Quest Journals
Journal of Research in Business and Management
Volume 10 ~ Issue 12 (2022) pp: 141-152
ISSN(Online):2347-3002
www.questjournals.org

Research Paper

The Influence of Operating Cash Flows And Financing Cash Flows On Financial Performance Through Earnings Quality as an Intervening Variable at The Indonesian Telecommunications Company Listed on The Indonesia Stock Exchange.

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ABSTRACT:
This type of research is explanatory research, using a quantitative approach to answer research problems. A sample of 88 samples of the financial data of telecommunications companies in Indonesia. Data collection is done through secondary data. Hypothesis testing uses the Structural Equation Model (SEM) analysis tool with the SmartPLS program. The findings of this study indicate thatoperating cash flow has a positive and significant direct effect on earnings quality, cash flow financing has a positive and significant direct effect on earnings quality, operating cash flow has no direct significant effect on financial performance. financing cash flows do not have a direct significant effect on financial performance, earnings quality has a positive and significant direct effect on financial performance, earnings quality is able to mediate operating cash flows and financing cash flows on the financial performance of telecommunications companies in Indonesia listed on the Indonesia Stock Exchange.

KEYWORDS: *Cash Flow, Earnings Quality, Financial Performance*

R*eceived 12 Dec., 2022;* ***R****evised 24 Dec., 2022;* ***A****ccepted 26 Dec., 2022 © The author(s) 2022.*
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I. INTRODUCTION

In the midst of the current worsening situation in the business world, on the other hand, researchers see a different situation in the telecommunications sector, where researchers see that the use of services provided by telecommunications companies continues to increase. This is supported by the results of research conducted by P. He et al. (2020) who found that COVID-19 actually had a negative impact on traditional industries in China but created opportunities for emerging technology industries, including the telecommunications industry. The positive reaction of the communications industry to the pandemic is most likely due to the large number of benefits that telecommunications company services provide to the public. Due to the Covid-19 pandemic, which requires most community activities to be carried out online, making increased use of the internet and other services provided by telecommunications companies. The increase in data traffic during the pandemic will certainly affect the revenue of telecommunications companies in Indonesia, which will also affect the company's financial performance.

National telecommunications industry players stated that the telecommunications industry was also affected by the spread of the Covid-19 outbreak in Indonesia. Even though there has been an increase in demand for data, it turns out that many retail and corporate customers have stopped using communication services due to a decrease in people's purchasing power. So that these people are unable to update their internet service.

The telecommunications company was chosen for in-depth analysis in this study, because amid economic growth which experienced minus 5.3% due to the Covid-19 pandemic, the Indonesian telecommunications industry experienced growth of 10% compared to other manufacturing companies which were forced to go out of business. because he was unable to continue the company's economy due to the Covid-19 pandemic (Techbiz.id, 2020). The telecommunications industry is also one of the sectors that still has resilience in the midst of the Covid-19 outbreak. Based on data released by the Central Statistics Agency (BPS), the telecommunications sector grew by 10.88% during the Covid-19 outbreak. This condition has become the momentum for the telecommunications sector to expand.

The focus of this research is the financial performance of Indonesian telecommunications companies listed on the Indonesia Stock Exchange, because the telecommunications and informatics sector still posted solid performance throughout 2020 compared to companies in other sectors. Digital consumer behavior and increasing use of digital technology. Work and study policies from home have significantly increased data traffic consumption. In addition, other sectors such as e-leaning, digital payments, government and e-commerce are also increasingly in demand.

In general, the company's success can be seen from the company's performance whether it has been able to create a healthy market or not. In addition, the company must also be able to survive under any conditions and profits play an important role because they can be used as a source of financing and maintain the company's sustainability. The success or failure of a company can also be seen from its financial performance, financial performance according to Rudianto (2013) is the results or achievements that have been achieved by company management in carrying out its functions in managing company assets effectively for a certain period. Financial performance is needed by companies to find out and evaluate the level of success of the company based on the financial activities that have been carried out.

The condition of the telecommunications company above is certainly inseparable from the company's performance, especially its financial performance. A company that wants to grow should make changes. Among the changes that are usually made by companies are regarding the existing performance within the company, especially the company's financial performance.

The phenomenon that exists in the telecommunications industry is that even though there is an increase in industrial growth of 10%, in fact this pandemic condition is also still having a negative impact on the telecommunications industry because even though there has been an increase in data demand, it turns out that many retail and corporate customers have stopped using communication services due to a decrease people's purchasing power, this is due to the fact that most of the working people have lost their jobs, so they are unable to update their internet services because they cannot afford it anymore. And the growth of the telecommunications industry above 10% must also be overshadowed by the decline in people's purchasing power due to the economic slowdown. There will still be pressure on operators due to reduced purchasing power. In addition to cash flow which can evaluate company performance, the earnings quality component can also be used as an assessor of company performance, especially financial performance. Where the accruals and persistence components here are also attributes of earnings quality.

