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Stakeholder Pressure and Earnings Quality: The Moderating Role of Audit Committee Financial Expertise

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ABSTRACT
The purpose of this study is to examine the impacts of customer and supplier pressures, and on reported earnings quality of firms following global financial crisis and accounting scandal period. With reference theory of stakeholder, it examines the effect of customers and suppliers as external stakeholders on financial reporting reliability and whether the existence of a member with financial expertise background in audit committee could change this relationship.
The research method used is quantitative analysis using SEM-PLS to test the proposed hypothesis on a sample of manufacturing companies on the Indonesia Stock Exchange for the 2014-2021 period. Earning quality is proxied by discretionary accrual (DA) from Dechow-Dichev 2002 and Kothari et al. (2005), and Stubben (2010) models. Stakeholder pressure is represented with two proxies in customer concentration and supplier concentration, and audit committee expertise is measured by the numbers of members who have accounting/finance experiences.
The study's findings indicate that customer and supplier pressure significantly impacts the earnings quality of manufacturing companies in Indonesia. Meanwhile, audit committee financial expertise only moderates the relationship between customer pressure and earnings quality.

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INTRODUCTION

Earnings quality (EQ) has become a crucial issue following the global financial crisis and accounting manipulation cases that have led to a decline in trust in financial reports. From an agency theory perspective, this situation reflects a conflict of interest between managers and owners that drives earnings management practices (Dechow et al., 1995). This agency relationship illustrates that managers (as agents) possess more information than owners (as principals), resulting in information asymmetry that allows managers to manipulate earnings for personal gain.

This phenomenon indicates that earnings quality is low because reported figures do not fully reflect actual economic conditions. Recent studies also confirm that earnings quality significantly determines market efficiency and investment decisions (Francis et al., 2022). Furthermore, investors are increasingly paying attention to corporate earnings disclosures and incorporating this information into their financing decisions (García-Teruel et al., 2009; Hamdan,

2020; Vo & Chu, 2019). This phenomenon highlights the importance of research to identify more comprehensive determinants of earnings quality. Therefore, earnings quality reports are crucial documents for financial contracts and options.

Financial reporting serves as the primary means of communication between companies and stakeholders, and must meet the characteristics of relevance, reliability, and faithful representation. International research shows that high-quality reporting can reduce information asymmetry and increase investor confidence (El Mahdy et al., 2024; Karunia et al., 2020; Leuz, 2003; Tampubolon et al., 2025). This is in line with (Gajevszky, 2015), which revealed that high-quality financial reporting reflects not only the accuracy but also the ability of accounting figures to predict future performance. However, reporting quality is determined not only by accounting standards but also by the interaction between internal mechanisms and external pressures facing the company (Bharath et al., 2008; Chen et al., 2011; Hope et al., 2017; Pustikaningsih et al., 2024).

Most previous research has focused on internal governance mechanisms, such as boards of directors and audit committees, in improving earnings quality (Muslim et al., 2025; Tang et al., 2026). However, recent literature has begun to show that pressure from external stakeholders, such as customers and suppliers, also plays a significant role in shaping reporting behavior (Banerjee et al., 2008; Hope et al., 2017; Pustikaningsih et al., 2024; Sulemana et al., 2025; Vitolla et al., 2019). Researchers have identified a gap in previous findings. Stakeholder literature also explains that stakeholders play a significant role in exerting pressure on companies to present quality and accountable financial reports (Loy, 2016). Specifically, (Firmansyah et al., 2024; Kim & Luo, 2022) found that customer pressure can increase monitoring of earnings manipulation practices. Managers want to manage their actual earnings because they fear losing customers, especially when the largest portion of total revenue comes from customers.

Other research has found that customers negatively influence earnings management (Lin & Xing, 2024). Meanwhile, (Hope et al., 2017) stated that supplier pressure can influence the quality of a company's accounting output. This indicates the crucial role of accounting information quality in supplier-customer relationships (Hope et al., 2017; Naidu & Ranjeeni, 2024). However, (Bachtiar & Firmansyah, 2023) found that customers had no impact on earnings quality. This finding enabled researchers to address inconsistencies in previous studies.

Furthermore, financial expertise on the audit committee not only directly impacts earnings quality (Chen & Komal, 2018; Kalembe et al., 2024) but also has the potential to moderate the influence of these external pressures (Purwoto & Chariri, 2025; Sitanggang et al., 2022). The Audit Committee's financial expertise plays a role in controlling the oversight mechanism, resulting in reduced information asymmetry between managers and stakeholders. This is reinforced by (Baroroh et al., 2025; Chen & Komal, 2018), the audit committee has a moderating role which not only directly affects earnings quality, but also changes the way companies respond to external pressures. Audit committee financial expertise has been shown to have a significant negative effect on earnings quality (Alzeban, 2020; Badolato et al., 2014; Dewi & Mita, 2019; Marchia & Dewi, 2025). Therefore, this study aims to integrate the role of the audit committee Financial Expertise in influencing the relationship between stakeholder pressure and earnings quality generated by the Company.

This study explores a sample of companies in Indonesia because Indonesian companies have unique institutional characteristics, namely concentrated ownership structures and relatively weak oversight environments (La Porta et al., 2000). These conditions can result in stakeholder pressures and audit effectiveness that could potentially differ from previous research findings, particularly in developed countries.

Based on this gap, this study builds on the concept of integrating internal and external

factors to explain earnings quality, particularly in the context of developing countries. Recent studies emphasize that institutional differences and investor protection influence financial reporting practices (Ali et al., 2022; Jing & Ng, 2024; Van den Wijngaert, 2024). Therefore, this study aims to analyze the influence of customer and supplier pressure on earnings quality and examine the role of audit committee financial expertise as a moderating variable to provide a more relevant and contextual empirical contribution.

LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory is frequently used in business and accounting research, particularly in studies on sustainability disclosure and corporate accountability (Buallay & Al-Ajmi, 2020; Dissanayake et al., 2019). The theory was originally proposed by (Freeman, 2010), who stated that stakeholder theory is a strategic perception and effort to consider the interests of all parties who influence or are influenced by their activities, rather than focusing solely on shareholders. This theory contradicts the neoclassical assertion that companies exist primarily to increase shareholder wealth, arguing that successfully managing relationships with various stakeholder groups is crucial for long-term profitability (Donaldson & Preston, 1995; Freeman et al., 2007).

In a corporate context, stakeholders can be categorized into various groups including shareholders, creditors, customers, suppliers, and employees, each of whom has different interests in the social, environmental, and financial activities pursued by the company (Lu & Abeysekera, 2014). The basic concept of stakeholder theory is able to show that customers and suppliers play a significant role in the operational and behavioral aspects of a company. This is influenced by the power of customers and suppliers (as external parties to the company) to legitimize the company through the decisions they make. This is reinforced by several previous studies that customer and supplier pressure significantly increases the quality of company information disclosure, thereby increasing transparency and company reputation (Baroroh et al., 2025; Naidu & Ranjeeni, 2024; Sriani & Pratiwi, 2025). Furthermore, customers and suppliers are considered key stakeholders whose perceptions directly affect the company's reputation, so companies are motivated to maintain the quality of information in maintaining long-term and sustainable relationships.

This reflects stakeholder theory, which emphasizes that companies have broad responsibilities for transparent and credible financial reporting. In this context, the Financial Expertise audit committee functions as part of an internal governance mechanism that empowers companies to address stakeholder pressure (Abbasi et al., 2020; Xia et al., 2024). The role of the Financial Expertise audit committee is expected to increase the effectiveness of oversight, thereby suppressing opportunistic behavior in achieving quality financial information. Therefore, a strong Financial Expertise audit committee in a company can respond more effectively to stakeholder pressure.

