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THE EFFECT OF DEBT POLICY, DIVIDEND POLICY, MANAGERIAL OWNERSHIP AND INVESTMENT DECISIONS ON PROFIT MANAGEMENT IN TEXTILE SUB-SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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Abstract

The textile industry in Indonesia is one of the backbones of the manufacturing industry. This research is motivated by the aim of analyzing the influence of debt policy, dividend policy, managerial ownership and investment decisions on earnings management. The research method uses quantitative. The population is The textile sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2019-2023 totaled 22 companies with a sample size of 6 companies and 30 observations. The data collection technique was documentation. The data analysis technique was multiple linear regression analysis using SPSS version 26. The results of the study showed that Debt Policy and Managerial Ownership have an effect on Earnings Management, Dividend Policy and Investment Decisions do not have an effect on Earnings Management. Simultaneously, it was also found that Debt Policy, Dividend Policy, Managerial Ownership and Investment Decisions do not have an effect on Earnings Management in Textile Subsector Companies Listed on the Indonesia Stock Exchange.

Keywords: Debt Policy, Dividend Policy, Managerial Ownership, Investment Decisions Earnings Management

INTRODUCTION

The textile industry is one of the backbones of the manufacturing industry in Indonesia and is one of the national priority industries that still has the potential to develop. This industry makes a significant contribution to economic growth and creates significant jobs, encouraging increased domestic and foreign investment.

One way a company can maximize profits is by conducting earnings management in its operational activities. This is done by the company because profits serve as a benchmark for future managerial decisions, as a basis for calculating tax payments, and as a basis for making investment policies. Within the limits permitted by accounting principles, managers manipulate financial statements for their own interests, known as earnings management.

Debt policy is a policy carried out by a company to mark its operations by using financial debt or what is commonly called financial leverage. Dividend policy is a management decision to determine the percentage of profits distributed to shareholders in various forms of dividends intended to increase the prosperity of shareholders. Each decision must be oriented towards achieving the company's goals. Company management is not only as a

company manager but also as a company owner, so that managers will be more careful in taking action because every action taken will have an impact on their own welfare and the survival of the company which will later have an impact on profit management.

Investment decisions are an important factor in the financial function of a company. The higher the investment decisions made by the company, the higher the company's chances of getting a big return. Investor trust in companies that have high investment decisions at this time, causes an increase in demand for the company's shares, this has an impact on the increasing number of investors investing in the company.

The company PT. Century Textile Industry Tbk (CNTB) for the debt policy variable represented by the total value of the company's debt obtained in the 2021-2022 period experienced an increase in debt of IDR 52,657,000 to IDR 54,585,420. While in profit management which has an asset indicator experienced a decrease of 0.40%. Companies with higher debt usage levels will be able to increase their earnings per share which will ultimately increase the company's share price, which means increasing optimal earnings management.

In the company PT. Sunson Textile Manufacturer Tbk (SSTM) in the 2019-2020 period experienced an increase in the dividend policy represented by the net profit value obtained by the company decreased in the 2021-2022 period by IDR 514,765,731,890 to IDR 442,106,656,920. Meanwhile, profit management which has an asset indicator experienced a decrease of 6.16%. The amount of dividends paid by the company does not cause a negative response from shareholders because not all shareholders want the company to use the profits generated for the company's growth so that the company will provide even greater profits for shareholders. Thus, dividend policy is not a factor that can encourage managers to carry out earnings management. PT Citra Tubindo Tbk (CTBN) has managerial ownership represented by number of managerial shares in the 2021-2022 period amounting to 38.91 to 15.22 experienced a decrease. While in profit management which has an asset indicator experienced a decrease of 0.40%. This condition shows that the company manager holds dual positions as company management and shareholders who are actively involved in company decision-making, thus encouraging higher profit management. PT. Sunson Textile Manufacturer Tbk (SSTM) experienced a decline in the investment decision conditions represented by number of shares outstanding from 37,938,203 in the 2020-2021 period. However, in profit management, the asset indicator experienced a decline of 2.26%. The decline in investment decisions made has an impact on profit management becoming less than optimal.

The Influence of Debt Policy on Earnings Management

Debt policy is a management decision regarding how much debt is used as a capital structure in its operational activities. The greater the debt, the greater the risk that the owner will face, so the owner will ask for a high level of profit to avoid the threat of liquidation. If the company is threatened with

liquidation, the company will carry out profit management so that the company will look good in the eyes of shareholders and the public.(Amelia & Purnama, 2023).

