The differences in dividend payout ratio and market performance of companies that perform and do not perform real activities manipulation

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A R T I C L E   I N F O

A B S T R A C T

This research aims to provide empirical evidence of whether there is a difference in the dividend payout ratio and market performance of companies which perform and do not perform real activities manipulation in manufacturing companies listed in Indonesia Stock Exchange period 2009 – 2011. The model of real activities manipulation used is based on Roychowdhury (2006). The Researcher uses regression model to determine the value of abnormal operating cash flow. There are two hypotheses in this study, the first hypothesis testing uses Wilcoxon – Mann – Whitney Test to notice any difference in dividend payout ratio of companies that perform and do not perform real activities manipulation. The second hypothesis test also uses Wilcoxon – Mann – Whitney Test to notice any difference in market performance of companies that perform and do not perform real activities manipulation. Based on the result of the analysis, many companies perform real activities manipulation, so cash flow statement can be used as an indicator of whether the companies perform real activities manipulation. The first hypothesis test result finds that there is no difference in dividend payout ratio of companies that manipulate and do not manipulate real activities. And the second hypothesis test result also finds that there is no difference in market performance of companies that manipulate and do not manipulate real activities.

1. INTRODUCTION

In the global era, companies in Indonesia have grown rapidly, thus prompting them to operate effectively and efficiently for getting the expected result and maximum profit. Management is required to evaluate the result of company performance, thus allowing managers to set the profit by performing real activities manipulation. Real activities manipulation occurs when managers perform actions that deviate from the normal company's operating practices to increase reported earnings by using three techniques of real activities manipulation, namely sales management, production costs, and discretionary costs.

Earnings management through real activities manipulation will affect the increase in earnings, and the increased profits will affect the dividend payout ratio. Dividend payout ratio is the value of dividend distributed by the company to shareholders. Dividend is a distribution of profits obtained by company to the shareholders, which is proportional to the number of shares held.

For the companies, the information contained in the dividend payout ratio can be used as a consideration in determining the amount of the dividend distribution. As for the shareholders, the information contained in the dividend payout ratio will be used as a consideration in making investment decisions, i.e. whether to invest their funds in the company or not.

In addition, high profit due to the real activities manipulation also affects market performance. Market performance is a measure of performance based on the company's ability to conduct company's long-term return on investment or stock returns. High corporate profit, which means that the performance is good, will attract investors to buy shares of the company, thus the demand for the company's stock increases. The higher the demand is, the higher the price of the company's

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stocks is. As the company's stock price is high, then the rate of return on the stock is also high, thus indicating high company's market performance.

Previous researches on the real activities manipulation have been conducted by several researchers. Gunny (2009) describes four techniques in real activities manipulation, namely, reducing discretionary expenses of research and development, reducing discretionary expenses of sales, administration and general affairs, applying fixed assets sales timing with the aim to increase profits, and giving price discounts or waivers of credit to increase sales or reduce production costs. Roychowdhury (2006) stated that real activities manipulation is done through cash flow operations, production costs, and discretionary costs. Research conducted by Arianie (2010) on earnings management through real activities manipulation and its impact on the dividend payout ratio indicates that the independent variable of abnormal cash flow of operating activities does not significantly influence the dividend payout ratio.

Research conducted by Megawati (2008) discusses the manipulation of real activities and its impact on market performance. The impact of real activities manipulation through cash flow operating activities on the market performance finds the difference in market performance, that is the company's market performance which allegedly tends to perform real activities manipulation through cash flow of operational activities is higher than the company's market performance which allegedly tends not to perform real activities manipulation through cash flow of operational activities.

In general, a company that increases its profit can be seen directly through its influence on the company. Moreover, previous studies do not provide significant result over the high profits on the dividend payout ratio and provide significant result over high profits on marke performance. In addition, there is an indication to manipulate real activities to increase profits so that the company's performance looks good.

This study attempts to provide empirical evidence of whether there are differences in dividend payout ratio of companies that perform and do not perform real activities manipulation, as well as providing empirical evidence of whether there are differences in the market performance of companies that perform and do not perform real activities manipulation.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Signaling Theory

Leland and Pyle in Scott (2012: 475) explain that signaling theory is that company's executives who have better information about the company are encouraged to provide this information to prospective investors in which the company can enhance corporate value through its reporting by sending a signal through its annual report. The information submitted by the manager about the good condition of the company through the financial statements is a signal that the company has done its operations well. Good signal will either be responded well by other parties.

Earnings Management

Scott (2009: 403) states that earnings management is the choice by a manager of accounting policies so as to achieve some specific objectives.

