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Analysis of the Music Royalti, Management System, and Royalty Distribution Mechanisms for Songwriter Compensation in Indonesia

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Abstract

ABSTRACT
Background of study: The rapid growth of Indonesia's music industry, driven by digital technology and streaming platforms, has increased the importance of an effective music royalty management system to ensure fair compensation for songwriters. However, various issues remain, including disparities in royalty distribution, lack of transparency in royalty management, and inadequate protection of songwriters' economic rights. These challenges may hinder the sustainability of the music industry and reduce the welfare of songwriters.
Aims and scope of paper: This study aims to analyze the influence of the music royalty management system and royalty distribution mechanisms on songwriter compensation in Indonesia. The study focuses on evaluating the effectiveness of royalty management practices and their contribution to protecting the economic rights of songwriters.
Methods: This study employed a quantitative research method with a descriptive approach. Data were collected through questionnaires distributed to songwriters, independent musicians, music industry practitioners, and stakeholders who understand the music royalty system in Indonesia. Purposive sampling was used to select 30 respondents. The data were analyzed using multiple linear regression analysis.
Result: The findings indicate that the royalty distribution mechanism has a significant positive effect on songwriter compensation, with a significance value of 0.000 (<0.05) and a t-value of 12.411 (>2.048). Simultaneously, the royalty management system and royalty distribution mechanism significantly influence songwriter compensation, as indicated by an F-value of 106.356 (>3.35). Furthermore, the coefficient of determination (R^2) value of 0.887 indicates that 88.7% of songwriter compensation is explained by these two variables.
Conclusion: The study concludes that transparent and effective royalty management and distribution mechanisms play a crucial role in improving songwriter compensation in Indonesia. Strengthening accountability, transparency, and digital royalty management systems is essential to ensure fair economic protection and support the sustainable development of the Indonesian music industry.

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INTRODUCTION

The development of the music sector in Indonesia has shown relatively rapid growth in line with advances in digital technology and the increasing use of music streaming platforms. Music is not only regarded as a work of art but also as part of the creative industry, which holds significant economic value (Hergianasari & Rumaksari, 2018; Mittal et al., 2020). Through the use of musical works on digital platforms, in public performances, on broadcast media, and in other commercial activities, songwriters are entitled to financial compensation in the form of royalties. This demonstrates that the royalty management system and royalty distribution mechanisms play a vital role in supporting the sustainability of the music industry whilst recognising the intellectual property of songwriters (Hediati, 2021; Wicaksono & Nasution, 2025). Music, as an intellectual work, has economic value that can be exploited commercially. Songs and music played in entertainment venues, restaurants, at concerts, on broadcast media and on digital platforms provide economic benefits to those who use them (Besar, 2019; Connolly & Krueger, 2005). Therefore, songwriters, as the creators of these works, are entitled to financial compensation for the use of their works. This remuneration is known as royalties Royalties are a form of recognition for the creativity of songwriters who have produced musical works of economic value (Rogate, 2024; Silfiani & Sardjono, 2024).

Copyright is a form of legal recognition of the fruits of human creativity, encompassing musical works and songs Under Law No. 28 of 2014 on Copyright, it is stipulated that creators possess moral rights and economic rights over the works they create. One manifestation of these economic rights is the payment of royalties to songwriters for the use of their works in commercial activities (Abawaiki & Alamanda, 2026; Baisuni et al., 2024). According to (Klingner et al., 2021; Putri et al., 2026), copyright royalties are payments made to creators or rights holders in exchange for permission to use their copyrighted works. These payments serve as compensation for the creativity, time and effort invested in the process of creating music. Consequently, the royalty system plays a vital role in supporting the sustainability of the music industry and protecting the economic rights of songwriter. Although the government has established regulations and set up a royalty management body, the implementation of the music royalty system in Indonesia still faces various obstacles A recurring issue is the lack of transparency in the royalty distribution process (Jayanti & Mahadewi, 2025; Maulana & Dirkareshza, 2025). Many songwriters feel that the royalties they receive are not commensurate with the use of their works across various media and commercial activities. Furthermore, the system for recording the use of songs in Indonesia is not yet functioning optimally, meaning that royalty distributions are often inaccurate (Anggraeni et al., 2025; Virjana, 2025). Habibi, (2022) and Mashdurohatun et al., (2022) explains that intellectual property cannot be separated from the elements of rights and powers that provide protection to creators for the fruits of their creativity. Furthermore, (Ciriello et al., 2023; Park & Kim, 2024) state that copyright royalties are a form of compensation for the time, effort and talent invested in the creation of original music.

