



The Effect of Tax Planning, Investment Decisions, Company Size, and Corporate Social Responsibility on Profit Management in Transportation Subsector Companies Listed on the Indonesia Stock Exchange for the 2019 – 2022 Period

Suhirman Madjid ¹, Widya Ayu Oktaviani ^{2*}

¹ Faculty of Economics and Business, YARSI University; Central Jakarta, DKI Jakarta; E-mail: widyaayuoktaviani30@gmail.com

² Faculty of Economics and Business, YARSI University; Central Jakarta, DKI Jakarta; E-mail: suhirman.madjid@yarsi.ac.id

* Corresponding Author : Widya Ayu Oktaviani

Abstract: This research aims to examine the influence of tax planning, investment decisions, company size, and corporate social responsibility on earnings management in transportation subsector companies listed on the Indonesia Stock Exchange for the 2019-2022 period. This research was conducted because one of the reasons was that there were inconsistencies in research results in previous studies. Descriptive research with quantitative methods that focuses on the research object, namely transportation subsector companies listed on the Indonesia Stock Exchange for the 2019-2022 period. The sample selection method used purposive sampling so that 18 companies were obtained during the 4 years of research, resulting in 72 samples. This research uses secondary data from company websites and the Indonesian Stock Exchange website. The results of this research indicate that the variables of company size and corporate social responsibility have a negative effect on earnings management. Meanwhile, tax planning and investment decision variables have no effect on earnings management. This research provides new insight into the influence of tax planning as measured by the tax retention rate (TRR), investment decisions as proxied by the Price Earnings Ratio (PER), company size, and corporate social responsibility on earnings management, which is beneficial for shareholders, investors, and company management in planning strategies and making the right decisions for the company in the future.

Keywords: Tax Planning; PER; Company Size; CSR; Profit Management

Received: November 17, 2025

Revised: December 16, 2025

Accepted: January 17, 2026

Published: March 12, 2026

Curr. Ver.: March 12, 2026

1. Introduction

Transportation plays a crucial role in supporting the economic growth of society and the economic development of a country. The large number of companies operating in the transportation sector means that they face tough competition to survive in the global market, especially for transportation sub-sector companies in Indonesia.

Profit information in financial reports, which has a significant role in the decision-making process, is often the target of engineering through self-interested actions carried out by choosing certain accounting policies, so that profits can be regulated, increased or decreased according to their wishes, which is usually called earnings management.

Profit management in transportation companies is logical because accounting flexibility allows managers to influence reporting to deceive stakeholders who want to know the company's performance and condition. One factor that can influence profit management is tax planning, which is an effort to minimize the tax burden that must be paid to the state so that the tax paid does not exceed the actual amount.



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The second factor that can affect profit management is the size of the company. According to [1] the larger the size of the revenue, the total assets, and the total capital will reflect the stronger state of the company. The larger the total assets, the larger the size of the company.

The third factor that can affect profit management is investment decisions. According to [2] investment decisions, it means giving an answer to what business field to enter, because many investment alternatives can be implemented, so that the owner's wealth is expected to increase. In making investments, it must go through a proper assessment process regarding the prediction of profit levels and risks, because profitable investments in the future are overwhelmed by uncertainty, in the concept of financial management called investment risk.

The fourth factor that can affect profit management is *Corporate Social Responsibility* (CSR). According to [3] companies that carry out CSR activities and disclose them in financial statements receive benefits in the form of a positive image from the public and investors. The positive image of CSR activities and reporting can be an opportunity for management to take profit management actions because, indirectly, investors and other users of financial statements have given a good assessment to the company.

The transportation subsector is the object of this research because transportation is a means that is often used for the community to carry out their activities. In this case, transportation sub-sector companies must also make a balanced tax contribution to the government. This sector serves to support the fulfillment of the needs of the Indonesian people. However, there have been cases of profit management carried out by companies in the transportation sub-sector, which can affect the taxes that must be paid by companies.