Earnings management is also defined by Sri Sulistyanto (2009: 6) that earnings management, in general, is the attempts of the company manager to intervene or influence the information in the financial statements with the purpose to defraud stakeholders who wish to know the performance and condition of the company. Earnings management is done in two ways: accrual earnings management and real activities manipulation. Accrual management, according to Tatang (2000), is associated with all the activities that can affect cash flows and profit, which personally belong to the authority of the managers (manager discretion). The examples for this, among others, is to accelerate or delay the recognition of revenues, consider as the costs or consider as an investment addition over a cost (amortize or capitalize of an investment) (eg non-current asset maintenance costs, losses or gains on the sale of assets), and other accounting estimates, such as the burden of doubtful debt, and the changes of accounting method.

Earnings Management through Real Activities Manipulation

Megawati (2008) states that real activities manipulation is manipulation done by management through daily activities of the company during the current accounting period. Roychowdhury (2006) describes the definition of real activities manipulation as differences in operating practices carried out with normal operating practices, which are motivated by the desire of management to provide any wrong insight to the shareholders so that they believe that certain financial reporting objectives have

been achieved according to the company's normal operating practices. Roychowdhury (2006), a technique which can be performed in real activities manipulation include sales management, overproduction, and reduction in discretionary expenses.

Real Activities Manipulation Techniques

Roychowdhury (2006) describes three techniques that can be performed in real activities manipulation, they are:

Sales Management

It is an effort of manager to increase sales for a year by offering price discounts or easier credit terms. The manager's way to be able to generate additional sales or accelerate sales of the next fiscal year to the current year is by offering price discounts. Another way to increase sales volume in order to increase revenue is by offering better credit terms.

Reduction of Discretionary Expenses

Discretionary expenses, such as research and development, advertising, and maintenance are charged to the same period in the event. Therefore, companies can reduce the reported cost and revenue increased by reducing discretionary expenses. This is most likely to occur if such expenditures do not generate revenue. If managers reduce discretionary expenses to meet the revenue targets, they should show a very low discretionary expenses, where discretionary cost is defined as the sum of research and development, advertising, sales expenses, and general and administrative expenses. Researchers assume that the sales expenses and general and administrative expenses often include certain discretionary expenses, such as employee training, maintenance, travel, etc. If discretionary expenses are generally in the form of cash, reducing the expenditure means lowering the cash flow out and has a positive effect on abnormal CFO in the current period.

Overproduction

To manage revenue, managers of manufacturing companies can produce goods more than necessary to meet the expected demand. With higher production, fixed overhead costs spread over a large number of units, lowering the fixed cost per unit. During the decline in fixed cost per unit is not matched by an increase in the marginal cost per unit, the total cost per unit decreases. This means that the reported fixed production cost is lower, and the company reported better operating margins.

Cash Flow

The definition of cash flow according to PSAK No. 2 (2009) is: "Flows into and out of cash or cash equivalents". Kieso (2002: 372), the cash flow statement reports cash receipts, cash payments, and net change in cash from operating activities, investment, and financing of the company during a period, in a form that can reconcile the beginning and ending cash balances.

Kieso (2007: 212), the main purpose of cash flow statement is to provide relevant information regarding receipts and cash payments of a company during a period.

Kieso (2002: 374) also suggests the classification of cash flow, namely:

Operating Activities

These activities involve the cash effect of transactions involved in the determination of net income, such as the acceptance of cash from the sales of goods and services and cash payments to suppliers and employees to acquire supplies and cash payments to suppliers and employees to obtain supplies and pay the load.

Investment Activities

These activities generally involve long-term assets and include (a) the provision and collection of the loan, and (b) the acquisition and disposal of investments and productive long-term assets.

Financing Activities

These activities involve posts of shareholders's liabilities and equity, and include (a) cash acquisition from creditors and the repayment of the loan, and (b) the acquisition of capital from the owners and providing top rate of return, and return of their investment.

Cash Flow of Operational Activities and Real Activities Manipulation

Cash flow of operational activities is cash flow from the principal revenue-producing activities, which involve cash effect of transactions that enter into the determination of net income in the income statement. Cash flow of operational activities is used to determine whether the operation of the company is sufficient to repay short-term debt, to pay the costs related to the operation of the company. Cash flow of operational activities shows cash receipts and expenditures of the company's operations.