Companies with high leverage risk encourage business managers to tend to use accounting methods that can increase their profits or benefits. Companies with high debt equity ratios struggle to raise additional funds from creditors, and even companies can be threatened with debt violations.(Riskianti, 2023).

One of the policies that is very sensitive to the company's value is the debt policy. The higher the proportion of debt, the higher the company's value. This is related to how the company uses the debt to optimize its company's profits.(Arthawan & Wirasedana, 2018)

The Influence of Dividend Policy on Earnings Management

Dividend policy is a decision whether the company's profits will be distributed as dividends to shareholders or will be held in the form of retained earnings for future investments that are expected to be more profitable. Companies that distribute dividends indicate that the company has a high net profit so that it is able to distribute dividends and has bright future prospects so that investors will be interested in investing their funds. Dividends in Indonesia are determined by the GMS and are not determined by management so that management will take the initiative to carry out engineering to reduce reported profits.(Amelia & Purnama, 2023).

Management does not like dividend distributions because the funds under its control are getting smaller and in some companies dividend payments are considered burdensome for the company because it must always provide cash to pay dividends to investors.(Ulia et al., 2022).

Dividend policy is measured by the Dividend Payout Ratio (DPR). The results of the study indicate that dividend policy has a negative effect on earnings management, meaning that the higher the Dividend Payout Ratio (DPR), the more management carries out earnings management actions by way of income decreasing.(Jeradu, 2021).

The Influence of Managerial Ownership on Earnings Management

Managerial ownership is a condition where the company manager holds the position of company management and shareholders who are actively involved in company decision-making. Managers in running company operations often act not to maximize shareholder prosperity, but are tempted to increase their own welfare. The purpose of this study focuses on three points, namely providing empirical evidence of the influence of institutional ownership on earnings management, providing empirical evidence of the influence of managerial ownership on earnings management(Lestari & Advenda, 2022).

Ownership of company shares by management can equalize the interests of shareholders with the interests of managers so that conflicts of interest between shareholders and managers can be reduced. One of the corporate governance mechanisms that can be used to reduce agency costs is by increasing share ownership by management.(Christi et al., 2022).

By increasing the share ownership by managers, it is expected that managers will act in accordance with the wishes of the principal because managers will be motivated to improve their work. Meanwhile, ownership by institutions is considered to be able to reduce the practice of earnings management because management considers institutions as sophisticated investors who can monitor management, the impact of which will reduce the motivation of managers to carry out earnings management. (Manurung, 2020).

The Influence of Investment Decisions on Earnings Management

Investment decisions are an important factor in the company's financial function, because with investment spending it can provide a positive signal regarding the company's growth in the future, thus benefiting external parties of the company. This is what drives managers to always provide profit information with high value by manipulating the actual profit in the company's financial statements. (Purnamasari, 2021).

This investment decision involves a long-term time so that the decision taken must be considered carefully, because it has long-term consequences. In addition, investment decisions are related to the process of selecting one or more available investment alternatives that are considered profitable for the company. (Nababan, 2023)

Investment decisions and financing decisions are also an important part in determining the company's value, so that the closing price is considered capable of reflecting the company's value in terms of the company's financial decisions. (Safitri & Damayanti, 2021).

Conceptual Framework

The conceptual framework below.

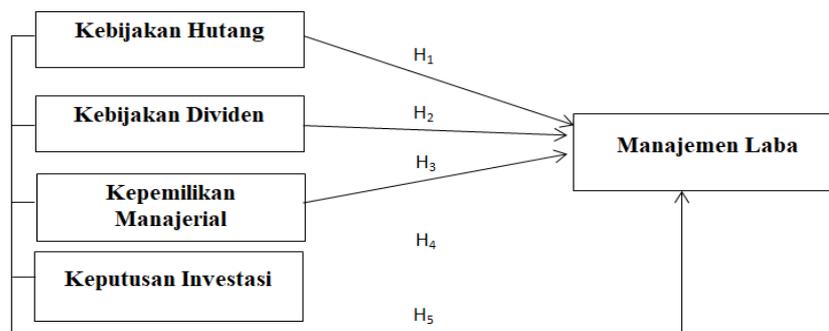


Figure 1. Conceptual Framework

Source: Processed data, 2024

Research hypothesis

Based on the explanation regarding the conceptual framework, the hypothesis proposed as a temporary answer to the problem formulation is as follows:

H1: Debt Policy affects Profit Management.

