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THE VALUE RELEVANCE OF EARNINGS QUALITY EVIDENCE FROM INDONESIAN HEALTHCARE COMPANIES

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Abstrak

Penelitian ini bertujuan untuk menguji pengaruh kualitas laba terhadap harga saham pada perusahaan sektor kesehatan yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2021–2023. Penelitian ini dilatarbelakangi oleh adanya fluktuasi harga saham yang tidak selalu diikuti oleh perubahan laba perusahaan, sehingga menimbulkan pertanyaan mengenai peran kualitas laba dalam memengaruhi penilaian pasar.

Penelitian ini menggunakan pendekatan kuantitatif dengan memanfaatkan data sekunder yang diperoleh dari laporan keuangan tahunan perusahaan sektor kesehatan yang terdaftar di BEI. Sampel penelitian dipilih menggunakan metode purposive sampling, sehingga diperoleh 11 perusahaan dengan jumlah 33 observasi. Data dianalisis menggunakan regresi data panel dengan pemilihan model melalui uji Chow, uji Hausman, dan uji Lagrange Multiplier.

Hasil penelitian menunjukkan bahwa kualitas laba tidak berpengaruh signifikan terhadap harga saham. Selain itu, model penelitian memiliki daya jelas yang rendah, yang menunjukkan bahwa pergerakan harga saham dipengaruhi oleh faktor-faktor lain di luar kualitas laba. Hasil penelitian ini mengindikasikan bahwa investor dapat mempertimbangkan informasi keuangan dan nonkeuangan lainnya dalam mengambil keputusan investasi pada sektor kesehatan.

Kata kunci: Kualitas Laba, Harga Saham, Sektor Kesehatan

Abstract

This study aims to examine the effect of earnings quality on stock prices of healthcare sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. The study is motivated by fluctuations in stock prices that are not always accompanied by changes in company earnings, raising questions regarding the role of earnings quality in influencing market valuation. This research employs a quantitative approach using secondary data obtained from annual financial reports of healthcare companies listed on the IDX. The sample was selected using purposive sampling, resulting in 11 companies with 33 observations. Data were analyzed using panel data regression with model selection through the Chow test, Hausman test, and Lagrange Multiplier test. The findings indicate that earnings quality does not have a significant effect on stock prices. In addition, the model exhibits a low explanatory power, suggesting that stock price movements are influenced by factors beyond earnings quality. These results imply that investors may consider other financial and non-financial information when making investment decisions in the healthcare sector.

Keywords: earnings quality, stock prices, healthcare sector.

INTRODUCTION

Capital markets play a crucial role in economic growth by providing financing opportunities for companies and investment alternatives for investors. Among various investment instruments, stocks are widely favored because they reflect a company's market value through the interaction of supply and demand. Stock prices are influenced by numerous factors, including macroeconomic conditions and firm-specific information. Among the various sources of information available to investors, earnings are considered one of the most important indicators for evaluating corporate performance and supporting investment decisions.

High-quality earnings reflect a company's ability to provide accurate, reliable, and transparent financial information that represents its underlying economic performance. Earnings quality is generally associated with the extent to which reported earnings are supported by operating cash flows and their ability to predict future firm performance. According to signaling theory, high-quality earnings serve as a positive signal to investors by reducing information asymmetry between management and shareholders. Consequently, companies that report higher

earnings quality are expected to gain greater investor confidence, which may ultimately influence their stock prices.

The healthcare sector has experienced substantial growth in recent years, particularly following the COVID-19 pandemic. Increasing public awareness of health-related issues and growing demand for healthcare products and services have contributed to the expansion of companies operating within this sector. As a result, healthcare has become one of the most attractive sectors for investors in the capital market. Despite its promising growth prospects, investors still require high-quality financial information to assess a company's future prospects and the sustainability of its performance. Therefore, understanding the relationship between earnings quality and stock prices is essential for evaluating how financial reporting quality influences market valuation in the healthcare sector.

