PROCEEDING
Volume 1, Year 2023
"Economics and Islamic Governance in the Digital Era"

Institutional Ownership as a Moderator in the Relationship Between Company Size, Profitability, Tax Avoidance, and Cost of Debt

Vivil Sri Darvila[1], Desrir Miftah[2*], Hesty Wulandari[3], Manal Alsufyani[4]

[1,2,3] Fakultas Ekonomi dan Ilmu Sosia, Universitas Islam Negeri Sultan Syarif Kasim Riau, Pekanbaru, Indonesia
[4] Taif University, Saudi Arabia

ARTICLE INFO

Article history:
Received, Nov 16, 2023
Revised, Dec 15, 2023
Accepted, Dec 22, 2023

Keywords:
Firm size, Profitability, Tax Avoidance, Cost of Debt, Inctitutional Ownership

ABSTRACT

This research is a quantitative study which aims to find out the influence of company size, profitability and tax avoidance on the cost of debt with institutional ownership as a moderating variable in construction companies listed on the Indonesian Stock Exchange in 2019-2021. The number of samples in this research was 16 companies with a sampling method using a purposive sampling method. This research uses secondary data obtained through company annual reports. Analysis of panel data regression data using e-views 12. The results of the analysis show that the tax avoidance variable has an effect on the cost of debt, while the variables of company size and profitability have no effect on the cost of debt. Institutional ownership can moderate the effect of tax avoidance on the cost of debt, but institutional ownership cannot moderate the effect of company size and profitability on the cost of debt.

*Corresponding author.
E-mail: desrir.miftah@uin-suska.ac.id

INTRODUCTION

External party funding is the main alternative for companies in maintaining and developing business. One way is by issuing debt securities which will later be purchased by creditors. By buying debt securities, creditors will get returns in the form of interest. For companies that are in debt, this interest is the return that the company must give to creditors (Santosa and Kurniawan, 2016). The rate of return given to creditors will be the cost of debt for the company (Marcelliana, 2014).

If a company makes a loan to a creditor, the company must grow and develop, so that it is able to fulfill its obligations to pay debts and interest costs incurred on the loan. However, if it cannot fulfill its obligations, the company will be declared insolvent or bankrupt. The case in Indonesia regarding the postponement of debt payment obligations that occurred at PT Istaka Karya (Persero), was declared bankrupt by the Central Jakarta district court. Istaka Karya is a state-owned company in the construction sector that has been operating since 1979 under the name PT Indonesia Consortium of Construction Industries (ICCI). In May 2022, Istaka Karya is one of 7 BUMN that will be disbanded, but before it was officially disbanded, Istaka Karya was declared bankrupt on July 15 2022 due to the debt burden exceeding the total assets owned by the company. In 2021, Istaka Karya has a debt of IDR 1.08 trillion. However, the company's liquidity was recorded at minus IDR 570 billion and total assets were IDR 514 billion (compas.com).

Based on the case above, problems occur when managers are unable to manage the company well, so that the company fails to fulfill its debts or obligations. Ultimately, there is a transfer of ownership of assets from shareholders to creditors. In debt contracts, there are agency problems between shareholders, management and creditors. Management has an obligation to pay off debts and interest to creditors who have claims on company assets. Creditors receive returns in the form of interest, apart from that, creditors also bear the risks of their investment choices. One type of risk borne by creditors is corporate risk, namely risk related to the characteristics of the company and the way management manages the company. Return and risk are a trade-off, the greater creditors assess the risk a company has, the greater the interest that will be charged to the company. So it can be concluded that the cost of debt is influenced by company risk (Santosa and Kurniawan, 2016).

The cost of debt is influenced by several variables, including tax avoidance behavior, company size and profitability. According to Aziza (2016) tax avoidance is a way to reduce taxes legally in accordance with tax legislation. The practice of tax avoidance is carried out by exploiting weaknesses in tax law and not violating tax regulations. Companies that avoid taxes will reduce the use of debt, thereby increasing financial slack, reducing costs and risk of bankruptcy, improving credit quality, and the impact will reduce the cost of debt. This supports the trade-off theory that tax avoidance will reduce the cost of debt (Dwi Martani, 2012). Several studies on tax avoidance have been conducted by Novari and Habibah (2022), Wijaksana (2020), Sulistyo (2018) who found that tax avoidance has a positive effect on the cost of debt, while research conducted by

Manullang (2020), Sitanggang (2019), Wardani and Rumahorbo (2018) found that tax avoidance had no effect on the cost of debt.