Sales management is the real activities manipulation techniques which will affect the cash flow of operational activities. Management boosts sales by giving discounts and credit term payment for goods sold. This will increase sales, which in

turn makes the profits generated by the company higher, but the opposite condition affects the cash flow statement, primarily on cash flow of operational activities. Cash flow of operational activities of the company will be lower than if the company is selling normally. This is because the cash received by the company is small as a result of an increase in accounts receivable due to the company selling on credit, as well as the discounted price which requires the company to cut the price of the sale so that the cash received by the company is smaller than normal sale.

Dividend

Dividend is profits distributed to shareholders according to the number of shares. This dividend is derived from company profits. Companies use dividend as a positive signal to investors. It will make potential investors provide an understanding that the company has good performance because the company has operated well.

Dividend Payout Ratio

The amount of dividend distributed by the companies to investors is the dividend payout ratio. Walsh (2003) in Megawati (2008), states that the dividend payout ratio reflects the company's ability to pay cash dividends to its shareholders each year based on the size of the earnings after tax. Van Horne (2007: 270) states that dividend payout ratio is the annual dividend divided by annual earnings, or dividend per share divided by earnings per share. The ratio indicates the percentage of the company profits paid to shareholders in cash.

The amount of the dividend distributed depends on the dividend policy of each company. Agnes (2004: 138) states that there are three types of dividend payment policy commonly done by the company, namely:

Stable amount per share
Dividend is provided in a relatively stable rupiah per share.

Constant payout ratio
Dividend is on the basis of a fixed percentage of the company's net profit.

Low regular dividen plus extra
Relatively low dividend rate but the amount has been definite plus an extra, in which the amount is in accordance with the level of company profits.

Market Performance

Abnormal return is one of the indicators used to look at the market performance of the company. Jogiyanto (2008: 549) states that abnormal return is

the excess of the return which is actually going to normal return. Abnormal return is said positive if the actual return is greater than the expected return. While abnormal return is said negative if the actual return is smaller than the expected return.

According to Abdul Halim (2003: 30), stock return is the reward earned from investments. The return components include:

Capital gain or *loss*
It is gain or loss for investors obtained from excess selling price or purchase price over the purchase price or selling price in which both occur in the secondary market.

Yield
It is an income or cash flow received by investors periodically, for example in the form of dividends or interest. Yield is expressed as the percentage of the capital invested.

The Relationship between Real Activities Manipulation and Dividend Payout

Van Horne (2007: 270) states that dividend payout ratio is the annual cash dividend divided by annual earnings, or dividend per share divided by earnings per share. This ratio indicates the percentage of company profits paid to shareholders in cash. Companies that perform real activities manipulation would have dividend payout ratio higher than companies that do not perform real activities manipulation, because high profits distributed are as a result of the real activities manipulation, and therefore, the higher the dividend paid. This indicates that the companies that perform real activities manipulation will make higher dividends payment so that the level of the dividend payout of the company will increase.

Relationship between Real Activity Manipulation and Market Performance

Market performance is viewed from stock return. Stock return is a long-term stock return. High profits due to earnings management through real activities also affect market performance. Market performance is a performance measure which is based on the ability of the company doing the return on company's long-term investment or stock returns. High corporate profit, which means that the performance is good, will attract investors to buy shares in the company, so there will be a lot of demand for shares from investors over the company's stock. The higher demand for the stocks, the company's stock price will be higher. The high price of company's stock makes the rate of return on the stock also high, thus indicating high company's

Figure 1
Research Framework
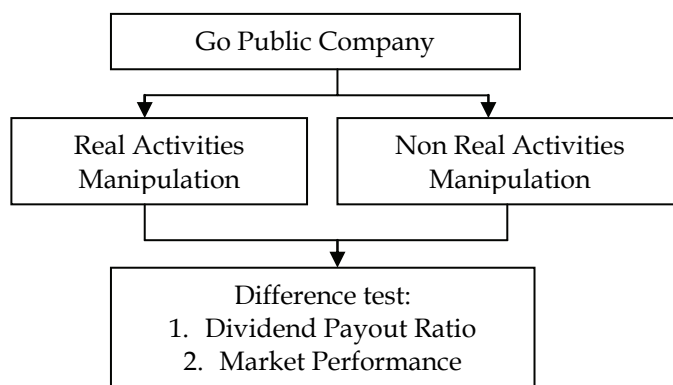
market performance.

The underlying framework of this study can be illustrated in Figure 1. Based on the formulation of the problem and the theoretical basis that have been described, the hypotheses in this study are as follows
H_1: There are significant differences in *dividen payout ratio* of the companies that perform and do not perform real activities manipulation.
H_2: There are significant differences in market peformance of the companies that perform and do not perform real activities manipulation.