Earnings Quality

Earnings quality, which is often thought of as the quality of a company's reported earnings, is a complex idea that has been the subject of a lot of accounting research. This is because it plays an important role in helping investors make decisions and making the capital market more efficient (Dechow et al., 2010; Eliwa et al., 2025; Francis et al., 2004). In general, earnings quality is the degree

to which a company's reported earnings show how well it is doing economically and how useful this information is to different groups of people when making economic decisions (Schipper & Vincent, 2003).

(Dechow & Schrand, 2004) define profit quality as the degree to which reported earnings accurately reflect a company's underlying worth, its business portfolio performance, and its revenue generation. This idea stresses the need for representational integrity, which means that the reported earnings numbers must match the real state of the economy. Additionally, (Dechow et al., 2010) clarify this idea by asserting that earnings are deemed high quality if they furnish pertinent information regarding the attributes of a company's financial performance that is advantageous in a certain decision-making context. This technique of doing things shows that the quality of profits fluctuates according on the situation and the reason for using the data. People who look at financial statements may pay attention to different parts of the earnings report based on what they need to know.

Stakeholder Pressure

Recent accounting research has increasingly examined the relationship between stakeholder pressure and profit quality, acknowledging that businesses operate within complex networks of stakeholder interactions that influence corporate reporting practices (Dhaliwal et al., 2012; Hope et al., 2017). Stakeholder pressure is the monitoring, expectations, and demands that different groups of stakeholders put on managers that can affect how well they report on finances (Bosse et al., 2009; Mitchell et al., 1997).

Customer Pressure and Earnings Quality

Customers represent a critical external stakeholder group whose relationship with firms extends beyond simple product transactions to encompass broader concerns about firm viability and reliability (Hill & Jones, 1992; Johnson & Soenen, 2003). The interdependence between firms and customers creates mutual vulnerability, particularly when products require post-sale service, warranties, or complementary investments by customers (Titman, 1984; Titman & Wessels, 1988). This interdependence motivates customers to monitor firms' financial health through accounting information, creating pressure for high-quality financial reporting.

Supplier Pressure and Earnings Quality

Suppliers constitute another critical stakeholder group in the corporate ecosystem, playing a vital role in the supply chain and exerting significant influence on firm operations (Berger & Tomy, 2026; Henisz et al., 2014; Naidu & Ranjeeni, 2024; Phillips et al., 2003). The supplier-firm relationship involves complex interactions encompassing not only product delivery but also credit provision, technical support, and collaborative innovation (Banerjee et al., 2008; Elking et al., 2022; Glavee & Yang, 2025; Gosman & Kohlbeck, 2009). Suppliers face substantial risks in their relationships with customer firms, including payment default risk, relationship-specific investment loss, and opportunity costs of dedicating capacity to specific customers (Ersahin et al., 2024; Glavee & Yang, 2025). These risks motivate suppliers to monitor customer firms' financial health and performance, with accounting information serving as a primary monitoring tool (Hui et al., 2012; Kim, 2023).

Suppliers represent a group of stakeholders economically dependent on a company, one of which is tied to long-term contractual and operational relationships (Naidu & Ranjeeni, 2024). Stakeholder theory emphasizes that suppliers have the power to intervene and influence company behavior to ensure the continuity of production processes and operational support. This embedded relationship emphasizes the importance of maintaining supplier trust.

(Glavee & Yang, 2025)reveal that the relationship between a company and its suppliers

extends beyond product transactions to include credit provision, technical cooperation, and investment, all of which expose suppliers to economic risk. This risk refers to the risk of financial distress, potentially leading to default (Ersahin et al., 2024). Therefore, credible information is essential to reflect the company's financial and operational stability (Kim, 2023).

Recent research has demonstrated the role of stakeholder pressure (especially from suppliers) in increasing companies' incentives to provide reliable and transparent financial reports to maintain their going concern (Berger & Tomy, 2026; Naidu & Ranjeeni, 2024). On the other hand, companies that provide poor earnings quality may face significantly higher contract costs due to a loss of supplier trust, which disrupts the supply chain. Therefore, supplier pressure can encourage the presentation of quality earnings to stakeholders.

The Influence of Consumer and Supplier Pressure on Earnings Quality

From the perspective of stakeholder theory, it is described that the existence of customer and supplier pressure can encourage companies to maintain their reputation, transparency, maintain long-term relationships, and increase the disclosure of information quality (Baroroh et al., 2025; Pustikaningsih et al., 2024; Sriani & Pratiwi, 2025). Consumers evaluate business performance using accounting data. Efforts to determine whether a business can fulfill its short- and long-term commitments to clients drive performance evaluations. Wise financial decision-making drives customers to desire high-quality accounting information. This is important because consumer-business relationships often span long periods.

All accounting information is used by customers to evaluate the financial stability and fairness of a company's operations (Kimbrough et al., 2024; Siladjaja & Jasman, 2024). Based on stakeholder theory, companies are highly dependent on customers, especially if they possess economic power, thus influencing the company's reporting behavior. This situation emphasizes the customer demand for credibility in financial reporting to assess the company's fulfillment of both short- and long-term contractual obligations (Kimbrough et al., 2024). Recent studies have shown that companies that are able to withstand customer pressure tend to improve the quality of their financial reporting to maintain customer trust and long-term business relationships (Siladjaja & Jasman, 2024). Conversely, poor earnings quality is considered to foster concerns about the company's perceived operational instability, which ultimately threatens customer retention. Therefore, customer pressure is considered to encourage companies to produce high-quality financial reporting, especially for decision-making by external stakeholders, namely customers.

Long-term purchasing ties between businesses and their suppliers may be based on efficiency. Long-term purchasing relationships between a company and its suppliers can be based on efficiency. A business gains a premium reputation when it maintains long-term purchasing relationship (Gunawan et al., 2024; Hawkins et al., 2025). In the consideration and decision-making process, suppliers require access to the business's accounting data. Essentially, suppliers tend to consider information about a company's earnings quality when making decisions (Gunawan et al., 2024). Conversely, suppliers will be more confident that this information is useful when deciding whether their customer's company is a worthy candidate for future transactions if the company's earnings quality is high. Research from (Bai et al., 2020; Hope et al., 2017; Naidu & Ranjeeni, 2024) revealed that suppliers demand higher earnings quality. Therefore, the following hypothesis is proposed:

H1: Customer pressure affects earnings quality.

H2: Supplier pressure affects earnings quality.

The Moderating Role of Audit Committee Financial Expertise

(Zalata et al., 2018) revealed that having adequate financial competency enables auditors to

identify and understand the complexities of financial reporting, while also helping mediate and resolve differences of opinion between auditors and management. The Audit Committee Financial Expertise from a supervisory perspective has a supervisory role, namely ensuring that its presence is able to provide pressure to create quality reporting (Rahman et al., 2023; Xia et al., 2024). The presence of audit committee members with accounting and finance backgrounds has been shown to reduce the likelihood of restatement of financial statements (Carcello et al., 2011), minimize internal control weaknesses (Hoitash et al., 2009), limit accrual-based earnings management practices (Hossain et al., 2011), strengthen the audit committee's oversight function (Albring et al., 2014), and reduce the misuse of qualitative information (Lee & Park, 2019). Furthermore, several studies emphasize that the presence of audit committee members with accounting backgrounds is able to identify accrual-based manipulation practices and limit aggressive earnings management (Astuti & Sandhi, 2023; Xia et al., 2024).

