

## THE EFFECT OF THE IMPLEMENTATION OF PSAK 65 ON FINANCIAL PERFORMANCE

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**Abstract:** *This study aims to determine the effect of accounting standards on financial performance in the performance of companies in the manufacturing sector listed on the Indonesia Stock Exchange in 2015-2019. The data used in this study are secondary data. The method in selecting the sample is purposive sampling. The number of samples in this study was 471 companies. Hypothesis testing in this study was carried out using the t statistical test. The data analysis technique used in this study is multiple linear regression analysis and moderated regression analysis using the Statistical Product and Service Solution (SPSS) version 25 for windows data processing software program. The results of this study indicate that accounting standards have a positive and significant effect on financial performance with a correlation value of 0.*

**Keywords:** *accounting standards, financial performance.*

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### 1. Introduction

The performance of the manufacturing industry decreased from 2010 to 2015, this is reflected in data from the central statistics agency. In 2011 it decreased by 6.74 percent when compared to 2010, in 2012 it decreased by 6.40 percent when compared to 2011, in 2013 it decreased by 6.10 percent when compared to 2012, in 2014 it fell again only growing by 5.61 percent when compared to 2013. From 2015 to the third quarter only grew 5.24 percent. The manufacturing industry whose performance decreased, namely the textile industry in 2015 grew 1.21 percent, while in 2014 it grew by 1.32 percent, the basic metal industry in 2015 was 4.21 percent while in 2014 it grew by 11.63 percent, the wood industry and material from wood only grew 0.29 percent in 2015, in 2014 it grew 0.67 percent,

Accounting standards are the operational arrangements of the company including the disclosure of financial information. Accounting standards and tax laws govern the formation and activities of accounting associations that must comply with these laws. The main purpose of accounting standards is to protect the public interest as well as to protect against market failure. To increase investment activities in order to encourage the growth in the financial performance of the manufacturing industry on November 18 2015, the Financial Accounting Standards Board of the Indonesian Institute of Accountants has established PSAK 65 of 2015, in this PSAK 65 of 2015 regulates guidelines for implementing agency and investment measures at fair value (IAI, 2015).

Financial performance is the company's operating profit or the difference between revenue and costs incurred in one accounting period (Asmirantho and Somantri, 2017). The financial

performance indicator in this study uses the value of return on equity (ROE) because of the value of return on equity (ROE). This ratio shows the success of management in maximizing the rate of return on shareholders. Return on equity (ROE) is one of the most important variables that investors look at before they invest. Investors who will buy shares will be attracted by this measure of profitability (Hanafi and Halim, 2012).

This study uses agency theory and corporate governance theory. Agency theory, which is a theory that regulates synergy between the owner (principal) and the manager or manager of the company (agent) in company management, is called agency theory. To reduce agency problems in business activities, the principal must prepare fees called agency fees, bonding fees, and residual loss (Jensen, 1976). Corporate governance explains the principles of activities carried out by principals, agents, lenders, standards, organizational members who work within the company, as well as stakeholders both inside and outside the company (Lukviarman, 2016). Corporate governance emphasizes two things, namely the importance of principal rights and corporate governance.

Research related to the effect of accounting standards on financial performance with positive and significant results, namely: Akgun (2018) stated that accounting standards have a positive and significant effect on financial performance. Research by Okoye et al. (2020) stated that accounting standards have a positive effect on financial performance. Accounting standards in banking capital restructuring can improve the financial performance of banks in Nigeria. Research by Ashte and Aswale (2012) states that accounting standards have a positive and significant effect on financial performance. Accounting standards improve the financial performance of the rural industrial sector in the Osmanabad district of India. Research by Marc E Betton (2020) states that accounting standards have a positive effect on the company's financial performance. Zicke's research (2017) states that accounting standards have a negative effect on financial performance.

Based on previous studies with inconsistent research results, the researcher will conduct research on the effect of PSAK 65 on financial performance. The hypothesis in this study is that PSAK 65 as a principal has a positive effect on the company's financial performance as an agent.

**H: PSAK 65** positive and significant effect on financial performance.

## **2. Research Methods**

The population of the study was all companies in the manufacturing sector listed on the IDX from 2015 to 2019. Based on the purposive sampling technique, 471 observational data were obtained which are presented in table 1.

**Table 1. Details of Research Samples**

Information	2015	2016	2017	2018	2019	Total
Manufacturing companies listed on the IDX	143	144	158	168	181	794
Report finance using foreign currency	(9)	(9)	(13)	(13)	(13)	(57)
Financial reports are inaccessible and data are not available	(18)	(20)	(36)	(29)	(19)	(122)
amount	134	115	110	129	149	637
Outlier data	(20)	(15)	(36)	(35)	(38)	(144)
Number of samples processed	96	100	73	91	111	471

Source: Data processed, 2020.

