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# Preface

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**Journal of Applied Sciences in Accounting, Finance, and Tax** is a forum provided for researchers, both from universities, practitioners and the industrial world. The publication is a result of research, studies or ideas on Accounting, Finance, and Tax.

JASAFINT is published with a focus and scope on issues on Accounting (Financial Accounting, Management Accounting, Public Accounting, Auditing, and Accounting Information Systems), Finance (Capital Market, Financial Statements Analysis, and Financing), and Tax (Income Tax, VAT, Tax Audit, and Tax Accounting).

Managed by the Department of Accounting and published by Politeknik Negeri Bali Research and Community Service Center (P3M-PNB), this journal is intended to disseminate scientific knowledge and the application of the Accounting, Finance and Tax and is expected to be able to broaden the readers' perspective and enrich the scientific repertoire.

Published on April and October (since 2018), the journal accepts articles in English with mentioned format: research results, literature studies and work reports in line with the focus and scope of JASAFINT.

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## **TAM (Technology Acceptance Model) Approach to Analyze Community's Interest in Using E-money**

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**Abstract.** TAM (Technology Acceptance Model) is a model that can be used to see the extent to which a technology can be well accepted by the community. Cashless payment is a product that can support the creation of a cashless society in accordance with Bank Indonesia policies. This research was conducted with the aim of providing an overview of the interest in using e-money using TAM. The sample in this study amounted to 100 respondents, the collected data were analyzed using linear regression with the conclusion that the significance was less than 0.05 for the perceived benefit factor ( $p$  value = 0.000) and ease of use ( $p$  value = 0.023). The conclusion is that the perceived benefits and ease of use have a positive and significant effect on the interest in using cashless payment.

### **1. Introduction**

In an increasingly modern economy and the rapid development of technology, it directs people to use cashless payments and results in minimal use of cash payments. According to (Zunaitin et al., 2017) there are 2 cashless payment products, namely card-based and electronic networks or what is often referred to as electronic money (e-money).

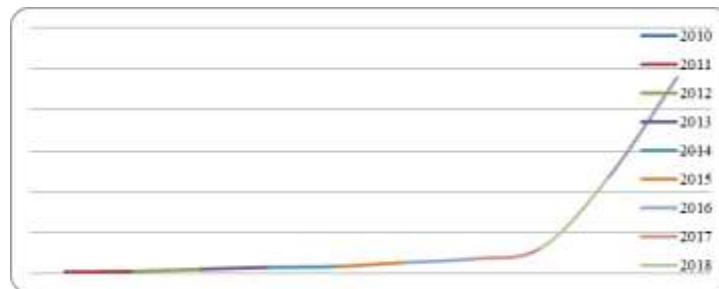
E-money is an electronic payment instrument by depositing money first directly to the issuer or by debiting the money in a bank account, then the money is entered in electronic money media (Wulandari et al., 2016)

According to Bank Indonesia, e-money has great potential to shift the role of cash in retail transactions, because e-money has advantages such as faster, more convenient, effective transactions because there is no need to receive change and minimal miscalculations (BI.go.id, 2020)..

The following is data regarding the value of electronic money transactions in 2010 – 2019 in trillions which can be seen in Graph 1.

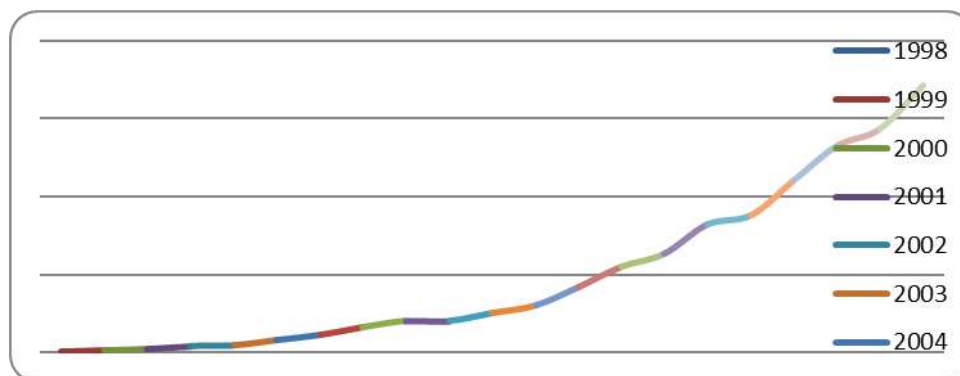
Graph 1 shows that the value of electronic money transactions from 2010 – 2019 has increased rapidly. People are starting to switch from cash transactions to non-cash transactions for various reasons that they think are profitable. This also supports BI's policy towards a cashless society. Cashless society is a demand of the times in the current technospace era, where people are accustomed to using the internet for daily life. This can be shown in the following Graph 2.

Graph 1  
Electronic Money Transaction Value



Source: data processed, 2020

Graph 2  
Number of Internet Users



Source: APJI, May 2019

Based on Graph 2, it can be seen that internet users in Indonesia are increasing every year. The hope of becoming a cashless society-based country is strengthened by the publication of a policy from BI, namely QRIS (Quick Response Code Indonesian Standard) in the regulation of the board of governors No. 21/18/PADG/2019 regarding the implementation of the QRIS National Standard. The importance of a cashless society according to detiknews.com (1) that a cashless society is an indicator of the progress of a country's infrastructure and (2) helps save state spending due to the decline in currency printing.

The obstacles to a cashless society according to the community are the perception of losses because there is minimal deposition of balances, to-up costs, and administrative costs. In addition, there is a fear of threats (insecurity) in the event of fraud, as well as feelings of not appreciating the value of money (without physical form, only nominal in electronic deposits) (Bezhovski, 2016).

A person's behavior in using electronic money is influenced by interest or intention. This shows that interest can be used as a predictor of a person's behavior. User Behavioral Intention (behavioral intention to use) is a form of someone's desire to continue using or leaving the product to be used (Husaeni, 2017).

Technology Acceptance Model (TAM) describes how much technology can be accepted by users in terms of increasing interest. The TAM approach has 2 factors, namely perceived benefits and perceived convenience. perceived usefulness, namely the user's belief in the benefits or improvement of the results of his work, or often called "capable of being used advantageously" and ease of use (perceived ease of use), which is free from complicated things, or often called "freedom". from difficulty or great effort" (Alagoz & Hekimoglu, 2012).

There are many previous studies that measure the usefulness of a technology using TAM, so it is felt that TAM is the right approach in measuring public interest in using e- money. Some of the reasons that can be put forward are the sense of ease in using and developing technology, the tendency of people to be more time efficient when using e-money compared to using non-cash transactions (Hapsari, 2017). In the research conducted (Utami, 2017) concluded that in addition to security, convenience is an important factor for users because it raises practicality, the easier e-money is to use, the more intense the use of e-money will be. It is also supported by research conducted (Alagoz & Hekimoglu, 2012) which concludes that the level of usefulness and convenience has a significant influence on the use of e-money.

In this study, we examine the importance of TAM from the perspective of the community in a simple way. So that it can conclude practical results and can be useful for people's daily activities.

## 2. Theory Basis and Hypotheses Development

### 2.1 Theoretical basis

#### 2.1.1 E-Money

E-money is a means of payment made electronically through intermediaries, internet, store value systems or computer networks (Phonthanukitithaworn et al., 2016). Meanwhile, according to PBI, electronic money is a payment instrument that meets the following elements: (a) Issued on the basis of the value of money that was deposited in advance to the issuer. (b) The value of money is stored electronically in a media server or chip. (c) The value of electronic money managed by the issuer is not a deposit as referred to in the Law governing banking (Peraturan Bank Indonesia No.20/6/PBI/2018, 2018).

#### 2.1.2 Interest

Interest is a person's tendency to stay and be interested in a particular subject, there is a desire to learn, try and enjoy paying attention (Utami, 2017). The use of e-money is very dependent on several factors that influence the interest of users to take advantage of the latest technology for transactions (Bezhovski, 2016), including: Advantages of using e-money, free access to location and time, avoiding queues, accuracy of the amount of wealth, complementary cash (Laukkanen, T., & Lauronen, 2005); Convenience, consistency of profit with experience, values, fulfillment of consumer needs, flexibility; Cost, cost effectiveness, there are still many people who delay the use of e-money because of the costs that must be incurred (Mallat, 2007); Security, including payment system security and trust in service providers.

#### 2.1.3 TAM (Technology Acceptance Model)

The presence of a new technology must answer the question of why society should accept or reject the technology. The literature on information systems has offered many models to explain how technology is adopted in organizations. The standard reference model is the 'Technology Acceptance Model' (TAM) by Davis (1989) (Sahut, 2010). e money is a form of digital banking, several studies use the TAM model to measure the level of public interest in adopting digital banking. TAM postulates that there are two specific beliefs namely, perceived usefulness and ease of use, these are of primary relevance to technology acceptance behavior (Davis, (1998).

*Perceived benefit is defined as "the degree to which a person believes that using a particular system will improve his or her performance".*

In the context of e- money, the perception of benefits lies in the ease of making payment transactions. Perceived usefulness is a belief about the decision-making process. For example, people can make payments just by opening their cell phones. Perception of benefits is a strong predictor in describing the difference between users and non-users of technology, perceived benefits are more important for non-users, while people who have used (users) are less concerned about perceptions of

benefits because they have felt it indirectly (Phonthanakitithaworn et al., 2016; Taylor, S., & Todd, 1995) Taylor and Todd (1995a)

A technology is said to have perceived benefits if it meets several indicators, namely making work faster (work more quickly) , useful (useful), increasing productivity (increase productivity) , enhancing effectiveness (enchanche effectiveness) , developing job performance (improve job performance) (Bezhovski, 2016; Husaeni, 2017)

*Ease of Use is defined as “the degree to which a person believes that using a particular system will make it easier”*

Ease to use is a measure of the user's belief that using the technology means not spending more effort (Karim, 2017) . The word Ease denotes freedom from adversity. Ease of use is an assumption that if you have used a certain system, you will be free from a business (Harlan, 2018).

A technology is said to have an ease of use if it has the following indicators: easy to learn , controllable, clear & easy to understand (clear & uderstable), flexible , and easy to become skillful. , easy to use (Bezhovski, 2016; Husaeni, 2017)

## 2.2 Hypothesis Floating

### 2.2.1 Perception of Benefits on Interest in using e- money

In particular, the use of e- money encourages the sustainability of e-commerce activities, because every buying and selling activity in e-commerce requires e-money . One of the benefits felt by the community is the ease of conducting transactions. This shows one of the reasons people are interested in using e- money (Sahut, 2010) in the conclusion of his research said that the key factor determining the use of e- money is the existence of security, as well as the plurality of functions (consisting of various benefits). In his research (Phonthanakitithaworn et al., 2016) concluded that perceived benefits have a significant influence on interest in using e-money in everyday life, the results of this study are also in line with research conducted by (Utami, 2017).

#### **H1: Perception of Benefits has a positive effect on interest in using e-money**

### 2.2.2 Ease of Use for Interests in using e- money

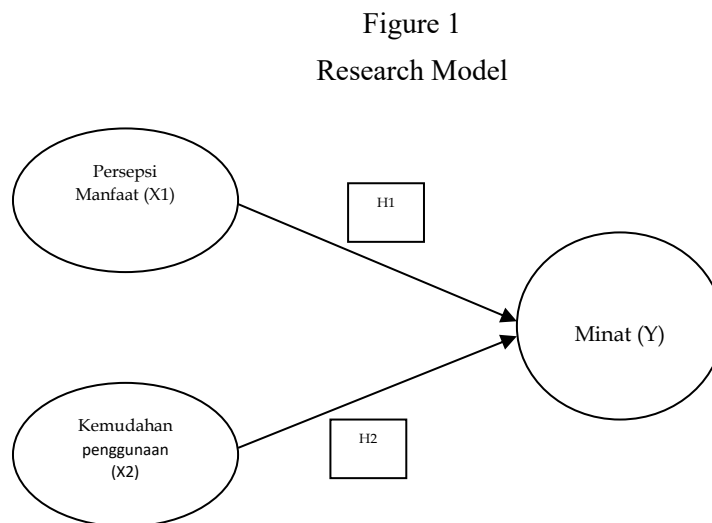
In this case the user has the hope that in using a new idea, technology, or innovation the user feels freedom from physical, emotional, or psychological efforts for the prospective user so that it is possible to improve work results. Ease of use is a factor that considers the use of e-money related to the payment process, which was initially complicated if it was done with cash (Phonthanakitithaworn et al., 2016) .Ease of use has been identified to have a direct effect on behavioral interest in adopting e- money services (Tan et al., 2014; Zarpou, Saprikis, Markos, & Vlachopoulou, 2012). (Alagoz & Hekimoglu, 2012; Husaeni, 2017; Peng, R., Xiong, L., & Yang, 2012)

#### **H2: Ease of Use has a positive effect on interest in using e-money**



### 2.3 Research Model

Based on the background and explanation that has been presented, the research model can be described in Figure 1 below :



## 3. Research Methods

### 3.1 Population and Sample

The population used in this study is the general public who are familiar with the internet. The sample used was 100 respondents. The sampling method conducted in a non-probability sampling and t eknik sampling using purposive sampling .