In Indonesia, the mechanism for managing music royalties is administered by the National Collective Management Organisation (LMKN) in accordance with Law No. 28 of 2014 on Copyright and Government Regulation No. 56 of 2021. The LMKN was established to manage the collection and fair distribution of royalties to songwriters and copyright holders However, in practice, a number of issues remain, such as a lack of transparency in royalty distribution, insufficient oversight, low awareness amongst users of commercial music, and inadequate compensation received by songwriters (Ciriello et al., 2023; Mandala et al., 2025). The issue of music royalties has become increasingly complex in the digital age as the use of music via streaming platforms, social media and commercial performances has increased significantly (Baisuni et al., 2024; Beukelaer, 2020). On the other hand, songwriters often do not receive compensation commensurate with the use of their works. This situation highlights a disparity between the use of musical works and the economic rewards received by songwriters (Hesmondhalgh et al., 2021; Ku, 2002).

In light of the above, this research is necessary to examine the music royalty management system in Indonesia and the mechanisms for distributing royalties to songwriters, thereby providing an overview of the effectiveness of royalty management and distribution in protecting the economic rights of music creators.

REVIEW OF LITERATURE

1. Music Royalty Management System

Music royalties are a form of payment made to songwriters and copyright holders for the use of their musical works by third parties Royalties represent a form of economic recognition for songwriters within the music industry In the music industry, royalties are one of the main sources of income for songwriters, as their works are frequently used in various contexts, such as radio and television broadcasts, concerts and streaming platforms Over time, the royalty system has played a vital role in ensuring the sustainability of the music industry and the welfare of creators. Nuraddinovna, (2025) and Nyaman et al., (2021) state that copyright royalties are payments made to creators for the lawful use of musical works as a form of recognition for the time, effort, and creativity invested in the creation of music Through royalties, songwriters obtain economic rights over the works they produce This demonstrates that the royalty system not only has economic value but also serves as a form of recognition for the creativity of songwriters.

In Indonesia, the music royalty system is regulated by Law No. 28 of 2014 on Copyright and Government Regulation No. 56 of 2021 These regulations provide the legal basis for songwriters to obtain economic rights over the works they create The government has also established the National Collective Management Organisation (LMKN) as the body responsible for collecting, managing and distributing royalties to songwriters and copyright holders. Arifardhani, (2022) and Arini & Kurniawan, (2023) state that the payment of royalties is a form of appreciation and protection for creators of musical works, whilst also serving as an economic incentive to ensure that creators remain productive in producing new works Consequently, a well-functioning royalty system can have a positive impact on the remuneration and welfare of songwriters in Indonesia. Ardiansyah et al., (2025) and Nugraha & Wahyuni, (2026) explain that a sound royalty management system must prioritise the principles of transparency, accountability and the protection of songwriters' economic rights They also explain that LMKN is not only responsible for collecting and distributing royalties, but also for ensuring the comprehensive protection of songwriters' legal rights, underpinned by a high standard of accountability However, in practice, various obstacles remain, such as low awareness amongst users of commercial music, the uneven distribution of royalties, and weak oversight of the use of musical works. Therefore, the existence of LMKN is vital in creating an accountable and fair royalty system in Indonesia.

Furthermore, the development of the digital music industry also presents new challenges for the music royalty system in Indonesia Platforms such as Spotify, YouTube and Apple Music, as well as social media platforms including Instagram, TikTok, Facebook and X, have complicated the royalty distribution process, often resulting in rights holders receiving remuneration that is disproportionate to the use of their works However, on the other hand, the development of digital technology has also created new opportunities for songwriters to earn royalties from the number of streams and the digital use of their songs. Elshan et al., (2021) and Shah, (2025) explain that the digitalisation of the music industry has led to challenges such as unfair royalty distribution, a lack of transparency, and limited data on song usage.

