
| RESEARCH ARTICLE

Trading Volume Activity, Earning Quality and Stock Return Volatility of Listed Consumer Non-Cyclicals Companies in Indonesia: Does Corporate Reputation Play a Role?

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| ABSTRACT

This study aims to investigate the impact of trading volume activity and earning quality on stock return volatility, with corporate reputation as a moderating factor, within 175 consumer non-cyclicals companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2021. Findings indicate that trading volume activity positively influences stock return volatility, while earning quality negatively affects it. Moreover, corporate reputation amplifies the positive relationship between trading volume activity and stock return volatility, and it also enhances the negative relationship between earning quality and stock return volatility. The negative effect of earning quality on stock return volatility is reinforced by corporate reputation. The originality of this study is to add the corporate reputation variable as a moderating variable in moderating the effect of trading volume activity and earning quality on return volatility. This research is expected to be useful for investors when investing in the stock market. Besides that, it is also expected to be useful for companies to be more careful in carrying out the company's operational activities because it will be related to the provision of capital by investors.

| KEYWORDS

Trading Volume Activity, Earning Quality, Corporate Reputation, Stock Return Volatility

| ARTICLE INFORMATION

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1. Introduction

Investors often have to take very high risks when investing in the stock market due to fluctuating and stochastic stock prices, which undoubtedly causes variation in stock returns. This variation in returns is called stock return volatility (Aloui & Jarboui, 2019; Dai et al., 2020; Ikizlerli, 2022; Naufa et al., 2019). Stock return volatility describes the ups and downs of stocks over some time. Market participants are very concerned about volatility because it is also used as a measure of risk (Panda et al., 2021). Excessive volatility in stock returns threatens the stock market and obscures the stock price as a fair representation that reflects the stock market as the fairest representation that can reflect company value (Karolyi & Karolyi, 2001). However, controlled volatility indicates that the information dissemination mechanism works well in a market (Bravo, 2016; Jiang & Jin, 2021; Koubaa & Slim, 2019). Investor interest in investing will be destabilized due to increased risk and uncertainty due to volatility. Estimating volatility allows market participants to control and reduce the market risk of traded assets such as stocks. The calculation or estimation of volatility is considered superior to the calculation of ordinary stock returns because this volatility calculation is considered to be able to calculate the risk of a stock. The sound condition of the stock issuing company does not solely guarantee that the volatility of its stock returns will be stable. Aboody, Hughes, and Liu (2005) stated that companies listed on the United States Securities and Exchange Commission still have high stock return volatility even though their financial condition is categorized as good. This is

reinforced by conditions in Indonesia, namely the condition of the Indonesian stock market from 2022 to 2023 is considered to still have fluctuating stock prices which are still quite high at 6600 and 7300 so that stock returns on the Indonesian stock market are also considered to be still fluctuating high. Whereas if examined further, the financial performance of companies listed on the IDX has increased and has begun to rise from the downturn in economic conditions due to the pandemic, one of which is the consumer cyclicals sector. It will raise the question of why companies in good financial conditions have high stock return volatility.

Aboody, Hughes, and Liu (2005); Ngene and Mungai (2022) concluded that factors can affect stock return volatility, incorporating trading volume activity and earnings quality. One of the critical factors affecting stock return volatility is trading volume activity because of the instability of returns caused by trading volume activity (Naik et al., 2018). The outcomes of a study carried out by Ikizlerli (2022) and Chuang, Liu, and Susmel (2012) found a significant positive relationship between trading volume activity and stock return volatility. On the other hand, research by Koubaa and Slim (2019) and Ngene and Mungai (2022) found that trading volume activity has a significant negative effect on stock return volatility. Conversely, another compelling variable is earning quality. Earning quality can be represented as the sum of operating cash flow and accruals (Rajgopal & Venkatachalam, 2011) so that it will provide signals to investors related to the company condition, which will impact the fluctuation of stock returns. In addition, the research results conducted by Aboody, Hughes, and Liu (2005) discover earning quality positively affects stock return volatility. Alternatively, research conducted by Mitra (2016) and Rajgopal and Venkatachalam (2011) found that earning quality has an adverse impact on stock return volatility. Various findings emerge from research on the relationship between trading volume activity, earning quality, and stock return volatility.

