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EARNINGS QUALITY FROM A SHARIA ACCOUNTING PERSPECTIVE: TAX ALLOCATION, PROFIT PERSISTENCE AND PROFIT GROWTH

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Abstract

This research examines the influence of tax allocation, profit persistence and profit growth on profit quality partially and simultaneously in manufacturing companies listed on the Jakarta Islamic Index. The sampling technique used in this research was purposive sampling. The number of participants in this study was 55. The data analysis used is panel data regression using the E-Views 12 application. The results of this study show that partially the tax allocation variable (X1), earnings persistence (X2), and profit growth (X3) do not affect earnings quality (Y). Then, the research results show that simultaneously, tax allocation (X1), profit persistence (X2), and profit growth (X3) do not have a significant effect on profit quality. This research provides insight into managing manufacturing companies listed with JII to pay more attention to tax allocation, maintain profit stability, and ensure healthy profit growth. This is important to improve the quality of profits that can be trusted by investors and other stakeholders. Then, profits from a Sharia accounting perspective are allowed according to feasibility, fairness and impartiality principles and must not be infected by the influence of bias that should not occur.

Keywords: *Earnings Persistence, Earnings Growth, Earnings Quality, Tax Allocation*

1. Introduction

Companies that generate high profits can be said to have achieved their goals. Profits can also determine financial health and reflect actual economic conditions. Creditors and investors use earnings to assess management effectiveness, measure earning power, and estimate future profits. Profits that do not convey management performance

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information can deceive report readers. Benefits that do not provide accurate information about a business's financial situation may be of questionable quality (Lusiani & Khafid, 2022).

Earnings quality is profit in financial reports that reflects the company's actual financial performance and is the level of difference between reported net profit and actual profit. Stakeholders such as investors, potential investors, and other users of financial information need to understand the quality of earnings. Thus, profits that do not show actual financial information about management performance will mislead users of financial reports(Anggrainy, 2019). The financial condition of PT Waskita Karya (Persero) Tbk (WSKT) and PT Wijaya Karya (Persero) Tbk (WIKA) continues to be investigated by the Ministry BUMN. This follow-up is due to the Ministry of BUMN's suspicions of the manipulation of financial reports by the two state-owned companies. Some work, such asWaskita Karya and WIKA's financial reporting, do not correspond to actual conditions. The manipulation tactics used by Waskita and WIKA are relatively simple. They cheated the bookkeeping by hiding a pile of bills from vendors since 2016. The disappearance of these liabilities made their debt burden shrink, and their financial condition seemed healthy even though both were financially difficult. (Ramdhani 2023).

In 2020, WIKA earned a net profit of IDR. 322 billion, then fell to Rp. 214 billion in the following year and dropped to IDR 12.5 billion. In 2022, Waskita recorded a decrease in net loss from IDR 9.28 trillion in 2020 to IDR 1.67 trillion in 2022. WIKA and Waskita companies experienced financial report manipulation as if they were making a profit. If the earnings quality ratio result is more significant than 1.0, it indicates high earnings quality, whereas if the ratio is less than 1.0, it indicates low earnings quality (Kurniawan and Aisah 2020). So, it can be concluded that it can affect the company's profits and cause a decline in the quality of its earnings. According to accrual accounting, the deferred tax income reported in the current year's profit and loss statement substantially reflects the tax payment savings the company will still receive in future years or the tax payment savings the company obtained in previous years. Likewise, deferred tax expense substantially reflects the tax burden that the company still has to pay in future years or the tax burden that the company has already paid in previous years. Investors' lack of ability to interpret the substance of deferred tax income (expenses) will encourage investors to be more careful in responding to accounting profits.

