (2012) who states that systematic risk has a positive effect on ERC. The results of this study are also not in line with Santoso (2015), Rizki and Rosyidiana (2017), Basuki et al. (2017), Widiatmoko and Indarti (2018), and Awawdeh et al. (2020) who state that systematic risk has no effect on ERC.

Dividend payout ratio fails to moderate the positive effect of firm growth on ERC. Dividends have a low and significant value because they are included in the low category (20 companies or 34.48%). This is due to the use of a dividend payout ratio by comparing dividend payments with net income (Lie & Osesoga, 2020). The higher the company's profits, the more funds available (Yanto et al., 2020). Profit, which should be the benchmark for firm growth, is not a priority for investors to pay attention to. The COVID-19 pandemic reduced profits and small dividends per share.

PT Sekar Bumi Tbk in 2020 has firm growth of -0.028412, dividend payout ratio 0.200334 with ERC (-0.05002). PT Bumitama Agri Ltd in 2020 has firm growth of 0.0176893, dividend payout ratio of 0.372093 with ERC (-0.08005). Dividend payout ratio fails to moderate the effect of firm growth on ERC because ERC remains in the moderate category. COVID-19 has made profit deficit, so it does not meet the requirements to distribute dividends. Nofianti (2014) stated that the company does not use profit as dividends but reuses it as going concern.

The results of this study contradict Jensen and Meckling's (1976) agency theory regarding the agency relationship between agent and principal, which causes information asymmetry and conflict of interest. Information asymmetry can be reduced by performance transparency and corporate governance.

Supervision of management can do by paying dividends to net income through the dividend payout ratio (Fred & Copeland, 1992).

Dividend payout ratio fails to moderate the effect of leverage on ERC because of the company's alternative funding. Kristanti and Almilia (2019) explained that the first choice of funding is retained earnings, then liabilities and equity. When external funding is needed, companies will choose the safest securities, such as low-risk liabilities, then riskier liabilities, then common stock.

PT Campina Ice Cream Industry Tbk in 2019 has leverage of 0.130577, dividend payout ratio of 0.32592 with an ERC of -0.07267. Yeo Hiap Seng Ltd in 2018 has leverage of 0.109248, dividend payout ratio of 0.193237 with ERC (-0.05654). First Resources Limited in 2018 has leverage of 0.72889, dividend payout ratio of 0.897098 with ERC (-0.03526). Dividend payout ratio still makes ERC in the medium criteria.

Dewi et al. (2020) stated that smaller liability indicates a company has been able to use internal equity (retained earnings). Internal equity is oriented to a company's efforts to minimize the cost of capital because it will reduce the dividend payout ratio. Internal equity reduces dependence on external funding and proves that internal funding (retained earnings) and external funding (leverage) are separate units and do not influence each other. The results of this study contradict Jensen and Meckling's (1976) agency theory that the agency relationship between the agent and the principal can cause information asymmetry and conflict of interest. Efforts to reduce conflict can be done by paying dividends to net income and financing liabilities.

Dividend payout ratio can mitigate the effect of information asymmetry on ERC in a negative direction. Dividend payout ratio weakens the positive effect of information asymmetry on ERC. The results of the study confirm Akerlof's (1970) signaling theory regarding the signaling of company information to interested parties regarding its performance. The sent signal acts as information rooted in information asymmetry. Information asymmetry is an agent with access to more information, so the agent needs to give certain information signals to the principal (Putra et al., 2014).

In 2018, PT Nippon Indosari Corpindo Tbk had an information asymmetry 1.22449, dividend payout ratio of 0.348415, and ERC 0.543128. In 2019, information asymmetry was 0.78125, dividend payout ratio was 0.522013, while ERC was 0.054331. In 2020, information asymmetry is 0.0000, dividend payout ratio is 1.347693 with ERC (-0.03417). Dividend payout ratio reduces or weakens the effect of information asymmetry on ERC.

Dividend payout ratio indicates the agent knows more about the company's performance and prospects, and understands the purpose of dividend policy. Distribution of dividends indicates that the company no longer has prospects because the profit funds have been distributed, giving rise to a bad image of management because they do not pay attention to the prospects and profits going concern. Dividends are more synonymous returns with long-term capital gains. Dividend are the remaining funds distributed because investment needs have been met (Wisnumurti, 2010). When dividends are high, future investments are less prospective. Dividend announcement does not affect market reaction, so it does not affect ERC. When the percentage of dividends to stock prices is high but does not match the conditions of the financial statements, it indicates a ERC is bad (Pathak & Ranajee, 2018).

Dividend payout ratio fails to moderate the negative effect of systematic risk on ERC. According to Bhama (2022), uncertainty systematic risk always appears targeting macro fluctuations in overall market conditions. Presence or absence of dividend distribution will still make systematic risk affect the ERC. Dividend payout ratio is not able to moderate the negative effect of systematic risk on ERC because the role and impact of dividend payout ratio is not more important than systematic risk. This is supported by the frequency distribution of the dividend payout ratio, which is in the low category (20 companies or 34.48%). Meanwhile, systematic risk is in the medium category (20 companies or 34.48%).

In 2020, PT Gudang Garam Tbk has a systematic risk of 0.83696, dividend payout ratio of 0.654088 with the ERC of 0.084613. In 2020, PT Garudafood Putra Putri Jaya Tbk has systematic risk of 0.52798, dividend payout ratio of 0.511364, while ERC is 0.021499. JB Food Limited has systematic risk of 1.12191, dividend payout ratio of 0.3125 with an ERC

(-0.08669). Japfa Ltd has systematic risk of 1.489873, dividend payout ratio of 0.630517 with an ERC (-0.04275). Dividend payout ratio still makes the ERC in the medium criteria.

When a company has a constant dividend policy, it will determine the amount of dividends regardless of the amount of profit or loss, and the potential risk is large or small (Nguyen & Bui, 2019). Dividends are not the only factor that increases or decreases systematic risk, because systematic risk is a risk that cannot be avoided and has an overall impact. The results of this study contradict Akerlof's (1970) signaling theory that explains a company's information signals to interested parties regarding its performance. Price changes only depend on the arrival of new information and are influenced by systematic risk previously unknown (Paramita et al., 2020).

CONCLUSION

The results of the study show that leverage and systematic risk have a significant negative effect on ERC. Companies with high leverage and high systematic risk will also reduce investors' interest in owning company shares. Leverage and systematic risk are considered a threat to the safety of investors' funds. They will tend to avoid companies with a high amount of debt and high risk if they want to invest.

Dividend payout ratio can weaken a positive effect of information asymmetry on ERC. Dividend distribution, which is too high, indicates that a company is experiencing an abnormal condition, it can also occur because the company's going concern is not guaranteed. So the presence of a high DPR will actually be a negative signal for investors, it will weaken the influence of information asymmetry carried out by the management to investors. Investors should also be careful about the compa-ny's dividend distribution that occurs before not desirable events occur in the company's investment activities.

There are no significant differences between Indonesian and Singaporean companies for all variables studied. Both countries have almost the same economic conditions, and both have experienced cases of COVID-19 globally, which has affected the capital markets of each country.

A limitation of this study is that the research time span is only three years. The addition of the study period can deepen the comparative analysis of gap phenomena and the up-to-date of ERC against the COVID-19 pandemic. Further research may add variables outside of this study, expand the population and sample, test comparisons, and increase the range of the study period.

AUTHOR CONTRIBUTIONS

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