In measuring earnings quality, Dechow et al. (2010), revealed that the measurement of earnings quality is focused on the benefits for making business decisions for users of financial statements. In addition, earnings quality is also the ability of earnings to reflect the truth of company profits and helps predict future earnings. Therefore, the quality of earnings is very important for users of financial statements, including those who expect higher earnings quality.

Based on the condition of the telecommunications company presented above, there are concerns regarding the quality of earnings or the extent to which reported earnings reflect operating fundamentals. Quality reflects the correctness of company profits and helps predict future earnings, and earnings quality can also be used as an indicator in measuring a company's financial performance.

Here's the data Report Telecommunications company asset components in Indonesia for the 2019-2020 period, as follows:

Tabel 1. Report Data on Asset Components of Telecommunications Companies in Indonesia 2019 - 2020

Company (Issuer Code)	Total assets 2019	Total assets 2020	Currency	Percentage (%)
FREN	27, 650	34, 769	IDR	25.75
TLKM	221, 208	246, 351	IDR	11.37
ISAT	62, 813	61, 079	IDR	-2.76
BTEL	15, 677	16, 295	IDR	3.94
EXCL	62, 725	69, 654	IDR	11.05
GHON	7,40	8,27	IDR	10.54
JAST	148	114	IDR	-30.16
TOWR	27,6	34,2	IDR	18,62
TBIG	3.0	36.5	IDR	15,47
OASA	47.0	46,8	IDR	-1.11

Company (Issuer Code)	Total assets 2019	Total assets 2020	Currency	Percentage (%)
SCMA	6,7	6,8	IDR	0.74

Source: idx. financial statements. 2020. IDX

Tabel 1. above shows the development of the condition of the number of assets in telecommunications companies in 2019 to 2020, overall, it can be seen that the number of assets has increased, where Smartfren Telecom Tbk has increased the number of assets from 2019 to 2020 by 25.75%, PT. Telekomunikasi Indonesia (Persero) Tbk. increased by 11.37%, Bakrie Telecom Tbk. increased by 3.94%, and PT. XL Axiata Tbk. its total assets in 2019 to 2020 increased by 11.05%, followed by PT Gihon Telekomunikasi Indonesia Tbk. increased by 10.54%, Sarana Menara Nusantara Tbk. of 18.62%, PT. Tower Bersama Infrastructure Tbk. of 15.47%, and finally the company Surya Citra Media Tbk. also experienced an increase, although not as big as other telecommunications companies, namely only 0. 74%. Meanwhile, three other companies, namely PT. Indosat Tbk., PT Jasnita Telekomindo Tbk., and PT. Protech Mitra Perkasa Tbk. experienced a decrease in assets in 2020 of -2.76%, -30.16, and -1.11, respectively.

Telecommunications companies in Indonesia were chosen for in-depth analysis in this study, because amid economic growth which experienced minus 5.3% due to the Covid-19 pandemic, the Indonesian telecommunications industry in general actually experienced growth of 10% compared to other manufacturing companies that forced to go out of business because they were unable to continue the company's economy due to the Covid-19 pandemic (Techbiz.id, 2020). Seeing the description of the background and phenomena that have been discussed previously, a study was conducted on The Influence of Operating Cash Flows and Financing Cash Flows on Financial Performance through earnings quality as an intervening variable At the Indonesian Telecommunications Company Listed on the Indonesia Stock Exchange (Case Study 2019-2021).

II. LITERATURE REVIEW

Operating Cash Flow

According to Wild et al (2005), cash flows from operating activities (operating activities) are company activities related to profit, where operating activities include cash inflows and net cash outflows originating from related operating activities, such as granting credit to customers, investing in inventory, and obtaining credit from suppliers. Burke et al (2017) said operating cash flow provides useful information for investors in assessing equity. Operating cash flow provides information and predicts related to future cash flows and earnings beyond accruals.

Cash Flow Financing (Funding)

According to PSAK No. 2 cash flows from financing activities can be broken down as follows:

1. Cash receipts from the issuance of shares or other capital instruments
2. Cash payments to shareholders for withdrawing or redeeming company shares
3. Cash receipts from bond issuance, loans, money orders,mortgage,and other loans
4. Loan repayment
5. Cash payments by the lessee to reduce the outstanding liability relating to the finance lease.

Cash flow financing activities (financing activities), is a way to distribute, attract, and obtain funds to support business activities. This activity includes contributions to obtaining loans from creditors and repaying the principal of the loan. These activities also include contributions and withdrawals by owners, as well as returns on their investment (dividends) (Wild et al. 2005).

Profit Quality

a. Definition of Earnings Quality

Earnings quality according to Schipper (2003), shows the closeness of reported earnings to Hicksian Income, which is economic profit, namely the amount that can be consumed in one period by maintaining the company's ability at the beginning and end remains the same.

