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The Effect ofDebt Restructuring and Tax Avoidance on Cost of Debt with Growth as Moderating

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ABSTRACT : Pandemic covid-19 makes limitation of company productivity, so it's hard for company to pay their debt. Creditors also provide various waivers, such as restructuring debt.The company's efforts in increasing the high trust of creditors will be low risk, so the company can improve the effectiveness of controlling action that is in company. The debt will increase the company's expenses, but the company can finance it by calculating the cost of its taxation. The purpose of this study was to obtain empirical evidence about the effect of tax avoidance, good corporate governance, and debt restructuring on the cost of debt with growth opportunity as a moderating variable during pandemic COVID-19. The objects of this research are the sectors of various consumption goods companies listed on the IDX for 2019–2021. The results of the study show that debt restructuring has an effect on the cost of debt.Tax avoidance and growth have no effect on the cost of debt.

***KEYWORDS** :Debt Restructuring ;Tax Avoidance;Cost of Debt; Growth*

I. INTRODUCTION

The COVID-19 outbreak is very deadly to the economies of the world, one of which is happening in Indonesia. Government regulations require people to practice social distancing, which hinders economic activity. Besides having an impact on employees, this also greatly impacts the sustainability of the company. According to Malfrita (2022), the average share price of manufacturing companies on the Indonesia Stock Exchange experienced a sharp decline after the announcement of the COVID-19 pandemic in Indonesia. The decline in productivity has also caused many companies to suffer losses and even be unable to pay their debt repayments. To alleviate the impact of the pandemic and post-Covidien-19 economic recovery, the government has implemented various policies. One of them is PP No. 23 of 2020 concerning national economic recovery in order to support state financial policies for handling the Covid-19 pandemic and facing threats that endanger the national economy or financial system stability and save the national economy. This policy aims to protect, maintain and improve the economic capacity of business actors in running their business. One of the programs is credit restructuring. Credit restructuring is a change in the credit structure that involves the ability to pay or repay credit facilities that have been enjoyed in accordance with the actual business capabilities of the customer. This credit restructuring is also an attempt to save problem loans in the form of debtor difficulties in fulfilling their responsibilities (Arnandi: 2017). This policy is very appropriate to save the continuity of businesses that are threatened due to the COVID-19 pandemic. But what needs to be considered by the debtor is whether the debt restructuring provided will reduce the cost of debt or vice versa. Tax savings can also be made by companies if they use debt funding. Debt costs incurred can be used to reduce company profits, which will impact the taxes that will be paid by the company. Tax avoidance, or "tax avoidance" is a transaction scheme aimed at minimizing the tax burden by exploiting the weaknesses of a country's tax regulations so that the tax authority (DGT) can declare it legal because it does not violate tax regulations. However, what the company needs to pay attention to is whether the tax savings received are proportional to the costs that have been paid for the debt. Based on data from the Ministry of Industry, the manufacturing sector contributed greatly to the national GDP in the second quarter of 2021, namely 17.34%. The top two contributors from the manufacturing sector are the food and beverage industry (6.66%) and the chemical, pharmaceutical, and traditional medicine industries (1.96%). The Ministry of Industry is pushing for further development, especially in relation to the demand for food and medicine consumption during a pandemic. Therefore, researchers are very interested in researching manufacturing companies in the consumer goods industry sector during the COVID-19 pandemic.

II. LITERATURE REVIEW AND HYPOTHESIS

Agency Theory

Agency theory is a relationship between one party (the principal) and the hired party (the agent); in this relationship, the management (the agent), as the hired party, will know more about the condition of the company than the owner (the principal). Management (the agent) is obliged to provide information to the owner. (Sugiyanto, Febrianti, &Suripto, 2020). Agency theory also explains that there is an information gap (information asymmetry) between the agent and the principal. Information asymmetry problems can be minimized by increasing the quality of disclosure. The principal must bear agency costs as a means of improving corporate governance, namely transparency and timeliness. This is expected to ensure the transparency of the information presented and align the interests of management and principals. The cost of debt is one of the things that is affected by agency problems, where management expects to pay as little tax as possible and shareholders also want to pay as little tax as possible. To optimize agency problems, they can use the COD to carry out tax avoidance so that they can reduce tax costs (Sugiyanto, Febrianti, &Suripto, 2020).Tax avoidance behaviour can also represent the subjective actions of the manager of a business for personal purposes. This means that tax avoidance can increase information asymmetry at businesses (Nguyen Minh Ha, 2021)

