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Earnings Management and Dividend Policy: Analyzing Manufacturing Companies in Indonesia Amid Covid-19

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ABSTRACT: *This study explores the impact of income growth, income decline, profitability, and dividend policy on the valuation of manufacturing companies listed on the Indonesia Stock Exchange (IDX) following their initial public offering (IPO). The manufacturing sector's significance in Indonesia's economy, coupled with challenges posed by the Covid-19 pandemic, makes it a focal point for research. The objective is to empirically examine and clarify the relationships between these financial metrics and company value. Employing a quantitative explanatory methodology, the research utilizes a census approach, targeting publicly listed manufacturing enterprises on the IDX. Multiple regression analysis reveals that an increase in income, represented by Discretionary Accruals, significantly decreases company value. Conversely, a decrease in income, also represented by Discretionary Accruals, has a non-significant negative impact on company value. Profitability, measured by Return On Assets, demonstrates a significant positive effect on company value. In contrast, dividend policy, indicated by Dividend Payout Ratio, exhibits a non-significant negative effect on company value. The study uncovers a positive combined influence of income increase, income decrease, profitability, and dividend policy on manufacturing companies' value on the IDX from 2018 to 2022, with a substantial 82.8% coefficient of determination. Surprisingly, manipulating earnings, whether by increase or decrease, does not significantly impact the valuation of manufacturing enterprises. Additionally, management's dividend policy implementation does not substantially augment the companies' worth. Notably, profitability, as measured by Return On Assets, emerges as a key factor enhancing the value of manufacturing enterprises. In conclusion, the variables of income growth, income decline, profitability, and dividend policy collectively contribute positively to the enhancement of manufacturing businesses' value listed on the IDX from 2018 to 2022, with a robust coefficient of determination of 82.8%. This research provides valuable insights for investors, policymakers, and corporate stakeholders navigating the unique challenges and opportunities faced by the manufacturing sector in Indonesia.*

KEY WORD*: Earning Management, Income Increasing, Income Decreasing, Profitability, Dividend Policy, Firm Value.*

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I. INTRODUCTION AND LITERATURE REVIEW

In the second quarter of 2021, the manufacturing sector in Indonesia contributed the most significant contribution to the country's economic expansion, amounting to 7.07%. The growth rate of this sector was the highest, reaching 1.35%. Notwithstanding the challenges posed by the Covid-19 epidemic, the manufacturing sector had a growth rate of 6.91% throughout this period (Indonesian Central Agency Of Statistics, 2023). Specific segments of the manufacturing industry experienced significant growth in the second quarter of 2021. Notably, the transportation equipment sector saw a surge of 45.70%, the basic metals industry grew by 18.03%, the machinery and equipment industry increased by 16.35%, the rubber goods sector within the rubber and plastics industry rose by 11.72%, and the chemical, pharmaceutical, and traditional medicine industry grew by 9.15%. The main catalyst for this economic upswing was the rising rate of household consumption, signifying notable advancements for Indonesian manufacturing firms.

Furthermore, the manufacturing sector made the largest contribution to the national Gross Domestic Product (GDP) during the second quarter of 2021, representing 17.34%. The primary sectors that made significant contributions to the GDP during this period were the food and beverage industry, accounting for 6.66%, the chemical, pharmaceutical, and traditional medicine industry, contributing 1.96%, the metal goods, computer, electronic goods, optical, and electrical equipment industry, contributing 1.57%, the transportation equipment industry, contributing 1.46%, and the textile and ready-made garment industry, contributing 1.05%. The significance of the manufacturing industry in driving national economic growth is emphasized (Indonesian Central Agency Of Statistics, 2023).

Indonesian manufacturing enterprises are attracting investors due to their significant expansion in this area. PT Multi Bintang Indonesia, a company in the food and drinks industry, had a Net Profit Margin of 18.43% in 2021. This margin increased dramatically to 29.56% in 2022. This significant expansion acts as a compelling attraction for investors evaluating potential investment prospects.