According to Baron and Kenny (1986), the presence of moderator variables becomes significant when there exists a fragile or erratic correlation between dependent and independent variables, potentially altering the association. Therefore, the author adds corporate reputation as a moderating variable in testing the relationship between the effect of trading volume activity and earnings quality on stock return volatility. Corporate reputation is the perception and interpretation of the continuously communicated company's image to become the basis for a total assessment of the company's stakeholder attributes (Serrat, 2011). Research conducted by Bravo (2016) found that the interaction between forward-looking disclosure and corporate reputation has a positive effect on stock return volatility, and corporate reputation is a moderating variable that can strengthen the effect of forward-looking disclosure on stock return volatility. Baron and Kenny (1986) argued that if independent and dependent variables have an inconclusive or fluctuating association, there may be a weak or inconsistent relationship. If the dependent and independent variables have a weak or inconsistent relationship, moderator variables that affect the relationship might exist.

Therefore, the author adds corporate reputation as a moderating variable in testing the relationship between the effect of trading volume activity and earnings quality on stock return volatility. Corporate reputation is the perception and interpretation of the company's image that continues to be communicated so that it becomes the basis for a total assessment of the company's stakeholder attributes (Serrat, 2011). There's a prevalent investor notion that promising investment options are typically associated with esteemed companies, especially those with superior reputation standings [shefrin]. Reputation is essential for market-based risk, especially for emerging markets such as Indonesia [helm]. Therefore, it would be interesting to add corporate reputation as a moderation variable in examining the relationship between the effect of trading activity volume and earnings quality on stock return volatility.

2. Literature Review and Hypothesis Development

2.1 Trading Volume Activity and Stock Return Volatility

Signaling theory describes the relationship in providing information by companies to investor responses that can affect investment decisions (Spence, 1973). It takes time for all market participants to determine whether the information is a positive or negative signal after it is published. According to the market reaction, investors' beliefs will change due to published information. Trading volume activity reflects such a market reaction. Trading volume activity is the number of shares traded daily, monthly, or annually within a certain period (Boonvorachote & Lakmas, 2016). High trading volume activity indicates that the stock is actively traded (Ngene & Mungai, 2022). Meanwhile, low-trading volume activity means that the issuer's shares are less actively traded and less attractive to investors. It signals the investors that the level of stock trading liquidity and demand for the company's shares is low, affecting investment decisions. High demand in the stock market will cause a high level of buying and selling in issuer shares; hence, stock prices will tend to rise from previous prices and result in high stock return volatility. High stock return volatility can mean a drastic increase or decrease in the company's current stock returns compared to previous returns. Furthermore, a higher trading volume of activity indicates higher demand for the stock. As a result, the stock price will rise drastically, causing high return volatility. Research conducted by Ikizlerli (2022) found that an increase in trading activity volume will affect the high stock return volatility. This research aligns with Chuang, Liu, and Susmel (2012), who identified a positive association between trading volume activity and stock return volatility. Based on signal theory and previous research, the suggested hypothesis is as follows:

H1 : Trading volume activity has a positive effect on stock return volatility.