3. RESEARCH METHOD
Research Design
This study has the purpose to notice any difference in the dividend payout ratio of companies that perform and do not perform real activities manipulation, and to notice any difference in the market performance of the companies that perform and do not perform real activities manipulation. This study is limited only to the companies listed in Indonesia Stock Exchange, during the observation period of 2009-2011.

Identification of Variables
The variables used in this study are independent variables of real activities manipulation, while the dependent variables are the dividend payout ratio and the market performance.

Operational Definition and Measurement of Variables
Operational definition and measurement of each variable used in this study are described as follows,
Real Cativities Manipulation
It is measured by proxy abnormal cash flow of operational activities (ABN_CFO) using model of Dechow et al. (1998) in Roychowdhury (2006).
$$CFO_t/A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta_1(S_t/A_{t-1}) + \beta_2(\Delta S_t/A_{t-1}) + \epsilon_t \quad (1)$$

Description:
CFO_t/A_{t-1} : cash flow of operational activities in year t scaled by total assets in year t-1.
$\alpha_1(1/A_{t-1})$: intercept which is scaled by total assests in year t-1 with the aim so that cash flow of operational activities does not have value of 0 when the sales and sales lag are 0.
S_t/A_{t-1} : sales in year t scaled by total assests in year t-1.
$\Delta S_t/A_{t-1}$: sales in year t minus sales in year t-1 which is scaled by total assets in year t-1.
α_0 : Constanta.
ϵ_t : *error term* in year t.

Manipulation of real activities through cash flow of operational activities with sales management techniques i.e. increasing sales by providing credit period and price discount. Sales may affect the cash flow operations. Real activities manipulation occurs when companies increase sales by providing credit period and price discount. Giving the credit period may increase the ability of customers to pay. While giving price discount makes the company receive cash more quickly. Increased sales lead to higher profits for the year but the cash flow decreases as cash inflows is small as a result of credit sales and price discount. Abnormal cash flow of operational activities is earnings manipulation by the company through cash flow of operational activities which will have cash flow of operational activities lower than the level of its normal cash flow of operational activities. The residual value of cash flow of operational activities is abnormal value of cash flow of operational activities. Kim (2012) stated that abnormal value of cash flow of operational activities is obtained by using regression models to get residual value.

The meaning of residual value is the error rate on sales to the CFO. Residual value represents the difference between the value predictor (independent variable) and the actual observation values

(dependent variable). The greater the error rate, the more it can not predict the dependent variable. The smaller the error rate, the more it can predict the dependent variable.

Megawati (2008) explains that the company manipulates real activities if there is abnormal cash flow of operational activities below zero due to increased sales volume that leads to higher profit for the year but cash flow decreases due to the small cash inflow as a result of credit sales and price discount. While the companies which do not manipulate real activities have abnormal cash flow operating activities above zero because increased sales volume leads to higher current income income and cash flow increased due to a higher inflow due to cash sales. Zero means that the actual cash flow of operational activities and the normal cash flow of operational activities are the same.

Dividen Payout Ratio
According to Van Horne (2007: 270), dividend payout ratio is an annual cash dividend divided by annual earnings, or dividends per share divided by earnings per share. The ratio indicates the percentage of company profits paid to shareholders in cash. Dividend payout ratio is measured using the formula:

$$DPR = \frac{DividenperShare}{EarningperShare} \qquad (2)$$

Market Performance
Market performance is the performance which is observed from the stock returns. Market performance is measured by using the abnormal return. Abnormal return is calculated using the market adjusted return models. Step-by-step calculation of the abnormal return is:

Determining *actual return* **or** *realized return*
Return is a long-term stock returns provided to shareholders. Jogiyanto (2008: 195), stock return (Ri) of an investment can be calculated by the following formula:

$$R_{i,t} = \frac{P_t - P_{t-1}}{P_{t-1}} \qquad (3)$$

Description:
$R_{i,t}$ = Annual stock return
P_t = Closing stock price in year t
P_{t-1} = Closing stock price in year t-1

Determining *expected return*
This study uses the rate of expected returns that can be generated by market adjusted model. To calculate the size of the market index returns, according to Jogiyanto (2008: 324), can use the following formula:

$$E[R_{i,t}] = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}} \qquad (4)$$

Description:
$E[R_{i,t}]$ = Annual expected return in the event period to t.
$IHSG_t$ = Stock price index in in the event periode to t.
$IHSG_{t-1}$ = Stock price index in the event period to t-1.