The valuation of a corporation also signifies a rise in prosperity for its shareholders. As the value of a firm maximizes, shareholders benefit from the corresponding growth in the company's stock price, leading to greater wealth. Investors are naturally inclined to put their cash in companies with higher valuations. Hence, attaining an ideal firm valuation emerges as a compelling incentive for every enterprise.

According to Farooq et al. (2022), maximizing corporate value can be accomplished by carrying out financial management functions. The interdependence of financial actions within a firm has a direct influence on its overall worth. The primary objective of financial management is to optimize the company's value. However, conflicts may emerge among shareholders, managers, and creditors. Shareholders aim to optimize the value of their stocks and ensure that managerial decisions are in line with their interests through vigilant supervision. However, creditors strive to protect their invested capital through rigorous oversight. Managers may be driven by their own interests, which could result in investments that do not fully optimize shareholder value.

These divergent interests lead to what is widely referred to as agency conflicts. Managers can participate in earnings management due to the presence of information asymmetry between them and shareholders. Managers engage in earnings management for numerous reasons, including incentives related to bonuses. Gunarianto et al. (2014) argue that bonus contracts for managers impact their motivation to maximize reported earnings while adhering to generally accepted accounting principles, hence highlighting the importance of earnings management methods for managers. Furthermore, reasons for engaging in earnings management encompass minimizing the risk of violating loan agreements, obtaining favorable treatment from government entities, evading excessive taxation, safeguarding against termination, and exerting influence over investor choices in the context of initial public offerings.

Managers have many reasons for manipulating earnings, which might involve either inflating (raising) or deflating (decreasing) reported earnings for various objectives. Goh (2020) argues that managers utilize earnings management as a strategy to convey or indicate particular messages to shareholders. Nevertheless, the underlying objective of earnings management remains ambiguous, as it is uncertain whether it is driven by managerial self-interest or focused on enhancing corporate efficiency.

According to the studies conducted by Enomoto et al. (2015), Nguyen et al. (2023), and Doorasamy (2021), there is evidence to show that earnings management has a beneficial impact on the value of a company. In contrast, Abu Alia & Barham (In the second quarter of 2021, the manufacturing sector in Indonesia played a pivotal role in driving the country's economic expansion, accounting for the highest proportion of growth at 7.07%. The growth rate of this sector was the highest, reaching 1.35%. Notwithstanding the challenges posed by the Covid-19 epidemic, the manufacturing sector had a growth rate of 6.91% throughout this period (Indonesian Central Agency Of Statistics, 2023). During the second quarter of 2021, specific segments of the manufacturing industry experienced significant growth. The transportation equipment sector saw a surge of 45.70%, while the basic metals industry grew by 18.03%. The machinery and equipment industry also experienced a notable increase of 16.35%. Additionally, the rubber goods sector within the rubber and plastics industry grew by 11.72%, and the chemical, pharmaceutical, and traditional medicine industry saw a growth of 9.15%. The main catalyst behind this upsurge in economic growth was the rising rate of household spending, signifying notable advancement for Indonesian manufacturing firms.

Moreover, the manufacturing sector contributed the most to the national Gross Domestic Product (GDP) in the second quarter of 2021, accounting for 17.34%. The food and beverage industry made the largest contribution to the GDP during this period, accounting for 6.66%. The chemical, pharmaceutical, and traditional medicine industry followed with a contribution of 1.96%. The metal goods, computer, electronic goods, optical, and electrical equipment industry contributed 1.57%, while the transportation equipment industry contributed 1.46%. Lastly, the textile and ready-made garment industry made a contribution of 1.05%. The significance of the manufacturing industry in driving national economic growth is emphasized (Indonesian Central Agency Of Statistics, 2023).

Indonesian manufacturing enterprises are attracting investors due to their significant expansion in this area. PT Multi Bintang Indonesia, a company in the food and beverages industry, had a Net Profit Margin of 18.43% in 2021. This percentage increased dramatically to 29.56% in 2022. This tremendous expansion serves as a powerful draw for investors contemplating investment opportunities.