### 3.2 Research Indicators

#### 3.2.1 Benefit Perception

make the job faster (work more quickly intervening), useful (useful) , increase productivity (increase of productivity), enhance the effectiveness (enchance efectiveness), develop job performance (improve job performance) (Bezhovski, 2016; Husaeni, 2017; Phonthanukitithaworn et al., 2016)

#### 3.2.2 Ease of Use

easiness to be learned (easy to learn), controlled (controllable) , clear and easy to understand (clear & uderstable) , flexible , skills are getting (easy to Become skillful) , easy to use (easy to use) (Bezhovski, 2016; Husaeni, 2017; Phonthanukitithaworn et al., 2016)

#### 3.2.3 Interest

predict (predict that will use), plan (plan to use), think to use (think that will use) (Phonthanukitithaworn et al., 2016)

### 3.3 Data analysis method

The data analysis method used multiple linear regression. Obtaining data using a questionnaire with a scale of 1-5, the data before being analyzed further is tested for validity and reliability. The validity test uses the product moment test while the reliability test uses the Cronbach alpha test .

The simple linear regression equation can be seen in the following function (i) :

$$Y = a + b_1X_1 + b_2X_2 \dots\dots\dots (i)$$

## Information :

Y = interest in using *e money*

X1 = perceived benefits

X2 = ease of use

$\beta$  1.2 = coefficient

#### 4. Analysis and Discussion Results

##### 4.1 Analysis Results

##### 4.1.1 Characteristics of Respondents

This research was conducted on the people of Semarang city who are familiar with the internet. The sample used is 100 people. Characteristics of respondents obtained as a sample are as follows :

Table 1  
Characteristics of Respondents

Characteristics	Amount	Percentage (%)
Gender		
Man	39	39
Woman	61	61
Age		
< 20 years	18	18
20 – 30 years	45	45
31 – 40 years	12	12
41 – 50 years	23	23
> 50 years	2	2
Education		
High school/equivalent	48	48
D3	5	5
S1	30	30
S2	13	13
S3	4	4
Work		
Student	4	4
Student	17	17
PNS/TNI/POLRI	9	9
entrepreneur	10	10
Private	35	35
Other	25	25
Income per month		
1 – 3 million	69	69
3 – 5 million	15	15
> 5 million	16	16
Total	100	100%

Source: data processed, 2020

Table 1.1 above shows the majority of respondents are women (61%). In terms of age, most of them are 20 – 30 years old and some are more than 50 years old by 2%. It can be seen that most of the respondents are of productive age. The education of the respondents is mostly high school/equivalent, meaning that the use of e-money has begun to be used by the community with a minimum education level, while the doctoral level is only 4%. In the occupational category, the majority is in the private sector, which is 35% so that the use of e-money is used in general, and from the existing sample there are 4% who are still students. In addition, the average monthly income of respondents mostly ranges from 1 to 3 million per month.

#### 4.2 Descriptive Analysis

The descriptive results in this study can be seen in table 1.2 below:

Table 2  
Descriptive Results

Category	Low	Currently	Tall
Interested in using e-money	14	64	22
Perception of benefits	23	42	35
Perception of convenience	17	59	24

Source : data processed, 2020

Based on table 1.2, it can be seen that the interest in using e-money in most of the respondents is in the moderate category (64%). Respondents' perceptions of the benefits of using e-money are mostly categorized as moderate (42%). The respondents who have a perception of the ease of using e-money in the medium category also make up the majority, which is 59%. Based on these results, it is necessary to increase public interest in using e-money in order to realize a cashless society.

#### 4.3 Data analysis

Data analysis using regression. Previously, the classical assumptions were tested, namely normality, heteroscedasticity, and multicollinearity. Tests using the One sample Kolmogorov-Smirnov test get an  $asympt.sig$  value of  $0.051 > 0.05$ , which means the data is normally distributed. The VIF value is less than 10 (3.994) and the Tolerance is more than 0.1 (0.250) which indicates that the independent variable does not have multicollinearity. Heteroscedasticity testing uses a scatter plot which shows the points spread above and below the line so that there is no heteroscedasticity problem. Data processing using the SPSS 26 program obtained the following results:

Table 1.3  
Regression Test Results

Variable	B	T	Sig
Benefit	0.533	5,790	0.000
Perception			
Ease of use	0.160	2,230	0.028
Constant	-0.008		
F Nilai value	121.559		
Sig F	0.000		
R <sup>2</sup>	0, 715		

Source: data processed, 2020

The values of the constants and regression coefficients in table 1.3 can be expressed in the following equation (ii):

$$Y = - 0.008 + 0.533 X1 + 0.160 X2 \dots (i i)$$

Information :

- Y = interest in using *e money*
- X1 = perceived benefits
- X2 = ease of use
- $\beta$  1.2 = coefficient

This equation shows that interest in using e-money will increase by 0.533 if the perception of benefits increases by 1 while the perception of convenience remains. Likewise, the interest in using e-money will increase by 0.160 if the perception of convenience increases by 1 while the perception of the benefits remains.

Simultaneous testing gets an F value of 121.559 and a significance value of 0.000. A significance value of less than 0.05 ( $\alpha = 5\%$ ) indicates that the perception of benefits and ease of use together affects the interest in using e-money. The coefficient of determination of 0.715 indicates that interest in using e-money is influenced by perceptions of benefits and ease of use by 71.5%, while 28.5% is influenced by other factors.

#### 4.4 Hypothesis test

The results of the regression test in table 4.3 show a partial test of the perceived benefits of getting a significance value of less than 0.05 ( $p$  value = 0.000). The significance value of less than 0.05 means that the perception of benefits partially has a positive and significant effect on the interest in using e-money. The higher the perceived benefits will increase the interest in using e-money. On the other hand, the lower the perception of the benefits, the lower the interest in using e-money.

Ease of use in table 4.3 gets a significance value of 0.023. A significance value of less than 0.05 ( $\alpha = 5\%$ ) means that the ease of use partially has a significant positive effect on the interest in using e-money. The higher the perception of convenience will increase the interest in using e-money. On the other hand, the lower the perception of convenience, the lower interest in using e-money.

## 5. Discussion

Perceptions of benefits and ease of use in this study proved to have a positive and significant effect on interest in using e-money. The positive and significant effect of perceived benefits on interest in using e-money is indicated by a significance value less than the value of = 5% and the regression coefficient which is positive. Likewise, the significant positive effect of ease of use on interest in using e-money is indicated by a significance value that is less than the value of = 5% and the regression coefficient is positive.

The results of this study support the research conducted by Phonthanukitithaworn et.al (2016) which concluded that perceived benefits have a significant influence on interest in using e-money. The significant effect of perceived benefits on interest in using e-money in this study is also in line with Utami's (2017) research. This study also obtained results that support the research of Tan et.al (2014), Husaeni (2017) who found that ease of use had been identified as having a direct effect on behavioral interest in adopting e-money services.

The perceived benefits of using e-money indicate a person's belief that the use of e-money will improve their performance. E-money is perceived to make work faster, more useful, increase productivity and increase effectiveness and develop performance at work. The higher the perceived benefit means that the more someone believes that the use of e-money will improve their performance. Perceptions of the benefits of using e money in improving performance encourage the emergence of a tendency to learn and try to use e money. This means that the higher the perception of

the benefits of using e-money will increase interest in using e-money . On the other hand, if the perception of this benefit is getting lower, it will reduce the interest in using e-money .

The ease of using e-money reflects a person's belief that using e-money will make it easier. The use of e-money is believed to be easy to learn, controlled, clear and easy to understand, flexible, increased skills, easy to use. This ease of use gives rise to a tendency to learn and try to use e-money . Higher confidence about the ease of using e-money will increase interest in using e-money . Conversely, low confidence in the ease of using e-money will reduce interest in using e-money .

## 6. Conclusions and Suggestions

Based on the analysis that has been done, it can be concluded that the respondents' interest in using e-money is mostly in the moderate category, which is 64%. The variable perception of the benefits and the ease of use variable have a positive and significant influence on the interest in using e money . However, there are still limited problems in this study, because the variables used are only able to measure 71.5% while 28.5% is influenced by other factors, such as product innovation.

### 6.1 Suggestion

Suggestions that can be given based on the conclusions are:

1. Interest in using e-money needs to be increased because with the development of technology, the use of e-money in the community will provide many benefits. Behavior to use e-money will increase along with the high public interest in using e-money
2. Increased interest in using e-money by increasing perceptions of the benefits that will be obtained by using e-money , because it has been proven to have a positive and significant effect. Perceptions of the ease of using e-money can also be used as a way to increase interest in using e-money because it has been proven to have a positive and significant effect
3. stakeholders should implement non-cash payments (both card-based and internet-based) so that people's preferences can be met
4. Previous research can add other variables in addition to perceived benefits and ease of use as factors that can increase interest in using e-money .

### 6.2 Managerial Implications

Stakeholders can apply e-money in every transaction made (both card-based and e-wallet) so that people have many choices of payment utilization (transactions).

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# **The Effect of Tax Incentives, Taxpayer Awareness, Tax Sanctions and Implementation of E-filing on MSME Taxpayer Compliance**

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**Abstract.** This study aims to determine the effect of tax incentives, taxpayer awareness, tax sanctions, and the application of e-filing on MSME taxpayer compliance at the Gianyar Pratama Tax Service Office. This study is a quantitative study using primary data obtained from the answers to questionnaires distributed to respondents and measured using a likert scale. Determination of the sample in this study using incidental sampling technique and obtained a total sample of 100 MSME taxpayers registered at the KPP Pratama Gianyar. Testing the variables in this study using the Partial Least Square (PLS) method using the SmartPLS 3.0 application. The results of the study indicate that tax incentives, taxpayer awareness, tax sanctions, and the implementation of e-filing have a positive and significant impact on MSME taxpayer compliance. Further research is expected to be able to add or use other variables besides the variables used in this study so that further research is better.

**Keywords:** *Tax Incentives, Taxpayer Awareness, Tax Sanctions, E-filing Implementation, Taxpayer Compliance*

## **1. Introduction**

Tax is one sector that contributes greatly to state revenues. Referring to Anggaran Pendapatan Belanja Negara (APBN) in 2020 the realization of tax revenues in 2020 decreased by 19.71% compared to 2019. The decline was caused by the weakening Indonesian economic condition due to the coronavirus disease 2019 (Covid-19) pandemic which hit since 2020. The Covid-19 pandemic has had an impact on various sectors, one of which is the micro, small and medium enterprises (MSMEs) sector. The Covid-19 pandemic has had an impact on the business continuity of MSMEs actors such as decreased sales, distribution disruptions, and raw material constraints. This is certainly a problem for the national economy, because MSMEs have a very large contribution to the national economy.

Based on data from the Kementerian Koperasi dan UMKM in 2018, MSMEs contributed 61.1% of the total gross domestic product (GDP) and the remaining 38.9% was contributed by large companies. The absorption of MSMEs workers also reached 117 million workers or 97% of the workforce absorption of the business world. Although the contribution of MSMEs to GDP is quite large, their contribution to taxation is still low. One of the causes of the low contribution of MSMEs is the low level of tax compliance of MSME actors [1]. With regard to tax compliance, the KPP Pratama Gianyar still faces challenges in the form of taxpayer compliance levels, especially MSMEs taxpayers. The level of MSMEs tax compliance is as shown in Table 1 below:

**Table 1.** MSMEs Taxpayer Compliance at KPP Pratama Gianyar 2018-2020

Year	Registered MSMEs Taxpayers (persons)	MSMEs Taxpayer Reporting SPT (persons)	Compliance Level
2018	14.206	9.992	70%
2019	19.062	9.055	48%
2020	19.931	3.642	18%

Table 1 shows that during 2018 to 2020 the level of MSMEs taxpayer compliance continued to decline. This decrease is a problem that must be considered by the KPP Pratama Gianyar, because the low level of tax compliance can lead to low tax revenues. The low level of taxpayer compliance causes the tax revenue to not reach the set target [2]. The government also needs to implement a strategy so that taxpayer compliance is not only based on forced compliance, but also voluntary compliance from taxpayers [3].