Abnormal return for each stock can be calculated by subtracting the market index return on the same day or with the following formula:

$$AR_{i,t} = R_{i,t} - R_{M,t} \qquad (5)$$

Description:
$AR_{i,t}$ = Abnormal return stock i at time t.
$R_{i,t}$ = Return that actually occur to stock i at time t.
$R_{M,t}$ = The average return on the market some previous period (*expected return*).

Population, Sample, and Sampling Techniques
The population used in this study is manufacturing companies listed in Indonesia Stock Exchange with the study period 2009 -2011. Sampling is using purposive sampling technique. The sample criteria used in this study is manufacturing companies whose shares are actively traded in the Indonesia Stock Exchange respectively during 2009-2011, publishing financial statements for the period ended on December 31, and using the Rupiah as a currency in the report, and having complete research data.

4. DATA ANALYSIS AND DISCUSSION
Descriptive Statistics Test
Table 1 shows the descriptive statistics of the study sample during 2009 - 2011 with a total of 144 research samples. The average value of abnormal cash flow of operational activities is -0.1011. While companies that do not perform real activities manipulation are as many as 59 companies, with an average value of abnormal cash flow operational activities is 0.1457. Descriptively, it is obvious that the average value of abnormal cash flow of operational activities of companies that perform real activities manipulation is below zero. It can be concluded that companies manipulate real activities through cash flows of operational activities with the average value of abnormal cash flows of operational activities which is low below the zero.

The DPR minimum value of -0.21 is owned by PT Intanwijaya International Tbk in 2009. While the DPR maximum value of 1.90 DPR is owned by PT Champion Pacific Indonesia Tbk in 2011. The average value

Table 1
The Result of Descriptive Statistic Test

Variable	Minimum	Maximum	Mean
ABN_CFO –perform	-.36	.00	-.1011
ABN_CFO – do not perform	.00	.72	.1457
DPR	-.21	1.90	.3475
AR	-1.41	33.45	.3745

Source: Processed SPSS data.

of DPR of 0.3475 is above the value of a standard deviation of 0.34614, so it can be concluded that DPR has a low degree of deviation. The smaller the deviation, the degree of data variation will be smaller.

The value of market performance is measured using abnormal returns, i.e. the return differences which actually occur in year t with the return of market index. Seeing that the observation period taken is in yearly, then the calculation of the real stock returns is using the figure of annual stock closing price which is obtained from the Indonesian Capital Market Directory (ICMD) and the Indonesia Stock Exchange (IDX), while the market index return calculation is using composite stock price index. The AR minimum value of -1.41 is owned by PT Astra Otoparts Tbk. in 2010. While the maximum value of 33.45 is owned by PT Asahimas Flat Glass Tbk. in 2011. AR average of 0.3745 is below the standard deviation of 2.86519, so it can be concluded that the AR has a high degree of deviation. The greater the degree of deviation, the degree of data variation will be greater.

Normality Test
Normality test aims to test whether the data is distributed normally or not. To detect data normality is done with the Kolmogorov-Smirnov (K-S) test. The purpose of the normality test is to determine the statistics parameters i.e. parametric statistics or non-parametric statistics. If the data distribution is normal or nearly normal, it is included in parametric statistics. If the data distribution is not known or is not normal, it is included in non-parametric statistics.

Difference Test
Parametric difference test is used to test the hypothesis when the research data are normally distributed, i.e. the test of independent sample t-test. However, if the data are not normally distributed, then difference test is carried out by means of non-parametric tests, namely the Wilcoxon - Mann - Whitney test.

Testing the First Hypothesis (H₁)
Before testing the hypothesis, it is necessary to cal-

culate the value of abnormal cash flow operating activities. Tabulation of data required to calculate the value of abnormal cash flow operating activities is available in the financial statements issued by the companies, among others, cash flow operating activities, total assets, sales, and changes in sales. Based on the data can be specified variable coefficient regression models Dechow et al. (1998) in Roychowdhury (2006). The coefficient of the variable is used to find the residual value. The residual value is obtained from regression. The meaning of residual value is the error rate, all the things that may affect the dependent variable Y, which is not observed by the researcher. Residual value represents the difference between predictor value (independent variable) and the actual observation values (dependent variable). The greater the error rate, the more it can not predict the dependent variable. The smaller the error rate, the more it can predict the dependent variable.