Company size describes the size of a company which can be assessed from the total assets owned, number of sales, average total sales and average assets (Sendri et al 2019). Company size is expressed through total assets. Assets owned by the company will be used as collateral by creditors. The larger the company size means the greater the assets it owns, making it easier for the company to obtain loans and the lower the debt costs applied by creditors (Magnanelli and Izzo, 2017)

Research by Allawiyah (2021), Panjaitan (2021), Suryani and Wirianata (2019), Meiriasari (2017) explains that company size influences the cost of debt, while research conducted by Awaloedin and Nugroho (2019), Mulyana and Daito (2021), Wardani and Rumahorbo (2018), state that company size has no effect on the cost of debt. The inconsistency in the results of these studies raises interest in further research on the influence of company size on the cost of debt.

The cost of debt is also influenced by profitability. Profitability is the ability of a company to make a profit in a certain period (Heri, 2017). Profitability is one of the basics for assessing a company's condition. The greater profitability of a company can reduce a company's tax burden. Because companies with a high level of efficiency and high income tend to face a low tax burden. Profitability is the ability of a company to generate profits in a certain period, companies with a high level of speculative return using fairly small liabilities because a high level of return allows the company to support most of its internal financing. Profitability is measured by Return On Assets, namely the company's ability to utilize all its resources to generate profits after tax (Prabowo, et al 2019).

Research by Sherly and Fitriana (2019), Yuliarti and Hasanah (2021) explains that profitability has a negative effect on the cost of debt. However, in contrast to Parang's (2022) research, Sutanto (2022) explains that proofitability has no effect on the cost of debt. The inconsistency in the results of these studies aroused the author's interest in further research on the effect of profitability on the cost of debt.

Institutional ownership is one form of ownership structure that a company can choose. According to Wardani and Rumahorbo (2018) institutional ownership functions as a supervisor, which is very important for the success of the company, especially in preventing conflicts between shareholders and managers, where institutional ownership will carry out supervisory actions which will encourage management to show good and good performance and show that Management's performance in managing funds does not violate existing regulations and ensures that no fraudulent activities occur.

Institutional ownership can be a moderating variable, because institutional ownership will provide supervision or control to companies which can reduce the use of debt by management so that it will reduce the debt costs imposed on companies, in Indonesia, especially those listed on the IDX). Institutional ownership has share ownership in one company of 66.81 percent, thus being able to influence company management to disclose company information compared to managerial ownership which has an average proportional share of 3.8 percent and public share ownership which has an average proportional share. on average less than 5 percent (Rikotoma, 2018). The existence of this control will cause management to use debt at a low level to anticipate the possibility of financial distress and financial risk (Setyawati, 2014).

Sitanggang's (2019) research shows that tax avoidance has no significant effect on the cost of debt. And institutional ownership cannot moderate the relationship between tax avoidance and the cost of debt. Khalidah Azizah's research (2016) also shows that the tax avoidance variable has a significant influence on the cost of debt. Institutional ownership cannot moderate the effect of tax avoidance on the cost of debt. However, Dwiyanti's research (2020) shows that institutional ownership can moderate the influence of tax avoidance and profitability on the cost of debt.

The aim of this research is to examine the moderating role of institutional ownership on the influence of tax avoidance, company size and profitability on the cost of debt in construction companies listed on the Indonesia Stock Exchange in 2019-2021, where this year the Covid-19 outbreak occurred in Indonesia and even throughout world which also has an impact on the Indonesian Capital Market.

Trade off theory

Trade off theory explains the balance relationship between the advantages and disadvantages of using debt by a company where corporate taxes are taken into account. The company value will increase along with the increase in the debt value. However, this value will still start to decline at a certain point, namely when the debt level is optimal. In this trade off theory, companies cannot use as much debt because the higher the debt, the greater the interest rate that must be paid. The greater the interest rate that must be paid, the greater the possibility that the company will not be able to pay the interest, which results in the greater the likelihood of bankruptcy (Fenty Fauziah, 2017: 38).

Trade off theory explains the balance relationship between the advantages and disadvantages of using debt by a company where corporate taxes are taken into account. The company value will increase along with the increase in the debt value. However, this value will still start to decline at a certain point, namely when the debt level is optimal. In this trade off theory, companies cannot use as much debt because the higher the debt, the greater the interest rate that must be paid. The greater the interest rate that must be paid, the greater the possibility that the company will not be able to pay the interest, which results in the greater the likelihood of bankruptcy (Fenty Fauziah, 2017: 38).

Based on trade off theory, profitability is influenced by capital structure, where an increase in debt can reduce the tax burden and agency costs so that net income is high. Research by Velnampy and Niresh (2012) states that the greater the use of debt in the capital structure, the greater the rate of return on equity in a company's profitability. Trade off theory assumes that companies will use debt to a certain level to maximize company value by taking advantage of taxes resulting from the use of debt (Mahardika and Aisjah, 2014). According to Brigham and Houston (2001) capital structure policy involves considering risk and rate of return (cost of debt) and companies that decide to use debt means increasing the risk borne by the company and also increasing the rate of return on the cost of debt (Mira and Wayan, 2015). Based on this statement Profitability influences the cost of debt.

