

# ARE SUSTAINABILITY DISCLOSURE AND TAX AVOIDANCE ASSOCIATED WITH THE COST OF DEBT?

**Paskah Deby Chabelita Hutabarat<sup>1</sup>**

Department of Accounting, Polytechnic of State Finance STAN  
[1302191533\\_paskah@pknstan.ac.id](mailto:1302191533_paskah@pknstan.ac.id)

**Amrie Firmansyah<sup>2</sup>**

Department of Public Sector Accounting, Polytechnic of State Finance STAN  
[amrie@pknstan.ac.id](mailto:amrie@pknstan.ac.id)

Received on 17 September 2022

Accepted on 12 December 2022

**Abstract**— This study examines whether sustainability disclosure and tax avoidance affect the cost of debt. The research data was obtained from financial statements, annual reports and sustainability reports of property and real estate sub-sector companies in Indonesia listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2020. Data sourced from [www.idx.co.id](http://www.idx.co.id), [www.idnfinancials.com](http://www.idnfinancials.com) and the authorized company's websites. Based on purposive sampling, the total sample used in this study amounted to 104 observations. Hypothesis testing is conducted by using multiple linear regression analysis for cross-section data. The study results conclude that sustainability disclosure and tax avoidance are not associated with the cost of debt. This research indicates that the Indonesia Financial Services Authority should increase supervision over sustainability and company policies to finance companies through debt made by listed companies.

**Keywords:** Cost of Debt; Tax Avoidance; Corporate Social Responsibility

## 1. INTRODUCTION

The company's funding policy for operational activities generally consists of equity and debt (Septian & Panggabean, 2014). This financing activity incurs a cost of debt capital and a cost of share capital. Funding decisions greatly determine the company's ability to carry out its operations and affect its risk (Fadhilla & Jubaedah, 2015). According to the pecking order theory, companies prefer internal funding as a source of financing and will only use external financing when the internal funds are insufficient (Karadeniz et al., 2011). Using debt as alternative funding for companies provides benefits through tax savings (Meiriasari, 2017). These tax savings are caused by the interest, which is tax-deductible and can be deducted from taxes on loans, thereby reducing the amount of tax that must be paid by the company (Meiriasari, 2017). The use of company debt should be controlled so that it does not exceed the company's funds (Purnianti & Putra, 2016). It is necessary to control the company's internal parties, such as management and centralized supervision from the main shareholders, namely the institutional side (Purnianti & Putra, 2016).

Investors' assessment of a company's debt depends on the company's ability to manage debt and the allocation of the use of the debt itself (Prasetyo & Riduan, 2015). When debt is managed properly, investors can actively assess the existence of the debt (Prasetyo & Riduan, 2015). If the company has high debt, the profits obtained will be used to pay the debt

(Prasetyo & Riduan, 2015). Lower profits will cause lower growth, send a negative signal to investors and impact the company's stock price (Prasetyo & Riduan, 2015).

One of the cases regarding the cost of debt occurred in PT Garuda Indonesia Tbk. The Ministry of SOEs noted that until the end of September 2021, the airline's debt record reached 9.8 billion US dollars or around Rp. 138.87 trillion (Uly, 2021). PT Garuda Indonesia Tbk. has a debt greater than its assets, so Garuda experiences negative equity (Uly, 2021). To information on the Indonesia Stock Exchange (IDX), the company's total revenue is lower than its operating costs. Garuda's total revenue in September 2021 was IDR8.06 trillion, while the total operating costs incurred reached IDR18.31 trillion (Uly, 2021). Companies need to pay attention to the cost of debt because it has a fairly high future risk. A company is declared bankrupt or bankrupt if it fails to fulfill its obligations (Bodie et al., 2013). Companies need to consider the cost of debt and the potential for revenue growth through debt financing when making debt financing decisions.

The high cost of corporate debt can affect the risk of bankruptcy, agency costs, and information asymmetry problems. The cost of debt, as one of the important elements of the capital structure, is influenced by tax considerations where interest expense can be used as a deduction for tax payable (Purwanti, 2016). Companies with high debt levels can have a big impact (Ashkhabi & Agustina, 2015). One of the consequences is the company's inability to pay its debts (Ashkhabi & Agustina, 2015). Agency theory explains the contractual relationship between the owner of capital (principal) and the manager (agent) (Jensen & Meckling, 1976). Conflict of interest makes it difficult to create a work contract between the principal and agent (Ashkhabi & Agustina, 2015). With the existence of information asymmetry, agents as company managers can directly understand the company's internal situation better than the principal, who knows little about the company's situation (Ashkhabi & Agustina, 2015). This conflict can lead to financial difficulties and affect the company's agency costs (Jensen & Meckling, 1976). Increased company growth will increase the total level of debt due to increased capital requirements (Fadhilla & Jubaedah, 2015). Thus, tests of the cost of debt need to be investigated further.