After determining the abnormal value of cash flow of operational activities, the residual value can be used to determine whether the companies manipulate or do not manipulate real activities. Megawati (2008) stated that companies manipulate real activities if the companies have abnormal cash flow of operational activities below zero, while the companies which do not manipulate real activities have abnormal cash flow of operational activities above zero. Zero means the actual cash flow of operational activities and the normal cash flow of operational activities are equal.

The next step is to determine the value of the dividend payout ratio. And then screening is carried out for the normality of data using SPSS. The result of normality demonstrates the value of Kolmogorov-Smirnov (KS) for DPR variable of companies which perform real activities manipulation of 2.040 with a significance probability of 0.000. This significance value is under 0:05, so it can be concluded that the variables are not normally distributed. For DPR variable of companies that do not perform real activities manipulation of 1,059 with the significance probability of 0.212, this significance value is above 0:05, so it can be concluded

that the variables are normally distributed. Based on the results of normality test, there is one of the variables that are not normally distributed, and then the hypothesis testing is using a non-parametric test that is Wilcoxon - Mann - Whitney test.

The result of Wilcoxon - Mann - Whitney test shows the average rank for companies which perform real activities manipulation is 69.80, while the average rank for companies that do not perform real activities manipulation is 76.39. Based on the mean rank, it is known that the average rank of dividend payout ratio of companies which do not manipulate real activities is higher than the companies which manipulate real activities, with the significance value of 0.351 greater than 0.05. So it can be concluded that the first hypothesis (H_1) is not significant, it means that there is no significant difference between the dividend payout ratio of companies which manipulate and do not manipulate real activities.

Testing the Second Hypothesis (H_2)
Testing the second hypothesis requires the data of annual stock closing price that has been fully available at ICMD and IDX, and requires the data of composite stock price index that has been available on *yahoo finance*. Next is to determine the company's market performance as measured by the value of abnormal return of companies that perform and do not perform real activities manipulation.

The next step is performing screening for data normality using SPSS. The result of normality demonstrates the value of Kolmogorov-Smirnov (KS) for the variables of market performance of companies that perform real activities manopulation of 3,568 with significance probability of 0.000. This significance value is under 0.05, so it can be concluded that these variables are not normally distributed.

For the variables of market performance of companies that do not perform real activities manipulation of 1,007 with the significance probability of 0.262. This significance value is above 0.05, so it can be concluded that the variables are normally distributed. Based on the result of normality test, there is one of variables which are not normally distributed, so the hypothesis testing using a non-parametric test is testing Wilcoxon - Mann - Whitney test.

The testing result of Wilcoxon - Mann - Whitney test shows the average ranking for companies that manipulate real activities is 70.18, while the

average rank for companies that do not perform real activities manipulation is 75.85. Based on the mean rank, it is known that the average rank of the market performance of companies that do not perform real activities manipulation is higher than the average market performance of companies that perform real activities manipulation, with the significance value of 0.422 is greater than 0.05. So it can be concluded that the second hypothesis (H_2) is not significant, it means that there is no significant difference between the market performance of companies that manipulate and do not manipulate real activities.

Discussion
This study aims to examine the differences in dividend payout ratio and the market performance of companies that perform and do not perform real activities manipulation. Prior to the testing of the variables of this study, the first conducted an analysis of the companies that perform and do not perform real activities manipulation by looking at the value of abnormal cash flow of operational activities (ABN_CFO). Companies that perform real activities manipulation through cash flow of operational activities, the abnormal value the cash flow of operational activities (ABN_CFO) is below zero, while the companies that do not perform real activities manipulation, the abnormal value of cash flow of operational activities (ABN_CFO) is above zero.

Based on the result of this analysis, companies perform real activities manipulation through cash flow of operatonal activities. Of the 144 sample firms, there are 85 companies that perform real activities manipulation (59%), and 59 companies that do not perform real activities manipulation (41%). The number of companies performing real activities manipulation because they are influenced by the desire of companies to increase profits for the performance of the company looks good.

Companies performing real activities manipulation can be seen from the company's cash flow of operational activities, where the cash flow of operational activities of companies that perform real activities manipulation experience the decrease, increased sales, and also increased total assets. Real activities manipulation through cash flow of operational activities using sales management techniques i.e. increasing sales by providing credit period and price discount. By giving credit period, it can improve the ability of customers to pay. While by giving price discount, the companies can receive cash more quickly. Increased sales lead to higher profits

for the year, but the cash flow decreased as the cash inflow is small, doe to the credit sales and price discounts.