In order to improve taxpayer compliance in the midst of this pandemic, the government issued a policy in the form of tax incentives that could be utilized by MSMEs taxpayers. The provision of these incentives aims to ease the burden on taxpayers in paying taxes during this pandemic, so that taxpayers continue to carry out their obligations. Taxpayers who can take advantage of this tax incentive feel very helpful so that it can affect the sustainability of their business.

With regard to tax compliance, the Direktorat Jenderal Pajak (DJP) has consistently tried to improve services to taxpayers, one of which is the modernization of the tax system through the provision of e-filing services. E-filing has an important role in obtaining taxpayer compliance [4]. The existence of e-filing is expected to increase the effectiveness of tax reporting for taxpayers so that taxpayers can fulfill their tax obligations.

Factors that also affect tax compliance is the awareness of taxpayers. Awareness usually arises from within the taxpayer himself. If the taxpayer already has the awareness to pay taxes, then taxpayer compliance will be fulfilled and the receipt of tax payments will continue to increase [5]. Taxpayers who already have awareness of their tax obligations tend to fulfill their obligations voluntarily without any coercion. This will certainly make taxpayers pay taxes on time so that they will avoid tax sanctions.

It is very important to build a tax compliance in order to achieve optimal tax revenue. The description of the search above shows that a person's willingness to comply in paying taxes is influenced by various factors. Based on the background of the problem that has been described, the formulation of the problem in this study are: 1) How is the effect of tax incentives on MSMEs taxpayer compliance at KPP Pratama Gianyar?, 2) How is the effect of taxpayer awareness on MSMEs taxpayer compliance at KPP Pratama Gianyar?, 3) How is the effect of tax sanctions on MSMEs taxpayer compliance at KPP Pratama Gianyar?, 4) How does the application of e-filing affect MSMEs taxpayer compliance at KPP Pratama Gianyar?.

## 2. Research Method

### 2.1 Types of research

This research is a quantitative research, namely research that seeks to measure social phenomena by collecting and analyzing numerical data, as well as focusing on interacting variables. Quantitative research in this study is in the form of survey research. This study uses quantitative data in the form of scores for the answers given to respondents to the statements in the questionnaire using a likert scale of 1 to 5 as the answer scores. This study also uses primary data sources obtained through questionnaires distributed using google forms to respondents.



### 2.2 Place and Time of Research

This research was conducted at the KPP Pratama Gianyar, which is located at Jalan By Pass Dharma Giri, Buruan, Blahbatuh, Gianyar. This research was carried out for four months from April to July 2021.

### 2.3 Population and Research Sample

The population in this study are MSME taxpayers who are registered at the KPP Pratama Gianyar. Determination of the sample in this research is using incidental sampling technique, namely the technique of determining the sample by taking respondents who happen to meet with the researcher and are considered suitable as data sources according to the context of this study. The number of samples used were 100 people who were determined using the slovin formula.

### 2.4 Data Collection Techniques and Instruments

Collecting data in this study using a questionnaire distributed to respondents to answer. The questionnaire in this study used a likert scale in calculating the weight of the questionnaire results. The likert scale measurement in this study was measured by five answer options, namely: strongly disagree was given a value of 1, disagree was given a value of 2, disagree was given a value of 3, was given a value of 4, and strongly agree is given a score of 5.

### 2.5 Instrument Validity and Reliability

The instrument can be said to be valid if the instrument can be used as a tool to measure what should be measured. Furthermore, the instrument can be said to be reliable if the instrument is used several times and still produces the same data in measuring the same object [6]. To determine the validity and reliability of the instrument in this study, it can be done using a test model, namely the measurement model with the Partial Least Square (PLS) method using the SmartPLS 3.0 application.

### 2.6 Data Analysis Techniques

The data analysis technique in this study uses the Structural Equation Modeling (SEM) analysis technique with the PLS approach using the SmartPLS 3.0 application. Structural modeling was conducted to determine the significance of the latent variable by using the R-square value. Furthermore, in the structural model, hypothesis testing is carried out through probability and statistical values generated by running the bootstrapping procedure.

## 3. Results and Discussion

### 3.1 Characteristics of Respondents

In the results and discussion section, it begins with the presentation of the characteristics of the respondents. To make it easier to understand the characteristics of the respondents, they are presented in Table 2.

**Table 2.** Characteristics of Respondents

Description	Frequency	Percentage
<b>Gender</b>		
Male	54	54%
Female	46	46%
<b>Type of Business</b>		
Service	28	28%
Commerce	37	37%

Manufacturing	35	35%
<b>Form of Business Entity</b>		
Sole Proprietorship	39	39%
Limited Partnership (CV)	33	33%
Limited Liability Company (PT)	28	28%
<b>Using Tax Rates</b>		
PPh Final (0,5%) according to PP No. 23 Tahun 2018	100	100%

3.2 Evaluation of the Measurement Model

3.2.1 Convergent Validity

There are several items that do not meet the loading factor value, namely X1.1, X2.2, X2.3, and Y5. Therefore, it must be recalculated through the PLS Algorithm procedure by removing the four items. Figure 1 shows the value of each item/indicator score has a value greater than 0.7, so it can be concluded that the individual indicators are considered valid.

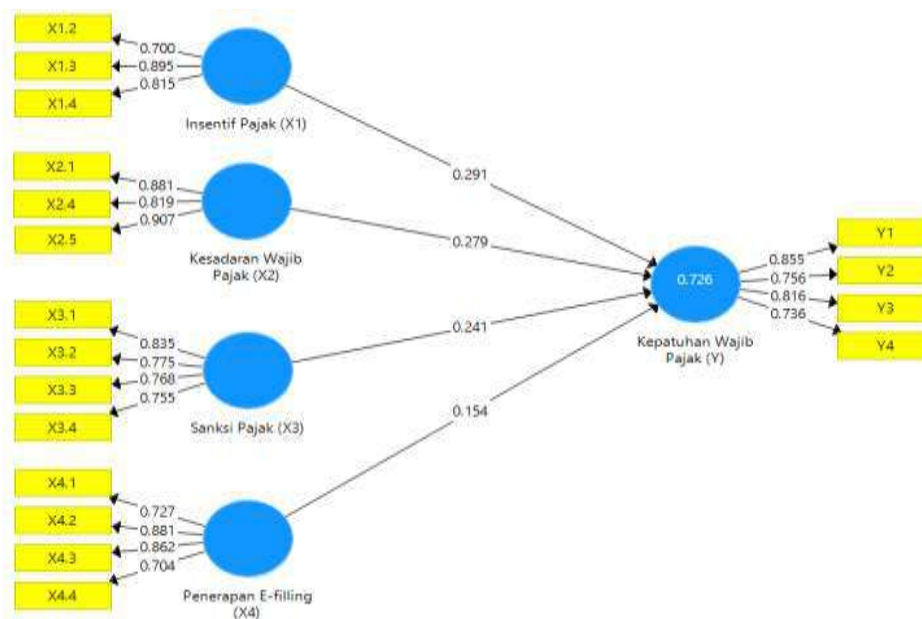


Figure 1. Path Diagram

Another method to assess convergent validity is to look at the average variance extracted (AVE) value of each construct. The results in Table 3 show that all variables are declared valid because they have an AVE value greater than 0.5. This means that the results have met the convergent validity test.

Table 3. Average Variance Extracted (AVE)

Variable	AVE	Description
Taxpayer Compliance (Y)	0.652	Valid
Tax Incentives (X1)	0.628	Valid
Taxpayer Awareness (X2)	0.757	Valid
Tax Sanctions (X3)	0.636	Valid
Implementation of E-filing (X4)	0.614	Valid

### 3.2.2 Discriminant Validity

This test is carried out by looking at the cross loading value of each construct item against its construct, which must be greater than the correlation of other construct items. The results in Table 4 below show that the cross loading value of all constructs to the construct is greater than the correlation of items from one construct to another, so the calculation results have met the discriminant validity test.

**Table 4.** Cross Loading

	Tax Incentives (X1)	Taxpayer Awareness (X2)	Tax Sanctions (X3)	Implementation of E-filing (X4)	Taxpayer Compliance (Y)
X1.2	<b>0.700</b>	0.524	0.598	0.452	0.568
X1.3	<b>0.895</b>	0.530	0.662	0.590	0.688
X1.4	<b>0.815</b>	0.611	0.693	0.575	0.627
X2.1	0.584	<b>0.881</b>	0.722	0.503	0.720
X2.4	0.642	<b>0.819</b>	0.578	0.435	0.570
X2.5	0.572	<b>0.907</b>	0.598	0.443	0.619
X3.1	0.671	0.638	<b>0.835</b>	0.564	0.730
X3.2	0.620	0.597	<b>0.775</b>	0.535	0.635
X3.3	0.623	0.573	<b>0.768</b>	0.503	0.559
X3.4	0.615	0.471	<b>0.775</b>	0.637	0.521
X4.1	0.515	0.424	0.541	<b>0.727</b>	0.465
X4.2	0.602	0.494	0.681	<b>0.881</b>	0.609
X4.3	0.543	0.460	0.570	<b>0.862</b>	0.578
X4.4	0.478	0.303	0.452	<b>0.704</b>	0.466
Y1	0.665	0.590	0.655	0.624	<b>0.855</b>
Y2	0.590	0.541	0.535	0.447	<b>0.756</b>
Y3	0.611	0.675	0.721	0.534	<b>0.816</b>
Y4	0.607	0.521	0.576	0.503	<b>0.736</b>
Y7	0.156	0.409	0.377	0.364	<b>0.780</b>

In addition to using the cross loading value, discriminant validity testing is also carried out by comparing the square root of the AVE. Table 5 below shows that the AVE square root value of a construct is greater than the correlation between constructs so it can be concluded that the discriminant validity test has been fulfilled.

**Table 5.** Correlation Between Constructs

	X1	Y	X2	X4	X3
Tax Incentives (X1)	<b>0.807</b>				
Taxpayer Compliance (Y)	0.780	<b>0.792</b>			
Taxpayer Awareness (X2)	0.686	0.737	<b>0.870</b>		
Implementation of e-filing (X4)	0.671	0.669	0.532	<b>0.798</b>	
Tax Sanctions (X3)	0.780	0.790	0.733	0.709	<b>0.830</b>

### 3.2.3 Reliability Test

Table 6 shows that each variable has Cronbach's alpha and composite reliability values greater than 0.70, it can be concluded that all variables used can be declared reliable.

**Table 6.** Cronbach's Alpha and Composite Reliability

Variable	Cronbach's Alpha	Composite Reliability	Description
Tax Incentives (X1)	0.726	0.848	Reliabel
Taxpayer Compliance (Y)	0.801	0.871	Reliabel
Taxpayer Awareness (X2)	0.840	0.903	Reliabel
Implementation of e-filling (X4)	0.806	0.874	Reliabel
Tax Sanctions (X3)	0.792	0.864	Reliabel

### 3.3 Model Evaluation of the Measurement Model

#### 3.3.1 R-square

Testing of the structural model using the R-square value. The R-square value in this study is presented in Table 7 below.

**Table 7.** R Square

	R Square	R Square Adjusted
Taxpayer Compliance (Y)	0.726	0.715

Table 7 shows that the R-square value of the taxpayer compliance variable (Y) is 0.726. Based on these results, it can be concluded that tax incentives (X1), taxpayer awareness (X2), tax sanctions (X3) and implementation of e-filling (X4) have an influence of 72.6% on taxpayer compliance or called moderat.

#### 3.3.2 Hypothesis Testing

The t-table value for 5% alpha is 1.96. The hypothesis is accepted when the value of T-statistic > t-table. In addition, hypothesis testing can also be done by looking at the probability value. The probability value < 0.05 indicates that the model has a significant effect. The results of calculations using the bootstrapping procedure are shown in Table 8.