Furthermore, the national music database system is not yet fully optimised, meaning that the processes of recording musical works and distributing royalties continue to face obstacles Therefore, a more open and accurate digital system is required to ensure that songwriters receive appropriate compensation for the use of their works As well as relating to revenue distribution, the royalty system is also linked to the concept of licensing within copyright law A licence is permission granted by a songwriter to another party to use their musical works under specific conditions. Alamsyah, (2020) and Taharah et al., (2025) explain that a licence is permission transferred to another party to exercise the creator's economic rights over their creative works With a licence in place, the use of musical works can be carried out legally, whilst songwriters continue to receive economic rights in the form of royalties. Marseda et al., (2025) and Simangunsong & Siallagan, (2025) state that the implementation of royalty policies is in line with the objectives of protecting intellectual property rights, namely to encourage creativity, provide fair remuneration for creators, and foster a sustainable creative industry ecosystem As such, the music royalty system plays a vital role in supporting the sustainability of the national music industry.

2. Royalty Distribution Mechanism

The royalty distribution mechanism is the process or procedure for channelling collected royalties to those entitled to compensation for the use of musical works. The importance of royalty distribution within the copyright system lies in ensuring that remuneration is appropriate, fair and proportional to the level of use of the songwriters' works. Kalisa, (2024) and Klingner et al., (2021) explain that one of the main challenges facing the digital music industry in Indonesia is the sub-optimal nature of the royalty distribution system. Issues such as the limitations of the national music database, a lack of transparency regarding song usage data, and uncertainty surrounding distribution are examples of obstacles frequently faced by songwriters, resulting in the royalties they receive not always reflecting the actual use of their works.

The stages of the royalty distribution mechanism in Indonesia generally involve several steps, such as the collection of royalties from commercial music users, the channelling of royalties to songwriters and copyright holders, the data verification process, the recording of song usage, and the calculation of royalty amounts. This process requires a clear and accurate information system to ensure that distribution runs effectively. Jayanti & Mahadewi, (2025) and Marseda et al., (2025) explain that the effectiveness of royalty distribution is greatly influenced by the quality of music usage data, coordination between copyright management organisations, and the ability of these organisations to utilise digital technology. Therefore, a sound distribution mechanism must be able to guarantee the speed of distribution, fairness in the allocation of royalties, and the accuracy of payments. In this study, the royalty distribution mechanism is measured using the following indicators: distribution accuracy, accuracy of music usage data, speed of royalty payments, transparency of distribution, and fairness in the distribution of royalties to music creators.

3. Compensation for Songwriters

Compensation is a form of financial remuneration received by an individual in return for their contribution or work In the music industry, compensation for songwriters may take the form of royalties, licences, fees or other forms of payment derived from the commercial use of musical works Compensation serves as a form of economic recognition for the creativity of songwriters. Mahardhika & Desmayanti (2025) and Sarwono et al., (2026) explains that the royalty system is a form of economic reward channelled to songwriters when their works are performed in public, broadcast, distributed digitally, or reproduced. Therefore, a fair and transparent royalty system is essential to protect the economic rights of songwriters. Anggraeni et al., (2025) and Maulana & Dirkareshza, (2025) explains that in Indonesia, payments to songwriters often utilise a one-off payment system or flat-rate system based on specific agreements This system is considered disadvantageous for songwriters as they do not receive long-term royalties from the continued playing or commercial use of their works.