The role of audit committee financial expertise can be used as a moderating variable based on its conditional or indirect influence on earnings quality. Empirical evidence shows that audit committee expertise significantly moderates the relationship between board attributes and earnings quality, with the influence on governance effectiveness being stronger when expertise is present (Obeitoh et al., 2024). From a stakeholder theory perspective, it is emphasized that stakeholders can exert pressure on companies to increase transparency and accountability, but companies require adequate governance capabilities to effectively achieve these expectations. Furthermore, the effectiveness of stakeholder pressure in efforts to improve earnings quality depends, among other things, on the strength of the company's internal governance mechanisms. In this regard, the role of audit committee financial expertise plays a crucial role in the company's internal governance mechanisms, particularly in overseeing company operations. This is reinforced by (Bawuah, 2024) dan (Muslim et al., 2025) who state that the role of audit committee financial expertise is considered more capable of identifying aggressive accounting practices and detecting opportunistic management behavior. Thus, audit committee members with financial expertise provide specialized knowledge that enables the company to process stakeholder demands and translate them into oversight of financial reporting practices. Therefore, this role is expected to respond to stakeholder desires and demands in achieving transparent, reliable, and accountable reporting.

In this discussion, the role of audit committee financial expertise structurally strengthens the relationship between stakeholder pressure and earnings quality. Without such expertise, stakeholder pressure may have limited influence because governance implementers are perceived as lacking the ability to evaluate and enforce high-quality reporting standards. As stakeholder pressure increases, companies with greater audit committee financial expertise tend to produce higher-quality and more credible earnings information than companies with weaker governance capabilities (Alzeban, 2020). This study explores the role of audit committee financial expertise as a boundary condition that determines whether stakeholder pressure can effectively translate into higher-quality financial reporting. Based on this description, the following hypothesis is formulated:

H3: Audit committe financial expertise moderates customer pressure on earnings quality.

H4: Audit committe financial expertise moderates supplier pressure on earnings quality.

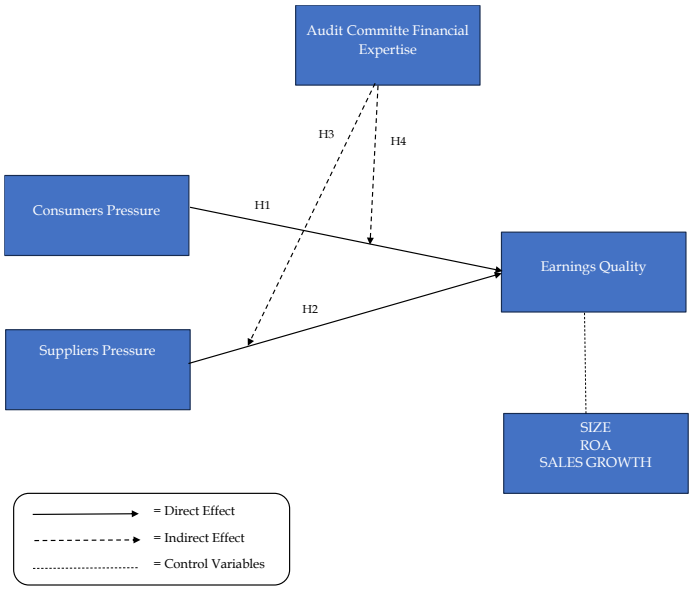


Figure 1. Research Framework

Source: Research Data, 2025

RESEARCH METHOD

Research Design

This research is considered fundamental research, aiming to develop and test the theory used. Scientifically, this research answers research questions using quantitative research techniques, aiming to develop a link between theoretical models, previous research, and hypotheses related to the variables used in the study. (Sugiyono, 2020) states that quantitative research uses numerical data and aims to test research hypotheses.

Research Subjects and Data Collection Techniques

The research population in this study uses manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2014-2021. This study uses the manufacturing sector based on the consideration that this sector tends to have higher accrual complexity compared to other sectors. This condition is reinforced by (Julia et al., 2025) who stated that the manufacturing sector has complex activities, making it more likely to experience accrual manipulation.

The manufacturing companies studied covered several subsectors, such as basic and chemical industries, miscellaneous industries, and consumer goods (see Table 2). Annual report data can be accessed through the IDX and each company's website as a source of relevant research data. Purposive sampling was the sampling strategy used in this study. This is reinforced by the statement that a sampling strategy based on certain factors is known as purposive sampling (Sugiyono, 2020). The reason for selecting the sample using purposive sampling was because not all samples met the criteria specified by the author. Therefore, the sample was selected based on criteria determined by the author to obtain a representative sample.

Manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the research period, financial reports presented in rupiah (IDR), complete data as required in the financial reports, and an accounting period ending on December 31 were the sample criteria used in this study. The following is the distribution of the research sample used by the researcher:

Table 1 Distribution of Research Samples

List of Target Population Sectors	Number in Observation Year							
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Basic Industry and Chemical Sector	66	67	69	71	71	78	79	87
Miscellaneous Industry Sector	39	41	41	43	46	51	53	55
Consumer Goods Sector	38	37	37	44	46	55	64	72
Manufacturing Businesses Listed on the IDX from 2014 to 2021	143	145	147	158	163	184	196	214
Number of Research Observations	1.350							
Not included in the IDX from 2014 to 2021	(15)	(17)	(19)	(30)	(35)	(56)	(68)	(86)
No board profile information or annual financial statement reporting is available.	(34)	(34)	(34)	(34)	(34)	(34)	(34)	(34)
Completeness and consistency of data required to measure all research variables	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)
The quantity of research samples from 2014 to 2021	**70**	**70**	**70**	**70**	**70**	**70**	**70**	**70**
The quantity of research observations	**560**							

Source: Research Data, 2025

Operational Definition and Variable Measurement

Dependent Variable

The dependent variable is the variable studied and influenced by the independent variables used in the study. This study uses Earnings Quality as the dependent variable to reveal the existing phenomenon. Earnings management proxy is a form of managerial effort to manipulate financial statements to influence contracts (Healy & Wahlen, 1999). The Earnings Quality variable is measured using discretionary accruals taken from the company's financial data. The rationale for using accruals is the coverage of the relationship between accruals and the company's economic activity, and it allows errors in accruals to be minimized (Demerjian et al., 2013).

Earnings quality in this study uses three proxies: abnormal working capital accruals from the (Dechow & Dichev, 2002) measurement model, the abnormal accruals measurement model from (Kothari, 2005), and discretionary income from the (Stubben, 2010) model. This measurement model is also used in the main reference study, for example (Hope et al., 2017). This study uses three accrual-based measures of earnings quality to capture the dimensions of reporting quality, particularly in Indonesia, a developing country characterized by relatively high information asymmetry, varying institutional enforcement quality, and heterogeneous reporting (Le et al., 2021). Multiple models for measuring corporate accrual quality are essential to mitigate potential bias arising from selecting only one proxy. Indonesia, as a country with weaker investor protection, therefore provides a useful accrual quality measure for evaluating earnings quality within the institutional framework of emerging markets.

The (Dechow & Dichev, 2002) model is considered capable of predicting accrual quality based on current accrual capability by mapping past, present, and future operational cash flows

based on working capital accruals. Meanwhile, the (Kothari, 2005) model focuses on discretionary accruals, which is suitable for identifying earnings management behavior as an effort to control the company's profitability. On the other hand, (Stubben, 2010) is considered to place more emphasis on discretionary reporting related to company earnings as a benchmark for detecting manipulative behavior. The combination of these three proxies is expected to capture different aspects to provide a more comprehensive and robust assessment of earnings quality. The following are the similarities between the three models: Accrued working capital based on cash flow from the three measurement models on earnings quality, with the following formulation:

Model Dechow dan Dichev (2002)

$$\Delta WC_{it} = a + \beta^1 CFO^{t-1} + \beta^2 CFO^{t} + \beta^3 CFO^{t-1} + \beta^4 \Delta REV^{t} + \beta^5 PPE^{t} + \varepsilon^{it} \quad (1)$$

Where, ΔWC is the difference between the change in accounts receivable, the change in inventory, the change in accounts payable, the change in taxes payable, and the change in other assets. CFO is operating cash flow. ΔREV is the difference between the change in sales this year and last year. PPE is property, plant, and equipment this year, and ε is the residual value that shows how good the earnings are.

