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Roy Malon Shamhuyenhanzva, Lehlohonolo Amos Masitenyane
Antecedents of Shopping Centre Selection and Re-Patronage Behaviour: A Smart PLS Structural Equation Modelling Approach 1

Nunung Nurbaeti, Shine Pintor Siolemba Patiro, Weni Novandari
Tourist Attitudes as a Formation of Electronic Word-of-Mouth Intention and Visit Intention Built by Perception of Social Media Content and Perception of City Image 30

Sherliana Lim, Keni Keni
The Power of Digital Influence: How Social Media Drives Brand Awareness and Purchase Intentions among Gen Z 51

Rida Adela Pratiwi, Martino Wibowo, Faizul Mubarok
Factors Influencing the Timeliness of Financial Reporting with the Mediation of Earnings Management 70

Franse Franse, Ferryanto Pietoyo, Steven Yoel Purnama, Gabriel Goardy, Alexander Tyrone Liong, Maichal Maichal
Financial Ratios and Speculative Dynamics in Third-Liner Stocks: Evidence from the Indonesia Stock Exchange 94

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Vol. 20, No.1 DeReMa - Jurnal Manajemen Mei 2025

DAFTAR ISI

Antecedents of Shopping Centre Selection and Re-Patronage Behaviour: A Smart PLS Structural Equation Modelling Approach **1**

Roy Malon Shamhuyenhanzva
Lehlohonolo Amos Masitenyane

Tourist Attitudes as a Formation of Electronic Word-Of-Mouth Intention and Visit Intention Built by Perception of Social Media Content and Perception of City Image **30**

Nunung Nurbaeti
Shine Pintor Siolemba Patiro
Weni Novandari

The Power of Digital Influence: How Social Media Drives Brand Awareness and Purchase Intentions among Gen Z **51**

Sherliana Lim
Keni Keni

Factors Influencing the Timeliness of Financial Reporting with the Mediation of Earnings Management **70**

Rida Adela Pratiwi
Martino Wibowo
Faizul Mubarok

Financial Ratios and Speculative Dynamics in Third-Liner Stocks: Evidence from the Indonesia Stock Exchange **94**

Franse Franse
Ferryanto Pietoyo
Steven Yoel Purnama
Gabriel Goardy
Alexander Tyrone Liong
Maichal Maichal

ANTECEDENTS OF SHOPPING CENTRE SELECTION AND RE-PATRONAGE BEHAVIOUR: A SMART PLS STRUCTURAL EQUATION MODELLING APPROACH

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ABSTRACT

The study aimed to analyse factors influencing customer shopping centre selection and re-patronage behaviour and to evaluate the mediating power of customer experience and satisfaction towards their re-patronage intentions. An empirical examination of a proposed conceptual model represented by specific variables was offered. Data were collected from 349 respondents utilising an online structured self-administered questionnaire, applying a convenience non-probability sampling method. Partial Least Squares Structural Equation Modelling (PLS-SEM) approach was executed to assess the model via two-step data analysis: measurement and structural model assessments. The study contributes to the literature by proposing a conceptual model and advocates valued information to shopping centre managers concerning marketing strategies to attract more customers. The study results reveal that customer shopping centre re-patronage intention is built on various attributes offering shopping centre managers prospects of enhancing customer hedonic consumption experiences, apart from securing their re-patronage intentions. Propositions for future research are also presented.

Keywords: Consumer behaviour, PLS Structural equation modelling, Re-patronage intentions, Satisfaction, Shopping centre

ABSTRAK

Penelitian ini bertujuan untuk menganalisis faktor-faktor yang memengaruhi pemilihan pusat perbelanjaan oleh pelanggan serta perilaku kunjungan ulang mereka, serta mengevaluasi peran mediasi dari pengalaman dan kepuasan pelanggan terhadap niat kunjungan ulang tersebut. Sebuah pemeriksaan empiris terhadap model konseptual yang diusulkan—yang direpresentasikan oleh variabel-variabel tertentu—disajikan dalam studi ini. Data dikumpulkan dari 349 responden melalui kuesioner daring terstruktur yang diisi secara mandiri, dengan menggunakan metode pengambilan sampel non-probabilitas secara kebetulan (convenience sampling). Pendekatan Partial Least Squares Structural Equation Modelling (PLS-SEM) digunakan untuk menguji model melalui dua tahap analisis data: penilaian model pengukuran dan penilaian model struktural. Penelitian ini memberikan kontribusi terhadap literatur dengan mengusulkan model konseptual serta memberikan informasi yang berharga bagi manajer pusat perbelanjaan dalam merancang strategi pemasaran guna menarik lebih banyak pelanggan. Hasil penelitian menunjukkan bahwa niat pelanggan untuk mengunjungi kembali pusat perbelanjaan didasarkan pada berbagai atribut, yang memberikan peluang bagi manajer pusat perbelanjaan untuk meningkatkan pengalaman konsumsi hedonis pelanggan, selain memastikan kunjungan ulang mereka. Usulan untuk penelitian di masa depan juga turut disampaikan.

***Kata kunci**: Perilaku konsumen, PLS-SEM, Niat kunjungan ulang, Kepuasan, Pusat perbelanjaan*

1. INTRODUCTION

Following the proliferation of technological advancements that redefined shopping centres from what they have been known for all along (Asmare & Zewdie, 2022), shopping centres are viewed as the embodiment of modern-day consumerism, purported as the arcade of consumption (Mentz, 2023). The importance of shopping centres has arisen from a simple place of just buying groceries to an environment that provides both recreational and delightful shopping experiences (Kushwaha et al., 2017).

Shopping centres are regarded as a social arena, wherein customers take part in various endeavours and experiences that include safe, leisure and satisfying shopping experiences (Hu & Jasper, 2018; Kushwaha et al., 2017; Kiriri, 2019; Wirtz, 2024). Sandler and Kim (2019) found two primary reasons for this growth: the change in consumption patterns and the state of financial affairs of retailers faced with the likelihood of bankruptcy that is sparked by a variety of factors. Beckers, Birkin, Clarke, Hood, Newing and Urquhart (2022) mention that shopping centres are susceptible to high levels of competition enthused by new online selling platforms (Alflayyeh et al., 2020; Asmare & Zewdie, 2022) and supplementary retail outlets (Anselmsson, 2016), especially in emerging markets, including South Africa's retail shopping environment (Makgopa, 2016; 2018; Ntlhe, 2023; Wirtz, 2024), to mention a few. Hence, in the wake of such developments, contemporary customer shopping tendencies are investigated in the form of extant literature reviews and data collection to explore various research themes like the one this study aimed to explore. The increasing number of out-of-town shopping centres represents the kind of shopping facilities that customers are increasingly looking for (Jones, 1991). Therefore, understanding customer shopping centre selection and factors influencing their choices was very important because continuous assessment of consumer consumption patterns is key in the retail business space (Katrodia et al., 2018).

Regardless of the large body of research conducted previously, in this study, it is noted that some limitations in the literature regarding several critical aspects exist: firstly, extant literature on shopping centres and attraction factors largely concentrated on the likelihood of model conception to ascertain the need for customer enticement and intentions to visit shopping centres (Badar & Irfan, 2018; El-Adly & Eid, 2016; Maher & Ana, 2019).

Only limited empirical studies in recent times have examined customer shopping centre preferences and experiences in emerging markets (Grimmer, Ashley & Miles, 2016; Katrodia et al., 2018; Saber et al., 2017). Also, the role of customer satisfaction towards in-or-out-of-town shopping centre re-patronage intentions has been limitedly studied (El-Adly et al., 2024; Terblanche, 2018). Hence, this study was one of a few to present the subsequent viewpoints: (i) it integrates a set of factors (convenience, tenant variety, internal environment) as antecedents of in-or-out-of-town shopping centre attraction and the mediating power of customer experience and satisfaction) to predict the variance in shopper re-patronage behaviour. These factors have been infrequently tested from a shopping centre perspective, and forthcoming research can apply the same three-dimensional trait (antecedents → mediators → re-patronage intention); (ii) it assesses the role of customer preferences from an environmental psychology point of view towards shopping centre revisitation behaviour. Very limited studies, including those by Amoah et al. (2016), Atulkar and Kesari (2017), and

Terblanche (2018), added the same factor and approach to their investigations.

The objective of this enquiry was to offer a quantified and astute investigation from an emerging South African shopping centre context. Firstly, prior studies primarily focused on the immediate or short-term behavioural impact of customer experiences (Becker & Jaakkola, 2020) and, in so doing, overlooked the degree to which the effects thereof could expedite future shopping centre re-patronage intentions. Additionally, how shopping encounters evolve and induce continued revisitation behaviour remains underexplored (Li, Dahana, Ye et al., 2021). Transitorily, theoretical investigations hypothesise that customer shopping experiences and satisfaction can affect re-patronage behaviour, depending on numerous factors that require further investigation (Lemon & Verhoef, 2016). Therefore, it is necessary to give empirical proof of the probability of such outcomes. Secondly, although researchers intellectualised customer experience as an ever-changing construct (Kranzbühler et al., 2018; Lemon & Verhoef, 2016), limited enquiries empirically examined how shopping centre experiences develop over time (Verhoef et al., 2009).

Consumer behaviourists have indicated that customer satisfaction emanating from what they prefer can stimulate positive shopping intentions (Human et al., 2020; Talwar et al., 2021). However, it is uncertain if customer evaluations of their shopping experiences can be constant, irrespective of their past shopping encounters. Accordingly, empirical evidence on the ever-changing nature of customer experience and satisfaction is hugely significant in forecasting future patronage behaviour. Thirdly, investigating the impact of various stimuli, such as shopping centre convenience, tenant variety, and internal environment based on purchasing encounters, is limited (Makhitha, 2023).

Accordingly, this study narrowed the aforementioned gap by drawing from social exchange theory (SET), which epitomises a vital theoretical model for examining consumer patronage patterns. Kronlid and Baraldi (2020) found that long-term re-patronage intentions can be formed in time-bound connections using SET and, from time to time, could reveal the initial point of cultivating a resilient ongoing bond. Given that re-patronage intention is a broad concept, this study focused on customer shopping centre experiences and satisfaction as key mediators towards customer re-patronage intentions (Atulkar & Kesari, 2017; Chatzoglou et al., 2022). In particular, this enquiry addressed the resulting research questions:

RQ1: To what extent does customer experience with shopping centre's stimuli of convenience, tenant variety and internal environment with a touch of customer experience influence their re-patronage intention?

RQ2: How do customer preferences impact their immediate satisfaction towards long-term re-patronage intentions (i.e., for in-or-out-of-town shopping centres)?

Through the study findings, we offered three novel contributions to the extant body of knowledge. Firstly, we shed new light on how customer experiences affect re-patronage behaviour among in-or-out-of-town shopping centres from South Africa's shopping centre context. The findings provided useful insights into how customer satisfaction progresses as they continue to visit either in-or-out-of-town shopping centres and not only deepens understanding of customer learning behaviour but also assists in better predicting future shopper behaviour.

Secondly, a deeper understanding of consumer shopping preferences borrowed as an environmental factor, together with other attraction factors adopted from Mehrabian and Russell's (1974) stimulus organism response model (S-O-R), are provided. Lastly, this study shed light on the underlying psychological processes that influence individuals' experience of shopping centre stimulus and their re-patronage intention. By revealing the cognitive and perceptual processes that affect shopper behaviour, the study provided an innate understanding of why consumers may feel motivated to favour a particular shopping centre.

The remainder of this paper was presented in 7 sections. Section 1.1 presents an overview of South Africa's shopping centre environment. Section 2 presents a literature review and theories underpinning the study. Section 3 provides the hypothesis and model development, along with the mapping of the proposed variables to the current context. Section 4 details the methodology followed, and a presentation of the study results followed a discussion of the findings in Sections 6 and Section 7, which provide concluding remarks, implications, limitations and future scope of research.

1.1 OVERVIEW OF SOUTH AFRICA'S SHOPPING CENTRE ENVIRONMENT

The conception of a contemporary shopping centre became popular in the early 1960s (Lemarchand, 2021) and became popular as a way of reshaping the retail environment across the globe and has since become a 20th century phenomenon (Kajalo & Lindblom, 2010). In South Africa, shopping centre developments sporadically grew over the past 30 years (Mentz, 2023) as an all-encompassing scheme of facility housing a variety of shops managed as one entity (Altkorn & Kramer, 1998). The International Council of Shopping Centres (ICSC) testifies that South Africa is the 5th major supplier of shopping space in the world (SACSC, 2016), with Gauteng province having the highest proportion, with 10.8 million square metres, followed by the Western Cape, with 3.5 million square metres, then KwaZulu-Natal, with 3.3 million square metres and Free State, with 870,000 square metres (Business Tech, 2018).

Shopping centres that meet the ICSC classification are found in different forms, including neighbourhood, community, regional, and super-regional centres (Makgoba, 2018). All these centres differ from 1 000m² up to more than 170 000m² (SACSC 2016) and represent more than 23 million m² of an estimated 37 million m² of all retail facilities in the country (Business Tech, 2018). The status of all shopping centres does not merely lie in their central control or parking spaces, since they mainly differ in form, size, structure, location, and tenancy costs (Berman & Evans, 2013). Many of them offer customers diversity, entertainment, comfort, luxury, and convenience (Zuhri & Ghozali, 2020). Aspen Networks of Developing Entrepreneurs (2021) reports that the out-of-town areas (Townships) have been viewed as the prime location of shopping centre growth in recent years due to continual increases seen in household income, besides being a flooded retail market space.

Township market has emerged as a new heaven for national retailers pursuing potential business growth opportunities (Makhitha, 2023). The growth of shopping centres in these areas has conceived a broader selection of shopping points that can sustain consumer needs and requirements (Ntlhe, 2023). In the past, consumers from these areas had to travel long distances to reach a nearby, 'favoured' shopping centre. However, this is no longer the case as they can find shopping centres not far from their place of abode. Hence, to build on current knowledge on what are the factors that affect the choice between in-or-out of-town-based shopping centres is very important, noting that centres differ and provide diverse offerings (Tustin & Strydom, 2006). Table 1 provides a synopsis of the diverse types of retail centres in South Africa.

Table 1. Planned and unplanned retail types in the whole spectrum of retail facilities

Planned		**Unplanned**	**Rural**
Core classification • Small free standing and convenience. • Neighbourhood • Community • Small regional/large community • Regional • • Super Regional	**Specialist** • Big Box Retailers • Entertainment/casinos Lifestyle • Value • Hyper • Motor showrooms and related facilities • Filling station stores • Airport retail • Centres at railway/commuter stations • Organised flea markets	• CBD/Town Centre • Taxi rank retail/commuter centre • Informal Traders • Spaza shops • Fresh produce markets • Morning/daily food markets	• Rural retail taxi orientated • Town centres • Informal trade • Spaza shops • Planned shopping centres

Source: SACSS (2016), Prinsloo (2010)

Against this background, shopping centres have turned out to be tantamount to the extension of retail space and due to the decentralisation of retail space that excluded other markets, including townships and a move away from the old Central Business District (CBD) way of serving customers (Wirtz, 2024). Owing to increases in shopping centre developments, especially in Gauteng province, the number of shopping centres doubled with out-of-town trading structures (Sale, 2017). This spiral growth placed both planned and unplanned in-and-out-of-town shopping centres as the largest segments of the retail market in the country (Ntlhe, 2023).

2. LITERATURE REVIEW AND THEORIES GROUNDING THE STUDY

The study's theoretical model is founded on the examination of extant literature on consumer behaviour and relationship marketing. The study is premised on the social exchange theory (SET) propagated by Homans (1958) and the theoretic method of theory of reasoned action (TRA) bourgeoned by Ajzen and Fishbein (2000) to predict human behaviour. Fishbein and Ajzen (1975) developed TRA, which is deeply rooted in social psychology appeal and is fundamentally concerned with intentionally well-organised behaviour (Fishbein & Ajzen, 2010). Fishbein and

Ajzen (1975) state that the TRA principles validate the practicality of a model that could explicate and forecast consumer behaviour, along with the belief that they would have for a given conduct (Ajzen & Fishbein, 1977).

Additionally, the S-O-R model proliferated by Mehrabian and Russell (1974) also forms a critical part of the study's theoretical lens, as it has been previously operationalised in shopping centre studies (Karim et al., 2021). As asserted by Mehrabian and Russel (1974), the internal environment stimuli (S) that shoppers are exposed to may ignite a variety of behavioural responses (R). The behaviour response arises following the shopper's internal evaluations (O) to the stimuli that set off a response based on internal impressions or behaviour of an organism (person) (Harappa, 2023). Thus, stimulations provided by the shopping centre environment are seen as an inducer of customers who display responses that comprise specific behavioural outcomes. Numerous variables can be applied to generate a model of shopping centre attraction factors. Mehrabian and Russell (1974) initially proposed five measures of S-O-R (convenience, tenant variety, internal environment, leisure mix and communication/promotions) as measures of consumer attraction to shopping centres. However, this study purports a different framework by retaining only three variables (convenience, tenant variety, internal environment) from the original model, while (leisure mix and communication/promotions) are discarded. An opportunity to frame a different measurement model is presented with the inclusion and removal of certain theoretically valid variables supported by literature.

Presenting a distinct research framework enhances literature and provides new perspectives that simulate the subject with fresh ideas (Behera et al., 2023a; Delafrooz et al., 2009). Accordingly, enhanced knowledge of the usage of specific constructs for rational objectives is offered. An uncommon variable (preference) is added as a stimulus of customer internal evaluations together with the three retained S-O-R framework variables professed to act as an inducement to (customer experience) as one of the study's mediating variables. Additionally, another construct (satisfaction) is included in the model as the second mediating variable towards customer shopping centre re-patronage intention. The results from the literature informed this ploy with justification to further validate the significance of including preference variable as a stimulus factor to measure consumer behavioural patterns and to test customer experience and satisfaction's mediating power towards shopping centre re-patronage intentions. Each variable appears to different extents in the literature, although not in a constant manner and hence, we also examine their association in the context of in-or-out-of-town shopping centre selection and re-patronage intentions.

2.1 CONCEPTUAL MODEL AND HYPOTHESES DEVELOPMENT

2.1.1 Convenience

Prior studies revealed that customers regard convenience shopping encounters as equivalent to reduced time spent and effort during their purchasing process (Yeo et al., 2019). El-Adly and Eid (2015) established that the convenience of shopping centres exhibits the competence of the centre to provide customers with a variety of opportunities to undertake a range of shopping activities. Hence, shopping centre convenience is regarded as an attraction factor affecting both hedonic and utilitarian shopping values (El-Adly & Eid, 2016). Customer sensual and emotional fulfilment symbolise their hedonic values, while utilitarian shopper values are represented by an experiential-oriented undertaking that pursues convenience and lower prices (Kesari & Atulkar, 2016). Conveniences such as sufficient parking space positioned in strategic areas and extended operating hours play a critical part in customer shopping centre practices, which empirical research has consistently highlighted its significance to customer experiences (Idoko et al., 2019; Sharma et al., 2022). Utilitarian values and problem-solving means can satisfy patrons just as in non-hedonic situations (Parasuraman et al., 2021). Numerous researchers found that if customers perceive the convenience provided by shopping centres to be conducive, prospects of patronising the centre in the future will increase (Becker & Jaakkola, 2020; Li et al., 2021; Khurana & Dwivedi, 2017). Thus, this study hypothesised that:

H1: Shopping centre convenience positively impacts customers' service experience.

2.1.2 Tenant variety

Recent investigations reveal the cumulative significance of tenant variety towards the success of shopping centres as very important. Establishing the ideal tenant variety can be a challenging task with no guarantees of success. Kyriazis and Cloete (2018) mention that for shopping centres to preserve their worth, the centre management must continuously monitor and adjust the tenant variability because what persuades customers to patronise shopping centres these days is a mixture of shopping centre hosts, who cater for pleasant recreational undertakings and relaxation of shoppers (Calvo-Porral & Lévy-Mangín, 2018). What is also recognised as shopping centre retail tenant mix is one key factor of shopping centre attraction that connects to the primary benefit of customer experiences (Anselmsson, 2016). El-Adly and Eid (2015) mentioned that although the centre's attraction is partly interrelated to the configuration of the tenant mix, regrettably, no model for determining the degree of tenant mix at shopping centres is established. Researchers, including El-Adly and Eid (2015) and Yeo et al. (2019), also concur that tenant variety improves customer shopping centre service experience and revisitation behaviour. Therefore, this study hypothesised that:

H2: Shopping centre tenant variety positively impacts customers' service experience.

2.1.3 Internal environment

Sheth (1983) purported shopping patronage theory, which has underpinnings in psychological literature. It suggests that customer buying behaviour can be affected by functional and non-functional service experiences (Sheth, 1981, 1983). Functional experiences could be the need to look, touch, hear, smell and taste for basic reasons, while non-functionals could refer to the centre's atmosphere, image or the employees' appearance (Kumar & Kashyap, 2023; Roschk & Hosseinpour, 2020). Accordingly, shopping centre success depends on the superiority of its attributes, which differs from one centre to the next, as the S-O-R theoretical framework advocates that to appreciate how the environmental variables of shopping centres stimulate the emotional state and behaviour of consumers, it is important to understand their behavioural intentions to visit or not to visit a particular centre (Mehrabian & Russell, 1974). Accordingly, the centre atmosphere must be conducive enough for customers to stay, interact and enjoy a pleasant and ecofriendly image presented by the centre to influence them to come back (Behera et al., 2023b). Therefore, the atmospheric and internal environment provided by the centre should resonate with the customers to influence them to return to the centre (Calvo-Porral & Lévy-Mangín, 2018). As numerous other studies pronounced the prominence of shopping centre's internal environment's touch points toward customer support behaviour (Behera et al., 2023b; Kushwaha et al., 2017; Siqueira et al., 2020), this study also hypothesised that:

H3: A harmonious internal environment positively impacts customer shopping centre experiences.

2.1.4 Preferences

Literature extensively applied preference to assess the impact of brand equity and confirmed it as the inclination to choose and visit a particular destination or place (Su & Huang, 2019). Ebrahim et al. (2016) affirmed that preference influences customers' attitudes and choices, thereby playing a significant role in forecasting an individual's behaviour (Shen & Shen, 2021). According to Line and Hanks (2019), place attachment enacts a key part of customer re-patronage behaviour, especially when an environment presents patrons with a sense of belonging (Laing & Royle, 2013) and feelings of dependence emanating from social engagements encountered in the centre (Wang et al., 2021). In this study, shopping preferences are expressed as customers' deliberate perceptions of the environment and what the shopping centre offers (Makhitha, 2023). In other words, it means the individuals' likes or dislikes of what they have felt or experienced during their shopping process (Lubis, 2018). Literature reveals that numerous shopping centre attributes impact customer preferences (Banks, 1950; Su & Huang, 2019) and behavioural intention (Shen & Shen, 2021; Yeap et al., 2020). Accordingly, this study hypothesised that:

H4: Perceived shopping centre preferences positively impact customer satisfaction to revisit the centre in future.

2.1.5 Customer experiences

Schmitt (1999) recommended five diverse categories of customer experiences: "sense", "feel", "think", "act" and "relate". Since the objective of experiential marketing is to create unforgettable experiences while offering value to the customers (Nadiri & Gunay, 2013), their experiences can be viewed as hedonic consumption related to varied sensorial, emotional, and behavioural influences, including having fun, amusement and purchasing sensory stimulation (Ortegón-Cortázar & Gomez, 2017). Singh and Söderlund (2020) mention that, nevertheless, customers' shopping experiences affect the extent to which they reveal their expectations and are content with satisfying encounters. Other studies found that customer service experiences disclose positive associations with customer satisfaction (Shukla, Banerjee & Singh, 2016). Saidon et al. (2021) emphasise that positive experiences significantly influence customers' future behaviour. Specifically, it is argued that customers who had an enjoyable experience are more likely to revisit the centre, underscoring the importance of prioritising the internal environment as a key driver of customer re-patronage behaviour. Numerous researchers concur that the association between what customers experience with shopping centres progressively shape and create affective bonds and revisitation behaviour (Becker & Jaakkola, 2020; Keiningham et al., 2020; Saidon et al., 2021). Therefore, it is hypothesised that:

H5: Pleasurable customer experiences with shopping centres positively impact their satisfaction and encourage them to revisit the centre in the future.