2.2 Earning Quality and Stock Return Volatility

The signal theory is based on information asymmetry between individuals and organizations, investors, and management, where certain parties act to provide signals about certain situations to alleviate imbalance resulting from social selection challenges amidst imperfect information conditions (Connelly et al., 2011). It means signaling by management aims to reduce asymmetric information, where one of the signals is corporate earnings disclosure. Investors usually use various analytical ratios to determine the company's past, present, and future capabilities using this earnings information. Earnings quality has varied definitions in the literature, and there is no consensus on it (Khajavi & Nazemi, 2011). Earnings are said to be of low or poor quality when accounting procedures produce unsustainable earnings. Gissel, Giacomino, and Akers (2005) defined earnings quality as the capacity of earnings to precisely mirror corporate performance, aiding in forecasting future earnings by considering earnings stability and consistency. Earnings information is used by analysts using various analytical ratios to determine the company's previous, current, and future capabilities. Earnings information disclosed by the company will affect investors' investment decisions (Aboody et al., 2005). High-earning quality indicates that the company's financial performance is good, and profits can accurately reflect the continuation of future profits since the profits generated are higher or equal to planned profits. High-earning quality can reduce stock mispricing by countering irrational trading behavior among noise traders can enhance stock market efficiency, resulting in reduced and stabilized stock return volatility (Mitra, 2016). Research conducted by Rajgopal and Venkatachalam (2011) found that high-earning quality will cause low stock return volatility because the company is considered to be able to disclose information about the quality of profit where the quality of profit can reflect good future cash flows so that investors will assume that shares are available for long-term investment as a result of which the volatility of the issuer's shares will tend to be low. This research is in line with Mitra (2016), who found that earnings quality negatively impacts the volatility of stock returns. Based on signal theory and previous research, the proposed hypothesis is as follows:

H2 : Earning Quality has a negative effect on stock return volatility.

2.3 Corporate Reputation, Trading Volume Activity, and Stock Return Volatility

Signaling theory describes the relationship in providing information by companies to investor responses that can affect investment decisions (Spence, 1973). Information containing a positive value can predict that the market will react positively. However, if the information contains a negative value, it is predictable that the market will react negatively. It takes time for all market participants to determine whether the information is a positive or negative signal after it is published. One of the information used is corporate reputation (Bravo, 2016). Corporate reputation can be defined as the general attributes of an organization, revealing how much internal and external stakeholders consider the business to be good (Roberts & Dowling, 2002). The existence of corporate reputation will further reduce the positive influence of trading volume activity on stock return volatility. The examination of a company's reputation serves as a factor in shaping risk perceptions and expected returns. Investors often presume that favorable investment prospects originate from reputable companies, particularly those with elevated reputation ratings (Shefrin & Belotti, 2001). According to Dalton and Croft (2003), reputation is the total evaluation of the characteristics of the company's stakeholders based on their perceptions and interpretations of the company's continuously communicated image. Most market participants are concerned about corporate reputation, concluding that entities with comparatively favorable reputations demonstrate a greater ability to uphold superior profit performance (Roberts & Dowling, 2002). Reputable companies are also considered more trusted and solid (Bravo, 2016). Corporate reputation can reduce market risk (Fernández-Gómez et al., 2016). It follows research conducted by (Hammond & Slocum, 1996), stating that companies with a good reputation can signal to investors that management has disclosed financial statements truthfully so that this will be able to reduce financial risk and control prices in the market. As a result, this corporate reputation will reduce stock return volatility to show that corporate reputation will be able to reduce the positive influence of trading volume activity on stock return volatility. This study aligns with previous research carried out by Bravo (2016), which found that corporate reputation as a moderation variable can reduce stock return volatility.

H3 : Corporate reputation weakens the positive relationship between trading volume activity and stock return volatility.

2.4 Corporate Reputation, Earnings Quality, and Stock Return Volatility

Signal theory describes the relationship in the provision of information by firms to investor responses that can influence investment decisions (Spence, 1973). The market will likely react positively if the information contains a positive value. Conversely, if the information has a negative value, it is predicted that the market will react negatively. It takes time for all market participants to determine whether the information is a positive or negative signal after publication. One of the information used is corporate reputation (Bravo, 2016). A company's reputation translates into a common attribute of an organization that reveals how much internal and external stakeholders perceive the business as something good (Roberts & Dowling, 2002). The existence of corporate reputation will further increase the negative influence of earning quality on stock return volatility. The examination of a company's reputation serves as a factor in shaping risk perceptions and expected returns. Investors often presume that favorable investment prospects originate from reputable companies, particularly those with elevated reputation ratings (Shefrin & Belotti, 2001). The majority of market participants are concerned about corporate reputation, concluding that companies with relatively good reputations can maintain superior profit results over time (Roberts & Dowling, 2002). Companies with superior reputations are considered more trusted and solid (Bravo, 2016). Fernández-Gómez, Gil-Corral, and Galán-Valdivieso (2016) mentioned that