The valuation of a corporation also signifies a rise in prosperity for its shareholders. As a company's value increases, shareholders benefit from the corresponding growth in the company's stock price, leading to greater wealth. Investors are naturally inclined to put their cash in companies with higher valuations. Hence, attaining an ideal firm valuation serves as a compelling incentive for every corporation.

According to Farooq et al. (2022), maximizing corporate value can be accomplished by carrying out financial management functions. The interdependence of financial actions within a firm has a direct influence on its overall worth. The primary objective of financial management is to optimize the company's value. However, conflicts may emerge among shareholders, managers, and creditors. Shareholders aim to optimize the value of their stocks and ensure that managerial decisions are in line with their interests through supervision. However, creditors strive to protect their invested capital through rigorous oversight. Managers are also incentivized to pursue their personal interests, perhaps leading to investments that might not maximize shareholder profit.

These divergent interests give rise to what is widely referred to as agency conflicts. Managers are able to manipulate earnings due to the unequal distribution of information between them and shareholders, known as information asymmetry. Earnings management by managers is motivated by many considerations, such as bonus motives. Gunarianto et al. (2014) explain that bonus contracts for managers impact their desire to maximize reported earnings within the limitations of generally accepted accounting principles, thus making earnings management methods significant for managers. Furthermore, reasons for engaging in earnings management encompass minimizing the risk of violating debt agreements, obtaining favorable treatment from government agencies, evading excessive taxation, safeguarding against termination, and exerting influence over investor choices in initial public offerings.

Managers have many reasons for engaging in earnings management, which might involve either increasing (income augmentation) or decreasing (income reduction) reported earnings for specific objectives. Goh (2020) argues that managers utilize earnings management as a strategy to convey or indicate particular messages to shareholders. Nevertheless, the underlying objective of profits management remains ambiguous, as it is uncertain whether it is driven by managerial self-interest or aimed at enhancing corporate efficiency.

According to the studies conducted by Enomoto et al. (2015), Nguyen et al. (2023), and Doorasamy (2021), there is evidence to show that earnings management has a beneficial impact on the value of a company. In contrast, Abu Alia & Barham (2022), Tulcanaza-Prieto & Lee (2022), Anik et al. (2021), Gill et al. (2013), and Chatterjee & Rakshit (2023) offer varying results, indicating that earnings management has an adverse impact on the value of a company.

Various scholars have investigated the assessment of a firm's worth, and one notable study by Nguyen Trong & Nguyen (2020) found that profitability factors had a large and positive impact on the value of a company. Dividend policy variables have a limited impact on company value, while debt policy has a positive but negligible effect on firm value.

Companies' ultimate objectives deal with maximizing stockholders' value. Therefore, it is important for companies to report positive earnings as well as positive earnings growth and to meet analysis estimates in order to obtain profit. The results of the following studies are relevant to the abovementioned premise. Wijaya et al., (2023) conducted a study on manufacturing companies listed on the Indonesia Stock Exchange during 2006-2009 period. The samples in this study were chosen using purposive sampling, resulting in including all manufacturing companies consecutively distributing dividends during 2006-2009 period. Financial performance, company value, and dividend policy were determined as independent variable, dependent variable, and as moderating variable, respectively. Using multiple analysis and moderated regression analysis, the researchers found 1) that the liquidity had no significant effect on the firm's value, 2) that the dividend policy was not able to significantly moderate the influence of liquidity on company value; 3) that the increase had no significant negative effect on company value, 4) that dividend policy was not able to significantly moderate the influence of leverage on company value, 5) that profitability had positive significant effect on company value, and 6) that dividend policy could not significantly moderate profitability influence on company value.

Similar research was also conducted by Lesmana et al., (2017), investigating manufacturing companies listed in Indonesia Stock Exchange during 2012-2015 period. The samples selected in this study were chosen using purposive sampling, involving 123 companies. Earnings management was chosen as independent variable and company value served as dependent variable. By using simple linear regression analysis, the researchers found that earnings management with income increasing pattern posed positive effect on company value. By contrast, earnings management with income decreasing pattern posed negative effect on company value.