Several previous studies have widely discussed the factors that affect the cost of debt. The factors used to test the cost of debt include corporate governance (Arianti, 2017; Ashkhabi & Agustina, 2015; Meiriasari, 2017; Nugraha & Meiranto, 2015; Rahmawati, 2015; Sari et al., 2018), tax avoidance (Arianti, 2017; Azizah, 2016; Dewi & Ardiyanto, 2020; Purwanti, 2016; Rahmawati, 2015; Sherly & Fitria, 2019; Utama et al., 2019; D. K. Wardani & Rumahorbo, 2018), voluntary disclosure (Arianti, 2017; Widyastuti & Utomo, 2020; Yenibra, 2014), institutional ownership (Meiriasari, 2017), audit quality (Juwita & Julia, 2021; Ratnasari, 2014; Widyastuti & Utomo, 2020), firm size (Ashkhabi & Agustina, 2015; Meiriasari, 2017; Suryani et al., 2019), dividend policy (A. Firmansyah et al., 2020), and accrual quality (A. Firmansyah et al., 2020).

Stakeholder theory explains that a company must be responsible to parties interested in the company (R. Y. Firmansyah et al., 2016). Companies should attain good relations with stakeholders by meeting the needs of stakeholders (such as workers, consumers and shareholders) that are directly related to the resources used by the company in its operational activities (Ghozali & Anis, 2007). Sustainability disclosure is a form of corporate ethical behavior that benefits stakeholders. Companies should meet stakeholder expectations and provide added value to stakeholders (Arofah, 2018). Meanwhile, the company aims to obtain as much profit as possible.

On the one hand, companies registered as corporate taxpayers have tax obligations (Nugraha & Meiranto, 2015). Some companies that feel disadvantaged will look for ways to

minimize the tax burden so that they can pay less than the amount they should pay to the state (Nugraha & Meiranto, 2015). Tax avoidance is considered an unethical management practice because it allows management to carry out activities designed to cover up bad things that can mislead stakeholders, so managers can be said to be less transparent in conducting company operations (Utama et al., 2019). Tax avoidance is an action designed to maximize after-tax income (Utama et al., 2019). This tax avoidance is a legal way for companies to do it by not violating the regulations but taking advantage of loopholes in tax law (Arianti, 2017). In the company context, companies deliberately evade taxes to reduce the taxes they have to pay while increasing the company's cash flow (Arianti, 2017). In the context of state revenues, tax avoidance eliminates the potential for state tax revenues that should be used to reduce the burden of the state budget deficit (Budiman & Setiyono, 2012).

Tax avoidance activities carried out by companies reduce company transparency and cause agency conflicts between management and debt holders because they can lead to asymmetric information (Azizah, 2016). Therefore, it is necessary to disclose corporate sustainability as a corporate responsibility. One form focuses on social and environmental issues to maintain good stakeholder relations (Arofah, 2018). Arianti (2017), Azizah (2016), and Rahmawati (2015) concluded that tax avoidance has a positive effect on the cost of debt. Purwanti (2016), Utama et al. (2019), and D. K. Wardani & Rumahorbo (2018) concluded that tax avoidance does not affect the cost of debt. This study's findings contradict Dewi & Ardiyanto (2020) and Sherly & Fitria (2019), which concluded that tax avoidance negatively affects the cost of debt. Tax avoidance is considered a risky action, namely the risk of fines and criminal sanctions that can provide a company with a bad reputation and affect the company's survival. A greater risk will make the creditor receive a greater rate of return to cover the risk so that the cost of debt borne by the company becomes higher. Some of these studies still experience inconsistencies in tax avoidance against the cost of debt, so further investigation is needed.

Sustainability disclosure is the publication of information that reflects an organization's economic, social and environmental performance (ACCA Singapore, 2013). Sustainability disclosure will provide a good relationship between stakeholders and the company (Agustina et al., 2020). One of them is to provide information related to the company's performance, ranging from financial to non-financial aspects, namely the social and environmental conditions of the company (Agustina et al., 2020). The company is socially responsible to those affected by the company (Nugraha & Meiranto, 2015). In carrying out its activities, the company needs to pay attention to the interests of all parties involved, aiming to protect the stakeholders' interests to be protected, cared for and respected (Nugraha & Meiranto, 2015). Research examining sustainability disclosure has been extensively discussed in previous studies but has not been tested against the cost of debt. Gunawan et al. (2019) concluded that sustainability disclosure does not affect tax aggressiveness. Agustina et al. (2020) concluded that sustainability disclosure has a negative effect on firm value. However, this study's findings contradict Maswain (2020) that sustainability disclosure does not affect firm value. Creditors need information that is understandable, reliable, relevant and transparent about the company as a basis for consideration in decision-making creditors. Continuing disclosure is the disclosure of financial and non-financial information made by companies voluntarily beyond the required disclosures. Management will strive to be able to fulfill its responsibilities to creditors in conveying information that can increase the credibility and value of the company. This improves the company's reputation and accountability and reduces the risk borne by the company so that the rate of return or cost of debt is low. Conversely, if the information

disclosed by the company is unreliable, creditors will lose their trust and cause the expected rate of return or the cost of debt to be high.

This study examines the effect of sustainability disclosure and tax avoidance on the cost of debt, which is still rarely done in previous studies. The test of sustainability disclosure on the relevant cost of debt is carried out from the stakeholder theory perspective as an ethical and transparent act as opposed to tax avoidance activities. Agustina et al. (2020), Gunawan et al. (2019), and Maswain (2020) employed GRI G4 Guidelines Index for sustainability disclosure. Sustainability disclosure in this study employs the 2016 GRI Standards index. The 2016 GRI standards index is an international standard that Indonesia has recognized for its application in sorting out what Corporate Social Responsibility (CSR) should be disclosed to the public. In addition, the 2016 GRI index should also be used for sustainability reports to be published in 2018 (Majid et al., 2021).