H6: Pleasurable customer experiences with shopping centres positively impact their re-patronage intentions.

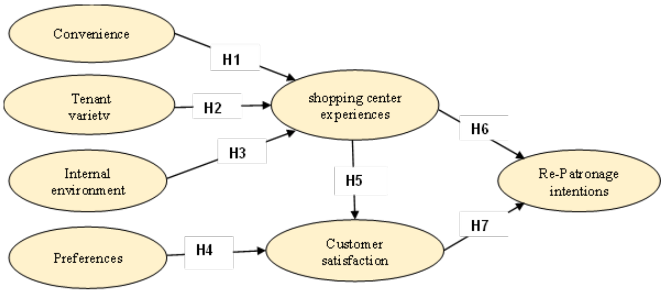
4.1.6 Customer satisfaction

Churchill and Surprenant (1982) posit that the expectation–disconfirmation paradigm advocates that satisfaction emanates from a cognitive valuation procedure, where customers assess their actual shopping experiences relative to their expectations. Customer shopping centre satisfaction is observed to fundamentally rely on cumulative affective experiences with the product or service, which are retained and updated over time (El-Adly et al., 2024; Oliver, 1980). Therefore, satisfaction ensues when customers perceive their shopping experiences as meeting or exceeding their expectations (Slack & Singh, 2020; Bloemer & Odekerken-Schröder, 2002).

In this study, service features such as good care and administration of centre facilities, including restrooms and hygienic conditions, safety and security, impact overall shopper satisfaction. Other studies found that satisfaction positively affects re-patronage intentions (Slack & Singh, 2020; Chiu et al., 2017). Many researchers agree that customer satisfaction is a key element that drives shopping centres' forthcoming buying intentions (Khurana & Dwivedi, 2017; Mahin & Adeinat, 2020). Therefore, this study hypothesised that:

H7: High levels of customer satisfaction with shopping centres positively impact their re-patronage intentions.

Figure 1 exhibits the research model proposed for this study.



3. RESEARCH AND METHODS

This research employed a quantitative and descriptive approach, gathering data over 10 months (from July 2023 to June 2024) through electronically administered questionnaires. The survey was disseminated via digital platforms (email, Facebook and WhatsApp) to shoppers within designated locations. A convenience sampling strategy was utilised to facilitate timely and cost-effective data collection. After data collection, a rigorous cleaning and validation process ensured the quality and reliability of the data. The research hypotheses were subsequently tested using Partial Least Squares Structural Equation Modelling (PLS-SEM), which enabled the examination of complex relationships between variables.

3.1 Measurement instrument

All measures were adapted from previous studies. A five-point Likert-type scale was sourced to measure items. In Section A, nine questions pertaining to demographics and mall buying behaviour were asked. To assess shopping centre convenience, 3 items proposed by Calvo-Porral and Lévy-Mangín (2018) were adapted, and 2 items from Olivier (2007), convenient trading hours and proximity to home/work were selected for inclusion in the scale. To measure tenant variety, 3 items from Calvo-Porral and Lévy-Mangín (2018) were adopted.

Additionally, 7 items were espoused by Olivier (2007) to construct scales measuring internal environment with 4 items and service experience with 3 items. To evaluate customer shopping centre preferences, 6 semantic differential scale items were constructed based on previously reviewed literature. Finally, 3 items per scale were adopted from Makgopa (2016) to measure shopping centre satisfaction and re-patronage intentions.

3.2 Target population

In the quest to completely understand the antecedents influencing shopping centre selection and re-patronage intentions in Vanderbijlpark and Vereeniging towns and their nearby peripheries (Boipatong, Bophelong, Everton, Tshepiso, Tshirela, Sebokong and Sharpville townships), the study sampled from both in-and-out of town shopping centre customers. The population relevant to this research included shopping centre patrons who physically visited the centres at least once a month in the past ten months. The study respondents comprised both adult male and female shoppers from various racial groups aged 18 years and older who physically visited shopping centres. The sampling population was the southern region of Gauteng province of South Africa. At the time when the study was conducted, little to no empirical research was conducted to test customers' in-or-out-of-town physical shopping centre selection and re-patronage behaviour in the area, albeit the largest concentration of shopping centres is in South Africa.

3.3 Data analysis

The sample's demographic characteristics were summarised using descriptive statistics. Bootstrapping resampling methods were employed to establish the reliability of the findings. Following the structured approach for structural equation modelling outlined by Zhang et al. (2018), the analysis was divided into two distinct phases. Initially, the quality of the measurement model was scrutinised, with particular attention paid to its dimensionality, reliability, and validity (including convergent and discriminant validity assessments). Subsequently, the structural model was examined to test the theoretical framework's hypothesised causal relationships between latent variables, focusing on the significance of the paths involved.

4. RESULTS AND DISCUSSION

4.1 Sample profile

Following data cleaning and validation, 349 questionnaires were deemed usable and, therefore, were used for further analysis. The demographic characteristics of the respondents are presented in Table 2, providing an overview of the sample's composition.

4.2 Measurement Model

4.2.1 Convergent Validity

An evaluation of the measurement model was undertaken to determine the validity and reliability of the constructs. Hair et al. (2019) state that factor loadings, average variance extracted (AVE), and composite reliability (CR) are crucial standards for assessing the measurement model's convergent reliability and validity.

Table 2. Sample Profile

Demographic Characteristic	Description	Value	Percentage
Age	18 – 30 years	147	42,1%
	31 – 40 years	107	30,7%
	41 – 50 years	70	20,1%
	51 – 60 years	21	6,0%
	61 years and above	4	1,1%
Gender	Male	197	56,4%
	Female	152	43,6%
	Non-Binary	0	0%
Monthly income	Less or equal to R5000 per month	120	34,4%
	R5001 to R10000 per month	61	17,5%
	R10001 to R15000 per month	24	6,9%
	R15001 to R20000 per month	66	18,9%
	More than R25000 per month	26	7,4%
How many times per month do you visit your preferred mall/shopping centre?	Once a month	13	3,7%
	2-3 times per month	102	29,2%
	Once every week	34	9,7%
	2 times per week	101	28,9%
	More than 3 times a week	99	28,4%

For factor loadings, a threshold over 0.5 is advised (Hair et al., 2019). According to the findings, CR values varied from 0.840 to 0.917, while factor loadings ranged from 0.722 to 0.898. Among the constructs, preference taste had the lowest AVE (0.637). However, it was still higher than the minimum cut-off value of 0.5 (Hair et al., 2019). The findings exhibit good reliability, as shown in Table 3, demonstrating that the scales are good and reliable measures of the constructs.

Table 3. Discriminant Validity of Constructs using the Fornell-Larcker Criterion

	CON	EXP	IE	PC	PT	RI	S	TV
CON	0,817							
EXP	0,805	0,887						
IE	0,826	0,830	0,846					
PC	0,694	0,683	0,689	0,836				
PT	0,777	0,735	0,744	0,830	0,798			
RI	0,714	0,705	0,697	0,729	0,764	0,875		
S	0,573	0,601	0,575	0,693	0,701	0,655	0,867	
TV	0,811	0,793	0,805	0,676	0,750	0,652	0,641	0,830

Note: The square root of the AVE is on the diagonal.

Key**:** Con = Convenience, EXP = Experience, IE = Internal Environment, PC = Preference Comparative, PT = Preference Taste, RI = Re-Patronage Intention, S = Satisfaction and TV = Tenant Variety

4.2.2 Discriminant Validity

The study used the cross-loading criteria and the Fornell and Larcker test to assess discriminant validity. Tables 3 and 4 provide summaries of the findings, respectively. Except for convenience and preference taste, which show higher correlations with internal environment and preference comparability, the results show that the square root of the average variance extracted (AVE) is greater than most correlation values (Table 3). The cross-loading criteria were investigated to further demonstrate discriminant validity and the uniqueness of the latent variables in this study.

4.2.3 Cross Loadings Criterion

The cross-loadings criterion determines the extent to which scale items correlate with their corresponding construct (Knekta et al., 2019). As shown in Table 4, each scale item exhibited a strong connection to its intended underlying construct. However, Jalil and Yeik (2019) advise reevaluating the entire model if a manifest variable correlates more strongly with a different latent variable. Therefore, it is essential to scrutinise the relationships between manifest variables and their corresponding latent variables to ensure they are logical. This study established discriminant validity after cross-loading analysis and confirmed that each manifest

Table 4. Discriminant Validity using Cross Loadings Criterion

	CON	EXP	IE	PC	PT	RI	S	TV
CON1	0,819	0,710	0,734	0,501	0,629	0,555	0,453	0,666
CON2	0,879	0,715	0,716	0,603	0,694	0,626	0,525	0,685
CON3	0,722	0,546	0,590	0,503	0,503	0,420	0,322	0,567
CON4	0,837	0,660	0,705	0,630	0,669	0,657	0,569	0,709
CON5	0,820	0,638	0,616	0,597	0,662	0,641	0,451	0,678
EXP1	0,674	0,890	0,733	0,611	0,651	0,611	0,560	0,719
EXP2	0,715	0,891	0,720	0,560	0,611	0,607	0,485	0,684
EXP3	0,750	0,879	0,752	0,644	0,689	0,657	0,552	0,704
IE1	0,729	0,719	0,847	0,663	0,678	0,647	0,525	0,678
IE2	0,670	0,625	0,805	0,551	0,613	0,550	0,486	0,647
IE3	0,715	0,725	0,878	0,588	0,609	0,586	0,475	0,694
IE4	0,680	0,730	0,851	0,529	0,618	0,574	0,462	0,702
PC1	0,518	0,528	0,496	0,840	0,713	0,578	0,624	0,524
PC2	0,576	0,562	0,613	0,825	0,662	0,613	0,517	0,566
PC3	0,650	0,626	0,630	0,843	0,702	0,641	0,588	0,610
PT1	0,722	0,702	0,706	0,606	0,758	0,602	0,455	0,715
PT2	0,638	0,565	0,589	0,595	0,791	0,585	0,498	0,579
PT3	0,548	0,535	0,531	0,759	0,843	0,643	0,683	0,546
RI1	0,580	0,577	0,565	0,627	0,678	0,885	0,567	0,519
RI2	0,642	0,612	0,603	0,660	0,707	0,898	0,621	0,583
RI3	0,648	0,660	0,660	0,627	0,621	0,843	0,530	0,607
S1	0,511	0,520	0,489	0,614	0,621	0,559	0,870	0,564
S2	0,499	0,515	0,493	0,615	0,628	0,586	0,878	0,553
S3	0,481	0,530	0,515	0,573	0,574	0,559	0,854	0,550
TV1	0,744	0,725	0,688	0,585	0,662	0,598	0,457	0,832
TV2	0,625	0,608	0,610	0,515	0,598	0,486	0,542	0,825
TV3	0,635	0,627	0,700	0,578	0,601	0,528	0,608	0,831

Key: Con = Convenience, EXP = Experience, IE = Internal Environment, PC = Preference Comparative, PT = Preference Taste, RI = Re-Patronage Intention, S = Satisfaction and TV = Tenant Variety variable correlated more strongly with its intended latent variable. he findings illustrated in Table 4 indicate that the measurement model meets all the criteria for convergent and discriminant validity.

As per Hair et al.'s (2017) guidelines, the next phase involved the assessment of the collinearity issues in the structural model, examining the relationships between the latent variables and assessing the overall adequacy of the structural model.

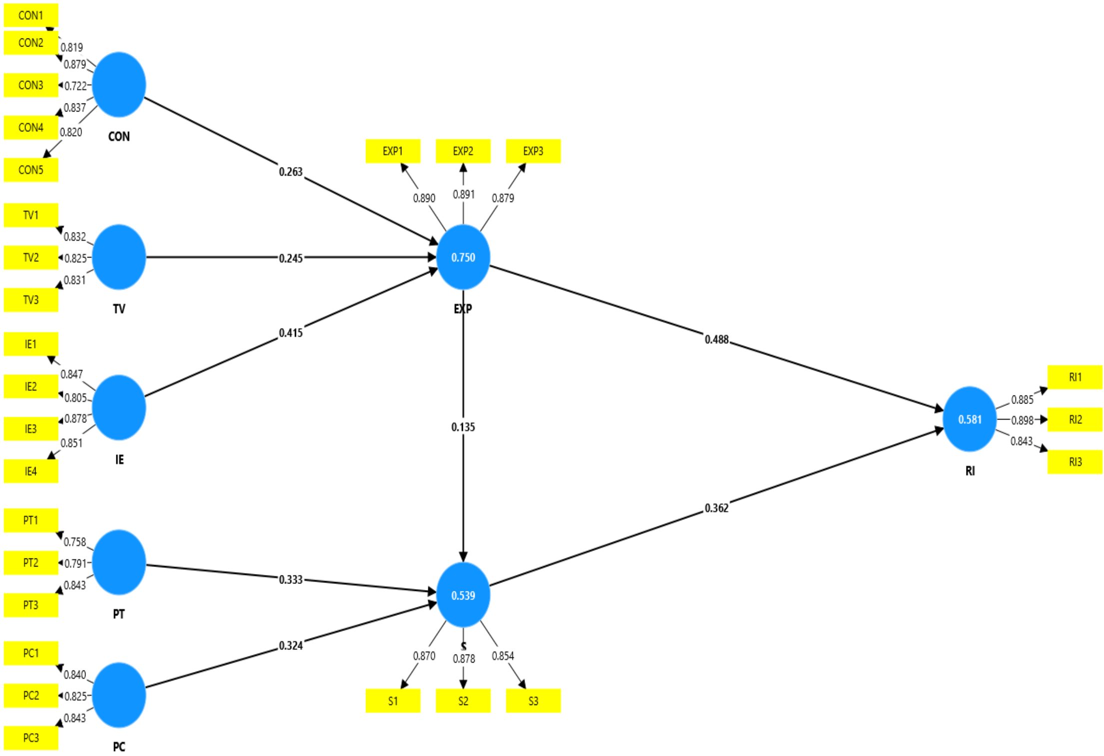
4.3 Assessment of Collinearity Issues in the Structural Model

Potential collinearity concerns in the structural model were evaluated following the recommendations put forth by Hair et al. (2017). If any high levels of collinearity are observed among the predictor variables, there is a high possibility of skewed estimations, as Kock (2017) advised. Thus, the Tolerance and Variance Inflation Factor (VIF) metrics were examined for collinearity concerns. The findings affirmed that collinearity was not an issue, with all Tolerance values surpassing 0.200 and VIF values remaining under 5.000, aligning with the criterion values proposed by Thompson et -fitting model with robust explanatory power.

al. (2017) and Hair et al. (2017). These results signify that the independent constructs within the path model did not display concerning collinearity, thus bolstering the reliability of the ensuing path coefficient estimations.

4.4 Structural Model Assessment (Path Analysis) – Hypotheses Testing

After validating the measurement and structural models, the path analysis was performed to determine the causal relationships between latent variables, as recommended by Henseler et al. (2016). Results from the path analysis revealed both direct and indirect effects among the latent variables, which aligns with the fundamental principles of structural equation modelling (SEM) outlined by Lefcheck (2016) and Hair et al. (2017). The path analysis estimation results, presented in Figure 2, include the estimated path coefficients and factor loadings for each construct. The findings indicate the existence of strong relationships between the variables and a well-fitting model with robust explanatory power.



Key: Con = Convenience, EXP = Experience, IE = Internal Environment, PC = Preference Comparative, PT = Preference Taste, RI = Re-Patronage Intention, S = Satisfaction and TV = Tenant Variety

Table 5 presents a concise summary of the research findings derived from path analysis and hypothesis testing. This table outlines the proposed hypotheses, corresponding path coefficients, t-statistics, and the outcomes of hypothesis testing, confirming that all hypothesised relationships were statistically supported.

The estimated structural path model demonstrates substantial predictive accuracy for the dependent variables. Specifically, the model explains 75% of the variance in shopping mall experience (convenience, tenant variety, and internal environment; R^2 = 0.750); 53.9% of the variance in satisfaction (shopping centre experience, preference taste, and preference comparative; R^2 = 0.539) and

58.1% of the variance in re-patronage intentions (satisfaction and experience; R^2
= 0.581). These results indicate a strong predictive power of the model.

4.5 Assessment of the Model Fit

Following Nitzl et al.'s (2016) guidelines, this study used two metrics to evaluate the model's fit: the standardised root mean square residual (SRMR) and the Normed Fit Index (NFI). The results showed that the SRMR value (0.076) met the recommended threshold of less than 0.08, while the NFI value (0.687) fell short of the acceptable level of 0.90. Nevertheless, the model demonstrated a relatively good fit. The global goodness-of-fit (GoF) statistic was calculated using Han and Johnson's (2019) formula to
further assess the model's fit, providing additional insight into the model's overall fit.

$$GoF = \sqrt{AVE * R^2}$$

According to Kuo et al. (2020), the recommended threshold for the Global Goodness of Fit (GoF) value is 0.36. The calculated GoF of 0.51 surpassed the recommended threshold, signifying that the relationships between the latent variables are robust and consistent, suggesting a reasonable overall fit of the study model. Thus, this finding further validates the research model's validity by demonstrating its ability to accurately capture the underlying relationships between the latent variables.

Table 5. Summary of the Structural Model

Hypothesis		Path Coefficient	T statistics	f-square	R-square
H1	CON -> EXP	0,263	3,504	0,071	0,750
H2	TV -> EXP	0,245	3,879	0,069	
H3	IE -> EXP	0,415	5,798	0,183	
H5	EXP -> S	0,135	2,050	0,018	0,539
H4a	PC -> S	0,324	3,964	0,068	
H4b	PT -> S	0,333	3,744	0,062	
H6	EXP -> RI	0,488	9,498	0,362	0,581
H7	S -> RI	0,362	6,618	0,199	

Note: All hypotheses supported at $p < 0.05$

Key: Con = Convenience, EXP = Experience, IE = Internal Environment, PC = Preference Comparative, PT = Preference Taste, RI = Re-Patronage Intention, S = Satisfaction and TV = Tenant Variety

4.6 Discussions

This study examined the antecedents of shopping centre selection and re-patronage behaviour. The study offered three novel contributions to the existing body of knowledge. Firstly, it shared new insights into how shopping centre customer experiences influence their re-patronage behaviour and selection patterns of in-or-out-of-town shopping centres from South Africa’s shopping centre context. The research provides new findings that counter and extend existing theories by investigating the relationship between customer experiences and re-patronage behaviour within the South African context. The study reveals that customer experiences mediate the relationships between convenience, internal environment and tenant variety with consumer satisfaction as well as repurchase intentions towards shopping centres. The study also indicates that customer satisfaction is a multifaceted construct affected by many factors, including customers' learning behaviour, preferences, and environmental attributes (Shen & Shen, 2021; Laing & Royle, 2013). Customer preferences are a unique environmental factor in the study and a strong interaction between personal and situational factors affecting re-patronage behaviour. The discovery that customers' sense of being in the "right place" (Laing & Royle, 2013) has a high degree of predictability on re-patronage intention suggests that retailers and shopping centre managers have to create immersive, engaging experiences that resonate with the values and expectations of their target market.The findings provided helpful information on how customer satisfaction progresses as customers patronise their preferred shopping centres for various reasons. A better understanding of customer learning behaviour also aids practitioners and centre managers properly forecast customer future patronage behaviour. Being thoughtful of customers’ shopping preferences is significant in forecasting an individual's behaviour (Shen & Shen, 2021). Customer preference is applied as an environmental factor in conjunction with other attributes, especially when customers get a sense of being in the right place (Laing & Royle, 2013), which proved to be a significant examination in the context of this study. Lastly, the study shed light on the underlying psychological processes that influence individuals' experience of shopping centre stimulus and their re-patronage intention. The study revealed that cognitive and perceptual processes affect shopping centre customer behaviour. The study explained why and how customers feel inclined to patronise a particular shopping centre.

5. CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH

Firstly, using a convenience sample, the study assessed its hypothesis, concentrating only on physical shopping centre visitors from the southern region of Gauteng province in South Africa. Consequently, the results of this study cannot be generalised to physical shopping centre customers across the country, and the location must be highlighted as the first limitation of the study. It is suggested that future studies use random sampling techniques and include other provinces of the country and test the model for generalisability of the results. Secondly, a quantitative research setting was employed. Perhaps future studies should consider conducting in-depth interviews with shopping centre customers to explore more specific insights into the antecedents of their centre selection and repatronage behaviour. Lastly, future investigations should concentrate on specific market segments, such as Generation Z or Millennial consumer cohorts, to determine if there are differences in their preferences and patronage behaviour towards in- or out-of-town shopping centres countrywide.

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TOURIST ATTITUDES AS A FORMATION OF ELECTRONIC WORD-OF-MOUTH INTENTION AND VISIT INTENTION BUILT BY PERCEPTION OF SOCIAL MEDIA CONTENT AND PERCEPTION OF CITY IMAGE

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ABSTRACT

Garut is one of the regions in West Java that has a lot of tourism potential. However, the number of tourists visiting Garut in 2014–2023 has not fully reached its target. This study aims to examine the effect of the perception of social media content and perception of city image on tourist attitude and their impact on electronic word-of-mouth (e-WOM) intentions and visit intentions. The study used a quantitative approach. The population is domestic tourists from outside Garut, who are in the provinces of West Java, Jakarta, and Banten, who in the last 3-6 months have travelled and are over 18 years old. We took the sample using the convenience sampling technique, then followed it up with snowball sampling to target 220 respondents. Data were processed using Structural Equation Modelling. This study found that perceptions of social media content and perceptions of city image affect tourist attitude. Tourists' attitude affects e-WOM intentions and visit intentions. E-WOM intentions affects visit intentions. Tourist attitude mediate the effect of perceptions of social media content and perceptions of city image on both e-WOM intentions and visit intentions. The managerial implication is that the efforts to generate tourist visit intentions are through strengthening their attitude built by perceptions of the city's image, and by encouraging their intention to actively participate in e-WOM activities related to tourism in Garut, supported by designing more attractive social media content.

Keywords: perception of social media content, perception of city image, tourist attitude, e-WOM intention, visit intention.

ABSTRAK

Garut merupakan salah satu daerah di Jawa Barat yang memiliki banyak potensi wisata. Namun, jumlah wisatawan yang berkunjung ke Garut dalam kurun waktu 2014-2023 belum sepenuhnya mencapai target. Penelitian ini bertujuan untuk menguji pengaruh persepsi atas konten media sosial dan persepsi atas citra kota terhadap sikap wisatawan serta dampaknya terhadap niat melakukan Electronic Word-of-Mouth (e-WOM) dan niat berkunjung wisatawan ke Kota Garut. Penelitian ini menggunakan pendekatan kuantitatif. Populasi penelitian adalah wisatawan nusantara dari luar Garut, yang berada di provinsi Jawa Barat, DKJ Jakarta, dan Banten, yang dalam 3-6 bulan terakhir pernah melakukan perjalanan wisata, dan berusia di atas 18 tahun. Sampel diambil dengan menggunakan teknik convenience sampling yang dilanjutkan dengan snowball sampling dengan target 220 responden. Data diolah dengan menggunakan Structural Equation Modeling. Temuan mengungkapkan bahwa persepsi atas konten media sosial dan persepsi atas citra kota memengaruhi sikap wisatawan. Sikap wisatawan memengaruhi niat melakukan e-WOM dan niat berkunjung. Niat melakukan e-WOM memengaruhi niat berkunjung. Sikap wisatawan memediasi pengaruh persepsi atas konten media sosial dan persepsi atas citra kota, baik terhadap niat melakukan e-WOM maupun terhadap niat berkunjung. Implikasi manajerial dari penelitian ini bahwa upaya yang dapat dilakukan oleh pengelola destinasi wisata di Garut untuk membangkitkan niat berkunjung wisatawan, adalah melalui penguatan sikap yang dibangun oleh persepsi atas citra kota, serta dengan mendorong niat mereka untuk berpartisipasi aktif dalam kegiatan e-WOM terkait wisata di Garut, yang ditunjang dengan merancang konten media sosial yang lebih menarik.

