

The Effect of Cash Holding, Leverage, and Company Size on Profit Quality


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Article Info	Abstract
<p><i>Keywords:</i></p> <ul style="list-style-type: none"> ○ Cash Holding; ○ Leverage; ○ Company Size; ○ Quality Profit. 	<p>Objective – This study aims to obtain empirical evidence on the Influence of Cash Holding, Leverage, and Company Size on Profit Quality.</p> <p>Design/methodology/approach – This study uses a quantitative approach with panel data. The research sample consisted of 42 companies in the technology and industrial sectors listed on the Indonesia Stock Exchange during the 2022–2024 period, resulting in a total of 126 observations (42 companies during the three-year observation period). Data analysis was carried out using panel data regression with a Random Effect Model (REM) approach using EViews 9.</p> <p>Findings – The results of the study show that Cash Holding does not have a negative effect on Profit Quality. Meanwhile, Leverage has a negative effect on the Quality of Profit and Company Size has a positive effect on the Quality of Profit.</p> <p>Limitations/Implications of Research – The first limitation of this research is the type of data used in this study, namely secondary data obtained from the annual report published by the company. However, the data listed is incomplete even though it is mandatory to upload financial statements every year. Furthermore, this study has limitations on the sample from only 112 to 42 samples, while the rest is because the annual report data is incomplete and the company suffers losses. And finally, this study was conducted over a certain period of time, namely 2022–2024, which may not be for long-term analysis. However, the findings of this study are expected to be a consideration for investors and management in assessing the quality of company profits, especially in the technology and industrial sectors which have high levels of volatility.</p>
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<div style="text-align: center;">  </div> <p>Copyright: © 2026by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY SA) license (https://creativecommons.org/licenses/by-sa/4.0/)</p>	<p>JEL : G34, M14, J16, Q56</p>

INTRODUCTION

The quality of profits is an important indicator in assessing a company's financial performance because it reflects the extent to which the reported profit is able to represent the

company's actual economic conditions. High-quality profit information is the primary basis for investors, creditors, and stakeholders in economic decision-making. However, the quality of profit is inseparable from the financial policies and characteristics of the company applied by the management, especially related to cash management, funding structure, and Company Size. Cash Holding, Leverage, and Company Size are important factors that reflect the company's financial policies and operational characteristics. Adequate Cash Holding can increase financial flexibility and reduce liquidity risk, but excessive cash ownership has the potential to lead to inefficiencies and agency conflicts. Leverage reflects the use of debt in a company's capital structure that can improve performance through disciplinary effects, but it can also create financial pressures that impact profit management practices. Meanwhile, the size of a company describes the operational scale and ability of a company to manage resources, where large companies generally have better internal control systems as well as a higher level of external oversight.

The phenomenon of differences in profit quality in the technology sector and the industrial sector in Indonesia shows that there is a variation in financial performance during the 2022–2024 period. The technology sector tends to have higher Cash Holding rates due to the need for operational flexibility and innovation investment, while the industrial sector relies more on debt-based funding to support production and expansion activities. In addition, the difference in Company Size in the two sectors also affects the company's ability to manage financial policies and generate quality profits. These differences in trends indicate that Cash Holding, Leverage, and Company Size can have different impacts on the quality of profits, depending on the characteristics and operating conditions of the company. These three factors are interrelated in reflecting the company's ability to maintain financial stability and present reliable and relevant earnings information to stakeholders.

Based on empirical phenomena and inconsistencies in previous research results, this study aims to analyze the influence of Cash Holding, Leverage, and Company Size on the quality of profits in companies in the technology and industrial sectors listed on the Indonesia Stock Exchange during the period 2022–2024. This research is expected to make an empirical contribution to the development of financial accounting literature and become a reference for practitioners and investors. Various previous studies have shown mixed results regarding the influence of cash holding and leverage on profit quality. Research (Lestari & Hanifah, 2020) on banking companies shows that cash holding has a positive effect on the quality of profits. However, (Yusuf and Inawati, 2025) in the Energy Sector, (Amin and Firmansyah, 2023) in Manufacturing Companies, and (Nathania, 2023) in Property and Real Estate Subsector Companies show that cash holding has a negative effect on profit quality.