Stakeholder's Theory

Stakeholder theory illustrates that companies are not only responsible for maximizing profits for owners and investors, who can be called shareholders, but are also responsible for providing benefits to the community, social environment, and government, which can be called stakeholders (Handoko, 2021). Stakeholder theory focuses on ways that can be used by companies to manage the company's relationship with its stakeholders. The stakeholder theory says that a company is not an entity that only operates for its own sake but must provide benefits to its stakeholders, such as shareholders, creditors, consumers, suppliers, the government, society, analysts, and other parties. Stakeholders need a variety of information related to company activities that is used in decision-making. Therefore, the company will try to provide various pieces of information to attract and seek support from its stakeholders. In this study, company stakeholders are not only shareholders but also creditors and the government as parties that need information related to company activities so that creditors can provide value to company credit and the government can determine the taxes that companies should pay. Companies must maintain relationships with their stakeholders by accommodating their wishes and needs.

Cost of Debt

Companies have several alternatives for funding, one of which is debt. The cost of debt is a cost that arises because of a company's debt to other parties (Dirman, 2020). Most people's perception of debt is negative, but on the other hand, the costs incurred due to debt can be an advantage for the company, one of which is that the company can save on taxes because the cost of debt can be charged in calculating profit and loss taxes, so the tax burden paid is relatively smaller. In addition, debt can also encourage management to improve its performance because of its commitment, and creditors will monitor the company's financial statements so that they can pay their debts and their principal, so indirectly contracting with creditors can improve management performance.

Debt Restructuring

Credit restructuring is a program from a bank that aims to help debtors by easing their installments. Sometimes, some people find it difficult to pay in installments, resulting in bad credit. Credit restructuring is an effort to improve credit activities for debtors who have the potential to experience difficulties fulfilling their obligations. The credit restructuring policy implemented by the bank includes, among others, lowering loan interest rates; extension of credit period; reduction of loan interest arrears; reduction of principal credit arrears; additional credit facilities; and/or credit conversion to Temporary Equity Participation.

H_1: Debt Restructuring Has a Positive Effect on the Cost of Debt

Tax Avoidance

Corporate tax avoidance is an act of manipulating taxable income designed through tax planning, using either legal (tax avoidance) or illegal (tax evasion) methods. Tax avoidance is a form of tax avoidance within the scope of tax legislation. Tax avoidance is a form of business to ease the tax burden by not violating the laws and regulations that apply to taxation (Nugraheni and Pratomo, 2018). According to Puspita and Febrianti (2017) tax is something that is detrimental to the company so that there will be actions to carry out tax evasion, this action is a resistance to taxes. There are various ways to reduce these actions, either complying with tax provisions or violating tax regulations. Tax avoidance is engineering that is still within the reach of tax regulations. Taxpayers who carry out tax avoidance actions must comply with applicable regulations and are legal (Putri and Putra, 2017).