In addition to supporting the research, this study uses control variables: firm size, leverage, and profitability. Company size is used to describe the size of a company by the number of assets, the number of sales, the average number of sales, and the average number of assets. Leverage is a ratio used to see the value of assets financed through debt and the value of assets used to ensure the company's debt, allowing analysis of the company's ability to meet its obligations. Profitability is represented by Return on Assets (ROA) which reflects the success of a company's financial performance. The higher the ROA value, the better the financial performance.

This research is expected to provide maximum contribution as additional literature for further research on the relationship between sustainability disclosure, tax avoidance and the cost of debt, especially in financial accounting studies. In addition, one of the considerations for investors to invest in companies in the capital market. This research is also expected to contribute to government agencies such as the Financial Services Authority (OJK) as material for evaluating or updating policies related to the implementation and supervision of sustainability for companies listed on the Indonesia Stock Exchange.

## 2. RESEARCH METHODOLOGY

This study employs secondary data from financial, annual, and sustainability reports of property and real estate sub-sector companies from 2017 to 2020. Financial reports, annual reports and sustainability reports are sourced from [www.idx.co.id](http://www.idx.co.id), [www.idnfinancials.com](http://www.idnfinancials.com), and the company's official website. Based on purposive sampling, the sample of this research is as follows:

**Table 1. Research Sample**

Criteria	Amount
Number of companies in the property and real estate sub-sector listed on the IDX as of March 31, 2022	79
Number of companies in the property and real estate sub-sector listed on the IDX before 2017	(32)
Number of companies in the property and real estate sub-sector that did not present the 2017-2020 fiscal year	(3)
Number of companies that experienced delisting during the study period	(1)
Number of companies that meet the criteria	43
Research period (year)	4
Number of research observations that meet the provisional criteria	172
Number of companies that have a negative ETR value in a certain year	(68)
Total Sample	104

Source: data processed

The dependent variable in this study is the cost of debt, while the independent variable is sustainability disclosure and tax avoidance. Also, this study places control variables: profitability, firm size, and leverage. The cost of debt proxy in this study follows Meiriasari (2017), Sherly & Fitria (2019), and Utama et al. (2019), which is calculated by dividing interest expense for the year by the average short-term debt plus long-term debt for the year. It can be systematically formulated as follows:

$$\text{COD} = \frac{\text{Interest Expenses}}{\text{Average short – term and long – term debt}}$$

Where:

COD: Cost of Debt

This study measures sustainability disclosure with 77 indicators of the 2016 GRI Standard Sustainability Disclosure Guidelines. The measurement of items disclosed in this sustainability report uses a dummy variable, where items disclosed are given a value of "1," and items not disclosed are assigned a value of "0". Then, add up all the items with a score of 1 to get the total score for each company. Previous research that uses SRDI as a proxy to measure sustainability disclosure with a dummy variable (Davita et al., 2022; Hadi et al., 2021; Maswain, 2020; Praptama et al., 2022) with the following formula:

$$\text{SRDI} = \frac{\text{Number of items disclosed by the company}}{\text{Number of items expected to be disclosed}}$$

Where:

SRDI: sustainability report disclosure index

This study's measurement of tax avoidance uses the Effective Tax Rate (ETR) proxy. The selection of the ETR proxy follows Arianti (2017), Fauzan et al. (2021) and Idawati & Wisudarwanto (2021) with the formula:

$$\text{ETR} = \frac{\text{Tax Expense}}{\text{Pretax Income}}$$

The ETR value is multiplied by -1 because the value of tax avoidance is the opposite of the ETR value, which is tax compliance. Profitability in this study uses the return on assets (ROA) following Juwita & Julia (2021), Pradhana et al. (2014), and Sherly & Fitria (2019).

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Firm size is measured by the natural logarithm of the company's total assets following Rahmawati (2015), Suryani et al. (2019), D. K. Wardani & Rumahorbo (2018).

$$\text{SIZE} = \text{Ln total assets}$$

Leverage in this study is proxied by comparing total debt with total shareholder equity as Azizah (2016), Juwita & Julia (2021) and Septian & Panggabean (2014).

$$\text{Leverage} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Hypothesis testing in this study used multiple linear regression analysis for cross-section data. The model equations to test the hypothesis in this study are as follows:

$$\text{COD}_i = \beta_0 + \beta_1 \text{SRDI}_i + \beta_2 \text{TAXAVOID}_i + \beta_3 \text{ROA}_i + \beta_4 \text{SIZE}_i + \beta_5 \text{LEV}_i + \varepsilon_i$$

Where:

$\text{COD}_i$  = Cost of debt of company i

$\text{SRDI}_i$  = Sustainability report disclosure index of the company i

$\text{TAXAVOID}_i$  = Corporate tax avoidance of company i

$\text{ROA}_i$  = Profitability of company i

$\text{SIZE}_i$  = The size of the company i

$\text{LEV}_i$  = Leverage of company i

### 3. RESULTS AND DISCUSSIONS

The descriptive statistics of this research variable in Table 2 present the mean, median, highest (maximum), lowest (minimum), and standard deviation of the study.