***Kata kunci**: persepsi atas konten media sosial, persepsi atas citra kota, sikap wisatawan, niat melakukan e-WOM, niat berkunjung.*

1. Introduction

In many nations, the tourist sector has grown to be a significant source of foreign exchange (Pereira et al., 2019). The important role of tourism is expected to continue to increase in the future because it can develop into one of the largest industries in the world and will become one of the main sectors in increasing state income, foreign exchange, and job creation (Sugiarto, 2019).

One of the regions in West Java with a lot of tourism potential is Garut Regency. This area enjoys popularity due to its diverse range of tourism potential, which draws visitors (Tetep et al., 2021). The Central Bureau of Statistics of Garut Regency noted that there are 115 natural attractions in Garut, 40 cultural attractions, eight special interest attractions, and 71 artificial attractions spread across 42 sub-districts. This shows a very high potential for the tourism industry in Garut. However, with the large number of destinations, it turns out that the number of tourists visiting Garut in the period 2014–2023 has not yet fully reached the target. In fact, tourist visits have an impact on improving the economy in tourist destination areas (Aliansyah and Hermawan, 2019).

In the Garut Regency Regulation Number 2 of 2019 concerning the 2019-2025 Regional Tourism Development Master Plan, it is stated that "Tourism Marketing is intended to attract tourists and motivate them to buy tourism products and services offered". This indicates that the goal of tourism marketing activities is to entice tourists to engage in tourism activities, thereby enabling them to purchase products and services from the tourism services provided. If the plan is linked to tourism activities, it is represented by the intention to visit.

Visit intention is the likelihood that tourists will visit a destination (Nguyen Viet et al., 2020), which refers to the likelihood that travellers will actually visit a particular tourist destination (Luo and Ye, 2020).

Several previous studies have examined various variables that influence the creation of tourists' intentions to visit a region or destination. Some studies mention that image affects their intention to visit or recommend a destination (Lu et al., 2015; Kusumawati et al., 2022; El Sheikh, 2020).

However, the advent of the internet and information and communication technology has fundamentally changed how tourists plan, buy, and use travel-related goods and services. As a result, user-generated content and marketer-generated content are expanding quickly and affecting how consumers view travel-related goods. (Blasco-Lopez et al., 2019).

Today's travellers are more familiar with Internet content than other traditional marketing media (de Souza et al., 2020). Consumers depend more and more on social networking sites to guide their purchasing decisions (Wengel et al., 2022). Social media marketing is proven to shape consumers' desire to make purchases (Daratullaila & Nofirda, 2024). Other research by Latif et al. (2020) and Hidayat and La Are (2018) produced similar findings. However, studies by Helal et al. (2023) and Wengel et al. (2022) found dissimilar results, suggesting that social media content does not significantly influence tourists' intentions to revisit.

Based on the inconsistency of previous research results regarding the relationship between city image and visit intention and between perceived social media content and visit intention, the authors include tourist attitude as a mediation variable. The role of attitude on travel intentions has been tested in previous research, which shows that attitude influences travel intentions (Choirisa et al., 2021; Muzdalifah et al., 2020; Rizky et al., 2017; Han dan Chen, 2021).

Other research findings show that visit intention is influenced by e-WOM (Gosal et al., 2020; Setiawan et al., 2021; Kembau, 2020; Thaothampitak & Wongsuwatt, 2022). E-WOM plays a crucial role in generating an individual's interest in revisiting a tourist location (Adam, 2022; Madi et al., 2024).

The importance of attitude and e-WOM variables in relation to visit intentions is also found in Rana and Arora's (2022) study that ad personalization and social influence play an important role in shaping user attitude towards social media advertisements, which significantly influence users' e-WOM intentions which in turn affect social media users' purchase intentions. Likewise, the results of Han and Chen's (2021) research show that, the credibility of the content source has a significant positive effect on the attitude of social media users, which in turn is positively related to the intention to visit the destination.

Based on the above review, the following research questions were obtained:

1. What impact does perception of social media content have on tourist attitude?
2. What impact does perception of city image have on tourist attitude?
3. What impact does tourist attitude have on e-WOM intentions?
4. What impact does tourist attitude have on tourist visit intentions?
5. What impact does e-WOM intention have on visit intention?
6. What is the role of tourist attitude in mediating the influence of social media content perception on e-WOM intentions?
7. What is the role of tourist attitude in mediating the influence of city image perception on e-WOM intentions?
8. What is the role of tourist attitude in mediating the influence of perception of social media content on visit intentions?
9. What is the role of tourist attitude in mediating the influence of perception of city image on visit intentions?

2. Literature Review

2.1 The Influence of Perception of Social Media Content on Tourist Attitude

Social media infrastructure can be a means of promoting and strengthening brands more efficiently and cost-effectively (Novandari et al., 2023). Social media has emerged as a crucial platform for quickly obtaining information about destinations (Bilal et al., 2002). Online social identity amplifies the impact of friends' travel-related Facebook posts (Latif et al., 2020). Based on this, the first hypothesis is formulated:

H1: perception of social media content has a positive effect on tourist attitude.

2.2 The Influence of Perception of City Image on Tourist Attitude

Image is significant consideration in determining how tourists view a place, how their decision-making process over visits turns out, and how likely a place is to draw tourists (Al-Gasawneh & Al-Adamat, 2020). Destination image influences tourists' attitude toward the destination (Pereira et al., 2019, Chi & Pham, 2024). We formulate the second hypothesis based on this:

H2: perception of city image has a positive influence on tourist attitude.

2.3 The Influence of Tourist Attitude on e-WOM Intention

Attitudes significantly influence e-WOM intentions (Kim et al., 2016; Cheng et al., 2021; Rana & Arora, 2022). Sharma and Arora (2023) prove that there is a significant effect of tourist attitude on behavioral intentions and e-WOM intentions. The aforementioned study formulates the third hypothesis:

H3: tourist attitude has a positive influence on e-WOM intention.

2.4 The Influence of Tourist Attitude on Visit Intention

The greater the level of evaluation preferred by individuals will increase their willingness to perform a behavior (Wang et al., 2022). In addition, according to Kim and Kwon (2018), the role of attitude often proves to be a more fruitful area to investigate in relation to behavioral intentions. Perceptions of attitude and destination image influence travel intentions (Choirisa et al., 2021; Muzdalifah et al. (2020; Rizky et al. (2017). This study suggests that the attitude of tourists significantly influences their intentions to visit, leading to the formulation of the fourth hypothesis:

H4: tourist attitude has a positive influence on tourist visit intention.

2.5 The Influence of E-WOM Intention on Visit Intention

WOM has an important role in promoting places (Chaffey & Elis-Chadwick, 2019). E-WOM influences visit intentions (Doosti et al., 2016; Choirisa et al., 2021). This is reinforced by Jalilvand et al. (2013) that e-WOM not only influences others, but can also strengthen individuals' commitment to their own decision to visit a destination. Based on this study, the fifth hypothesis is formulated, namely:

H5: e-WOM intention has a positive influence on tourist visit intention.

2.6 The Mediation Effect of Tourist Attitude on the Influence of Perception of Social Media Content on e-WOM Intention

People's experiences with social media influence attitude, and attitude influence behavioural intentions in terms of ordering decisions and e-WOM intentions (Muslim et al., 2020). Han et al. (2018) found that user-generated content on social media can influence attitude and behaviors and convey information. The findings of Baber et al. (2022) are that tourists' visiting intentions are positively influenced by e-WOM because online reviews affect tourists' attitude. Based on this study, the sixth hypothesis is formulated as follows:

H6: Tourist attitude mediates the influence of perceptions of social media content on e-WOM intention.

2.7 The Mediation Effect of Tourist Attitude on the Influence of Perception of City Image on e-WOM Intention

Gosal et al. (2020) conducted previous studies on the relationship between city image, attitude, e-WOM, and travel intention. Choirisa et al. (2021) found that e-WOM can influence travel intention in the presence of attitude and destination image. In addition, Doosti et al. (2016) found a link between e-WOM with tourist attitude and city image. Based on these studies, the seventh hypothesis is formulated, namely:

H7: Tourist attitude mediates the influence of perception of city image on e-WOM intention.

2.8 The Mediation Effect of Tourist Attitude on the Influence of Perception of Social Media Content on Visit Intention

Researchers Narangajavana Kaosiri et al. (2019) discovered that social media users' content is a crucial element for tourists, significantly impacting the pre-travel phase and potentially influencing the post-travel phase. People's experiences on social media shape their attitude, which in turn shape their behavioural intentions, including booking decisions and e-WOM intentions (Muslim et al., 2020).

According to Popy and Bappy (2020), the association between restaurant visit intentions and perceived usefulness, perceived ease of use, and trust in social media information is mediated by social media user attitude. Based on these studies, the eighth hypothesis is formulated, namely:

H8: Tourist attitude mediates the influence of perceptions of social media content on visit intentions.

2.9 The Mediation Effect of Tourist Attitude on the Influence of Perception of City Image on Visit Intention

Gosal et al. (2020) examined the relationship between city image, attitude, e-WOM, and travel intentions. Doosti et al. (2021) revealed that tourist attitude and city image are determining factors for visit intention. Choirisa et al. (2021) found that e-WOM can influence travel intentions in the presence of attitude and destination image. Based on this study, the ninth hypothesis is formulated, namely:

H9: Tourist attitude mediates the influence of perception of city image on visit intention.

Based on the literatures study above, the research model is depicted in figure 1.

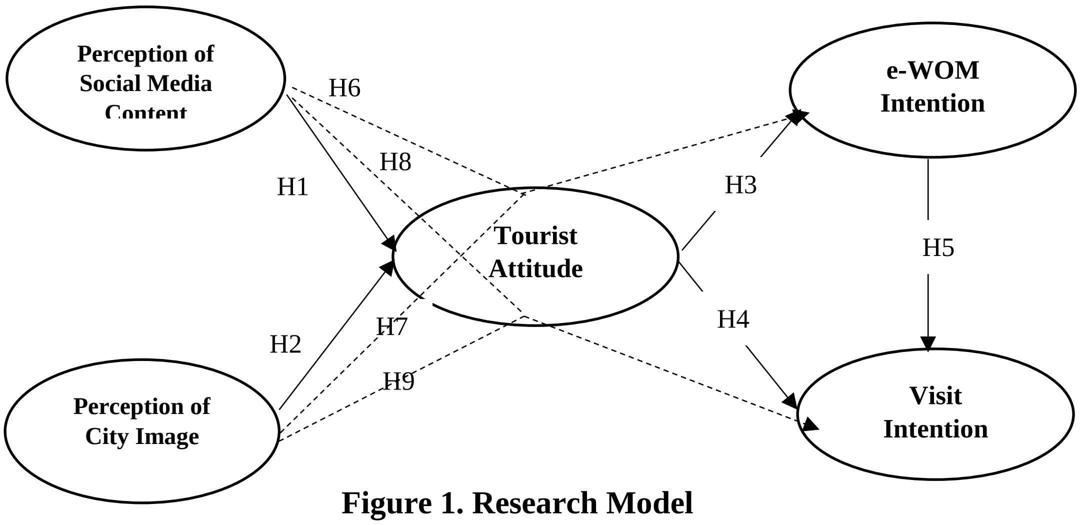

Figure 1. Research Model

3. Research Method

The research was conducted using a quantitative approach, Explanatory research methods are used to test hypotheses (Ferdinand, 2014). A questionnaire with a 5-point Likert scale provides the primary data for this research. We distributed the questionnaire online using the WhatsApp application.

The research population is domestic tourists from outside Garut, who are in the provinces of West Java, Jakarta DKJ, and Banten, who in the last 3-6 months have traveled (tourist trips), and are over 18 years old. The determination of the sample size is based on the use of Structural Equation Modeling (SEM) as an analytical tool. Hair et al. (2010) recommends that if the population is unknown, then the minimum sample size is 5 times the number of question items contained in the questionnaire. In this study, the number of indicators is 44 indicators, so the minimum sample size for this study is 5 x 44 = 220 respondents.

Two dimensions and eight indicators measure the perception on social media content (Poturak & Softic, 2019). Two dimensions and 16 indicators measure the perception of city image (Kim and Kwon, 2018; Gaffar et al., 2021; Lam et al., 2020; Kusumawati et al., 2022). Three dimensions and six indicators measure tourist attitude (Kim and Stepchenkova, 2015; Reitsamer et al., 2016; Pereira et al., 2019; Doosti et al., 2016). E Three dimensions and eight indicators measure E-WOM intention (Yeh and Choi, 2011; Pang and Wang, 2023; and Simay et al., 2023). Three dimensions and six indicators measure visit intention (Gaffar et al., 2021; Kusumawati et al., 2022; Rajput, 2022; Tan and Wu, 2016).

The method used to test the research model as well as test the hypothesis is Structural Equation Modeling (SEM).

4. Results and Discussion

4.1 Goodness-of-Fit Model

Goodness-of-fit model aims to test whether the resulting model describes the actual conditions, with the following hypothesis:

Ho: Model is fit (the resulting model describes the actual conditions).

Ha: Model is not fit (the resulting model does not describe the actual conditions).

In this section, the results of hypothesis testing using structural equation modeling (SEM) will be discussed. Before the discussion is carried out, the hypothesis will be analyzed for the model fit test results.

In table 1, it is known that the p value = 0.75898> 0.05, Goodness of Fit Indices (GFI) and Adjusted Goodness of Fit Ind ex (AGFI)> 0.90, and Root Mean Square Error of Approximation (RMSEA) < 0.05, so it can be concluded that the research model is fit or the paradigm is supported by empirical conditions.

Table 1. Goodness-of-Fit

No.	Degree of Fit	Value	Acceptable Degree of Fit	Description
1	Absolute Fit Test			
	Chi Square	851.17	*P -value*>0.05	Close Fit
	Normed Chi Square (x2/df)	*P -value* = 0.75898		
	Goodness of Fit Index (GFI)	0.95	>0.80	Close fit
	Root Mean Square Error of Approximation (RMSEA)	0.000	RMSEA≤ 0.08 (good fit) RMSEA< 0.05 (*close-fit*)	Close fit
2	Incremental Fit Measures			
	Adjusted Goodness of Fit Ind ex (AGFI)	0.94	AGFI> 0.8	Close fit
	Normed Fit Index (NFI)	0.96	NFI > 0.90	Close fit
	Comparative Fit Index (CFI)	1.00	CFI > 0.90	Close fit
3	Parsimonius Fit Measures			
	Parsimonious Normed Fit Index (PNFI)	0.90	PNFI > 0.80	Close fit
	Parsimonious GFI (PGFI)	0.84	PGFI > 0.80	Fit

Source: Output of LISREL 8.7 (2024)

4.2 Structural Model Analysis

The tested structural model framework yielded the following results:

TOURISTATTITUDE = 0.34*Social + 0.49*CITYIMAGE, $\zeta_1 = 0.40$, $R^2 = 0.60$
(0.020) (0.16)
17.00 3.063

NEWOM = 0.70* TOURISTATTITUDE $\zeta_2 = 0.51$, $R^2 = 0.49$
(0.091)
7.70

VISITINTENTION = 0.30* TOURISTATTITUDE + 0.37*NEWOM, $\zeta_3 = 0.62$, $R^2 = 0.38$
(0.11) (0.086)
4.28

4.3 Measurement Model

The results of the validity and reliability tests of the measurement model are shown in table 2 below:

Table 2. Validity and Reliability of Measurement Models

Variable	Dimension -Indicator	CODE	Loading Factor (l)	t	P-value	Average Variance Extracted (AVE)	Composite Reliability
PERCEPTION OF SOCIAL MEDIA CONTENT	**Perception of firm-created social media communication**		0.76	3.87	0.00	**0.759**	**0.926**
	Satisfaction of social media users with tourism content created by the manager of tourist destinations in Garut	**PKMS1**	0.89	-	0.00		
	The suitability between the content of tourist content created by the manager of tourist destinations in Garut and the expectations of social media users	**PKMS2**	0.89	12.75	0.00		
	The attractiveness of tourist content created by the manager of tourist destinations in Garut	**PKMS3**	0.90	12.85	0.00		
	The tourist content created by the manager of tourist destinations in Garut is more interesting than the content created by the manager of tourist destinations in other surrounding areas.	**PKMS4**	0.80	11.75	0.00		
	Perception of user-generated social media communication		0.74	3.70	0.00	**0.688**	**0.898**
	Satisfaction of social media users with tourism content in Garut created by other travelers	**PKMS5**	0.87	-	0.00		
	Congruence between the content of tourism content in Garut created by other travelers, with the expectations of social media users	**PKMS6**	0.83	11.74	0.00		

Variable	Dimension -Indicator	CODE	Loading Factor (l)	t	P-value	Average Variance Extracted (AVE)	Composite Reliability
	The attractiveness of tourism content in Garut created by other travelers	**PKMS7**	0.87	12.09	0.00		
	Content created by other travelers about tourism in Garut, is more interesting than about tourism in other areas around it	**PKMS8**	0.74	10.72	0.00		
PERCEPTION OF CITY IMAGE	**COGNITIVE IMAGE**		0.78	4.88	0.00	**0.604**	**0.955**
	The beauty of natural scenery	**PCK1**	0.78	-	0.00		
	The beauty of the beaches	**PCK2**	0.79	11.67	0.00		
	Quality of hotels	**PCK3**	0.79	11.65	0.00		
	Culinary attraction	**PCK4**	0.76	11.32	0.00		
	Quality of service at tourist attractions	**PCK5**	0.78	11.60	0.00		
	Attractiveness of souvenir shops	**PCK6**	0.76	11.33	0.00		
	Attractiveness of festivals	**PCK7**	0.74	11.13	0.00		
	Convenience of transportation	**PCK8**	0.78	11.61	0.00		
	Beauty of infrastructure	**PCK9**	0.77	11.43	0.00		
	Ease of access	**PCK10**	0.78	11.54	0.00		
	Friendliness of local people	**PCK11**	0.81	11.88	0.00		
	Clean environment	**PCK12**	0.79	11.65	0.00		
	Attraction of typical handicrafts	**PCK13**	0.74	11.16	0.00		
	Artificial tourist destinations in Garut are very interesting	**PCK14**	0.81	11.89	0.00		
	AFFECTIVE IMAGE		0.80	5.00	0.00	**0.682**	**0.811**
	Safe and peaceful city	**PCK15**	0.86	-	0.00		
	Pleasant climate	**PCK16**	0,79	10,72	0,00		
TOURIST ATTITUDE	**COGNITVE ATTITUDE**		0.86	11.05	0.00	**0.792**	**0.884**
	Interested in traveling in Garut	**SW1**	0.90	-	0.00		
	Liked the tourism potential in Garut	**SW2**	0.88	11.52	0.00		
	AFFECTIVE ATTITUDE		0.91	11.14	0.00	**0.775**	**0.873**
	Traveling in Garut is fun	**SW3**	0.87	-	0.00		
	Traveling in Garut is relaxing	**SW4**	0.89	11.90	0.00		
	BEHAVIOUR ATTITUDE		0.90	11.35	0.00	**0.775**	**0.873**
	Tend to feel excited about visiting Garut	**SW5**	0.90	-	0.00		
	Think positively about trying various tourist destinations in Garut	**SW6**	0.86	11.80	0.00		
E-WOM INTENTION	**INTENTION TO PROVIDE INFORMATION**		0.98	12.04	0.00	**0.636**	**0.875**
	Intention to provide information online	**NEWOM1**	0.82	-	0.00		
	Intention to actively comment on others' content online	**NEWOM2**	0.81	11.45	0.00		
	Intention to talk about the good side of the city online	**NEWOM3**	0.78	11.84	0.00		
	Intention to praise the city online	**NEWOM4**	0.78	11.18	0.00		
	INTENTION TO GET INFORMATION		0.76	10.82	0.00	**0.801**	**0.890**
	Intention to ask for information online	**NEWOM5**	0.89	-	0.00		
	Intention to ask for advice online	**NEWOM6**	0.90	10.29	0.00		
	INTENTION TO RECOMMEND		0.94	12.54	0.00	**0.681**	**0.810**

Variable	Dimension -Indicator	CODE	Loading Factor (l)	t	P-value	Average Variance Extracted (AVE)	Composite Reliability
	I intend to recommend Garut to others online	**NEWOM7**	0.85	-	0.00		
	Intention to suggest people to visit, online	**NEWOM8**	0.80	11.13	0.00		
VISIT INTENTION	**FUTURE VISIT**		0.90	11.88	0.00	**0.731**	**0.845**
	Future visit expectations	**NB1**	0.85	-	0.00		
	Intention to travel for vacation	**NB2**	0.86	10.51	0.00		
	FUTURE CHOICE		0.83	11.14	0.00	**0.706**	**0.827**
	Choosing Garut as the main vacation destination	**NB3**	0.85	-	0.00		
	Prioritize Garut when choosing a tourist destination in the future	**NB4**	0.83	9.60	0.00		
	PREFERENTIAL CHOICE		0.94	12.51	0.00	**0.757**	**0.862**
	Seriousness will consider Garut as the main destination compared to other surrounding areas	**NB5**	0.88	-	0.00		
	Considering Garut first than other surrounding areas when planning a vacation	**NB6**	0.86	11.04	0.00		

Source: Output of LISREL 8.7 (2024)

4.4 Hypothesis Testing

Table 3 below displays the results of the hypothesis testing.

Table 3. Hypothesis Testing

No	Hypothesis	Path Coeff.	Standard of error	t- value	Prob.	R^2	Conclusion
1	Perception of social media content influences tourist attitude	0.34	0.02	17.00	0.00	0.12	Hypothesis supported
2	Perception of city image influences tourist attitude	0.49	0.16	3.06	0.00	0.24	Hypothesis supported
3	Tourist attitude influences e-WOM intention	0.70	0.09	7.70	0.00	0.49	Hypothesis supported
4	Tourist attitude influences tourist intention	0.30	0.11	2.77	0.01	0.09	Hypothesis supported
5	E-WOM intention influences tourist visit intentions	0.37	0.09	4.28	0.00	0.14	Hypothesis supported
6	Tourist attitude mediate the influence of perception of social media content on e-WOM intentions	0.238	0.03	7.072*	0.00	0.24	Hypothesis supported
7	Tourist attitude mediates the	0.343	0.05	7.413*	0.00	0.34	Hypothesis supported

No	Hypothesis	Path Coeff.	Standard of error	t- value	Prob.	R^2	Conclusion
	influence of perception of city image on e-WOM intention						
8	Tourist attitude mediates the influence of perception of social media content on visit intention	0.102	0.04	2.693*	0.01	0.10	Hypothesis supported
9	Tourist attitude mediates the influence of perception of city image on visit intention	0.147	0.07	2.037*	0.04	0.15	Hypothesis supported

Source : Output of LISREL 8.7 (2024).

Table 3's results lead to the following conclusion:

1) Hypothesis 1 is supported. There is a positive influence of perceptions of social media content on tourist attitude (P-value < 0.05), with R^2=0.12.
2) Hypothesis 2 is supported. There is a positive influence of perception of city image on tourist attitude (P-value < 0.05), with R^2 = 0.24.
3) Hypothesis 3 is supported. There is a positive influence of tourist attitude on e-WOM intentions (P-value < 0.05) with R^2 = 0.49.
4) Hypothesis 4 is supported. There is a positive influence of tourists' attitude on visit intention (P-value < 0.05) with R^2 = 0.09.
5) Hypothesis 5 is supported. There is a positive influence of e-WOM intention on visit intention (P-value < 0.05) with R^2= 0.14.
6) Hypothesis 6 is supported. By using the Sobel test, it is known that the indirect effect of the perception of social media content on e-WOM intention through tourist attitude is 0.238 (P-value <0.05) with R^2 = 0.238.
7) Hypothesis 7 is supported. By using the Sobel test, it is known that the indirect effect of perception of city image on e-WOM intention through tourist attitude is 0.343 (P value <0.05) with R^2 = 0.343.
8) Hypothesis 8 is supported. By using the Sobel test, it is known that the indirect effect of perception of social media content on visit intention through tourist attitude is 0.102 (P-value <0.05) with R^2 = 0.102.
9) Hypothesis 9 is supported. By using the Sobel test, it is known that the indirect effect of perception of city image on visit intention through tourist attitude is 0.147 (P-value <0.05) with R^2 = 0.147.