Research (Aprilianti et al., 2024) on Food Companies found that Leverage affects Profit Quality because debt pressure encourages management to do earnings management. On the other hand, (Bomantara, 2024) in LQ45 Index Companies, (Desyana et al., 2023) in the Basic Materials Sector, (Azizah and Asrori, 2022) in the Property and Real Estate Sector, (Anggraeni and Widati, 2022) in Food Companies show that Leverage has no effect on Profit Quality. This research has high relevance for investors on the Indonesia Stock Exchange because profit quality is the main basis in assessing a company's financial performance and making investment decisions. This is becoming increasingly important in the technology and industrial sectors that have high levels of volatility and face relatively large market uncertainty.

This research makes an empirical contribution by examining the influence of cash policy and funding structure on profit quality in sectors with high levels of volatility, especially the technology and industrial sectors in Indonesia. The different characteristics of the two sectors in financial management make this research relevant for the development of financial accounting literature in emerging markets.

THEORETICAL FOUNDATION

Agency Theory

Agency Theory was introduced by Jensen and Meckling (1976) which describes the relationship between the owner of the company (principal) and management (agent). In this relationship, the owner gives the manager the authority to manage the company in hopes of increasing the value of the company. However, differences in interest between principals and agents can lead to agency conflicts, where managers can potentially act opportunistically in the interests of their own interests, such as obtaining bonuses or retaining positions. In the context of this research, Agency Theory is used to explain how a company's financial policies, especially Cash Holding and Leverage, can affect the quality of profits. Excessive Cash Holding can open up opportunities for management to use funds inefficiently, while Leverage can be an external disciplinary mechanism that suppresses opportunistic behavior, but it can also increase managerial pressure in profit reporting.

Signaling Theory

The Signaling Theory was put forward by Spence (1973) who explained that companies try to convey signals to external parties through published information, especially financial statements. The signal aims to reduce information asymmetry between management and investors regarding the company's condition and prospects. High-quality profits are a positive signal for investors because they reflect the company's true performance. However, not all signals reflect the real condition of the company, as management can manipulate earnings information. Therefore, profit quality is an important aspect in assessing the reliability of the signals that companies convey to the public. In the context of Company Size, Signaling Theory explains that large-sized companies tend to convey more credible signals through financial statements because they are under stricter public scrutiny and regulators. Therefore, large companies have a stronger incentive to present quality profits as a positive signal for investors.

Cash Holding

Cash Holding is cash and cash equivalents owned by the company to support smooth operational activities and face financial uncertainty. According to (Rahman, 2021) Cash Holding is cash or cash equivalents available or held by the company to finance the company's operational activities, meet the company's maturing short-term obligations or unexpected expenses and to invest. Meanwhile, Cash Holding is an effective asset because liquidity is used to facilitate all financing needed by the company to develop its business, finance the company's operational activities, improve the effectiveness of performance in the company, and pay urgent obligations within the company (Sean & Nugroho, 2022).

Leverage

Leverage shows the extent to which the company uses debt to finance its assets and operational activities. According to Leverage is the ability of a business to use assets or capital at a fixed cost (debt or equity) to achieve business goals to maximize the value of the business. In the presence of an effect Leverage This is why the level of wealth of companies is also expected to increase. Companies always face problems Leverage (Siregar, 2024). Meanwhile, Leverage is a financial strategy that involves using debt to increase the potential return on investment. In the context of the company, Leverage allows management to utilize borrowed funds in operations and investments, with the expectation that the return on those investments will exceed the cost of debt. Although Leverage can increase profitability, it also increases risk, since the company must meet debt payment obligations regardless of its performance (Nurlalela, 2024).

Company Size

Company Size reflects the size of a company which is generally measured through total assets, sales, or capital. Company Size is the average of total net sales for the year in question or several years. In this case, sales are greater than variable costs and fixed costs, so the amount of pre-tax income will be obtained (March, 2025). Meanwhile, Company Size is something that can measure or determine the value of the size or size of the company. Company Size is an indicator that can show the condition or characteristics of a company organization where there are several parameters that can be used to determine the size (size or small) of a company. The size of a company can be measured by using the total assets, sales or capital of the company (Puspita, 2025).

Quality Profit

The quality of earnings indicates the extent to which the reported profit is able to reflect the company's actual economic performance. The quality of a company's profits is one of the factors that potential investors look at to find stock investments. The better the growth of the quality of the company's profit means that the company's prospects in the future are judged to be better, meaning that the company's value will also be judged to be better in the eyes of investors (Mughtar, 2021). Meanwhile, (Siladjaja, 2023) stating that the quality of profit reflects the level of reliability of profit information as the basis for investor decision-making.