4. Intellectual Property Rights as Protection in the Music Industry

Intellectual Property Rights (IPR) can be understood as a legal instrument used to provide protection and recognition for songs and musical works, ensuring they are not used indiscriminately by third parties without the creator's permission This protection encompasses the moral and economic rights of songwriters. According to Fathanudien (2025), IPR constitutes a form of legal protection for the fruits of human creativity that possess economic value. This protection provides legal certainty to songwriters that their works will not be used indiscriminately without permission. Baisuni et al., (2024) and Sahoo & Sakalkar (2024) states that the protection of intellectual property rights in the music industry plays a vital role in safeguarding the rights of creators and fostering a fair and sustainable music industry. Such protection does not solely depend on legal regulations, but also on the effectiveness of law enforcement and the awareness of music industry stakeholders regarding the respect for copyright In reality, the misuse of music copyright remains common in Indonesia, whether in the form of unauthorised use of songs, piracy, or the failure to pay royalties to songwriters. These conditions indicate that the implementation of IPR protection in the music sector still faces various obstacles and challenges Therefore, synergy is required between the government, LMKN, creative industry stakeholders, and the public to raise awareness of the importance of respecting rights over musical works. Furthermore, intellectual property rights are closely linked to the development of the creative economy in the digital age. Az-Zahra & Prastyanti (2025) explains that intellectual property rights play a vital role in the creative economy, serving both as legal protection and as a means of monetising works through licensing and royalties. Thus, the enforcement of intellectual property rights not only serves to safeguard the economic rights of song owners but also supports the development of the music sector and the national creative economy.

METHOD

This study employs a quantitative research method with a descriptive approach A quantitative approach was chosen because the study aims to objectively examine the music royalty management system, royalty distribution mechanisms, and compensation for songwriters in Indonesia using numerical data. The population for this study comprises music creators and parties involved in the music industry in Indonesia who understand the mechanisms of music royalties. The technique for selecting respondents uses purposive sampling, which is a method of determining a sample based on specific characteristics in accordance with the needs of the study. The criteria for respondents in this study include: songwriters, independent musicians, music industry practitioners and parties who understand the music royalty system. The planned sample size for this study is 30 respondents, in line with statistical requirements Multiple linear regression analysis was used in this study. Linear regression analysis involves the study of the relationship between a dependent variable and independent variables, with the aim of estimating and predicting the population mean or the average value of the dependent variable based on known values of the independent variables.

RESULTS AND DISCUSSION

RESULTS

1. Descriptive Statistics

Descriptive statistics describe the variables of the music royalty processing system and the royalty distribution mechanism as independent variables, whilst the compensation for songwriters is the dependent variable.

Table 1. Descriptive Statistics

	N	***Minimum***	***Maximum***	***Mean***	***Standard Deviation***
Songwriter's remuneration	30	1,306	2,150	1,807.43	179,006
Royalty processing system	30	1,331	2,276	1,822.50	173,676
Royalty distribution mechanism	30	1,562	2,475	2,061.80	196,137
Valid N (*listwise*)	30				

The songwriter compensation variable has a minimum value of 1,306 and a maximum value of 2,150, with a mean of 1,807.43 and a standard deviation of 179,006 The royalty processing system variable has a minimum value of 1,331 and a maximum value of 2,276, with a mean of 1,822.50 and a standard deviation of 173,676 Meanwhile, the royalty distribution mechanism has a minimum value of 1,562 and a maximum value of 2,475, with a mean of 2,061.80 and a standard deviation of 196,137.

2. Normality Test

The normality test aims to determine whether, in the regression model, the disturbance variables or residuals follow a normal distribution.

Table 2. Kolmogorov-Smirnov Normality Test One-Sample Kolmogorov-Smirnov Test

	Unstandardised Residual
N	30
Mean	.0000000
Standard Deviation	60.07638902
Absolute	.142
Positive	.142
Negative	-.097
Kolmogorov-Smirnov Z	.777
Asymptotic significance (2-tailed)	.582

a. The test distribution is normal.

b. Calculated from the data.

Based on Table 2 above, the Kolmogorov–Smirnov value is 0.777, with a significance value greater than 0.05, namely 0.582 The results of this test indicate that the data are normally distributed.

3. Multicollinearity Test

The multicollinearity test aims to determine whether there is any correlation between the independent variables in the regression model.

Table 3. Multicollinearity Test Coefficients[a]

	Collinearity Statistics	
Model	***Tolerance***	**VIF**
1 (Constant)		
Royalty management system	.826	1,211
Royalty distribution mechanism	.826	1,211

a. *Dependent Variable*: Songwriters' remuneration

The tolerance value (α) for the royalty management system variable and the royalty distribution mechanism is greater than 0.1, namely 0.826 The variance inflation factor (VIF) s for the royalty management system and royalty distribution mechanism variables are less than 10, at 1.211 The results of the above tests indicate that none of the measurement concepts for the variables used exhibit multicollinearity.

