Terbit online pada laman web jurnal: **http:// https://journal.isas.or.id/index.php/JAA**

JOURNAL OF APPLIED ACCOUNTING (JAA)

Vol. 02 No. 01 (2023) 01 - 06 ISSN Online: 2830-0149

Economic Growth Of Manufacturing Companies: Long-Term Debt, Pre-Tax Foreign Income, And Earning Management

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Abstract

The objective of this research is to find evidence of Long-Term Debt, Pre-Tax Foreign Income, and Earnings Management on Economic Growth. The data used are manufacturing companies listed on the Indonesia Stock Exchange from 2015-2018. This study's sample was selected using purposive sampling criteria and 12 manufacturing companies. This study uses a panel regression model with the Eviews version 10. This study found that the variable of Long-Term Debt (LTD) has a positive effect, Pre-Tax Foreign Income (PRTX), and Earnings Management (EM) have no effect on Economic Growth (EP). Research contribution gives academics, financial statement users, and regulatory bodies additional literature that Long-Term Debt (LTD) is a component that has a positive impact on Economic Growth (EP).

Keywords: Long Term Debt, Pre-Tax Foreign Income, Earnings Management, Economic Growth.

Abstrak

Penelitian ini bertujuan untuk mengkaji pengaruh Utang Jangka Panjang, Pendapatan Luar Negeri Pra-Pajak, dan Pengelolaan Pendapatan terhadap Kinerja Ekonomi. Data yang digunakan adalah perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia periode 2015-2018. Sampel penelitian ini dipilih dengan menggunakan kriteria purposive sampling dan 12 perusahaan manufaktur. Penelitian ini menggunakan model regresi panel dengan Eviews versi 10. Penelitian ini menemukan bahwa variabel Long-Term Debt (LTD) memiliki efek positif, Pre-Tax Foreign Income (PRTX) dan Earnings Management (EM) tidak berpengaruh terhadap Economic Growth (EP). Kontribusi dari penelitian ini adalah memberikan literatur bagi akademisi, pengguna laporan keuangan, dan regulasi bahwa Hutang Jangka Panjang (LTD) adalah komponen positif yang mempengaruhi Kinerja Ekonomi.

Kata kunci: Utang Jangka Panjang, Pendapatan Asing Sebelum Pajak dan Manajemen Laba, Kinerja Ekonomi.Diterima

I. INTRODUCTION

In the current era of trade progress, Indonesia is one of the densely populated countries with the country's economies of scale that have been so developed and its involvement in global trade and investment is still limited. The potential that arises is that Indonesia can be included in the middle-income country and what is a hindrance factor in the future is the external side in the form of export Growth of commodities owned (INDEF, 2017).

Furthermore, economic development is a process of increasing total and maximum income, per capita income of the population by calculating the increase in population accompanied by fundamental changes in the economic structure of a country and income distribution for the population in the long term. Developing countries usually face three main challenges in economic development. The three problems include the inequality of economic development in all regions, economic disparities, and index. The development carried out and sustainable in various sectors so far has not been able to overcome the welfare of the community. The development carried out in each sector is also still uneven and has not fulfilled the needs of the community. It can be seen that until now the problem of inequality in income distribution has not been handled properly. On the other hand, the increasing number of developments has resulted in an increase in the series of income inequality in this country. The high concentration of sectors of economic activity in certain areas is part of the factors that cause development inequality between regions (Putri, D. T., Azwardi, A., Taufiq Marwa, & Andaiyani, S. (2018).

A company is considered an organization capable of providing great benefits to the parties involved and the social community. This gives the company the power to move freely in running its business. In economic terms, the main goal of the enterprise main goal maximum possible profit. Therefore, a good planning system is needed to be able to predict the company's economic Growth. In general, the investor community who will start investing first makes observations and assessments of the company to be selected by continuing to monitor the financial statements of companies that have become public. Based on the results of these financial statements, the company's Growth in carrying out a business activity can be seen, first makes observations and assessments of the company to be selected by continuing to monitor the financial statements of companies that have become public. Based on the results of these financial statements, the company's Growth in carrying out a business activity can be seen, first makes observations and assessments of the company to be selected by continuing to monitor the financial statements of companies that have become public. Based on the results of these financial statements, the company's Growth in carrying out a business activity can be seen, the first make observations and assessments of the company to be selected by continuing to monitor the financial statements of companies that have become public.