Model Kothari (2005)

$$Accr_{it} = a0 + a1\ (1/Assetit - 1) + a2\ \Delta REVi,t + a3PPEi,t + a4\ ROAi,t + \varepsilon_{it} \quad (2)$$

Where, Accrit is the total amount of accruals in period t; Assetit-1 is the total amount of assets the firm has in period t; ΔREVi,t is the change in the company's revenue in period t; PPEi,t is the value of the company's fixed assets (property, plant, and equipment) in period t; ROA is the rate of return on the company's assets in period t; and ε is the error.

Model Stubben (2010)

$$\Delta AR_{it} = \alpha 1 + \beta\ \Delta\ Rev_{it} + \varepsilon_{iit} \quad (3)$$

Where, ΔARit is the change in accounts receivable; ΔREVit is the change in revenue (income or sales). Abnormal Accrual Revenue is the residual from the model equation above. The higher the AbnRev value, the higher the accrual quality.

Independent Variables

The independent variable is the variable chosen by the researcher to influence the dependent variable used in the study. There are two independent variable proxies in this study: Stakeholder Pressure, proxied by Supplier Pressure, and Customer Pressure.

Supplier Pressure

Supplier Pressure is a variable that reflects the demands from suppliers on the company to provide quality accounting information. Supplier Pressure is defined in this study as the magnitude of the supplier's demand or power on the company. One indicator of the magnitude of supplier demand in this study is limited to the value of inventory compared to total assets. In this study, Supplier Pressure is measured using inventory intensity, as in the study by (Hope et al., 2017). The following formula for measuring Supplier Pressure is as follows:

$$SP_i = \frac{\text{Total Inventory}_i}{\text{Total Assets}_i}$$

Customers Pressure

Consumer demand or request is defined as the urge to purchase goods at a certain price level during a specific period. The Customer Pressure variable measures consumer demand for quality accounting information. In this study, the Customer Pressure variable is defined as the strength of consumers, as seen from the company's sales, as a snapshot of consumer strength. The Customer Pressure variable was measured following the measurements in (Boesso et al.,

2013) study, taking into account annual sales volume. The Customer Demand (SD) variable was measured using the following formula:

$$CD = \Sigma \text{ Sales}$$

Moderating Variabel

Moderating variables arise because the independent and dependent variables affect each other. Moderating variables can make the association between the two variables investigated in a study stronger or weaker. This study employs an auditor with accounting skills as the moderating variable. Audit committees comprised of individuals possessing credentials and experience in accounting are regarded as effective in mitigating potential issues in internal control and curtailing accrual-based earnings management techniques (Hoitash et al., 2009; Hossain et al., 2011). The number of directors on the Audit Committee who have accounting expertise compared to the total number of directors on the committee is used to estimate the auditor's accounting knowledge (Rahman et al., 2024).

Control Variables

The role of control variables in this research is to ensure that the relationship between the main variables studied is not biased by other factors that also influence the dependent variable. This is reinforced by (Newey & Stouli, 2021) who emphasized the importance of controlling for other factors that are suspected of influencing the dependent variable for greater accuracy. This study's control variables consist of three indicators: company size (SIZE), return on assets (ROA), and sales growth. Firm size (SIZE) is included because larger firms tend to be subject to greater scrutiny from investors, analysts, regulators, auditors, and others. This type of external oversight generally plays a role in strengthening reporting discipline and reducing opportunistic behavior. (Aldoseri & Hussein, 2024) emphasize that firm size is significantly related to earnings quality and earnings management practices.

Meanwhile, (Indrawati & Rahmawati, 2023; Tanto, 2025) reported a significant relationship between ROA and earnings quality. This relationship is formed because companies with strong earnings persistence and financial reporting quality generally also experience high profitability. Profitability tends to reflect a company's increased ability to efficiently generate profits from its assets. This relationship is often associated with stronger operational performance, leading to sustained profit generation. Furthermore, companies with a high ROA generally face less pressure to manipulate reported earnings, as their financial performance meets stakeholder expectations. Another control variable, sales growth, is included because pressure to maintain performance trends influences managerial reporting decisions, which in turn impacts earnings quality. This is supported by findings (Tanto, 2025) that variations in earnings quality are influenced by a company's earnings growth.

Data Analysis Techniques

Most of the time, this strategy is thought to be good for small sample sizes. Researchers often utilize it to test theories or build models that can anticipate what will happen. The SEM-PLS approach examines two primary components: the exterior model and the inside model (Karunia, 2025). The measuring model in this study looks at how well the observed indicators show the latent construct that is being studied. The primary objective of this phase is to assess construct validity, encompassing both convergent and discriminant validity. To verify for convergent validity, you use factor loading values. A loading value of at least 0.70 and an Average Variance Extracted (AVE)

value of greater than 0,50 are usually good enough for an indication. To check for discriminant validity, on the other hand, you look at the correlation between constructs and the square root of the AVE for each construct. This makes sure that each construct is different from the others in real life.

The inner model, on the other hand, is used to find out if there are any causal relationships between latent variables. The purpose of this test is to see how effectively the model can explain the dependent variable and how important the linkages between constructs are. The outer model looks at how indicators that stand for latent constructs are related to each other. The structural model looks at how constructs in the research model are related to each other. This study examines four hypotheses within this analytical framework. These encompass the direct influence of pressure exerted by customers and suppliers on earnings quality, as well as the moderating impact of accounting knowledge possessed by audit committee members.

RESULT AND DISCUSSION

Data Analysis

Table 2. Statistic Descriptive

Variable	Minimum	Maximum	Average	Standar Deviation
Y1 (DD)	0	2,385	0,09683	0,237326
Y2 (Ko)	0,001	2,276	0,12752	0,18893
Y3 (St)	0	12,29	0,24232	0,714949
X1 (CP)	8,67	14,379	12,44351	0,747906
X2 (SP)	0,002	1,625	0,2031	0,14119
Z (ACFE)	0	1	0,68048	0,276587
SIZE	25,64	33,537	28,8093	1,607644
SALES_GROWTH	-99,791	940,339	9,6527	64,26961
ROA	-1,466	0,607	0,05066	0,127195

Description: CP is Customer Pressure; SP is Supplier Pressure; EQ is earnings quality; DD is a measurement of earnings quality with Dechow & Dichev; Ko is a measurement of earnings quality with Khotari; St is a measurement of earnings quality with Stubben; SIZE is company size; SALES_GROWTH is a financial indicator that measures the percentage change in revenue; & ROA is return on assets

Source: processed data, 2026

Table 2 presents descriptive statistics for all variables included in this study with a sample of 560 observations. The customer pressure variable (X1) has a mean value of 12.443 (SD = 0,748), with values ranging from 8,670 to 14,379. This indicates a relatively high mean combined with a moderate standard deviation, meaning that most sample companies experience consistently high levels of customer pressure. Meanwhile, supplier pressure (X2) has a mean of 0,203 with values ranging from 0,002 to 1,625 (SD = 0,141). This means that the low mean value indicates that most companies have relatively limited dependence on key suppliers.

On the other hand, earnings quality in this study is measured using three proxies (Y1, Y2, and Y3) which show different distributions, namely the Dechow and Dichev measure (Y1) has a mean of 0,097 (SD = 0,237), while the Kothari model (Y2) reports a mean of 0,128 (SD = 0,189), meaning that these relatively low mean values indicate that abnormal accruals are generally small, thus implying relatively good earnings quality across the sample. In contrast, the Stubben measure (Y3) has a higher dispersion (mean = 0,242; SD = 0,715) which reflects considerable heterogeneity in earnings quality when measured through earnings-related accruals.