Profit persistence is a measurement that can show a company's ability to maintain stable profits from year to year (Ashma' and Rahmawati 2019). In this case, persistent profits are permanent and not transitory or temporary. It can attract investors to invest their funds in the company because a company with persistent profits can indicate its stability in maintaining its financial condition (Nanda Suryadi, Btari Cahaya Putri, 2023). Profit is an essential indicator for assessing business performance during a specific period. Every company wants an increase in profits earned every year. Profit growth is a change in profit that increases or decreases expressed as a percentage. Profit growth is used as a determinant of the increase or decrease in profits experienced by the company(Al-Vionita & Fun, 2020). Profit growth is one of the financial factors that influences profit quality. The growth in a company's profits is usually caused by increased profits obtained in the current period (Sumertiasih & Yasa, 2022).

Research by v showed that earnings persistence and tax allocation (independent variables) influence earnings quality (dependent variables). In contrast to research conducted by Priskanodi, Trisnaningsih, and Aprilisanda (2022), Ashma' and Rahmawati (2019), Nanda Suryadi, Btari Cahaya Putri (2023) obtained research results that earnings persistence (independent variable) does not affect earnings quality (dependent variable). According to Celine Widjaja(Widjaja, 2023), Dian Maulita et al. (Maulita, Sefty Framita, and Nailufaroh 2022), Citra Zia Hanifah et al. (Zia & Malik, 2022) obtained research results that tax allocation between periods (independent variable) does not affect earnings quality (dependent variable). According to research by Elan Kurniawan et al. (Kurniawan & Aisah 2020), Jaenal Abidin et al. (Abidin, Sasana, and Amelia 2022), Ni Putu Lia Sumertiasih et al. (Sumertiasih & Yasa 2022), obtained research results that profit growth (independent variable) influences earnings quality (dependent variable). In contrast to the research of Septiano, Aminah, and Sari (2022), Ardian, Devi, and Saefurrohman (2023), Luas, Kawulur, and Tenor (2021) obtained research results that profit growth (independent variable) did not affect earnings quality (dependent variable).

In this research, there is an additional independent variable, namely profit growth, which researchers will use. The essential reference for researchers is adding a profit growth variable because this variable can measure the success or failure of a company by looking at the development or growth of profits. Profit growth in a company is one of the most expected things for external parties because it can show that the company has good financial performance in managing the assets or assets owned by the company, and with profit growth it can make it easier for investors to see the quality of profits in the company, making it easier for external parties to make decisions about the company (Oktaviani, Mursalini, and Sriyanti 2023).

2. Literature Review

2.1 The Effect of Tax Allocation on Earnings Quality

Tax allocation is a tax imposed through the association process between income tax and profits (Bawoni & Shodiq, 2020). Reporting income tax expense, which includes current tax and deferred tax, produces accounting profits that are more informative and can reflect the company's actual performance. Income tax accounting without allocation results in accounting profit (net profit after tax in commercial financial statements) not reflecting actual profit. As the government needs profit information as a basis for the tax that must be paid, if management as the manager does not tell the truth, this can be detrimental to the government (Bawoni & Shodiq, 2020). So, it can be concluded that if the tax allocation is higher, the quality of profits will be lower. Previous research by Berta Agus Petra, Rindy Citra Dewi, Fatma Ariani, and Bianda Quinta Syofnevil showed that tax allocation between periods negatively and significantly affected earnings quality (Petra et al., 2020). The results of this research align with research conducted by Rosiana Ramadhon, Ika Listyawati, and Alfin Muslikhun (2023), which found that tax allocation between periods has a negative and significant influence on earnings quality.