Based on the results of these financial statements, the company's Growth in carrying out a business activity can be seen, first makes observations and assessments of the company to be selected by continuing to monitor the financial statements of companies that have become public. Based on the results of these financial statements, the company's Growth in carrying out a business activity can be seen as the company's ability to utilize its business activities efficiently and effectively (Arista, 2012). The company's relative economic Growth will change over time and occur in a similar or non-similar industrial group and is characterized by the onset of annual return, occurring in a similar or non-similar industrial group.The financial results of the company, or financial results, is a picture of the situation of the company, which is analyzed financially so that it is known whether the financial condition of the company is good, that it is known whether the financial condition of the company is good . the financial situation of the company is good, to find out if the financial situation of the company is good, to know if the financial situation of the company is good, how to know if the financial situation of the company is good, to be able to know, to to know if the financial situation of the company is good. financial situation is good is good or bad that reflects the financial Growth of the company during a period. (Tristianasari, 2014).

A capital market is a useful place for investors to invest. The current era of globalization is demanded by investors to be more rational in making investments. Rational investors will conduct various analyses of investment decisions in a company. This analysis is carried out through fundamental analysis as well as technical analysis. Fundamental analysis uses information derived from the expected interest rate, profit movements, and dividend prospects that determine the price (return) of stocks (Dewi, Putu, & Sukartha, 2015).

One of the factors that can affect economic Growth is a long-term debt which is one way to measure and describe the extent to which the company can manage long-term debt and can be covered by the company's total assets. The lower the debt owned, the higher the company's ability to pay long-term company obligations (Wibowo, 2016). The company is developing a business to achieve optimal profits and maintain business survival certainly cannot be separated from the role of management in managing company assets. Each company in carrying out its operations is always directed to achieve several goals that have been set before, including achieving good economic Growth from the company's ability to manage long-term debt and the amount of asset value that can cover the long-term debt if the company goes bankrupt.

Several previous studies on related variables still showed mixed results, including long-term debt, which is a long-term debt that can be covered by company assets. The lower the ratio, the higher the company's ability to meet its long-term obligations. This affects the company's economic Growth in carrying out company activities and the company's ability to generate sources of funds to reduce long-term liabilities that arise from past activities (Wibowo, 2016). The next factor that is suspected of influencing economic Growth is pre-tax foreign income or also known as foreign income which is the result of sales activities carried out by a company that has not been subject to tax rates in its reporting. This sales activity can take various forms, one of which is export activities. Export activities make their contribution to state revenue, in other words, being a source for state activities in the form of taxes from national and international sales.

Meanwhile, for foreign income obtained from overseas sales activities, the results are only intended for companies that carry out international sales activities. If foreign income decreases, the company cannot provide maximum stock returns for investors which results in the company's Growth also declining. Foreign income is very influential for companies that rely on overseas sales as the company's main income. Low foreign income has an impact on the low level of certainty in generating foreign receipts for the company. That way, investors will doubt the ability of the company's Growth in carrying out economic activities including exports (Dewata & Swara, 2013). Pre-Tax Foreign Income is a decision in carrying out tax aggressiveness is an action that aims to engineer taxable profits through tax planning either using legal (tax avoidance) or illegal (tax evasion) methods. Foreign income is part of tax aggressiveness where income has not been deducted by obligations to the state, namely taxes. If the reporting is not appropriate and tends to carry out tax aggressiveness then this foreign income before tax becomes irrelevant in the final reporting later. The relevance and validity of financial statements determine the level of Growth of the company in each period (Danielle Higgins, Thomas C. Omer, John D. Phillips, 2011).

The next factor that is suspected to influence economic Growth is profit management. Earning management arises when managers use certain decisions in financial reporting and change transactions to change financial statements misleading stakeholders who want to know the economic Growth obtained by the company or to influence the results of contracts that use accounting figures to report. The freedom of managers to choose and use accounting standards and the lack of stakeholder ignorance of the information disclosed in preparing financial statements can encourage the opportunistic behavior of a manager. This is due to the information gap between managers and stakeholders. Earning management adds a bias to financial statements and can interfere with users of financial statements who trust the engineered profit figures (Mada, Setiawati, & Na'im, 2000). Earning management is exceedingly difficult to detect.