The cost of debt is also influenced by company size. Company size is a scale or value that can classify a company into large or small categories based on total assets (Yunika, 2017). According to Sasongko et al., (2019) company size is a scale that functions to group the size of business entities. The size of a company can influence the extent of information disclosure in its financial reports. In this research, company size is measured by the total assets owned, this is because total assets are considered more stable and at the same time better reflect the size of the company.

Trade off theory suggests that debt has two sides, namely a positive side and a negative side. The positive side of debt is that interest payments will reduce taxable payments. Debt benefits companies because of the different tax treatment of interest and dividends. Interest payments are counted as expenses and reduce taxable income, so the amount of tax the company must pay is reduced. On the other hand, distribution of dividends to shareholders does not reduce the amount of corporate tax. So, from a tax perspective, it will be more profitable if the company finances investments in the form of debt because of tax savings (Elvis Apriyanti, Desi Fitria: 2016).

Based on the basic theoretical concepts explained above, the influence of Company Size, Profitability and Tax Avoidance on the Cost of Debt with Institutional Ownership as a moderating variable can be explained as follows:

The Influence of Company Size on the Cost of Debt

Company size is measured by the total assets owned, this is because total assets are considered more stable and at the same time better reflect the size of the company. When providing a loan, creditors usually also pay attention to the size of the company. The risks of larger companies tend to be assessed as low, because the company is considered to have demonstrated good performance and can be trusted. With this lower assessed risk, creditors then set lower debt costs.

According to Meiriasari (2017), company size (firm size) has a significant negative effect on the cost of debt received by the company, which means that the bigger a company is, the smaller its debt costs will be. Companies with larger total assets are estimated to have greater ability to meet all their obligations in the coming period. The greater the company's total assets, it is hoped that the company can provide a more certain rate of return to investors so that the risk of the company experiencing default will decrease.

Company size is expressed through total assets. Assets owned by the company will be used as collateral by creditors. The larger the company size means the greater the assets it owns, making it easier for the company to obtain loans and the lower the debt costs applied by creditors (Magnanelli and Izzo, 2017). This is in line with research conducted by Krisnofianti (2021), Melia (2021), Suryani (2019), Meisari (2017) states that company size influences the cost of debt. Based on the description above, the research hypothesis is:

Hypothesis 1. Company size has a negative effect on the cost of debt

The Effect of Profitability on the Cost of Debt

Profitability is proxied by return on assets (ROA). Performance measurement with ROA shows how to obtain profits from the capital capacity invested in assets (Maharani and Suardana, 2014). Return on assets is an indicator that reflects the level of success of a company's financial performance. The higher the ROA value means that the financial performance is getting better. If the return on assets value increases, it means that the company's profitability value also increases.

Profitability also determines decisions in using debt for company funding. Companies with a high level of profitability generally use relatively small amounts of debt because with a high level of return on investment the company can capitalize with retained earnings only (Purba, 2011). Low use of debt causes the debt costs incurred to also be low.

High profitability causes companies to tend to use high levels of internal funds in financing, thus making companies choose to use external funds in the form of lower debt (Kusuma et al., 2013). This is because when a company has a high profitability value, the company will allocate part of its profits to retained earnings as an internal source for financing. The higher the profits obtained by the company, the lower the cost of debt (Sinaga 2014:353). This is in line with research conducted by Sherly (2017), Brigita (2019), Tiyan (2019) found that profitability has an effect on the cost of debt. Based on the description above, the research hypothesis is:

Hypothesis 2. Profitability has a negative effect on the cost of debt

The Effect of Tax Avoidance on the Cost of Debt

Trade off theory explains that tax avoidance is a substitute for using debt (Lim, 2011; Kholbadalov, 2012). This means that tax avoidance can be a substitute for using debt because when a company does not use debt in company funding, the company's taxes are high. This happens because debt costs arising from the use of debt in the form of interest charges can reduce the company's profits so that the company's profits become small and the taxes paid also become small.

Rahmawati (2015:24) companies that have high profits will result in a high tax burden. Companies are reluctant to pay high taxes so companies avoid taxes by taking advantage of interest costs by increasing their debt. The greater the level of tax avoidance carried out by a company, the greater the debt costs it must bear (Romadoni, 2019). This is in line with research conducted by Wijaksana (2020). Erlangga (2018) stated that tax avoidance affects the cost of debt. Based on the description above, the research hypothesis is:

Hypothesis 3. Tax avoidance has a positive effect on the cost of debt

The Effect of Company Size on the Cost of Debt with Institutional Ownership as a Moderating Variable

Institutional ownership is share ownership in a company in the form of an institution in non-bank financial institutions, for example insurance companies, investment companies, etc. (Harianto, 2020). Institutional ownership is believed to be able to control and supervise company activities. According to Meiriasari (2017), company size (firm size) has a significant negative effect on the cost of debt received by the company, which means that the bigger a company is, the smaller its debt costs will be. Based on the theoretical basis above, institutional ownership is believed to moderate the relationship between company size and the cost of debt.