**Table 8.** Bootstrapping

	Path Coefficient	T Statistics	Probability Values
Tax Incentives (X1) -> taxpayer compliance (Y)	0.291	2.503	0.013
Taxpayer Awareness (X2) -> Taxpayer Compliance (Y)	0.279	3.294	0.001
Tax Sanctions (X3) -> Taxpayer Compliance (Y)	0.241	1.982	0.048
Implementation of e-filling (X4) -> Taxpayer Compliance (Y)	0.154	2.420	0.016

Based on Table 8, it is known that tax incentives (X1) have a positive effect with a coefficient value of 0.291 and significant with a t-statistic value of 2.503 and a p value of 0.013 on taxpayer compliance (Y). Taxpayer awareness (X2) has a positive effect with a coefficient value of 0.279 and is significant with a t-statistic value of 3.294 and a p value of 0.001 on taxpayer compliance (Y). Tax sanctions (X3) have a positive effect with a coefficient value of 0.179 and significant with a t-statistic value of 1.982 and a p value of 0.048 on taxpayer compliance (Y). The application of e-filing (X4) has a positive effect with a coefficient value of 0.154 and is significant with a t-statistic value of 2,420 and a p value of 0.016 on taxpayer compliance (Y).

### *3.4 Discussion*

#### *3.4.1 The Effect of Tax Incentives on MSMEs Taxpayer Compliance*

After analyzing the data, this study shows that tax incentives have a positive and significant effect on MSMEs taxpayer compliance. This shows that the higher the tax incentives that can be utilized by taxpayers, the higher taxpayer compliance will be. The results of this study are match with the research of Latief, Zakaria and Mapparenta (2020) which state that tax incentives have a positive and significant effect on taxpayer compliance [7]. Research by Indaryani, Budiman and Mulyani (2020) also found that the perpetrators of the Troso Jepara Weaving MSMEs appreciated the tax incentive policy by taking advantage of the tax incentives that had been provided and continuing to improve compliance with their tax obligations [8]. However, the results of this study do not agree with the research of Dewi, Nataherwin and Widyasari (2020) which states that tax incentives have no significant effect on MSMEs taxpayer compliance [9]. The Covid-19 pandemic has had an impact on the country's economy, so the government has issued various policies, one of which is in the form of tax incentives. The provision of these incentives is a response from the government to the declining productivity of business actors due to the drastic decline in the economy of taxpayers due to this pandemic. The more benefits that can be felt by taxpayers with this tax incentive, it will be able to increase taxpayer compliance.

#### *3.4.2 The Effect of Taxpayer Awareness on MSMEs Taxpayer Compliance*

This study states that taxpayer awareness has a positive and significant effect on MSMEs taxpayer compliance. This shows that the higher the awareness of taxpayers about their obligations, the tax compliance will also increase. The results of this study agree with research which concludes that taxpayer awareness has a positive and significant effect on MSMEs taxpayer compliance in the city of Padang [10]. According to Darmayanti and Rahayu research (2017) when taxpayers have fulfilled their tax obligations voluntarily rather than compulsively, it can help the government in maximizing tax revenue [11]. However, the research of Yunia, Kusuma and Sudiartana (2021) states that taxpayer awareness has no effect on MSMEs taxpayer compliance due to the lack of understanding of taxpayers on applicable tax regulations, which causes taxpayers to behave disobediently in carrying out their tax obligations [12]. Taxpayers who have awareness and know the risks that will be faced will always stick to the decisions they will take, namely the taxpayers will continue to carry out their obligations without paying attention to the risks they already know. So that according to the results of this study, tax awareness is currently very important for taxpayers to increase tax compliance.

#### *3.4.3 The Effect of Tax Sanctions on MSMEs Taxpayer Compliance*

In this study it is stated that tax sanctions have a positive and significant effect on MSMEs taxpayer compliance. This shows that the more stringent the sanctions are given, the compliance of MSMEs taxpayers will increase. The results of this study agree with research of Danamik (2020) which states that tax sanctions have a significant effect on MSMEs taxpayer compliance [13]. Research results from Putra (2020) also show that tax sanctions have an effect on MSMEs tax compliance in Sleman district. This is because taxpayers tend to be afraid when they hear the word sanctions [14]. However, research by Ermawati and Afifi (2018) states that tax sanctions have no effect on taxpayer compliance, because taxpayers consider that tax sanctions are just a regulation [15]. Usually, the obligatory will obey because of the pressure, so that the taxpayer thinks there will be severe sanctions that will be received if the

taxpayer does not carry out his tax obligations. However, taxpayers tend to ignore the sanctions they receive if the sanctions are of small value and do not reduce their operating profits. Taxpayers who do not intend to fulfill their tax obligations will still do so even though they already know the risks that will be faced when deciding not to comply.

#### 3.4.4 The Effect of Implementation E-filling on MSMEs Taxpayer Compliance

After analyzing the data, in this study it was stated that the application of e-filling had a positive and significant effect on MSMEs taxpayer compliance. This shows that the more taxpayers apply e-filling in reporting their annual tax returns, the taxpayer compliance will tend to increase. The results of this study are in line with the research of Sugiartini, Hardika and Aryaningsih (2020) which states that the implementation of e-filling has a significant effect on taxpayer compliance [16]. The research of Umayaksa and Mulyani (2020) concluded that taxpayers feel more effective and efficient in reporting taxes with the implementation of e-filling, so that the application of e-filing is considered to increase MSMEs taxpayer compliance [17]. However, the results of this study do not agree with research from Nurchamid (2018) which states that there is no significant effect of the e-filling system on taxpayer compliance at KPP Pratama Surabaya Tegalsari [18].

The ease of using e-filling will be able to eliminate the burden of taxpayers in reporting their taxes. This is because previously taxpayers had to go to the tax service office to report their taxes, this of course would drain the taxpayers own money, time and energy. The existence of e-filling in tax reporting can be done anywhere and anytime as long as there is an adequate internet network. However, it cannot be denied, of course, not all taxpayers are willing to apply e-filling in reporting their taxes. Therefore, in order to expedite the tax administration process, the DJP still provides the option for taxpayers to report their taxes manually.

## 4. Conclusion

Based on the results of the analysis and discussion, it can be concluded that: 1) The provision of tax incentives by the government during this pandemic has a significant impact on MSMEs taxpayer compliance. 2) Taxpayer awareness has a positive significant effect on MSMEs taxpayer compliance. This means that the higher the awareness of taxpayers, the higher the tax compliance. 3) Tax sanctions have a significant positive impact on MSMEs taxpayer compliance. This explains that larger tax sanctions can increase the obedient behavior of taxpayers, because taxpayers are often afraid of the sanctions that are applied. 4) The implementation of e-filling has a significant positive effect on MSMEs taxpayer compliance. The more taxpayers apply e-filling in reporting their taxes, the taxpayers tend to be obedient in carrying out their tax obligations.

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## **The Effect of Price Earning Ratio, Firm Size, and Corporate Social Responsibility on Firm Value (Empirical Study on Pharmaceutical Sub-Sector Companies Listed on The Indonesia Stock Exchange 2016 – 2020 Period)**

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**Abstract:** Investors can use the firm value to see the company's performance in the past and predict the company's performance in the future. There are many factors that can affect the firm value in the future, including the company's ability to generate profits, the scale of the company, and the company's responsibility to stakeholders. However, there is a difference between expectations and the phenomena that occur in the field regarding these factors. The purpose of this research was to determine the effect of Price Earning Ratio, Firm Size, and Corporate Social Responsibility either partially or simultaneously on the value of pharmaceutical companies listed on the Indonesia Stock Exchange for the 2016-2020 period. The type of data used in this research is quantitative data, namely the annual financial statements of pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange. The sample selection in this research was based on purposive sampling method, so that the sample used in this research amounted to 45 companies for 5 years. The data analysis technique used is multiple linear regression analysis. The results showed that partially Price Earning Ratio had a significant positive effect on firm value, while Firm Size and Corporate Social Responsibility had no significant effect on firm value. Simultaneously, Price Earning Ratio, Firm Size, and Corporate Social Responsibility have a significant effect on the value of pharmaceutical companies listed on the Indonesia Stock Exchange by 19.4%.

**Keywords:** *Price Earning Ratio, Firm Size, Corporate Social Responsibility, Firm Value*

### **1. Introduction**

Firm value describes how much investors are willing to pay for a company if the company is sold [1]. In making an investment decision, investors can use firm value to see the company's performance in the past and predict the company's performance in the future. During this *Covid-19* pandemic, one of the companies that have improved performance are pharmaceutical companies due to the increasing need for vitamins, supplements, and herbal medicines to increase the body's immunity.

There are many factors that can affect the firm value in the future, including the company's ability to generate profits, firm size, and company responsibility to stakeholders. One of the factors that affect the firm value in terms of the company's ability to generate profits is *Price Earning Ratio* (PER). A low



PER indicates that the company has poor performance [2]. However, the phenomenon that often happens is the investors prefer to choose the companies with low PER because investors believe that a low PER indicates the better performance per share of the company in generating profits for the company.

Another factor that affects the firm value is the firm size as seen from the total assets of the company. Large companies are believed to be able to generate high profits and tend to be easier to obtain funding sources because creditors believe in the company's performance [3]. However, in reality investors buy a stock without seeing or considering the size of the company because companies with large total assets may not necessarily be able to pay dividends due to accumulated assets.

In addition, the factor that affects the firm value is *Corporate Social Responsibility* (CSR). The implementation of CSR can improve the company's positive image because companies that implement CSR show that the company does not only focus on financial conditions, but also pays attention to social and environmental dimensions. However, the phenomenon that occurs is that the majority of companies still focus on financial factors and less concerned about environmental and social factors. This is evident from the CSR disclosures made by the company which are still far from the standards that have been set and there are still many companies that are inconsistent in disclosing CSR in each period to the public and stakeholders.

Based on the background of the problem, this research needs to be carried out to determine the effect of Price Earning Ratio, Firm Size, and Corporate Social Responsibility partially and simultaneously on the value of pharmaceutical companies listed on the Indonesia Stock Exchange.

## 2. Literature Review

### 2.1 Theoretical Basis

#### 2.1.1 Firm Value

Firm value is an economic measure that reflects the market value of the entire business or it can be said that the price that prospective buyers or investors are willing to pay if the company is sold [1]. A high firm value indicates that the market believes in the company's performance and the company's prospects in the future. There are several indicators that can be used to measure firm value namely, Price Earning Ratio (PER), Price to Book Value (PBV), and Tobin's Q.

#### 2.1.2 Price Earning Ratio

Price Earning Ratio (PER) is a market value ratio that shows how investors assess the company's prospects in the future which is reflected in the share price that investors are willing to pay for every rupiah of profit earned by the company [4]. PER is a market ratio that compares the market price of a share with the Earning Per Share (EPS) of the shares concerned.

#### 2.1.3 Firm Size

Firm size is a scale that describes the size of the company as seen from the total assets owned by the company [5]. Large companies are believed to be able to generate high profits and tend to be easier to obtain funding sources because creditors believe in the company's performance.

#### 2.1.4 Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a form of corporate social responsibility to its internal and external stakeholders by carrying out various social activities that can provide benefits to the society around the company [6]. With CSR, companies are no longer faced with responsibilities in the form of economics only (single bottom line), but also have responsibility for social and environmental problems (triple bottom line).