2.2. Earnings Persistence on Earnings Quality

The persistence of profits obtained in a company can indicate future profits. So, if the company experiences persistent profits, the company will receive a positive signal from information users. On the other hand, if the profits that occur in a company fluctuate or experience a decrease in profits obtained from year to year, then the information users consider it a negative signal for the company because it can maintain its profits in the financial reports that have been prepared. So, the higher the level of earnings persistence, the higher the earnings quality. Earnings persistence has a positive effect on earnings quality. Investors will be interested in companies that can maintain stable profits yearly. Investors' response is reflected in the high quality of profits because the company's condition is considered capable of maintaining its financial condition to remain stable (Ashma' and Rahmawati 2019). Profits must be high quality to avoid errors and obtain more precise prediction results. One measure that can predict future profits is profit persistence. Persistent profits are profits that have little or no disruption and can reflect the company's actual financial performance and the sustainability of future profits (Gusnita & Taqwa, 2019). As for previous research conducted by Rosiana Ramadhon, Ika Listyawati, and Alfin Muslikhun (2023), earnings persistence had a positive and significant effect on earnings quality. The results of this research align with research conducted by (2020), which found that earnings persistence has a positive and significant impact on earnings quality.

2.3 Profit Growth on Earnings Quality

Profit can provide a signal to internal and external parties. Company profits can be reflected in the financial reports produced by the company concerned in the profit and loss statement. Signal theory supports profit growth on earnings quality because positive profit growth will provide a positive signal to the market (Surenjani et al., 2023). Increasing the rate of profit growth in a company can cause the amount of annual profits to increase. This revenue growth can impact the quality of earnings when the company has the opportunity to increase revenue. This means that the company has good financial performance and has the opportunity to continue to grow with increasingly better profit quality (Yuli Astuti, Kemala Octisari, and Nugraha 2022). Profit growth is one of the financial factors that influences earnings quality. A company's profit growth is usually caused by increased profits obtained in the current period. If the profit does not present facts regarding the company's economic condition, then the quality of the profit can be doubted. Thus, the profits generated by the company will not reflect the actual condition of the company. This shows that profit growth has a positive relationship with earnings quality (Sumertiasih & Yasa, 2022). Profit growth may influence the quality of the company's profits because if it can grow, its financial performance is good. It may also have the opportunity to grow the quality of its profits (Irawati 2012). So, the higher the profit growth, the higher the quality of the profits. As for previous research, partial profit growth results had a positive and significant effect on earnings quality. The results of this research align with research conducted by Ni Putu Lia *et* al. (2023), which found that profit growth positively affects earnings quality.

3. Research Methods

This research uses quantitative research methods with a casual associative approach. This research uses a population of manufacturing companies registered in the Jakarta Islamic Index for 2019-2023. This research uses a purposive sampling technique with a final sample of 9 companies listed in the Jakarta Islamic Index for the 2019-2023 period with a total sample of 45. In this research, data collection was obtained using secondary data sources. Secondary data collected and used in this research comes from annual reports and financial reports for 2019-2023 and statistical data on manufacturing companies registered in the Jakarta Islamic Index contained in.idx.co.id. This study uses classical assumption tests, partial tests, simultaneous tests, correlation and determination tests.

4. Results and Discussion

4.1 Result

4.1.1 Descriptive statistics

The research results entered are the output of E-Views 12, and the explanation is narrated directly in the results.

Table 1 Descriptive Statistical Analysis

	Y	X1	X2	X3
Mean	1,430796	0,235273	0,001410	0,075800
Maximum	3,360000	0,400000	0,108784	1,170000
Minimum	0,000000	0,150000	-0,106663	-0,490000
Std. Dev.	0,748785	0,041090	0,039722	0,320554
Observations	55	55	55	55

Based on the results of descriptive statistical analysis from Table 1, it can be seen that the sample in this study was; this shows that the amount of data that was analysed was 55. The results of the interpretation of the descriptive statistical analysis above are as follows: Earnings Quality (Y), based on the results of descriptive statistical analysis calculations, earnings quality has a minimum value of 0.000000 and a maximum of 3.360000, so it has a mean or average of 1.430796, and the standard deviation is 0.748785. The smallest value, 0.000000, in manufacturing companies is Indofood Sukses Makmur Tbk. 2021. The most significant value of 3.360000 in manufacturing companies is Japfa Comfeed Indonesia Tbk. 2020. Tax Allocation (X1), based on the results of descriptive statistical analysis calculations, tax allocation has a minimum value of 0.150000 and a maximum of 0.400000, so it has a mean or average of 0.235273, and the standard deviation is 0.041090. The smallest value, 0.150000, in manufacturing companies is Astra International Tbk.2020. The most significant value, 0.400000, in manufacturing companies is Semen Indonesia Tbk. 2021.