Tabel 1 Financial Performance and Stock Price Trends of Healthcare Companies Listed on the Indonesia Stock Exchange (IDX), 2021–2023

o	Company Name		2021			2022			2023		
			Stock Price	Net Income	Net Profit Margin	Stock Price	Net Income	Net Profit Margin	Stock Price	Net Income	Net Profit Margin
1	DVLA	Darya-Varia Laboratoria Tbk.	2.750	146 Billion	7,72%	2.370	149 Billion	7,79%	1.665	146 Billion	7,74%
2	KLBF	Kalbe Farma Tbk.	1.615	3,18 Trillion	12,12%	2.090	3,38 Trillion	11,69%	1.610	2,76 Trillion	9,09%
3	MERK	Merck Tbk.	3.680	131 Billion	12,37%	4.760	179 Billion	15,99%	4.180	178 Billion	18,54%
4	MIKA	Mitra Keluarga Karyasehat Tbk.	2.250	1,22 Trillion	28,23%	3.100	1,01 Trillion	24,90%	2.850	916 Billion	21,48%
5	SAME	Sarana Meditama Metropolitan Tbk	368	138 Billion	10,90%	300	4,34 Billion	0,31%	314	12,2 Billion	0,80%
6	SIDO	Industri Jamu dan Farmasi Sido Tbk	875	1,26 Trillion	31,36%	755	1,10 Trillion	28,58%	525	950 Billion	26,66%
7	SILO	Siloam International Hospitals Tbk	8.350	674 Billion	7,19%	1.265	696 Billion	7,32%	2.180	1,21 Trillion	10,82%
8	TSPC	Tempo Scan Pacific Tbk.	1.475	823 Billion	7,33%	1.380	1 Trillion	8,17%,	1.835	1,17 Trillion	8,97%
9	PRDA	Prodia Widyahusada Tbk.	8.650	621 Billion	23,44%	6.000	371 Billion	17,04%	5.400	259 Billion	11,69%
10	HEAL	Medikaloka Hermina Tbk.	1.020	1 Billion	17,24%	1.535	298 Billion	6,09%	1.490	473 Billion	7,56%
11	PEHA	Phapros Tbk.	1.105	11,1 Billion	1,05%	680	28,1 Billion	2,40%	640	5,95 Billion	0,50%

Source: Processed data (2025)

Data presented in Table 1 indicate that the financial performance and stock prices of healthcare companies listed on the Indonesia Stock Exchange (IDX) experienced considerable

fluctuations during the 2021–2023 period. For example, PT Kalbe Farma Tbk. (KLBF) reported a decline in net income from IDR 3.38 trillion in 2022 to IDR 2.76 trillion in 2023, accompanied by a decrease in its stock price from IDR 2,090 to IDR 1,610 per share. In contrast, PT Siloam International Hospitals Tbk. (SILO) recorded an increase in net income from IDR 696 billion in 2022 to IDR 1.21 trillion in 2023, which was followed by an increase in its stock price from IDR 1,265 to IDR 2,180 per share. These observations suggest that investors do not solely rely on the magnitude of reported earnings when evaluating firms. Instead, the quality of earnings may serve as an important indicator of a firm's sustainable performance and future prospects. Consequently, earnings quality is expected to influence investor perceptions and contribute to stock price formation in the capital market.

The relationship between earnings quality and stock prices has been extensively examined in prior studies; however, the findings remain inconclusive. Several studies have documented that high-quality earnings possess strong value relevance, thereby influencing investor responses and enhancing firm market value. In contrast, other studies have reported insignificant relationships between earnings quality and stock prices. For instance, Pratiwi (2024) found that earnings quality did not significantly affect stock prices in Islamic commercial banks in Indonesia. These inconsistent findings indicate that the association between earnings quality and stock prices remains an important issue that warrants further investigation, particularly across industries with different characteristics.

Although earnings quality has been widely studied in the banking and manufacturing sectors, empirical evidence focusing specifically on healthcare companies in Indonesia remains limited. Moreover, the post-pandemic period represents a unique economic environment characterized by changes in investor behavior and evolving business dynamics compared to previous periods. Therefore, this study contributes to the literature by examining the effect of earnings quality on stock prices in healthcare companies listed on the Indonesia Stock Exchange during the 2021–2023 period. In addition, this study employs the ratio of operating cash flow to net income as a proxy for earnings quality, providing a more comprehensive measure of the extent to which reported earnings reflect the underlying economic condition of a firm.

Drawing upon signaling theory and prior empirical findings, this study hypothesizes that earnings quality affects stock prices in healthcare companies listed on the Indonesia Stock

Exchange. Accordingly, the objective of this study is to provide empirical evidence on the effect of earnings quality on stock prices in healthcare companies during the 2021–2023 period.