4. Autocorrelation Test

The autocorrelation test aims to determine whether, in a linear regression model, there is a correlation between the error term in period t and the error term in period t-1 (the previous period).

Table 4. Autocorrelation Test Model Summary[b]

Model	***Durbin-Watson***
1	1.807

a. *Predictors: (Constant)*, royalty processing system, royalty distribution mechanism
b. *Dependent Variable*: Songwriters' remuneration

From Table 4 above, it can be seen that the Durbin-Watson value produced by the model is 1.807; this value will be compared with the values in the significance table at the 5 per cent level, with a sample size of 30 (n) and two independent variables (K=2) Based on the Durbin-Watson table, the du value is 1.5666 and the dl value is 1.2837 Therefore, the values of d, dl and du satisfy the fifth condition: du < d < 4 – du (1.5666 < 1.807 < 2.4334).

5. Multiple Linear Regression Analysis

Table 5. Multiple Linear Regression Test Coefficients[a]

Model	*Unstandardised Coefficients*		*Standardised Coefficients*
	B	***Standard Error***	**Beta**
(Constant)	-90.205	144.692	
Royalty management system	.130	.073	.127
Royalty distribution mechanism	.805	.065	.882

a. *Dependent Variable*: Songwriters' compensation

The constant (α) of -90.205 indicates that if the independent variables (royalty management system and royalty distribution mechanism) are held constant, the value of compensation for songwriters will decrease by 90.205 The regression coefficient (β) for the royalty management system variable has a value of 0.130 and is positive, meaning that for every 1-unit increase in the royalty management system, the compensation for songwriters increases by 0.130 units The regression coefficient (β) for the royalty distribution mechanism variable has a value of 0.805 and is positive, meaning that for every 1-unit increase in the royalty distribution mechanism, the compensation for songwriters increases by 0.805 units.

6. Hypothesis Testing

6.1 Partial Significance Test (t-test)

Table 6. t-Test Coefficients[a]

	Model	**T**	***Sig.***
1	(Constant)	-.623	.538
	Royalty processing system	1,780	.086
	Royalty distribution mechanism	12,411	.000

a. Dependent Variable: Songwriters' remuneration

The variable relating to the royalty management system has a calculated t-value of 1.780 with a significance value of 0.086 The calculated t-value is compared with the value from the t-distribution table at a significance level of 0.05 From the t-distribution table, a table t-value of 2.048 is obtained Therefore, tcalculated(1.780) < ttable(2.048) at α=5% The test results indicate that H1 is rejected, meaning that the royalty management system variable has no effect and is not significant in relation to songwriters' remuneration The royalty distribution mechanism variable has a tcalculated value of 12.411 with a significance level of 0.000 The tcalculated value is compared with the t-distribution table value at a significance level of 0.05 From the t-distribution table, the ttable value is obtained as 2.048 Therefore, tcalculated(12.411) > ttable(2.048) at α=5% The test results indicate that H2 is accepted, meaning that the royalty distribution mechanism variable has a significant effect on songwriters' remuneration.

6.2. Simultaneous Significance Test (F-Test)

Table 7. F-Test ANOVA[b]

Model	*F*	*Sig.*
Regression	106.356	.000[a]
Residual		
Total		

From Table 6.2 above, it can be seen that the significance level for F is 0.00 This value is smaller than the pre-set significance level of 0.05; the calculated F-value(106.356) is greater than the table F-value(3.35) It can therefore be concluded that H3 is accepted, meaning that the variables relating to the royalty management system and the royalty distribution mechanism simultaneously influence the compensation received by songwriters.

7. Test of the Coefficient of Determination (R^2)

Table 8. Test of the Coefficient of Determination (R^2) Model Summary[b]

Model	R	R-squared	Adjusted R-squared
1	.942[a]	.887	.879

a. *Predictors: (Constant)*, royalty management system, royalty distribution mechanism

b. *Dependent Variable*: Songwriters' remuneration

The *R-squared* value is 0.887, or 88.7 per cent. This study utilised *R-squared* because there were two independent variables. This indicates that the contribution of the royalty management system and royalty distribution mechanism variables to songwriters' remuneration is 88.7 per cent, whilst the remaining 11.3 per cent is influenced by other variables not included in the study, such as royalty calculations and administrative sanctions. It can therefore be concluded that the royalty management system and the royalty distribution mechanism have a strong influence on songwriters' remuneration.