Further research was conducted by Putra et al., (2016), which delved into manufacturing companies listed in the Indonesia Stock Exchange during 2010-2013 period. The samples in this study were determined by purposive sampling, resulting in 20 companies under investigation. Dividend policy, liquidity, profitability, and company size were selected as independent variable and company value was chosen as dependent variable. By applying simple linear regression analysis, the researchers found that dividend policy, liquidity, profitability, and company size partially posed significant positive influence on companies' value.

Another research worth quoting is that conducted by Gunarianto (2016) on manufacturing company listed on the Indonesia Stock Exchange. The samples in this research were chosen using purposive sampling, comprising of 34 companies. Good Corporate Governance, Motivated Behavior, Accounting Information System Implementation, and Profit Management Behavior were the independent variables and company value was determined as dependent variable. The study deployed multiple linier regression analysis, preceeded by Successive Interval to expand the size scale. The analysis resulted in several findings. First, the four independent variables including Good Corporate Governance, Motivated Behavior, Implementation of Accounting Information System, and Profit Management Behavior simultaneously posed significant positive effect on the value of manufacturing companies in Indonesia. The significance accounted for the difference in companies' value by 64.1%. Second, all independent variables including Good Corporate Governance, Motivated Behavior, Accounting Information System Implementation, and Profit Management Behavior partially generated significant positive influence on the value of manufacturing companies in Indonesia. Furthermore, variable found to pose the most dominant influence on company value was motivated behavior. The study also revealed that Good Corporate Governance, Motivated Behavior, and Implementation of Accounting Information System posed indirect significant positive influence on earnings management behavior on the value of manufacturing companies registered in the Indonesia Stock Exchange.

Further research was conducted by Gunarianto, (2016) on manufacturing companies listed on the Indonesia Stock Exchange. The research applied purposive sampling and put 34 companies under investigation. Good Corporate Governance, Motivated Behavior, and Implementation of Accounting Information System were chosen as independent variable, while Profit Management Behavior was dependent variable. The analysis was done by multiple logistic regression analysis technique and multiple linear regression, coupled with Successive Interval. With these techniques, the researchers revealed two vital findings. First, three independent variables including Good Corporate Governance, Motivated Behavior, and Implementation of Accounting Information System simultaneously held positive significant influence on the behavior of earnings management, marked by significance of 71,6%. Also, Good Corporate Governance variables were found to be the most dominant predictor to company value.

Research conducted by (Da Costa Gomes et al., 2023) investigated manufacturing companies listed in Indonesia Stock Exchange during 2007-2010 period. The study applied purposive sampling technique, aiming at all manufacturing companies which consecutively distributed dividends during the 2007-2010 period. Investment Decisions, Funding Decisions, and Dividend Policy were determined as independent variables, and company values were dependent variables. Using multiple linear regression analysis techniques, the researchers found that investment decisions, funding decisions, and dividend policies positively affected company value.

Research conducted by Nguyen T & Nguyen, (2020) investigated manufacturing companies listed in Indonesia Stock Exchange during 2005-2010 period. Samples in this research were determined using purposive sampling, encompassing 78 companies in total. Dividend Policy, Loan Policy, and Profitability were selected as independent variables, and company values were dependent variables. Using multiple linear regression analysis, the researcher found that the dividend policy partially posed insignificant effect on the value of the manufacturing companies proxied by PBV. The study also proved that debt policy had insignificant positive effect on the companies' value. The third finding evinced that profitability bore positive significant influence on companies' value. Another important finding was that adjusted R square value, prior to involving control variable, was 34,2%, implying that DPR, DER, and ROE accounted for 34,2% of company value.

Research conducted by Hasan et al., (2023) took issues with companies listed in Indonesia Stock Exchange during 2003-2007 period. Purposive sampling was operative prior to involving 64 companies. Managerial Ownership, Institutional Ownership, and Dividend Policy were selected as independent variables, and company value was dependent variable. By using multiple linier regression analysis technique, the researcher found that managerial ownership negatively affected company value, although it did not directly influence company value through loan policy as intervening variable. In addition, the study confirmed that Institutional ownership posed no effect on companies' values, either directly or indirectly, through loan policy as intervening variable. Another important finding was conclusive, assuring the positive influence of dividend policy on companies' values, in either direct or indirect correlation through loan policy as intervening variable.