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Literature review, empirical studies, and academics are all used in this study. Long-term debt, Pre-Tax Foreign Income, and Earnings Management are well established to have a favorable impact on a company's financial Growth, particularly positive consumer perceptions, which lead to greater sales and profits. This study differs from the previous one that the subject of research and the independent variable used corporate social responsibility. The research is also expected to make some theoretical contributions for academic use. For starters, while prior studies concentrated on the industrial and manufacturing sectors, this study focused on green industry businesses. Second, a better knowledge of the link between green accounting and financial Growth, as well as the importance of analysis in long-term growth. Third, the research examines the role of financial success in enhancing long-term sustainability.

THEORETICAL REVIEW

Stewardship Theory. Stewardship Theory explains that the situation of managers is not motivated by individual goals but is shown in their main outcome goals for the benefit of the organization (Donaldson & Davis, 1991). The relationship that arises, in this case, is the existence of a relationship between each other. Stewardship theory which has a relationship with pre-tax foreign income or foreign income before tax were based on the theory presented that managers are not motivated by individual goals but are more indicated on the main target for the benefit of the organization so that in its reporting foreign income before tax will still be reported following existing policies without reducing the level of investor confidence regarding the return on shares to be obtained. Cossin et al. (2015) described the characteristic of stewardship orientation based on the relation, corporate purpose, and commitment to organizational goals. The basis for relation is trust, with a purpose beyond profit (intrinsic), and organizational commitment is high value. This is relevant to sharia bank. The basis for the relationship between sharia banks and customers is mutual trust strengthened by religious doctrines. Sharia banks perform on the basis of Islam principles oriented to the profit, the sharing in an agreed ratio, not the benchmarks of the interest-based system and sharing system depending on Growths (Budisantoso and Nuritomo, 2014).

Positive Accounting Theory. The development of positive theory cannot be explained by Positive accounting theory trying to understand how accounting practices are used by accountants in different situations and by different companies. To answer the origin of the concept of economic consequences, it is introduced a theory that is positive accounting theory. that the rationale for analyzing accounting theory in a normative approach is too simple and does not provide a solid theoretical basis. There are three fundamental reasons for the shift from normative to positive approaches, namely (Watt and Zimmerman, 1986). Another relationship is in the theory of positive accounting with long-term debt and economic Growth which lies in management's efforts to show the company's ability to source funds and company Growth shown to stakeholders. This is emphasized to provide satisfactory results and increase the credibility of the company even though some sources of funds obtained must be from debt within a certain period. In this theory, it is explained that the existence of activities to forecast and give answers to any accounting practice is the main goal of an enterprise and management in it in the policies that will be made and set (Wibowo, 2016).

Agency Theory. Healy (1985), states that two approaches can be used to detect earnings management behavior. First, controlling the type of accrual, where accrual is broadly defined as the portion of revenue and expenses on the income statement that is not represented by cash flows; and second, changes in accounting policies. Furthermore, (Healy, 1985) states that discretionary accruals are used as a total proxy for accruals. The assumption used is that non-discretionary accruals are small relative to discretionary accruals, so the total high accruals contain high discretionary accruals. The total accrual can be calculated in two ways. First, it calculates the changes in each balance sheet account that are the subject of accruals; and second, calculates the difference between net income and cash flow. If there is no agency cost, then there is a possibility that the manager will not take actions that are in the interests of the shareholders and it is possible that the shareholders will be able to lose some of the assets they will receive (Lubis, A.F & Putra, 2012).

Economic Growth. An overview of the condition of an enterprise that is analyzed with financial analysis tools so that it can be known the good and bad economic situation of an enterprise reflects economic Growth in a certain period (Tristianasari, 2014). This is important so that resources can be used optimally in the face of environmental changes. Economic Growth will then be disclosed in the form of the company's financial statements. Market economy accompanied by the realization of good economic Growth conditions, not only demands the creation of an economic Growth that is economically efficient and generates large profits for the company but also needs to be accompanied by quality economic Growth behavior. The economic Growth of a company is needed as a tool to measure the financial health of a company (Tristianasari, 2014).