Companies with larger total assets are estimated to have more ability to fulfill all their obligations in the coming period (Rebecca & Siregar). The greater the company's total assets, it is hoped that the company can provide a more certain rate of return to investors so that the risk of the company experiencing default will decrease. In order for the company to be able to fulfill all its obligations, supervision is needed to monitor management performance so that the company continues to progress.

Hypothesis 4. Institutional ownership moderates company size on the cost of debt

The Effect of Profitability on the Cost of Debt with Institutional Ownership as a Moderating Variable

Institutional ownership is one of the corporate governance mechanisms that can be used to control agency problems. Institutional ownership is believed to have a better ability to monitor management performance, so that optimal supervision can be created and company value will be better. Profitability is a performance measurement with ROA showing how to obtain profits from the ability of capital invested in assets (Maharani and Suardana, 2014). Return on assets (ROA) is an indicator that reflects the level of success of a company's financial performance.

Research conducted by Sherly, (2016), is related to profitability, namely the higher the ROA value means that financial performance is getting better. Increased institutional ownership in a company can oversee management using funds for debt costs. A good company control system will be able to indicate increasing good financial performance. The higher the share ownership by institutions, the higher the professional intensity of institutions in monitoring the development of their investments in order to produce the profits they want to achieve. This monitoring will pressure management not to act deviantly (Sudiyatno, 2010). This is in line with research conducted by Yuliarti (2021) which states that institutional ownership can moderate the relationship between profitability and the cost of debt. Based on this description, the research hypothesis is:

Hypothesis 5. Institutional ownership moderates profitability on the cost of debt

The Effect of Tax Avoidance on the Cost of Debt with Institutional Ownership as a Moderating Variable

Institutional ownership is share ownership in a company in the form of an institution in non-bank financial institutions, for example insurance companies, investment companies, etc. (Harianto, 2020). Share ownership by institutional investors is considered to have greater ability to optimally supervise management performance. So the higher the level of institutional ownership, the higher the level of supervision of management.

According to Lim (2011), tax avoidance can cause institutional conflict between management and debt holders because it can cause information asymmetry. Therefore, it is necessary to implement good corporate governance in companies. The higher the good governance in the company, the smaller the tax avoidance. The better good corporate governance, the easier it will be to control and reduce agency costs. Through institutional ownership, this will also reduce the use of debt by management, thereby reducing the cost of debt imposed on the company. The existence of this control will cause management to use debt at a low level to anticipate the possibility of financial distress and financial risk (Setyawati, 2014). This is in line with research conducted by R Andini and A Pranaditya (2018), Anggara (2020), PM Zetira (2022) stated that institutional ownership can moderate the relationship between tax avoidance and the cost of debt. Based on this description, the research hypothesis is:

Hypothesis 6. Institutional ownership moderates tax avoidance on the cost of debt

METHODOLOGY

This research is quantitative research, with independent variables consisting of Company Size, Profitability and Tax Avoidance as well as the dependent variable Cost of Debt with institutional ownership as a moderating variable.

The population of this research is all construction companies listed on the Indonesia Stock Exchange for the 2019 - 2021 period. The total population of this research is 23 construction companies listed on the Indonesian Stock Exchange. The sampling technique used was purposive sampling accompanied by established criteria. The criteria set are companies that publish and publish complete and consecutive annual financial reports as of December 31 for the 2019-2021 research period. There is a sample of 16 companies, resulting in 48 units of analysis. The data used in this research is secondary data including annual reports issued and published by construction companies listed on the Indonesia Stock Exchange for the 2019-2021 period. The definitions and operational variables are presented as follows:

Table 1. Variables, Operational Definitions, and Measurements

No	Variable	Operational Definitions	Measurement	Skala
1	Cost of Debt (COD-Y)	The cost of debt is the rate of return that creditors desire when providing funding to a company.	*Cost of debt* = Interest expense: Average of long-term debt and short-term debt	Ratios
2	Company Size (CS-X1)	Company size describes the size of a company which can be assessed from the total assets owned, number of sales, average total sales and average assets.	SIZE = Ln (Total Asset)	Ratios
3	Profitability (ROA-X2)	Profitability is the ability of a company to generate profits at a certain level of sales, assets and share capital	ROA = Net profit for a year/ Total assets	Ratios
4	Tax avoidance (ETR-X3)	Tax avoidance is an attempt to pay off legal tax debts where the methods and techniques used tend to take advantage of the weaknesses contained in the tax laws and regulations themselves to reduce the amount of tax owed.	ETR = Income Tax Expense/ Profit before tax	Ratios
5	Institutional Ownership (INST-Z)	Institutional ownership is the proportion of shares owned by institutions as measured by the percentage and share ownership by financial institutions such as banks, investment banking, insurance companies and pension funds.	INST = The number of shares owned by the institution/ Number of shares outstanding	Ratios

This research is research with quantitative data using panel data analysis. where panel data is a type of data that is a combination of time series and cross section data. the data processing process carried out in this research starts from descriptive statistics, classical assumption testing, multiple linear regression and hypothesis testing. this research was carried out with the help of the e-views data processing program.