(Satrio, 2022) reveals that Good Corporate Governance in Malaysia is crucial to reduce agency conflicts between management and capital owners by aligning the goals between management and investors so as to improve company performance.

To the same end, Mansour et al., (2022) state that the principles of Corporate Governance bear significant relationship and influence the efforts devoted to improving company performance and are able to reduce the behavior of management behavior (earnings management). McNally & O'Connor, (2023), in his study involving 5,829 sample companies in Korea, further contends that Corporate Governance is able to improve company's profitability before the economic crisis in Korea.

The problems investigated in this research are formulated as follows: (1) Is there any positive effect of earnings management with income increasing which is proxied by Discretionary Accruals on the values of manufacturing companies listed in Indonesia Stock Exchange period during 2018-2022 period?; (2) Is there any effect of positive earnings management with income decreasing which is proxied by Discretionary Accruals on the values of manufacturing companies listed in Indonesia Stock Exchange during 2018-2022 period?; (3) Is there any positive effect of profitability which is proxied by Return on Asset on the values in manufacturing companies listed in Indonesia Stock Exchange during 2018-2022 period?; (4) Is there any positive influence of the dividend policy proxied by the Dividend Payout Ratio on the value of manufacturing companies listed in the Indonesia Stock Exchange during 2018-2022 period?; (5) Is there any positive influence of income increasing, income decreasing, profitability, and dividend policy on the values at manufacturing companies listed in Indonesia Stock Exchange during 2018-2022 period?

1.2 Research Method

The research population under investigation were manufacturing companies registered in Indonesia Stock Exchange during 2018-2022 period. The samples were determined by purposive sampling, the criteria of which were pertinent to the following considerations.

1. Manufacturing companies registered in the stock exchange during 2018-2022 period.
2. The manufacturing companies registered in the stock exchange which made their financial report known to public during 2018-2022 period.
3. The manufacturing companies which shared dividend during the research, from 2018 to 2022.

There are a total of 173 manufacturing businesses listed in the Indonesia Stock Exchange. Out of these, 54 of them satisfy the established requirements for the research sample. The study utilises the analytical method of multiple regression analysis, employing the generic formula:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Where :

Y	:	Firm Value
a	:	Constant
X1	:	Earning Management
X2	:	Profitability
X3	:	Dividend Policy
b1 , b2	:	Partial regression coefficients
e	:	Error Term

In order to assess the specific influence of independent factors on the dependent variable, the t-test is employed using the following equation:

$$t = r\sqrt{\frac{n-2}{i-r^2}}$$

Where :

t	= T-Statistic With Degrees Of Freedom (N-2)
r	= Regression Coefficient
n	= Number Of Observations

Hypotheses:

H0	=	There is no influence of the independent variable on the dependent variable
H1	=	There is an influence of the independent variable on the dependent variable

If $t_{value} > t_{table}$, then H0 is rejected
If $t_{value} < t_{table}$, then H0 is accepted
or
If the significance level > α, then H0 is accepted
If the significance level < α, then H0 is accepted

A t-test is considered significant if the p-value is less than 0.05 or if the computed t-value exceeds the tabulated t-value. This suggests that, to some extent, the independent variable influences the dependent variable. Alternatively, if the p-value of the t-test exceeds 5%, or if the computed t-value is lower than the tabulated t-value, it is deemed to be statistically insignificant. This implies that, to some extent, the independent variable does not influence the dependent variable.