The higher the quality of the current period's earnings compared to the last period, the more likely the company is to implement a sound business strategy to generate healthy profits in the future, which is a key component of its stock price (Harrison Jr, 2013).

However, according to Dechow and Schrand in Francis et al (2008), they take the view that the quality of a company will be of high quality if it accurately provides intrinsic value to the company. Earnings quality is a multidimensional concept that can be viewed from various perspectives. The better the quality of earnings, the greater the utility of the decision maker's goals.

Sun (2020) states that earnings with a high level of persistence will be more reliable in predicting future earnings performance. Furthermore, earnings can be decomposed into cash flows and accruals (income with a high level of persistence will be more reliable in predicting future earnings performance. Profits can be broken down into two, namely: (1) cash flows, and (2) accruals.(Sun, 2020).

b. Earnings Quality Component

Following are the components of earnings quality according to Harrison Jr. (2013), as follows:

a) Proper recognition of revenues and expenses
b) Cost of Goods Sold, Gross Profit, Operating Profit and Net Profit
c) No changes in accounting policies, assumptions and estimates to boost profits.

Francis et al. (2004) suggests seven attributes of earnings quality, as follows:

a) Accruals Quality;
b) Profit Persistence;
c) Predictability Profit;
d) Earnings Smoothness;
e) Value Relevance;
f) Timeliness;
g) Conservatism.

c. Profit Quality Measurement

There are several proxies according to Dechow et al., (2010) that can be used in measuring earnings quality, including Profit Persistence, Directional Accruals, and Punctuality. Research (Barton, 2002) in measuring earnings quality by using the earnings surprising index:

$$\text{Earnings quality} = \frac{\text{Beginning balance of operating net assets}}{Sale}$$

d. Financial performance

According to Harjito, (2018) the financial performance of a company is very beneficial for various parties (stakeholders), such as investors, creditors, analysts, financial consultants, brokers, the government, and the management themselves. The company's financial performance can be seen through the condition of the financial statements in the form of a company's balance sheet and income statement. Of course good and accurate financial reports can provide useful information for companies and interested parties, in the form of: (a) decision makinginvestment, b) lending decisions, (c) assessing cash flows, (d) evaluating economic resources, (e) making claims on sources of funds, (f) analyzing changes that occur to sources of funds, and (g) analyze the use of funds (Harjito, 2018).

Fahmi (2012) states that financial performance is an analysis carried out to see the extent to which a company has carried out using the rules of financial implementation properly and correctly. Financial performance is an analysis carried out to see the extent to which a company has implemented it using good and correct financial implementation rules (Fahmi, 2018). According to Adur, et al (2018), financial performance is the result achieved by companies or cooperatives from various aspects of activities carried out using available financial resources.

The financial performance of a company can be seen from the financial statements of a company by analyzing the company's financial statements, and analyzing the financial condition of a company has several ways, but analysis using existing ratios is a very common thing to do in an effort to determine performance the finances of a company (Masyitah, 2018). The company's financial performance is the achievement of the company's achievements in a certain period which reflects the level of soundness of the company (Indriani in Sutrisno, 2018). Company performance can be measured through the company's financial performance which is reflected in financial ratios.

According to Munawir (2012), the objectives of measuring the company's financial performance are as follows:

a. Knowing the level of liquidity. This liquidity then shows a company's ability to meet financial obligations that should be settled immediately when billed.
b. Knowing the level of solvency. This solvency then shows a company in fulfilling its financial obligations if a company is liquidated, both financially in the long term and short term.
c. Knowing the level of profitability. Rentability or what is often referred to as profitability then shows a company's ability to generate profits during the period certain.

III. RESEARCH HYPOTHESIS

a. Effect of Cash Flow on Earnings Quality

A company needs strong cash flow and profits, because cash flow usually moves with profit, because net income generates cash. Several previous studies have examined the effect of investment cash flow on earnings quality, including the results of research by Guizani et al (2020) showing that the sensitivity of investment cash flows has a positive impact on companies by implying financial constraints. Based on the results of the research described earlier, the hypothesis proposed in this study is as follows:

Hypothesis 1:Whereas operating cash flow has a positive and significant effect on the quality of earnings

Hypothesis 2: That Flow Cash Financing has a positive and significant effect on the quality of earnings

b. Effect of Cash Flow on Financial Performance

The argument put forward in this study is that estimating cash flows in the future or in the future will greatly affect the company's financial condition, so that it will affect the company's overall performance. In line with research by Frank et al (2014) which supports the above statement. Frank finds that operating and financing cash flows have a significant positive relationship with company performance in the Nigerian food and beverage sector while investment cash flows and company performance have a negative and significant relationship. Other research supports the results of Burke et al (2017), stating that bank operating cash flow is positively and significantly related to stock prices. Research by Nandhu et al (2020) shows that maintenance of money sufficient cash has encouraged the organization to run the company's operations without any interruption. Based on the results of the research that has been described previously, the hypothesis proposed in this study is as follows:

Hypothesis 3. Whereas operating cash flow has a positive and significant effect on financial performance

Hypothesis 4. Whereas Financing Cash Flow has a positive and significant effect on Financial Performance

c. Effect of Earnings Quality on Financial Performance

Knowledgeable investors will want to assess the quality of each company's earnings, the higher the quality of earnings in the current period compared to the previous or last period, the more likely the company is to implement a sound business strategy to generate healthy profits in the future, which is a component the key to its share price and is reflected in the company's financial performance (Harrison Jr., 2011). The effect of earnings quality on financial performance has also been investigated by several previous studies. Farinha et al (2018) showed that the quality of earnings significantly and negatively affects the profit of cash reserves but not for the company, when the quality of earnings decreases, the company tends to hold more cash except when the company faces losses. Another study by Noury et al (2020) shows that the relative impact of earnings on financial performance differs across regions, industry characteristics, and firm ownership structures, and different time periods. Another study by Takacs (2020) shows that the high quality of earnings provides a true indication of a company's real economic performance. ability to generate profits, high earnings quality (EOQ) can lead to more accurate measurement of management performance and returns realized by shareholders and can reduce the risk of investor decisions

Based on the results of the research that has been described previously, the hypothesis proposed in this study is as follows:

Hypothesis 5. That the quality of earnings has a significant effect on financial performance

d. Indirect Effect

Based on the results of the research that has been described previously, the hypothesis proposed in this study is as follows:

Hypothesis 6.Whereas operating cash flow has a positive and significant effect on financial performance with earnings quality as a mediating variable

Hypothesis 7.Whereas Financing Cash Flow has a positive and significant effect on Financial Performance with earnings quality as a mediating variable

IV. RESEARCH METHODS

a. Research Design

This research is explanatory research, which explains the symptoms caused by an object of research. This design was carried out because the research process was carried out to confirm and test whether or not there was a relationship or influence between variables, namely specifically to test hypotheses in structural equations (Sekaran, 2006). This study uses a quantitative approach to answer research problems. The independent variables in this study are operating cash flows (X1) and financing cash flows (X2), the dependent variable financial performance (Y), and earnings quality (Z) as mediating variables.

b. Population and Sample

The population of this study are all telecommunications companies in Indonesia which are listed on the Indonesian Stock Exchange. While the sample is part of the population taken according to certain procedures. Based on the information obtained from the sample, the researcher can draw a conclusion that applies to the population. A good sample is a sample that is expected to be able to represent the population or be representative (Sugiarto, 2017). According to Sekaran (2019), population is a group of people, events, or interesting things where researchers want to form opinions, and which researchers want to investigate.

Under certain conditions when the population size is small and there are no constraints on cost, time, or manpower, it is possible for all members of the population to be studied, and all members of the population are used as samples and is known as saturated sampling or census (Sugiarto, 2017).

The companies sampled in this study are the entire population due to the small size of the population, namely all Indonesian telecommunications companies listed on the Indonesia Stock Exchange. The following is data on telecommunications companies listed on the Indonesia Stock Exchange:

Table 2. Data of Indonesian Telecommunications Companies Listed on the Indonesia Stock Exchange

No	Company name	Issuer Code
1	PT. Smartfren Telecom Tbk	FREN
2	PT. Telekomunikasi Indonesia (Persero) Tbk.	TLKM
3	PT Indosat Tbk	ISAT
4	Bakrie Telecom Tbk	BTEL
5	PT XL Axiata Tbk	EXCL
6	PT Gihon Telekomunikasi Indonesia Tbk	GHON
7	PT Jasnita Telekomindo Tbk.	JAST
8	Sarana Menara Nusantara Tbk	TOWR
9	PT Tower Bersama Infrastructure Tbk	TBIG
10	PT Protech Mitra Perkasa Tbk	Oasa
11	Surya Citra Media Tbk	SCMA

c. Types and Data Sources

The type of data used in this study is secondary data, consisting of:

1. Telecommunications Company Operational Cash Flow Data for the period t of 2019-2021 (quarter 1 – quarter 4)
2. Telecommunications company financing cash flow data for the 2019-2021 period (quarter 1 – quarter 4)
3. Data regarding information on Telecommunications company profits for the period 2019-2021 (quarter 1 – quarter 4)

The secondary data used in this study were obtained from the IDX website, namely www.idx.co.id and www.yahoofinance.com.

d. Method of collecting data

Data was collected using the content analysis method, which is a research data collection method through observation techniques and analysis of issues or messages from a document. The purpose of content analysis is to identify specific characteristics or information contained in a document to produce an objective and systematic description. The data collection in this study was obtained from the financial statements of telecommunications companies in Indonesia that are listed on the Indonesia Stock Exchange from the IDX website, namelywww.idx.co.id.