**Table 2. Descriptive Statistics**

Variable	Mean	Median	Max.	Min.	Std. Dev.	Obs.
COD	0.0798	0.0827	0.3401	0.0002	0.0593	104
TAXAVOID	-0.2365	-0.0486	-0.0001	-8.1535	0.8958	104
SRDI	0.1953	0.1429	0.5714	0.0130	0.1468	104
ROA	0.0511	0.0360	0.2585	-0.0051	0.0492	104
SIZE	29.5324	29.6604	31.7397	25.6871	1.3469	104
LEVERAGE	0.3534	0.3400	0.7600	0.0400	0.1802	104

Source: Processed

In the normality test, the probability value of Jarque-Bera in the research model is 0.000028, smaller than 0.05, so the residual values in the regression equation are not normally distributed. According to Iqbal (2015), the normality test is not a BLUE (Best Linear Unbiased Estimator) requirement, and some opinions do not require this condition as something that must be fulfilled. Therefore, based on this theory, the residual distribution of observational data meets the assumptions to be declared normal. Multicollinearity testing in this study was carried out by analyzing the correlation matrix between variables resulting from the help of the Eviews application. Detection of the presence or absence of multicollinearity in the regression model can be seen from the Variance Inflation Factor (VIF) amount. Based on the results of the multicollinearity test in this study, the VIF value of each variable is not more than 10, so it can be concluded that this research model is free from multicollinearity symptoms. The heteroscedasticity test in this study was carried out using the Breusch-Pagan-Godfrey test. Testing on the model in this study resulted in a probability value of 0.1162, which means more than a significance value of 0.05, so it can be concluded that this research model has no heteroscedasticity problem. For cross-sectional data, no autocorrelation test is required. Thus, the research data has fulfilled the multiple linear regression test requirements. Furthermore, the summary of the results of the multiple linear analysis regression test is presented in Table 3

**Table 3. The Summary of the Regression Test Results**

Variable	Coeff.	t-Stat	Prob.
C	0.1927	1.1984	0.1169
TAXAVOID	-0.0036	-0.5613	0.2880
SRDI	0.0259	0.4808	0.3159
ROA	-0.4312	-3.4281	0.0005 ***
SIZE	-0.0025	-0.4388	0.3309
LEVERAGE	-0.0634	-1.7390	0.0426 **
R <sup>2</sup>		0.1413	
Adj R <sup>2</sup>		0.0975	
F-stat.		3.2249	
Prob(F-stat)		0.0097	

Information:

\*\*\*) affects the 1% significance level

\*\*\*) affects the 5% significance level

\*) affects the 10% significance level

Source: Processed

### 3.1 The Association between Tax Avoidance and the Cost of Debt

The hypothesis testing in this study suggests that tax avoidance is not associated with the cost of debt. The result of this study is in line with Purwanti (2016), Utama et al. (2019) and D. K. Wardani & Rumahorbo (2018). However, this study's result differs from Arianti (2017), Azizah (2016), Dewi & Ardiyanto (2020), Rahmawati (2015) and Sherly & Fitria (2019). The cost of debt is a burden incurred by companies that use funding from debt (Ashkhabi & Agustina, 2015). Funds provided by creditors in the form of loans to companies raise debt costs for the company. In providing company loans, creditors first consider the company's default risk (D. K. Wardani & Rumahorbo, 2018). The risk of a company's default is the possibility that the company is unable or intentionally not to fulfill its debt obligations. Efforts made by creditors to avoid the risk of default are by charging a certain amount of interest on the debt lent to the company as a condition of the rate of return or known as the cost of debt.

The practice of tax avoidance is one way that companies do to reduce their income (Siregar & Widyawati, 2016). This practice is carried out legally following tax legislation by exploiting the weaknesses of tax law and does not violate tax regulations (Ngadiman & Puspitasari, 2017). Tax avoidance is also considered not an act that violates the wishes of stakeholders. Tax avoidance is done by using more debt in corporate funding. Companies that increase the use of their debt are considered to increase their business activities and attempt to minimize tax expenses by taking advantage of interest costs to increase their debt. Property and real estate companies continue to innovate by making strategies for running their business and having good financial performance. It makes the company require large capital to be able to finance the company's investment needs. To meet the availability of these funds, the company increases the use of debt. However, the company does not consider the tax paid to determine the cost of debt. Tax avoidance is not related to the risk borne by the company in fulfilling its debt obligations to creditors.

Agency theory explains that asymmetric information occurs because of conflicts between principals, who always attempt to use the best funds with the least risk. At the same time, agents tend to take large debt policies as funding to maximize profits, often contradictory and prioritized agents (Hardiningsih & Oktaviani, 2012). According to the perspective of stakeholder theory, tax avoidance tends to be avoided by companies because of certain motives carried out by managers due to an imbalance of information between

managers and shareholders. However, agency theory cannot support the explanation of companies' risk of tax evasion by utilizing the cost of debt.

On the other hand, stakeholder theory explains that companies must create value for all stakeholders (Dmytriyev et al., 2021). Challenges for companies arise from stakeholder theory, which proposes a broader analysis of decision-making and goal-setting (Zolotoy et al., 2021). Actions taken by companies can influence stakeholder perceptions. When stakeholders are negatively affected by the actions taken by the company, it can lead to a decline in the reputation given by stakeholders to the company and vice versa. In particular, companies tend to pay attention to negative reactions from stakeholders, media, and customers affected by the company's actions.