## 2.2 Definition of Operational Variables

### 2.2.1 Price Earning Ratio ( $X_1$ )

Price Earning Ratio (PER) is a market ratio that compares the market price of a share with the Earning Per Share of the shares concerned with the following formula:

$$PER = \frac{\text{Share market price}}{\text{Earning per share}}$$

### 2.2.2 Firm Size ( $X_2$ )

Firm size is proxied by using the Natural Logarithm of total assets to reduce excessive data fluctuations. By using Natural Logarithms, total assets with a value of hundreds, billions, even trillions will be simplified without changing the proportion of the actual total assets. The formula used is as follows:

$$\text{Firm Size} = \ln(\text{Total Assets})$$

### 2.2.3 Corporate Social Responsibility ( $X_3$ )

In this research, the indicators used to measure Corporate Social Responsibility (CSR) are indicators of CSR disclosure according to GRI-G4 which consist of 91 indicators. CSR disclosure based on these 91 indicators can be assessed using the Corporate Social Responsibility Disclosure Index (CSRDI) with a dichotomous approach, namely if a CSR item is disclosed it will be given a score of 1 and if it is not disclosed it will be given a score of 0. The formula used is as follows:

$$CSRDI_j = \frac{\sum X_{ij}}{n_j}$$

Information:

- $CSRDI_j$  = Corporate Social Responsibility Disclosure Index of companies j  
 $\sum X_{ij}$  = Total items disclosed by the company j  
 $n_j$  = Number of disclosure items according to GRI-G4,  $n_j = 91$

### 2.2.4 Firm Value ( $Y$ )

In this research, the indicator used to measure the firm value is Tobin's Q. Tobin's Q is considered capable of providing the best information for investors related to fundamental aspects and market views of the company. The formula used is as follows:

$$\text{Tobin's } Q = \frac{\text{MVE} + \text{Debt}}{\text{TA}}$$

Information:

- MVE = Number of shares outstanding x closing share price  
Debt = Total debt of the company  
TA = Total assets of the company

### 2.2.5 Research Hypothesis

The hypothesis is a temporary answer to a problem that is still presumption because it still has to be proven true [7]. The hypotheses in this research are as follows:

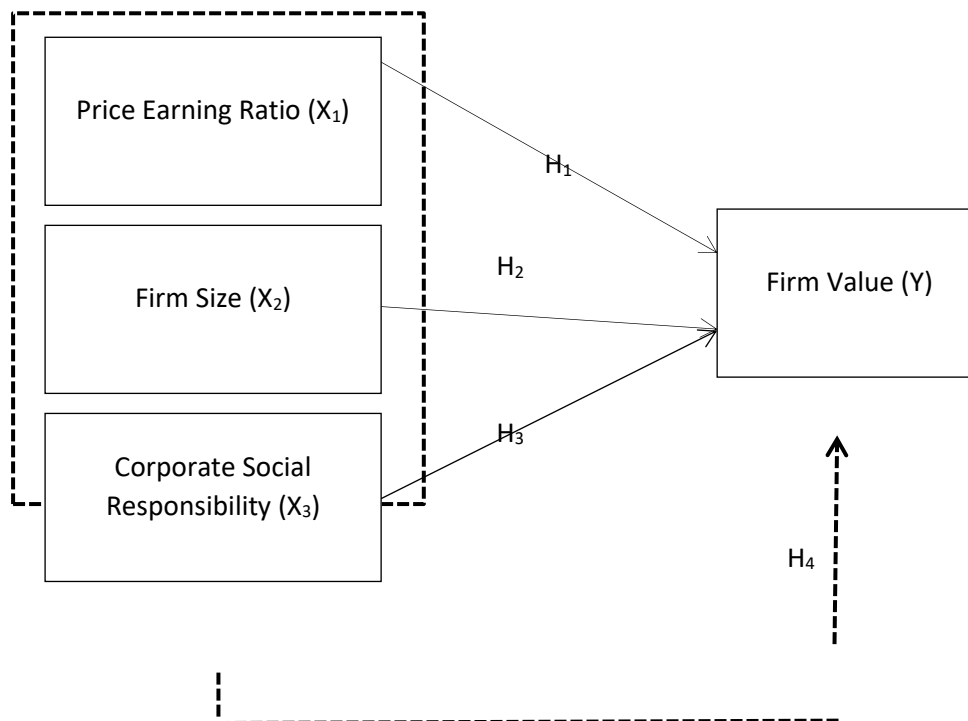


Figure 1. Research Hypothesis

Information:

\_\_\_\_\_ : Partial

----- : Simultaneous

H<sub>1</sub>: Price Earning Ratio has an effect on firm value.

H<sub>2</sub>: Firm Size has an effect on firm value.

H<sub>3</sub>: Corporate Social Responsibility has an effect on firm value.

H<sub>4</sub>: Price Earning Ratio, Firm Size, and Corporate Social Responsibility simultaneously affect the firm value.

### 3. Methodology

This type of research is quantitative research with the type of data used is quantitative data, namely the annual financial statements of pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange from 2016-2020. The data sources in this research is all secondary data obtained from the official website of the Indonesia Stock Exchange, namely [www.idx.co.id](http://www.idx.co.id) and the official websites of each company. The sample selection in this research was based on purposive sampling method, so that the sample used in this research amounted to 45 companies for 5 years. The data collection method used in this research is the documentation method. The data analysis technique used in this research is multiple linear regression analysis.

### 4. Results and Discussion

Before doing the multiple linear regression analysis, the classical assumption test is done first, which consists of normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. And

every test of this classical assumption has been fulfilled, so that multiple linear regression analysis can be done.

#### 4.1 Hypothesis Test Result

##### 4.1.1 Partial Test (t-test)

Table 1. t-test

		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.337	9.438		.248	.806
	PER	.007	.002	.498	3.613	.001
	Firm Size	.042	.339	.018	.123	.903
	CSR	-4.413	4.173	-.153	-1.058	.296

a. Dependent Variable: Tobins

Table 1 provides information about the effect of the independent variables, namely Price Earning Ratio (PER), Firm Size, and Corporate Social Responsibility (CSR) partially on Firm Value (Tobins q).

Based on the results of the t test in table 1 above, it is known that only the Price Earning Ratio variable has a significant effect on firm value, which can be seen from its significance value of 0.001 which is smaller than 0.05. So, H1 which states that the Price Earning Ratio has an effect on firm value is accepted. Meanwhile, the variables of Firm Size and Corporate Social Responsibility have no significant effect on firm value, which is indicated by the significance value of Firm Size of 0.903 and Corporate Social Responsibility of 0.296 both greater than 0.05. Therefore, H2 which states that firm size affects firm value and H3 which states that Corporate Social Responsibility affects firm value are rejected.

##### 4.1.2 Simultaneous Test (F-Test)

Table 2. F-Test  
ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	110.103	3	36.701	4.523	.008 <sup>b</sup>
	Residual	332.697	41	8.115		
	Total	442.800	44			

a. Dependent Variable: Tobins

b. Predictors: (Constant), CSR, PER, Firm Size

Table 2 provides information about the presence or absence of the effect of Price Earning Ratio (PER), Firm Size, and Corporate Social Responsibility (CSR) simultaneous on Firm Value (Tobins q).

Based on Table 2, it can be seen that from the F test results obtained a significance value of 0.008 which is smaller than 0.05, it can be concluded that Price Earning Ratio, Firm Size, and Corporate Social Responsibility simultaneously have a significant effect on firm value. Therefore, H4 which states that the Price Earning Ratio, Firm Size, and Corporate Social Responsibility simultaneously affect the firm value is accepted.

#### 4.1.3 Multiple Linear Regression Analysis

Table 3. Multiple Linear Regression

		Coefficients <sup>a</sup>				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.337	9.438		.248	.806
	PER	.007	.002	.498	3.613	.001
	Firm Size	.042	.339	.018	.123	.903
	CSR	-4.413	4.173	-.153	-1.058	.296

a. Dependent Variable: Tobins

Table 3 provides information about the regression equation. The multiple linear regression equation in this research is as follows:

$$Y = 2,337 + 0,007X_1 + 0,042X_2 - 4,413X_3 + e$$

From the regression equation, it can be interpreted that the constant value of 2,337 indicates that if the value of Price Earning Ratio (PER), Firm Size, and Corporate Social Responsibility (CSR) is zero ( $X = 0$ ) then the firm value is 2,337 times. Then, the regression coefficient PER ( $X_1$ ) of 0.007 indicates a positive value, meaning that if the PER increases by Rp. 1, then the firm value will also increase by 0.007 times, assuming the other independent variables are constant. Then, the regression coefficient of firm size ( $X_2$ ) of 0.042 indicates a positive value, meaning that if the firm size increases by Rp. 1, then the firm value will also increase by 0.042 times, assuming the other independent variables are constant. Then, the regression coefficient CSR ( $X_3$ ) of -4.413 indicates a negative value, meaning that if CSR increases by 1%, then the firm value will decrease by 4.413 times, assuming the other independent variables are constant.

#### 4.1.4 Coefficient of Determination

The coefficient of determination used in this research is the value of Adjusted R Square which can be seen in Table 4 below:

Table 4. Coefficient of Determination

Model Summary <sup>b</sup>			
Model	R	R Square	Adjusted R Square
1	.499 <sup>a</sup>	.249	.194

a. Predictors: (Constant), CSR, PER, Firm Size

b. Dependent Variable: Tobins

Table 4 shows that the value of Adjusted R Square is 0.194 or 19.4%, which means that the magnitude of the effect of Price Earning Ratio, Firm Size, and Corporate Social Responsibility simultaneously on firm value is 19.4%, while the remaining 80.6% is effected by other variables outside the regression model of this research.

## 4.2 Discussion

### 4.2.1 The Effect of Price Earning Ratio on Firm Value

The results of testing the first hypothesis (H1) indicate that the Price Earning Ratio has a significant positive effect on firm value. Price Earning Ratio (PER) is seen by investors as a measure of the company's strength to earn profits in the future. A high PER indicates that the market is willing to pay dearly for a company's revenue or profit. This condition shows that investors believe that the company has high growth prospects in the future. Therefore, a high PER will give a good signal to investors, so

investors will be interested in buying the company's shares and demand will increase. High stock demand makes the stock price higher and it will potentially generate profits from the difference in stock prices that occurs. Thus, the firm value will increase in the eyes of investors. The results of this research are in line with the research conducted by Nafisah et al. (2018) which concludes that the Price Earning Ratio has a positive and significant effect on firm value [8] and contradicts research conducted by Sari & Jufrizen (2019) which concludes that the Price Earning Ratio has no significant effect on firm value [9].

#### *4.2.2 The Effect of Firm Size on Firm Value*

The results of testing the second hypothesis (H2) indicate that firm size has no significant effect on firm value. The results of this research indicate that the size of the company is not able to affect the firm value. In buying a stock, investors do not really see or consider the size of the company. However, investors will pay more attention to the company's performance as seen in the company's financial statements. In addition to the company's performance, investors will also pay attention to the company's dividend policy because large companies may not always pay large dividends to shareholders. In addition, investors will also pay attention to external factors that can affect the firm value such as inflation, interest rates, exchange rates or currency rates, as well as regulations from the government that can guarantee their welfare. The results of this research are in line with research conducted by Indriyani (2017) which concluded that firm size had no significant effect on firm value [10] and contradicted research conducted by Pratama & Wiksuana (2016) which concluded that firm size had a significant positive effect on firm value [11].

#### *4.2.3 The Effect of Corporate Social Responsibility on Firm Value*

The results of testing the third hypothesis (H3) indicate that Corporate Social Responsibility has no significant effect on firm value. The results of this research indicate that the size of the disclosure of Corporate Social Responsibility (CSR) carried out by the company cannot affect the firm value. This is because investors view that most companies only disclose the implementation of CSR as a formality. The majority of companies still focus on financial factors and less concerned about environmental and social factors. This is evident from the company's CSR disclosures that are still far from the established standards and there are still many companies that are inconsistent in disclosing their company's CSR in each period to the public and stakeholders. The results of this research are in line with research conducted by Wahyuni (2018) which concludes that firm value is not effected by Corporate Social Responsibility [12] and contradicts research conducted by Murnita & Putra (2018) which concludes that Corporate Social Responsibility has a significant positive effect on firm value [13].

#### *4.2.4 The Effect of Price Earning Ratio, Firm Size, and Corporate Social Responsibility on Firm Value*

The results of testing the fourth hypothesis (H4) show that Price Earning Ratio, Firm Size, and Corporate Social Responsibility simultaneously have a significant effect on firm value. Then, based on the results of the coefficient of determination, it can be seen that the value of Adjusted R Square is 0.194 or 19.4%, which means that the magnitude of the effect of Price Earning Ratio, Firm Size, and Corporate Social Responsibility simultaneously on firm value is 19.4%. The results of this research indicate that the Price Earning Ratio (PER), firm size, and Corporate Social Responsibility (CSR) will simultaneously affect the firm value. This is because a high PER indicates investors believe that the company has high growth prospects in the future as indicated by the stock price being increasingly expensive due to high demand. Then, large companies are believed to be better able to bear the risks of various situations that may be faced by the company in the future because companies are believed to have good control over market conditions and tend to find it easier to obtain funding sources. Furthermore, companies with high CSR activities make investors think that the profits earned by the company will be used for CSR implementation because in implementing CSR the company will require large funds, so the company cannot provide maximum profit to investors.

## 5. Conclusion

Based on the results of research and discussion that have been described in the previous chapter, the following conclusions can be drawn: 1) Price Earning Ratio has a significant positive effect on firm value, 2) Firm size has no significant effect on firm value, 3) Corporate Social Responsibility has no significant effect on firm value, 4) Price Earning Ratio, Firm Size, and Corporate Social Responsibility simultaneously have a significant effect on firm value with the following regression equation:  $Y = 2.337 + 0.007X_1 + 0.042X_2 - 4.413X_3 + e$ .