corporate reputation can reduce market risk. It corresponds with a study carried out by Hammond and Slocum (1996), arguing that companies with a good reputation are a signal to investors that management has disclosed financial statements truthfully so that this will be able to reduce financial risk and control prices in the market. As a result, this corporate reputation will reduce stock return volatility. Thus, corporate reputation will be able to strengthen the adverse impact of earning quality on stock return volatility. This research corroborates findings from a prior study by Bravo (2016), finding that corporate reputation as a moderation variable can reduce stock return volatility.

H4: Corporate reputation strengthens the negative relationship of earnings quality to stock return volatility

3. Methodology

The source of data utilized in this research was secondary data. The data were from 175 primary consumer non-cyclical industry entities recorded on the IDX from 2017-2021. The data analysis technique utilized to test the hypothesis in this study was Partial Least Squares (PLS) – Structural Equation Modeling (SEM) because the data of several variables in this study did not distribute normally and there is multicollieanirity (Ulum et al., 2019). According to Ghozali and Latan (2016), the testing stages of PLS – SEM consist of six, i.e., model conceptualization, determining algorithm analysis methods for outer models and inner models, determining sampling methods, drawing path analysis models, evaluating structural models, and reporting analysis results.

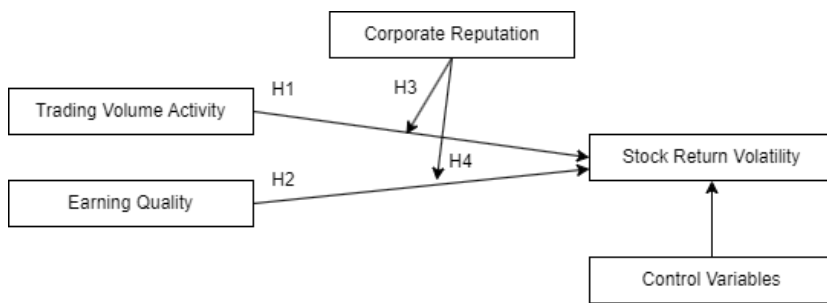


Figure 1. Research Model

3.1 Operational Definition Of Variables

Determining the relationship between trading volume activity, earning quality, stock return volatility, and corporate reputation, the authors followed Lin, Wang, and Fu (2022); Koubaa and Slim (2019); Yildiz, Van Ness, and Van Ness (2020) who determined stock return volatility as the dependent variable by calculating the standard deviation of annualized returns. Then, the author also composed independent variables: trading volume activity and earning quality. In calculating trading volume activity, the authors followed Elfira et al. (2021) by calculating ratios between shares trade and outstanding. The second independent variable is earning quality. The author followed Penman and Zhang (1999) to calculate ratios between operating cash flow and net income. For the moderation variable, the author adopted the calculation by Bravo (2016) using a dummy variable for measuring corporate reputation, where 1 is for companies included in Indonesia’s Most Admired Company Award ranking, while 0 is for companies that are not. Control variables can influence the dependent and independent variables. The control variables are size, earnings per share, leverage, return on equity, and foreign ownership Vo (2015); Badruzaman (2020); Cosset, Somé, and Valéry (2016); Lee and Liu (2011); Naufa, Lantara, and Lau (2019). The natural logarithm of total assets is denoted by size, the ratio of net income to the number of outstanding shares is signified by earnings per share, the ratio of total debt to total assets is characterized by leverage, the ratio of net income after tax to equity is defined as return on equity, and the ratio of the number of equity shares to the total number of shares is identified as foreign ownership.