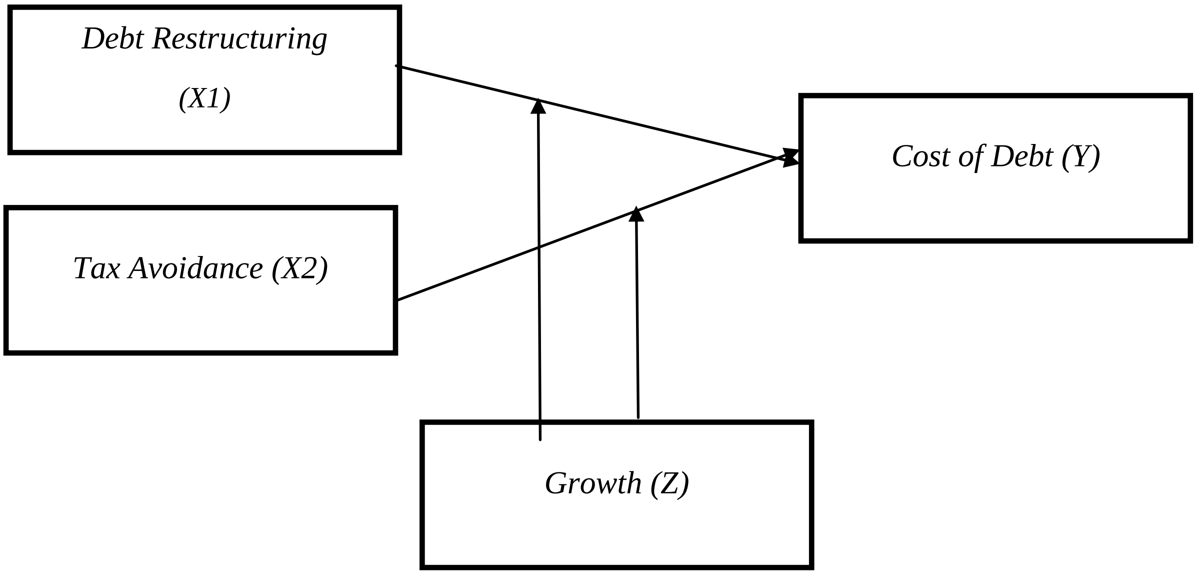
H_2: Tax Avoidance Has a Positive Effect on the Cost of Debt.

Growth

Growth or company growth is a factor that company owners or investors anticipate. Seen from the investor side, companies that experience continuous growth have good opportunities or future prospects. Sofyan (2013: 309) defines growth as a ratio that describes the percentage increase in company posts from year to year. This ratio consists of an increase in sales, an increase in net profit, earnings per share, and dividends per share. Sales growth reflects the success of investment in the past period and can be used as a prediction of future growth. Sales growth is an indicator of demand and the competitiveness of companies in an industry. According to Kesuma (2009), sales growth is an increase in the number of sales from year to year or from time to time. With high sales growth, it will reflect the company's revenue, which also increases. The growth rate of a company will affect its ability to maintain profits and seize future opportunities.

H_3: Growth Has a Positive Effect on the Cost of Debt
H_4: Growth Strengthens Debt Restructuring Against the Cost of Debt
H_5: Growth Strengthens the Effect of Tax Avoidance on the Cost of Debt

To clarify the research conducted by researchers, the researchers formulated the research model as follows:



III. RESEARCH METHODS

In this study, the population consists of various consumer goods sector companies listed on the Indonesia Stock Exchange. The reason for choosing the sample is because the company sector is quite stable during the COVID-19 pandemic because, even though there is a lockdown, people still need daily consumption goods. The research range was conducted from 2019–2021 with a purposive sampling technique.In addition, the financial reporting data obtained was tested and analyzed using SEM-PLS.

Table 1. Sample

Description	Number of Companies	Amount of Data
Various Consumer Goods Industry Sector Companies listed on the IDX 2019-2021	59	177
Manufacturing companies that did not consistently provide the data and information needed during the 2015-2019 period.	(1)	(3)
Number of Research Samples	**58**	**174**

Cost of Debt

According to Dirman (2020), the cost of debt is calculated from the total interest expense paid by the company within one year divided by the average number of loans that generate this interest. The measurements of the cost of debt in this study are:

$$COD = \frac{\text{Interest Expense}}{\text{Total Debt}}$$

Debt Restructuring

Debt restructuring is one way to avoid company liquidation through an agreement with creditors with certain conditions. During the Covid-19 pandemic, this debt restructuring was a policy issued by the financial authorities for relief to debtors. This variable is a dummy variable, 1 for companies that plan and carry out debt restructuring, and 0 for companies that do not carry out debt restructuring.

Tax Avoidance

Tax avoidance is a way for companies to reduce the tax burden by exploiting the weaknesses of the tax law. The measurement of tax avoidance in this study is:

$$ETR = \frac{\text{Tax Expense}}{\text{Earnings Before Tax}}$$

Growth

Growth can be measured using the company's sales growth from year to year. Sales growth shows the extent to which the company can increase its sales compared to the total sales as a whole in the previous year.