Based on the background above. So the author is interested in re-examining the influence of tax planning, investment decisions, company size and CSR because the four variables above can help managers optimize profits. So this research aims to test whether these variables can have a significant effect on company profits. This research can contribute as material for consideration by shareholders in decision making by providing updates in the year of research that reflect the company's latest situation. Then, this research also contributes to increasing readers' insight so they can compare conditions that occurred in different time periods. In addition, this research contributes to providing new insights regarding the influence of tax planning as measured by the tax retention rate (TRR), investment decisions as proxied by the Price Earnings Ratio (PER), company size, and corporate social responsibility on earnings management, which is beneficial for shareholders, investors, and company management in planning strategies and making the right decisions for the company in the future.

2. Literature Review or Related Research

2.1. Theoretical Agency

Agency theory is a theory that discusses the relationship between members in a company or organization. The commonly used model focuses on two individuals the principal (superior) who delegates responsibility to agents (subordinates) in terms of behaviour and structure [4]. When there is a separation between owners and management is a key element in this theory, where the owners delegate responsibility to agents, who are expected to act in the interests of the owners [5]. Company owners provide compensation to managers as a reward for their performance. This motivation encourages managers to focus on managing company revenues, which leads to earnings management practices [6]. Managers often prioritize personal interests over company interests, which causes additional costs for the company [5]. and creates information asymmetry between managers and stakeholders. Even though both are in one organization to achieve common goals [7].

2.2 Tax Planning

According to [8] tax planning is the first step in tax management. In general, the emphasis of tax planning is to minimize tax liabilities. From a tax planning perspective, avoidance by taxpayers is legally legal, so taxation can be applied. According to [9] tax planning is a legal effort, if you use income that is excluded as a tax object in accordance with Article 4 paragraph 3. This can be strengthened by research which shows that tax planning has a positive

influence, the more tax planning there is, the greater the opportunity for companies to carry out management practices. Tax Planning Strategy According to [10], can be measured by the tax retention rate with the formula:

$$TRR = \frac{\text{Net Income}_{it}}{\text{Pretax Income (EBIT)}_{it}}$$

Information:

TRR_{it} = Tax Retention Rate of company I in year t.

$Net\ Income_{it}$ = the net profit of company I in year t.

$Pretax\ Income\ (EBIT)_{it}$ = profit before tax of company I in year t.

2.3 Investment Decision

[11] states that investment decisions are company policies related to the placement of funds for the purpose of obtaining future profits in the short and long term. In other words, the higher the PER indicates that the share price is increasing [12] This investment decision is how to allocate the source of the funds or what the funds will be used for [13]. The investment decision value is required to be high because it will reflect high company growth as well, but a high value reflects a lot of asymmetric information [14]. So measuring investment decisions uses the following calculation:

$$PER = \frac{\text{Price per Share}}{\text{Net Profit per Share}}$$

Information:

PER : Price Earning Ratio

2.4 Company Size

Company size according to [15] states that company size is the size of a company, which is indicated by total assets, number of sales, average total sales and average total assets. The size of a company can be classified using the proportion indicated by the size of the company, either through total assets, log size, sales or market value of the company's shares [16] . A large-scale company tends to be more conservative in reporting all its financial statements. A large-scale company tends to be more conservative in reporting all its financial reports. The company size indicators can be expressed and calculated using the following formula [17].

$$SIZE = Ln(\text{total Asset})$$

Information:

Size : Company Size

Ln : Logarithm Natural $Total\ Assets = Total\ Assets\ owned\ by\ the\ company$

2.5 Corporate Social Responsibility (CSR)

According to [3] Corporate Social Responsibility (CSR) is how companies should be able to manage company operations, including their products, which have a positive impact on social outcomes. According to The Worth Business Council for Suitable Development in [3] shows that corporate social responsibility (CSR) is a form of action that departs from ethical considerations of the company which is directed at improving the economy accompanied by improving the quality of life for employees and their families, as well as improving the quality of life of the surrounding community and more broadly. This research uses a checklist table with CSR disclosure indicators referring to the disclosure indicators used by [18] because it is more appropriate to the situation of companies in Indonesia, where CSR disclosure is still general in nature. The CSR ratio formula is as follows:

$$CSRI = \Sigma X_{ij} / n_j$$

Information:

- CSRI : Corporate CSR disclosure j.
- ΣX_i : dummy variable, the number of items is worth 1 in company j. (if the item is disclosed it is worth 1 and if it is not disclosed then it is worth 0)
- N : The sum of all items for the company j

2.6 Profit Management

According to [19] earnings management is defined more as how management attempts to use its judgment in preparing financial reports, so that it can mislead stakeholders in assessing the company's performance or can affect income that has been determined based on financial report figures. In this research, the earnings management measurement used is accrual earnings management because the context of this research is to detect earnings management practices, not fraud. The accrual accounting policy implemented by company management is proxied by discretionary accruals [20], Determining the value of discretionary accruals can be calculated using the formulation:

$$TAC_{it} = NI_{it} - CFO_{it} \quad (1)$$

Furthermore, the total accrual (TA) with Ordinary Least is estimated with Square as follows:

$$TA_{it} / TA_{it-1} = \beta_1 (1 / A_{it-1}) + \beta_2 (\Delta REV_{it} / A_{it-1}) + \beta_3 (PPE_{it} / A_{it-1}) + e_{it} \quad (2)$$

After getting the results of the calculation, it is then transferred to the SPSS program or similar to get a beta value. Then use the value of the coefficient obtained from the regression results with the formula:

$$NDA_{it} = \beta_1 (1 / A_{it-1}) + \beta_2 (\Delta REV_{it} / A_{it-1} - \Delta REC_{it} / A_{it-1}) + \beta_3 (PPE_{it} / A_{it-1}) \quad (3)$$

Finally, calculate the value of discretionary accruals (DA) as a measure of profit management:

$$DA_{it} = \frac{T_{ait} - NDA_{it}}{A_{it} - 1}$$

Information:

- Dait : *Discretionary accrual* Company I in period t
- NDAit : *Non-Discretionary accrual* Company I in period t
- TACit : Total company accrual i in the period t
- NIit : The company's net profit i in the third period
- CFO : Cash flow from the company's operating activities i in the period to t
- Ait-1 : Total assets of the company i in period t
- ΔRev_t : Change in the company's net sales in the period t
- $\Delta Rect$: Changes in the company's receivables i in the period
- PPEt : The company's fixed assets in the period to
- e : Error

2.7 Conceptual Framework

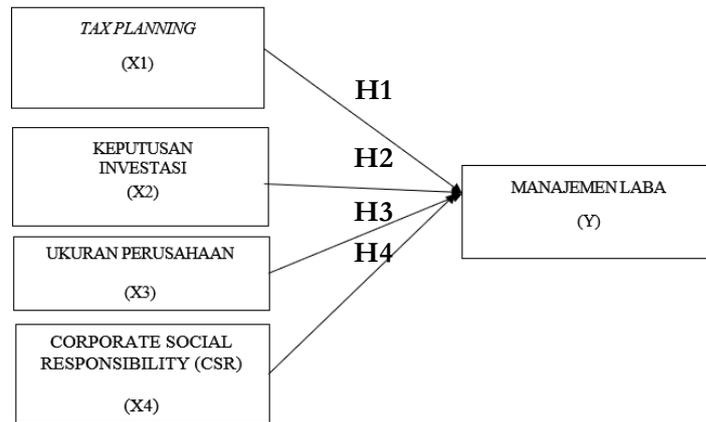


Figure 1. Conceptual Framework

3. Proposed Methods

The type of research carried out is quantitative research. Researchers use secondary types of data, namely financial report data published on the Indonesia Stock Exchange, as well as those recorded in the company's annual report. The financial report data that will be used in this research is the profit and loss report and the financial position report. Conduct research via the website: www.idx.co.id. In this research, the population used was 37 transportation companies listed on the Indonesia Stock Exchange in the 2019-2022 period. According to [21] the research sample was determined using purposive sampling, namely random sampling based on certain criteria with the aim of obtaining a representative sample according to pre-determined criteria. The criteria used are as follows:

- a. Transportation companies that are listed on the Indonesia Stock Exchange and do not exit during the 2019-2022 period.
- b. Transportation companies that have complete financial statements on the Indonesia Stock Exchange website from 2019-2022.
- c. Company transportation that did not report consecutive financial statements with the end of December 31 during the 2019-2022 period.