Table 1. Variable Measurement

Variable	Variable Measurement	Scale
Dependent Variable Return Volatility	$\sqrt{\frac{1}{n-1} \sum_{t=1}^n (Return - Mean)^2}$	Ratio

Independent Variable		
1. Trading Volume Activity	1. $TVA = \frac{\text{shares trades}}{\text{shares outstanding}}$	Ratio
2. Earning Quality	2. $EQ = \frac{\text{Operating Cash Flow}}{\text{Net Income}}$	
Moderating Variable		
<i>Corporate Reputation</i>	<i>Dummy</i> : 1 is for companies that are ranked, while 0 is for companies that are not ranked	Nominal
Control Variable		
1. Size	1. Size = Ln Total Aset.	Ratio
2. Foreign Ownership	2. $FO = \frac{\text{Foreign stock}}{\text{Shares Outstanding}}$	
3. Leverage	3. $\text{Leverage} = \frac{\text{Total Debt}}{\text{Total Asset}}$	
4. Return On Equity	4. $ROE = \frac{\text{Net Income}}{\text{Equity}}$	
5. Earning Per Share	5. $EPS = \frac{\text{Net Income}}{\text{Shares Outstanding}}$	

4. Results and Discussion

4.1 Descriptive Statistic

Table 2. Descriptive Statistic

Variable	Maximum	Minimum	Average	Deviation Standart
<i>Stock Return Volatillity</i>	0,941	0,017	0,265	0,163
<i>Trading Volume Activity</i>	0,992	0,0000033	0,117	0,186
<i>Earning Quality</i>	25,568	-84,530	1,071	7,338
<i>Corporate Reputation</i>	1,000	0,000		
<i>Size</i>	32,402	27,105	29,428	1,369
<i>Earning Per Share</i>	5655,147	-499,665	264,715	721,084
<i>Leverage</i>	0,865	0,007	0,449	0,204
<i>Return On Equity</i>	1,451	-0,689	0,145	0,305
<i>Foreign Ownership</i>	94,508	0,250	39,293	28,520

Based on Table 2, descriptive statistical analysis reveals that the stock return volatility variable ranges from a maximum of 0.941 to a minimum of 0.017. Supra Boga Lestari Tbk has this high volatility value, indicating that the stock returns from Supra Boga Lestari Tbk are relatively volatile. Therefore, it signals that the company is relatively risky. The highest trading volume activity of 0.992 is discovered at PT Perusahaan Perkebunan London Sumatra Indonesia, while the lowest of 0.0000033 is discovered at Sekar Laut Tbk. Regarding earnings quality, the maximum value obtained is 25,568, and the minimum value is -84,350 held by PT Sekar Bumi Tbk. The value obtained by PT Sekar Bumi Tbk is significantly different from the overall average value of earnings quality, i.e., 1,071. The cause of the low-profit quality of PT Sekar Bumi Tbk is low operating cash flow values. Meanwhile, for company reputation, a company with a score of 1 means it is a company that has a good reputation ranking by Frontier and 0 otherwise.

4.2 Goodness of Fit

Table 3. Result of Goodness of Fit

Fit Model	Value	Significance	Rule of Thumb	Result
Average Path Coefficient (APC)	0,131	P = 0,009	P < 0,05	Accepted
Average R-Square (ARS)	0,225	P < 0,001	P < 0,05	Accepted
Average Adjusted R-Squared (AARS)	0,183	P < 0,001	P < 0,05	Accepted
Average Variance Inflation Factor (AVIF)	4,714		≤5, better ≤ 3,3	Accepted
Average Full Collinearity VIF (AFVIF)	1,152		≤5, better ≤ 3,3	Accepted
Tenenhaus GoF (GoF)	0,475		Small ≥ 0,1 Medium ≥ 0,25 Large ≥ 0,36	Large

Based on Table 3, all fit models used in this study are fulfilled. Thus, it concludes that this research model is a fit. The size of the fit model in this research model includes APC = 0.131, ARS = 0.225, and AARS = 0.183; all significant (APC P = 0.009; ARS P < 0.001 and AARS P < 0.001). AVIF value = 4.714 and AFVIF value = 1.527 is lower than the criterion acceptance limit of ≤5, concluding that there are no issues of vertical collinearity (among exogenous variables or predictors) or lateral collinearity (between exogenous variables and endogenous variables) in this research model. The Tenenhaus GoF value of 0.475 suggests that the predictive ability of the model falls within the large category, as it exceeds the threshold of ≥ 0.36.