4.5 Discussion

4.5.1 The Influence of Perception of Social Media Content on Tourist Attitude

Perception of social media content positively influences tourist attitude towards tourism activities in Garut. This result supports the findings of Han and Chen (2021), that the credibility of content creation sources on social media has a significant positive effect on the attitude of social media users. Social media has emerged as a crucial platform for quickly obtaining information about destinations (Bilal et al., 2022).

The perception of social media content can influence tourists' attitude, as the development of information and communication technology and the internet has dramatically revolutionized the way visitors plan, purchase, and consume tourism products and services so that ser-generated content and marketer-generated content are rapidly growing and influencing users' perceptions of tourism products (Blasco-Lopez et al., 2019).

The measurement results show that tourist perception of firm-created social media communication has a greater loading factor (0.76) compared to user-generated social media communication (0.74). This suggests that managers of tourist destinations in Garut dominate the formation of tourist perceptions of social media content.

Destination managers can significantly influence tourists' attitude through their well-planned and structured tourism content. Destination managers professionally design content to convey messages in accordance with the desired image, thereby targeting relevant market segments.

4.5.2 The Influence of Perception of City Image on Tourist Attitude

Perception of city image positively shapes tourist attitude. This result supports the findings of previous research (Pereira et al., 2019). Al-Gasawneh & Al-Adamat (2020) consider image as an important factor that influences tourists' perceptions of a destination and its potential to attract tourists.

The measurement results revealed that the affective image received a greater loading factor (0.80) than the cognitive image (0.78). This indicates that affective images more dominantly shape the perception of city images than cognitive images.

An affective image describes the perception that Garut is a safe and tranquil city and has a pleasant climate. Meanwhile, the cognitive image encompasses natural beauty, beach beauty, hotel quality, culinary attractiveness, service quality at tourist attractions, the attractiveness of souvenir shops, the attractiveness of festivals, transportation convenience, infrastructure, ease of access, the friendliness of local people, the clean environment, the attractiveness of typical crafts, and the attractiveness of artificial tourist destinations. Of the two dimensions, it turns out that the affective image plays a more dominant role in shaping the city's image, thereby influencing tourists' attitude.

According to Lam et al. (2020), affective image is the result of cognitive image processing. Tourists initially evaluate cognitive elements such as infrastructure and natural beauty but eventually form deeper affective feelings such as perceptions of safety and comfort, as well as a pleasant climate, which then dominate their attitude towards tourism activities in Garut. Affective images influence tourists' decisions due to their more emotional nature. Moreover, the respondents in this study were mostly women, who relatively prioritize emotional aspects. According to Patiro et al. (2022), emotions can stimulate behaviour and have implications for the formation of actions.

4.5.3 The Influence of Tourist Attitude on e-WOM Intention

Tourist attitude has a positive effect on the formation of tourist e-WOM intentions related to tourism in Garut. The results of this test support previous studies (Kim et al., 2016; Cheng et al., 2021; Rana & Arora, 2022; Sharma & Arora, 2023).

The dominant aspect that shapes tourist attitude and e-WOM intention related to Garut tourism is affective attitude, namely tourists' views that traveling in Garut is fun and relaxing.

This is due to the fact that emotional content tends to elicit higher levels of engagement, even from individuals who have not personally experienced a destination. The positive emotions generated by a safe and pleasant destination image make people more compelled to share their opinions or views online, based on the expectations formed from the content they consume.

4.5.4 The Influence of Tourist Attitude on Visit Intention

Tourist attitude has a positive effect on shaping tourist visit intentions. The results of this hypothesis testing confirm the findings of previous research, indicating that attitude significantly influences travel intention (Choirisa et al., 2021; Muzdalifah et al., 2020; Rizky et al., 2017; Kim and Kwon, 2018). (2020; Rizky et al., 2017; Kim and Kwon, 2018).

Three dimensions, namely cognitive attitude, affective attitude, and behavioural attitude, measure tourist attitude in this study. An affective attitude describes tourists' tendencies about whether traveling in Garut is fun and relaxing. Behavioural attitude shows the extent to which tourists tend to feel pleased and have a positive view of travelling to Garut. The cognitive attitude shows a sense of interest and liking to travel in Garut.

Measurement results indicate that affective attitude has a larger loading factor (0.91), followed by behavioral attitude (0.90) and cognitive attitude (0.86). This indicates that the dominant aspect that shapes tourists' attitude and their intention to visit Garut is affective attitude. This implies that, within the context of this study, tourists' perceptions of Garut as a fun and relaxing destination shape their intention to visit.

Affective attitude is a dominant factor in shaping visit intentions because emotions and feelings can more strongly influence tourists' decisions than rational evaluations or behavioral tendencies.

4.5.5 The Influence of e-WOM Intention on Visit Intention

E-WOM intention has a positive effect in shaping tourist intention. The results of this hypothesis test support previous research findings that e-WOM ultimately influences tourists' intention to visit and revisit destinations (Madi et al., 2024). This result also supports Widyasari (2018), Doosti et al. (2016), and Choirisa et al. (2021). Jalilvand et al. (2013) reinforce this result by stating that e-WOM not only influences others but also strengthens individuals' commitment to their own destination decision. These results also support Chaffey & Elis-Chadwick's (2019) opinion that WOM has an important role in promoting places.

E-WOM intention is measured by three dimensions: intention to provide information, intention to obtain information, and intention to recommend. The result of measurement reveals that the intention to provide information received the highest loading factor (0.98), followed by the intention to recommend (0.94), and the intention to obtain information (0.76). This indicates that e-WOM intention is dominantly represented by tourists' intention to provide information related to Garut tourism online, by providing information, commenting on other people's content, talking positively about the good side of Garut, and praising the city. The intention to do these things drives the creation of tourists' intentions to visit Garut. However, the intention to recommend and the intention to gather information also play a significant role in shaping tourists' desire to visit.

Even though respondents have never been to the Garut, the desire to share, obtain, and recommend information to others can make them have the intention to visit. Even though respondents have never been to the Garut, the desire to share, obtain, and recommend information to others can make them have the intention to visit. Recommendations from e-WOM are mutually beneficial, as individuals who receive information often share it if it is valuable or helpful.

When tourists engage in e-WOM activities, in this case providing information, commenting, speaking positively, or praising Garut, it indirectly increases their personal engagement with tourism in Garut. This activity can strengthen their own interest and enthusiasm to visit Garut. This is related to the principle of self-persuasion, where someone who speaks or writes positively about something tends to convince themselves about it. Lee and Koo (2012) reinforced that active participation in e-WOM activities often strengthens an individual's intention to try the discussed topic. This shows that when someone shares a positive view about Garut, then the personal intention to visit Garut also increases.

4.5.6 The Mediation Effect of Tourist Attitude on the Influence of the Perception of Social Media Content on e-WOM Intention

Tourist attitude mediates the effect of perceptions of social media content on e-WOM intentions. This result addresses the issue of how tourist attitude can enhance the impact of social media content perception in developing e-WOM intention. This aligns with the findings of Eagly and Chaiken (1995) and Fishbein and Ajzen (1975), which suggest that perception does not directly shape intention. The results of hypothesis testing demonstrate that attitude shaped by social media content perception can foster e-WOM intention.

4.5.7 The Mediation Effect of Tourist Attitude on the Influence of the Perception of City Image on e-WOM Intention

Tourist attitude is able to mediate the effect of perception of city image on e-WOM intention. This solution addresses the issue of how tourist attitude influences the perception of city image, which in turn shapes e-WOM intention. This aligns with the theories of Eagly and Chaiken (1995) and Fishbein and Ajzen (1975), which suggest that perceptions do not directly shape intentions, but rather, perceptions must first shape attitude.

4.5.8 The Mediation Effect of Tourist Attitude on the Influence of the Perception of Social Media Content on Visit Intention

A tourist's attitude can shape their perception of social media content into their intention to visit. This also aligns with the perspectives of Eagly and Chaiken (1995) and Fishbein and Ajzen (1975), who argued that perceptions do not directly shape intentions. Perception of social media content must create positive tourist attitude in order to increase visiting intention.

4.5.9 The Mediation Effect of Tourist Attitude on the Influence of the Perception of City Image on Visit Intention

Tourist attitude has the potential to shape the perception of a city's image, which in turn encourages the intention to visit. This also aligns with the perspectives of Eagly and Chaiken (1995) and Fishbein and Ajzen (1975), who posit that perception does not directly influence intentions. Perceptions of city image can create a positive tourist attitude so as to increase visit intention. The results of this hypothesis test confirm the findings of

Doosti et al. (2021), which suggest that attitude towards the city and its image significantly influence visitors' intentions to visit. However, this study underscores the role of tourist attitude as mediators in the relationship between perceptions of city image and intentions to visit.

5. Conclusion

Perception of city image shapes tourist attitude more dominantly than perception of social media content. Furthermore, tourist attitude has a greater influence on e-WOM intention than it does on visit intention. E-WOM intentions more strongly shape visit intention than does tourist attitude.

Tourist attitude is more dominantly influenced by perception of city image because perception of city image is related to previous tourist experiences. A positive city image builds long-term trust in the destination. While social media can influence short-term decisions through visual appeal and promotion, city image can be a stronger long-term reference in influencing tourists' attitude, especially for those who have never visited a place.

On the other hand, although social media can draw attention through images or videos, the information it provides is often visual and limited to certain aspects. Meanwhile, tourists who have never been to a place need more detailed information about the facilities, safety, and overall attractiveness of the destination, which can be obtained through the perception of the overall city image.

E-WOM intention is more dominant in shaping visit intention compared to tourist attitude, even though respondents have never visited there. The reason for this is that e-WOM intentions encourage tourists to engage more with information about Garut's tourism industry. For tourists who have never been to Garut, e-WOM could become one of the main sources of information. They tend to look for reviews, others' experiences, and recommendations through digital platforms such as social media, forums, or online reviews. The information provides an overview of destinations that they have yet to experience firsthand.

Furthermore, tourist attitude plays a more significant role in mediating the impact of city image perception on e-WOM intention. On the other hand, tourist attitude plays a more dominant role in shaping visit intentions by influencing perceptions of city image.

5.1 Managerial Implication

The findings suggest that the management of tourist destinations in Garut should foster a positive attitude among tourists and motivate them to actively engage in e-WOM activities related to tourism in Garut, thereby generating tourist visit intentions. This needs to be supported by strengthening perceptions of the image of Garut city as a tourist area and by designing more attractive social media content that can create increasingly positive perceptions.

Based on this, the manager of tourist destinations must develop and improve tourism promotion and marketing programs to foster positive attitude among tourists about tourism in Garut. The promotional program needs to emphasize the emotional side that highlights that travelling in Garut is fun and relaxing. In addition, for younger people, the TikTok platform can be utilized more deeply to stimulate positive tourist attitude from the emotional side, which can encourage tourists to share more in-depth information, thus creating a stronger affective attitude. The government and the management of tourist destinations can also increase the intensity of more interesting cultural festivals while maintaining order and security, thus building a positive perception of Garut as a safe, peaceful, and impressive city.

Garut's tourist destination managers can create or design programs or promotions on social media and online channels, primarily to encourage people to share information about their managed tourist destinations. In this case, a communication system is needed that can encourage people to provide information, comment, speak positively, and praise tourism in Garut so as to increase their involvement in online interactions, as well as strengthen their intention and arouse the desire of others to visit Garut. It can be done with ticket promotions or tour package bundling promotions, which require participants to actively spread information to others online and involve more intensive and targeted cooperation with influencers on social media.

5.2 Suggestion for Further Research

Based on the results of statistical testing, the value of R^2 for tourist attitude directly influencing tourists' visiting intentions remains relatively low, at 9%. Additionally, when tourists' attitudes mediate the effect of perception of city image on visiting intentions, the effect is only 14%. The effect of perception of city image on visit intention is only 14%. Therefore, in future research, we can investigate other variables that we believe have a stronger influence to boost tourists' intention to visit Garut. For instance, we can explore factors like social media marketing, integrated marketing communication, customer experiences, and other aspects of consumer behavior in tourism.

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THE POWER OF DIGITAL INFLUENCE: HOW SOCIAL MEDIA DRIVES BRAND AWARENESS AND PURCHASE INTENTIONS AMONG GEN Z

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ABSTRACT

This study explores the impact of influencer credibility, user-generated content (UGC), and celebrity endorsement on purchase intention among Generation Z in Jabodetabek, with brand awareness as a mediating variable. This study collected data from 186 respondents who were skincare products users and the data were analyzed by using Partial Least Squares-Structural Equation Modeling (PLS-SEM). The results indicate that UGC and brand awareness significantly and positively influence purchase intention. However, influencer credibility and celebrity endorsement do not affect purchase intention significantly. Furthermore, brand awareness does not mediate the impact of influencer credibility and celebrity endorsement on purchase intention. These findings highlight the importance of prioritizing user-generated content and brand awareness in shaping consumer's purchase intention. Moreover, for skincare companies, focusing on authentic user interactions and fostering brand familiarity can enhance marketing strategies, particularly in competitive digital environments. Furthermore, this study offers insights regarding how digital marketing elements influence consumer's behavior and provides feasible recommendations for businesses who target young and media-savvy customers. The results underline the evolving role of digital content and branding in driving purchase intentions, suggesting that companies should adapt their strategies to align with the expectations of Generation Z, who value relatability and authenticity.

Keywords: influencer credibility, user-generated content, celebrity endorsement, brand awareness, purchase intention.

ABSTRAK

Penelitian ini mengeksplorasi dampak kredibilitas influencer, konten yang dihasilkan pengguna (User-Generated Content/UGC), dan dukungan selebriti terhadap niat beli di kalangan Generasi Z di Jabodetabek, dengan kesadaran merek sebagai variabel mediasi. Data dikumpulkan dari 186 responden yang merupakan pengguna produk perawatan kulit dan dianalisis menggunakan Partial Least Squares-Structural Equation Modeling (PLS-SEM). Hasil penelitian menunjukkan bahwa UGC dan kesadaran merek berpengaruh signifikan dan positif terhadap niat beli. Namun, kredibilitas influencer dan dukungan selebriti tidak berpengaruh signifikan terhadap niat beli. Lebih lanjut, kesadaran merek tidak memediasi pengaruh kredibilitas influencer dan dukungan selebriti terhadap niat beli. Temuan ini menyoroti pentingnya memprioritaskan konten yang dihasilkan pengguna dan kesadaran merek dalam membentuk niat beli konsumen. Selain itu, bagi perusahaan perawatan kulit, berfokus pada interaksi pengguna yang autentik dan membangun familiaritas merek dapat meningkatkan strategi pemasaran, terutama di lingkungan digital yang kompetitif. Lebih jauh, penelitian ini memberikan wawasan mengenai bagaimana elemen pemasaran digital memengaruhi perilaku konsumen serta memberikan rekomendasi yang dapat diterapkan oleh bisnis yang menargetkan pelanggan muda dan melek media. Hasil penelitian ini menegaskan peran yang terus berkembang dari konten digital dan branding dalam mendorong niat beli, menyarankan bahwa perusahaan harus menyesuaikan strategi mereka agar selaras dengan ekspektasi Generasi Z yang menghargai keterkaitan dan keaslian.

***Kata kunci**: kredibilitas influencer, konten yang dihasilkan pengguna, dukungan selebriti, kesadaran merek, niat beli.*

1. Introduction

The beauty industry has experienced rapid growth in recent years, which was driven by increasing awareness of technological advancements and a shift of consumer's lifestyles. Consumers are now more inclined toward innovative beauty products that meet their needs.

Moreover, globalization and digitalization have expanded access to information and products from various brands, fueling global demand for beauty products. However, these developments have intensified competition in the beauty industry, which urging companies to continuously innovate and adapt to emerging trends.

One of the key players in Indonesia's beauty industry is a multinational corporation known for its diverse range of personal care products. Among its iconic brands is a skincare product which has been an integral part of skincare routines in Indonesia for decades. The product was introduced in the 19th century as a treatment for wound and has evolved into one of the world's most popular skincare brands, offering various products which are appropriate for diverse skin's types or needs.

Despite its market success, including being the leading brand in the "Top 10 Best-Selling Body Lotions in E-Commerce" with a 26% market share (Compas, 2024), the product still faces significant challenges. The challenges include a recent 15% decline in sales due to consumer boycotts and growing competition from local brands which emphasize unique value propositions, such as natural ingredients and halal certification.Therefore, to overcome these challenges, the product must enhance consumer's purchase intention, which is a key factor indicating the likelihood of future purchases.

Previous researches have identified several factors which influence purchase intention, including influencer credibility, user-generated content (UGC), celebrity endorsements, and the mediating role of brand awareness. The selection of influencer credibility, user-generated content (UGC), and celebrity endorsement as independent variables in this study is based on their significant role in influencing consumer purchasing behavior, particularly in the beauty industry. Influencer credibility is crucial as it determines how much consumers trust and follow an influencer's recommendations (Farida et al., 2022).

UGC, on the other hand, has gained traction as a primary source of information for potential buyers. It provides authentic and user-driven insights that enhance consumer confidence in purchasing decisions (Kusuma et al., 2023; Anisa & Marlena, 2022). Celebrity endorsements also play a key role in brand positioning and consumer perception, as celebrities often strongly influence their followers' buying behaviors (Dewinta et al., 2023).

Furthermore, several studies have demonstrated that these three factors significantly impact brand engagement and purchase intention (Sesar et al., 2022; Pityo & Marlien, 2023). Given consumers' increasing reliance on digital media for product discovery and evaluation, these variables are highly relevant to understanding consumer behaviour in the Indonesian skincare market. However, there needs to be more consistency in previous research's findings to fill the gap in understanding the Indonesian market.

This study selects brand awareness as a mediating variable due to its significant role in bridging the relationship between marketing communication strategies and consumer purchase intentions. According to Muthuswamy (2023), brand awareness enhances purchase intention by reinforcing familiarity and trust in a product. Consumers are likely to purchase products from brands they recognize, particularly in highly competitive industries such as skincare (Pitoyo & Marlien, 2023; Pangestoe & Purwianti, 2022).

Additionally, brand awareness is an intermediary factor that strengthens the impact of influencer marketing and celebrity endorsements. When influencers or celebrities promote a product, their endorsements can increase consumer recall of the brand, making it more likely for consumers to consider purchasing it (Sesar et al., 2022).

By establishing brand familiarity, consumers develop a higher level of confidence and emotional connection with the brand, subsequently influencing, the mediating role of brand awareness is essential in understanding the indirect impact of influencer credibility, UGC, and celebrity endorsement on purchase intention in this study.

Hence, this study aims to investigate the influence of influencer credibility, UGC, and celebrity endorsements on the purchase intention of skincare products in the Jabodetabek area, with brand awareness as a mediating variable. The research seeks to contribute to a deeper understanding of consumer's behavior and provide feasible insights for businesses who navigate the competitive beauty industry in Indonesia.

2. Literature Review

2.1 Theoretical Framework

The theoretical foundation of this study is the Social Influence Theory, which was introduced by Kelman (1958). This theory explains how others influence individual's attitudes and behaviors within social contexts. The theory identified three processes of social influence. The first process is compliance, whereas individuals conform to others' expectations to gain rewards or avoid punishments.

The second process is identification, which occurs when individuals adopt behaviors to align themselves with influential figures, such influencers or celebrities. The third process is internalization, whereas individuals integrate external influences into their belief because these influences align with their values.

This study is relevant to the internalization process, as it examines how consumers are influenced by information provided by influencers, user-generated content, and celebrity endorsements. When these external influences regarding a brand resonate with consumers' pre-existing knowledge or values, they are more likely to perform behaviors favorable to the brand, such as their intention to buy from the brand.

2.2 Variables Definition

2.2.1 Influencer Credibility

According to Pradhan et al. (2022), influencers who maintain consistency in their messages and values are considered trustworthy. Moreover, Han and Balabanis (2023) highlighted that congruence between the influencer's expertise and the promoted product enhances credibility.

This study defines influencer credibility as the degree to which an influencer is perceived as reliable, relevant, and aligned with the promoted brand. This credibility is often measured based on the influencer's trustworthiness, attractiveness, and expertise (Martiningsih & Setyawan, 2022).

2.2.2 Celebrity Endorsement

Nhuong and Truong (2024) described celebrity endorsement as utilizing celebrity's social reputation to elevate product's status. Meanwhile, Spry, Pappu, and Cornwell (2019) argued that endorsement is a collaboration with a celebrity to attract consumer's attention and strengthen brand's credibility.

In this study, celebrity endorsement is defined as a marketing strategy involving celebrities to increase a product's attractiveness. Customers can feel attracted directly to the product because of its characteristics or feel attracted indirectly because they simply want to follow any recommendations from the celebrity who promotes the product.

2.2.3 User-Generated Content (UGC)

Bolin (2021) defined UGC as a publicly available content created by individuals who aren't a part of the institutions related to the content. Moreover, Cuomo et al. (2020) emphasized that UGC is an information-sharing activity through social media, whereas such information can be used as a consideration for others.

This study defines UGC as information shared on social platforms or e-commerce sites that reflect personal views and experiences with products. The information is often fruitful for others who are considering to purchase a product as they provide more insights regarding it.

2.2.4 Brand Awareness

Enes et al. (2024) defined brand awareness as the extent to which a brand is familiar to consumers. Meanwhile, Cheung et al. (2020) suggested that brand awareness is consumer's ability to recall or recognize a brand based on their continuous interaction with it.

This study defines brand awareness as consumers' ability to recognize or recall a brand based on their previous interactions with it. The awareness can be specifically felt because of its product, advertisement, or any other attributes of the brand.

2.2.5 Purchase Intention

Chetioui et al. (2020) described purchase intention as consumer's desire to purchase a product, which reflects their potential future purchase behavior. Moreover, Coomber *et al*. (2023) defined it as consumer's tendencies to purchase a product or service in the future.

This study defines purchase intention as consumer's tendencies to buy a product in the future. The tendencies can be related to internal factors, such as personal desire, or external factors, such as a brand's marketing strategy.

2.3 Relationship Between Variables

2.3.1 Influencer Credibility and Brand Awareness

Muthuswamy (2023) and Sesar et al. (2022) found that credible influencers enhance brand awareness by providng reliable information regarding a brand, which making it more recognizable and recallable. Meanwhile, Lou and Yuan (2019) emphasized that customers have a high tendency to listen to a credible influencer, which will directly increase their awareness toward the promoted brand.

H1: Influencer credibility positively affects brand awareness of a skincare product in Jabodetabek.

2.3.2 Influencer Credibility and Purchase Intention

The expertise, trustworthiness, and attractiveness of an influencer can significantly affect purchase intention (Farida et al., 2022; Lou & Yuan, 2019). Moreover, Herrando and Hoyos (2022) argued that credible influencers can emotionally connect with consumers, which increase their likelihood to purchase. When influencers' expertises align with the brand's values, they strengthen consumer's confidence to buy from the brand because they believe that the influencers give a reliable information regarding the product.

H2: Influencer credibility positively affects purchase intention toward a skincare product in Jabodetabek.

2.3.3 Celebrity Endorsement and Brand Awareness

Paramhita and Purnami (2019) concluded that celebrity endorsement positively and significantly affects brand awareness. Celebrities attract consumer's attention, which make brands more memorable.

Meanwhile, Dewinta et al. (2023) suggested that celebrity endorsement through social media positively and significantly affects brand awareness as celebrities have a high amount of followers, which make them able to reach a wide range of market.

H3: Celebrity endorsement positively affects brand awareness of a skincare product in Jabodetabek.