The criteria for companies that have passed the predetermined criteria stage can be seen in the following table.

Table 1 Sample Selection Process

| Criterion | Data |
|--|------|
| Transportation companies listed on the IDX consecutively during the 2019-2022 period. | 37 |
| Company transportation that did not report consecutive financial statements with the end of December 31 during the 2019-2022 period. | (15) |
| Transportation companies that present financial statements in rupiah currency. | 18 |
| Number of Samples | 18 |
| Number of data processed (18 companies x 4 Years) | 72 |

Source: Indonesia Stock Exchange

After sampling transportation companies in accordance with the sample distribution criteria above, 18 companies were obtained with the amount of observation data during the observation period of 4 years so that the total sample of this study was 72 data. The following is a list of the names of companies that are sampled in the author's research:

Table 2 List of Company Names

| No. | Code | Company Name |
|-----|---------|---------------------------------|
| 1. | ACTION | Mineral Resources Mandiri Tbk |
| 2. | ASSA | Adi Sarana Armada Tbk. |
| 3. | BIRD | Blue Bird Tbk. |
| 4. | BPTR | Batavia Prosperindo Trans Tbk. |
| 5. | CMPP | AirAsia Indonesia Tbk. |
| 6. | DEAL | Dewata Freightinternational Tbk |
| 7. | HELI | Jaya Trishindo Tbk. |
| 8. | IMJS | Indomobil Multi Jasa Tbk. |
| 9. | VICTORY | Armada Berjaya Trans Tbk. |
| 10. | MITI | Mitra Investindo Tbk. |
| 11. | NELY | Pelayaran Nelly Dwi Putri Tbk. |
| 12. | TOWN | Putra Rajawali Kencana Tbk. |
| 13. | SAFE | Steady Safe Tbk |
| 14. | SAPX | Satria Antar Prima Tbk. |
| 15. | SDMU | Sidomulyo Selaras Tbk. |
| 16. | TAXI | Express Transindo Utama Tbk. |
| 17. | TRUCK | Guna Timur Raya Tbk. |
| 18. | WEAVE | WEHA Transport Indonesia Tbk. |

The data analysis technique used in this research is the multiple linear regression analysis method. The stages in the data analysis method are descriptive statistical analysis, classical assumption test analysis, multiple regression analysis and hypothesis testing. The regression equation used in this research includes:

$$Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e$$

Information:

Y : Profit management

A : Constant, large value Y if X = 0

$\beta_1 - \beta_4$: Regression coefficient, change in Y value if there is a change in X value

X1 : Tax Planning

X2 : Investment Decision

X3 : Company Size

X4 : *Corporate Social Responsibility* (CSR)

4. Results and Discussion

This study uses secondary data sourced from the financial statements of each company listed on the Indonesia Stock Exchange.

4.1. Multiple Linear Regression Test

Based on the results of the multiple linear regression analysis above, the regression equation is obtained as follows:

$$Y = 22,836 + -1,694 TRR + 0.115 PER + -1,840 SIZE + -41,912$$

The implementation of the above regression is:

a. Constant

The constant in the above equation is 22.836, which means that if all the independent variables (X1,X2, X3, X4) have a value of zero, then the Y-bound variable is 22,836

b. *Tax Planning* to Profit Management

The value of *the Tax Planning* coefficient of -1.694 shows that *Tax Planning* has an inversely proportional relationship with profit management. This means that if *Tax Planning* increases by one, profit management will decrease by -1,694

c. Investment Decisions on Profit Management

The value of the investment decision coefficient of 0.115 shows that investment decisions have a direct relationship with profit management. This means that if the investment decision increases by one, profit management will increase by 0.115

d. Company Size on Profit Management

The value of the company size coefficient of -1.840 shows that the size of the company has an inversely proportional relationship with profit management. This means that if the size of the company increases by one, profit management will decrease by -1,840.