In testing the first hypothesis (Table 3 in Appendices) shows that the significance value Z is 0.351 greater than 0.05, so it can be concluded that there is no difference in dividend payout ratio of companies that perform and do not perform real activities manipulation. Signaling theory states that the company provides good information about the company as a signal to investors so that investors will respond simultaneously to the information given by the company, and affect the value of the company, which is reflected in the stock price changes.

In this first test, it can be seen on the real activities manipulation treatments that increase the earnings but the dividend payout ratio of the companies that perform real activities manipulation is lower than the companies that do not perform real activities manipulation, so it does not give positive reaction for investors and decreases the value of the company which is reflected in the stock price. The result the first hypothesis test does not support the theory. The result of this study is consistent with research by Arianie (2010) which states that the abnormal cash flow of operational activities does not significantly influence dividend payout ratio.

There is no difference in the dividend payout ratio of the companies that perform and do not perform real activities manipulation because companies that perform real activities manipulation do not have dividend payout ratio which is better than companies that do not perform real activities manipulation. The higher the dividend paid, indicating that the companies that perform real activities manipulation will pay dividends better so that the level of dividend payout ratio will rise.

But based on the analysis, there are companies that perform real activities manipulation and have low dividend payout ratio compared to companies that do not perform real activities manipulation, e.g. dividends owned by PT Intanwijaya International Tbk for the year of 2009, PT Intanwijaya Indonesia Tbk, PT Intanwijaya Indonesia Tbk is one of the companies that is indicated to perform real activities manipulation, but the dividend of PT Intanwijaya International is lower than companies that do not perform real activities manipulation. In addition, there is no difference in dividend payout ratio of companies that perform and do not perform real activities manipulation is associated with the companies' dividend policy whether the companies divide their profits as dividends or used for re-investment.

Sri Haryati (2010) describes about dividend policy i.e. the tax preference theory that suggests that the value of the company can be maximum at the low level of dividend payout ratio, because investors prefer retained earnings to dividends for the tax reasons. Sri Haryati (2010) also explained that in general, if the tax rate on dividends is greater than the tax rate of capital gains, the investor would prefer if the earnings are retained, because the tax on capital gains will not be paid until the shares are sold, so that in the future, the value of money will be lower. Dividends have an impact on stock prices because dividends provide information on companies' profits. But some investors do not like high dividend distribution for tax reasons, so that investors prefer the retained earnings.

While the result of the second hypothesis test (Table 3 in Appendices) shows the significance value Z of 0.422 Z greater than 0.05, so it is concluded that there is no difference in the market performance companies that perform and do not perform real activities manipulation. As described previously, signaling theory stated that the company provides good information about its company as a signal to investors, and investors will respond simultanelusly to the information given the company, so that it affects the value of the company and is reflected in the stock price changes.

In this study, it can be seen that the real activities manipulation that increases profits, but with low dividend payout ratio, does not give a positive reaction of investors, so that lowering the company's stock price and the market performance of companies that prform real activities manipulation is low. So the result of the second hypothesis test does not support the theory.

The result of this study is not in line with the research finding by Megawati (2008) that the market performance of companies that perform real activities through cash flow of operational activities is different from that of companies that do not perform real activities manipulation. The absence of significant differences is because the companies that perform real activities manipulation do not have higher market performance than the companies that do not perform real activities manipulation.

The higher the market performance indicates that the companies that perform real activities manipulation will increase high profits that show good company performance and thus lead to a rise in stock prices that will affect the company's market performance. But based on the analysis, there are companies that do not perform real activities ma-

nipulation and have a high market performance compared to companies that perform real activities manipulation, eg market performance of PT Gajah Tunggal Tbk. for the year 2009, where the market performance of PT Gajah Tunggal Tbk. is higher than companies that perform real activities manipulation.

Real activities manipulation performed by the management shows good performance but lowering the value of the company and is reflected in stock prices. Investors have other alternatives in making the decisions. In addition to using the income statement as an analysis tool, investors try to analyze through other reports eg cash flow statement. Since the cash flows statement for cash flow of operational activities produced by the companies that perform real activities manipulation is lower and therefore can not give a positive reaction of investors even though the companies have reported their profits for several years.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study has an objective to provide empirical evidence whether there are differences in dividend payout ratio and the market performance of companies that perform and do not perform real activities manipulation. The data used in this study is quantitative data sourced from secondary data, which is derived from the Indonesia Capital Market Directory (ICMD), and Indonesia Stoxk Exchange (IDX). The companies selected to be the samples are as many as 144 companies, with the number of samples in the year 2009 as many as 41 companies, in 2010 as many as 37 companies, and in 2011 as many as 66 companies.