Profit Persistence (X2), based on the results of descriptive statistical analysis calculations, profit persistence has a minimum value of -0.106663 and a maximum of 0.108784, so it has a mean or average of 0.001410 and a standard deviation of 0.037121. The smallest value, -0.106663, in manufacturing companies was United Tractors Tbk. in 2022. The most significant value, 0.108784, was Unilever Indonesia Tbk. in 2019. Profit Growth (X3), based on the results of descriptive statistical analysis calculations, profit growth has a minimum value of -0.490000 and a maximum of 0.170000, so it has a mean or average of 0.075800 and a standard deviation of 0.320554. The smallest value, namely -0.490000 in manufacturing companies, is United Tractors Tbk. in 2020. The most significant value of 1.170000 in manufacturing companies is United Tractors Tbk. in 2022.

4.1.2 Classic Assumption Test

The research results included are the output of E-Views 12 (normality, heteroscedasticity, and multicollinearity). The explanation is then narrated directly in the results.

Multicollinearity Test

The Multicollinearity Test determines whether a high or perfect correlation is found between variables in the regression model. If a high correlation is found between the independent variables, it can be stated that there are symptoms of multicollinearity in the research. A good regression model is one where there is no correlation between the independent variables (Basuki, 2021). Data is said to be free from multicollinearity problems if the correlation value between independent variables is smaller than 0.80.

Table 2 Multicollinearity Test

	X1	X2	X3
X1	1	-0.096167	0.060355
X2	-0.096167	1	-0.780667
X3	-0.060355	-0.780667	1

Based on the results of the multicollinearity test in Table 2, the correlation value between independent variables is smaller than 0.80, so the data is free from multicollinearity problems.

Heteroscedasticity Test

The following are the results of this research's heteroscedasticity test.

Table 3 Heteroscedasticity Test

Variable	X1	X2	X3
Probability	0.9288	0.0560	0.3045

Based on the results of the heteroscedasticity test in Table 4.6, it can be seen that the probability value of the independent variable is more excellent than the alpha (a) value of 0.05, namely X1 of 0.9288, X2 is 0.0560, and X3 is 0.3045. So, it can be concluded that the data is free from symptoms of heteroscedasticity.

4.1.3 Partial Test

The following are the results of the partial significance test hypothesis test (t-test) using E-Views 12 as follows:

Table 4 Partial Test

Variables	Coefficient	t-Statistics	Prob.
Tax Allocation (X1)	4.4927179	1.883574	0.0653
Profit Persistence (X2)	5.719021	1.447407	0.1539
Profit Growth (X3)	0.198783	0.436602	0.6642

Based on the t-test results in Table 4.9, the t-test results can be discussed as follows: the t-test results on the tax allocation variable (X1) obtained a calculated t value of 1.883574 < t table is 2.00665. The probability value is 0.6988 > 0.05, so the tax allocation variable partially does not significantly affect earnings quality, so H0 is accepted, H1 is rejected, or the hypothesis is rejected. The t-test results on the profit persistence variable (X2) obtained a calculated t value of 1.447407 < t table is 2.09665. The probability value is 0.1539 > 0.05, so the earnings persistence variable partially does not significantly affect earnings quality, so H0 is accepted, H2 is rejected, or the hypothesis is rejected. The t-test results on the profit growth variable (X3) obtained a calculated t value of 0.436602> t table is 2.00665; the probability value is 0.6642< 0.05, so partially, the profit growth variable does not have a significant effect on earnings quality, so H0 is accepted, and H3 is rejected, or the hypothesis is rejected.