RESEARCH METHOD

This study employs a quantitative research approach to examine the effect of earnings quality on stock prices in healthcare companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. Earnings quality serves as the independent variable, while stock price is treated as the dependent variable. The study utilizes panel data, which combine time-series and cross-sectional observations. Secondary data were collected from the annual financial statements of healthcare companies listed on the IDX, particularly the income statements and cash flow statements, obtained through the official website of the Indonesia Stock Exchange.

The population of this study consists of 32 healthcare companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. The sample was selected using a purposive sampling technique, which is a form of non-probability sampling. The sample selection was based on the following criteria;

1. Healthcare companies that were listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period.
2. Companies that did not publish complete annual financial statements during the observation period were excluded from the sample.
3. Companies with unavailable stock price data during the observation period were excluded from the sample.
4. Companies that reported consecutive losses during the 2021–2023 period were excluded from the sample.

Applying the predefined sampling criteria resulted in a final sample of 11 healthcare companies. Over the three-year observation period, the dataset comprised 33 firm-year observations. The distribution of sample companies is presented in Table 2:

Tabel 2 Sample Companies

No	Code	Company Name	No	Code	Company Name
1	DVLA	Darya-Varia Laboratoria Tbk.	7	SILO	Siloam International Hospitals Tbk
2	KLBF	Kalbe Farma Tbk.	8	TSPC	Tempo Scan Pacific Tbk.
3	MERK	Merck Tbk.	9	PRDA	Prodia Widyahusada Tbk.
4	MIKA	Mitra Keluarga Karyasehat Tbk.	10	HEAL	Medikaloka Hermina Tbk.
5	SAME	Sarana Meditama Metropolitan Tbk	11	PEHA	Phapros Tbk.
6	SIDO	Industri Jamu dan Farmasi Sido Tbk	7	SILO	Siloam International Hospitals Tbk
7	SILO	Siloam International Hospitals Tbk			

Source: Processed data (2025)

The study examines two variables, namely earnings quality as the independent variable and stock price as the dependent variable. The definitions, measurements, and operationalization of these variables are summarized in Table 3

Tabel 3 Research Variables and Measurement

No	Variabel	Definition	Measurement	Skala
1	Earnings Quality (X)	Earnings quality reflects the ability of reported earnings to represent a firm's actual financial performance and provide useful information for predicting future performance. (Subramanyam, 2014: 112)	$Earnings\ Quality = \frac{Operating\ Cash\ Flow}{Net\ Income}$	Ratio
2	Stock Price (Y)	Stock price reflects investors' valuation of a company and is determined by market mechanisms through the interaction of supply and demand. (Sartono, 2015:70)	Closing stock price	Ratio

Source: Processed data (2025)

The data were analyzed using EViews software. Panel data regression was employed to investigate the effect of earnings quality on stock prices. Model selection was performed using the Chow, Hausman, and Lagrange Multiplier tests to identify the most appropriate estimation approach. The robustness of the model was assessed through diagnostic testing. Hypothesis testing was conducted using the t-test, and the coefficient of determination (R^2) was used to evaluate the explanatory power of the regression model.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistical analysis was conducted using EViews software. The results of the descriptive statistics are presented in Tabel 4

Tabel 4 Descriptive Statistical Analysis Results

Variabel	N	Mean	Median	Minimum	Maximum	Std Dev
Earnings Quality (X)	33	2.387879	1.29000	-0.110000	16.81000	3.257292
Stock Price (Y)	33	7.427283	7.387090	5.703782	9.065315	0.880981
Valid N (listwise)	33					

Sumber: EViews 13 Output, 2025

Table 4 presents the descriptive statistics of the variables used in this study. Earnings quality has a mean value of 2.387879 and a standard deviation of 3.257292, indicating considerable variation among healthcare companies during the observation period. The wide range between the minimum and maximum values further suggests differences in the ability of firms to generate earnings supported by operating cash flows. Meanwhile, stock price has a mean value of 7.427283 and a standard deviation of 0.880981, indicating relatively lower variability compared to earnings quality. Overall, the descriptive statistics suggest that while earnings quality varies substantially across firms, stock prices tend to fluctuate within a narrower range.