2.3.4 Celebrity Endorsement and Purchase Intention

Alim and Budiarti (2021) found that relevant celebrity endorsements can enhance consumer's purchase intention by associating the promoted products with the celebrity's status. Ezra and Firdausy (2024) supported the statement, whereas a celebrity who has a good reputation can increase the promoted product's attractiveness, which makes celebrity endorsement a good strategy to improve purchase intention.

H4: Celebrity endorsement positively affects purchase intention toward a skincare product in Jabodetabek.

2.3.5 User-Generated Content (UGC) and Purchase Intention

Putri (2020) and Wafiyah and Wusko (2023) confirmed that UGC significantly influences purchase intention because a positive UGC can increase consumer's positive perception regarding a brand, which increases their intention to buy from the brand.

Moreover, customers often have a high intention to purchase a product when they see that a product has more positive UGC than the negative ones. Customers may also make a purchase if they can tolerate the negative UGC regarding the product or if there are consistent positive UGC regarding it.

H5: User-generated content positively affects purchase intention toward a skincare product in Jabodetabek.

2.3.6 Brand Awareness and Purchase Intention

Dewinta et al. (2023) and Muthuswamy (2023) highlighted that brand awareness fosters purchase intention because customers who are familiar with a brand tend to be more confident to buy from the brand.Moreover, Pitoyo and Marlen (2023) suggested that brand awareness plays an essential role in increasing purchase intention because customers are more likely to buy from a brand that they have already known.

H6: Brand awareness positively affects purchase intention toward a skincare product in Jabodetabek.

2.3.7 Influencer Credibility and Purchase Intention through Brand Awareness

Sesar et al. (2022) and Muthuswamy (2023) found that brand awareness significantly mediates the effect of influencer credibility on purchase intention. The result suggests that information from an influencer regarding a product can motivate customer's intention to purchase the product if the customers have previously known about the product.

H7: Brand awareness mediates the effect of influencer credibility on purchase intention toward a skincare product in Jabodetabek.

2.3.8 Celebrity Endorsement and Purchase Intention through Brand Awareness

Paramhita and Purnami (2019) and Dewinta et al. (2023) concluded that brand awareness significantly mediates the effect of celebrity endorsement on purchase intention. Celebrity has the ability to reach a wide range of customers, thereby a collaboration with them can increase customer's awareness toward the brand, which will eventually increase customer's intention to buy from the brand.

H8: Brand awareness mediates the effect of celebrity endorsement on purchase intention toward a skincare product in Jabodetabek.

Based on the relationship between variables, Figure 1 illustrates the research model utilized in this study.

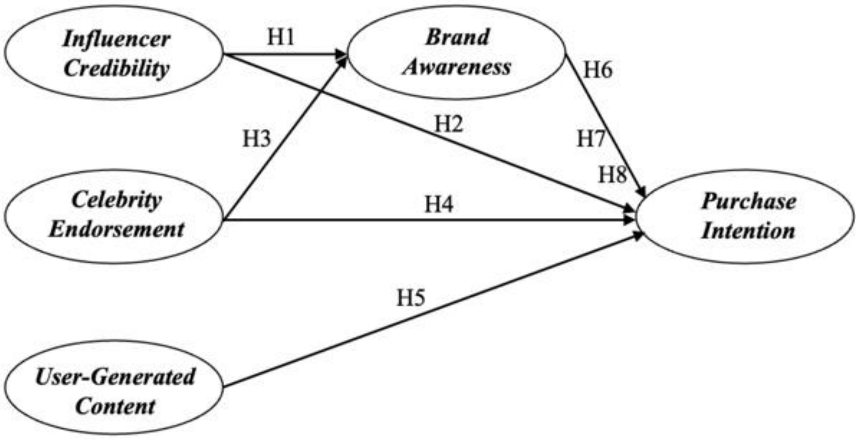

Figure 1 : Research Model

3. Research Method

3.1. Research Design

This study employs a descriptive research design to describe a phenomena and a population's characteristics (Bougie & Sekaran, 2020). This research seeks to explain the effects of influencer credibility, celebrity endorsement, and user-generated content on purchase intention for a skincare product, along with the mediating role of brand awareness.

Moreover, data collection was conducted by using a cross-sectional approach, whereas the data was gathered from September to November 2024 by using Google Forms.

3.2. Population, Sampling, and Sample Size

The population of this study consists of Generation Z consumers who are familiar with and users of a skincare product. This study focuses on Generation Z as respondents due to their digital proficiency and strong influence in the beauty industry. Gen Z is known for its active engagement with social media, frequently interacting with influencers, user-generated content, and celebrity endorsements to inform their purchase intentions (Pradhan et al., 2023).

Unlike previous generations, Gen Z consumers rely more on online reviews and peer recommendations than traditional advertisements (Bolin, 2021). Additionally, they exhibit a high level of brand consciousness, with a preference for brands that align with their values and digital experiences (Chetioui et al., 2020).

Gen Z represents a significant portion of skincare product consumers in the Indonesian beauty market, making them a highly relevant target for digital marketing strategies (Dewinta et al., 2023). This study aims to provide insights into how digital influence shapes their purchase intentions and brand perceptions in the skincare industry by focusing on this demographic. According to Malhotra (2020), a population includes all elements that share specific characteristics which are relevant to the research problem.

Moreover, this study uses non-probability sampling, thereby each population's member has no equal chance for being selected (Malhotra, 2020). Specifically, convenience sampling technique was employed, which is selecting respondents based on accessibility and availability.

The sample of this research includes Generation Z consumers in Jabodetabek who have used a skincare product. The minimum sample size for this research is 150 respondents, but to account for incomplete or invalid data, this study will try to collect data from 200 participants.

The sample size aligns with Malhotra (2020) who suggested that sample size should be 100 to 200 respondents for survey-based studies to ensure validity of the data.

3.3 Operationalization of Variables and Instruments

This study identifies influencer credibility, celebrity endorsement, and user-generated content as independent variables, with brand awareness as mediating variable and purchase intention as dependent variable. The operationalization of these variables is detailed in Table 3.1.

Table 3.1 Indicators of Variables

Variable/ Dimensions	Indicator	Code
Celebrity Endorsement	The celebrity promoting this product is physically attractive.	CE1
	I trust the product advertised by this celebrity.	CE2
	The celebrities promoting this product have used it themselves.	CE3
	This celebrity is honest in recommending this product.	CE4
Influencer Credibility-Attractiveness	The influencer promoting this product is visually appealing.	ICA1
	The influencer promoting this product has a unique style.	ICA2
	The influencer displays positive charisma which gives positive impression when promoting this product.	ICA3
	The influencer has an engaging personality.	ICA4
Influencer Credibility-Trustworthiness	The influencer is dependable.	ICT1
	The influencer is honest.	ICT2
	The influencer instills confidence.	ICT3
	The influencer is sincere.	ICT4
Influencer Credibility-Expertise	The influencer is knowledgeable about the product.	ICE1
	The influencer is experienced.	ICE2
	The influencer is competent.	ICE3
	The influencer is skilled.	ICE4
User-Generated Content	Social media content enhances my awareness of this brand.	UGC1
	I consider social media content when deciding on purchases.	UGC2
	Social media content gives honest perspectives about products.	UGC3

	I frequently view social media content related to this product.	UGC4
Brand Awareness	This brand is recognizable among competitors.	BA1
	Discussions about product categories remind me of this brand.	BA2
	Product discussions remind me of this brand's characteristics.	BA3
Purchase Intention	I plan to purchase this brand's products.	PI1
	I have a strong tendency to buy this brand's products.	PI2
	I am confident that I will buy this product.	PI3
	I am willing to purchase this product.	PI4

4. Results and Discussion

4.1 Validity and Reliability Analysis

The validity and reliability analysis ensures that the indicators are appropriate and consistent in measuring the constructs. This research utilized the PLS-SEM approach by using SmartPLS 4.0 software to perform the analysis. The analysis includes validity (convergent and discriminant validity) and reliability (Cronbach's alpha and composite reliability).

4.1.1 Validity Analysis

Convergent validity evaluates the extent to which a construct's indicators correlate and measure the same construct. This is assessed by using loading factor and Average Variance Extracted (AVE).

According to Hair et al. (2022), a loading factor more than 0.5 is considered valid, with an ideal value being above 0.7. Additionally, AVE value should exceed 0.5 to confirm that the construct explains more than half of the construct's variance.

Table 4.1 Result of Loading Factor Analysis

Indicator	Influencer Credibility	Celebrity Endorsement	User-Generated Content	Brand Awareness	Purchase Intention
ICA1	0.763				
ICA2	0.813				
ICA3	0.753				
ICA4	0.735				
ICT1	0.771				
ICT2	0.813				
ICT3	0.828				
ICT4	0.777				
ICE1	0.775				
ICE2	0.786				
ICE3	0.783				
ICE4	0.745				
CE1		0.746			
CE2		0.751			
CE3		0.857			
CE4		0.830			
UGC1			0.786		
UGC2			0.739		
UGC3			0.760		

UGC4			0.812		
BA1				0.686	
BA2				0.828	
BA3				0.761	
PI1					0.854
PI2					0.795
PI3					0.841
PI4					0.820

Notes: Influencer Credibility Attractiveness (ICA), Influencer Credibility Trustworthiness (ICT), Influencer Credibility Expertise (ICE), Celebrity Endorsement (CE), User-Generated Content (UGC), Brand Awareness (BA), and Purchase Intention (PI).

Table 4.2 Result of AVE Analysis

Variable	AVE
Influencer Credibility – Attractiveness	0.587
Influencer Credibility – Trustworthiness	0.637
Influencer Credibility – Expertise	0.597
Celebrity Endorsement	0.636
User-Generated Content	0.600
Brand Awareness	0.578
Purchase Intention	0.685

Table 4.1 presents the loading factor value of each indicator, which suggests that every indicator's loading factor is more than 0.5, thereby fulfilled the criteria.

Meanwhile, Table 4.2 shows the AVE values for all constructs, which suggests that every construct's AVE value is higher than 0.5, thereby every variable fulfilled the criteria for AVE analysis and convergent validity analysis.

Moreover, discriminant validity ensures that constructs that are supposed to be unrelated are indeed unrelated. It is evaluated by using cross-loadings and Heterotrait-Monotrait Ratio (HTMT).

Cross-loadings assess whether an indicator is more strongly associated with its own construct compared to other constructs (Henseler et al., 2015), while HTMT measures the degree of similarity between constructs and indicates discriminant validity if all values are below 1 (Hamid et al., 2017).

Table 4.3 Result of Cross-Loading Analysis

Indicator	ICA	ICT	ICE	CE	UGC	BA	PI
ICA1	**0.758**	0.511	0.556	0.360	0.401	0.326	0.293
ICA2	**0.813**	0.594	0.580	0.419	0.477	0.342	0.429
ICA3	**0.754**	0.531	0.562	0.487	0.522	0.360	0.388
ICA4	**0.738**	0.546	0.554	0.442	0.380	0.239	0.285
ICT1	0.636	**0.772**	0.551	0.451	0.434	0.290	0.301
ICT2	0.548	**0.814**	0.630	0.463	0.501	0.334	0.440
ICT3	0.546	**0.828**	0.540	0.477	0.446	0.374	0.385
ICT4	0.544	**0.775**	0.554	0.503	0.493	0.374	0.374

ICE1	0.604	0.619	**0.778**	0.538	0.528	0.301	0.341
ICE2	0.510	0.444	**0.787**	0.396	0.457	0.344	0.232
ICE3	0.569	0.516	**0.780**	0.382	0.374	0.431	0.314
ICE4	0.579	0.611	**0.744**	0.417	0.481	0.362	0.360
CE1	0.411	0.425	0.393	**0.746**	0.458	0.261	0.298
CE2	0.323	0.370	0.250	**0.751**	0.384	0.236	0.270
CE3	0.521	0.515	0.509	**0.857**	0.622	0.347	0.398
CE4	0.486	0.546	0.573	**0.830**	0.585	0.399	0.414
UGC1	0.519	0.470	0.440	0.490	**0.786**	0.374	0.479
UGC2	0.423	0.444	0.489	0.541	**0.739**	0.334	0.361
UGC3	0.395	0.473	0.440	0.530	**0.760**	0.414	0.421
UGC4	0.459	0.442	0.491	0.498	**0.812**	0.429	0.544
BA1	0.297	0.239	0.302	0.169	0.263	**0.680**	0.383
BA2	0.338	0.400	0.407	0.314	0.399	**0.827**	0.356
BA3	0.309	0.330	0.347	0.418	0.473	**0.766**	0.360
PI1	0.430	0.426	0.393	0.421	0.504	0.388	**0.853**
PI2	0.271	0.313	0.237	0.346	0.453	0.277	**0.796**
PI3	0.401	0.449	0.326	0.384	0.558	0.470	**0.841**
PI4	0.396	0.350	0.381	0.311	0.436	0.430	**0.821**

Notes: Influencer Credibility Attractiveness (ICA), Influencer Credibility Trustworthiness (ICT), Influencer Credibility Expertise (ICE), Celebrity Endorsement (CE), User-Generated Content (UGC), Brand Awareness (BA), and Purchase Intention (PI).

Table 4.4 Result of Heterotrait-Monotrait Ratio (HTMT) Analysis

Variable	ICA	BA	CE	ICE	PI	ICT	UGC
ICA							
BA	0.596						
CE	0.692	0.535					
ICE	0.952	0.664	0.676				
PI	0.559	0.649	0.519	0.493			
ICT	0.906	0.596	0.717	0.894	0.560		
UGC	0.748	0.704	0.812	0.767	0.710	0.742	

Notes: Influencer Credibility Attractiveness (ICA), Brand Awareness (BA), Celebrity Endorsement (CE), Influencer Credibility Expertise (ICE), Purchase Intention (PI), Influencer Credibility Trustworthiness (ICT), dan User-Generated Content (UGC).

Table 4.3 presents the result of cross-loading analysis which shows that each indicator has a higher loading value with its construct compared to other constructs, thereby fulfilled the criteria.Meanwhile, Table 4.4 displays the result of HTMT analysis, whereas every variable has HTMT lower than 1, thereby fulfilled the criteria. Based on these results, the constructs in this study can be considered as valid.

4.1.2 Reliability Analysis

Reliability analysis examines the consistency of indicators in measuring constructs. This is assessed by using Cronbach's alpha and composite reliability. The data can be considered as reliable if the Cronbach's alpha value is higher than 0.5 (Setyowati et al., 2020), while composite reliability is higher than 0.7 (Hair et al., 2022).

Table 4.5 presents that all constructs fulfilled the criteria because every variable has Cronbach's alpha higher than 0.5 and composite reliability higher than 0.7.

This confirms that all variables are reliable and can be analyzed further to examine the relationships between variables.

Table 4.5 Result of Reliability Analysis

Variable	Cronbach's Alpha	Composite Reliability
Influencer Credibility – Attractiveness	0.765	0.850
Influencer Credibility – Trustworthiness	0.809	0.875
Influencer Credibility – Expertise	0.775	0.855
Celebrity Endorsement	0.811	0.874
User-Generated Content	0.780	0.857
Brand Awareness	0.631	0.803
Purchase Intention	0.848	0.897

4.2 Data Analysis

This study analyzed the data by using Partial Least Squares-Structural Equation Modeling (PLS-SEM) approach with SmartPLS 4.0 software. The method was selected due to its ability to validate measurement models and evaluate the relationships between variables.

This study collected data from 186 Generation Z consumers in Jabodetabek who use a skincare product. The majority of respondents are female, aged between 17-23 years, whose last education is high school and is a university student.

4.2.1 R-Square (R^2)

R-Square (R^2) values show the variance of dependent variables that can be explained by independent variables. According to Hair et al. (2019), R^2 values of 0.25, 0.50, and 0.75 are categorized as weak, moderate, and substantial, respectively. Table 4.6 presents the results of R-Square analysis.

Table 4.6 Result of R^2 Analysis

Variable	R-Square
Brand Awareness	0.250
Purchase Intention	0.405

Based on Table 4.6, the R^2 value of purchase intention is 0.405, indicating that influencer credibility, celebrity endorsement, user-generated content, and brand awareness can explain 40,5% of purchase intention's variance. The R^2 value is categorized as moderate. Meanwhile, the R^2 value of brand awareness is 0.250, which is categorized as weak, suggesting that influencer credibility and celebrity endorser can only explain 25% of brand awareness' variance.

4.2.2 Effect Size (f^2)

Effect size (f^2) measures the effect of each independent variable toward R^2 value if it was excluded from the research model. Hair et al. (2019) suggested that f^2 values of 0.02, 0.15, and 0.35 indicate small, medium, and large effects, respectively.

Table 4.7 shows that brand awareness has a small effect on purchase intention, as the f^2 value exceeds 0.02 but is below 0.15.

Similarly, influencer credibility and celebrity endorsement have small impact on brand awareness. However, both variables show no effect toward purchase intention, as their f^2 values are below 0.02.

Additionally, user-generated content demonstrates a small effect on purchase intention, with an f^2 value of 0.114.

Table 4.7 Result of f^2 Analysis

Variable	f^2
Influencer Credibility → Brand Awareness	0.118
Influencer Credibility → Purchase Intention	0.012
Celebrity Endorsement → Brand Awareness	0.020
Celebrity Endorsement → Purchase Intention	0.000
User-Generated Content → Purchase Intention	0.114
Brand Awareness → Purchase Intention	0.055

4.2.3 Goodness of Fit (GoF)

The Goodness of Fit (GoF) value is used to assess the overall suitability of dependent variable in explaining the research model. Hair et al. (2022) stated that GoF values of 0.1, 0.25, and 0.36 are categorized as small, medium, and large, respectively. The calculation of GoF is shown in Table 4.8.

Table 4.8 Result of GoF Analysis

Variable	AVE	R^2
Influencer Credibility Attractiveness	0.587	
Influencer Credibility Trustworthiness	0.637	
Influencer Credibility Expertise	0.597	
Celebrity Endorsement	0.636	
User-Generated Content	0.600	
Brand Awareness	0.578	0.250
Purchase Intention	0.685	0.405
Average	**0.617**	**0.328**

The calculation of GoF value in Table 4.8 was counted by using the following formula:

$$\begin{aligned} \text{GoF} &= \sqrt{\overline{\text{AVE}} \times \overline{\text{R}^2}} \\ &= \sqrt{0.617 \times 0.328} \\ &= 0.4499 \end{aligned}$$

The GoF value is higher than 0.36, thereby placing it in the “large” category. Therefore, the result indicates that the dependent variable explains the research model well.

4.2.4 Path Coefficient

Path coefficient analysis describes the strength and direction of relationships between variables (Hair et al., 2019). Table 4.9 presents the results of path coefficient analysis.

Table 4.9 Result of Path Coefficient Analysis

Variable	Path Coefficient	Result
H1: Influencer Credibility → Brand Awareness	0.385	Positive
H2: Influencer Credibility → Purchase Intention	0.122	Positive
H3: Celebrity Endorsement → Brand Awareness	0.158	Positive
H4: Celebrity Endorsement → Purchase Intention	0.023	Positive
H5: User-Generated Content → Purchase Intention	0.390	Positive
H6: Brand Awareness → Purchase Intention	0.215	Positive

H7: Influencer Credibility → Brand Awareness → Purchase Intention	0.083	Positive
H8: Celebrity Endorsement → Brand Awareness → Purchase Intention	0.034	Positive

Based on Table 4.9, brand awareness, celebrity endorsement, influencer credibility, and user-generated content (UGC) positively affect purchase intention with the path coefficient value being 0.215, 0.023, 0.122, and 0.390. respectively.Moreover, influencer credibility and celebrity endorsement positively affect brand awareness with the path coefficient value being 0.385 and 0.158.Furthermore, brand awareness positively mediates the impact of influencer credibility and celebrity endorsement toward purchase intention, with the path coefficient value being 0.083 and 0.034.

4.2.5 Hypothesis Testing

The confidence level of this study is 95%. Hence, a hypothesis is accepted if the t-statistics value exceeds 1.96 and the p-value is below 0.05, but a hypothesis is rejected if t-statistics value is below 1.96 and the p-value exceeds 0.05 (Hair et al., 2019).

Based on Table 4.10, hypotheses H1, H5, and H6 are supported, indicating that influencer credibility has a positive and significant influence on brand awareness, while user-generated content and brand awareness positively and significantly influence purchase intention.

Conversely, Hypotheses H2, H3, H4, H7, and H8 are rejected. Hence, influencer credibility doesn't significantly affect purchase intention, celebrity endorsement doesn't significantly affect purchase decision and brand awareness, while brand awareness doesn't significantly mediate the effect of influencer credibility and celebrity endorser toward purchase intention.

Table 4.10 Result of Hypothesis Testing

Variable	p-values	t-statistics	Result
H1: Influencer Credibility → Brand Awareness	3.163	0.002	Accepted
H2: Influencer Credibility → Purchase Intention	1.104	0.270	Rejected
H3: Celebrity Endorsement → Brand Awareness	1.267	0.205	Rejected
H4: Celebrity Endorsement → Purchase Intention	0.275	0.784	Rejected
H5: User-Generated Content → Purchase Intention	4.188	0.000	Accepted
H6: Brand Awareness → Purchase Intention	2.418	0.016	Accepted
H7: Influencer Credibility → Brand Awareness → Purchase Intention	1.632	0.103	Rejected
H8: Celebrity Endorsement → Brand Awareness → Purchase Intention	1.198	0.231	Rejected

4.3 Discussions

This study investigates the influence of influencer credibility, celebrity endorsement, user-generated content (UGC), and brand awareness on purchase intention among Generation Z consumers of a skincare product in Jabodetabek.

Based on hypothesis testing results, hypothesis H1 is accepted, indicating that influencer credibility positively and significantly affects brand awareness.

This finding aligns with Muthuswamy (2023), Sesar et al. (2022), and Lou and Yuan (2019), which asserted that influencer credibility enhances brand awareness.

Credible influencers can validate the quality of a skincare product and amplify consumers' ability to recognize the brand. This recognition is strengthened when customers associate the influencers with the promoted products, thereby customers will be reminded of the product when they see the influencer.

Conversely, hypothesis H2 is rejected, showing that influencer credibility does not significantly influence purchase intention. This result is consistent with Cahyadiningrum and Rahardjo (2023) who found a similar lack of influence.

The result can be caused by the similarity of information conveyed by various skincare influencers, which motivates consumers to seek additional verification from other sources before purchasing. Moreover, influencers tend to provide positive and credible information about a product, but sometimes the information is not what the customers need or what they hadn't already known.

Hypothesis H3 is also rejected, indicating that celebrity endorsement doesn't significantly affect brand awareness. This result aligns with the Theory of Celebrity-Brand Congruence which suggests that the absence of convergence between a celebrity's image and the brand weakens the endorsement's impact (Kamins, 1990).

Moreover, consumers may focus more on the celebrity rather than the brand, especially when the brand is already widely recognized. Consumers will be more excited to see the expectedly-new idea of endorsement, rather than the product, while the increasingly-common concept of a celebrity describing a product will be more likely to be skipped by the consumers.

Similarly, hypothesis H4 is rejected, signifying that celebrity endorsement doesn't significantly influence purchase intention. This result aligns with Siregar and Saktiana (2024) who found that celebrity endorsement fails to drive purchase intention because it has been a very common strategy.

Moreover, while consumers may admire the celebrity, this admiration doesn't eventually proceed into purchase intention. Consumers may have previously been a fan of the celebrity, they may get inspired by the celebrity's work, but consumers earn value from the celebrity because of the work, not from the endorsement.

Meanwhile, hypothesis H5 is accepted, confirming that UGC positively and significantly impacts purchase intention. This result is supported by Putri (2020) and Wafiyah and Wusko (2023) who suggested that authentic user reviews build trust and encourage purchase intention.

UGC has been perceived as a reliable and relatable source of information, particularly when positive reviews outweigh the negative ones. Generally, positive reviews regarding a product will be similar, which will convince customers to make a purchase, while a seemingly high amounts of negative reviews is enough to make the customers doubt the product. Moreover, hypothesis H6 is also accepted, indicating that brand awareness significantly influences purchase intention. This finding is consistent with Dewinta et al. (2023) who concluded that a high brand awareness increases consumer's intention to purchase.