4.1.4 Simultaneous Test

The following are the results of the simultaneous UI (f test) using E-Views 12 as follows:

Table 5 Simultaneous Test

F-statistic	2.124269
Prob(F-statistic)	0.108594

Based on the test results in Table 5, it can be seen that the calculated F value is 2.124269 < F table, which is 2.79; the probability value is 0.108594 > 0.05, so H0 is accepted, and Ha is rejected, meaning that the variables tax allocation, profit persistence and profit growth together do not have a significant effect on the quality of profits in the company manufacturers listed on the Jakarta Islamic Index.

4.1.5 Coefficient of Determination Test

The following are the results of the Coefficient of Determination Test (R2), which can be seen in the following table:

Table 6 Coefficient of Determination Test Results

Adjusted R-squared	0.058788

Based on the results in Table 6, the value Adjusted R-squared The figure obtained was 0.058788. This shows that the contribution of all independent variables explaining the dependent variable is 5%, while other variables outside the model variables explain the remaining 95% (100%-5%).

4.2 Discussion

4.2.1 The Effect of Tax Allocation on Earnings Quality

The research that has been carried out shows that Tax Allocation does not significantly affect earnings quality, so hypothesis 1 is rejected. Suppose an increase or decrease in the value of a tax allocation will not affect the quality of the company's profits. In that case, this is because investors and creditors consider the deferred tax expenses and income listed in the financial statements as obligations that will be incurred by the company as a responsibility to the government even though one day it will change due to changes in the rates given (Ayem & Lori, 2020). So, the results of this research show that tax allocation does not significantly affect earnings quality, and hypothesis 1 is rejected.

In this case, agency theory has no connection with the tax allocation variable. In this case, the tax or deferred allocation reported in the profit and loss statement is seen as a perceived disturbance as the effect of accrual accounting as recognition of income and expenses and other events that have tax consequences. In addition, the deferred tax expense reported in profit or loss is a transitory component. Transitory components only affect the financial statements for a certain period, do not occur continuously, and cause profit and loss figures to fluctuate. In this case, the tax allocation causes ups and downs or fluctuates. Moreover, the second reason is the investor's inability to interpret the substance of both deferred tax expense and deferred tax income reported in the profit and loss statement. Meanwhile, the substance of the deferred tax expense (income) reported in the profit and loss statement illustrates that there is a tax burden that the company must still pay in the coming year or savings in tax payments that the company will still obtain in the coming year (Nurhanifah and Jaya 2014). The deferred tax expense reported in the income statement illustrates a tax burden that the company must still pay in the coming year or savings in tax payments that the company will still receive in the coming year. (Maulita, Sefty Framita, and Nailufaroh 2022). Pay the tax earned for the coming year or the amount the company still has to pay in the coming year. With this, the increase or decrease in accounting profit only results from recognising tax consequences due to temporary differences in the carrying value of assets and liabilities based on accounting and tax provisions. Therefore, the deferred tax expense (income) reported in the profit and loss statement cannot significantly affect earnings quality.

The deferred tax burden (income) in the company causes fluctuations in its profits, so it is related to agency problems in decisions made in the company. However, tax allocation does not significantly influence the quality of the company's profits. Most manufacturing companies believe that the increase or decrease in accounting profits only results from recognising tax consequences, so it is considered irrelevant enough to explain the condition of the company's earnings quality (Bawoni and Shodiq 2020). The results of this research are supported by research conducted by Ayem and Lori (2020) and Bawoni and Shodiq (2020), which shows that tax allocation does not significantly affect earnings quality.