Long-Term Debt. Long-term debt is the debt of the present company arising from past events, the settlement of which is expected to result in an outflow of the company's resources containing economic benefits. Just as long-term debt consists of the sacrifice of economic benefits that are highly likely in the future due to current liabilities that are not paid in one year or one cycle of the company's operation. The lower the debt it has, the higher the company's ability to pay long-term corporate obligations. Bond debt, long-term money orders, mortgage debt, pension obligations, and lease obligations are examples of long-term obligations. The long-term debt ratio will reflect the company's financing deficit; In market timing, the debt ratio is inversely proportional to the historical average market-to-book ratio. The long-term debt ratio is calculated by long-term debt divided by total assets. Long-term debt is one of the debt products whose payment or repayment is given a fairly long deadline asserts long-term debt is in the form of bonds sold publicly in financial markets or placed privately with large financial institutions, the securities of debt and publicly issued equity require higher transaction costs (Wibowo, 2016).

Pre-Tax Foreign Income. In this report, the foreign income obtained has not been considered an obligation to the state, namely in the form of taxes that must be paid. At this stage, the company's Growth will experience a decrease in potential economic Growth due to the company's low ability to obtain income, especially receipts from overseas sales activities generated in the form of foreign income. The other side of this is the changing perspective of investors to be able to invest in the future. This is also related to the burden that will later become a burden for the company, namely taxes. The tax that should be paid will be a deduction for profits for the company so some companies will carry out several strategies in the form of reducing taxes. This action is called the tax aggressiveness strategy (Higgins, Omer, & Phillips, 2011).Defenders seemingly should focus on tax minimization due to their cost leadership strategy. Their ability to minimize income tax expense, however, is limited because their set of tax planning opportunities is reduced due to their aversion to risk. Specifically, the uncertainty inherent in pursuing new product and geographic markets limits their tax planning opportunities and thus constrains their ability to minimize income taxes. Moreover, their aversion to risk and uncertainty also suggests that given the set of tax opportunities available, they would avoid tax less aggressively. Similarly, because their products have viable substitutes, Defenders could incur reputation costs associated with being publicly identified as having invested in tax shelters or locating foreign activity in tax haven countries. In sum, despite their focus on cost minimization, Defenders have other characteristics that potentially diminish their focus on tax avoidance (Higgins, Omer, & Phillips, 2011).

Earning Management. Earning management is management's intervention in the process of external financial reporting to benefit itself. Earning itself is one of the factors that can reduce the credibility of financial statements. Earning management adds a bias to financial statements and can interfere with users of financial statements and can interfere with users of financial statements who believe the engineering profit figure is a profit figure without engineering (Lilis and Ainun, 2000). Earnings management is done by affecting total accruals and discretionary accruals and the accruals are associated with earnings manipulation (Mada, Setiawati, & Na'im, 2000). Another study examined the effect of earnings management in the context of family-owned enterprises. The results showed that there was a relationship between earnings management and economic Growth. Companies experiencing financial distress tended to carry out earnings management. The motivation of managers to do earnings management was to encourage lenders to agree to debt rescheduling. In public companies listed on the Indonesia Stock Exchange, financial distress had a positive and significant effect on earnings management. Companies that experience a decline in financial conditions will tend to carry out earning management (Lilis and Ainun, 2000).

Based on the formulation of the problem, theoretical foundations, and previous research, the hypotheses in this study include:

The Influence of Long-Term Debt (LTD) on Economic Growth

Long-term debt is an overview and benchmark of the extent to which the company can manage long-term debt and can be covered by the company's total assets. The lower the debt owned, the higher the company's ability to pay long-term company obligations. Long-term debt is also a measuring ratio of how much long-term loan funds are used by companies (Wibowo, 2016). Long-term debt is needed by a company to fund the company's operational activities. The main goal of the company itself is to obtain the optimal profit possible to provide welfare for the interests of shareholders in the form of maximizing the value of stock returns (Tristianasari, 2014). Thus, H1 in this study is as follows:

H1: Long-Term Debt (LTD) has a positive effect on Economic Growth

The Influence of Pre-Tax Foreign Income (PRTX) on Economic Growth

Foreign income before tax is categorized as gross income because it has not been deducted from the company's obligations, especially to the state, namely taxes. This foreign income is obtained from several activities, one of which is buying and selling to other countries or commonly referred to as exports (Dewata & Swara, 2013). Exports have contributed to the company's Growth activities, especially in building the company's image in the eyes of investors as well as introducing domestic products out. Nowadays, companies abroad are perched with their super abilities. Therefore, it is hoped that this export activity will be a trigger to be able to generate higher foreign income (Shopia & Sulasmiyati, 2018). Thus, H2 in this study is as follows:

H2: Pre-Tax Foreign Income (PRTX) positively affects Economic Growth

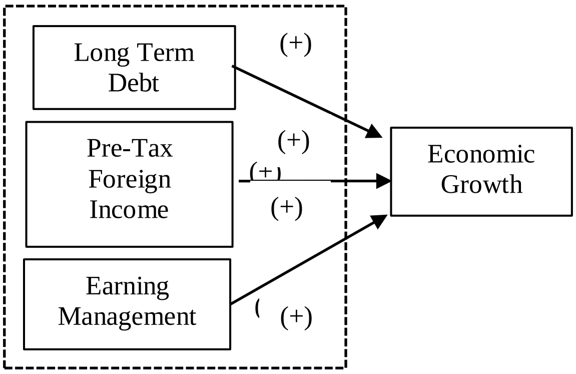
The Influence of Earning Management (EM) on Economic Growth

Earning management arises when managers use certain decisions in financial reporting and change transactions to change financial statements misleading stakeholders who want to know the economic Growth that the company has obtained or to report. Earning management is one of the factors that can reduce the credibility of financial statements. Accounting information is useful for investors and creditors (as well as other parties interested in the company) to assess the company and make investment decisions. Invalid accounting information can cause investors to make wrong decisions and misplace funds (Mada, Setiawati, & Na'im, 2000). Thus, H3 in this study is as follows:

H3: Earning Management (EM) has a positive effect on Economic Growth.

The following research model (Figure 1) is established based on the previous studies and hypotheses constructed.

Figure 1



METHOD

Population and Sample. The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2018 period. The manufacturing industry is one of the driving industries of the Indonesian economy, which consists of several sectors, namely the consumer goods sector, basic and chemical sectors, and various industries. The sampling method used in this study is purposive sampling, which is a technique where the sample will be used as an object in the study that only meets the predetermined criteria (Eksandy, 2018). The samples obtained were 12 sample companies with a period of 4 years so the number of data used in this study was 48 observational data. The research is based on quantitative data and uses explanatory research strategies. Explanatory studies seek to find out the magnitude of the interrelationships and implications of dependent variables (Ghozali, 2016). Explanatory research, on the other hand, aims to explain the relationships between variables to test research hypotheses and explain findings of the occurrence of the phenomenon under study.

Dependent Variables. Dependent variables are variables that are of primary concern to researchers (Sekaran, 2003). This variable will be affected by other variables. In this study, the dependent variable used was Economic Growth (EP). Market economy accompanied by the realization of good economic Growth conditions, not only demands the creation of an economic Growth that is economically efficient and generates large profits for the company but also needs to be accompanied by quality economic Growth behavior.

The economic Growth of a company is needed as a tool to measure the financial health of a company (Tristianasari, 2014).

Economic Growth can be measured by the calculation of Almilia & Wijayanto (2007), as follows.

$$E_!P = \frac{(P_1 - p_\#) + Div}{P\#} - MeRI$$

Information:

EcP = Economic Growth

P1 = Year-End Share Price

P0 = Previous Year's Share

PriceDiv = Dividend distribution

MeRi = Median Industrial Return (Industrial Return or stock return calculated from the closing price of the current year's shares taken by the closing price of the previous year's shares divided by the closing price of the previous year's shares).