The F-test is used to evaluate the collective impact of the independent factors on the dependent variable. This test entails comparing the computed F-value with the predetermined F-value. The formula utilised to derive the computed F-value is as follows:

$$F = \frac{\left(\frac{R^2}{K}\right)}{\left\{(1 - \frac{R^2}{N-K-1})\right\}}$$

Where :
F = Probability Distribution Approach
K = Number of independent variables
R2= Coefficient of determination

Hypotheses:
If $t_{value} > t_{table}$, then H0 is rejected
If $t_{value} < t_{table}$, then H0 is accepted
or
If the significance level > α, then H0 is accepted
If the significance level < α, then H0 is accepted

A significance level of less than 5% or a calculated F-value greater than the tabulated F-value indicates statistical significance. Consequently, the combined independent variables exert influence on the dependent variable. Alternatively, if the p-value of the F-test is higher than 5%, or if the computed F-value is lower than the critical F-value, it indicates that the independent factors as a whole do not affect the dependent variable.

Prior to hypothesis testing, an analysis deploying classic regression analysis was performed. In order to interpret the result of hypothesis testing, multiple regression analysis was made operative. The result of SPSS-aided hypothesis testing is presented in the following table.

Table 1. The Results of Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,036	,902		,039	,969
Income Increasing	-,304	,140	-,151	-2,180	,034
Income Decreasing	-,055	,099	-,039	-,550	,585
Profitabilitas	,356	,026	,905	13,608	,000
Kebijakan Deviden	-,002	,014	-,010	-,145	,885

a. Dependent Variable: Value of Company

Table 2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the estimate	Durbin-Watson
1	,910[a]	,828	,814	,47565	1,854

a. Predictors: (Constant), Divident Policy, Income Decreasing, Profitability, Income Increasing
b. Dependent Variable: Value of Company

Table 3. ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1,470,799	4	367,700	59,995	,000[a]
Residual	306,443	50	6,129		
Total	1,777,241	54			

a. Predictors: (Constant), Divident Policy, Income Decreasing, Profitability, *Income Increasing*
b. Dependent Variable: Value of Company

1.4 Findings and Interpretation

1) The Influence of Income Increasing on Company Value

Referring to partial test result (t-count), the influence of income increasing on the company value was marked by regression coefficient of -0,304 with the probability of significance level reaching 0,034, slightly lower than expected value (0,05). The first hypothesis test generated coefficient value of -0,304 < 0. As such, the study concluded that income increasing which was proxied by Discretionary Accruals posed significant negative impact on the company value, implying that the first hypothesis was turned down.

Earnings management manifested an attempt to manage company's profit as expected by certain parties, especially the managerial ones Peter O. & Edirin J, (2022). The earnings management aims at showing to stockholders how company progresses, which will eventually affect its stock price and increase the company value. Notwithstanding, as profit management denotes an attempt to escalate or decline profit by choosing certain accounting policy by management, which is subjective in nature, earnings management, especially in the long run, will reduce the company value, as revealed in the study.

According to agency theory, agency relation can spark interest conflict between investors and managers (agents). A contract is then agreed upon in the light for minimizing the conflict. The research findings evinced that profit management through income increasing, which can be performed by manager, will not result in advantageous outcomes, which subsequently give rise to company value, as mirrored by the company's stock price. As a result, the objectives onto which managerial parties and investors are bound may be different, leading to agency conflicts literally unavoidable in the company. Management parties will put investors at disadvantage by carrying out unethical deeds and performing accounting frauds.

In this study, it is assumed that the sharp increase in profit during certain short period fundamentally declines the quality of reported profit. Poor quality of reported profit may result from the agency conflict occurring in the company. The praxis of income increasing in fact makes reported profit show only partial managerial performance. Reported profit is therefore tainted with quality issues, which is basically disadvantageous to both investors and company inasmuch as this has sound relation with the company value represented by its stock price involved in transaction.

The findings of present study are in line with studies conducted by Abu Alia & Barham, (2022) and Tulcanaza-Prieto & Lee, (2022). These studies reveal that earnings management pose negative bearing impact on company value. Nevertheless, these findings are in contrast to those in studies done by Enomoto et al., (2015) and Nguyen et al., (2023). They point out that profit management bears positive influence on company value.