4.3 R-Squared, Q-Squared and F-Squared or Effect Size

Table 4. R-Squared, Q-Squared and F-Squared or Effect Size

R-Squared = 0,225			
Q-Squared = 0,259			
Effect size			
Variabel	Path Coefficients	Classification	Rule of Thumb
TVA	0,047	Weak	> 0,02 Weak
EQ	0,037	Weak	> 0,15 Medium
CR*TVA	0,063	Weak	> 0,35 Large
CR*EQ	0,012	Very Weak	
SIZE	0,000	Very Weak	
EPS	0,009	Very Weak	
LEVERAGE	0,066	Weak	
ROE	0,007	Very Weak	
FO	0,025	Weak	

Based on Table 4, the R-squared result is 0.225, showing that 22.5% of the variation in the endogenous or dependent variable (stock return volatility) can be explained by exogenous or independent variables (trading volume activity and earning quality); moderation of corporate reputation with trading volume activity and earning quality; and control variables including size, earnings per share, leverage, return on equity, and foreign ownership. Meanwhile, other variables outside this research model explain the remaining 77.5%. The Q-squared result in this study of 0.259 shows good predictive validity because it has a value above 0.

4.4 Hypothesis Test

Table 5. Path Coefficient and P-value

Variabel	Path Coefficients	P-value	Rule of Thumb
TVA → SRV	0,168	0,004	P < 0,01
EQ → SRV	-0,249	< 0,001	P < 0,01
CR*TVA → SRV	0,199	< 0,001	P < 0,01
CR*EQ → SRV	-0,084	0,088	P < 0,1
SIZE → SRV	-0,002	0,484	
EPS → SRV	0,074	0,115	
LEVERAGE → SRV	0,234	<0,001	
ROE → SRV	-0,052	0,202	
FO → SRV	-0,115	0,032	

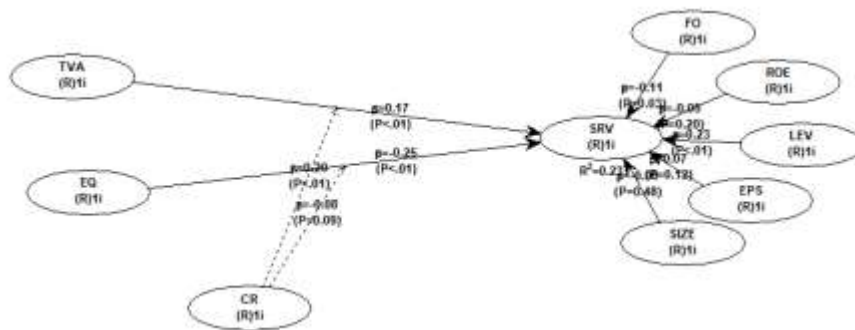


Figure 2. Output Research Model

Based on Table 5, with a significance level of 1%, the trading volume activity variable positively influences return volatility, while the earning quality variable negatively influences it. Additionally, the company's reputation enhances the favorable impact of trading volume activity on return volatility. Moreover, at a significance level of 10%, the company's reputation can reinforce the negative impact of earning quality on return volatility.

4.5 Discussion

The outcomes of testing hypothesis 1 imply that the path coefficient of the trading volume activity variable is 0.168, showing a positive value and a significant p-value with P = 0.004, where this value is accepted at the 1%, 5%, and 10% significance levels.