The independent variable is the accounting standard with dummy variable measurement, the use of number 1 for companies that have complied with PSAK 65 and number 0 for companies that have not complied with PSAK 65. Measurement of financial performance in the manufacturing industry uses profitability ratios which aim to determine the added value of company capital , 2012).

This study then tested the hypothesis of multiple linear regression analysis using the Statistical Product and Service Solution (SPSS) version 25 for windows data processing software program with the following equation:

$$Y = B_0 + B_1X + B_2Mo$$

### 3. Results and Discussion

The sample of this study in 2015-2019 was that 471 companies obtained data that companies that had complied with accounting standards were 400 companies (80%) and companies that had not complied with accounting standards were 71 companies (20%). Based on these data it can be said that the majority of manufacturing companies in this study have complied with PSAK 65.

The computation of descriptive analysis used SPSS with a mean value of 0.17; median 0.12; and 0.17 mode. These results indicate the value of return on equity (ROE) is below the industry average because the industry average return on equity (ROE) is 0.40 (Kasmir, 2016). Meanwhile, statistically, the research standard deviation value was 0.31 with a variance value of 0.10. These results indicate statistically the data used did not deviate because the variance value was smaller than the standard deviation value.

**Table 2. Descriptive Statistics of Variables in Research**

Variable	Dummy = 0		Dummy = 1		Total	
	N	%	N	%	N	%
Accounting standards (PSAK 65)	71	20	400	80	471	100

Variable	N	Mean	Median	Mode	Std. Deviation	Variance
Financial performance	471	0.17	0.12	0.17	0.31	0.1

Source: Secondary data processed, 2020.

The number of samples was 471 companies, companies that had complied with accounting standards were 400 companies (80%) and companies that had not complied with accounting standards were 71 companies (20%) from 2015-2019. From these results, it can be seen that the majority of manufacturing companies in this study have complied with PSAK 65.

**Table 3. Model Fit Test Results**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	654,367	1	327,183	44,224	0,000
Residual	717,633	470	7,398		b
Total	1372,000	471			

- a. Dependent Variable: Financial Performance  
b. Independent Variable: Accounting standards (PSAK 65)

Source: Secondary data processed, 2020.

The results of the F test (Goodness of Fit) in model 1 can be seen in table 3 showing a significance value of  $0.000 < 0.05$ . Thus the regression model in the equation is fit and can be used to estimate the effect of the independent variable on the dependent variable.

**Table 4. Determination Coefficient Test**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.691a	0.477	0.466	2,720

Predictor Variable: Accounting standards (PSAK 65)

Source: Secondary data processed, 2020.

The results of calculations using the SPSS program show that the coefficient of determination (adjusted R Square) in model 1 is 0.466. This means that 46.6% of financial performance can be explained by accounting standard variables, while the remaining 53.4% of financial performance is influenced by other variables not examined in this study.

**Table 5. Partial Analysis Hypothesis Test (t test)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-3,229	3,842		-0,841	0.403
Accounting standards	0.453	0.134	0.276	3,384	0.001

Dependent Variable: Financial Performance

Source: Secondary data processed, 2020.

Accounting standards have a significant effect on financial performance with a significance value of  $0.001 < 0.05$  and a Beta regression coefficient of 0.453. Thus the results of the study support the hypothesis (H) which states that PSAK 65 has a significant effect on financial performance.

#### **4. Conclusion**

Based on the linear regression test on the model, the t value of significance is  $0.001 < 0.05$  with a coefficient value of  $\beta_1$  of 0.453. Thus the hypothesis which states that PSAK 65 has a positive and significant relationship to financial performance is accepted. The results of the determination of PSAK 65 based on the results of the research stated that there was an increase in return on equity (ROE) after the determination of the accounting standard. The results of this study support research from Akgun (2018) and Ashte and Aswale (2012) which state that accounting standards have a positive and significant effect on financial performance. The financial performance of manufacturing companies before the existence of PSAK 65 for the lowest ROE value of -22% PT Lionmesh Prima Tbk and the highest ROE value of 60% PT Keramika Indonesia Association, after the existence of PSAK 65 the lowest ROE value of -11% PT.

This research has certainly been designed and developed in such a way. However, of course there are still limitations where the total sample of this study is only 59% of manufacturing companies from the total population of 796 manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015-2019. This occurs due to the company's non-compliance in the publication of financial reports on the IDX. Further research is expected that the sample used uses 2 or more types of companies and the results of these studies are compared in order to provide a good picture of the effect of accounting standards on financial performance. Current research is still limited to proving the effect of accounting standards on financial performance, so that future research can add independent variables or add moderating variables.

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