RESULTS

According to Sugiyono (2012:206), descriptive statistical tests are statistics that analyze by describing the data that has been collected. According to Ghozali (2013:19) descriptive statistics are used to describe data descriptions of all the variables in the research as seen from the minimum value, maximum value, average (mean) and standard deviation. The descriptive statistical analysis of the variables in this research is as follows:

Table 2. Descriptive Statistical Analysis

	SIZE	ROA	ETR	COD
Mean	28.95337	0.064688	0.019283	1.110142
Median	28.92415	0.025500	0.050860	1.029927
Maximum	32.43990	0.439000	0.969330	1.962169
Minimum	24.96290	0.000000	-1.463860	0.216929
Std. Dev.	1.921906	0.087843	0.366145	0.415277
Skewness	-0.018405	2.399499	-2.089033	0.028496
Kurtosis	2.348788	9.135207	10.70332	2.735912
Jarque-Bera	0.850865	121.3423	153.5946	0.145981
Probability	0.653487	0.000000	0.000000	0.929609
Sum	1389.762	3.105000	0.925570	53.28681
Sum Sq. Dev.	173.6049	0.362668	6.300924	8.105403
Observations	48	48	48	48

Next, a panel data model was selected with 3 approach models, namely the Commun Effect Model, Fixed Effect Model and Random Effect Model. Chow Test or Chow Test is a test to determine the most appropriate Fixed Effect or Random Effect model in estimating panel data. Based on the Chow test, the results obtained show that the Chi-Square probability is 0.0000, which is smaller than the significant alpha rate of 0.05 (5%), so it can be concluded that the Fixed Effect model was chosen.

Next, a panel data model was selected with 3 approach models, namely the Commun Effect Model, Fixed Effect Model and Random Effect Model. Chow Test or Chow Test is a test to determine the most appropriate Fixed Effect or Random Effect model in estimating panel data. Based on the Chow test, the results obtained show that the Chi-Square probability is 0.0000, which is smaller than the significant alpha rate of 0.05 (5%), so it can be concluded that the Fixed Effect model was chosen.

Table 3. Results of Fixed Effect Model Panel Data Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.122675	0.401892	0.305244	0.7626
X1	0.005536	0.015710	0.352404	0.7274
X2	-0.881988	0.960462	-0.918295	0.3669
X3	0.225293	0.159375	1.413603	0.0193
X1_Z	-0.011532	0.015209	-0.758252	0.4551
X2_Z	1.888160	2.133012	0.885208	0.3842
X3_Z	-0.909872	0.328539	-2.769454	0.0102

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.835828	Mean dependent var	0.120044
Adjusted R-squared	0.703227	S.D. dependent var	0.129368
S.E. of regression	0.070475	Akaike info criterion	-2.163541
Sum squared resid	0.129137	Schwarz criterion	-1.305907
Log likelihood	73.92499	Hannan-Quinn criter.	-1.839440
F-statistic	6.303350	Durbin-Watson stat	3.870262
Prob(F-statistic)	0.000010		

The R-square value is 0.703227. This shows that the contribution of all independent variables in explaining the dependent variable is 70.32%, while the remaining 29.65 is explained by other variables not measured in this regression model.

The F test results show a significance value of 0.0000 and a statistical F value of 6.3033, so it can be concluded that the model developed meets goodness of fit. Next, hypothesis testing can be explained as follows:

The Effect of Company Size on the Cost of Debt

The first hypothesis proposed is that company size influences the cost of debt in construction companies listed on the Indonesia Stock Exchange in 2019-202. The results of the panel data regression analysis show that it has a t_count of 0.352404 < 1.760 and a probability value of Company Size of 0.7274 > 0.05, so it can be concluded that Company Size has no effect on the cost of debt.

The results of this study explain that company size does not significantly influence the cost of debt. Company size as measured by total assets describes the size of the company. The more assets a company has, the higher the company's chances will be, resulting in a low risk of default and the cost of debt will also be low (Nugroho, 2019).

This research is in line with research conducted by Rumahorbo (2018), Nugroho (2019) and Daito (2021), showing that company size has no effect on the cost of debt. However, this research is not in line with research by Wiriana (2019), Panjaitan (2021) and Allawiyah (2021) which states that company size influences the cost of debt.