Specifically, the moderating variable on audit committee financial expertise (Z) had a mean

value of 0,680 (SD = 0,277), indicating that, on average, approximately 68% of audit committee members have accounting or financial expertise. The results of this study indicate that most sample companies have established audit committees with substantial financial competence. This substantial variation indicates that companies differ significantly in the level of financial expertise within their audit committees, providing sufficient dispersion to support a moderation analysis. Regarding the control variables, SIZE, Sales Growth, and ROA also show considerable variation, reflecting differences in firm scale, growth opportunities, and profitability. The large numerical values reported in Table 2 reflect the original measurement scale of the variables used in the dataset and do not affect the estimation results because the analysis focuses on relative variation between observations.

Outer Variable

(Francis et al., 2004; Schipper & Vincent, 2003) state that earnings quality is widely recognized as a multidimensional construct that cannot be represented by a single empirical measure. Aspects of financial reporting quality can be captured by various accounting proxies that reflect the complexity of earnings quality. (Dechow et al., 2010) emphasize that no single proxy provides a complete representation of earnings quality because each measure is designed to detect different reporting characteristics.

Based on this multidimensional perspective, this study uses the models of (Dechow & Dichev, 2002), (Kothari, 2005), dan (Stubben, 2010) because they capture complementary dimensions of reporting quality. Specifically, the Dechow and Dichev model evaluates the quality of accrual estimates, while the Kothari model measures discretionary accruals after controlling for firm performance, and the Stubben model detects revenue-based earnings manipulation. Although these measures are derived from different estimation procedures, all models share the same goal of assessing the extent to which reported earnings accurately represent the underlying economic performance of the company.

The use of SEM-PLS helps assess the effects of stimuli on the measurement model and structural model. Although the observed variables consist of Consumer Pressure, Supplier Pressure, Audit Committee Financial Expertise, and control variables, the existence of the latent construct of Earnings Quality requires the use of a structural equation modeling approach to allow for simultaneous estimation of the measurement model and structural relationships between the constructs, including the moderating effects examined in this study. However, SEM-PLS was selected because it provides simultaneous estimation of all structural relationships, including interaction effects, in one model. (Hair Jr et al., 2021) confirmed that PLS is capable of emphasizing prediction and explained variance (R^2) in identifying the relative predictive contributions of several related variables on stakeholders rather than confirming a predetermined covariance structure. This is the part of the model that shows how measurable indicators relate to unmeasured constructs. Measurement of a research model using SEM-PLS, whether on primary or secondary data types, still requires validity and reliability tests (Sarstedt et al., 2022). The outer model process evaluates the validity and reliability of the constructs. Figure 2 shows that measurements using reflection indicators indicate that one indicator within a construct has changed and another indicator has been removed. Thus, all constructs used have valid data with values above 0,50, except for Y2, which must be removed from the model. The following is a display of the convergent validity model after the Y2 variable in the earnings quality proxy is removed.

The three proxies used in this study capture different dimensions of reporting quality, including accrual quality, discretionary accruals, and earnings manipulation. While these measures are not expected to be perfectly interchangeable, collectively they represent complementary

manifestations of the broader concept of earnings quality. This is reinforced by (Hair Jr et al., 2021) and (Sarstedt et al., 2022), who emphasize that the selection of a measurement model should be based on the conceptual relationship between the construct and the indicators, not solely on statistical results. These findings suggest that the earnings quality measures developed by Dechow & Dechev, Kothari, and Stubben conceptually more closely resemble the components that make up the concept of earnings quality commonly used in empirical accounting research.

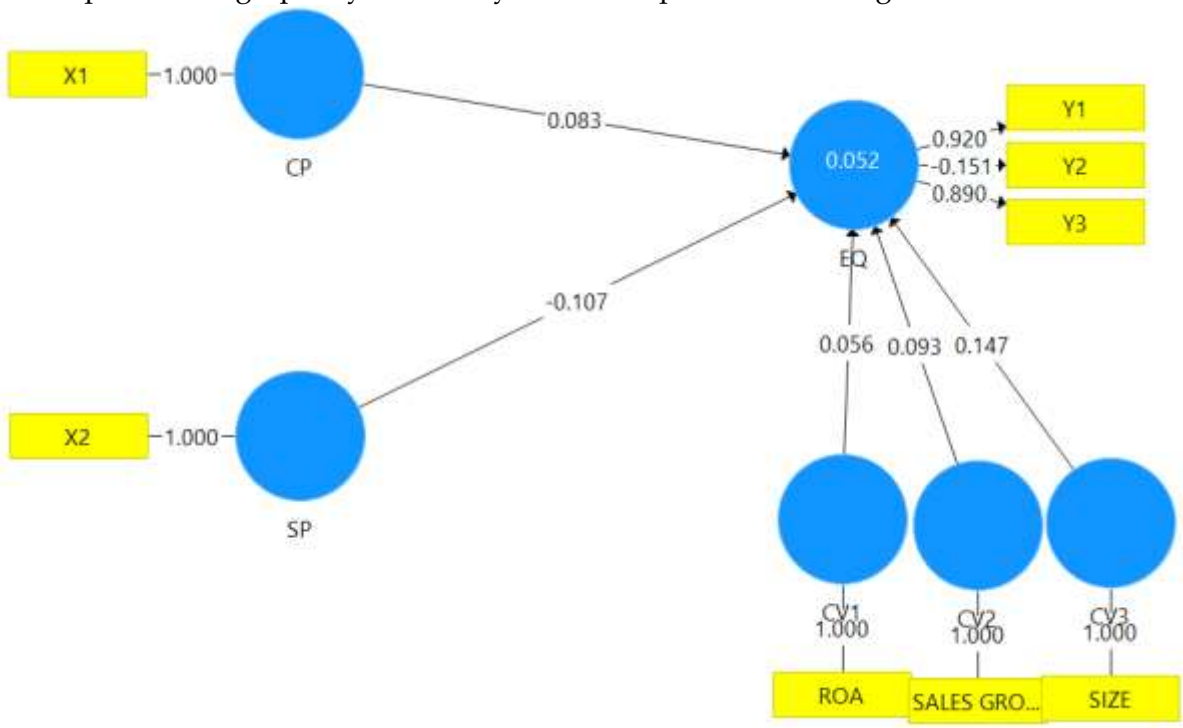


Figure 2. Convergent Validity

Source: Research Data, 2026

Based on the convergent validity test results for the Earning Quality (EQ) construct, consisting of proxies Y1, Y2, and Y3, the outer loading value is below 0,7, at 0,151, which is substantially above the recommended requirement of 0,40, even though the AVE and rho_A values are met (Hair et al., 2022). Therefore, Y2 was removed from the model because it was deemed incapable of representing the construct of earnings quality. In other words, only Y1 and Y3 meet the convergent validity criteria.