There are two testings in this study; the first hypothesis testing is to see the difference in dividend payout ratio of companies that perform and do not perform real activities manipulation, while the second hypothesis testing is to see the difference in the market performance of the companies that perform and not do perform real activities manipulation. Non-parametric test tool, ,Wilcoxon - Mann - Whitney test, is used In the first and the second hypothesis testing because the data is a different sample and is not normally distributed. Based on the test results, the conclusions that can be obtained are as follows:

There is no difference in the dividend payout ratio of companies that perform real activities manipulation and companies that do not perform real activities manipulation. This is because the dividend payout ratio of the companies that do not perform real activities manipulation is higher than the dividend payout ratio of the companies that perform real activities manipulation. The high profit due to the real activitis manipulation does not make the company's dividend payout ratio high, because investors sometimes prefer low dividend payout ratio for tax reasons.

There is no difference in the market performance of companies that perform real activities manipulation and companies that do not perform real activities manipulation. This is because the market performance of companies that perform real activities manipulation is the same as the market performance of companies that do not perform real activities manipulation, and the existence of negative reaction to the high profit information for the company. Because investors have other alternatives for making the decisions, one of them is by seeing company's cash flow statement, so that the stock price declines due to declining demand for the stock, because the company's cash flow is low due to the manipulation of real activities.

The implication of the result of this study is that the results obtained are expected to be used as a consideration in the decision making. Investors not only look at the company performance from the income statement but also from the company's cash flow statement. Cash flows statement can be used as an important indicator that the companies perform or do not perform real activities manipulation. Because by using the income statement the investors cannot see if the companies perform or do not perform real activities manipulation. As a result of the real activities manipulation is that the generated profit increases for the current period due to the increased sales volume.

Another result obtained from this study is that there is no difference in dividend payout ratio of companies that perform and do not perform real activities manipulation. This indicates that the high profits do not affect the companies to distribute high dividend. And also, the result obtained from this study is that there is no difference in the market performance of companies that perform and do not perform real activities manipulation.

This result implies that the high profits do not affect the investors to buy shares of the company resulting in an increase in the stock price. So, there is no difference in the market performance of companies that perform and do not perform real activities manipulation. It suggests to potential investors that it is necessary to analyze and consider a lot before making decision to invest funds in companies.

This research has sought to develop previous

research. Nevertheless, there are still some limitations to this study. The limitations include:

The limited number of samples used in this study due to the inadequate number of companies that distribute dividends for the period of 2009 – 2011.

The parts of the data obtained are from *Indonesia Capital Market Directory* (ICMD) period 2009 – 2010 and others are from the *Indonesia Stock Exchange* (IDX) in 2011, because the data in ICMD are limited until 2010.

In connection with the above limitations of the study, for the future studies are advised to:

The future studies are expected to use all kinds of companies and to take longer observation period.

The future studies are expected to be able to find many more activities that can detect real activities manipulation and include them in the study.

For the researchers can further retest this study and may also add other variables which are considered to have stong influence, as the value of the company.

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APPENDICES

Table 2
The Result of Normality Test of Dividend Payout Ratio and Market Performance

One-Sample Kolmogorov-Smirnov Test

		DPR		AR	
		Not Manipulate	**Manipulate**	**Not Manipulate**	**Manipulate**
N		59	85	59	85
Normal Parameters[a]	Mean	.3526	.3439	.2018	.4944
	Std. Deviation	.2807	.3867	.7379	3.6829
Most Extreme Differences	Absolute	.1380	.2210	.1310	.3870
	Positive	.1380	.2210	.1310	.3870
	Negative	-.1050	-.1750	-.0760	-.3180
Kolmogorov-Smirnov Z		1.0590	2.0400	1.0070	3.5680
Asymp. Sig. (2-tailed)		.2120	.0000	.2620	.0000

Source: Processed SPSS data.

Table 3
The Result of Testing Analysis of *Wilcoxon – Mann – Whitney Test* on Dividend Payout Ratio and Market Performance

Ranks

Group	N	DPR		AR	
		Mean Rank	**Sum of Ranks**	**Mean Rank**	**Sum of Ranks**
0	59	76.39	4507.00	75.85	4475.00
1	85	69.80	5933.00	70.18	5965.00
Total	144				

Test Statistics.

	DPR	AR
Mann-Whitney U	2.278E3	2.310E3
Wilcoxon W	5.933E3	5.965E3
Z	-.932	-.802
Asymp. Sig. (2-tailed)	.351	.422
a. Grouping Variable: GROUP		

Source: Processed SPSS data.