e. Data analysis method

To achieve the research objectives identified in the previous section, this research will use descriptive analysis techniques to analyze and to explain the implementation of cash flow in telecommunications companies in Indonesia which are listed on the Stock Exchange. This implementation relates to operating cash flow, financing cash flow, earnings quality and financial performance. Descriptively, the implementation of telecommunication companies' cash flow in Indonesia will be compared.and quantitative techniques.Quantitative analysis used to determine the role of earnings quality, the effect of cash flow on financial performance in this study uses PThe approach taken when analyzing this research is Structural Equation Model Partial Least Square (SEM-PLS) using SMART PLS software.. Path analysis is used because of several advantages, namely being able to explain the direct and indirect effects of exogenous variables (causes) on endogenous variables (effect). Besides that, another advantage is that the results of the analysis can show the magnitude of the influence of each causal variable and effect variable.

V. RESEARCH RESULT

a. Description of Research Results

Based on R Square Model it shows that the R Square value of the Profit Quality (Z) variable model of 0.107 and the R square of company performance of 0.095, this means that actually the PLS model is still weak, there are still many other factors that can affect earnings quality and financial performance but has not been included in the PLS SEM model.

Meanwhile, the Q Square value indicates the predictive relevance of the model, where a Q Square value of 0.02 – 0.15 indicates that the model has small predictive relevance, a Q Square of 0.15 – 0.35 indicates that the model has moderate predictive relevance and Q square > 0.35 indicates a large predictive relevance model (Chin, 1998). The results of the calculation of the Q Square model show that the Q Square value of earnings quality is 0.095 and the Q Square value of financial performance is 0.081, meaning that in predicting earnings quality and financial performance, the predictive relevance model is still quite small, meaning that to predict earnings quality and financial performance there are still many factors that actually still need to be included in the model.

The Standardized Root Mean Square (SRMR) value of the model shows the feasibility of the model and the fit of the model with the data being analyzed, the semX1n fit the model then the semX1n fits the covariance matrix between the sample and the population so that the estimation results of the semX1n model are good at showing the actual population. The model's SRMR value is expected to be smaller <0.10, a model with an SRMR between 0.08 – 0.10 is called fit, while a model with an SRMR <0.08 is called perfect fit. The model's SRMR value of 0.000 is very small <0.08 meaning that even though many factors have not been included in the model, this research model is perfect fit and can certainly show the condition of the relationship between variables in the actual population because the sample covariance matrix is the same as the population covariance matrix.

The direct effect or often referred to as the direct effect is the direct effect of exogenous variables on endogenous variables. In PLS SEM analysis, the significance and direction of direct influence can be seen from the p value, t statistic and the path coefficient connecting endogenous to exogenous. If the p value is <0.05 and the T statistic is > 1.65 (one tail t value), it can be concluded that the exogenous variable has a significant effect on the endogenous variable with the direction of influence according to the sign attached to the path coefficient. Furthermore, if the p value is obtained > 0.05 and the T statistic is <1.65 (one tail t value), then it is concluded that the exogenous variable has no significant effect on the endogen.

The explanation of the results of the direct influence test is as follows:

(1) X1 has a positive and significant effect on Z, meaning that operating cash flow has a positive effect on the company's profit quality, the smoother the operating cash flow, the higher the company's profit quality, and vice versa non-current operating cash flow has the potential to reduce the company's profit quality, this is shown with the p value of path X1→Z is 0.029 <0.05, T statistics is 1.904 > 1.65 and the positive path coefficient is 0.113.

(2) X2 has a positive and significant effect on Z, meaning that financing cash flows have a positive effect on the quality of company profits, the smoother the financing cash flows, the higher the quality of company profits, and vice versa non-current financing cash flows have the potential to reduce the quality of company profits, this is shown with the p value of path X2→Z is 0.005 <0.05 and T statistics is 2.574 > 1.65 and the path coefficient is 0.319.

(3) X1 does not have a significant effect on Y, meaning that operating cash flow does not affect the company's financial performance, smooth operating cash flow does not significantly affect the decrease and increase in

the company's financial performance, this is indicated by the p value of line X1→Y is 0.075 > 0.05 and T statistic is 1.442 < 1.65.

(4) X2 does not have a significant effect on Y, meaning that financing cash flows do not affect the company's financial performance, smooth financing cash flows do not significantly affect the decrease and increase in the company's financial performance, this is indicated by the p value of the line X2→Y is 0.494 > 0.05 and T statistic is 0.015 < 1.65.