Based on the results of the descriptive statistics of this study, the average value of the tax avoidance variable (TAXAVOID) is -0.2365. The results of this study illustrate that, on average, the property and real estate sub-sector companies do not evade taxes so that they do not pose a risk to the company because the company fulfills its obligations in paying taxes. However, when viewed from cases that have occurred before in Indonesia, there are still tax avoidance practices in property and real estate sub-sector companies that make the state lose potential tax revenue (Ashari et al., 2020). Discrepancies in tax disclosure information by management in its financial or annual reports make the data in this study unable to prove the relationship between the company's taxes and the debt cost.

On the other hand, property and real estate sub-sector companies do not take advantage of the cost of debt to avoid tax because it will create future burdens and risks of default. The existence of a default risk that results in financial difficulties with negative cash flows can affect the company's financial performance. Property and real estate sub-sector companies in Indonesia are one of the priority sectors for potential tax revenue because property projects such as housing, offices, warehousing, and shopping centers continue to develop. Property and real estate sub-sector companies are believed to be tax evasion in terms of taking advantage of loopholes in tax regulations, one of which is by lowering the value of buying and selling property in the sale deed so that companies and consumers pay lower taxes than they should. The practice of tax avoidance may be carried out due to intentional factors or the ignorance of the parties involved in the transaction. However, this shows that there are still problems in income tax regulations because there are gaps in triggering tax avoidance practices by companies. Therefore, the condition of the practice of tax avoidance of the property and real estate sub-sector companies is considered not to be related to the obligations of the company for the use of debt in carrying out its operations.

### **3.2. The Association between Sustainability Disclosure and the Cost of Debt**

The hypothesis testing in this study suggests that sustainability disclosure is not associated with the cost of debt. This result shows that the sustainability disclosure conducted by the company regarding the company's performance does not affect creditors in providing an assessment of the cost of debt that the company must bear. According to agency theory, company managers will know more about the company's internal information and prospects than shareholders (Scott, 2015). There is a gap between managers and shareholders who have limited access to oversee all actions of managers directly. On the other hand, stakeholder theory explains that managers are morally responsible for maximizing profits and meeting the needs of shareholders (Rokhlinasari, 2015). Meanwhile, creditors are interested in information regarding the current condition of the company's business continuity and the company prospects (R. P. Wardani, 2012). Sustainability disclosure is a concept to support sustainable development, which is used as a medium for company information to

stakeholders. The sustainability report contains transparent information regarding the position and activities of the company on economic, environmental and social aspects to reduce information asymmetry and increase transparency. Stakeholders use the information in the sustainability report to assess the company's performance which will influence their decision to invest their funds in the company.

Based on the results of the descriptive statistics of this study, the mean sustainability disclosure variable (SRDI) is 0.1953 or 19.53%. The result of this study illustrates that, on average, the property and real estate sub-sector companies make disclosures at a low level, which is below 20% of the total GRI Standard 2016 disclosure index. With the highest disclosure value of 0.5714 of the total index of 1.0000. The company's funding from debt does not influence creditors to take advantage of sustainability disclosures in investment decisions. Funding from debt in the long term is considered to burden the company. After all, the company must bear a high amount of debt costs, thus indicating a greater risk for the company facing bankruptcy because it has failed to pay its debts. The results of the descriptive analysis of the research show that the level of leverage of the property and real estate sub-sector companies has a value below 1. Thus, the property and real estate sub-sector companies have less debt than their total equity. This shows that the role of creditors in influencing managers' policies is relatively small. Therefore, creditors do not consider sustainability information useful in analyzing company credit.

Property and real estate sub-sector companies are one of the corporate sectors that have an important role in economic growth. Therefore, capital structure is important as property, and real estate companies tend to invest in fixed assets such as land and buildings. This condition causes creditors to make decisions to invest their funds without paying too much attention to sustainability disclosures made by the company. Global sustainability reporting is currently not the focus of creditors in determining the level of risk of property and real estate companies making loans. Creditors still see the company's normal business processes in generating profits to fulfill their future obligations as a consideration in determining its risk level. Creditors also look at the company's financial performance from return on assets, company size, and leverage. Thus, the assessment of the cost of debt that the company must bear does not depend on sustainability disclosure, so sustainability disclosure has not been able to affect the company's debt cost in this study.

#### **4. CONCLUSION**

This study concludes that sustainability disclosure does not affect the cost of debt. The implementation of sustainability disclosure that provides information about the condition of the company and the company's prospects in the future is not the focus of creditors in making decisions to invest their funds. In addition, tax avoidance does not affect the cost of debt. The company does not take advantage of the debt cost in tax avoidance because it will incur a burden and risk of default in the future. Property and real estate sub-sector companies do more tax evasion by taking advantage of loopholes in tax regulations so that companies pay lower taxes than they should. However, the practice of tax avoidance carried out by management is not related to the company's obligations for using debt in its operations.

The results of this study can be used as input for the Indonesia Tax Authority in improving the policy on taxpayers' income tax by setting the minimum capital structure that the company must own to minimize the company's tax avoidance. It can be a consideration for the Authority to strengthen the enforcement of tax regulations to cover all gaps companies use in carrying out tax avoidance actions evenly so that companies consider costs related to the credibility and reputation of the company when they take tax avoidance actions. This study

also suggests that the Financial Services Authority increases supervision over policies on using debt that impact financial difficulties and bankruptcy. This effort is used to protect investors in the Indonesian capital market. In addition, the Financial Services Authority also needs to supervise the implementation of sustainability carried out by registered companies. The Financial Services Authority needs to harmonize policies on sustainability disclosure for companies listed on the Indonesia Stock Exchange with globally applicable standards.