DISCUSSION

This study indicates that the songwriters' management system and royalty distribution mechanism have a significant effect on songwriters' remuneration The results of the simultaneous test of the influence of the songwriters' management system and the royalty distribution mechanism on songwriters' compensation showed that the calculated F-value was greater than the table F-value (106.356 > 3.35), with a p-value of 0.000, which is smaller than the significance level of $\alpha = 0.05$ Based on this, the findings of this study are accepted. The results of this study also demonstrate the extent to which the songwriter management system and royalty distribution mechanisms have a significant impact on songwriters' remuneration, as determined by the Coefficient of Determination test From this test, the result obtained was 88.7 per cent, meaning that the independent variables used in this study can explain 88.7 per cent of the dependent variable under investigation, whilst the remaining 11.3 per cent is explained by independent variables not examined in this study, such as compensation calculations and administrative sanctions

Implications

The findings of this study imply that improving the royalty distribution mechanism should be the primary priority for enhancing songwriter compensation in Indonesia. Since the royalty distribution mechanism was found to have a significant positive effect, policymakers, the National Collective Management Organization (LMKN), and other stakeholders should focus on strengthening transparency, payment accuracy, and accountability in royalty distribution. Although the royalty management system did not demonstrate a significant partial effect, its role remains important as a supporting framework for creating an integrated and sustainable copyright management system.

Research Contribution

This study contributes to the literature by providing empirical evidence that, within the Indonesian music industry, the royalty distribution mechanism plays a more substantial role in determining songwriter compensation than the royalty management system when examined individually. Furthermore, the study demonstrates that both variables jointly explain 88.7% of the variation in songwriter compensation, highlighting the importance of integrating effective royalty governance with transparent distribution practices to strengthen the protection of creators' economic rights.

Limitations

This study has several limitations. First, the research involved only 30 respondents selected through purposive sampling, limiting the generalizability of the findings. Second, the study examined only the royalty management system and royalty distribution mechanism, whereas other factors, such as royalty calculation methods, copyright enforcement, licensing practices, and administrative policies, may also influence songwriter compensation. In addition, the cross-sectional design only reflects respondents' perceptions at a single point in time.

Suggestions

Future studies are recommended to involve larger and more diverse samples and to include additional variables that may influence songwriter compensation, such as copyright enforcement, licensing effectiveness, digital music platform governance, and creators' awareness of intellectual property rights. Practically, LMKN and related stakeholders should prioritize improving the transparency, accuracy, and efficiency of royalty distribution while continuing to strengthen the overall royalty management system to support a fair and sustainable music industry in Indonesia.

CONCLUSION.

Partially, the royalty distribution mechanism has a significant effect on songwriters' remuneration, as the significance value for the royalty distribution mechanism variable is less than 0.05 (0.000 < 0.05) and the calculated t-value is greater than the table t-value (12.411 > 2.048) Simultaneously, the royalty management system and the royalty distribution mechanism have a significant effect on songwriters' remuneration, as the significance values for the research variables relating to the royalty management system and the royalty distribution mechanism are less than 0.05 (0.000 < 0.05) and the calculated F-valuecalculated> Ftable 106.356 > 3.35 The results of the coefficient of determination test (R^2 test indicates that the R^2value obtained is 0.887, meaning that 88.70 per cent of the songwriters' compensation is influenced by the variables of the royalty management system and royalty distribution mechanism, whilst the remaining 11.3 per cent is influenced by other variables not included in the study, such as royalty calculations and administrative sanctions.

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AUTHOR CONTRIBUTION STATEMENT

E.D.B. contributed to the conceptualization of the study, research design, data collection, analysis, interpretation of findings, and preparation of the original manuscript. P.S.L. contributed to methodology development, supervision, and critical review of the manuscript. Y.R.H. contributed to literature review and data interpretation. D.Y. contributed to statistical analysis and validation of the findings. T.E.R. contributed to manuscript editing and language improvement. A. contributed to the final review and approval of the manuscript. All authors have read and approved the final version of the manuscript.

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