Independent Variables. Independent variables are variables that affect dependent variables (Eksandy, 2018). The independent variables in this study are as follows:

Long-Term Debt (LTD). Long-term debt is the debt of the present company arising from past events, the settlement of which is expected to result in an outflow of the company's resources containing economic benefits. Long-term debt consists of the sacrifice of economic benefits that are highly likely in the future due to current liabilities that are not paid in one year or one cycle of the company's operation. The lower the debt owned by the company, the higher the company's ability to pay long-term company obligations (Wibowo, 2016). In this study, it was shown by the formula of Wibowo (2016), as follows:

$$LTD = \frac{\text{Long Term Debt}}{\text{Total Assets}}$$

Information:

Long-term debt: Long-term debt

Total Assets: Total assets

Pre-Tax Foreign Income (PRTX). Pre-tax foreign income or also known as foreign income is the result of sales activities carried out by a company that has not been subject to tax rates in its reporting. A company's balance of payments can be said to be good if there is an excess of trade and investment surpluses obtained from export activities compared to the obligations that must be paid to the state. In this study it was shown by the formula Higgins et al. (2011), as follows:

$$\textit{Pre-Tax Foreign Income} = \frac{\text{Pendapatan luar negeri sebelum pajak}}{\text{Pendapatan sebelum pajak}}$$

Earning Management (EM). In (Stubben, 2010) explained that the discretionary revenue model is better able to overcome biases in earning management measurements compared to discretionary accruals. This is because the discretionary accrual model receives a lot of criticism due to the bias of interference with errors in estimating the discretion of managers. In this study, it is shown by the following formulas:

Information:

AR : Year-end receivables

R : Annual revenue

$$\Delta ARit = \alpha + \beta 1\, \Delta Rit + \beta 2\, \Delta Rit \times SIZEit + \beta 3\, \Delta rit \times AGEit + \beta 4\, \Delta rit \times AGE\_Sqit + \beta 5\, \Delta rit \times GRR\_Pit + \beta 6\, \Delta rit \times GRR\_Nit + \beta 7\, \Delta rit \times GRMit + \beta 8\, \Delta Rit \times GRM\_SQit + \varepsilon it$$

SIZE : Natural log of total assets at the end of the year

GRR_P : Natural log age of the company

GRR_N : Industry median adjusted revenue growth (= 0 if negative)

SQ : Industry median adjusted gross margin at end of fiscal year b

Δ : Annual Change

RESULT AND DISCUSSION

In determining the best model to be used to analyze the results of panel data processing, it is necessary to carry out three Chow Tests, Hausman Test, and Lagrange Multiplier Test as follows:

Table 1. Chow Test

Redundant Fixed Effects Tests Equation: EQ02 Test cross-section fixed effects			
Effects Test	Statistics	d.f.	Prob.
Cross-section F	7.615636	(11,33)	0.0000
Cross-section Chi-square	60.658354	11	0.0000

Based on table 1 above, the p-value cross-section F and the p-value cross-section chi-square (0.0000) and (0.0000) < α (0.05). Then H0 is rejected, which means that the fixed effect model (FEM) is better used in estimating panel data regression than the common effectmodel (CEM).

Table 2. Hausman Test

Correlated Random Effects - Hausman Test Equation: EQ03 Test cross-section random effects			
Test Summary	Chi-Sq. Statistics	Chi-Sq. d.f.	Prob.
Cross-section random	4.180790	3	0.2426

Based on table 2 above, the probability value of the random cross-section (0.2426) > α (0.05). Then H0 is accepted, which means that the Random Effect Model (REM) is better used in estimating the regression of panel data than the Fixed Effect Model (FEM).

Table 3. Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects Null hypotheses: No effects Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	14.35844 (0.0002)	0.002490 (0.9602)	14.36094 (0.0002)

Based on table 3 above, the probability value of the Breusch-pagan cross-section (0.0002) < α (0.05). Then H0 is rejected which means that the Random Effect Model (REM) is better used in estimating the regression of panel data than the Common EffectModel (CEM).

Table 4. Panel Data Regression Model Conclusion

Method	Testing	Result
Chow Test	CEM vs FEM	FEM
Hausman Test	REM vs FEM	BRAKE
Lagrange Multiplier Test	CEM vs REM	BRAKE

Based on the results of the three tests that have been carried out, it can be concluded that the panel data regression model that will be used in hypothesis testing and panel data regression equations is the Random Effect Model (REM) model.