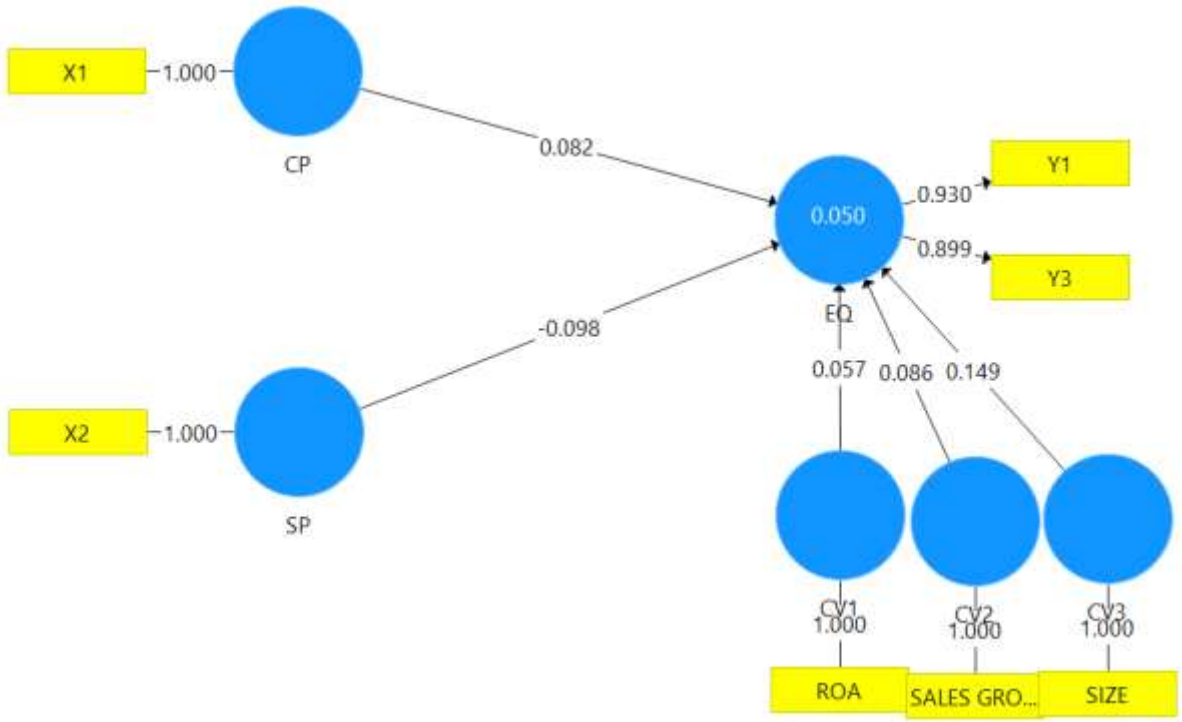


Figure 3. Convergent validity after removing Y2

Source: Research Data, 2026

Convergent and discriminant validity analysis in this study was used to ensure that the indicators accurately measure the constructs used. Convergent validity can also be measured using the Average Variance Extracted (AVE) value. AVE is a measure of the average variance explained by a construct relative to its indicators. An AVE value > 0,5 indicates adequate convergent validity. Based on the results of the construct validity and reliability tests, the AVE value for Customer Pressure, Supplier, & Control Variables Pressure was 1,0. This indicates that both constructs have relatively high reliability. Meanwhile, for the dependent variable, Earnings Quality, the AVE value showed a value of 0,836.

Table 3. Results of the Validity and Reliability Test of the Constructs

Construct	***Cronbach's Alpha***	***Composite Reliability***	**AVE**
EQ	0,805	0,911	0,836
CP	1,000	1,000	1,000
SP	1,000	1,000	1,000
ROA	1,000	1,000	1,000
SALES GROWTH	1,000	1,000	1,000
SIZE	1,000	1,000	1,000
Description: CP is Customer Pressure; SP is Supplier Pressure; EQ is earnings quality.			

Source: processed data, 2026

Discriminant validity in this study was tested using the Fornell–Larcker criteria. Discriminant validity testing aims to ensure that each construct in the model is not only correlated with other constructs but also has the ability to be distinguished and measured separately. The test results show that the square root of the AVE value for the Consumer Pressure, Supplier Pressure, and Earnings Quality constructs is higher than the correlation value between the latent variables. This

condition indicates that the discriminant validity criteria have been met. Thus, it can be concluded that the Supplier Pressure, Consumer Pressure, and Earnings Quality variables have met the requirements for testing the outer model and are therefore declared valid and reliable.

Table 4. Discriminant Validity Test Results

	EQ	CP	SP	ROA	SG	SIZE
EQ	0,914					
CP	0,084	1,000				
SP	-0,078	0,178	1,000			
ROA	0,056	-0,040	-0,007	1,000		
SALES GROWTH	0,099	0,250	0,160	0,000	1,000	
SIZE	0,053	-0,002	-0,054	0,008	0,053	1,000

Description: CP is Customer Pressure; SP is Supplier Pressure; EQ is earnings quality; Control variables consist of Size, Sales_Growth (SG) and ROA

Source: processed data, 2025

Inner Variable

The internal model in PLS-SEM is part of the structural model that explains the causal relationships between variables in a study. In general, this model is used to assess the significance of relationships between constructs through t-statistic tests, which aim to determine the influence of independent variables on dependent variables and the role of moderator variables. Furthermore, the internal model also evaluates the coefficient of determination (R^2) to measure the extent to which the dependent variable can be explained or predicted by other variables in the model. Furthermore, testing for the moderation effect is carried out by comparing the coefficient values in models that include moderating variables with models that do not include these variables. This analysis also considers differences in coefficient values at various levels of influence of moderator variables on the relationships between constructs.

The t-test shows that Consumer Pressure has a significant positive effect on Earnings Quality, with an original sample value of 0,082 and P-value of 0,011 ≤ 0,05. Meanwhile, Supplier Pressure has a negative effect on Earnings Quality, with an original sample value of -0,098 and P-value of 0,040 ≤ 0,05. This means that Hypothesis 1 and Hypothesis 2 are accepted.

Table 5. Direct Effect Test Results

	Original Sample	*Sample Mean*	Standard Deviation	T-Statistik	P-Value
CP -> EQ	0,082	0,095	0,032	2,566	0,011**
SP -> EQ	-0,098	-0,095	0,048	2,058	0,040**
ROA->EQ	0,057	0,057	0,036	1,581	0,114
SG->EQ	0,086	0,090	0,084	1,021	0,308
SIZE->EQ	0,149	0,149	0,022	6,838	0,000***

Description: CP is Customer Pressure; SP is Supplier Pressure; EQ is earnings quality, and the control variables consist of ROA, Sales Growth (SG), and SIZE.
Significance level: 1% ***; 5% **; 10% *