4.2.2 The Effect of Earnings Persistence on Earnings Quality

This research shows that earnings persistence does not significantly affect earnings quality, so hypothesis 2 is rejected. Investors do not respond to changes in profits even though the company has shown positive profit persistence in the future. This indicates that in determining their investment, investors evaluate based on profit information and assess other details that might influence their investment. High-profit persistence does not necessarily get a positive response from investors. Uninformative earnings make investors less likely to be reactive to earnings announcements. What makes profits uninformative is a transitory profit component that will only increase profits in the current period (Ashma' and Rahmawati 2019). When a company has high transitory profits, it reflects low-profit quality because its profits have temporary value in the sense that these profits cannot be used as a prediction of the number of profits in the future (Pujiati 2022). So, the results of this research show that earnings persistence does not significantly affect earnings quality, and hypothesis 2 is rejected.

In this case, the signal theory has no connection with the earnings persistence variable. Because the more persistent or permanent profits change over time, the higher the quality of profits. The profits earned by the company can increase continuously or be stable in the future. So, the market reaction is higher to information expected to be consistent/permanent in the long term than temporary information. So, it can be concluded that the more persistent or permanent profits are over time, the lower investor response is, which shows that profit persistence does not affect earnings quality. (Romasari 2013). The results of this research are supported by research conducted by

Priskanodi, Trisnaningsih, and Aprilisanda (2022) and research conducted by Ashma' and Rahmawati (2019), which shows that earnings persistence does not have a significant effect on earnings quality.

4.2.3 The Effect of Profit Growth on Earnings Quality

The research that has been carried out shows that Profit Growth does not significantly affect earnings quality, so hypothesis 3 is accepted. So, the hypothesis that profit growth positively affects earnings quality is accepted. Because the company's ability to maximise its profits is relatively high yearly. If a company can optimise its earnings, it has good financial performance. The company's ability to increase its earnings continuously so that its economic performance is considered reasonable by investors (Syawaluddin, Sujana, and Supriyanto 2019).

Profit growth significantly affects earnings quality and has a positive coefficient, indicating a unidirectional relationship. Profit growth is related to earnings quality because companies with high profit growth are expected to provide a high rate of return on investments made by investors in the future and are expected to be more persistent (Sumertiasih and Yasa, Company profits that experience an increase will indicate that profit information on companies that continue to grow positively in profits or profits every year will be responded to positively by investors. Companies with positive and continuous profit growth are expected to provide high profitability in the future and have higher persistence than companies that do not grow. Investors can assess a company's high earnings quality if the company's profit growth also increases (Ariani 2022). So, the results of this research show that profit growth significantly affects earnings quality, and hypothesis 3 is accepted.

The results of this research align with signal theory supporting profit growth on earnings quality because positive profit growth will provide a positive signal to the market (Surenjani et al., 2023). Increasing the rate of profit growth in a company can cause the amount of annual profits to increase. This revenue growth can impact the quality of earnings when the company has the opportunity to increase revenue. This means that the company has good financial performance and has the chance to continue to grow with increasingly better profit quality (Yuli Astuti, Kemala Octisari, and Nugraha 2022). The company's opportunity to increase its profits reflects that it is in good condition and that its financial reports are trustworthy and accountable. The higher profits generated will improve the quality of profits and provide a positive signal for investors. Profit growth has a positive effect on the quality of profits, which means that the higher the level of profit growth in a company, the quality of the company's profits will tend to increase (Nurlita, 2024). The results of this research are supported by research conducted by Renil & Sari (2020) and by Cindy, Arie and Linda (2021), which shows that profit growth does not significantly affect earnings quality.