The Effect of Profitability on the Cost of Debt

The second hypothesis proposed is that probability has an influence on the cost of debt in construction companies listed on the Indonesia Stock Exchange (BEI) in 2019-2021. The results of panel data regression analysis show t_count of -0.918295 < 1.760 and profitability probability value of 0.3669 > 0.05, so it can be it was concluded that profitability had no effect on the cost of debt.

The results of this research explain that profitability does not have a significant effect on the cost of debt. Profitability is the ability of a company to make a profit in a certain period. The results of this research are not in line with the proposed hypothesis, the high profits generated by a company do not make the cost of debt lower.

This research is in line with research conducted by Parang (2022) and Sutanto (2022) which states that profitability has no effect on the cost of debt. However, this research is not in line with research conducted by Sherly (2019), Hasanah (2021) which states that profitability affects the cost of debt.

The Effect of Tax Avoidance on the Cost of Debt

The third hypothesis proposed is that tax avoidance influences the cost of debt in construction companies listed on the Indonesia Stock Exchange (BEI) in 2019-2021. The results of panel data regression analysis show that it has a t_count of 1.413603 < 1.760 and a probability value of tax avoidance of 0.0193 < 0.05, so it can be concluded that tax avoidance has an effect on the cost of debt.

The results of this research explain that companies who avoid taxes are influenced by the company's ability to avoid taxes. The higher the debt a company has, the higher the interest expense that must be paid. This is what encourages companies to avoid taxes

This research is in line with research conducted by Khalidah (2017) which states that tax avoidance has an effect on the cost of debt. However, this research is not in line with research conducted by Sitanggang (2019) which states that tax evasion has no effect on the cost of debt.

The Effect of Company Size on the Cost of Debt with Institutional Ownership as a Moderating Variable

The fourth hypothesis proposed is that company size influences the cost of debt with institutional ownership as a moderating variable in construction companies listed on the Indonesia Stock Exchange (BEI) in 2019-2021. The results of panel data regression analysis show t_count of 1.413603 < 1.760 and the probability value of tax avoidance amounting to 0.0193 < 0.05, so it can be concluded that company size which is moderated by institutional ownership has no effect on the cost of debt.

In this case, it explains that institutional ownership cannot moderate the relationship between company size and the cost of debt. This research is in line with research conducted by Lawita (2022) which states that institutional ownership cannot moderate the effect of company size on the cost of debt.

The Effect of Profitability on the Cost of Debt with Institutional Ownership as a Moderating Variable

The fifth hypothesis proposed is that profitability influences the cost of debt with institutional ownership as a moderating variable in construction companies listed on the Indonesia Stock Exchange (BEI) in 2019-2021. The results of panel data regression analysis show a t_count of 0.885208 < 1.760 and a moderated profitability probability value by institutional ownership is 0.3842 > 0.05, so it can be concluded that profitability which is moderated by institutional ownership has no effect on the cost of debt.

Institutional ownership is unable to moderate profitability against the cost of debt. This is because the amount of institutional ownership owned by the company is still low, meaning that low institutional ownership in the company means that investors do not manage maximum profits, while investors continue to seek increased debt payments.

The results of this research are in line with research conducted by Melita & Rokhmawati (2017), Jayanti & Puspitasari (2017) which states that institutional ownership is unable to moderate the effect of profitability on the cost of debt. However, this research is not in line with research conducted by Yuliarti (2021) which states that institutional ownership is able to moderate profitability on the cost of debt.

The Effect of Tax Avoidance on the Cost of Debt with Institutional Ownership as a Moderating Variable

The sixth hypothesis proposed is that tax avoidance influences the cost of debt with institutional ownership as a moderating variable in construction companies listed on the Indonesia Stock Exchange (BEI) in 2019-2021. The results of panel data regression analysis show t_count of -2.769454 < 1.760 and the probability value of avoidance taxes moderated by institutional ownership are 0.0102 < 05, so it can be concluded that tax avoidance moderated by institutional ownership has an effect on the cost of debt.

Institutional ownership can moderate the effect of tax avoidance on the cost of debt. Institutional ownership is believed to have a better ability to monitor management performance, so that optimal supervision can be created and company value will be better. Institutional ownership will reduce the cost of debt by reducing agency costs, which has the effect of reducing opportunities for tax avoidance.

This research is in line with research conducted by Lawita (2022) which states that institutional ownership is able to moderate tax avoidance on debt costs. However, this research is not in line with research conducted by Khalidah (2016) which states that institutional ownership cannot moderate tax avoidance on the cost of debt.

CONCLUSION

The results of this research show that company size and profitability have no effect on the cost of debt, while tax avoidance has an effect on the cost of debt. Institutional ownership can moderate the effect of tax avoidance on the cost of debt but cannot moderate the effect of company size and profitability on the cost of debt.