2) The Influence of Income Decreasing on Company Value

Referring to the result of partial test (t-count), the influence of income decreasing on company value generated a coefficient regression of -0,055, coupled with significance probability of 0,585, which was higher than expected significance (0,05). The second hypothesis test indicated coefficient of -0,055 < 0. Therefore, the study concluded that Income Decreasing proxied by Discretionary Accruals posed negative influence on the values of companies registered in Indonesia Stock Exchange during 2018-2022 period, directly rejecting the second hypothesis.

Earnings management is an action to manage company profits which occur during a certain period in company's daily activities. Earnings management is performed in order to meet the profit already targeted. So, managers are willing to do anything to achieve the targeted profit. The short-term performance of a company will look good, as indicated by the income statement generated when performing earnings management. However, that will cause future cash flow to decline. In a sense, that can lead to a decrease in company value.

Gill et al (2013) state that when earnings management is performed in order to meet the manager's personal interests, stockholders will be at disadvantage due to the actions taken. Companies which perform earnings management with income decreasing pattern will adversely affect their value. This is due to the decline associated with the earnings information containing opportunistic behaviour, which can harm stockholders. The market will respond to such information as bad news, which causes the decline in stock prices of the companies. By extension, that will lead to the declining value of the companies. The decline in company value means that shareholders' wealth also plummets.

The results of this study are in line with the results of research conducted by Anik et al., (2021) and Gill et al. (2013), which reveal that earnings management has a negative effect on company value. However, the results do not support the results of research conducted by Enomoto et al., (2015) and Nguyen et al., (2023). Their studies contend that earnings management has a positive influence on company value.

3) The Effect of Profitability on Company Value

Based on the result of partial test (t-count), the effect of profitability on company value was marked by regression coefficient of 0.356 with probability of significance level equal to 0.000, smaller than the expected level of significance (0,05). The third hypothesis test indicated coefficient reaching 0,356 > 0. This finding concluded that profitability proxied with Return on Asset posed significant positive effect on the value of manufacturing companies in Indonesia Stock Exchange during 2018-2022 period, implying that the third hypothesis was proved.

Profitability is an indicator of company performance that is considered by investors as a major factor in measuring the rate of return on investment. High profitability shows fine company performance and prospects. The results of this study prove that the profitability projected by Return on Asset bears a positive effect on company value. The influence of profitability on company value is made possible by the positive sentiment of market players (investors) to buy stocks because investors notice a rise in company's net profit at a reasonable amount throughout certain observation year. That gives clear indication of fine company performance to investors.

The present study complies with the concept of signalling theory, which states that when investors receive good information on the performance of a company, investors will take the initiative to buy shares. The more investors who are interested in a stock, the stock price will increase, and rising stock prices as a corollary will give rise to company value.

High profitability will send a positive signal to investors that the company progresses in favourable manner. This is what attracts investors to own shares of the company. High demand for shares will make investors appreciate the value of shares at even greater price than the value recorded on the company's balance sheet. The price associated with the company's share will thus increase, implying another increase in company value. Therefore, profitability bears positive influence on company value. The results of hypothesis testing confirm the results of research conducted by Nguyen T & Nguyen, (2020) and Nurhayati (2013).

4) The Influence of Dividend Policy on Company Value

Based on partial test result (t-count), the influence of dividend policy on company value was indicated by regression coefficient equal to -0,002 with probability of significance level equal to 0,885, higher than expected level of significance (0,05). Hypothesis test four thus evinced coefficient value of -0.002 <0. So, it can be concluded that the dividend policy, which was proxied with the Dividend Pay-out Ratio, negatively affected the value of manufacturing companies in Indonesia Stock Exchange during 2018-2022 period. As a result, the fourth hypothesis was rejected.

Increasing the value of dividend is not always followed by an increase in corporate value. This is because the value of a company is determined solely by the company's ability to generate profits from its assets or investment policy. Companies may share dividends if their earnings can cover the shortage of external funding sources. Most companies share dividends at a constant rate on a yearly basis. This is because some companies have determined how much their dividend payout policy is.