Source: processed data, 2026

Moderating Effect

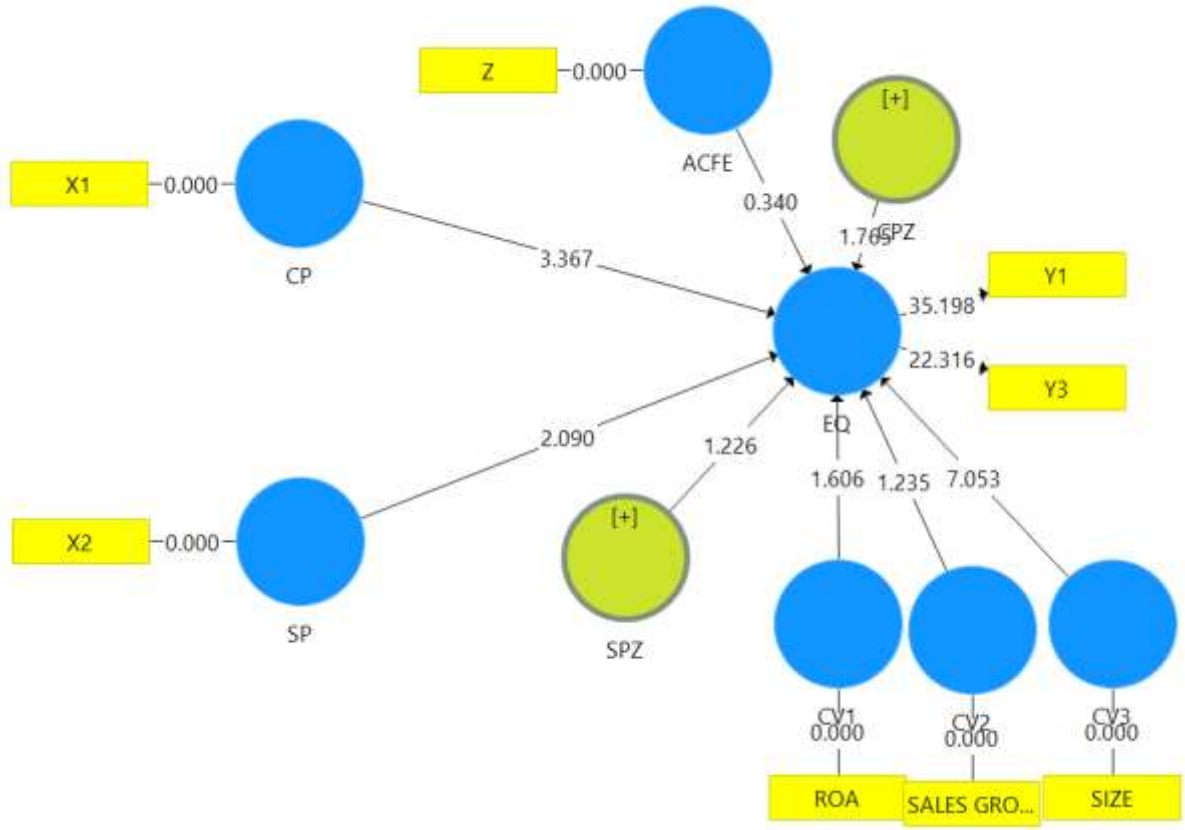


Figure 4. Boostraping Moderating Effect

Source: Research Data, 2026

That Figure above shows the results of bootstrapping on the research sample. Bootstrapping is a technique of randomly resampling data and recalculating model parameters to obtain a sampling distribution of parameters. Resampling was performed 5,000 times. In other words, bootstrapping for moderation aims to assess the reliability of the moderation test results empirically by recalculating the parameters after resampling the data. If the calculated t value > t table, then the interaction variable has a statistically significant effect. Based on the results of data processing using SmartPLS ver. 3.0, the P-values for audit committe financial expertise that moderate the relationship between Supplier Pressure (SP) and Earning Quality (EQ) are insignificant at 0,221 ≥ 0,05. In contrast, the P-values for audit committe financial expertise that moderate the relationship between Consumer Pressure (CP) and Earning Quality (EQ) show a significant negative relationship. This means that the financial expertise of the audit committee only moderates the relationship between Customer Pressure (CP) and Earnings Quality (EQ), so it is concluded that Hypothesis 3 is supported, while Hypothesis 4 is not supported.

Table 6. Moderating Effect Test Results

	Original Sample	*Sample Mean*	Standard Deviation	T-Statistik	P-Value
ACFE-> EQ	-0,016	-0,022	0,047	0,340	0,734
CP -> EQ	0,178	0,180	0,053	3,367	0,001***
CPZ -> EQ	-0,113	-0,111	0,064	1,765	0,078*
SP -> EQ	-0,094	-0,096	0,045	2,090	0,037**
SPZ -> EQ	-0,060	-0,057	0,049	1,226	0,221
ROA ->EQ	0,060	0,057	0,038	1,606	0,109

	Original Sample	*Sample Mean*	Standard Deviation	T-Statistik	P-Value
SG ->EQ	0,105	0,107	0,085	1,235	0,217
SIZE ->EQ	0,146	0,145	0,021	7,053	0,000***

Description: CP is Customer Pressure; SP is Supplier Pressure; EQ is earnings quality, ACFE is Accounting Expertise Auditors, SPZ is moderation of Audit committe financial expertise and Supplier Pressure; CPZ is moderation of Audit committe financial expertise and Customer Pressure and Control variables consist of ROA, Sales Growth, and SIZE.
Significance level: 1% ***; 5% **; 10% *

Source: processed data, 2026

Determination Test (R^2)

Based on the literature, the R^2 value can range between 0 and 1. A value of 0 means that no variance in the dependent variable can be explained by the independent variable, while a value of 1 implies that all variance can be explained by the independent variable. Therefore, the higher the R^2 value, the better the model is at explaining the variance in the dependent variable.

Tabel 7. Hasil *R*-Squared in Direct Effect (Model 1)

	R-Squared	Adjusted R-Squared
EQ	0,050	0,041

Description: EQ is Earnings Quality

Source: processed data, 2026

Tabel 8. Hasil *R*-Squared in Indirect Effect (Model 2)

	R-Squared	Adjusted R-Squared
EQ	0,061	0,048

Description: EQ is Earnings Quality

Source: processed data, 2026

In Tables 7 & 8, the R-squared values of 0,050 (model 1) and 0,061 (model 2) indicate that the research model is able to explain 5,0% in model 1 and 6,1% in model 2 regarding the variation in the influence of the determinants used in the research on earnings quality. Although this explanatory power is relatively low, such results are not uncommon in the realm of accounting and corporate governance research, where earnings quality is recognized as a complex outcome shaped by various factors ranging from company or organizational, governance, institutional, and market influences. Consequently, the low R-squared indicates that the independent variables examined in this study are able to capture a small portion of the determinants of earnings quality, while substantial variation remains due to factors outside the scope of this research model. Therefore, this finding tends to be interpreted as evidence of a statistically significant relationship rather than as a comprehensive explanation of earnings quality. Furthermore, the model in this study also implies that the proposed model has greater explanatory value for testing the hypothesized relationship than for predicting earnings quality. Future studies are expected to encourage the inclusion of additional determinants, such as ownership structure, internal control quality, audit quality, corporate governance mechanisms, managerial incentives, and institutional characteristics that are considered capable of increasing the model's explanatory power.

Discussion

Customer Pressure* and *Earnings Quality

The analysis results show that consumer pressure significantly impacts earnings quality. The t-test showed a statistical value of 3,010 with a p-value of 0,003, which is less than the 0,05 significance level. This finding indicates a significant positive relationship between consumer pressure and earnings quality. The average coefficient of 0,081 indicates a directional relationship, indicating that the higher the consumer pressure, the better the resulting earnings quality. This can be explained by consumer demands for companies to maintain product or service quality, which ultimately drives increased accuracy and transparency in financial reporting.

From the perspective of stakeholder theory (Freeman, 1984), consumers are one of the primary stakeholders that companies must consider. Consumers, increasingly aware of ethical and transparent business practices, act as a key driver for companies to improve the quality of their financial reporting. To maintain customer loyalty, companies will ensure that financial reports reflect actual and accountable performance (Kim, 2023). Furthermore, consumer pressure is often associated with high expectations for product and service quality.

To meet these expectations, companies must invest in innovation and quality improvement, which in turn impacts financial performance stability and improves the quality of earnings generated (Gaio et al., 2023). Consumer pressure can also encourage companies to build stronger, long-term relationships with customers, leading to more stable revenues. Under these conditions, companies can avoid earnings manipulation practices or earnings management, resulting in better earnings quality (Anggita et al., 2022; Guthrie & Parker, 2010; Tahat et al., 2022). Furthermore, consumer pressure on a company's reputation also plays a significant role. Companies that respond well to this pressure are also more likely to innovate and adapt to changing market demands, for example by producing environmentally friendly or more efficient products (Rahman et al., 2024). This not only positively impacts company operations but also leads to more robust and reliable financial reporting (Baumgartner et al., 2022; Coates, 2016). This concept aligns with stakeholder theory, which positions consumers as the primary stakeholder, encouraging companies to prioritize accountability in their financial reporting.