H2: Dividend Policy affects Earnings Management.

- H3: Managerial Ownership influences Earnings Management.
 H4: Investment decisions affect earnings management.
 H5: Debt Policy, Dividend Policy, Managerial Ownership and Investment Decisions have an effect on Earnings Management

RESEARCH METHODS

This study uses a descriptive method with a quantitative approach and uses secondary data by collecting data which is then compiled, processed and analyzed to provide a clear picture of the existing problems. This study was conducted by copying and archiving secondary data in the form of financial reports available on the Indonesia Stock Exchange website, namely www.idx.co.id.

The population used in this study is the Textile Subsector Companies listed on the Indonesia Stock Exchange.

Table 1. Research Sample Criteria

No.	Keterangan	Jumlah
1.	Perusahaan manufaktur sub sektor tekstil yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2019-2023.	22
2.	Perusahaan yang tidak mempublikasikan laporan keuangannya secara berturut turut selama tahun 2019-2023	(6)
3.	Perusahaan yang tidak memiliki kelengkapan data yang diperlukan selama tahun 2019-2023	(10)
Jumlah Sampel		6
Jumlah Observasi (6*5)		30

The purposive sampling method was used in this study. According to Torang (2019), the purposive sampling method is a sampling method used by considering a number of factors..

The data analysis method aims to determine the data processing process carried out in this study. Data processing is carried out with the help of SPSS 26.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics provide an overview of the minimum value, maximum value, mean value, and standard deviation for the data used in the study. Standard deviation is a statistical value used to determine how the data is spread out in a sample, and how close individual data points are to the mean or average value of the sample. General statistical data from all the data used can be seen in table 2 below.

Table 2. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Debt Policy	30	.79	4.54	1.7016	1.06802
Dividend Policy	30	1.00	940.00	58.9000	182.17921

Managerial Ownership	30	.00	1.00	.6667	.47946
Investment Decisions	30	2.04	16.67	113207.9593	303848.58224
Profit Management	30	.02	3.44	.6367	.69579
Valid N (listwise)	30				

Source: Data processed by SPSS, 2024

The SPSS output above shows that debt policy obtains a minimum value of 0.79 and a maximum of 4.54, and a mean value of 1.7016; dividend policy obtains a minimum value of 1 and a maximum of 940, and a mean value of 58.90; and investment decisions obtain a minimum value of 2.04 and a maximum of 16.67, and a mean value of 113207.

Multiple Linear Regression Test

Multiple linear regression aims to test the influence of two or more independent variables on the dependent variable. The results of the multiple linear regression test can be seen in the following table.

Table 3. Multiple Linear Regression Test Results

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,884	.921		3.132	.004
	Debt Policy	-.612	.275	-.940	-2.226	.035
	Dividend Policy	.001	.001	.150	.830	.414
	Managerial Ownership	-1,723	.659	-1.187	-2.614	.015
	Investment Decisions	-7,987	.000	-.349	-1.655	.110

Source: Data processed by SPSS, 2024

Earnings Management = 2.884 + (-0.612) Debt Policy + 0.001 Dividend Policy + (-1.723) Managerial Ownership + (-7.987) Investment Decisions

The constant value of 2.884 and positive value means that when the conditions of Debt Policy, Dividend Policy, Managerial Ownership and Investment Decision are constant, then Earnings Management is 2.884. The regression coefficient for Debt Policy is 0.612 and negative value means that when the condition of Debt Policy increases, Earnings Management decreases by 0.612. The regression coefficient for Dividend Policy is 0.001 and positive value means that when the condition of Dividend Policy increases, Earnings Management increases by 0.001. The regression coefficient for Managerial Ownership is 1.712 and negative value means that when the condition of Managerial Ownership increases, Earnings Management decreases by 1.723. The regression coefficient for Investment Decision is 7.987 and negative value

means that when the condition of Investment Decision increases, Earnings Management decreases by 7.987.

Hypothesis Test

T-Test (Partial Test)

The t-statistic test is intended to determine how far the influence of one independent variable individually in explaining the dependent variable. Partial tests or t-tests are used to determine whether or not there is an influence of one independent variable on the dependent variable, while one or more other independent variables are in a fixed or controlled state.