Advice for companies is that they should be more careful in using the cost of debt because the higher the cost of debt the company has, the greater the risk. Meanwhile for the government, in this case the rector general of taxes is expected to increase supervision over manufacturing companies that have high levels of debt.

Future researchers can expand the research object and add independent variables that may influence the cost of debt, such as audit quality, so that they can get good research results.

REFERENCES

Awaloedin, D. T., & Nugroho, R. 2019. Pengaruh Ukuran Perusahaan Rasio Utang Dan Umur Perusahaan Terhadap Biaya Utang (Studi Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2015-2017). *Jurnal Rekayasa Informasi*, *8*(1), 52–69. Https://Ejournal.Istn.Ac.Id/Index.Php/Rekayasainformasi/Article/View/366%0a

Azizah, Khalida. 2016. Pengaruh Penghindaran Pajak Terhadap Biaya Hutang Dengan Kepemilikan Institusional Sebagai Variabel Moderasi Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Periode 2013-2015." *Skripsi S1 Fakultas Ekonomi Dan Bisnis Universitas Airlangga Surabaya*, 1–124. Http://Dl.Acm.Org/Citation.Cfm?Doid=2505515.2507827.

Anggara, Endra. 2020. Pengaruh Penghindaran Pajak Terhadap Biaya Utang Dengan Kepemilikan Institusional Sebagai Variabel Pemoderasi Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2016-2019.

Awaloedin, Dipa Taruna, And Riza Nugroho. 2019. Pengaruh Ukuran Perusahaan Rasio Utang Dan Umur Perusahaan Terhadap Biaya Utang (Studi Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2015-2017). *Jurnal Rekayasa Informasi* 8 (1): 52–69. Https://Ejournal.Istn.Ac.Id/Index.Php/Rekayasainformasi/Article/View/366%0a.

Cahyo Drihartanto Dan T.Husain. 2017. Pengaruh Mekanisme *Corporate governance* Dan Profitabilitas Terhadap *Cost-Of Debt* (Studi Empiris Pada Perusahaan Sub Sektor Properti

Dan Real Estate Yang Terdaftar Di Bursa Efek Indonesia Periode 2009-2014) *(Jurnal Ekonomi, Manajemen, Bisnis, Auditing, Dan Akuntansi) Vol.2, No.1.*

Fenty Fauziah. 2017. *Kesehatan Bank, Kebijakan Dividen Dan Nilai Perusahaan: Teori Dan Kajian Empiris*. Samarinda, Kalimantan Timur: Rv Pustaka Horizo

Henny Wirianata, A. S. E. I. 2019. Pengaruh Earnings Variability, Ukuran Perusahaan, Dan Negative Earnings Terhadap Biaya Utang. *Jurnal Paradigma Akuntansi*, *1*(3), 919. Https://Doi.Org/10.24912/Jpa.V1i3.5596

Hery. 2017. *Kajian Riset Akuntansi Mengulas Berbagai Hasil Penelitian Terkini Dalam Bidang Akuntansi Dan Keuangan. In Jakarta* : Pt Grasindo.

Hidayat, Wastam Wahyu. 2018. Pengaruh Profitabilitas, Leverage Dan Pertumbuhan Penjualan Terhadap Penghindaran Pajak. *Jurnal Riset Manajemen Dan Bisnis (Jrmb) Fakultas Ekonomi Uniat* 3(1):19–26. Doi: 10.36226/Jrmb.V3i1.82.

Harianto, Rudi. 2020. Pengaruh Strategi Bisnis, Kepemilikan Institusional Dan Kebijakan Utang Terhadap Penghindaran Pajak (Studi Kasus Pada Perusahaan Makanan Dan Minuman Di Bursa Efek Indonesia Tahun 2016-2018). *Liability* 02(1):49–69.

Henriansyah, Galih, And Lita Dharmayuni. 2017. Pengaruh Ukuran Perusahaan, Price Earning Ratio Dan Profitabilitas Terhadap Nilai Perusahaan (Studi Empiris Pada Perusahaan Aneka Industri Yang Terdaftar Di Bursa Efek Indonesia Tahun 2011 - 2015). *Equity* 20(1):25–34. Doi: 10.34209/Equ.V20i1.485.

Hapsari Ardianti, Putu Novia. 2019. Profitabilitas, Leverage, Dan Komite Audit Pada *Tax avoidance*. *E-Jurnal Akuntansi* 26(2019):2020. Doi: 10.24843/Eja.2019.V26.I03.P13.

Magnanelli. B.S., & Izzo, M. F. 2017. Corporate Social Performance And *Cost of debt*: The Relationship. Social Responsibility Journal.