## 5. LIMITATION

This study has limitations in that certain criteria are used, such as complete financial statements during the study period, causing the sample to be used to decrease so that the research analysis results become less comprehensive. In addition, this study uses cross-sectional data with a limited number of observations because there are adjustments to companies that have negative earnings before tax. Future research can use data from non-financial companies for a longer period so that the analysis results obtained can provide a more comprehensive discussion.

## 6. REFERENCES

- ACCA Singapore. (2013). The business benefits of sustainability reporting in Singapore. In *The Association of Chartered Certified Accountants (ACCA) London* (Issue January). <https://www.accaglobal.com/my/en/technical-activities/technical-resources-search/2013/april/the-business-benefits-of-sustainability-reporting-in-singapore.html>
- Agustina, L., Jati, K. W., & Suryandari, D. (2020). The effect of sustainability report disclosure on financial performance. *The 1st Unimed International Conference on Economics Education and Social Science*, 1050–1055. <https://doi.org/10.5220/0009502610501055>
- Arianti, B. F. (2017). Pengaruh pengungkapan sukarela, penghindaran pajak dan corporate governance terhadap biaya hutang. *Journal of Economic and Management Sciences*, 2(1), 14–29. <https://ojs.hr-institut.id/index.php/JEMS/article/view/28>
- Arofah, T. (2018). Pengaruh pengungkapan corporate social responsibility (CSR) terhadap penghindaran pajak perusahaan publik di Indonesia. *Jurnal Ekonomi, Bisnis, Dan Akuntansi (JEBA)*, 20(1), 1–11. <https://doi.org/10.32424/jeba.v20i1.1314>
- Ashari, M. A., Simorangkir, P., & Masripah, M. (2020). Pengaruh pertumbuhan penjualan, kepemilikan institusional dan kepemilikan manajerial terhadap penghindaran pajak (tax avoidance). *Jurnal Syntax Transformation*, 1(8), 488–498. <https://doi.org/10.46799/jst.v1i8.135>
- Ashkhabi, I. R., & Agustina, L. (2015). Pengaruh corporate governance, struktur kepemilikan perusahaan dan ukuran perusahaan terhadap biaya utang. *Accounting Analysis Journal*, 4(3), 1–8. <https://doi.org/10.15294/aaj.v4i3.8304>
- Azizah, K. (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* [Universitas Airlangga]. [https://repository.unair.ac.id/53831/13/KKB\\_KK-2\\_A\\_349\\_16\\_Azi\\_p-min.pdf](https://repository.unair.ac.id/53831/13/KKB_KK-2_A_349_16_Azi_p-min.pdf)
- Bodie, Z., Kane, A., & Marcus, A. J. (2013). *Essentials of investment, 9th edition*. McGraw-Hill/Irwin. [http://students.aiu.edu/submissions/profiles/resources/onlineBook/H3L9c4\\_Essentials-inv.pdf](http://students.aiu.edu/submissions/profiles/resources/onlineBook/H3L9c4_Essentials-inv.pdf)
- Budiman, J., & Setiyono. (2012). *Pengaruh karakter eksekutif terhadap penghindaran pajak*