## 6. Acknowledgments

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## **The Influence of Implementation of *E-Samsat* and Tax Relief on the Motor Vehicle Taxpayer Compliance in Gianyar Regency during the Pandemic Covid-19**

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**Abstract.** The aim of this research is to examine the implementation of *e-samsat* and tax relief on the motor vehicle taxpayer compliance in Gianyar Regency during the pandemic covid-19. This research used questionnaires method to collect the primer data. The questionnaires were distributed in Gianyar *Samsat* Office, in the form of 100 samples of motor vehicle taxpayers by using Slovin's formula. The accidental sampling technique was applied to collect the samples. This research used statistical tests which are validity test, reliability test and normality test. Multiple linear regression technique was applied in this research as well as hypothetical test in the form of t and F. The finding indicated that the implementation of *e-samsat* and tax relief gave a positive and significant impact on motor vehicle taxpayer compliance. The implementation of *e-samsat* and the provision of motor vehicle tax relief will be able to increase the compliance of motorized vehicle taxpayers. Further researchers can expand the research variables in order to describe the research object completely.

**Keywords:** *e-samsat, tax relief, taxpayer compliance*

### **1. Introduction**

Corona Virus Disease 2019 (Covid-19), which has been designated as a global pandemic, has had a huge impact on all aspects of life in various countries, including the economic aspect. During the Covid-19 pandemic in 2020, Indonesia's economic growth declined. The decline in economic growth has an effect on state revenues. This is because the main source of Indonesia's revenue and regional revenue in certain provinces, including Bali comes from taxes. Types of taxes, especially provincial taxes which have a major contribution to the real income of Bali is a motor vehicle tax [2]. Although the motor vehicle tax has the major contribution towards main state income, tax compliance is still become susceptible problem for state and regional tax revenues. As shown in table 1. Below are the totals of motor vehicle data which are registered and make a payment of the motor vehicle tax in Gianyar Regency from 2016 to 2020.



**Table 1.** The Amount of Motor Vehicle which are registered and Make a Payment of Motor Vehicle in Gianyar Regency.

Year	Registered	Paid	Realisation Percentage
2016	388,365	232,845	60%
2017	408,582	238,707	58%
2018	431,493	249,042	58%
2019	347,428	264,495	76%
2020	346,285	236,609	68%

According to table 1, can be shown that the compliance of taxpayer nowadays is still needed an evaluation and improvement. That's because the percentage of realization from 2016 to 2020 experienced fluctuating growth. Realization in 2019 experienced a fairly high increase, but in 2020 it decreased again. This decline was due to the Covid-19 pandemic phenomenon. The Covid-19 pandemic indirectly becomes the reason for the taxpayer for being irresponsible to pay their taxes and caused the tax payment gets hampered [10]. Furthermore, the compliance of assessable tax, which still poor might be happens because of the tax administration service system is less efficient [6]. The inefficiency of the system occurs since conventional method applied, in which require the taxpayer has to come directly to the *Samsat* Office. Subsequently, the taxpayer processes the payment from the counters which result the taxpayer need to spend more time in the *Samsat* Office. So it is considered not efficient for some taxpayers who have a busy schedule.

Regarding that issue, The Government need to give the solution to face this problem by tax reformation such as giving tax socialisation and improving the quality of services based on information technology [3]. One of the solution that has applied is the motor vehicle online administration system which called *e-samsat*. *E-samsat* makes the taxpayer easier by making the payment by online system, especially in this pandemic Covid-19 era [8], which is should be motivated the taxpayer to be responsible as well as effectively increasing the tax revenue.

Besides *e-samsat*, another Government policy that can motivate the taxpayer to pay their taxes is tax relief, such as tax amnesty [12]. As an effort to increase the tax revenue as well as supporting the taxpayer alleviate their economic burden during the pandemic, The Government issues a policy regarding motor vehicle tax relief. This policy was authorized and has started from 21<sup>st</sup> of April until 28<sup>th</sup> of August 2020 and continues until 18<sup>th</sup> of December 2020 since the unimproved economic condition. Tax relief program is enforced to minimize the economic burden of the taxpayer during the pandemic. By optimizing the implementation of *e-samsat*, the payment of motor vehicle tax during the pandemic can be done from home so that physical distancing does not need to be violated.

Related to the background of the study, the problems of the study are: 1) How is the implementation of *e-samsat* influence the compliance of the motor vehicle taxpayer in Gianyar Regency during the pandemic?, 2) How is tax relief influence the compliance of the motor vehicle taxpayer in Gianyar Regency during the pandemic?, 3) How are *e-samsat* and tax relief simultaneously influence the compliance of the motor vehicle taxpayer in Gianyar Regency during the pandemic?

## 2. Theoretical Reviews

### 2.1 Theory of Planned Behaviour (TPB)

TPB is a theory use to analyze the individual behaviour that occurs because of individual intention. That intention is based on their beliefs, including: behavioural belief, normative belief and control belief. Behavioural belief means individual belief towards a result of behaviour that will shape individual attitude. Normative belief means belief in behaviour contains motivation from social environment such as family, friends, etc., which establish the subjective norm. Meanwhile, control belief can be understood as a belief which aims to support or obstruct the behaviour that establishes behaviour control perception [1]. These components will form an intention and finally result an action of individual to undertake an action or vice versa.

## 2.2 Technology Acceptance Model Theory (TAM)

TAM is a theory aims to analyze individual behaviour which determines the approval or disapproval of technology in completing their duties. Some factors that underlying that behaviour are perceived usefulness and perceived ease of use. Perceived usefulness is someone's belief towards technology that will help them to finish their duties. Perceived ease of use means someone's belief in completing their duties will be easier by using technology [9]. These perceptions will form an intention in behaviour and finally a person will establish behaviour to utilize a technology to complete their duties or vice versa.

## 3. Research Method

This research is quantitative research using questionnaires methods to collect the primer data. The questionnaires are using Likert scale with 5 points to differentiate all responses from every respondent. Every respondent in this research is used as sample from every population of motor vehicle taxpayer in Gianyar Regency. The samples of the research are determined by using Slovin's formula which gets 100 taxpayer samples as the result. The questionnaires were distributed in Gianyar *Samsat* Office using accidental sampling technique. This research is using statistical tests such as: validity test reliability test and normality test. Subsequently, the data were analyzed by applying multiple linear regression technique. In applying the multiple linear regression tests, there is also a hypothetical test using t and F tests.

Hypothesis tests which applied in this research, such as:

- H1 : The implementation of *e-samsat* gives significant effect on the compliance of the motor vehicle taxpayer.
- H2 : The implementation of tax relief gives significant effect on the compliance of the motor vehicle taxpayer.
- H3 : The implementation of *e-samsat* and tax relief gives significant effect on the compliance of the motor vehicle taxpayer simultaneously.

## 4. Findings and Discussion

Firstly, the validity test has shown the result that the whole items in every variable generate Pearson Correlation point (r formula) more than r table 0,195, therefore every data can be concluded as valid. Secondly, the reliability test has shown every variable generate Cronbach Alpha point more than 0,7 which means all data can be stated as reliable. Since all data are concluded as valid and reliable, hence the research can be continued to the next level. Thirdly, normality test which applied Kolmogorov-Smirnov test that generate significant point of 0,155, bigger than 0.05, hence, these data concluded as the normal distribution. Since the data are concluded as normal distributed. Therefore the research can be continued into multiple linear regressions.

### 4.1 The result of Multiple Linear Regressions

**Table2.** The Analyze of Multiple Linear Regressions Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
1 (Constant)	3.999	2.501	
E-Samsat	0.282	0.082	0.251
Tax Relief	0.651	0.076	0.625

a. Dependent Variable: Taxpayer Compliance

According to table 2, the writer generates the similarity of multiple linear regression models as follow:

$$Y = 3.999 + 0.282X_1 + 0.651X_2$$

From the results above, it can be seen that there is a positive relationship between the e-samsat variable (X1) and the tax relief variable (X2) and the taxpayer compliance variable (Y). This formula can also be interpreted as (1) The constant value is 3.999, it is stated if the independent variable (e-samsat and tax relief) is 0, then the dependent variable (taxpayer compliance) is 3.999. (2) There is a positive influence of e-samsat variable (X1) on the taxpayer compliance (Y), with coefficient regression value of e-samsat variable (X1) 0.282. (3) There is a positive influence of tax relief variable (X2) on taxpayer compliance (Y) with coefficient regression value of tax relief (X2) 0.651.

Moreover, the hypothesis was tested by t and F test. T test was carried out to determine each effect of each independent variable individually depending on dependent variable. While the F test to determine the effect of the independent variables together or simultaneously on the dependent variable. The criteria used to determine whether the hypothesis is accepted or rejected are: if the significant value is  $>0.05$ , then  $H_0$  is accepted or  $H_a$  is rejected, this means that the independent variable has no significant effect on the dependent variable. Conversely, if the significant value  $<0.05$ , then  $H_0$  is rejected or  $H_a$  is accepted, this means that the independent variable has a significant effect on the dependent variable.

**Table 3.** The Results of t Test

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.999	2.501		1.599	0.113
E-Samsat	0.282	0.082	0.251	3.449	0.001
Tax Relief	0.651	0.076	0.625	8.577	0.000

a. Dependent Variable: Taxpayer Compliance

Based on the results of the t-test in table 3, it can be interpreted that the e-samsat variable produces a significant value of 0.001, the score is smaller than 0.05. This shows that  $H_0$  is rejected or  $H_1$  is accepted, which means that the variable of e-samsat implementation has a significant effect on taxpayer compliance. While the tax relief variable produces a significant score of 0.000, the score is also smaller than 0.05. This shows that  $H_0$  is rejected or  $H_2$  is accepted, which means that the tax relief variable has a significant effect on taxpayer compliance.

**Tabel 4.** F Test Results

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	453.808	2	226.904	47.111	.000 <sup>b</sup>
Residual	467.192	97	4.816		
Total	921.000	99			

a. Dependent Variable: Taxpayer Compliance

b. Predictors: (Constant), Tax Relief, E-Samsat

According to table 4, can be concluded that, significant value which occurs from the F test shows the score of 0.000, and this score is smaller than 0.05. This indicated that, H0 is being declined or H3 is being accepted. Therefore, as the conclusion, independent variables (*e-samsat* and tax relief) both are giving significant effect on motor vehicle taxpayer compliance variable as independent variable.

#### 4.2 Discussion

##### 4.2.1 The Effect of implementation of *e-samsat* ( $X_1$ ) on motor vehicle taxpayer compliance ( $Y$ )

The findings of this research show that the implementation of *e-samsat* gives positive and significant influence on motor vehicle taxpayer compliance as well as increases 0.282 of the coefficient regression value of taxpayer compliance. It means if the implementation of *e-samsat* increases, then the taxpayer compliance in making a payment of their motor vehicle tax will also increase. The finding of this research is supported by TPB theory which indicates the positive behaviour of the taxpayer in the requirement of using *e-samsat* in paying their motor vehicle tax since they believe in the effectivity of *e-samsat* (behavioural belief) and certain about the supporting facilities such as internet, mobile banking, ATM (control belief). Furthermore, it also supported by TAM theory. It means, the taxpayer believes in *e-samsat* is making the payment process effective (perceived usefulness) and the perception of the convenience of using *e-samsat* (perceived ease of use). The finding of this research is similar to research that was conducted by Utami and Kurniawan (2020) which concluded that the implementation of *e-samsat* by the taxpayer gives a positive effect on the taxpayer compliance in Denpasar [11]. Muturi (2015) research findings concluded that online taxation system gives an effect on the taxpayer compliance in small amount of tax in Meru Regency [5].

##### 4.2.2 The influence of tax relief ( $X_2$ ) on motor vehicle taxpayer compliance ( $Y$ )

The research finding shows that the tax relief, such as the abolition of tax sanction, the regression coefficient value of taxpayer compliance was increased to 0,651 which mean if the receiver of tax relief increases, so then, the number of motor vehicle taxpayer compliance in making tax payment will also increase. This result was supported by TPB theory which stated that, there is a positive response of taxpayer regarding abolition of motor vehicle tax sanction. It happens since the taxpayer believes tax abolition could reduce the tax amount during the pandemic (behavioural belief). Moreover, the taxpayer is aware and motivated to pay their taxes if tax relief applied (control belief). The finding of this research is similar to the research that was conducted by Rahayu and Amirah in 2018. According to Rahayu and Amirah (2018) the abolition of a tax sanction program is influencing the compliance of taxpayers in Brebes Regency [7]. A research conducted by Lisa & Hermanto (2018) concluded that tax amnesty is influencing the compliance of taxpayer. This shows that tax relief or tax amnesty can motivate the taxpayer to be compliant in paying their tax [4].