These results conclude that trading volume activity positively affects stock return volatility, thus accepting H1. Trading volume activity measurement portrays that the lower the value obtained, the lower the stock return volatility. The study results follow research by Ikizlerli (2022) and (Chuang et al., 2012), revealing that trading volume activity has a positive effect on stock return volatility. It indicates that fewer shares traded will cause low stock return volatility. Trading activity volume is the number of shares traded daily, monthly, or yearly in a given period (Boonvorachote & Lakmas, 2016). High-volume trading activity shows the quality and accuracy of the information provided by the company can be said to be good so that it will cause the issuer's shares to be actively traded and in demand by investors, which will signal to investors that the level of stock trading liquidity and demand for the company's shares is high. It will then provide positive information to investors, resulting in a high demand for the stock. Because high demand in the stock market will cause a high level of buying and selling in issuer stock prices will tend to rise from previous prices and result in high stock return volatility. High stock return volatility can suggest a drastic increase or decrease in the company's current stock returns compared to previous returns. Furthermore, the higher the trading volume of activity means a higher stock demand. Hence, the stock price will rise drastically, causing high return volatility.

The outcomes of hypothesis 2 testing showed that the path coefficient of the earning quality variable is -0.249, showing a negative value and a significant p-value with $P = <0.001$, where this value is accepted at the 1%, 5%, and 10% significance levels. These results conclude that earning quality negatively affects stock return volatility, so H2 is accepted. Earning quality measurement shows that the higher the value obtained, the lower the stock return volatility. The study results align with research by Mitra (2016) and Rajgopal and Venkatachalam (2011), showing that earning quality has a negative effect on stock return volatility, which indicates that the smaller the company's earning quality will cause higher stock return volatility. A profit is said to be of good quality when the accounting procedure results in a sustainable profit. Earning quality is the ability of profits to accurately reflect a company's profits so that it can help predict future profits by taking into account the stability and persistence of profits (Gissel et al., 2005). Profit information is used by analysts using various ratio analyses to determine a company's previous, current, and future capabilities. Profit information disclosed by the company will later influence investor decisions in investing (Aboody et al., 2005). High-earning quality indicates that the entities exhibit good financial performance, and profits can accurately reflect the continuation of future profits because the profits generated are higher or equal to planned profits. High-earning quality can reduce stock mispricing by resisting noise traders' irrational trading, thereby fostering stock market efficiency, which will reduce and stabilize stock return volatility (Mitra, 2016). Research conducted by Rajgopal and Venkatachalam (2011) found that high-earning quality will cause low stock return volatility. It is because the company is considered to be able to disclose information about the quality of profit where the quality of profit can reflect good future cash flows so that investors will assume that the shares are available for long-term investment since the volatility of the issuer's shares will tend to be low.

The outcomes of hypothesis 3 testing showed that the path coefficient of the moderating effect of corporate reputation with trading volume activity is 0.199, revealing a positive value and a significant p-value with $P = <0.001$, where this value is accepted at the 1%, 5%, and 10% significance levels. These results suggest that corporate reputation moderates trading volume activity on stock return volatility, which means that corporate reputation strengthens the relationship between trading volume activity and stock return volatility. Therefore, H3 is rejected. A high trading volume activity indicates that the issuer's shares are more actively traded and more attractive to investors, which will signal to investors that the level of stock trading liquidity and demand for the company's shares is high, affecting investors' decisions in investing. Due to the increased demand for shares coupled with the company's good reputation, investors who like high returns will make the company's shares more volatile. Corporate reputation reinforces the impact of trading volume activity on stock return volatility. It aligns with the research found by Bravo (2016), showing that the existence of corporate reputation will make trading investors make trades. Bravo (2016) stated that corporate reputation can cause psychological bias to investors. They assume that companies with a reputation will be more solid and reliable. These results follow the signaling theory in the accounting view that signal theory describes the relationship in providing company information to investor responses that can affect investment decisions (Rajgopal & Venkatachalam, 2011).