- (*tax avoidance*) [Universitas Gadjah Mada].  
<http://etd.repository.ugm.ac.id/penelitian/detail/54398>
- Davita, N., Prajaningtyas, W., & Firmansyah, A. (2022). Peran moderasi kebijakan utang pada hubungan pengungkapan keberlanjutan dan nilai perusahaan. *Jurnal Akuntansi*, 14(1), 82–99. <https://doi.org/10.28932/jam.v14i1.4582>
- Dewi, A. P. S., & Ardiyanto, M. D. (2020). Pengaruh penghindaran pajak dan risiko pajak terhadap biaya utang (studi empiris perusahaan perbankan yang terdaftar di bursa efek Indonesia tahun 2013-2018). *Diponegoro Journal of Accounting*, 9(3), 1–9. <https://ejournal3.undip.ac.id/index.php/accounting/article/view/29057>
- Dmytriyeu, S. D., Freeman, R. E., & Hörisch, J. (2021). The relationship between stakeholder theory and corporate social responsibility: Differences, similarities, and implications for social issues in management. *Journal of Management Studies*, 58(6), 1441–1470. <https://doi.org/10.1111/joms.12684>
- Fadhilla, K., & Jubaedah, J. (2015). Pengaruh arus kas bebas, pertumbuhan dan struktur aset kebijakan utang pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI). *Seminar Nasional & Call for Papers (SCA 5)*, 5(1), 1–11. <http://jp.feb.unsoed.ac.id/index.php/sca-1/article/view/573>
- Fauzan, Arsanti, P. M. D., & Fatchan, I. N. (2021). The effect of financial distress, good corporate governance, and institutional ownership on tax avoidance. *JURNAL Riset Akuntansi Dan Keuangan Indonesia*, 6(2), 154–165. <https://doi.org/10.23917/reaksi.v6i2.16126>
- Firmansyah, A., Fauzi, I., & Yuniar, M. R. (2020). Biaya utang dari sudut pandang kebijakan dividen, volatilitas laba, dan kualitas akrual. *Akurasi: Jurnal Studi Akuntansi Dan Keuangan*, 3(2), 109–129. <https://doi.org/10.29303/akurasi.v3i2.54>
- Firmansyah, R. Y., Sudarma, M., & P, Y. W. (2016). Faktor internal dan eksternal yang berpengaruh terhadap kebijakan hutang dan nilai perusahaan (studi empiris pada perusahaan BUMN non bank yang go-public di Bursa Efek Indonesia). *Balance: Economic, Business, Management and Accounting Journal*, 13(1), 25–43. <https://doi.org/10.30651/blc.v13i01.1565>
- Ghozali, I., & Anis, C. (2007). *Teori akuntansi* (9th ed.). Badan Penerbit Universitas Diponegoro.
- Gunawan, N. S. S., Meutia, I., & Yusnaini, Y. (2019). Pengaruh pengungkapan corporate social responsibility dan leverage terhadap agresivitas pajak (studi empiris pada perusahaan sektor utama dan manufaktur yang terdaftar di Bursa Efek Indonesia periode 2014-2016). *AKUNTABILITAS: Jurnal Penelitian Dan Pengembangan Akuntansi*, 12(2), 125–144. <https://doi.org/10.29259/ja.v12i2.9313>
- Hadi, N., Sheila, S., Firmansyah, A., & Trisnawati, E. (2021). Respon pasar atas pengungkapan keberlanjutan pada perusahaan perbankan di Indonesia: peran ukuran perusahaan. *Bina Ekonomi*, 25(2), 97–111. <https://doi.org/10.26593/be.v25i2.5339.97-111>
- Hardiningsih, P., & Oktaviani, R. M. (2012). Determinan kebijakan hutang (dalam agency theory dan pecking order theory). *Dinamika Akuntansi, Keuangan Dan Perbankan*, 1(1), 11–24. <https://www.unisbank.ac.id/ojs/index.php/fe9/article/view/916>
- Idawati, W., & Wisudarwanto, F. (2021). Tax avoidance dan karakteristik operasional perusahaan terhadap biaya hutang. *Ultimaccounting: Jurnal Ilmu Akuntansi*, 13(1), 17–31. <https://doi.org/10.31937/akuntansi.v13i1.1897>

- Iqbal, M. (2015). *Regresi data panel (2) "tahap analisis".*
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Juwita, A., & Julia, J. (2021). Pengaruh tata kelola dan kualitas audit terhadap biaya utang. *CoMBInES-Conference on Management, Business, Innovation, Education and Social Sciences*, 1(1), 1409–1425. <https://journal.uib.ac.id/index.php/combines/article/view/4575>
- Karadeniz, E., Kandır, S. Y., Iskenderoglu, O., & Onal, Y. B. (2011). Firm size and capital structure decisions : evidence from Turkish lodging companies. *International Journal of Economics and Financial Issues*, 1(1), 1–11. <https://www.econjournals.com/index.php/ijefi/article/view/3>
- Majid, R., Wijayanti, A., & Nugraheni, R. (2021). Manajemen risiko dan media exposure sebagai pemoderasi pengaruh corporate social responsibility terhadap nilai perusahaan high profile di Indonesia. *Prosiding Biema*, 2, 614–626.
- Maswain, M. J. (2020). *Pengaruh pengungkapan laporan berkelanjutan, tata kelola perusahaan yang baik, dan profitabilitas terhadap nilai perusahaan.* [https://repository.uinjkt.ac.id/dspace/bitstream/123456789/52182/1/MIMIN JUNIARTI MASWAIN-FEB.pdf](https://repository.uinjkt.ac.id/dspace/bitstream/123456789/52182/1/MIMIN%20JUNIARTI%20MASWAIN-FEB.pdf)
- Meiriasari, V. (2017). Pengaruh corporate governance, kepemilikan keluarga, kepemilikan institusional dan ukuran perusahaan (firm size) terhadap biaya utang. *Jurnal Ilmiah Ekonomi Global Masa Kini*, 8(1), 28–34. <https://doi.org/10.36982/jiegmk.v8i1.233>
- Ngadiman, N., & Puspitasari, C. (2017). Pengaruh leverage, kepemilikan institusional, dan ukuran perusahaan terhadap penghindaran pajak (tax avoidance) pada perusahaan sektor manufaktur yang terdaftar di Bursa Efek Indonesia 2010-2012. *Jurnal Akuntansi*, 18(3). <https://doi.org/10.24912/ja.v18i3.273>
- Nugraha, N. B., & Meiranto, W. (2015). Pengaruh corporate social responsibility, ukuran perusahaan, profitabilitas, leverage dan capital intensity terhadap agresivitas pajak. *Diponegoro Journal of Accounting*, 4(4), 564–577. <https://ejournal3.undip.ac.id/index.php/accounting/article/view/9672>
- Pradhana, A., Taufik, T., & Anggaini, L. (2014). Pengaruh ukuran perusahaan, profitabilitas, pertumbuhan penjualan terhadap kebijakan hutang pada perusahaan food and beverages yang terdaftar di Bursa Efek Indonesia. *Jurnal Online Mahasiswa (JOM) Bidang Ilmu Ekonomi*, 1(2), 40–51. <https://jom.unri.ac.id/index.php/JOMFEKON/article/view/4718>
- Praptama, G. S., Hasibuang, H. F., & Firmansyah, A. (2022). Peran kebijakan utang dalam hubungan pengungkapan keberlanjutan dan nilai perusahaan. *Jurnal STEI Ekonomi*, 31(01), 65–75. <https://doi.org/10.36406/jemi.v31i01.607>
- Prasetyo, A. D., & Riduan, A. (2015). Pengaruh kinerja keuangan pada respon investor. *Jurnal Ilmu & Riset Akuntansi*, 4(5), 1–15. <http://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/3428>
- Purnianti, N., & Putra, I. (2016). Analisis faktor-faktor yang memengaruhi kebijakan utang perusahaan non keuangan. *E-Jurnal Akuntansi Universitas Udayana*, 14(1), 91–117. <https://ojs.unud.ac.id/index.php/Akuntansi/article/download/13574/11812>
- Purwanti, N. (2016). Pengaruh penghindaran pajak terhadap biaya hutang pasca perubahan tarif pajak badan pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia. *Jurnal Akuntansi Indonesia*, 3(2), 113–128. <https://doi.org/10.30659/jai.3.2.113-128>