e. *Corporate Social Responsibility* to Profit Management

The value of *the Corporate Social Responsibility* coefficient of -41,912 shows that *Corporate Social Responsibility* has an inversely proportional relationship with profit management. This means that if *Corporate Social Responsibility* increases by one, profit management will decrease by -41,912

4.2 Hypothesis Test – Partial Test (t-Statistical Test)

The results of testing the significance of partially independent variables are obtained as follows:

Table 3. Hypothesis Test Coefficients a

| Model | | Unstandardized B | Coefficients Std. Error | Standardized Coefficients Beta | t | Sig. |
|-------|------------|---------------------|----------------------------|--------------------------------------|--------|-------|
| 1 | (Constant) | 22,836 | 6,831 | | 3,343 | 0,009 |
| | LN_X1 | -1,694 | 0,883 | -0,509 | -1,918 | 0,087 |
| | LN_X2 | 0,115 | 0,179 | 0,173 | 0,645 | 0,535 |
| | SQRT_X3 | -1,840 | 0,789 | -0,571 | -2,333 | 0,045 |
| | SQRT_X4 | -41,912 | 15,165 | -0,761 | -2,764 | 0,022 |

Hypothesis 1:

Ho1 : *Tax Planning* has no effect on profit management

Ha1 : *Tax Planning* affects profit management

Based on the test table above, it can be concluded that the value of *the Tax Planning coefficient* is -1.694. While the significance value is 0.087 > 0.05. So the decision is that Ha1 is rejected and H01 is accepted. This means that there is no influence between *Tax Planning* (X1) and Profit Management (Y). Therefore, the high and low value of *Tax Planning* does not affect Profit Management.

Hypothesis 2:

Ho2 : Investment Decisions have no effect on profit management

Ha2 : Investment Decisions Affect Profit Management

Based on the test table above, it can be concluded that the value of the Investment Decision coefficient is 0.115. While the significance is $0.535 > 0.05$, the decision is H_{a2} rejected and H_{02} accepted. This means that there is no influence between Investment Decision (X2) and Profit Management (Y).

Hypothesis 3:

H_{03} : Company Size has no effect on profit management

H_{a3} : Company Size Affects Profit Management

Based on the test table above, it can be concluded that the coefficient value of Company Size is -1.840. While the significance is $0.045 < 0.05$, the decision is that H_{a3} is accepted and H_{03} is rejected. This means that there is an influence between Company Size (X3) and Profit Management (Y). So the high and low value of Company Size affects Profit Management.

Hypothesis 4:

H_{04} : *Corporate Social Responsibility* has no effect on profit management

H_{a4} : *Corporate Social Responsibility* affects profit management

Based on the test table above, it can be concluded that the *Corporate Social Responsibility* coefficient value is -41,917. While the significance is $0.022 < 0.05$, the decision is that H_{a4} is accepted and H_{04} is rejected. This means that there is an influence between *Corporate Social Responsibility* (X4) and Profit Management (Y). Therefore, the high and low value of *Corporate Social Responsibility* affects Profit Management.

4.3 Discussion of Research Results

The Influence of Tax Planning on Profit Management

The first hypothesis in this study is that *Tax Planning* affects profit management, the significance value of *tax planning* on profit management is $0.087 > 0.05$, the value of the regression coefficient for the *tax planning* variable is -1.694. These results show that *tax planning* does not affect profit management. Therefore, it can be concluded that the first hypothesis (H_1) is rejected, namely that *tax planning* does not affect profit management.

The management's desire to suppress and make the tax burden as small as possible, the management tends to minimize tax payments with various efforts, as long as these activities are still within the applicable tax regulations. Efforts to minimize the tax burden are often also called tax planning. Tax planning itself is a taxpayer process so that the tax burden is in the lowest possible position. This tax planning activity is allowed by the government. Tax planning has an effect, that is, the better the tax planning, the bigger the company will be in profit management.