Consumers who are familiar with a skincare brand's quality and benefits are more likely to trust and choose the brand over competitors. They are aware that the product can give the expected result for the skin, and that it won't cause side effects, thereby increasing their intention to purchase.

Furthermore, hypothesis H7 is rejected, indicating that brand awareness doesn't significantly mediate the impact of influencer credibility toward purchase intention. This result aligns with Pitoyo and Marlien (2023) who observed that for widely recognized products, brand awareness doesn't mediate the effect of influencer credibility on purchase intention.

Consumers already have sufficient knowledge about the product, thereby reducing the mediating role of brand awareness. The information from a credible influencer may directly influence purchase intention, but this study found that such information doesn't directly and indirectly affect purchase intention, thereby the information is regarded as irrelevant in considering purchase intention.

Finally, hypothesis H8 is rejected, showing that brand awareness doesn't significantly mediate the effect of celebrity endorsement on purchase intention. This result is consistent with Siregar and Saktiana (2024) who suggested that additional information from a celebrity endorsement doesn't influence purchase intention for products with high existing brand awareness.

Customers of established brands rely on their prior knowledge rather than information from celebrities. Such knowledge is considered as valid and reliable to increase purchase intention, while any information from a celebrity is interpreted as common information as it only consists of general and positive information regarding the product.

4.4 Managerial Implications

This research highlights key strategies that the skincare brand can adopt to strengthen its marketing approach among Generation Z consumers in Jabodetabek.

First, user-generated content (UGC) plays a significant role in influencing purchase intention. Therefore, the brand should prioritize campaigns encouraging consumers to share their authentic experiences with the product on social media. Promotions, such as giveaways or a gift for the best reviews, can amplify consumer's positive narratives. Highlighting these authentic contents can create a ripple effect, which can enhance purchase intention.

Second, brand awareness emerges as a crucial factor in driving purchase intention. Hence, the skincare product should invest in consistent branding efforts, such as focusing on digital advertisements and visually engaging campaigns emphasizing the brand's history and high-quality products. By reinforcing brand recognition, the brand can strengthen consumer's recall which may increase purchase intention.

Third, given Generation Z's strong presence on social media, the brand should prioritize digital engagement strategies by creating interactive content on platforms like TikTok or Instagram, such as live Q&A sessions, which can enhance interaction with customers. Additionally, highlighting continuous product innovation, such as eco-friendly packaging, can increase preferences of younger consumers and show the brand's commitment to meet consumer needs.

Meanwhile, this study concluded that influencer credibility and celebrity endorsement don't significantly influence purchase intention toward the skincare product, either directly or indirectly through brand awareness.

Therefore, the brand can reconsider the strategy as it cost much for the brand. Moreover, the brand can determine a more detailed key performance indicator for the strategy in order to identify its effectiveness, thereby the brand can decide on whether to keep using the strategy or allocate the funds for strategies which are more direct to customers, such as discount and cashback.

5. Conclusion

This study highlighted that influencer credibility positively and significantly influences brand awareness, but it doesn't significantly influence purchase intention.Meanwhile, celebrity endorsement doesn't significantly influence brand awareness and purchase intention. Moreover, user-generated content (UGC) and brand awareness emerge as a critical factor in influencing purchase intention positively and significantly.Furthermore, brand awareness doesn't significantly mediate the influence of influencer credibility and celebrity endorsement on purchase intention.However, while this research provides insights into the influence of influencer credibility, celebrity endorsement, and UGC toward purchase intention, it doesn't examine other variables, such as pricing strategies, product innovations, or cultural differences, which may also play a role in improving purchase intention.

Future researches can explore these aspects to provide a more comprehensive understanding of consumer's behavior across different demographics and market segments.Moreover, future researches can identify customers in other cities to provide more information regarding factors that can affect purchase intention of the skincare product in Indonesia.The researches can also be proceeded with a comparative study to see if the information provided by a credible influencer and a celebrity can influence purchase intention toward the skincare product of customers who have different characteritics. These studies are expected to provide a more complete information for the skincare brand regarding the collaboration with influencer and celebrity who cost much to the brand.

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FACTORS INFLUENCING THE TIMELINESS OF FINANCIAL REPORTING WITH THE MEDIATION OF EARNINGS MANAGEMENT

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ABSTRACT

Financial reports are the primary means of collaborative a company's financial data to sponsors, including shareholders, stockholders, and the government. These reports describe a company's performance and assets in financial terms, and serve as an important accountability tool, exclusively for public firms that have high transparency obligations. This Paper intentions to analytically investigate the aspects that affect the timeliness of company financial reporting, with a focus on the integration of earnings management as a mediating variable. This study analyses 81 oil and gas companies registered on the Indonesia Stock Exchange (IDX) from 2019 to 2023. testing the effect of leverage, profitability, and auditor quality on the timeliness of financial reporting, with earnings management as a mediating factor as the novelty. The outcomes discovered that leverage and profitability pointedly affect earnings management, while auditor quality does not. Furthermore, leverage, profitability, auditor quality, and earnings management significantly affect the timeliness of financial reporting. Earnings management mediates the relationship between leverage and profitability on timeliness, but does not mediate the relationship between auditor quality and timeliness. The results provide valuable insights for stakeholders, management, and regulators, emphasizing the role of earnings management in shaping timely financial reporting. This study supports companies in refining internal reporting policies and assists regulators in developing policies to improve transparency and accountability in the capital market, particularly in the oil and gas sector.

Keywords: Timeliness of Financial Reporting, Leverage, profitability, Audit Quality, Earnings Management.

ABSTRAK

Laporan keuangan adalah media utama untuk memberikan informasi keuangan perusahaan untuk para pemangku kepentingan, termasuk pemegang saham, investor, dan pemerintah. Laporan-laporan ini menggambarkan kinerja dan aset perusahaan dalam bentuk finansial, dan berfungsi sebagai alat akuntabilitas yang penting, terutama bagi perusahaan publik yang memiliki kewajiban transparansi yang tinggi. Penelitian ini bertujuan untuk menginvestigasi secara empiris faktor-faktor yang mempengaruhi ketepatan waktu pelaporan keuangan perusahaan, dengan fokus pada integrasi manajemen laba sebagai variabel mediasi. Penelitian ini menganalisis 81 perusahaan minyak dan gas yang terdaftar di Bursa Efek Indonesia (BEI) dari tahun 2019 hingga 2023. pengujian pengaruh leverage, profitabilitas, dan kualitas auditor terhadap ketepatan waktu pelaporan keuangan, dengan manajemen laba faktor mediasi sebagai Kebaruannya. Hasil penelitian mengungkapkan bahwa leverage dan profitabilitas secara signifikan mempengaruhi manajemen laba, sedangkan kualitas auditor tidak. Lebih lanjut, leverage, profitabilitas, kualitas auditor, dan manajemen laba secara signifikan mempengaruhi ketepatan waktu pelaporan keuangan. Manajemen laba memediasi hubungan antara leverage dan profitabilitas terhadap ketepatan waktu, tetapi tidak memediasi hubungan antara kualitas auditor dan ketepatan waktu. Temuan ini memberikan wawasan yang berharga bagi para pemangku kepentingan, manajemen, dan regulator, yang menekankan peran manajemen laba dalam membentuk pelaporan keuangan yang tepat waktu. Studi ini mendukung perusahaan dalam menyempurnakan kebijakan pelaporan internal dan membantu regulator dalam mengembangkan kebijakan untuk meningkatkan transparansi dan akuntabilitas di pasar modal, khususnya di sektor minyak dan gas.

***Kata kunci**: ketepatan waktu pelaporan keuangan, Leverage, profitabilitas, kualitas auditor, manajemen laba.*

1. INTRODUCTION

The rapid growth of financial markets has intensified competitiveness, particularly in sharing and receiving information for decision making. Financial reports are critical tools for conveying firm performance to investors, regulators, and other stakeholders. With more companies going public, timely and accurate financial reporting is critical. Delays in reporting can diminish the importance of the information given (Seni & Mertha, 2015; Dewayani et al., 2017).

Although there are standards in place to ensure timely reporting, delays are nonetheless typical. The Indonesia Stock Exchange (IDX) identified several companies that were penalized for late reporting in 2022 and 2023 (Bisnis.com and Katadata.co.id). This circumstance raises concerns about corporate governance's ability to certify the excellence of financial reporting, particularly in light of regulatory pressure and investor expectations.

Leverage is a key aspect in determining the timeliness of financial reporting. Conferring to Alkhatib and Marji (2012), leverage embodies a company's debt dependence and capability to pay financial obligations. Creditors often put pressure on companies with high leverage to report finances on time in order to preserve trust and avoid breach of agreement. However, earlier study yielded conflicting outcomes. According to Adebayo & Adebiyi (2016) and Mareta (2015), there is no substantial influence of leverage on reporting timeliness. In contrast, Aigienohuwa and Ezejiofor (2021) discovered that leverage has a beneficial effect, particularly in organizations under financial hardship.

Profitability is recognized as an important determinant in the context of financial reporting timeliness. Firms with higher levels of profitability are generally extra motivated to disclose their financial outcomes promptly, as timely reporting serves as a strategic tool to signal strong performance to investors and stakeholders. This perspective is supported by the findings of Putra and Ramantha (2015). However, contrasting evidence presented by Valentina and Gayatri (2018) suggests that profitability is not consistently a significant determinant, indicating that its influence may be context-dependent.

The presence of an audit team within a corporate governance structure is also instrumental in ensuring that management complies with prevailing regulatory standards (Astasari & Nugrahanti, 2015). In addition, this paper considers the part of Public Accounting Firm (PAF) size as a contributing factor in the timeliness of financial reporting. Prior study by Seni and Mertha (2015), Sunarto et al. (2020), and Safittri et al. (2024) indicates that firms audited by larger PAFs—particularly those affiliated with the Big Four—are more likely to submit their financial reports on time. This tendency is attributed to the superior reputation, stringent audit standards, and extensive professional expertise associated with larger audit firms. Nevertheless, Surachyati et al. (2019) argue that the extent of the auditing firm does not significantly affect the timeliness of financial reporting, highlighting the presence of inconsistent findings in the literature.

This paper incorporates earnings management as a mediating variable—a factor that has received limited attention in the context of financial reporting timeliness. Companies engaging in earnings management may require additional time to carefully structure their financial disclosures, which could result in reporting delays. A notable example is PT Tiga Pilar Sejahtera Food Tbk (AISA), where financial reporting delays were linked to the company’s attempts to adjust and reconcile manipulated financial data.

Furthermore, this research contributes to the current form of facts by focusing on the oil and gas industry, a sector characterized by high leverage, fluctuating profitability, and substantial regulatory demands. Associated to other industries, oil and gas companies face more complex financial and operational challenges, making timely financial reporting a critical yet difficult objective.

Therefore, this paper objectives to observe the effect of leverage, profitability, and auditor quality on the timeliness of financial reporting, with earnings management serving as a mediating variable. The analysis is conducted on oil and gas area companies registered on the Indonesia Stock Exchange, thereby addressing a gap in the literature by concentrating on a high-risk, capital-intensive industry with distinct reporting dynamics.

2. LITERATURE REVIEW

2.1 Agency Theory

The timeliness of financial reporting is a vital element in reducing information asymmetry and supporting agency theory. In agency theory, Jensen and Meckling (1976) explain that managers (agents) are responsible for reporting information to owners (principals) in order to maximize company profits. However, this theory also highlights the risk in moral hazard, where managers can act for personal interests that are not always in line with the owner's objectives.

Nurmiati (2016) states that timely reporting can reduce uncertainty and strengthen the relationship between managers and owners. This allows owners to make more informed decisions, thereby increasing corporate transparency and accountability.

Hendriksen (2000) identifies two forms of information asymmetry in agency relationships, namely:

Adverse Selection: A condition in which investors have less information than the company's internal parties, which may affect their decision-making.

Moral Hazard: A situation where managers take actions without the knowledge of the owner, which may violate the contract or harm the owner's interests.

Timeliness of financial reporting is a priority for management to increase trust, reduce agency conflicts, and ensure that owners have admittance to relevant and up-to-date information. For example, in companies with complex financial structures such as the oil and gas sector, timely reporting can help reduce stakeholder concerns regarding potential manipulation or concealment of information.

2.2 Timeliness of Financial Reporting

Timely publication of financial statements is important for providing accurate information, both positive and negative. According to Bulo et al. (2016), timely reports help decision-making and avoid delays that can reduce decision quality. While timeliness alone doesn't ensure relevance, it boosts a company's credibility. Features like comparability, verification, and clarity enhance the usefulness of financial information. In agency theory, timely reporting protects shareholders' interests, reduces information gaps, and improves transparency. In the Indonesian capital market, timely reports are vital for investment decisions and pricing, as early disclosure builds trust, reduces uncertainty, and strengthens relationships with stakeholders (Rahmawati, 2013).

2.3 Factors Affecting the Timeliness of Financial Reporting

a) Leverage and Its Influence on Earnings Management and Reporting Timeliness

Leverage measures a company's reliance on debt financing, with high leverage increasing financial risk and creditor scrutiny. According to Agency Theory (Jensen & Meckling, 1976), firms under pressure from creditors may engage in earnings management, using accrual adjustments or real activity manipulation to improve financial appearance.

Empirical findings are mixed. Veronica (2015) found high leverage associated with increased earnings management, while Amertha et al. (2014) reported no significant effect, suggesting industry and capital structure may moderate this relationship.

Leverage also affects financial reporting timeliness, as highly leveraged firms aim to maintain creditor trust through prompt reporting. However, the urgency to meet deadlines may encourage financial misrepresentation. The Debt-to-Equity Hypothesis within Agency Theory suggests that firms with greater debt exposure face heightened scrutiny, incentivizing financial adjustments to appear more stable.

b) Profitability and Its Influence on Earnings Management and Reporting Timeliness

Profitability serves as a critical measure of a firm's capacity to create income relation to its resource base and managerial effectiveness in optimizing asset utilization. Elevated profitability typically reflects financial robustness, while diminished profitability may be indicative of inefficiencies within operational processes.

Return on Assets (ROA) is widely employed as a proxy for profitability and is frequently analyzed in relation to earnings management behavior. To evaluate the presence of such practices, the Modified Jones Model (Dechow et al., 1995) is frequently used, offering a mechanism to identify discretionary accruals as a proxy for earnings manipulation.

Empirical conclusions on the association between profitability and earnings management remain mixed. Muhammadinah (2016) reported no statistically significant association, suggesting that investors may not consistently prioritize ROA as a determinant of firm value. Conversely, Purnama (2017) identified a positive correlation, proposing that firms with higher profitability may be more inclined to engage in earnings management, either to reduce taxable income or to project a more favorable image to the market.

This phenomenon is theoretically underpinned by Agency Theory, which highlights the essential conflicts of concentration among management and shareholders. Executives may be incentivized to adjust financial reports to secure performance-based compensation or to maintain investor trust—practices that can, in turn, impact the timeliness and reliability of financial reporting. These dynamics are particularly salient in highly regulated sectors, such as oil and gas, where firms are subject to rigorous disclosure standards and heightened scrutiny.

c) Auditor Quality and Its Influence in Earnings Management and Reporting Timeliness

Auditor quality is critical in mitigating earnings management and ensuring timely financial reporting. The discrepancy between Big 4 and non-Big 4 audit firms remains debated. Laily (2017) found no significant impact of auditor size on earnings management, whereas Mannan et al. (2017) reported that larger firms enhance reporting timeliness due to reputational concerns and efficient audit procedures.

Agency Theory posits that high-quality audits decrease information asymmetry between managers and shareholders. While Boedhi and Ratnaningsih (2015) found that stronger audits discourage earnings manipulation, firms may shift toward subtle accounting tactics in response to stricter oversight.

Thus, while larger audit firms enhance transparency and reporting timeliness, they do not entirely eliminate earnings management. Their role remains essential in reinforcing financial integrity within Agency Theory.

d) Leverage and financial reporting

Leverage, measured by the debt-to-equity ratio (Amilin, 2015), indicates a firm’s reliance on debt. High leverage may lead to delays in financial reporting due to liquidity or solvency concerns, potentially lowering investor confidence.

Studies show mixed results. Merdiana & Wulandari (2024) and Mareta (2015) found no significant relation between leverage and reporting timeliness, suggesting that firms with equally high and low leverage report on time. However, Alvionita & Putra (2023) argue that higher leverage increases delays, as firms prioritize debt management. This aligns with Agency Theory (Jensen & Meckling, 1976), which posits that managerial conflicts may lead to reporting delays.

The connection among leverage and reporting timeliness remains likely influenced by firm size, industry, and risk management.

e) Profitability and Financial Reporting Timeliness

Profitability reflects a firm’s ability to generate earnings, potentially facilitating timely financial reporting due to greater resources (Alvionita & Putra, 2023).

While Putra & Ramantha (2015) found that profitable firms report more promptly, Alvionita & Putra (2023) found no significant effect, suggesting that firms prioritize timely reporting regardless of profitability.

Agency Theory (Jensen & Meckling, 1976) explains that, despite the benefits of profitability, managers are still obligated to report accurately and on time to shareholders.

f) Audit Quality and Financial Reporting Timeliness

Audit quality, particularly from Big 4 firms, ensures credible and timely reporting (Surachyati et al., 2019). Larger audit firms, with greater resources, may expedite the reporting process.Regulatory requirements further support the role of audits in timely reporting. Sunarto et al. (2020) found that high-quality audits improve timeliness, but Purti et al. (2017) suggested that internal factors, like management policies, are more influential.“Agency Theory” (Jensen & Meckling, 1976) highlights that audit reduce information asymmetry, but firm governance and operations also impact reporting timeliness.

g) Earnings Management and Financial Reporting Timeliness

Earnings management involves manipulating financial statements for strategic goals (Scott, 2003). According to Agency Theory (Jensen & Meckling, 1976), managers may delay reporting to manipulate financial results.While some studies (Seni & Martha, 2015) argue that earnings management causes delays, Isani and Ekowati (2016) found no significant effect, suggesting that other internal factors may influence reporting timeliness. Overall, earnings management’s impact on reporting timeliness varies depending on governance and oversight. Agency Theory indicates that external monitoring can reduce delays caused by earnings manipulation.

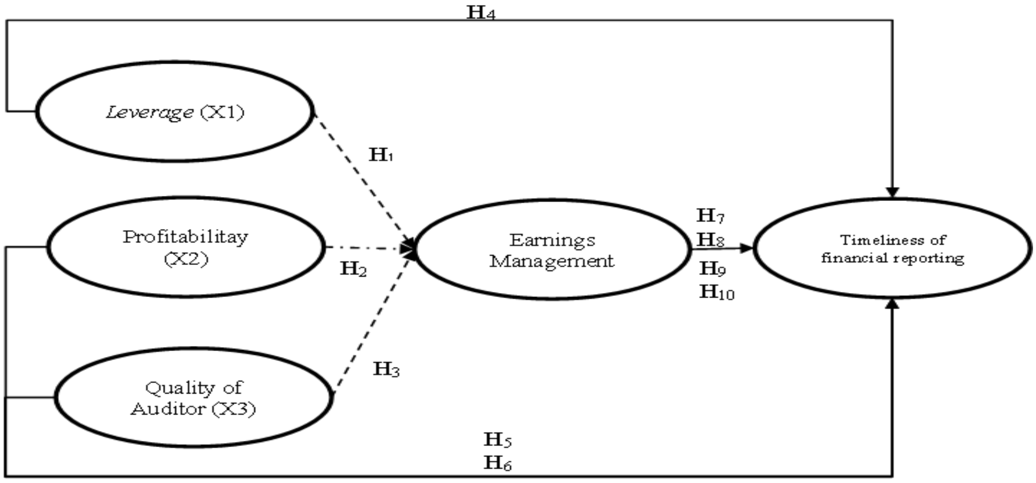

Figure 1: Study Framework

2.4 Hypothesis

The following hypotheses are formulated:

H1: Leverage affect earnings management.

H2: Profitability affect earnings management.

H3: Auditor quality affect earnings management.

H4: Leverage affects the timeliness of financial reporting.

H5: Profitability affects the timeliness of financial reporting.

H6: Auditor quality affects the timeliness of financial reporting.

H7: Earnings management affects the timeliness of financial reporting.

H8: Earnings management mediates the relationship between leverage and the timeliness of financial reporting.

H9: Earnings management mediates the relationship between profitability and the timeliness of financial reporting.

H10: Earnings management mediates the relationship between auditor quality and the timeliness of financial reporting.

3. RESEARCH METHOD

This paper employs a descriptive research design with a quantitative method to observe the relationships among variables influencing the timeliness of corporate financial reporting. The population comprises companies operating within the oil and gas sector that are registered on the Indonesia Stock Exchange (IDX) during the period from 2019 to 2023. A purposive sampling technique was applied to select the sample, focusing exclusively on firms that consistently submitted audited annual reports and complete financial statements. Companies with irregular reporting practices or unaudited financials were excluded, as such data were considered less reliable for rigorous statistical analysis.

The research adopts a correlational framework to investigate the effect of several independent variables on the dependent variable, with incorporated mediating variable. Data collection was conducted through subordinate sources, with audited financial statements, annual reports, and further publicly available financial disclosures. The data were analyzed using a combination of statistical techniques, including linear regression, binary logistic regression, and the Sobel test, to ensure robustness in testing both direct and indirect effects among variables.

3.1 Method Multiple Linear Regression Analysis

The multiple linear regression analysis method is employed to evaluate the influence of multiple independent variables (X) on a single dependent variable (Y). This statistical approach is instrumental in determining the extent to which each independent variable contributes to differences in the dependent variable. To ensure the robustness and validity of the regression model, a series of classical assumption tests were performed, as presented in the following table:

Table 1. Acceptance criteria table

Test	**Hypothesis (H_0)**	**Acceptance Criteria**
Linearity	Linier Model	P > 0.05
Normality	Residuals are normally distributed	P > 0.05
Heteroscedasticity	No Heteroscedasticity	P > 0.05
Multicollinearity	No multicollinearity VIF	VIF < 10; Tolerance > .01
Autocorrelation	No autocorrelation	$1.5 \leq DW \leq 2.5$
Chow Test	Common Effect is better	P > 0.05
Hausman Test	Random Effect is better	P > 0.05
Lagrange Multiplier (LM)	Common Effect is better	P > 0.05

3.2 Analysis regression Logistic Biner

This paper uses binary logistic regression, a method to analyze the connection among a dependent variable with two categories and one or more predictor variables. It focuses on a response variable with two outcomes: one indicating the presence (1) and the other the absence (0) of a characteristic. This method helps identify the factors that affect whether a characteristic occurs or not (Hosmer et al., 2000; Sepang et al., 2012).

3.3 Sobel test

The multiple linear regression analysis is a statistical approach employed to observe the influence of several independent variables (X) on a single dependent variable (Y). This method facilitates an in-depth understanding of how individual predictors collectively and independently contribute to discrepancies in the dependent variable. To validate the reliability and accuracy of the regression model, a series of classical assumption tests were performed, as summarized in the table below.

Additionally, to evaluate the mediating role of a variable, the Sobel test (Sobel, 1982) is utilized. This statistical procedure determines whether the indirect result of an independent variable on a dependent variable via a mediating variable is statistically significant. Specifically, the Sobel test assesses whether variable Y mediates the relationship between X1 and Z, as well as between X2 and Z.

For practical application, the Sobel test can be conducted using online tools, such as the calculator available at http://quantpsy.org/sobel/sobel.htm, which computes the test statistic, standard error, and corresponding p-value to determine the significance of the mediation effect.

4. RESULT AND DISCUSSION

4.1 Research Object (Purpose Sampling)

Based on figure 2 This study analyzes 81 oil and gas companies listed on the Indonesia Stock Exchange (IDX) in 2023. Of these, 58 companies (71.6%) consistently submitted examined financial statements for five following years (2019-2023) and became the main sample. Another 23 companies (28.4%) were excluded from the analysis since they did not meet the reporting standards.