Supplier Pressure and Earnings Quality

Supplier pressure was also shown to significantly influence revenue quality, although the direction of the relationship differed from that of consumer pressure. The t-test results yielded a t-statistic of 2,201 with a p-value of 0,028, which is lower than the 5% significance level. Therefore, it can be concluded that supplier pressure significantly influences revenue quality at this level of significance. However, the average coefficient of -0.099 indicates that supplier pressure negatively affected earnings quality. This means that the greater the pressure exerted by suppliers, the lower the company's earnings quality tends to be.

This may occur because suppliers exerting greater pressure may demand that companies adjust prices, delivery terms, or other contractual conditions, which can impact the stability of the company's financial performance. When suppliers pressure companies to lower prices or provide more favorable terms, companies often respond by cutting production costs, for example by using cheaper materials or reducing quality standards (Imberman, 1998). These actions can impact product quality and ultimately the company's bottom line (Kim, 2023). Furthermore, to maintain profitability amid cost pressures, companies may be forced to manipulate earnings, such as delaying expense recognition or overstating revenue to meet short-term profit targets (Dilda et al., 2017). This pressure can also force companies to take aggressive managerial measures in inventory management, such as accumulating excessive inventory or accelerating revenue recognition even though products have not yet been fully sold. These practices have the potential to degrade the

quality of financial reports and create distortions in reported earnings figures (Beyer et al., 2019).

Stakeholder theory explains the significant influence of suppliers, as company stakeholders, over the company's operational decisions (Freeman, 1984). When supplier relationships are unbalanced or excessively pressured, this risk degrading the quality of financial reports. Companies prone to supplier pressure are at risk of engaging in earnings management practices to maintain financial stability that is actually threatened, ultimately harming the quality of reported earnings (Lechler et al., 2020). This risk of bankruptcy or financial instability further impairs the quality of reported earnings (Menicucci, 2019).

Accounting expertise auditors, Customer Pressure*, and *Earnings Quality

The audit process aims to examine and ensure the accuracy of the figures and explanations presented in the financial statements to ensure they reflect the company's actual financial condition (Alareeni, 2019). The audit committee is responsible for ensuring the integrity, transparency, and quality of financial information disclosure (Nawafly & Alarussi, 2019). I In this context, the audit committee's role is crucial, as it oversees the company's entire accounting and financial reporting process.

The test results provide evidence that the audit committee's financial expertise weakens the relationship between customer pressure and earnings quality. This finding indicates that the audit committee is able to reduce management's reliance on external stakeholder (customer) pressure in pursuing internal oversight and ensuring stronger compliance with accounting standards. The findings (Ngo & Nguyen, 2024) reinforce that accounting expertise has a greater influence and direct intervention on earnings management. From a theoretical perspective, the audit committee's financial expertise should be able to drive improved reporting quality. Normatively, the Financial Services Authority's regulatory objectives also play a role in demanding a strong role for the audit committee in improving the quality of information disclosure.

In other words, audit committees can reduce management's reliance on external stakeholder pressure to maintain high-quality financial reporting by strengthening internal oversight and ensuring compliance with accounting standards. (El Mahdy et al., 2024) and (Ma et al., 2025) state that better internal monitoring reduces a company's need to rely on external monitoring mechanisms. This impact is evident in the effect of customer pressure, which contributes less to earnings quality in companies with audit committees with stronger financial expertise. Furthermore, in emerging markets like Indonesia, audit committee effectiveness may be constrained by concentrated ownership structures and limited governance enforcement, thus reducing the additional governance benefits derived from customer oversight (Leng, 2023; Nugroho et al., 2022).

Accounting Expertise of Auditors, Supplier Pressure, and Earnings Quality

Several previous studies have confirmed that audit committees supported by directors with accounting expertise are an effective means of enhancing oversight. According to (Zalata et al., 2018), strong financial competency enables auditors to better identify and understand the complexities of financial reporting. Furthermore, the presence of audit committee members with accounting and finance experience has been shown to significantly reduce the likelihood of financial statement restatements (Carcello et al., 2011), minimize weaknesses in internal controls (Hoitash et al., 2009), and limit accrual-based earnings management practices (Hossain et al., 2011).

However, this study found no empirical evidence that auditor accounting expertise can strengthen the relationship between supplier pressure and earnings quality. The insignificant moderating role of audit committee financial expertise in the institutional and governance context

of emerging markets like Indonesia may be influenced by weak law enforcement conditions. Weak law enforcement and concentrated ownership structures significantly impact the effectiveness of a company's internal governance mechanisms (Abusonaina et al., 2025; Leuz, 2003; Masumbe & Mvikweni, 2026; Ngo & Nguyen, 2024). Therefore, the effectiveness of internal governance mechanisms is highly dependent on the quality of institutions and the strength of law enforcement in ensuring proper oversight.

Furthermore, the existence of an audit committee with financial expertise does not necessarily guarantee the effectiveness of its oversight function in companies in developing countries. This is due to concentrated ownership structures, where company decisions are often dominated by controlling shareholders, limiting the audit committee's oversight capacity, particularly in developing countries. Consequently, the audit committee lacks sufficient independence or authority to curb earnings management practices arising from pressure from key suppliers.

CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

Conclusions

Furthermore, this study will consider the impact of audit committee members having an accounting or finance background. This expertise can influence how financial reporting is monitored within a company. This discussion draws on stakeholder theory, which reflects ongoing concerns about the reliability of corporate financial reports, which have been widely debated since the global financial crisis and several other accounting scandals.

The results indicate that the position of external stakeholders is related to variations in earnings quality. In this study, the strength of stakeholder influence is represented by the extent to which a company's sales or purchases are concentrated among a limited number of partners. When a company is highly dependent on a few customers or suppliers, maintaining these relationships becomes economically important. Consequently, managers are motivated to present financial results in a manner that maintains existing business partnerships or complies with contractual obligations.

Further findings reveal that audit committee financial expertise weakens the relationship between customer pressure and earnings quality, suggesting that stronger internal financial oversight provided by a financially knowledgeable audit committee reduces firms' reliance on customer monitoring to ensure high-quality financial reporting. The implications of these observations underscore the importance for regulators, practitioners, and policymakers aiming to strengthen corporate governance and improve the quality of financial reporting in emerging markets, as well as monitoring reporting practices that promote transparency. From a company perspective, it raises awareness of the importance of internal governance quality in fostering a culture of transparency and accountability.

Limitations

Different industries, with their unique competitive environments and stakeholder relationships, may exhibit different patterns. Furthermore, the way we measure stakeholder pressure has its limitations. Customer and supplier concentration are used as indicators of stakeholder influence. Meanwhile, the research model has limitations due to the consideration of other factors that empirically have the potential to influence earnings quality. The use of statistical tools, such as SEM-PLS, has limitations, particularly the use of variables classified as single-indicator constructs. Furthermore, the relatively low coefficient of determination ($R^2 = 0,050$) indicates that the model's ability to explain variations in earnings quality is still limited. This indicates that there are many

other factors outside the research model that have the potential to influence a company's earnings quality.

Suggestions for Future Research

Including companies from different industries, or comparing several sectors, may help reveal whether the relationships identified in this study also appear in other contexts. Another possible direction concerns the way stakeholder pressure is captured. This study focuses mainly on customer and supplier concentration. However, the influence of stakeholders may also come from other sources. Institutional investors, creditors, or regulatory authorities, for example, may also shape corporate decisions and financial reporting behavior.

Disclosure of AI Use

We acknowledge that the use of ChatGPT in this article was instrumental in helping the author generate ideas and aid in the paraphrasing process. The tool was particularly helpful in correcting grammatical errors, improving the quality of the article. Therefore, we take full responsibility for the final submission, including checking, confirming, and modifying all AI-assisted results.

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