- Rahmawati. (2015). Pengaruh penghindaran pajak dan good corporate governance terhadap biaya utang (studi empiris perusahaan manufaktur yang terdaftar di BEI tahun 2009-2013). *Jurnal Akuntansi*, 3(1), 1–33. <http://ejournal.unp.ac.id/students/index.php/akt/article/view/1613>
- Ratnasari, F. (2014). *Analisis pengaruh kualitas auditor dan karakteristik perusahaan terhadap biaya utang (cost of debt)* [Universitas Diponegoro]. <https://repofeb.undip.ac.id/3912/>
- Rokhlinasari, S. (2015). Teori-teori dalam pengungkapan informasi corporate social responsibility perbankan. *Jurnal Kajian Ekonomi Dan Perbankan Syariah*, 7(1), 1–11. <https://doi.org/10.24235/amwal.v7i1.217>
- Sari, D. A., Diana, N., & Mawardi, M. C. (2018). Pengaruh penerapan good corporate governance terhadap biaya ekuitas dan biaya utang. *E\_Jurnal Ilmiah Riset Akuntansi*, 14(5), 112–125. <http://riset.unisma.ac.id/index.php/jra/article/view/938>
- Scott, W. R. (2015). *Financial accounting theory 7th ed.* (Ed.7). Pearson.
- Septian, M., & Panggabean, R. R. (2014). *Pengaruh good corporate governance dan kepemilikan keluarga terhadap biaya utang: studi empiris terhadap perusahaan yang masuk dalam daftar Kompas 100 periode Agustus 2013-Januari 2014*. <https://adoc.pub/abstract-keywords-independent-commissioner-managerial-owners.html>
- Sherly, E. N., & Fitria, D. (2019). Pengaruh penghindaran pajak, kepemilikan institusional, dan profitabilitas terhadap biaya utang (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>
- Siregar, R., & Widyawati, D. (2016). Pengaruh karakteristik perusahaan terhadap penghindaran pajak pada perusahaan manufaktur di BEI. *Jurnal Ilmu Dan Riset Akuntansi (JIRA)*, 5(2). <http://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/1582>
- Suryani, A., Imelda, E., & Wirianata, H. (2019). Pengaruh earnings variability, ukuran perusahaan, dan negative earnings terhadap biaya utang. *Jurnal Multiparadigma Akuntansi*, 1(3), 919–926. <https://doi.org/10.24912/jpa.v1i3.5596>
- Uly, Y. A. (2021). *Daftar 6 BUMN yang punya utang menumpuk, dari AP I hingga Waskita Karya*. <https://money.kompas.com/read/2021/12/08/093111626/daftar-6-bumn-yang-punya-utang-menumpuk-dari-ap-i-hingga-waskita-karya?page=all>
- Utama, F., Kirana, D., & Sitanggang, K. (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>
- 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>
- Wardani, R. P. (2012). Faktor-faktor yang mempengaruhi luas pengungkapan sukarela. *Jurnal Akuntansi Dan Keuangan*, 14(1), 1–15. <https://doi.org/10.9744/jak.14.1.1-15>
- Widyastuti, N. Y., & Utomo, D. C. (2020). Pengaruh kualitas audit, voluntary dan timely disclosure terhadap biaya utang. *Diponegoro Journal of Accounting*, 9(3), 1–12. <https://ejournal3.undip.ac.id/index.php/accounting/article/view/29114>
- Yenibra, R. (2014). Pengaruh corporate governance, kualitas audit dan voluntary disclosure terhadap biaya utang (studi empiris pada perusahaan go public yang terdaftar di CGPI

tahun 2009-2012). *Jurnal Akuntansi*, 3(1), 1–27.  
<http://ejournal.unp.ac.id/students/index.php/akt/article/view/1620>

Zolotoy, L., O’Sullivan, D., Martin, G. P., & Wiseman, R. M. (2021). Stakeholder agency relationships: CEO stock options and corporate tax avoidance. *Journal of Management Studies*, 58(3), 782–814. <https://doi.org/10.1111/joms.12623>