HYPOTHESIS DEVELOPMENT

The Effect of Cash Holding on Profit Quality

Based on Agency Theory, high levels of cash holdings often provide managers with excessive discretionary power, which can lead to opportunistic behavior. When a firm possesses substantial internal funds, there is a risk of "free cash flow" problems where managers might invest in projects with negative net present values (NPV) to expand their personal influence—a phenomenon known as empire-building. As these inefficient investments fail to generate expected returns, managers may feel compelled to obscure the firm's true financial performance to avoid scrutiny from shareholders and creditors, thereby compromising the integrity of financial reports. The link between cash holdings and earnings

quality is further evidenced through the practice of earnings management. Managers of firms with significant cash reserves may manipulate accounting accruals to smooth earnings or meet specific benchmarks, effectively concealing the costs of holding unproductive assets or the losses from poor investment decisions. This opportunistic reporting reduces the transparency of financial statements, as the reported earnings no longer accurately reflect the underlying economic reality of the company. Consequently, high cash holdings can act as a catalyst for aggressive accounting choices that erode the reliability and representational faithfulness of the profit figures. Furthermore, excessive cash accumulation is often associated with increased information asymmetry and lower earnings persistence. High-quality earnings should be a reliable indicator of future cash flows and be backed by actual operating performance. However, when cash is held beyond what is necessary for operational needs, it often results in distorted financial reporting to bridge the gap between reported results and actual performance. Therefore, as cash holdings increase without adequate monitoring, the likelihood of managerial intervention in the reporting process rises, leading to a significant decline in the overall quality of earnings. Cash Holding can increase the company's financial flexibility, but if not managed optimally, it has the potential to cause agency conflicts and inefficient use of cash, thereby reducing the quality of profits (Dewi, 2019 ; Haniftian, 2020). Therefore, Cash Holding It is suspected to have a negative effect on the quality of profits.

H₁: Cash Holding has a negative effect on the quality of profit.

The Effect of Leverage on Profit Quality

Drawing from **Positive Accounting Theory**, specifically the **Debt Covenant Hypothesis**, firms with high leverage ratios face a greater risk of breaching restrictive covenants within their loan agreements. To avoid the severe repercussions of such violations, including higher borrowing costs or the acceleration of debt repayment – managers often have a strong incentive to engage in opportunistic earnings management. By shifting earnings between periods or employing aggressive accounting tactics, the reported profit becomes a reflection of contractual compliance rather than true economic performance, thereby eroding the overall quality of earnings. High leverage also imposes significant financial pressure due to fixed interest and principal repayment obligations. When a firm's operational performance is suboptimal, managers may feel compelled to obscure financial distress or insolvency risks from creditors and shareholders. This often leads to the excessive use of discretionary accruals to "window-dress" the financial statements, creating a facade of financial stability. Such practices increase information asymmetry and reduce the representational faithfulness of the accounting information, making the reported profits less reliable for external decision-makers.

Empirically, excessive debt accumulation is frequently associated with lower earnings persistence and transparency. High-quality earnings should be sustainable and backed by robust operating cash flows; however, in highly leveraged firms, reported profits are often distorted to meet the expectations of capital providers. Because these figures are heavily influenced by managerial intervention rather than genuine operational efficiency, the informative value of the financial reports is significantly diminished. Consequently, as a firm's leverage increases, the likelihood of a decline in earnings quality becomes more pronounced. Leverage can increase financial pressure and encourage management to carry out profit management practices to make the company's performance look stable, thus potentially

lowering the quality of profits (Lubis & Nugroho, 2023; Mendrofa, 2024). Thus, Leverage It is suspected to have a negative effect on the quality of profits.

H₂: Leverage has a negative effect on the quality of profits.

The Effect of Company Size on Profit Quality

Based on Agency Theory and Signalling Theory, larger companies tend to possess more mature corporate governance mechanisms and robust internal control systems. Due to their scale, these firms are subject to intense scrutiny from public stakeholders, financial analysts, and regulatory bodies, which pressures them to maintain their reputation by presenting credible financial statements. This heightened external monitoring minimizes the incentive for managers to engage in opportunistic behaviors such as earnings management, ensuring that reported profits accurately reflect the firm's economic reality, thereby enhancing earnings quality. In addition to monitoring factors, large companies generally benefit from greater operational stability and business diversification compared to smaller firms. This stability allows for more persistent and less volatile earnings over time. With superior resources, large firms can afford to employ highly competent accounting professionals and implement advanced information technology systems to process financial transactions accurately. This reduces the risk of material mistakenness and improves the transparency and reliability of the profit information disclosed to stakeholders.