##### 4.2.3 The influence of ( $X_1$ ) and Tax Relief ( $X_2$ ) on Motor Vehicle Taxpayer Compliance ( $Y$ )

The research finding shows that the implementation of *e-samsat* and tax relief simultaneously gives significant effect on motor vehicle taxpayer compliance. This result indicates that the more taxpayer implementing the *e-samsat* and the more taxpayer who received the tax relief at the same time, will able to increase a number of taxpayers to be compliant in paying their motor vehicle tax. The finding or this research is similar to research which was conducted by Utami and Kurniawan in 2020. The *E-samsat* program includes other variables simultaneously gives a positive effect on tax compliance [11]. This research is also similar to research that was conducted by Rahayu and Amirah (2018). The abolition of tax sanction included other variables simultaneously gives significant effect on the motor vehicle taxpayer compliance [7].

## 5. Conclusion

According to the research findings and discussion, the writer concluded that, the implementation of *e-samsat* and tax relief give positive and significant effect on the taxpayer compliance. These independent

variables give significant effect on taxpayer compliance in making the payment of their motor vehicle tax in Gianyar Regency.

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## **Accounting Treatment of Corporate Social Responsibility at PT Angkasa Pura I (Persero) International Airport I Gusti Ngurah Rai - Bali**

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**Abstract.** Social responsibility accounting is a tool for companies to disclose social activities as a form of accountability to stakeholders and the community. The aim of this research is to analyze the social responsibility accounting treatment at PT AP I Bali Branch Office. Collecting data in this research using documentation techniques. In the validity of the data using a credibility test which is carried out by triangulation and holding a member check. This research uses a descriptive qualitative analysis technique. The results of the research indicate that (a) PT AP I Bali Branch Office in presenting reports on social responsibility outside of financial statements is in accordance with what is stated in PSAK No. 1 Regarding the Presentation of Financial Statements and (b) the social responsibility accounting reports carried out by PT AP I Bali Branch Office are in accordance with Law no. 40 of 2007 concerning Limited Liability Companies and Ministerial Regulation PER-02/MBU/04/2020 are reviewed through the form of the PKBL Report which is in accordance with the report format in the Circular Letter of the Minister of BUMN No. SE-02/MBU/Wk/2012.

**Keywords:** *accounting treatment, social responsibility accounting, corporate social responsibility, partnership program and community development*

### **1. Introduction**

Companies are part of society and the environment, so companies should not develop themselves without paying attention to society and the environment [1]. Corporate social responsibility (CSR) is an understanding related to the form of corporate responsibility to anticipate social inequality and environmental damage because of the company's operational activities. The company's image will increase if the form of social responsibility carried out by the company is increasing. Currently, CSR has become part of a strategy to increase profits and stabilize business growth, both in the short and long term. Accounting social responsibility is a very useful tool for companies to disclose their social activities [2].

PT AP I Bali Branch Office in fulfilling its social responsibility carries out the Partnership and Community Development Program (PKBL). In its implementation, PT AP I Bali Branch Office asked for approval from the head office regarding the submission of the PKBL fund budget. Currently, there is no standard that regulates social responsibility accounting. Therefore, the treatment of social responsibility accounting can be adjusted to the applicable provisions, namely PSAK No. 1 concerning

the Presentation of Financial Statements, Law no. 40 of 2007 concerning Limited Liability Companies, and Ministerial Regulation PER-02/MBU/04/2020.

In PSAK 1 paragraph 14, it is stated that an entity can present reports related to the environment and reports value added separately from the company's main financial statements [3]. Law No. 40 of 2007 concerning Limited Liability Companies states that the company is obliged to carry out social responsibility and the annual report must at least contain a report on the implementation of social [4]. Likewise, with Ministerial Regulation PER-02/MBU/04/2020 which states that the company is obliged to implement the PKBL Program by fulfilling the applicable provisions of the regulation [5].

## **2. Literature Review**

### *2.1 Legitimacy Theory*

Legitimacy theory is a management system that focuses on the interaction between the company and the community. This theory encourages companies to ensure that all company activities can be accepted by the surrounding [6].

### *2.2 Triple Bottom Line (TBL)*

The triple bottom line concept requires the company to prioritize the interests of all parties involved or affected by the company's operational activities rather than the interests of the shareholders [7].

### *2.3 Corporate Social Responsibility as Company Policy*

Corporate social responsibility is a policy setting in promoting a balance between corporate profits and the benefits of society. Currently, many companies and investors are committed to paying attention to possible social impacts before operating or investing [8].

### *2.4 Social Responsibility Accounting Treatment*

Social responsibility accounting treatment is a form of treatment of a transaction or social responsibility activity in the accounting process which consists of recognition, measurement or recording, and disclosure.

### *2.5 Social Responsibility Reporting for State-Owned Enterprises (BUMN)*

The guidelines governing the preparation and presentation of the financial statements of the BUMN Partnership and Community Development Program are contained in Circular Letter No. SE-02/MBU/Wk/2012 concerning Stipulation of Accounting Guidelines for Partnership and Community Development Program Revised 2012.

## **3. Research Method**

### *3.1 Type of Research*

This research is classified as a qualitative research.

### *3.2 Data Resources*

Information and data used in this research were obtained from the Stakeholder Relations and Accounting Sections. The data used are the report partnership and environmental program and the financial statements of PT AP I Bali Branch Office in 2020 [9].

### *3.3 Method of Data Collection*

Data collection techniques in this research is documentation.

### *3.4 Data Analysis Technique*

This research uses a qualitative descriptive analysis technique. In conducting the data analysis process, the researcher refers to several stages including data reduction, data presentation, data analysis, and drawing conclusions.

## 4. Results and Discussion

### 4.1 Description of Research Results

#### 4.1.1 Presentation of the Social Responsibility Report of PT AP I Bali Branch Office According to PSAK No. 1 Regarding the Presentation of Financial Statements

In accounting for the funds spent for PKBL activities, PT AP I Bali Branch Office makes a PKBL report and financial report which will be submitted to PT Angkasa Pura I (Persero) Head Office, then the head office will make a main financial report and a sustainability report on the consolidated results of fifteen branches managed by PT Angkasa Pura I (Persero). There are three forms of reports conducted by PT Angkasa Pura I (Persero) namely the partnership and environmental program report, the company's main financial report, and the sustainability report.

PKBL disclosures in the main financial statements of PT Angkasa Pura I (Persero) are listed in the notes section of the financial statements in the income statement which are included in the other expense group. PKBL costs are recorded in the PKBL expense account amounting to IDR 38,414,087.00 in 2020. While the allocation of costs incurred for PKBL activities at PT AP I Bali Branch Office in 2020 amounted to IDR 124,506,544.00 with details of the operational expenses of the partnership program amounting to IDR 63,048,182.00 and the operational costs of the environmental development program amounting to IDR 61,458,362.00.

#### 4.1.2 Accounting Reporting of Social Responsibility PT. Angkasa Pura I Bali According to Law 40 of 2007 and PER-02/MBU/04/2020

In preparation the PKBL report, PT AP I Bali Branch Office uses the Guidelines for the Minister of SOEs Circular Letter No. SE-02/MBU/Wk/2012 concerning Stipulation of Revised 2012 Partnership and Community Development Program Accounting Guidelines. Preparation and presentation of PKBL Reports in accordance with Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) and Financial Accounting Standards (SAK) for Financial Reporting for Non-Profit Entities (PSAK 45 Revised 2011).

Realization and reporting of PT AP I Bali Branch Office in carrying out PKBL activities in 2020 a) the total distribution of the partnership program is IDR 2,238,969,234.00 and the total distribution of community development is IDR 1,995,000,000.00, b) total assets, liabilities and net were obtained amounting to IDR 4,331,758,223.00, c) total net assets at the end of 2020 amounted to IDR 4,173,290,439.00, d) the amount of cash and cash equivalents at the end of 2020 is IDR 1,500,000.00.

### 4.2 Discussion

#### 4.2.1 Presentation of the Social Responsibility Report of PT AP I Bali Branch Office According to PSAK No. 1 Regarding the Presentation of Financial Statements

PT AP I Bali Branch Office in presenting reports on social responsibility are presented in three forms of reports which include the Partnership and Community Development Program Report (PKBL), Main Financial Statements Report, and the Sustainability Report. PKBL reports have been presented in statements of financial position, activity reports, cash flow reports, and notes to financial statements. PKBL reports and company financial reports prepared by PT AP I Bali Branch Office will be reported to PT Angkasa Pura I (Persero) Head Office, then the head office will make main financial reports and sustainability reports from the consolidated results of fifteen branches of PT Angkasa Pura I (Persero).

Recording in the company's financial statements conducted by PT AP I Bali Branch Office related to the operational activities of corporate social responsibility carried out is recorded as an expense which is recognized when the transaction occurs. Operational expenses for social responsibility in 2020 amounted to Rp124,506,544.00 grouped as other operating expenses under the name of PKBL expenses which consist of operational expenses for partnership programs and operational expenses for environmental development.

Based on this, PT AP I Bali Branch Office in presenting a report on social responsibility is in accordance with PSAK No. 1 Regarding the Presentation of Financial Statements because it has been



presented outside the main financial report in the form of the Partnership and Community Development Program Report (PKBL), Main Financial Statements Report, and the Sustainability Report.

#### 4.2.2 Accounting Reporting of Social Responsibility PT. Angkasa Pura I Bali According to Law 40 of 2007 and PER-02/MBU/04/2020

The conformity of social responsibility accounting reporting applied by PT AP I Bali Branch Office with Law no. 40 of 2007 concerning Limited Liability Companies and the Regulation of the Minister of SOEs PER-02/MBU/04/2020 are supported by the following statement a) in 2020 the partnership program has been distributed in the amount of IDR 2,202,000,000.00 and the community development program amounting to IDR 1,995,000,000.00, b) the implementation of the partnership program during 2020 was carried out by providing stimulus to foster partners affected by the Covid-19 pandemic, distribution of step I partnership funds amounting to IDR 1,260,000,000.00, step II amounting to IDR 695,000,000.00, step III amounting to IDR 115,000,000.00, step IV amounting to IDR 150,000,000, and coaching grant amounted IDR 18,989,234.00, c) the distribution of environmental development in 2020 is channeled to the education sector, public facilities, natural disasters, religious facilities, health improvement, and poverty alleviation in the amount of IDR1,995,000,000.00, d) PT AP I Bali Branch Office obtained a total liability and net asset of IDR 4,195,457,479.00 in 2020, e) PT AP I Bali Branch Office obtained net assets in 2020 of IDR 4,173,290,439.00, f) PT AP I Bali Branch Office presents a financial cash flow report for 2020 which received cash and cash equivalents at the end of the year amounting to IDR 1,000,000.00.

Some of the above shows that the social responsibility accounting reporting carried out by PT AP I Bali Branch Office is in accordance with Law Number 40 of 2007 concerning Limited Liability Companies and Ministerial Regulation PER-02/MBU/04/2020. This can be seen from the form of the PKBL report applied, consisting of the PKBL financial position report, PKBL activity report, and PKBL cash flow report which is in accordance with the report format in the Circular Letter of the Minister of SOEs No. SE-02/MBU/Wk/2012.

## 5. Conclusion

Based on the results of the research, it can be concluded that a) PT AP I Bali Branch Office in presenting reports on social responsibility outside of financial statements is in accordance with what is stated in PSAK No. 1 Regarding the Presentation of Financial Statements, which are presented in three forms of reports which include the Partnership and Community Development Program Report, Main Financial Statements Report, and the Sustainability Report and b) the social responsibility accounting reports carried out by PT AP I Bali Branch Office are in accordance with Law no. 40 of 2007 concerning Limited Liability Companies and Ministerial Regulation PER-02/MBU/04/2020 are reviewed through the form of the PKBL Report which is in accordance with the report format in the Circular Letter of the Minister of BUMN No. SE-02/MBU/Wk/2012.