(5) Z has a positive and significant effect on Y, meaning that the quality of earnings has a positive and significant effect on the company's financial performance, the higher the quality of company earnings, the more it has a positive and significant influence on improving the company's financial performance, this is indicated by the p value of line Z→Y is 0.000 <0.05 and T statistic is 5.250 > 1.65

Indirect effect or also known as indirect effect is the influence of exogenous variables indirectly on endogenous variables. From the results of the indirect effect test it can be explained as follows:

(1) Operating cash flow can affect financial performance through earnings quality, meaning that a very good operating cash flow will increase the quality of earnings which will further support the company's high financial performance. The significance of this indirect relationship is indicated by a p value of 0.049 <0.05 and a T statistic of 1.661 with a positive indirect path coefficient of 0.036.

(2) Financing cash flows can affect financial performance through earnings quality, meaning that excellent financing cash flows will increase the quality of earnings which will further support the company's high financial performance. The significance of this indirect relationship is indicated by a p value of 0.012 <0.05 and a T statistic of 2.257 with a positive indirect path coefficient of 0.093.

To sum up the result from direct and inderict effect it can be explained about the magnitude of the overall influence on the relationship between variables directly and indirectly in this study, along with the explanation:

(1) The effect of operating cash flow on financial performance is 0.176, which means that operating cash flow can affect financial performance through a combination of direct and indirect effects of earnings quality of 0.176.

(2) The effect of operating cash flow on financial performance is 0.092, which means that operating cash flow can affect financial performance through a combination of direct and indirect effects of earnings quality of 0.092.

Based on the magnitude of the total effect of the relationship between variables, both directly and indirectly, it can be ascertained that the relationship between operating cash flow and financing cash flows on financial performance has a greater total value/has a greater influence if good earnings quality is mediated. Where based on the total effect for the variables of operating cash flow and financing cash flow have a greater value influence on financial performance if it is through the mediation of good earnings quality and between operating cash flow and financing cash flow that has the most influence on financial performance indirectly through earnings quality as a mediating variable is the operating cash flow variable.

b. Hypothesis Test

Effect of Operating Cash Flow on Lab Quality

Based on the results of the path analysis, the standardized coefficient (T Statistics) of the direct effect of operating cash flow on earnings quality is 1.904 with a P-value of 0.029 <0.05, this indicates that operating cash flow has a positive and significant influence on earnings quality. Thus Hypothesis 1 which states that operating cash flow has a significant effect on earnings quality, is accepted.

The Influence of Financing Cash Flows on Earnings Quality

Based on the results of the path analysis, the standardized coefficient value (T Statistics) of the direct effect of financing cash flows on earnings quality is 2.574 with a P-value of 0.005 <0.05, this indicates that financing cash flows have a positive and significant influence on earnings quality. Thus Hypothesis 2 which states that operating cash flow has a significant effect on earnings quality, is accepted.

Effect of Operating Cash Flow on Financial Performance

Based on the path analysis results, the standardized coefficient value (T Statistics) of the direct effect of operating cash flow on financial performance is 1.442 with a P-value of 0.075 > 0.05, this indicates that operating cash flow does not have a significant effect on performance finance. Thus Hypothesis 3 which states that operating cash flow has a significant effect on financial performance, is rejected.

Effect of Financing Cash Flow on Financial Performance

Based on the results of the path analysis, the standardized coefficient value (T Statistics) of the direct effect of financing cash flows on financial performance is 0.015 with a P-value of 0.494 > 0.05, this indicates that financing cash flows do not have a significant effect on performance finance. Thus Hypothesis 4 which states that financing cash flows have a significant effect on financial performance, is rejected.

Effect of Earnings Quality on Financial Performance

Based on the results of the path analysis, the standardized coefficient value (T Statistics) has a direct effect on earnings quality on financial performance of 5.250 with a P-value of 0.000 <0.05, this indicates that earnings quality has a positive and significant influence on financial performance . Thus Hypothesis 5 which states that earnings quality has a significant effect on financial performance, is accepted.

Effect of Operating Cash Flow on Financial Performance with earnings quality as an intervening variable

Analysis of the indirect effect obtained the coefficient value of the positive indirect effect of operating cash flow on financial performance through earnings quality of 0.033 with a p value of 0.049 <0.05, and a T statistic of 1.661. This shows that operating cash flow has an indirect effect on financial performance. In this case the quality of earnings succeeds in mediating the effect of operating cash flow on financial performance. Thus hypothesis 6 which states that operating cash flow has a significant effect on financial performance with earnings quality as the mediating variable, is accepted.

Effect of cash flow financing on financial performance with earnings quality as an intervening variable

Analysis of the indirect effect obtained the coefficient value of the positive indirect effect of financing cash flow on financial performance through earnings quality of 0.033 with a p value of 0.049 <0.05, and a T statistic of 1.661. This shows that financing cash flow has an indirect effect on financial performance. In this case the quality of earnings succeeds in mediating the effect of financing cash flows on financial performance. Thus hypothesis 7 which states that financing cash flows have a significant effect on financial performance with earnings quality as a mediating variable, is accepted.