From the perspective of the Political Cost Hypothesis, large companies often face greater pressure to demonstrate social responsibility and comply with stringent tax regulations. To avoid negative public attention or burdensome regulatory actions, large firms are more likely to adopt conservative accounting policies. This conservatism, combined with the company's ability to maintain steady operating cash flows, ensures that reported profits are backed by strong cash realization. Consequently, as company size increases, the overall quality of earnings is expected to improve significantly. The larger size of the company reflects a stronger internal control system as well as a higher level of external supervision, thus encouraging management to present more transparent and reliable financial statements (Yoanita & Khairunnisa, 2021; Virginia, 2023). Therefore, the size of the company is suspected to have a positive effect on the quality of profits.

H₃: The size of the company has a positive effect on the quality of profits.

RESEARCH METHODOLOGY

The type of data used in this study is secondary data, namely data provided by other parties and not from direct sources. The source of data in this study is sourced from the financial statements of technology and industrial sector companies listed on the Indonesia Stock Exchange for the 2022-2024 period obtained from www.idx.co.id in 2022-2024. The sampling technique in this study uses the purposive sampling method with certain criteria, namely companies in the technology and industrial sectors that consistently publish annual reports during the 2022-2024 period and do not suffer losses. Based on these criteria, the number of research samples was reduced from 112 companies to 42 companies. Meanwhile, the measurement of the variables used for each variable is as follows:

Table 1 Variable Measurements

Yes	Variable	Measurement	Source
1.	Cash Holding	Cash Holding = Cash and Cash Equivalents / Total Assets	Nathania, (2023)
2.	Leverage	DER (Debt to Equity Ratio) = Total Debt / Total Equity	Aprilianti, Kismayanti Respati and Fauzi, (2024)
3.	Company Size	Company Size = Ln x Total Assets	Yoanita and Khairunnisa, (2021)
4.	Quality Profit	QE = Operating Cash Flow/Net Income	Azizah and Asrori, (2022).

RESULTS AND DISCUSSION

Table 2 Descriptive Analysis

Variable	N	Min	Max	Red	Std. Dev
CH	126	0,003	0,546	0,108	0,093
L	126	-1,691	1,997	0,662	0,597
KL	126	-18,305	22,995	1,397	4,018
UP	126	25,286	33,790	28,268	1,742

Description:

CH (Cash Holding), L (Leverage), UP (Company Size).

Source: Processed data (2025)

Selection of the Best Panel Data Model Chow Test

The criteria for making decisions for the Chow test are as follows:

1. If the probability (Prob) on Cross Section F < 0.05 then a better model is Fixed Effect.
2. If the probability (Prob) on Cross Section F > 0.05 then a better model is Common Effect.

Table 3 Chow Test

Effects Test	Statistic	D.F.	Prob.
Cross-section F	2.773035	(41,81)	0.0000
Cross-section Chi-square	110.499766	41	0.0000

Source: Processed data (2025)

Based on the results of the Chow Test using Eviews 9, the probability value of Cross

Section F is 0.00. These results show that the value is less than the significance level ($\alpha = 0.05$). Thus, the best model used is the Fixed Effect Model (FEM). Therefore, a Hausman Test is required to choose the best model between the Fixed Effect Model and the Random Effect Model.

Hausman Test

The Hausman test is used to choose whether the Fixed effect or Random effect model is most appropriate. Decision-making criteria:

1. If the Probability (Prob) < 0.05 then a better model is the Fixed effect.
2. If the Probability (Prob) > 0.05 then a better model is a Random effect.

Table 4 Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. D.F.	Prob.
Cross-section random	1.884090	3	0.5968

Source: Processed data (2025)

Based on the results of the Hausman Test, the probability value is 0.5968. This result is greater than the significance level value ($\alpha = 0.05$). Thus, the best model used is the Random Effect Model (REM). Therefore, a Lagrange Multiplier test is needed in order to determine the best model between the Common Effect Model and the Random Effect Model.

Lagrange Multiplier Test

The Lagrange Multiplier test (LM test) is used to choose whether the most appropriate Common Effect or Random Effect model is used.