Manullang, F. Anto, Hendra Agustinus H. Marbun, Irene M Tarigan, And Binsar Sihombing. 2020. Pengaruh *Tax avoidance* Terhadap *Cost of debt* Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *Jakpi - Jurnal Akuntansi, Keuangan & Perpajakan*

Meiriasari, V. 2017. Pengaruh Corporate Governance, Kepemilikan Keluarga, Kepemilikan Institusional Dan Ukuran Perusahaan (*Firm size*) Terhadap Biaya Utang. *Jurnal Ilmiah Ekonomi Global Masa Kini Volume 8 No.01juli 2017*, *8*(01), 28–34.

Masri, Indah., Dan Martini. Dwi. 2012. Pengaruh *Tax avoidance* Terhadap Cost Of Debt. *Jurnal Simposium Nasional Akuntansi XV. Banjarmasin*

Nugroho, D. R., & Meiranto, W. 2014. Pengaruh Good *Corporate governance* Terhadap Biaya Ekuitas Dan Biaya Utang. *Diionegoro Journal Of Accounting*, 3*,* 1–12.

Novari, Masita Ridwan, And Habibah. 2022. Pengaruh Penghindaran Pajak, Kepemilikan Institusional, Dan Ukuran Perusahaan Terhadap Biaya Hutang Pada Perusahaan Sektor Kesehatan Yang Terdaftar Di Bursa Efek Indonesia Periode 2016-2021. *Asian Journal Of Management Analytics* 1 (1): 23–34. Https://Doi.Org/10.55927/Ajma.V1i1.1373.

Prosiding, Jurnal, Konferensi Internasional, Jicp Vol, Desember P-, Brigita Wahyu Yuliarti, Nuramalia Hasanah, Tri Hesti Utamaningtyas, Jl R. Mangun, And Muka Raya. 2021. Pengaruh Penghindaran Pajak , Profitabilitas , Leverage Terhadap Biaya Utang Dengan Kepemilikan Institusi Sebagai Pemoderasi. 4(3):570–79.

Pohan, C.A. 2017. *Pedoman Lengkap Pajak Pertambahan Nilai*. In Pt. Gramedia Pustaka Utama.

Sherly, E. N., & Fitria, D. 2019. Pengaruh Penghindaran Pajak, Kepemilikan Institusional, Dan Profitabilitas Terhadap Biaya Hutang (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di BEI Periode 2011-2015). *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan*

Bisnis, *7*(1), 58–69. Https://Doi.Org/10.37676/Ekombis.V7i1.701

Wardani, D. K., & Rumahorbo, H. D. S. 2018. Pengaruh Penghindaran Pajak, Tata Kelola Dan Karakteristik Perusahaan Terhadap Biaya Hutang. *Jurnal Akuntansi*, *6*(2), 180–193. Https://Doi.Org/10.24964/Ja.V6i2.691

Swandewi, N. P., & Noviari, N. 2020. *Pengaruh Financial Distress Dan Konservatisme Akuntansi Pada Tax avoidance*. E-Jurnal Akuntansi, 30(7), 1670-1683.

Rahmawati. 2015. Pengaruh Penghindaran Pajak Dan Good *Corporate governance* Terhadap Biaya Utang (Studi Empiris Pada Perusahan Manufaktur Yang Terdaftar Di Bei Tahun 2009-2013). *Skripsi Fakultas Ekonomi Universitas Negeri Padang*.

Juliarti Dan A. A. Sentosa. 2009. *Pengaruh Good Corporate Governance, Voluntary Disclosure Terhadap Biaya Utang*. Jurnal Akuntansi Keuangan.Vol. 11, No.2, November, 88-100.

Santosa, J. E., & Kurniawan, H. 2016. Analisis Pengaruh *Tax avoidance* Terhadap *Cost of debt* Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *Kurnal Akuntansi Indonesia, Vol. 3 No. 2, 113-128*

Lim, Youngdeok. 2011. *Tax avoidance, Cost of debt And Shareholder 456-470*. *Activism*: Evidence From Korea. *Journal Of Bangking And Finance, 35;456- 470*.

Utama, Fahreza, Dwi Jaya Kirana, And Kornel Sitanggang. 2019. Pengaruh Penghindaran Pajak Terhadap Biaya Hutang Dan Kepemilikan Institusional Sebagai Pemoderasi. *Jurnal Bisnis Dan Akuntansi* 21 (1): 47–60. Https://Doi.Org/10.34208/Jba.V21i1.425.

Lawita, Florenciairena. 2022. Peran Pemoderasi Kepemilikan Institusional Atas Pengaruh Perencanaan Pajak, Ukuran Perusahaan Dan Arus Kas Operasi Terhadap Biaya Hutang. *Kalbisocio Jurnal Bisnis Dan Komunikasi* 9 (2): 55–62. Https://Doi.Org/10.53008/Kalbisocio.V9i2.329.

Santosa, J. E., & Kurniawan, H. 2016. Analisis Pengaruh *Tax avoidance* Terhadap *Cost of debt* Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *Kurnal Akuntansi Indonesia, Vol. 3 No. 2, 113-128*.