Descriptive Statistical Analysis

Descriptive statistical analysis of the variables used in the study includes the number of samples, minimum and maximum values, average value, and standard deviation. The following table contains the results of statistical calculations descriptive of this study.

Table 2. Descriptive Statistics

Variable	N	Min	Max	Average	Std. Dev
X1	174	0.000	1.000	9.770	29.691
X2	174	-184.000	735.000	31.138	82.473
Y	174	0.000	95.000	3.954	7.460
Z	174	30.000	251.000	110.420	29.047

ource: data processed with SEM-PLS

Hypothesis Testing

Table 3. Hypothesis Test Results

	Sampel Asli (O)	Rata-rata Sampel (M)	StandarDeviasi (STDEV)	T Statistik (| O/STDEV |)	P Values
X1 -> Y	0,273	0,220	0,118	2,322	0,021
X1*Z -> Y	-0,078	-0,143	0,201	0,390	0,697
X2 -> Y	0,009	0,004	0,102	0,088	0,930
X2*Z_ -> Y	-0,044	-0,080	0,126	0,350	0,726
Z -> Y	-0,002	-0,008	0,098	0,022	0,982

The results of this test describe the effect of the relationship between the independentvariables and the dependent variable, as well as the influence of the moderating variable,which moderates the relationship between the independent variables and the dependent variable. Testing this hypothesis is based on a comparison of the p-value. If the p-value is less than 0.05, the independent variables affect the dependent variable.

IV. DISCUSSION

The effect of Debt Restructuring on Cost of Debt

Based on the results of hypothesis testing, it is known that the p-value of debt restructuring on the cost of debt is 0.021<0.005. This shows that debt restructuring has a positive effect on the cost of debt, so that H_1 is accepted.With debt restructuring, it can be easier for companies to survive in the short term. However, if we look at the long term, debt restructuring provides an extension of time, so that loan interest also increases.

Effect of tax avoidance on Cost of Debt

Based on the results of hypothesis testing, it is known that the p-value of tax avoidance on cost of debt is 0.930 >0.005. This shows that tax avoidance has no effect on the cost of debt, so H_2 is unacceptable. This is in line with the results of research by Nguyen Minh Ha (2022) and Zamifa (2022), which states that there is no conclusive empirical evidence about the relationship between the cost of debt and tax avoidance.However, the results of Sugiyanto (2019) state that tax avoidance has an impact on the cost of debt.

Effect of Growth on Cost of Debt

Based on the results of testing the hypothesis, it is known that the p-value growth on the cost of debt is 0.982 > 0.005. This shows that growth has no effect on the cost of debt, so H_3 cannot be accepted. This also resulted in growth as a moderating variable not strengthening the relationship between the independent variables and the dependent variable in this study.The results of this study are in line with those carried out by Sugiyono(2019), who found that sales growth had no significant effect on tax avoidance.Sales growthdescribes an increase in sales from year to year. The high level of sales growth shows how well the company is running its operations activities.Companies that have high sales growth rates will need more investment in various elements of assets, both fixed assets and current assets. Management needs to consider the appropriate funding sources for the expenditure of these assets. Companies that have high sales growth will be able to fulfill obligations, such as tax obligations or debt obligations.

V. CONCLUSION& SUGGESTION

Debt restructuring has a positive effect on the cost of debt for various consumer goods sector companies listed on the IDX for 2019–2021. Companies that carried out debt restructuring during the pandemic received relief in paying their debts in the form of extending the term of the debt so that the installments were relatively small, but this could cause the cost of the debt to increase as well as the extension of time, but it can also help a company survive a downturn in the economy.

Tax avoidance and growth have no effect on the cost of debt for various consumer goods sector companies listed on the IDX in 2019–2021. Companies can avoid taxes in various ways. The cost of debt can reduce the share of profits shareholders receive, so companies will choose other alternatives to avoid taxes. Companies with good growth also prefer equity funding over debt so that it does not cause a cost of debt, which can reduce shareholder profits.

Researchers can collaborate with other sectors and a broader range for future research. Other independent variables that can influence, such as good corporate governance and corporate social responsibility, can be added by future researchers.

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