Decision-making criteria:

1. If the significance on Both Breusch-Pagan < 0.05 then a better model is the Random Effect.
2. If the significance on Both Breusch-Pagan > 0.05 then a better model is Common Effect.

Decision-making criteria based on LM values:

1. If the value of LM $>$ chi square table then a better model is Random Effect.
2. If the value of LM $<$ chi square table then a better model is Common Effect.

Table 5 Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	16.34955 (0.0001)	0.418711 (0.5176)	16.76826 (0.0000)

Source: Processed data (2025)

Based on the results of the Lagrange Multiplier test, the significance value for Both

Breusch-Pagan is 0.000. This result is less than the significance level value ($\alpha = 0.05$). Thus, the best model used is the Random Effect Model (REM).

Hypothesis Test

Table 6 Random Effect Model

Variable	Prediction	Coefficient	t-Statistic	Prob.
C		-0.026	-0.037	0.970
CH	-	-4.247	-1.075	0.284
L	-	0.754	1.282	0.202
UP	+	1.511	7.133	0.000*
R-Squared				0.313
Adjusted R-Squared				0.296
F-statistic				18.556
Prob(F-Statistic)				0.000

Description:

CH (Cash Holding), L (Leverage), UP (Company Size).

Source: Processed data (2025)

Coefficient Determination Test

Table 7 Determination Coefficient Test

R-squared	0.313337	Mean dependent var	0.818152
Adjusted R-squared	0.296452	S.D. dependent var	3.190745
S.E. of regression	2.676326	Sum squared resid	873.8518
F-statistic	18.55696	Durbin-Watson stat	1.568423
Prob(F-statistic)	0.000000		

The Adjusted R-Squared value of 0.296 shows that the variables of Cash Holding, Leverage, and Company Size are able to explain the quality of profit by 29.6%, while the remaining 70.4% is influenced by other variables outside the research model, such as Corporate Social Responsibility, Debt Ratio, Receivable Turnover, Operating Cash Flows, Liquidity, Profitability, Profit Growth, Conservatism, IOS, Gender Diversity, Institutional Ownership, Financial Ratio, Accounting Conservatism, Capital Structure, and Profit Equalization.

Partial Test (T-Test)

The results of the test using the Random Effect Model (REM) can be concluded as follows:

1. Cash Holding with a probability value of $0.284/2 = 0.142 > 0.05$, can be interpreted as having a negative effect and statistically insignificant on Profit Quality.
2. Leverage with a probability value of $0.202/2 = 0.101 > 0.05$, can be interpreted that the Leverage variable has a positive effect and is statistically insignificant on Profit Quality.

3. Company Size with a probability value of $0.000/2 = 0 < 0.05$, it can be interpreted that the Company Size variable has a positive and statistically significant effect on Profit Quality.

DISCUSSION

Cash Holding on Profit Quality

Based on partial testing (t-test) using the Random Effect Model (REM), it shows that the Cash Holding variable has a coefficient of -4.247 with a probability of 0.284. Because this study uses the one-tail hypothesis, the probability value is divided by two (two) so that a value of $0.284/2 = 0.142$ is obtained, which is greater than the significance level at $\alpha = 5\%$ (0.05). Based on the results of these statistics, it can be stated that H_0 is accepted and H_a is rejected, so it can be concluded that Cash Holding has a negative but not significant effect on the quality of profit. The insignificance of the influence of Cash Holding on profit quality shows that in the technology and industrial sectors that have high levels of volatility, cash ownership is not always the main factor in determining the quality of profits. This condition indicates that the quality of profits in the sector is more influenced by external factors, such as macroeconomic conditions, market dynamics, and industry characteristics, than by the company's internal cash policy.

This result shows that the higher the Cash Holding level that the company has, the quality of profit tends to decrease, although statistically the influence is not significant. This condition indicates that large Cash holding do not necessarily reflect operational efficiency or better financial reporting quality. On the other hand, excessive Cash Holding has the potential to cause opportunistic management behavior, such as delaying productive investments or non-optimal use of cash, so that it can reduce the quality of the company's reported profits. The findings of this study contradict the results of a study (Lestari & Hanifah, 2020) which states that Cash Holding has a positive effect on the quality of profits, because cash is considered to be able to maintain financial stability and reduce the risk of profit manipulation. However, the results of this study are in line with research (Yusuf & Inawati, 2025) on the energy sector, (Amin & Firmansyah, 2023) on manufacturing companies, and (Nathania, 2023) on companies in the property and real estate subsector, which found that Cash Holding has a negative effect on profit quality.