Table 5. Test f (Model Feasibility)

R-squared	0.236860	Mean dependent var	6.199408
Adjusted R-squared	0.184827	S.D. dependent var	0.974288
S.E. of regression	0.879655	Sum squared resid	34.04688
F-statistics	4.552164	Durbin-Watson stat	1.420103
Prob(F-statistics)	0.007299		

Based on table 5 above, it shows that the value of F-statistic is 4.522164, while F Table with the rate of α = 5%, df1 (k-1) = 3 and df2 (n-k) = 44 gets the value of F Table of 2.82. Thus F-statistics (4.522164) > F Table (2.82) and Prob value (F-statistic) 0.007299 < 0.05 it can be concluded that Ha is accepted, which means that the independent variables in this study consisting of long-term debt, pre-tax foreign income and earning management together influence economic Growth

Table 6. Adjusted R-squared

R-squared	0.236860	Mean dependent var	6.199408
Adjusted R-squared	0.184827	S.D. dependent var	0.974288
S.E. of regression	0.879655	Sum squared resid	34.04688
F-statistics	4.552164	Durbin-Watson stat	1.420103
Prob(F-statistics)	0.007299		

Based on table 6 above, shows that the Adjusted R-squared value is 0.184827, meaning that the variation in changes in the rise and fall of profit quality can be explained by long-term debt, pre-tax foreign income, and earning management of 18% while the remaining 82% is explained by other variables that were not studied in this study.

Table 7. T-test

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	17.16693	0.481961	35.61894	0.0000
LTD.	11.03388	3.150661	3.502086	0.0011
PRTX	-0.149244	0.778810	-0.191630	0.8489
MJ	-2.942281	2.421855	-1.214887	0.2309

Based on the table above shows that:

1. The t-statistical value of long-term debt (LTD) is 3.502086, while t Table with a rate of α =5%, df (n-k) = 44 is obtained table t value of 2.01537. Thus, the t-statistic long-term debt (LTD) (3.502086) < t Table (2.01537) and the Prob value. 0.0011 < 0.05, it can be concluded that the long-term debt variable in this study affects economic Growth. Thus, H1 in the study was accepted.
2. The t-statistical value of pre-tax foreign income (PRTX) is –0.191630, while t Table with a rate of α = 5%, df (n-k) = 44 is obtained the value of t Table of 2.01537. Thus, the t-statisticquality of internal auditors (PRTX) (–0.191630) > t Table (2.01537) and the value of Prob.0.8489 > 0.05, it can be concluded that the pre-tax foreign income variable in this study does not influence economic Growth. Thus, H2 in the study was rejected.
3. The value of earning management (EM) t-statistics is -1.214887, while t Table with a rate of α = 5%, df (n-k) = 44 is obtained table t value of 2.01537. Thus t- earning management (EM) (-1.214887) < t Table (2.01537) and Prob values. 0.2309 > 0.05, it was concluded that the earning management variables in this study did not affect economic Growth. Thus, H3 in the study was rejected.

The Influence of Long-Term Debt (LTD) on Economic Growth

The variable long-term debt is proxied by calculating the total amount of long-term debt and the total assets of the manufacturing company that has a Prob value. (0.0011) > the significance level (0.05) and t-statistic (-0.131425) < t Table (2.01537), thus H1 is accepted which means that long-term debt affects economic Growth. With this result, it can be stated that the high - low long-term debt has an influence on the Growth of the company in a certain period. Long-term debt is a company's way of measuring the company's ability to manage long-term debt and can be covered by the company's total assets. This is in with the theory of positive accounting. Because the lower the debt owned, the higher the company's ability to pay long-term company obligations. This result is in following the hypothesis proposed that long-term debt has a relationship between agency, management with management debt issues often only report one amount on the balance sheet and back it up with some information and a guaranteed schedule for the debt. Long-term debt maturing in one year should be reported as a current obligation unless the withdrawal is met with assets other than current assets. Disclosure of future payments for the need for repayment funds and the amount of maturity of long-term debt for the next 5 years. This result is similar to study by Mar'ati, F., & Darsono, D. (2023) that the companies which is make a profit from long-term debt will increase their company debt. If the company's Growth ability is good and can return its long-term obligations, creditors will be interested in providing loans because they see an elevated level of profit.