In other hand, based on figure 3 the total 290 financial reports collected, only 113 reports (39%) were reported on time, while the rest (177 reports or 61%) were late.

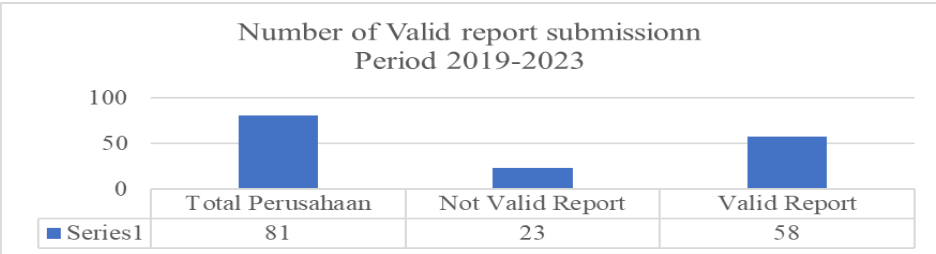

Figure 2: Company Profile

Source : Purpose sampling from IDX (2024)

Table 2. Timeliness Submission Financial Statement

Number of Companies Based on Timeliness of Submission Financial Statement
Period 2019-2024

		Frequency	Percent
Valid report	Timely manner	113	39%
	Inaccurate manner	177	61%
	Total	290	100%

Source : Purpose sampling from IDX 2024

4.2 Multiple Regression Result

4.2.1 Classical Assumption Test

a. Normality Test

This study tested residual normality using the Jarque-Bera (J-B) test with a significance level of α = 0.05). The criteria are: p-value > 0.05): normality assumption is met. P-value < 0.05: normality assumption is not met.

Figure 1 shows a J-B p-value of 0.106110, which is greater than 0.05. Therefore, the normality assumption is met.

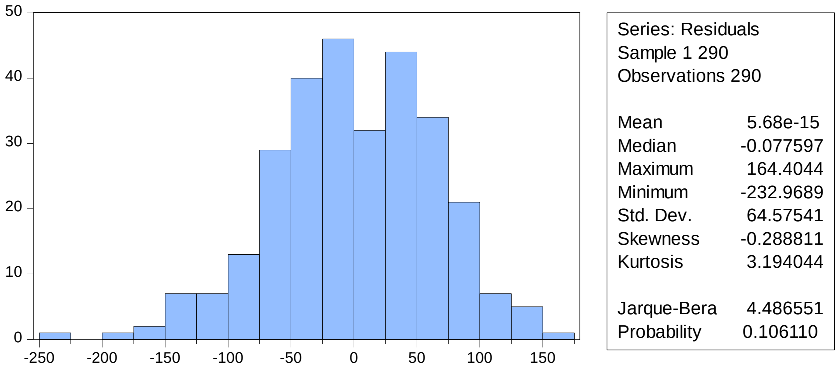

Figure 3: Normality Test
Source: Software EViews 12

b. Auto-correlation test

The Durbin-Watson test checks for autocorrelation in residuals, with a statistic ranging from 0 to 4. Values below 1 or above 3 indicate autocorrelation. Based on Table 3, the Durbin-Watson statistic is 2.153392, which falls within the acceptable range (1 < 2.153392 < 3), confirming no significant autocorrelation in the residuals.

Table 3. Auto-correlation test by Durbin-Watson

Log likelihood	-1619.663	Hannan-Quinn criter.	11.21796
F-statistic	13.62852	Durbin-Watson stat	2.153392

Source: *Software* EViews 12

c. Heteroskedasticity Test

The Harvey test checks for heteroskedasticity. According to Table 5, the Chi-Square probability value is 0.1365, which is greater than 0.05, indicating no heteroskedasticity is present.

Table 4. Heteroskedasticity test (Harvey Test)

F-statistic	1.855551	Prob. F (3,286)	0.1373
Obs*R-squared	5.536744	**Prob. Chi-Square (3)**	**0.1365**

Source: *Software* EViews 12

4.2.2 Model Estimation Selection (CEM vs FEM)

To determine whether the CEM or FEM estimation model is better for the regression model, the Chow test is used. The hypotheses tested are:

H_0: CEM is better than FEM.

H_1: FEM is better than CEM.

The results of the Chow test using EViews 12 are presented in Table 5.

Table 5. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.823360	(57,229)	0.8068
Cross-section Chi-square	54.064901	57	**0.5859**

Source: EViews 12 Software Output

Decision Rule for Hypothesis Testing:

- If the cross-section Chi-square probability value < 0.05, reject H_0 and accept H_1.
- If the cross-section Chi-square probability value ≥ 0.05, accept H_0 and reject H_1.

Based on the Chow test results in Table 5, the probability value is 0.5859, which is greater than 0.05. Therefore, the estimation model used is the Common Effect Model (CEM).

4.2.3 *FEM Vs REM Selection via Hausman test*

To select between FEM and REM, the Hausman test was conducted. The resulting probability value was 0.0718 (> 0.05), indicating that the Random Effect Model (REM) is preferred.

Table 6. Hausman Test Results

Correlated Random Effects - Hausman Test
Pool: DPANEL
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.002003	3	**0.0718**

Source: EViews 12 Software Output

Based on the Hausman test results in Table 6, the probability value is 0.0718, which is greater than 0.05. Therefore, the estimation model used is the Random Effect Model (REM).

4.2.4 *Estimation Model CEM) and REM with the Lagrange Test*

The results of the Lagrange test using EViews 12 are presented in Table 7.

Table 7. Lagrange test result

F-statistic	1.352958	Prob. F (2,284)	0.2601
Obs*R-squared	2.737005	**Prob. Chi-Square (2)**	**0.2545**

Source: *Software* EViews 12 Output

Based on the Lagrange test results in Table 7, the probability value is 0.2545, which is greater than 0.05. Therefore, the estimation model used is the Common Effect Model (CEM).

4.2.5 Hypothesis Testing

Hypothesis testing will be conducted through an analysis of the coefficient of determination, as well as assessments of both the simultaneous effect (F-test) and the partial effect (t-test). The relevant statistical values for the coefficient of determination, F-test, and t-test are provided in Table 8.

Table 8. Coefficient of Determination, F-test, and t-test Statistics (Selected Model: Common Effect Model)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	13.86769	3.069164	4.518393	0.0000
X2	125.4654	24.24444	5.175020	0.0000
X3	-12.58010	8.304318	-1.514887	0.1309
C	-10.86712	5.110341	-2.126497	0.0343
R-squared	**0.125076**	Mean dependent var		1.165583
Adjusted R-squared	0.115899	S.D. dependent var		69.03702
S.E. of regression	64.91321	Akaike info criterion		11.19768
Sum squared resid	1205125.	Schwarz criterion		11.24830
Log likelihood	-1619.663	Hannan-Quinn criter.		11.21796
F-statistic	13.62852	Durbin-Watson stat		2.350689
Prob(F-statistic)	**0.000000**			

a. Coefficient of Determination Analysis

Based on Table 8, the R-squared value is 0.1250. This means that Leverage (X1), Profitability (X2), and Auditor Quality (X3) together explain 12.50% of the variation in Earnings Management (M). The remaining 87.50% is influenced by other factors.

b. Simultaneous Effect Test (F-test)

The F-test is used to test the joint effect of independent variables on the dependent variable. Based on Table 4.6, the Prob. (F-statistic) value is 0.000000, which is less than 0.05. This indicates that the independent variables, Leverage (X1), Profitability (X2), and Auditor Quality (X3), jointly have a significant effect on Earnings Management (M).

c. Regression Equation and Partial Effect Significance Test (t-test)

The regression equation based on Table 8 is:

M = -10.86712 + 13.86769X1 + 125.4654X2 - 12.58010X3 + e

Based on Table 8, the following conclusions are drawn: Hypotheses 1 and 2 are accepted, as leverage and profitability both have a positive and significant effect on earnings management. However, Hypothesis 3 is rejected, as auditor quality has a negative, but not significant, effect on earnings management.

4.3 Regression Logistic Test Result

4.3.1 Goodness of fit Test (Andreas and Hosmer-Lemeshow Test)

According to the results of the goodness of fit test above, the Chi-square probability value is 0.4210, which is greater than 0.05. This indicates that there is no reason to reject the null hypothesis (H_0), so H_0 is accepted. Probability value is 0.4210 > 0.05. This indicates that there is no reason to reject the null hypothesis (H_0), so H0 is accepted.

Table 9. Hosmer Lemeshow Test

Goodness-of-Fit Evaluation for Binary Specification

H-L Statistic	8.1284		Prob. Chi-Sq(8)	0.4210

Source: Output eviews (2024)

4.3.2 Coefficient Determination

The value of McFadden R² is 0.3569, which implies that the independent variables explain approximately 35.69% of the variance in the timeliness of financial reporting. Although relatively moderate, this value suggests that the model provides a reasonable fit for the data.

Table 10. McFadded R-Squared

McFadden R-squared	0.208841	Mean dependent var	0.389655
S.D. dependent var	0.488515	S.E. of regression	0.425658

Source: Output eviews (2024)

4.3.3 Simultan test (Onimbus Test)

Based on Table 11, The probability value of the model is 0.000000 (< 0.05), indicating that the independent variables jointly have a statistically significant effect on the timeliness of financial reporting.

Table 11. Omnibus Test

LR statistic	80.98526	Avg. log likelihood	-0.528964
Prob (LR statistic)	0.000000		

Source: Output reviews (2024)

4.3.4 Logistic Regression Analysis and Hypothesis Test (Z Test)

In linear regression, both simple and multiple, the t-test is used to test the significance of the partial influence. In logistic regression, the significance test of partial influence can be tested by the Z test.

Table 12. Hypothesis Test

Variable	Coefficient	Std. Error	z-Statistic	Prob.
X1	-0.270578	0.073316	-3.690590	0.0002
X2	2.791661	0.784334	3.559277	0.0004
X3	0.733434	0.179763	4.079999	0.0000
M	0.007800	0.001487	5.246898	0.0000
C	-0.594503	0.113717	-5.227932	0.0000

Source: Output eviews (2024)

Based on Table 10, the logistic regression equation is obtained as follows:

$$\mathbf{Y = -0.594503 - 0.270578X1 + 2.791661X2 + 0.733434X3 + 0.007800M + e}$$

Based on Table 12, it is known**:**

Hypotheses 4, 5, 8, and 9 are accepted. Leverage negatively affects financial reporting timeliness, profitability positively impacts it, auditor quality has a positive influence on it, and earnings management also significantly and positively affects financial reporting timeliness. All of these relationships are statistically significant.

4.4 Sobel Test Result

Furthermore, a mediation test was carried out, which was to test whether mm significantly mediated the relationship between Leverage (X1), Profitability (X2), Auditor Quality (X3) and Timeliness of Financial Reporting (Y). Mediation testing was carried out using the Sobel test with the help of a calculator (quantspy.org).

Table 13. Sobel Test (X1 -> M -> Y)

Input			Test statistic:	Std. Error:	p-value:
a	13.86769	Sobel test:	3.42342342	0.03159644	0.00061838
b	0.007800	Aroian test:	3.38826049	0.03192434	0.00070337
s_a	3.069164	Goodman test:	3.45970432	0.03126509	0.00054077
s_b	0.001487				

Source : *https://quantpsy.org (2024)*

Table 14. Sobel Test (X2 -> M -> Y)

Input			Test statistic:	Std. Error:	p-value:
a	125.4654	Sobel test:	3.68394283	0.26564748	0.00022965
b	0.007800	Aroian test:	3.65047953	0.26808262	0.00026175
s_a	24.24444	Goodman test:	3.71834359	0.2631898	0.00020053
s_b	0.001487				

Source : https://quantpsy.org *(2024)*

Tabel 15 Sobel Test (X3 -> M -> Y)

Input			Test statistic:	Std. Error:	p-value:
a	-12.5801	Sobel test:	-1.45540771	0.06742082	0.14555642
b	0.0078	Aroian test:	-1.4315936	0.06854234	0.15226016
s_a	8.304318	Goodman test:	-1.48045119	0.06628032	0.13875288
s_b	0.001487				

Source : https://quantpsy.org *(2024)*

Based on the results in Tables 13, 14*, and 15, the following conclusions* are drawn: Hypotheses 8 and 9 are accepted, meaning that earnings management significantly mediates the connection between leverage and financial reporting timeliness, as well as between profitability and financial reporting timeliness. However, Hypothesis 10 is rejected, as earnings management does not significantly mediate the relationship between auditor quality and financial reporting timeliness.

4.5 Discussion

H_1: Leverage's Influence on Earnings Management: The regression results reveal that leverage (X1) significantly and positively affects earnings management (Y), with a coefficient of 13.86769 ($t = 4.518393$; $p < 0.01$). This result aligns with agency theory (Jensen & Meckling, 1976), which suggests that managers may manipulate earnings to reduce creditor pressure. Companies with higher leverage often face financial constraints and resort to income smoothing techniques to maintain stable earnings and meet debt obligations. For instance, PT Logindo Samudramakmur Tbk., with a high leverage ratio of 3.35 in 2023, exhibited a negative earnings management ratio of -31%, illustrating income smoothing practices.

To contextualize these results, high leverage implies greater debt obligations, pushing managers to present a stable financial outlook to satisfy creditors. Visual aids such as a pathway diagram representing the mediating role of earnings management can clarify the relationship for stakeholders. Additionally, this finding resonates with prior research by Alvionita and Putra (2023), which confirms that high leverage often compels managers to engage in earnings management.

H_2: Profitability's Influence on Earnings Management: Profitability (X2) shows a significant positive relationship with earnings management, with a coefficient of 125.4654 ($p < 0.01$). This indicates that a one-unit increase in profitability leads to a 125.47 increase in earnings management, highlighting managers' efforts to enhance their company's financial image. For example, Adaro Energy Indonesia Tbk. reported a significant increase in profitability in 2021, coupled with a 72% earnings management ratio. This aligns with findings by Thinh et al. (2022) and supports agency theory, where managerial incentives tied to financial outcomes may drive earnings inflation.

While profitability significantly impacts earnings management, it is crucial to discuss its implications for investor trust and financial market stability. A table illustrating the effect size and comparative data across companies can provide clarity and practical relevance for stakeholders. Additionally, this finding resonates with prior research by Alvionita and Putra (2023), which confirms that high leverage often compels managers to occupy in earnings management.

H_3: Audit Quality's Influence on Earnings Management: Audit quality negatively impacts earnings management, albeit insignificantly (coefficient = -12.5801; p = 0.1309). Despite the presumed monitoring role of auditors, this result suggests their limited effectiveness in curbing earnings manipulation, especially under strong managerial pressures. For instance, Mitrabara Adiperdana Tbk., audited by a reputable firm, still exhibited discretionary accruals of 15%. Research by Sunarto et al. (2020) confirms that while auditor reputation influences timeliness, it may not fully mitigate earnings management.

Introducing control variables such as company size or market conditions in the analysis could provide additional insights into the dynamics between audit quality and earnings managements.

H_4: Leverage's Influence on Timeliness of Financial Reporting: The study confirms the hypothesis that Leverage (X1) significantly affects the timeliness of financial reporting (Y). The p-value of 0.0002 and a negative coefficient of -0.270578 suggest that higher leverage reduces the likelihood of timely financial reporting. Agency theory explains that higher leverage increases financial pressure on managers to meet debt obligations, which may lead to delayed reporting as companies attempt to manage financial risk. Research by Anggraini and Nilwan (2024) and Alvionita & Putra (2023) supports this, showing that high leverage can result in delayed financial reporting due to financial distress. PT Logindo Samudramakmur Tbk., with high leverage, demonstrates this delay in reporting. Conversely, PT Perdana Karya Perkasa Tbk. with low leverage does not experience similar pressure to meet deadline. A comparative bar chart highlighting the reporting timeliness of high- and low-leverage companies could provide stakeholders with a clear understanding of these dynamics.

H_5: Profitability's Influence on Timeliness of Financial Reporting: The study confirms that Profitability (X2) significantly impacts the timeliness of financial reporting, with a positive regression coefficient of 2.791661 (p-value = 0.0004). More profitable companies are more likely to submit their reports on time, as they are financially stable and have sufficient resources for efficient reporting. This is consistent with Agency Theory, where managers are motivated to deliver timely reports to maintain stakeholder trust. For instance, PT Perusahaan Gas Negara Tbk. (PGAS) shows high profitability and efficient reporting. Research by Utami (2021) and Roswinna et al. (2023) supports this, highlighting that profitable companies tend to report their financials faster, demonstrating their financial stability and enhancing investor confidence.

H6: Auditor Quality's influence on the Financial Reporting Timeliness: This study confirms that Auditor Quality (X3) significantly affects the Timeliness of Financial Reporting (Y), with a p-value of 0.0000, indicating a strong relationship. The regression coefficient of 0.733434 shows a positive correlation, meaning higher-quality auditors lead to timely financial reports. According to Agency Theory, managers (agents) are expected to provide accurate information, and high-quality auditors act as independent parties ensuring the integrity and timeliness of financial reports. Research by Sunarto et al. (2020) and Wulandari (2018) supports this, showing that companies audited by large, reputable auditors tend to submit timely reports. For example, PT Adaro Energy, audited by PwC, submits timely financial reports, while smaller firms like PT Apexindo Pratama Duta Tbk. face challenges due to limited audit resources.

H7: The Influence of Earnings Management on Financial Reporting Timeliness: The study finds that Earnings Management (M) significantly affects Timeliness of Financial Reporting (Y), with a p-value of 0.0000. The positive regression coefficient (0.007800) suggests that higher earnings management can lead to timely reporting, as companies may accelerate reporting to adjust financial results before deadlines. According to Agency Theory, managers may use earnings management to meet personal goals, like performance-based bonuses. PT Mitrabahtera Segara Sejati Tbk. exemplifies this, where earnings management ensures timely reporting despite financial manipulation to meet market expectations.

H8: The Influence of Leverage on Financial Reporting Timeliness through Earnings Management: This study shows that Leverage (X1) indirectly influences the Timeliness of Financial Reporting (Y) through Earnings Management (M), with a p-value of 0.0006. The Sobel test reveals that Earnings Management mediates the relationship between Leverage and timely reporting. High leverage may motivate managers to manage earnings to present a more stable financial outlook, influencing timely reporting. Real-World Example: PT Delta Dunia Makmur Tbk., despite facing rising leverage and engaging in earnings management, continues to maintain timely financial reports. This shows how companies balance financial pressure and reputational needs while managing earnings to meet deadlines, underscoring the importance of earnings management in maintaining reporting timeliness. The novelty of this hypothesis lies in the demonstration that even when leverage increases, companies may still manage earnings to meet reporting deadlines. The study highlights that Earnings Management serves as a strategic tool to navigate financial pressure, ensuring compliance with reporting timeliness despite rising financial risks. This intermediary role of earnings management has not been extensively studied in relation to leverage and reporting timeliness.

H9: The Influence of Profitability on Financial Reporting Timeliness through Earnings Management The study confirms that Profitability influences Timeliness of Financial Reporting (Y) indirectly through Earnings Management (M), with a p-value of 3.6839. Companies with high or low profitability may use earnings management to ensure timely reporting and meet stakeholder expectations. Example: Capitol Nusantara Indonesia Tbk., despite experiencing declining profitability, still uses earnings management techniques to uphold a positive financial image and ensure timely reporting. This example demonstrates the role of earnings management not just for struggling companies but also for those with high profitability, offering a comprehensive view of how profitability influences reporting timeliness, aligning with Agency Theory where managers act to optimize their interests.

The uniqueness of this hypothesis lies in showing that profitability, whether high or low, influences the timeliness of financial reporting by way of earnings management. This counters the assumption that only low-profit companies may engage in earnings management and suggests that both extremes (high and low profitability) motivate managers to act in ways that prioritize meeting deadlines and stakeholder expectations.

H10: The Influence of Audit Quality on Financial Reporting Timeliness through Earnings Management

The Sobel test shows that Earnings Management (M) does not mediate the relationship between Audit Quality (X3) and Timeliness of Financial Reporting (Y), with a p-value of 0.14555642, which is greater than 0.05. This suggests that while audit quality enhances transparency and timeliness, it doesn't prevent managers from engaging in earnings management. Agency Theory explains this conflict, where managers may manipulate earnings despite having high-quality auditors. For example, PT Bukit Asam Tbk., audited by reputable auditors, still engages in earnings management to create a favorable market perception. This example demonstrates that audit quality alone cannot eliminate the influence of earnings management on reporting timeliness, further emphasizing the opportunistic behavior of managers, even under the supervision of top-tier auditors.

The novel finding here is that audit quality does not act as a safeguard against earnings management in the context of financial reporting timeliness. While the quality of audits enhances transparency, it does not fully mitigate the potential for managerial opportunism. This result challenges the common assumption that high-quality audits inherently lead to more accurate and timely financial reports, highlighting the limitations of audit quality in controlling earnings manipulation.

5. CONCLUSION

This study examines how leverage, profitability, audit quality, and earnings management influence financial reporting timeliness in Indonesia. The results show that high leverage and low profitability lead companies to engage in earnings management, often to meet reporting deadlines, which may compromise the transparency of financial reports. While audit quality improves the accuracy of financial statements, it does not prevent earnings manipulation, highlighting the limitations of audits in controlling managerial behavior. The study suggests that regulators could introduce stricter guidelines for companies with high leverage or low profitability, enhancing disclosures and internal controls to reduce earnings manipulation. Additionally, ensuring that companies meet reporting deadlines without sacrificing accuracy could involve requiring mandatory audit committee oversight and more transparency in earnings management practices.

The findings also point to the complex relationship between stakeholder expectations and financial transparency, as companies engage in earnings management to maintain a good public image and meet external demands. While earnings management helps with short-term reporting timeliness, it could undermine long-term financial stability. For regulators, this indicates the need for policies that promote corporate governance and long-term growth, such as reducing reliance on short-term earnings manipulation. Future research could expand the sample across industries, explore the impact of regulatory changes, and assess the effectiveness of current regulations in improving financial reporting transparency and timeliness.

Future research could include a larger, more diverse sample of companies across various industries and time periods. It could also explore other factors like company size or operational complexity, and the impact of regulatory changes and industry-specific practices on reporting timeliness and earnings management.

5.1 MANAGERIAL IMPLICATIONS

Strategic Debt Management: Managers of companies with high leverages must carefully manage debt levels to avoid the pressures that lead to earnings management. Over-leveraging can tempt managers to manipulate financial results to meet stakeholder expectations, ultimately harming long-term financial integrity. Companies should focus on maintaining a balanced capital structure that minimizes financial strain and reduces the temptation for earnings manipulation.

Enhancing Financial Transparency: Managers in high-profitability sectors must prioritize financial transparency and timely reporting. In these sectors, there's often a strong incentive to manage earnings to project a positive image. However, ensuring that financial statements are accurate, complete, and timely is crucial for maintaining stakeholder trust, especially for investors and creditors who rely on such reports for decision-making.

Strengthening Internal Controls: Effective internal governance, including the establishment of active audit committees, is essential for mitigating the risks of earnings management. Managers should ensure that internal controls are robust and that there are mechanisms in place for continuous monitoring of financial reporting practices. This includes regular audits and transparency in financial decision-making processes to prevent manipulation.

Auditor and Internal Oversight: While high-quality audits play an important role, managers must recognize that audit quality alone cannot fully prevent earnings management. It is essential to combine quality auditing with a proactive corporate governance framework that includes regular oversight, internal reviews, and ethical training for financial officers.

Long-Term Focus Over Short-Term Gains: Managers should avoid focusing solely on short-term financial performance. While earnings management might offer temporary benefits, it can harm the company’s reputation in the long run. Ensuring the integrity of financial reporting, even at the cost of immediate performance, is essential for maintaining sustainable business growth and stakeholder confidence.

Investor Relations: Managers should foster clear and honest communication with investors and creditors. Building and maintaining strong relationships based on trust and transparency can mitigate the pressure for earnings manipulation. In sectors where financial performance is volatile, managing expectations and explaining the company's strategy for growth and profitability can help maintain investor confidence without resorting to earnings management.