Leverage Against Profit Quality

Based on partial testing (t-test) using the Random Effect Model (REM), it shows that the Leverage variable has a coefficient of 0.754 with a probability of 0.202. Because this study uses the one-tail hypothesis, the probability value is divided in half so that a value of $0.202/2 = 0.101$ is obtained, which is greater than the significance level at $\alpha = 5\%$ (0.05). Based on the results of these statistics, it can be stated that H_0 is accepted and H_a is rejected, so it can be concluded that leverage has a negative but insignificant effect on the quality of profit. The insignificance of the influence of Leverage on profit quality indicates that the use of debt in technology and industrial sector companies does not necessarily reflect profit management practices. Companies in these sectors tend to face high business uncertainty, so the quality of profits is more influenced by operational conditions and external business environment than funding pressures due to the use of debt.

These results show that the higher the level of Leverage that a company has, the quality of profits tends to decrease, although statistically the influence is not significant. The high use of debt can cause financial pressure for companies, especially in fulfilling interest and principal payment obligations. This condition has the potential to encourage management to make adjustments to accounting policies so that profits look stable, so that the reported profit does not reflect the company's actual economic condition. The findings of this study contradict the results of the study (Aprilianti et al., 2024) which states that Leverage has a significant effect on the quality of profits. However, the results of this study are in line with studies (Bomantara, 2024), (Desyana et al., 2023), and (Azizah & Asrori, 2022) which found that Leverage does not have a significant effect on profit quality.

The Size of the Company on the Quality of Profits

Based on partial testing (t-test) using the Random Effect Model (REM), it shows that the Company Size variable has a coefficient of 1.511 with a probability of 0.000. Because this study uses the one-tail hypothesis, the probability value is divided in half so that a value of $0.000/2 = 0$ is obtained, which is smaller than the significance level at $\alpha = 5\%$ (0.05). Based on the results of these statistics, it can be stated that H_0 is rejected and H_a is accepted, so it can be concluded that the size of the company has a positive and significant effect on the quality of profits. These results show that the larger the size of the company, the quality of the profits generated tends to increase. Large-scale companies generally have better internal control systems, more adequate resources, and a higher level of external oversight from investors, creditors, and regulators. This condition encourages management to present more transparent and reliable financial statements, so that the reported profit better reflects the company's actual economic condition. The findings of this study are in line with research (Yoanita & Khairunnisa, 2021), (Bomantara, 2024), and (Mardiana et al., 2022) which states that company size has a positive effect on profit quality. However, the results of this study contradict the study (Azizah & Asrori, 2022) which found that Company Size has no effect on the quality of profits.

CONCLUSION

1. Cash Holding has no significant effect on the quality of profits in companies in the technology and industrial sectors listed on the Indonesia Stock Exchange during the 2022–2024 period. These results suggest that high Cash Holdings do not necessarily reflect better profit quality, particularly in sectors with high levels of volatility.
2. Leverage has no significant effect on the quality of profits in companies in the technology and industrial sectors. These findings indicate that the use of debt does not necessarily encourage profit management practices, as the quality of profits in the sector is more influenced by industry characteristics and external economic conditions.
3. The size of the company has a positive and significant effect on the quality of profits. Companies with larger sizes tend to have better profit quality because they are supported by a stronger internal control system as well as a higher level of external oversight from investors and regulators.

IMPLICATION

1. Further research is suggested to add other independent variables that have the potential to affect profit quality, such as profitability and operating cash flow, to improve the model's ability to explain variations in profit quality more comprehensively.
2. The next study is suggested to add other independent variables that have the potential to affect profit quality, such as profitability, operating cash flow, and Good Corporate Governance mechanisms, in order to improve the model's ability to explain variations in profit quality more comprehensively.
3. It is further recommended to use different methods of measuring profit quality, such as discretionary accrual model, earnings persistence, or Z-Score, so that the results of the research are more robust and can be compared with previous research.
4. The researcher is then expected to expand the research object in other sectors, such as the energy sector or other industrial sectors, in order to see the differences in sector characteristics on the influence of Cash Holding and Leverage on the quality of profits.
5. Subsequent research is recommended to use a longer observation period in order to capture the company's financial dynamics more accurately and produce more stable conclusions

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