Table 4 Results of t-Test (Partial)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,884	.921		3.132	.004
	Debt Policy	-.612	.275	-.940	-2.226	.035
	Dividend Policy	.001	.001	.150	.830	.414
	Managerial Ownership	-1,723	.659	-1.187	-2.614	.015
	Investment Decisions	-7,987	.000	-.349	-1.655	.110

a. Dependent Variable: Profit Management

Source: Data processed with SPSS, 2024

From the table above, we can see the P Value or significance as follows:

1. The first hypothesis is accepted because the calculated t-value (-2.226) is greater than the table t-value (-2.060) and the significant value of 0.035 is lower than 0.05. The conclusion is that debt policy has an impact on the earnings management of companies listed in the textile subsector on the Indonesia Stock Exchange.
2. The second hypothesis is rejected because the calculated t value (0.830) is smaller than the t table value (2.060) and the significant value of 0.414 is greater than 0.05. Thus, it can be concluded that dividend policy does not have an impact on corporate earnings management in the textile subsector listed on the Indonesia Stock Exchange.
3. The third hypothesis is accepted because the calculated t-value (-2.614) is greater than the t-table (-2.060) and the significant value (0.015) is lower than 0.05. Thus, it can be concluded that management ownership has an impact on corporate earnings management in the textile subsector listed on the Indonesia Stock Exchange.

4. The fourth hypothesis is rejected because the calculated t-value (-1.655) is greater than the table t-value (-2.060) and the significant value (0.110) is greater than 0.05. Thus, it can be concluded that investment decisions do not have an impact on corporate profit management in the textile sub-sector listed on the Indonesia Stock Exchange..

F Test (Simultaneous Test)

Table 5. F Test Results (Simultaneous Test)

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.238	4	.809	1,873	.147b
	Residual	10,802	25	.432		
	Total	14,039	29			

Source: Data processed with SPSS, 2024

The fifth hypothesis was rejected because the calculated F value (1.873) < F table (2.76) and the resulting significance was 0.147 > 0.05, which means that it can be concluded that Debt Policy, Dividend Policy, Managerial Ownership and Investment Decisions do not have an effect on Profit Management in Textile Sub-sector Companies Listed on the Indonesia Stock Exchange..

Coefficient of Determination Test (R²)

The coefficient of determination is essentially used to measure how far the model's ability to explain variations in the dependent variable..

sTable 6. Results of the Determinant Coefficient Test (R²)

Model Summaryb				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.480a	.231	.108	.65732

Source: Data processed with SPSS, 2024

From the table above, the Adjusted R Square of 0.108 shows that debt policy, dividend policy, manager ownership, and investment decisions can contribute to earnings management in textile sub-sector companies listed on the Indonesia Stock Exchange by 10.8%, with the remaining 89.2% influenced by other variables not included in this study.

CONCLUSION

The results of the test carried out and can be concluded as follows:

1. The first hypothesis is accepted because the calculated t value (-2.226) < -t table (-2.060) and the resulting significance is 0.035 < 0.05, which can be concluded that Debt Policy has an effect on Profit Management in Textile Subsector Companies Listed on the Indonesia Stock Exchange.

2. The second hypothesis was rejected because the calculated t value (0.830) < t table (2.060) and the resulting significance was 0.414 > 0.05, which means that it can be concluded that Dividend Policy has no effect on Profit Management in Textile Sub-sector Companies Listed on the Indonesia Stock Exchange.
3. The third hypothesis is accepted because the calculated t value (-2.614) < -t table (-2.060) and the resulting significance is 0.015 < 0.05, which can be concluded that Managerial Ownership has an effect on Profit Management in Textile Subsector Companies Listed on the Indonesia Stock Exchange.
4. The fourth hypothesis was rejected because the calculated t value (-1.655) > t table (-2.060) and the resulting significance was 0.110 > 0.05, which means that investment decisions do not have an effect on profit management in textile sub-sector companies listed on the Indonesia Stock Exchange.
5. The fifth hypothesis was rejected because the calculated F value (1.873) < F table (2.76) and the resulting significance was 0.147 > 0.05, which means that it can be concluded that Debt Policy, Dividend Policy, Managerial Ownership and Investment Decisions do not have an effect on Profit Management in Textile Sub-sector Companies Listed on the Indonesia Stock Exchange.

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