The dividend policy which negatively affects company value were stipulated because the samples in this study were companies which all shared dividends during the study, whereby the source of the dividend share could result from retained earnings, not entirely from the company's performance in the very period. This condition resulted in dividend policy actually lowering the company value. Moreover, the dividend share was associated with conflict of interest between management parties and stockholders, and the only parties who fully understood the intent of dividend distribution were those involved in management.

The results of this study are in line with the results of research conducted by Nguyen T & Nguyen, (2020) and Nurhayati (2013), yet these results differ from those in the research conducted by (Wijaya et al., 2023) and Suteja et al., (2023). The present study also supports the theory put forward by Miller and Modligiani, which states that the dividend policy does not affect company value because the dividend pay-out ratio is only a detail and does not affect the welfare of stockholders.

5) The Simultaneous Influence of Income Increasing, Income Decreasing, Profitabilitas, dan Dividend Policy on Company Value

Based on the simultaneous test results, the data show that the value of F-count is 59.995 with a significance of 0.000. When compared to the expected level of significance of 5%, the significance of F-count is smaller than the expected level of significance (0% <5%). Thus, income increasing, income decreasing, profitability, and dividend policy simultaneously have a positive effect on company value. This has evinced that the fifth hypothesis is accepted.

High profitability level by a company will affect the implementation of earnings management (income increasing and income decreasing). In this regard, the higher return on asset indicates that the assets owned by the company are used as much as possible so as to gain profit. When the profit generated by the company during one period is very high, the possibility of profit decline in the next period increases. This is supported by the bonus-plan hypothesis described in positive accounting theory, claiming that when a company earns a higher profit well above the amount required to meet bonus requirement, then the manager will report the excess of earnings as profit in the next period.

In addition, the companies do not want see any decline in the investors' interest in buying their shares. Gordon (1964) states that shareholders' satisfaction will increase along with stable corporate earnings (Tulcanaza-Prieto & Lee, 2022). In order to avoid the lack of investors' interest in a company's stock, the company possessing high profitability tends to carry out earnings management by performing income increasing or income decreasing.

The existence of profit management action characterized by either income increasing or income decreasing results from the level of profitability. This also raises company value. This is because investors will see that the company's performance has achieved satisfactory results, which are marked by a stable or reasonable increase in its profit.

Earnings management, which lead to the stability of company profits, will also affect the company's dividend policy. Given the stability of company profits, the company can set dividend payment rate confidently and signal the quality of their profits. Dividend payout can create the impression that the company has good prospects. If the company announces an increase in dividends, then investors will consider the current and future conditions of the company relatively good, and vice versa. On the other hand, the addition of dividend strengthens the company's position to seek additional funds from the capital market, so that the company's performance is monitored by a monitoring team. This monitoring encourages managers to maintain the quality of performance, and this action will eventually mitigate agency conflicts.

All in all, the level of profitability, the action of earnings management including income increasing or income decreasing, and also dividend policies altogether will increase company value. Such increase is very likely to take place because the information from the financial statements are good and reliable. Information from these good financial statements will intrigue investors. This is consistent with the signaling theory, which states that when an investor receives good information on a company's performance, the investor will be interested in buying its shares. The investors' interest will eventually give rise to the company's value.

II. CONCLUSION

Based on the data collected and the tests conducted on the companies under investigation, the present study has drawn several conclusions. First, income increasing, which is proxied by Discretionary Accruals, poses significant negative effect on the value of manufacturing companies listed in Indonesia Stock Exchange during 2018-2022 period. Also, income decreasing, which is proxied by Discretionary Accruals, is proven negatively influential to the value of manufacturing companies listed in Indonesia Stock Exchange during 2018-2022 period. Thirdly, the study reveals that profitability, which is proxied with Return On Asset, bears significant positive effect on the value of manufacturing companies listed in Indonesia Stock Exchange during 2018-2022 period. Concerning dividend policy proxied by the dividend payout ratio, the study reveals no significant negative effect on the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2018-2022 period. Lastly, in simultaneous fashion, the study notices positive effect of earnings management with income increasing and income decreasing, profitability, and dividend policy on the value of manufacturing companies listed on the Indonesia Stock Exchange in during 2018-2022 period.

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