4.2.4 The Influence of Tax Allocation, Profit Persistence, and Profit Growth on Earnings Quality

This research shows that tax allocation, profit persistence, and profit growth do not significantly affect earnings quality. Aggressive tax allocation (delaying the recognition of tax expense) can increase current net income but can reduce the persistence of profits in the future. This is because future profits will be higher if the tax burden is recognised evenly in each period. Aggressive tax allocation (delaying recognition of the tax burden) can increase profit growth in the short term but has the potential to inhibit profit growth in the future due to a higher tax burden in the following period. Companies can manipulate tax allocations to reduce the tax burden. This can make company profits appear higher than they are, thereby reducing the quality of profits. Profit persistence shows the consistency of a company's profits from time to time. Persistent profits are generally considered to be of higher quality. However, profit persistence can also be caused by factors outside the company's control. High profit growth can indicate that the company is growing rapidly. However, high-profit growth can also be achieved in an unsustainable way. To obtain a profit permitted in sharia accounting, it is as follows: the principle of justice means putting things in their place and giving things to those who are entitled and according to their position.

The implementation of justice in business takes the form of muamalah principle rules, which prohibit elements of usury, dualism, mayor, gharar, shikar, najas, risywah, thallus and the use of haram elements both in goods and services used in transactions, as well as in operational activities. Then, regarding benefits, in this case, it must fulfil two elements, namely halal (by sharia) and tayyib (helpful and bringing goodness). Apart from that, you must also pay attention to the principle of balance. This principle emphasises that the benefits obtained from Sharia transactions are focused on shareholders who will later receive dividends and on all parties who can benefit from this economic activity. For example, local communities and the government may not be directly involved in the transaction.

As is known, the legal basis for sharia accounting is found in the Koran, surah al-Baqarah 282. In this verse, the concept of profit has led to an activity (muamalah) and transaction approach simultaneously. Even though, in practice, Sharia accounting places more emphasis on the activity approach, this does not mean that the transaction approach is not taken into account when measuring profits. Profit at the semantic level focuses on the relationships between phenomena (objects or events) and the symbols that represent these phenomena. Profit at the semantic level discusses how profit is interpreted, the function of profit itself, and what meaning should be attached to profit. Profit information is expected to use accounting procedures that treat all parties equally. Profit and loss reports must present valid and accurate statements, and accounting data must be appropriate, unbiased and impartial to specific interests. Feasibility, fairness, and impartiality are views that Sharia financial reports should not be infected by the influence of bias, which should not occur. Sharia financial reports may not be prepared to fulfil the interests of a person or group of people at the expense of others (Ayumiati, 2021).

5. Conclusions

Based on the result of the testing and analysis that have been carried out using E-Views 12 regarding the influence of tax allocation, profit persistence, and profit growth on earnings quality, the results of the testing and analysis are as follows: Tax allocation (X1) does not have a significant effect on earnings quality so that hypothesis one is rejected. Because the increase or decrease in the value of a tax allocation will not affect the quality of the company's profit. Earning persistence (X2) does not significantly affect earnings quality, so hypothesis two is rejected. Because in this case, if the reported earnings do not reflect the actual economic conditions of the company, even though the company can maintain the previous year's profit, it does not always mean that its earnings quality is good. Profit growth (X3) does not significantly affect earnings quality, so hypothesis three is rejected because even though the company's profit has increased each period, it does not guarantee that the profit presented is quality. After all, there are other aspects to consider, such as the size of assets or the amount of debt owned by the company. Tax allocation, Earning persistence, and Profit growth do not significantly affect earnings quality. Because aggressive tax allocation can increase current net income, it decreases earnings persistence and potentially inhibits future profit growth. From the perspective of Sharia accounting, profit is permitted by the principles of fairness, justice and impartiality. It must not be affected by bias, which should not occur.

Based on the research results and conclusions above, the recommendations that can be given are as follows: further researchers are expected to be able to expand the population and research samples beyond those limited to manufacturing companies listed on the Jakarta Islamic Index. They can add other variables to produce more optimal research related to or affecting the company's earnings quality. Companies can improve the transparency of financial reporting by providing more detailed information. This understanding can help companies manage accounting practices and improve financial reporting quality. Investors can participate in preparing accounting standards to help ensure that these standards in financial reporting are high quality. The government can provide maximum regulations to taxpayers or those concerned.

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