The results of this study are in line with [22], [23], and [24] stating that the greater the profit obtained by the company, the greater the tax incurred. On the other hand, the smaller the profit obtained by the company, the smaller the tax liability beared. As explained by the positive accounting theory, namely the *politicalcost hypothesis*. Companies that are dealing with tax burdens tend to engineer profit reduction with the aim of minimizing the tax burden they bear.

This statement is in line with [23] those who say that the purpose of the company is to manage profits to avoid a decrease in profits, while the purpose of tax planning is to cut the amount of the company's taxable profit. In this study, tax planning does not affect profit management because most companies do profit management to increase profits so that the profits generated are more and more, of course this is different from tax planning which actually wants to display the minimum profit possible so that the company pays less taxes.

The findings [25], [26], [27], [28], [29] are in line with this study, showing that tax planning has no significant effect on profit management. This supports the idea that profit management is often driven by internal managerial incentives such as performance-based bonuses and not by the tax minimization motives intended by the company owner.

However, these results contradict the findings [30], [31], [32], [33], [34], [35], [36] that tax planning has a positive effect on profit management. Higher tax planning activities are associated with improved profit management. From the perspective of agency theory and positive accounting theory, this study shows that companies can manipulate revenue as part of efforts to reduce political costs and minimize tax burdens, highlighting differences in the role of tax planning in different organizational contexts.

In addition [37] it offers a different view, showing a negative relationship, where higher tax planning leads to lower profit management. Therefore, this article supports and challenges the focus of this research, highlighting the complexity of the role of tax planning in profit management among firms in different contexts.

The Influence of Investment Decisions on Profit Management

The second hypothesis in this study is that investment decisions affect profit management. The results in this study were $0.535 > 0.05$, and the coefficient value of the investment decision variable was 0.115. These results show that investment decisions do not affect profit management. Therefore, it can be concluded that the first hypothesis (H2) is rejected, namely that investment decisions do not affect profit management.

Investment Decisions have no effect on Profit Management, which means that the decision to invest assets in the form of fixed assets does not directly provide *benefits* or profits to obtain a desired profit. Fixed assets may be able to produce more finished goods but not necessarily immediately get a return on profit. Because all of it is determined by how high the level of demand and sales of the finished product or goods is. This is the same as research [38] that states that Investment Decisions do not affect Profit Management.

The Effect of Company Size on Profit Management

The third hypothesis in this study is that the size of the company has an effect on profit management, the significance value of the company size on profit management is $0.045 < 0.05$ and the β value is -1.840. These results show that the size of the company hurts profit management. Therefore, it can be concluded that the first hypothesis (H3), namely the size of the company, hurts profit management.

The size of the company hurts profit management. This shows that according to agency theory, the larger the size of the company, the less likely it is to perform profit management. The larger the total assets owned by a company, the lower the level of profit management in the company. The size of the company shows the amount of information contained in it, so that the size of the company is the part that is paid attention to by the public related to the company's performance. According to [39] research, large companies are more concerned by the public so that they will be more careful in financial reporting, so that the impact of the company reporting its condition is more accurate. The increasingly transparent management of the company will tend to make it difficult for management to carry out profit management practices. The bigger the company, the more attention the public will pay attention to. This makes management unable to freely carry out profit management practices. This is not in line with [38], [40] stating that company size has a positive effect on profit management.

The findings of this study are also in line with [41], [42] the research that is in line with , which reveals that company size hurts profit management. Larger companies are more closely watched by regulators, investors, and analysts, and tend to have more complex structures and stricter internal controls, which can reduce the likelihood of revenue manipulation. In addition, these companies are more concerned with maintaining public reputation and trust, thereby encouraging transparent financial reporting.

However, these results are not in accordance with several previous studies, namely those conducted by [29], [40], [43], [44], [45] those who found that company size has a positive effect on profit management. Companies with larger total assets are better able to manipulate profits because their resources are abundant and their financial operations are complex.