Regression Results and Hypothesis Testing

Before estimating the panel regression model, a model selection procedure was conducted to determine the most appropriate estimation approach. Panel data regression can be estimated using three alternative models, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). To identify the most suitable model, the Chow test, Hausman test, and Lagrange Multiplier test were performed. The results are presented in Table 5:

Tabel 5 Panel Data Model Selection Results

Test	Probability Value	Selected Model
Uji Chow	0	Fixed Effect Model (FEM)
Uji Hausman	0,0574	Random Effect Model (REM)
Uji Lagrange Multiplier	0	Random Effect Model (REM)

Sumber: Hasil Output Eviews 13, 2025

As presented in Table 5, the Chow test indicates that the Fixed Effect Model is preferred over the Common Effect Model. However, the Hausman test suggests that the Random Effect Model is more appropriate than the Fixed Effect Model. This result is further supported by the Lagrange Multiplier test, which favors the Random Effect Model over the Common Effect Model. Therefore, the Random Effect Model (REM) was selected as the most appropriate estimation model and was subsequently employed for panel data regression and hypothesis testing. The regression estimation results are presented in the following table.

Tabel 6 Hasil Analisis Regresi Data Panel

Dependent Variable: Y

Method: Panel EGLS (Cross-section random effects)

Date: 08/12/25 Time: 16:39

Sample: 2021 2023

Periods included: 3

Cross-sections included: 11

Total panel (balanced) observations: 33

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.390212	0.252887	29.22342	0.0000
X	0.015524	0.032567	0.476692	0.6369
R-squared		0.006715		
Adjusted R-squared		-0.025326		
S.E. of regression		0.366699		
F-statistic		0.209579		
Prob(F-statistic)		0.650290		

Sumber: Hasil Output Eviews 13, 2025

Based on the Random Effect Model (REM), the estimated panel regression equation is as follows:

$$Y = 7.390212 + 0.015524 * X$$

The regression results indicate that earnings quality has a positive coefficient of 0.015524, suggesting a positive association between earnings quality and stock price. This finding implies that firms with higher earnings quality tend to exhibit higher stock prices. However, the t-test results show a probability value of 0.6369, which exceeds the 5% significance level. Therefore, earnings quality does not have a statistically significant effect on stock prices.

Furthermore, the coefficient of determination (R^2) is 0.006715, indicating that earnings quality explains only 0.67% of the variation in stock prices, while the remaining 99.33% is attributable to factors not included in the model. The low explanatory power of the model suggests that stock price movements in healthcare companies are largely influenced by other financial and non-financial factors beyond earnings quality

DISCUSSION

The findings of this study indicate that earnings quality does not significantly influence stock prices in healthcare companies listed on the Indonesia Stock Exchange during the 2021–2023 period. This result suggests that investors do not necessarily consider earnings quality as a primary factor when making investment decisions in the healthcare sector. Although earnings quality is theoretically expected to provide reliable information regarding a firm's financial performance and future prospects, such information may not always be directly reflected in market valuations.

From the perspective of signaling theory, high-quality earnings should serve as a positive signal that reduces information asymmetry between management and investors. However, the insignificant relationship observed in this study implies that investors may rely on a broader set of information when evaluating healthcare companies. Factors such as profitability, growth opportunities, cash flow performance, industry outlook, corporate governance, and overall market sentiment may play a more substantial role in determining stock prices than earnings quality alone.

The low explanatory power of the regression model further supports this argument, suggesting that stock price movements are largely driven by factors beyond the scope of the present study. Given the dynamic nature of the healthcare industry, particularly in the post-pandemic environment, investors may place greater emphasis on future growth potential and business sustainability rather than solely on the quality of reported earnings.

The findings are consistent with those reported by Pratiwi (2024), who found that earnings quality did not significantly affect stock prices. This consistency suggests that the relevance of earnings quality in explaining market value may vary across industries and market conditions. Therefore, while earnings quality remains an important indicator of financial reporting quality, its ability to influence stock prices appears to be limited within the context of healthcare companies during the observation period.

CONCLUSION

This study provides empirical evidence that earnings quality does not significantly affect stock prices in healthcare companies listed on the Indonesia Stock Exchange during the 2021–2023 period. These findings contribute to the literature on earnings quality by suggesting that the value relevance of earnings quality may not be uniform across sectors, particularly within the healthcare industry.

The study highlights that investors may place greater emphasis on other firm-specific and market-related factors when assessing company value. Consequently, managers should not rely solely on improving earnings quality to attract investors but should also focus on strengthening overall corporate performance and long-term business prospects.

Future research may extend this study by incorporating additional financial and non-financial variables, expanding the observation period, or examining different industry sectors to provide a broader understanding of the determinants of stock prices.

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