VI. DISCUSSION AND CONSLUSION

A. Discussion

Effect of Operating Cash Flow on Earnings Quality

The results of testing hypothesis 1 show that the operating cash flow variable has a positive and significant effect on earnings quality, in line with the statistical test conducted showing that the standardized coefficient value (T Statistics) is 3.996 with a P-value of 0.000 <0.05. In this explanation it can be said that operating cash flow can have a good influence on creating positive earnings quality. The large number of operating cash flows will increase the persistence of earnings, with rationalization the higher the value of operating cash flows in the company, the quality of earnings or earnings persistence will increase, and vice versa. This means that there is a unidirectional relationship between operating cash flow and earnings quality.The operating cash flow which has increased is expected to increase profitability because with an increase in operating cash flow the company can decide on existing funds for its operational activities but must be accompanied by efficiency in operating expenses and cost of goods sold. This research is in line with research conducted by Cheng et al., (2013) who found evidence that operating cash flow explains more contemporary returns when earnings quality is better. The findings also show that the market reacts to operating cash flow at a better earnings quality. Interestingly, the results also show that the market perceives better earnings quality capturing superior performance from operating cash flows.

Based on the signal theory that the company will provide information about the condition of the company in financial reports to investors or potential investors to avoid errors in information. Investors will pay attention to the company's operating cash flow before investing to see how the company manages its financial system in its operational activities. A company whose operating cash flow is always positive indicates a good financial company because it is able to generate income that is greater than the outcome of its operations. This will certainly make investors believe in investing their funds in the company.

Effect of Financing Cash Flow on Earnings Quality

The results of testing Hypothesis 2, financing cash flow has a positive and significant effect on earnings qualityin line with the statistical test conducted showing that the standardized coefficient value (T Statistics) is 2.574 with a P-value of 0.005 <0.05. In this explanation it can be said that financing cash flow can have a good influence on creating positive earnings quality. The results of this study are in line with the research conducted by Salehi, et al. (2018) who found that there is a significant and positive relationship between external (bank) debt financing and earnings quality. Firms with varying levels of access to unrestricted external capital markets are considered another factor in reporting higher quality earnings.

Financing cash flow which describes the activity of receiving and disbursing company capital related to issuing company shares or buying back company shares. This is certainly a good information for investors or potential investors. Quality and useful information from the company will be well responded by investors. Where this information will be a consideration for investors in investing in the company. Investors or potential investors will be interested in the company's performance in terms of the company's ability to distribute dividends on the profits earned by the company. So that the company's shares will increase in the market because many investors are interested in these shares. Even though, investors are not too focused on the company's funding cash flow. When viewed from the frequency of funding cash flows are not as large as other cash flows, be it operations or investments. So that investors do not pay too much attention to the cash flow of this funding. Financing activities, which result in changes to the amount of the company's equity and loans, are in the form of financing activities for cash receipts from the sale of shares, or issuance of debentures, and disbursements of cash to buy back shares and repay debts.

Effect of Operating Cash Flow on Financial Performance

Based on the results of hypothesis testing 3, the effect of operating cash flow on financial performance shows a statistical T value of 1.442 with a P-value of 0.075 > 0.05. This shows that operating cash flow does not significantly influence financial performance. This means that the smooth flow of operating cash does not significantly affect the decrease and increase in the company's financial performance.

Effect of Financing Cash Flow on Financial Performance

Based on the results of hypothesis testing 4, financing cash flow on financial performance shows a statistical T value of 0.015 <1.65 with a P-value of 0.494 > 0.05. This shows that financing cash flow does not significantly influence financial performance. This means that the smooth flow of financing cash does not significantly affect the decrease and increase in the company's financial performance. Excessive free cash flow has a negative impact on company profitability and stock valuation. The results of this study are supported by research conducted by Supatminingsih et al, 2018, which found that financing cash flows did not have a significant effect on financial performance. The results of this study are not in line with Nangih et al, 2020, who found cash flows from financing activities have a positive and significant influence on company performance. Adequate cash flow to meet their daily cash requirements at maturity.

Effect of Profit Quality on Financial Performance

The results of testing Hypothesis 5, earnings quality has a positive and significant effect on financial performance in line with the statistical test conducted showing that the standardized coefficient value (T Statistics) is 5,250 > 1.65 with a P-value of 0.000 <0.05. This study is in line with the research of Takacs et al. (2020) who found high earnings quality provides an accurate and reliable picture of company performance. This is in line with Siladjaja's research, (2020) which found that earnings quality through accrual quality has a positive effect on future market value based on equity and profit. The existence of this positive relationship reflects an increase in the quality of accruals to help improve investors' ability to predict prospects with a high degree of accuracy in the coming period. The higher the earnings quality number, the higher the accuracy of the prediction of future market value. This research also shows that the capital structure of telecommunications companies grows and develops so that it can support the movement and operational performance.

According to the theory of signaling information provided by the company to investors. This theory connects that good quality earnings are profits that are able to reflect each year stably and can predict profits for the next year by giving a company signal to investors to invest in the company. This signaling theory also supports research results for earnings quality that has a significant effect on financial performance.