The Influence of Corporate Social Responsibility on Profit Management

The fourth hypothesis in this study is that *Corporate Social Responsibility* affects profit management, the significance value of *Corporate Social Responsibility* on profit management is $0.022 < 0.05$ and the β value is -41.912 . These results show that *Corporate Social Responsibility* hurts profit management. Therefore, it can be concluded that the fourth hypothesis (H4), namely *Corporate Social Responsibility*, hurts profit management.

Companies with high CSR gain legitimacy or trust from the public. The purpose of the company expresses the company's social and environmental responsibility is to form the company's image or good name. To realize this, managers become more careful and avoid fraudulent practices or excessive manipulation such as profit management. This relationship can be defined as follows, when the company gets bigger, *the expectations of stakeholders* for the company to behave ethically will be greater, one of which is the activities and disclosure of *corporate social responsibility*. The ethical behavior of the company is contrary to the actions of profit management and therefore the company will be more responsible in carrying out accounting policies. In addition, according to the 2007 Law on Article 1 number 3, social and environmental responsibility is the company's commitment to participate in sustainable economic development in order to improve the quality of life and a beneficial environment, both for the company itself, the local community, and the community in general. The implementation of social responsibility is a form of the company's concern for the surrounding environment. The results of this hypothesis test contradict the research conducted [46] and [47] which states that CSR does not affect profit management.

The findings of this study contradict those [48] that show that CSR disclosure does not affect profit management. Due to the general and less detailed nature of CSR disclosures, investors are less likely to rely on this information when making investment decisions. As a result, managers tend not to consider CSR in their profit management practices, and instead focus on other factors that are considered more influential. CSR activities are often carried out only to meet regulatory requirements and not as a reflection of the company's true ethics.

6. Conclusion

This research reveals that tax planning has no effect on profit management, this shows that the higher a company carries out tax planning, it will not affect profit management.

Investment decisions have no effect on earnings management, this is because the objectives of the two are different, namely investment decisions focus on long-term growth and development of company assets which are expected to produce profits in the future, while Profit Management focuses on achieving short-term financial targets.

Company size has a negative effect on earnings management, this means that the larger the company size, the more it will become the center of attention for the government and investors, so it is not easy for companies to carry out earnings management.

Corporate Social Responsibility has a negative effect on earnings management, through the company's goal of expressing the company's social and environmental responsibilities, namely to shape the company's image or good name. To realize this, managers become more careful and avoid manipulation such as earnings management.

7. Limitation

This research has several limitations that can serve as alternative references for further research. This research has limitations in the use of independent variables and research year so that future researchers are expected to be able to use the independent variables used in research so that they can be more varied and useful for readers and stakeholders in decision making. It is also recommended that further research use different models and indicators from this research so that the results obtained are clearer and more valid.

Author's Contribution: "Conceptualization: Suhirman Madjid and Widya Ayu Oktaviani; Methodology: Widya Ayu Oktaviani; Software: Widya Ayu Oktaviani; Validation: Widya Ayu

Oktaviani; Formal Analysis: Suhirman Madjid and Widya Ayu Oktaviani; Investigation: Suhirman Madjid and Widya Ayu Oktaviani; Data Curation: Suhirman Madjid and Widya Ayu Oktaviani; Writing preparation of the initial draft: Widya Ayu Oktaviani; Writing review and editing: Widya Ayu Oktaviani; Visualization: Widya Ayu Oktaviani"

Funding: "This research does not receive external funding."

Data Availability Statement: We encourage all authors of articles published in LPKD journals to share their research data. This section should list the location of the data that supports the reported results, including links to publicly archived datasets that were analyzed or generated in the study. If no new data is created or data is not available for privacy or ethical reasons, a statement must still be included.

Acknowledgement: The author would like to thank all parties of the Faculty of Economics and Business, YARSI University for facilitating the course of this research in terms of providing support and facilities

Conflict of Interest: "The authors state that there is no conflict of interest."

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