The outcomes of hypothesis 4 testing showed that the path coefficient of the moderating effect of corporate reputation on trading volume activity is -0.084. It shows a negative and significant p-value with $P = <0.088$, where this value is accepted at the 10% significance levels. These results can conclude that corporate reputation moderates earning quality on stock return volatility, indicating that corporate reputation strengthens the negative influence of earning quality on stock return volatility so that H4 is accepted. Companies with high-earning quality reflect profits generated higher than planned profits. It shows that the entities exhibit good financial performance, and these profits can reflect the profit continuation in the future. Research conducted by Rajgopal and Venkatachalam (2011) found that high-earning quality will cause low stock return volatility because the company is considered to be able to disclose information on the profit quality where the quality of profit can reflect good future cash flows, allowing investors to assume that the shares are available for long-term investment as a result of which the volatility of the issuer's shares will tend to be low. The existence of corporate reputation will further increase the negative influence of earning quality on stock return volatility. The examination of a company's reputation serves as a factor in shaping risk perceptions and

expected returns. Investors often presume that favorable investment prospects originate from reputable companies, particularly those with elevated reputation ratings (Shefrin & Belotti, 2001). Most market participants are concerned about corporate reputation, concluding that companies with relatively favorable reputations are better at maintaining superior profit results over time (Roberts & Dowling, 2002). Reputable companies are also considered more trusted and more solid (Bravo, 2016). Fernández-Gámez, Gil-Corral, and Galán-Valdivieso (2016) mentioned that corporate reputation can reduce market risk. It corresponds with a study carried out by (Hammond & Slocum, 1996), asserting that companies with a good reputation can signal to investors that management has disclosed financial statements truthfully so that this will be able to reduce financial risk and control prices in the market. As a result, this corporate reputation will reduce stock return volatility. Thus, it concludes that corporate reputation will be able to increase the negative influence of earning quality on stock return volatility. This research aligns with research conducted by (Bravo, 2016), finding that corporate reputation as a moderation variable can reduce stock return volatility.

5. Conclusion and Recommendations

5.1 Conclusion

This study investigates the role of corporate reputation in moderating the relationship between trading volume activity and earning quality on stock return volatility. The Indonesian stock market is also considered to be very volatile. Even though if examined further, the financial performance of companies listed on the IDX has increased and has begun to rise from the downturn in economic conditions due to the pandemic, one of which is the consumer non cyclicals sector. This study aims to investigate the impact of trading volume activity and earning quality on stock return volatility, with corporate reputation as a moderating factor. The results showed that corporate reputation can strengthen the effect of trading volume activity on return volatility and can strengthen earnings quality on return volatility. High trading volume activity indicates that the issuer's shares are more actively traded and more attractive to investors, which will signal to investors that the level of stock trading liquidity and demand for the company's shares is high, thus influencing investors' decisions in investing. Due to the increased demand for shares coupled with the company's good reputation, investors who like high returns will make the company's shares more volatile. Meanwhile, high earnings quality will cause low stock return volatility because companies are considered to be able to disclose information about earnings quality where earnings quality can reflect good future cash flows, so investors assume that these shares are available for long-term investment, which as a result, the issuer's stock volatility will tend to be low. The existence of corporate reputation will further increase the negative effect of earnings quality on stock return volatility.

5.2 Limitation and Further Research

This research only focuses on Consumer non-cyclicals companies listed on the IDX and limits the sample size. The sample size could have been larger if the study was extended to companies in other economic sectors. We recommend that future research focus on other financial performance proxies. This research is useful for investors in investing in the stock market. In addition, it can also be useful for companies to be more careful in carrying out the company's operational activities because it will be related to the provision of capital by investors and for companies to improve the company's reputation in terms of quality, performance, responsibility, and attractiveness, so as to reduce return volatility. This research is limited to consumer-cyclical companies and within five years, so further research can add observation periods and company samples and add moderating variables, such as good corporate governance or exchange rates..

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