The Influence of Pre-Tax Foreign Income (PRTX) on Economic Growth

The variable of pre-tax foreign income, which is proxied by the calculation of the amount of foreign income before tax with pre-tax income obtained in a company in the annual report, pre-tax foreign income has a Prob value. 0.8489 > the significance (0.05) and t-statistic(-0.191630) < t Table (2.03693), thus H2 is rejected which means that pre-tax foreign income does not affect economic Growth. Pre-tax foreign income is income generated from export activities carried out by the company. Companies that consistently carry out export activities are special criteria for finding the value of pre-tax foreign income. Export activities are the door to national trade with international countries that generate foreign income. This result is inconsistent with the hypothesis proposed that pre-tax foreign income has a relationship to the stewardship theory which states that the theoretical basis presented is that managers are not motivated toward individual goals but are more demonstrated on the main target for the benefit of the organization so that in its reporting foreign income before tax will still be reported by existing policies without reducing the level of investor confidence regarding the return that will be Retrieved (Higgins, Omer, & Phillips, 2011).

The Influence of Earning Management (EM) on Economic Growth

Earning management variables are proxied with several calculation items such as changes in opinion, changes in receivables, company age, company size, growth in revenue, and gross margin. Data for the calculation of some of these items are obtained from the annual report of the sample company. Earning management has a Prob value. 0.2309 > the significance level (0.05) and t-statistic (-1.214887) < t Table (2.03693), thus H3 is rejected which means that earning management does not affect economic Growth. The financial statements prepared by the company cannot be avoided and there is still an opportunity for management to carry out earning management practices within the limits of the provisions regulated in the Financial Accounting Standards (SAK). The absence of earning management is possible because many managers' goals are to carry out earning management for tax savings and getting bonuses. This is the main purpose of managers to carry out earning management with the goal of impro with the quality of profits. This is in line with the theory of the agency which is based on three assumptions, one of which is the assumption of human nature which sometimes prioritizes self-interest. That all individuals act in their interests, and the makers of financial statements have a responsibility to maximize the profits obtained from the company, but on the other hand, managers have the right to prosper themselves. This result is similar to study by Mada, Setiawati, & Na'im, (2000), they state that the encourages irregularities in the financial statements presented to the owner of the company so that managers are judged to be performing well and get bonuses to meet their interests.

CONCLUSION

The purpose of this study was to test the influence long term debt, pre-tax foreign income, and earning management on economic Growth. This study used 12 samples of manufacturing companies listed on the Indonesia Stock Exchange from the year 2015 until 2018. Based on the results of the analysis and discussion that has been carried out using panel data regression, the following conclusions were obtained:

1. The results of the Regression test showed that Long-Term Debt variable was proven to be accepted and had a positive influence on Economic Growth. This result is proven and answers the formulation of the existing problem that when the company has a high Long Term Debt value, the company's obligations will be higher and will affect the movement of Economic Growth.
2. The results of the Regression test showed that Pre-Tax Foreign variable was not proven to be accepted and had a negatif influence on Economic Growth. is not proven and answers the formulation of the existing problem that when the company applies pre-tax foreign income it will not change a certain value in the financial statements, especially in the income section because it does not affect economic Growth activities.
3. The results of the Panel Data Regression test showed that Earnings management was not proven to be accepted. The Earning management is not proven and answers the formulation of the existing problem that when the company discloses that earning management measurement does not influence economic Growth because earning management is an attitude carried ed out internally by the company so the impact felt is not directly visible on economic Growth.

Limitation. There are several limitations in this study, among others: First, this research is only limited to companies in the manufacturing sector that are listed on the Indonesia Stock Exchange so it does not represent all companies in Indonesia. Second, the research period was only carried out for five years, namely 2015-2018, so the results could not be generalized to the previous year or after.

Suggestions. Based on the limitations described above, there are several suggestions for further research. First, further research is expected to expand the research sample, not only limited to the manufacturing sector but to add samples to all company sectors on the Indonesia Stock Exchange. Second, further research is expected to add a longer period so that it can illustrate the effect of debt on profitability. Third, further research is expected to increase the proxy used on profitability variables such as ROA, ROE, and profit margins.

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