Effect of Operating Cash Flow on Financial Performance Through Profit Quality as an Intervening Variable

As stated, the results of testing hypothesis 6 concerning the effect of operating cash flow on financial performance through earnings quality are evidenced by the T statistics value of 1,904 at a significance level of 0.05 (5%) in line with this proving the statement of the operating cash flow hypothesis has a positive and significant effect on performance corporate finance through earnings quality as an intervening variable. The significance of this indirect relationship is indicated by a P value of 0.049 <0.05 and T statistics of 1.661 with a positive indirect path coefficient of 0.033. The company in paying its obligations shows a good turnaround for each company in this study, and shows a very good increase in its operating cash flow ratio through revenue growth and volatilitysale. Research by Burke et al (2017), found that the performance measurement that is the focus of external parties is cash flow information, especially cash flows from operating activities that have a relationship with profit information because these cash flows generally come from transactions that affect the determination of net profit or loss and in the indirect method the net profit or loss obtained will be adjusted in operating cash flow, as well as to determine the company's ability to pay dividends.

Effect of Financing Cash Flow on Financial Performance Through Profit Quality as an Intervening Variable

As stated earlier, the results of testing hypothesis 7 concerning the effect of financing cash flows on financial performance through earnings quality are evidenced by the T statistics value of 2.257 at a significance level of 0.05 (5%) in line with this proving the statement of the financing cash flow hypothesis has a positive and significant effect on the company's financial performance through earnings quality as an intervening variable. This means that excellent financing cash flow will increase the quality of earnings which will further support the company's high financial performance. Companies with excess free cash flow will have better performance because they can benefit from various opportunities in the development of company growth,

B. Conclusion

Based on the results of data analysis, the following will describe the conclusions of the research results, in which the references are obtained from the formulation of the problem, research objectives, hypotheses, results of the analysis and discussion that have been explained in the previous chapter, along with the conclusions:

1) Operating cash flow has a positive and significant influence on earnings quality, this means that the smoother the cash flow in operating activities, the better the company's profit quality, so it can be explained that operating cash flow can have a good influence on creating positive earnings quality. Cash flow from operating activities is in the form of cash flow obtained from the company's business activities. This also means that there is a unidirectional relationship between operating cash flow and earnings quality.
2) Financing cash flow has a positive and significant effect on earnings quality, this means that the smoother the cash flow in financing activities, the higher the company's earnings quality. In this explanation it can be said that financing cash flow can have a good influence on creating positive earnings quality. Financing activities, which result in changes to the amount of the company's equity and loans, are in the form of financing activities for cash receipts from the sale of shares, or issuance of debentures, and disbursements of cash to buy back shares and repay debts.
3) Operating cash flow has no significant effect on financial performance. This means that the smooth flow of operating cash does not significantly affect the decrease and increase in the company's financial performance. This indicates that the company is unable to pay off all of its current liabilities using only operating cash flow. The relevance of cash flow to the company's operations and performance, it is very necessary to develop appropriate cash flow and implement it in maximizing shareholder value, because cash flow is a direct measure of liquidity on company performance. In addition, the operating cash flow statement is also able to provide useful information for investors in assessing equity and providing information and predictions related to future cash flows and earnings outside of accruals.
4) Financing cash flow has no significant effect on financial performance. This shows that financing cash flow does not significantly influence financial performance. The smooth flow of financing cash does not significantly affect the decrease and increase in the company's financial performance.
5) Earnings quality has a significant effect on financial performance. The existence of this positive relationship reflects an increase in the quality of accruals to help improve investors' ability to predict prospects with a high degree of accuracy in the coming period. The existence of this positive relationship reflects an increase in the quality of accruals to help improve investors' ability to predict prospects with a high degree of accuracy in the coming period. The higher the earnings quality number, the higher the accuracy of the prediction of future market value.
6) Operating cash flow has a positive and significant effect on financial performance through earnings quality. Operating cash flow has a positive and significant effect on financial performance through earnings quality. this can be interpreted that the higher the amount of cash will lead to higher operating cash flow. The higher the company's operating cash flow, the greater the persistence of company profits. If there is sufficient operating cash flow, the company does not need to rely on external financing (eg issuing shares or debt to external parties), meaning that the funds invested by investors are managed by the company effectively and efficiently so that information on the company's operating cash flows can be used as a checking tool. profit information and as a measure of company performance.
7) Financing cash flow has a positive and significant effect on financial performance through earnings quality. This means that excellent financing cash flow will increase the quality of earnings which will further support the company's high financial performance. Companies with excess free cash flow will have better performance because they can benefit from various opportunities in developing the company's growth,

which means that internal sources of funds from operational activities are sufficient to meet investment needs so that companies require additional external funds in the form of debt or share new issuance.

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