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FINANCIAL RATIOS AND SPECULATIVE DYNAMICS IN THIRD-LINER STOCKS: EVIDENCE FROM THE INDONESIA STOCK EXCHANGE

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ABSTRACT

This study investigates whether traditional financial ratios remain valid predictors of stock prices in speculative market environments, focusing on third-liner stocks listed on the Indonesia Stock Exchange (IDX) from 2012 to 2019. Using panel data regression with a Random Effect Model on 72 companies, the research evaluates the influence of liquidity (Current Ratio), solvency (Debt-to-Equity Ratio), activity (Total Asset Turnover), and profitability (Return on Equity) on stock prices. The results show that only profitability (ROE) and solvency (DER) significantly affect stock prices, while liquidity and activity do not. However, the explanatory power of these ratios is minimal (adjusted $R^2 = 0.02$), indicating that stock prices in this segment are largely shaped by speculative dynamics rather than fundamentals. These findings highlight the limitations of conventional financial analysis in high-risk, manipulation-prone markets. The study suggests the need for improved investor education, stricter regulatory oversight, and future research integrating behavioral and sentiment-based indicators to better capture price movements in speculative stocks.

Keywords: Financial Ratios, Third-Liner Stocks, Speculative Dynamics, Indonesia Stock Exchange (IDX), Random Effect Model (REM).

ABSTRAK

Penelitian ini mengkaji apakah rasio keuangan tradisional masih menjadi prediktor yang relevan terhadap harga saham dalam lingkungan pasar yang spekulatif, dengan fokus pada saham third-liner di Bursa Efek Indonesia (BEI) selama periode 2012 hingga 2019. Menggunakan regresi data panel dengan Random Effect Model pada 72 perusahaan, penelitian ini menganalisis pengaruh likuiditas (Current Ratio), solvabilitas (Debt-to-Equity Ratio), aktivitas (Total Asset Turnover), dan profitabilitas (Return on Equity) terhadap harga saham. Hasil penelitian menunjukkan bahwa hanya profitabilitas (ROE) dan solvabilitas (DER) yang berpengaruh signifikan terhadap harga saham, sedangkan likuiditas dan aktivitas tidak berpengaruh. Namun, daya prediksi (adjusted R^2) hanya sebesar 0,02, menunjukkan bahwa harga saham pada segmen ini lebih banyak dipengaruhi oleh dinamika spekulatif daripada faktor fundamental. Temuan ini menyoroti keterbatasan analisis keuangan konvensional di pasar yang berisiko tinggi dan rawan manipulasi. Studi ini merekomendasikan peningkatan literasi investor, pengawasan regulasi yang lebih ketat, serta penelitian lanjutan yang mengintegrasikan indikator perilaku dan sentimen pasar untuk menangkap pergerakan harga secara lebih komprehensif.

Kata kunci: *Rasio Keuangan, Saham Third-Liner, Dinamika Spekulatif, Bursa Efek Indonesia (BEI), Random Effect Model (REM).*

1. INTRODUCTION

The origins of the Indonesian capital market can be traced back to the year 1912, when it was established by the Dutch under the name Vereniging voor de Effectenhandel. The Indonesia Stock Exchange (IDX), previously known as the Jakarta Stock Exchange, later merged with the Surabaya Stock Exchange. As a vital component of national economic infrastructure, the stock market plays a critical role in enhancing economic growth by efficiently allocating capital, providing liquidity, and enabling risk diversification. Empirical evidence demonstrates a positive correlation between stock market development and economic progress (Bekaert & Harvey, 1998; Ngare et al., 2014; Azam et al., 2016; Samsi et al., 2019).

The IDX is still considered a developing market with moderate capitalization. Out of 945 listed companies, around 47% are classified as small-cap stocks with market capitalizations under 1 trillion Rupiah (Indonesia Stock Exchange, n.d.). These small-cap or "third-liner" stocks significantly influence market dynamics and present both opportunities and risks, particularly because they tend to exhibit higher volatility, limited liquidity, and increased vulnerability to speculative trading. They are often perceived as undervalued due to less analyst coverage and lower investor familiarity, which may result in greater return potential for informed investors. Several studies support this perspective, indicating that smaller firms tend to yield higher returns due to undervaluation and expansive growth potential (Bauman et al., 1998; Banz, 1981; Pandey & Sehgal, 2016). However, this notion is not universally accepted. In the Indonesian context, for example, some research indicates that the relationship between firm size and returns is weak or even contrary to expectations, with larger firms occasionally offering higher or more stable returns (Black, 1993; Patel, 2012). These mixed findings underscore the importance of understanding firm-specific and market-specific factors when evaluating small-cap stock performance.

The presence of widespread market manipulation, including financial statement fraud (Hasibuan et al., 2022; Kuncara, 2022), IPO mispricing (Purwanto, 2014; Sudarmaji et al., 2020), and pump-and-dump schemes (Pratama et al., 2022; Fahlevie et al., 2022; Edelweiss et al., 2024), and other forms of market manipulation that are prevalent (Aaron et al., 2020), raises questions about the reliability of traditional financial analysis in the IDX, particularly for third-liner stocks. These concerns are further supported by findings on overreaction and momentum effects in Indonesian stock markets (Santosa & Huda, 2020) as well as the identification of market trends using switching models (Lesmana, 2023), which emphasize the need for investors to consider behavioral and cyclical factors.

This research evaluates whether financial ratios remain relevant indicators of fundamental value in a speculative market context. It focuses on the impact of liquidity (Current Ratio), solvency (Debt-to-Equity Ratio), activity (Total Asset Turnover), and profitability (Return on Equity) on stock prices of third-liner companies in IDX from 2012 to 2019, aiming to uncover how valuation mechanisms operate in high-risk market segments dominated by speculative behavior.

2. Literature Review

2.1 Theoretical Framework: Signaling Theory

The use of financial ratios as proxies for a stock's fundamental value is rooted in Signaling Theory, which explains how individuals or organizations communicate relevant information under conditions of information asymmetry. In capital markets, companies send signals through financial disclosures such as earnings reports, dividend announcements, and balance sheets (Yasar et al., 2020; Puspitaningtyas, 2019; Agustin et al., 2023). Financial reports are among the most accessible signals investors rely on to assess firm performance and prospects.

2.2 Financial Ratios and Stock Prices

Numerous studies explore the influence of financial ratios on stock prices, yet their findings are often mixed and context dependent. Arkan (2016) conducted a comprehensive study on 12 financial ratios across Kuwaiti market sectors, concluding that only ROE exhibited a positive and significant relationship with stock prices, whereas CR, DER, and TAT showed no significant influence. Similar patterns were found in Indonesia by Wulansari et al. (2023), who revealed that ROE had a significant positive effect and DER a significant negative impact on telecommunications sector stocks. Ayudya et al. (2017) also reported a positive and significant effect of ROE, aligning with findings by Juwita & Diana (2020), who noted ROE's influence on stocks in the Jakarta Islamic Index, although DER was found to be insignificant.

Conversely, contradictory evidence is provided by Pražák & Stavárek (2017), who studied energy firms in the Prague and Warsaw Stock Exchanges and observed no significant influence of either DER or ROE on stock prices. Asmirantho & Somantri (2017), examining pharmaceutical companies on the IDX, found that financial ratios had no significant effects on stock prices. This was supported by Muktiadji & Pamungkas (2022) and Noviyanti et al. (2021), both of whom found that DER did not significantly affect banking stock prices on the IDX.

Herawati & Putra (2018), focusing on the food and beverage industry, found that TAT had a positive partial influence, whereas CR and DER had no significant effect. On the other hand, Nugraha & Artini (2022) observed that both CR and DER had a negative effect on stock prices in the automotive and component subsector. These inconsistencies suggest that the impact of financial ratios varies across industries, time periods, and firm characteristics. They also indicate the potential limitations of traditional ratios in capturing stock price behavior, especially in markets prone to speculation or manipulation.

2.3 Evidence of Speculative Behavior in Third-Liner Stocks

Behavioral and institutional factors further complicate the relationship. The IDX has been subject to manipulation tactics including financial fraud, IPO mispricing, and pump-and-dump schemes (Yang et al., 2014; Aaron et al., 2020; Pratama et al., 2022; Fahlevie et al., 2022; Edelweiss et al., 2024). Speculative behavior, fueled by asymmetric information and retail investor irrationality, may overshadow traditional valuation signals (Nanayakkara et al., 2019; Umboh & Atahau, 2019; Mushinada, 2020; Ye et al., 2020; Sergi et al., 2024).

2.4 Research Gap

Despite extensive research on the influence of financial ratios on stock prices, there is limited focus on third-liner stocks, especially in speculative environments like the IDX. Most existing literature centers around large-cap firms or specific sectors. This study seeks to address this gap by focusing on third-liner stocks and examining whether financial ratios retain predictive validity amid speculation and manipulation.

2.5 Research Hypotheses

Based on the literature review and theoretical framework, the following hypotheses are formulated:

H1: The Current Ratio (CR) significantly influences the stock prices of third-liner companies listed on the IDX.

H2: The Debt-to-Equity Ratio (DER) significantly influences the stock prices of third-liner companies listed on the IDX.

H3: The Total Asset Turnover (TAT)

significantly influences the stock prices of third-liner companies listed on the IDX.

H4: The Return on Equity (ROE) significantly influences the stock prices of third-liner companies listed on the IDX.

3. Research Method

This study utilizes financial statement data spanning from 2012 to 2019, sourced from the Indonesia Stock Exchange (IDX), Yahoo Finance, and Stockbit, covering 72 companies categorized as third-liner stocks and listed on the IDX. The dataset is considered time series due to the multi-year coverage, and also qualifies as panel data as it encompasses multiple firms 72 in total across the same time period. Given these characteristics, panel data regression was employed as the appropriate analytical model.

Panel data regression combines both cross-sectional and time-series dimensions, making it a suitable approach to capture dynamic changes over time such as fluctuations in a company's financial performance from year to year. This model offers advantages in terms of controlling for unobserved heterogeneity and reducing omitted variable bias, especially when working with a relatively large dataset. Panel regression is particularly effective in providing more robust and efficient estimates in studies involving multidimensional financial data.

This study does not incorporate control variables, as the primary objective is to examine the direct relationship between financial ratios namely Current Ratio (CR), Debt to Equity Ratio (DER), Total Asset Turnover (TAT), and Return on Equity (ROE) and the stock prices of companies categorized as third-liners. The analysis is intentionally focused on firm-specific financial indicators, without accounting for external influences such as macroeconomic conditions or market sentiment, which may also affect stock price movements. By isolating these internal financial metrics, the study aims to provide a clearer understanding of how fundamental financial health relates to speculative dynamics in the third-liner segment.

Data transformation was carried out in the form of logarithmic transformation for year-end closing prices, Current Ratio (CR), Debt to Equity Ratio (DER), Total Assets Turnover (TAT), and Return On Equity (ROE) to reduce the influence of outliers and linearize the relationship between variables, especially in panel data regression (Gurajati & Porter, 2009). The log(x+2) adjustment is used specifically to handle examples of zero or negative values so as to ensure all data points are included in the analysis without compromising the integrity of the model (Johnston & DiNardo 1997).

In panel data regression analysis, three models that can be used are the Common Effect Model, Fixed Effect Model, and Random Effect Model. To choose the most suitable model to use, a test starting from the Chow test was carried out to determine which CEM and FEM were more suitable. Next, the Hausman test is carried out to determine which REM and FEM are more suitable. Finally, the Lagrange Multiplier (LM) test was carried out to determine which model is better, CEM or REM.

Table 1. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	24.375333	(71,500)	0.0000
Cross-section Chi-square	861.373210	71	0.0000

Source : Data Analysis Results (2025)

Table 2. Hausman Test Results

Test Summary	Chi-Sq Statistic	Chi-Sq d.f.	Prob.
Cross-section random	9.258917	4	0.0549

Source : Data Analysis Results (2025)

Table 3. Lagrange Multiplier Test Result

Test Hypothesis	Cross-Section	Time	Both
Breusch-paqan	1072.043	2.731362	1074.774
	(0.000)	(0.0984)	(0.0000)
Honda	32.74207	-1.652683	21.98351
	(0.0000)	(0.9508)	(0.0000)
King-wu	32.74207	-1.652683	8.231836
	(0.0000)	(0.9508)	(0.0000)
Standardized Honda	33.65319	-1.499419	17.44465
	(0.0000)	(0.9331)	(0.0000)
Standardized King-Wu	33.65319	-1.499419	5.064196
	(0.0000)	(0.9331)	(0.0000)
Gourieroux, et al.	-	-	1072.043
			(0.0000)

Source : Data Analysis Results (2025)

The test results in Table 1 show that the Chow Test has a p-value of 0.0000, thus indicating that the FEM model is more suitable. The Hausman test in Table 2 produces a p-value of 0.0549, so the REM model is more suitable for use. Table 3 Displays results of the Lagrange Multiplier Test produce a p-value of 0.0000 which indicates the REM model is a superior choice. After considering the results of all tests, the Random Effect Model (REM) is the most suitable model for this research. This determination is supported by the results of the Hausman Test and Lagrange Multiplier Test.

The selection of the use of the Random Effect Model (REM) causes the research model to be written as follows:

$$SP_{it} = \alpha + \beta 1\ CR_{it} + \beta 2\ DER_{it} + \beta 3\ TAT_{it} + \beta 4\ ROE_{it} + e_{it}$$

Where:

SP = Thirdliner Stock Year-end Closing Price
α = Constant
CR = Current Ratio
DER = Debt to Equity Ratio
TAT = Total Assets Turnover
ROE = Return On Equity
ε = Standard Error

The year end closing price shows the last price recorded by a company's shares at the last business day of the year on the stock market, during a regular trading day. This price is used by investors to measure and compare the performance of a company's shares over time. Current Ratio is a financial ratio that measures a company's ability to utilize the current assets on its balance sheet to meet short-term debt. Debt to Equity Ratio is a financial ratio that shows the comparison between the amount of debt and the amount of capital owned by the company by dividing the total amount of debt and capital owned by the company. Total Assets Turnover is a financial ratio that measures the company's efficient level in managing its assets to generate income which is measured by the total sales amount divided by the result of the initial amount of assets plus the final amount of assets then divided by two. Return On Equity is a financial ratio that measures how efficiently a company manages and utilizes capital provided by shareholders to generate profits which are measured by the amount of net profit divided by the average amount of shareholder equity.

The choice to use the Random Effect Model (REM) means that the classical assumption test is not needed. This is because the Random Effect Model (REM) has considered the possibility of heteroscedasticity and autocorrelation in errors so that it uses Generalized Least Squares (GLS) which can overcome problems with heteroscedasticity and autocorrelation. Random Effect Model (REM) uses a Generalized Least Squares (GLS) approach which has overcome problems with heteroscedasticity and autocorrelation so it does not require classical assumption tests (Gujarati & Porter, 2009).

4. Results and Discussion

This study investigates the relationship between financial ratios and stock prices within the third-liner stock segment of the Indonesia Stock Exchange (IDX), utilizing a Random Effect Model. The analysis identifies profitability (measured by Return on Equity, ROE) and solvency (measured by the Debt-to-Equity Ratio, DER) as the most significant predictors of stock price movements among the financial ratios considered.

The results of the descriptive statistics test from closing prices, CR, DER, TAT, and ROE from 2012 to 2019 can be seen in table 4.

Table 4. Descriptive Statistics

	N	Range	Minimun	Maximun	Mean	Standard Deviation
SP	576	12250	50	12300	593,91	1154,635
CR	576	48,14	0,00	48,14	2,4161	3,42680
DER	576	32,19	-1,25	30,94	1,0236	2,04238
TAT	576	9,85	0,00	9,85	1,0588	1,15748
ROE	576	13,0830	-1,7954	11,2876	0,050621	0,5136757

Source : Data Analysis Results (2025)

The average closing stock price (SP) across the sample is 593,91, with a minimum of 50 and a maximum of 12,300. This extremely wide price range, spanning 12,250, reflects the inherent volatility of third-liner stocks and indicates the potential for speculative movements. The standard deviation of 1,154.635 further reinforces the substantial price dispersion among companies, confirming that third-liner stocks are prone to abrupt and unpredictable price changes.

The Current Ratio (CR) has a mean value of 2,4161 suggesting that, on average, firms are capable of covering their short-term liabilities with current assets. Nonetheless, the minimum value of 0.00 and maximum 48,14 highlight a considerable gap in liquidity capacity between companies. The standard deviation of 3,42680 reveals substantial fluctuations, suggesting that while some companies maintain strong liquidity buffers, others face significant short-term financial constraints.

The Debt to Equity Ratio (DER) presents an average of 1,0236 indicating that companies generally balance their financing between debt and equity. However, a minimum value of -1,25 may suggest recording error or firms experiencing negative equity, a potential red flag for financial distress. The maximum DER of 30,94 points to a highly leveraged condition in certain firms, while a standard deviation of 2,04238 reflects diverse capital structures within the sample.

In terms of operational efficiency, the Total Asset Turnover (TAT) yields an average of 1.0588. This implies that, on average, companies generate slightly more than one unit of revenue for each unit of total assets in a single period. However, the minimum of 0,00 and maximum of 9,85 suggest wide variation, ranging from firms with generate less revenue generation to those with very high asset efficiency. The standard deviation of 1,15748 reinforces this observation.

The Return on Equity (ROE), an indicator of profitability, averages at 0,050621. This shows which is generally relatively low. However, the wide range between the minimun of -1,7954 and maximun of 11,2876 reflects a stark contrast between unprofitable firms and those generating high returns. The standard deviation of 0,5136757 shows that there is a significant difference in the ability to generate profits from equity between companies

In summary, the findings indicate that third-liner stocks in Indonesia exhibit high heterogeneity in both financial performance and market price behavior. The large deviations and wide value ranges across variables reflect a market segment characterized by speculative trading activity and weak linkage to fundamental indicators. These patterns are in line with the general nature of third-liner stocks, which tend to attract speculative interest due to their low liquidity and limited analyst coverage.

Table 5. Results of the Panel Cross Section Random Effects Test using the Generalized Least Squares (EGLS) Estimation method.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
SP	2.270818	0.149530	15.18640	0.0000
ROE	0.439656	0.136931	3.210780	0.0014
TAT	0.246786	0.244768	1.008242	0.3138
DER	-0.240106	0.115436	-2.080000	0.0380
CR	0.065825	0.086986	0.756733	0.4495
		Effects Specification		
		S.D.		Rho
Cross-section random		0.390826		0.7375
Idiosyncratic random		0.233162		0.2625
		Weighted Statistics		
R-squared	0.030882	Mean dependent var	0.506269	
Adjusted R-squared	0.024093	S.D. dependent var	0.237107	
S.E. of regression	0.234233	Sum squared resid	31.32794	
F-statistic	4.548831	Durbin-Watson stat	0.840440	
Prob(F-statistic)	0.001266			
		Unweighted Statistics		
R-squared	0.004329	Mean dependent var	2.453038	
Sum squared resid	124.0907	Durbin-Watson stat	0.212178	

Source : Data Analysis Results (2025)

The findings in Table 5 indicate that ROE has a positive and statistically significant effect on stock prices ($p < 0.05$). Specifically, a 1% increase in ROE corresponds to an approximately 0.43% rise in stock prices, holding other factors constant. This result underscores the importance of profitability as a key indicator of financial health and a firm's ability to generate shareholder returns. High ROE values suggest efficient management and sustainable growth, which bolster investor confidence. These findings align with prior studies (e.g., Arkan, 2016; Wulansari et al., 2023; Ayudya et al., 2017; Juwita & Diana, 2020), which highlight the role of profitability in attracting both speculative and long-term investors.

Conversely, the DER demonstrates a significant negative relationship with stock prices ($p < 0.05$). A 1% increase in DER is associated with a 0.24% decrease in stock prices, ceteris paribus. This finding suggests that higher leverage is perceived as a financial risk by investors, particularly in the speculative third-liner segment. Elevated debt levels may raise concerns about a firm's ability to meet its financial obligations, thereby diminishing its appeal to investors. This negative relationship aligns with previous research (e.g., Wulansari et al., 2023; Ayudya et al., 2017; Nugraha & Artini, 2022) that highlights the risks associated with high financial leverage.

Interestingly, liquidity (measured by the Current Ratio, CR) and operational efficiency (measured by Total Asset Turnover, TAT) do not exhibit statistically significant effects on stock prices. This finding suggests that metrics traditionally significant for larger or more stable firms may have limited relevance in the speculative and volatile environment of third-liner stocks. Instead, non-fundamental factors such as market sentiment, trading volume, and speculative behavior are likely to play a more dominant role in influencing stock prices within this segment.

Based on the regression output, the results support H2 and H4, indicating that Debt-to-Equity Ratio (DER) and Return on Equity (ROE) significantly affect stock prices of third-liner companies. Specifically, ROE has a positive relationship, while DER has a negative relationship with stock prices. Meanwhile, H1 and H3, which proposed significant effects of Current Ratio (CR) and Total Asset Turnover (TAT) respectively, are not supported, as these variables do not exhibit statistically significant effects. These findings affirm that only select financial ratios retain predictive power in speculative market segments.

The model's adjusted R-squared value is 0.02, indicating that only 2% of the variability in stock prices is explained by the selected financial ratios. This low explanatory power highlights the predominance of non-fundamental drivers in the price dynamics of third-liner stocks. These results emphasize the speculative nature of this market segment, where traditional financial metrics provide limited predictive power for stock price movements.

5. Conclusion

This study concludes that stock prices of third-liner companies on the Indonesia Stock Exchange are predominantly influenced by speculative dynamics and investor irrationality, rather than traditional financial metrics. Among the financial ratios analyzed, only Return on Equity (ROE) and Debt-to-Equity Ratio (DER) exhibit statistically significant relationships with stock prices in which ROE positively and DER negatively, while Current Ratio (CR) and Total Asset Turnover (TAT) show no significant influence.

However, the explanatory power of these variables is weak, with an adjusted R-squared of only 0.02, indicating that just 2% of price movement can be attributed to these financial indicators. This highlights the limited role of fundamentals in a segment dominated by speculation. As such, third-liner stocks are more appealing to high-risk investors seeking short-term gains and may be unsuitable for those who favor stable, fundamentally driven investments.

The results reinforce the importance of understanding investor psychology and speculative behavior in small-cap markets. Enhancing transparency and minimizing information asymmetry are critical steps toward improving price efficiency in this segment.

5.1 Managerial Implication

These findings carry important implications for market participants, particularly investors, corporate managers, and regulators. Investors, especially those active in the small-cap segment, should reconsider the overreliance on conventional financial ratios when evaluating third-liner stocks. Instead, a more comprehensive approach that incorporates behavioral signals, market sentiment, and trading activity would offer better insights into the drivers of price movements in speculative environments.

For corporate managers, this research highlights the importance of transparent communication and consistent financial disclosures. Since investor perceptions in this segment are often shaped more by speculative sentiment than by actual financial performance, companies should actively manage how they present their narratives to the market. Strengthening investor engagement and providing accessible, timely information can help reduce information asymmetry, mitigate mispricing, and build long-term credibility.

Meanwhile, regulators and policymakers must enhance market surveillance and introduce targeted measures to address manipulative trading behavior. Improved enforcement of capital market regulations, the implementation of real-time detection systems for abnormal trading patterns, and expanded investor education programs are essential to promoting fairness and transparency in the third-liner segment. These efforts will not only protect vulnerable investors but also help foster a more efficient and trustworthy capital market ecosystem.

5.2 Future Research Recommendation

Building on these results, future research should consider integrating non-fundamental variables such as market sentiment, investor behavior, and trading volume to better understand the drivers of price movements in speculative environments. The inclusion of behavioral finance theories, real-time sentiment data, or even machine learning models for anomaly detection could offer deeper insights into how stock prices in high-risk segments diverge from intrinsic value. Additionally, industry-specific studies may reveal whether speculative dominance varies across sectors or during different market cycles, providing a more granular understanding of third-liner dynamics in emerging markets like Indonesia.

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