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## **Mechanism of Input Tax Calculation on Medical Service at PT BEC**

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**Abstract:** PT BEC is a taxable entrepreneur engaged in eye health. Every month PT BEC credits all Input Taxes with Output Tax. This cannot be made because there are elements of Input Tax that cannot be credited, so it is necessary to calculate Input Tax by referring to the Regulation of the Minister of Finance Number 135/PMK.11/2014 to know for sure the amount of Input Tax that can be credited. The main purpose of this research is to find out the calculation of the creditable Input Tax which is more efficient to be carried out by PT BEC in terms of the amount of expenditure used by PT BEC to pay the VAT owed, by calculating the Creditable Input Tax every month and only once at the end of the year. This research is a qualitative research with a case study approach. The analysis technique in this research is descriptive qualitative analysis using secondary data and data collection is done through unstructured interviews, documentation, and observation. The results showed that the calculation of the creditable Input Tax which was carried out only once at the end of the year was more effective for PT BEC because there was a savings of Rp1.458.490.

**Keywords:** *Hospital Service, Input Tax, PMK 135/PMK.11/2014, Value Added Tax*

### **1. Introduction**

Value Added Tax is a type of indirect tax imposed on taxpayers who have been confirmed as Taxable Entrepreneurs or PKP at the time of buying and selling of taxable goods and services. VAT consists of two elements, namely Input Tax which is a tax imposed when purchasing taxable goods/services and Output Tax which is a tax imposed when selling taxable goods/services. VAT is calculated by crediting/subtracting the amount of Input Tax with the amount of Output Tax.

In the VAT Law Number 42 of 2009 in Article 4A Paragraph (3) Letter a it is explained that the delivery of services in the field of medical health services cannot be subject to VAT. Types of medical services that cannot be subject to VAT are regulated in the Decree of the Minister of Health Number 129/Menkes/SK/II/2008. In addition, there are differences in the treatment of the imposition of VAT on the delivery of drugs by hospitals, so in response to this the Director General of Taxes issued a regulation through Circular Letter number SE-06/PJ.52/2000 regarding the imposition of VAT on replacement of drugs delivered by hospitals. Based on SE-06/PJ.52/2000 there are differences in the treatment of drug delivery for outpatients with inpatients and emergency departments. Drugs delivered/consumed by inpatients and emergency departments cannot be subject to VAT, while drugs delivered/consumed by outpatients are still subject to VAT.

PT BEC is an eye hospital that has been confirmed as a Taxable Entrepreneur so that every sale and purchase transaction carried out by PT BEC is subject to VAT. In 2020, PT BEC credits all Input Tax with Output Tax every month. This cannot be done because there is an element of Input Tax that cannot be credited, the Input Tax obtained from the purchase cannot be separated for certain at the time of delivery which is tax payable or not tax payable.

In line with the research conducted by Shafira Puteri [1] where the Input Tax originating from the purchase of drugs cannot be separated for certain for the delivery of drugs that are tax payable and not tax payable, so it is necessary to re-calculate to find out the actual amount of Input Tax that can be credited. Research conducted by Alya Shafa Orena [2] also shows that hospitals that submit tax payables and non-tax payables must recalculate the Input Tax to determine the exact amount of Input Tax that can be credited. Putu Ayu Pradnyastuti et al. [3] in their research at PT CRB performed a re-calculation of the Input Tax which could be credited by calculating it every month. In contrast to that conducted by Putu Ayu Pradnyastuti, the research conducted by Hadining Kusumastuti and Dinda Alisya Putri [4] at PT X which re-calculated the Input Tax at the end of the year. In the four previous studies, the re-calculation of the Input Tax was guided by PMK 135/PMK.11/2014.

Based on the description, to know for sure the amount of Input Tax that can be credited by PT BEC, it is necessary to calculate the Input Tax on the delivery of the tax payable. There are two alternative calculations that can be done, namely by calculating every month or only once at the end of the year. This study is intended to compare the results of which calculations are more efficient for PT BEC when viewed from the amount of cash disbursements used by PT BEC to pay the VAT owed, considering that PT BEC is a newly established business so it still requires input in calculating creditable Input Tax. The title of this research is "Mechanism for Calculation of Input Tax on Health Services at PT BEC".

## 2. Literature Review

### 2.1 Value Added Tax

Value Added Tax is a type of indirect tax imposed on domestic consumption or customs area [5]. VAT consists of two elements, namely Input Tax and Output Tax. The concept of calculating VAT is by crediting/subtracting the amount of Input Tax with the amount of Output Tax. The legal basis that can be used by a Taxable Entrepreneur in imposing VAT may refer to the VAT Law No. 42 of 2009 [6].

### 2.2 Hospital Service

Based on the Decree of the Minister of Health Number 129/Menkes/SK/II/2008 concerning the minimum service standards that must be owned by hospitals, it is stated that hospitals must have a minimum service standard (SPM) as a benchmark for assessing the quality of health services, such as emergency services, outpatient services, inpatient services, and services that utilize hospital pharmacy installation facilities such as operating rooms and polyclinic services [7]. The type of service as stipulated in the Decree of the Minister of Health Number 129/Menkes/SK/II/2008 is a type of service that cannot be subject to VAT.

### 2.3 Director General of Taxes Circular Number SE-06/PJ.52/2000

In SE-06/PJ.52/2000 it is regulated regarding the treatment of imposition of VAT for the delivery of drugs to outpatients and inpatients. Services for pharmacy installation services in hospitals that serve drug delivery to outpatients are subject to VAT, but pharmacy installation services serving drug delivery to inpatients cannot be subject to VAT. [8]

### 2.4 PMK 135/PMK.11/2014

Regulation of the Minister of Finance Number 135/PMK.11/2014 describes the procedure for calculating input tax credits for submissions that are tax payable and submissions that are not tax payable. The calculation of input tax that can be credited based on PMK 135/PMK.11/2014 is formulated as follows: [9]

$$P = Z \times PM, \text{ where } Z = \frac{X}{Y} \times 100\% \quad (1)$$

Z is the amount of creditable input tax percentage, X is sales tax payable, Y is total sales amount, P is creditable input tax amount, and PM is total input tax amount.

### 2.5 Efficient

Efficient for taxpayers is the costs or expenses used for tax obligations are very minimal according to the amount they should be without violating the law. Companies can minimize the amount of tax payable while still complying with tax provisions to achieve efficiency [10].

## 3. Research Method

This research is a type of qualitative research with a case study approach. The source of data used in this study is a secondary data source with the research subject namely PT BEC and the object of research is the calculation of Input Tax. Data collection techniques used in this study were conducting unstructured interviews, documentation and observation. The data analysis technique in this research used a qualitative descriptive analysis technique, as follows:

### 3.1 Data Collection

The first step is to collect the data needed in the research

### 3.2 Data Reduction

In this step the data that has been collected is grouped to simplify so that the data can produce information that is in accordance with the objectives of this study and facilitates drawing conclusions.

### 3.3 Data Presentation

In this research, the data is presented in tabular form which is then interpreted to make it easier to understand what is happening.

### 3.4 Data Verification

The final step is to draw conclusions based on the results of data reduction and data presentation.

## 4. Result and Discussion

PT BEC is a taxable entrepreneur engaged in eye health services. In its operations, PT BEC makes submissions that are tax payable and also deliveries that are not tax payable, so it is necessary to calculate Input Tax to determine the exact amount of Input Tax that can be credited. The first step in calculating Input Tax is to classify sales that are tax payable and sales that are not tax payable. The summary of tax payable sales and sales are not payable tax are presented in Table 1 as follows:

**Table 1.** Summary of Sales Tax Payable and Sales Not Payable by PT BEC in 2020

Period	Tax Payable Sales	Sales Are Not Payable Tax	Total Sales
January	216.333.160	732.422.951	948.756.111
February	188.560.757	805.436.008	993.996.765
March	161.133.179	589.853.002	750.986.181
April	72.078.843	256.128.204	328.207.047
May	108.876.295	429.160.619	538.036.914
June	137.022.364	516.796.723	653.819.087
July	139.443.754	698.664.261	838.108.015
August	167.974.858	1.082.715.107	1.250.689.965

September	150.955.394	545.710.944	696.666.338
October	183.514.132	818.539.890	1.002.054.022
November	159.565.125	735.632.680	895.197.805
December	185.310.232	873.763.450	1.059.073.682
<b>Amount</b>	<b>1.870.768.092</b>	<b>8.084.823.838</b>	<b>8.084.823.838</b>

Based on Table 1, it can be seen that the total sales of PT BEC during 2020 were Rp8.084.823.838 with details of sales that were due for tax which were Rp1.870.768.092 and sales that were not payable by taxes were Rp8.084.823.838.

After knowing the amount of turnover that is tax payable or not tax payable, then PT BEC can calculate the Input Tax which can actually be credited. The legal basis for calculating creditable Input Tax is the Minister of Finance Regulation Number 135/PMK.11/2014 which is formulated as follows:

$$P = Z \times PM, \text{ where } Z = \frac{X}{Y} \times 100\% \quad (2)$$

Z is the amount of creditable input tax percentage, X is sales tax payable, Y is total sales (omzet), P is creditable input tax amount, and PM is total input tax amount. In this research, the calculation of Input Tax at PT BEC is carried out using two methods of calculation, namely calculating the creditable Input Tax which is carried out every month and which is carried out only once at the end of the year.

#### 4.1 Monthly Creditable Input Tax Calculation

In accordance with the VAT Law No. 42 of 2009 Article 9 Paragraph (6) explains that for PKP who submits tax payable and non-taxable submissions within a tax period, it is necessary to calculate the Input Tax which can be credited by referring to the Regulation of the Minister of Finance that applies in this case, namely PMK 135 /PMK.11/2014 The calculation of Input Tax that can be credited every month by PT BEC during 2020 is presented in Table 2 as follows:

**Table 2.** Monthly Creditable Input Tax Calculation

Period	Tax Payable Sales (X)	Total Omzet (Y)	% Creditable Input Tax (Z)	Total Input Tax (PM)	Creditable Input Tax (P)
January	216.333.160	948.756.111	23%	78.573.957	17.916.251
February	188.560.757	993.996.765	19%	24.818.886	4.708.132
March	161.133.179	750.986.181	21%	20.425.468	4.382.531
April	72.078.843	328.207.047	22%	5.900.755	1.295.888
May	108.876.295	538.036.914	20%	18.287.287	3.700.586
June	137.022.364	653.819.087	21%	25.049.493	5.249.680
July	139.443.754	838.108.015	17%	19.105.434	3.178.747
August	167.974.858	1.250.689.965	13%	30.196.202	4.055.524
September	150.955.394	696.666.338	22%	35.115.114	7.608.830
October	183.514.132	1.002.054.022	18%	31.993.347	5.859.196
November	159.565.125	895.197.805	18%	31.064.490	5.537.111
December	185.310.232	1.059.073.682	17%	234.596.047	41.048.181
<b>Amount</b>	<b>1.870.768.092</b>	<b>9.955.591.930</b>		<b>555.126.480</b>	<b>104.540.657</b>

Based on Table 2 it can be seen that the amount of Input Tax that can be credited during 2020 is Rp104.540.657 with details of the amount of Input Tax that can be credited each month, which is amounting to Rp17.916.251 in January, amounting to Rp4.708.132 in February, amounting to Rp4.382.531 in March, amounting to Rp1.295.888 in April, amounting to Rp3.700.586 in May, amounting to Rp5.249.680 in June, amounting to Rp3.178.747 in July, amounting to Rp4.055.524 in August, amounting to Rp7.608.830 in September, amounting to Rp5.859.196 in October, amounting to Rp5.537.111 in November, and amounting to Rp41.048.181 in December.

#### 4.2 Creditable Input Tax Calculation Which is Done Only Once at The End of The Year

At the end of the financial year, after knowing the total amount of submissions that are tax payable or non-taxable, the PKP must recalculate the creditable Input Tax. In the Regulation of the Minister of Finance Number 135/PMK.11/2014 Article 5 it is explained that the calculation of creditable Input Tax can be carried out no later than the third month after the end of the financial year.

It is known that the amount of sales of PT BEC which is due for tax during 2020 is Rp1.870.768.092 and the total turnover of PT BEC during 2020 is Rp9.955.591.930, then the percentage of Input Tax that can be credited during 2020 can be calculated it is:

$$Z = \frac{1.870.768.092}{9.955.591.930} \times 100\% = 19\% \quad (3)$$

Based on the calculation of the percentage of Input Tax that can be credited during 2020 the result is 19%, then the amount of Input Tax that can be credited can be calculated it is:

$$P = 19\% \times 555.126.480 = 104.314.531 \quad (4)$$

Based on the calculation of the Input Tax that can be credited during 2020 which is carried out once at the end of the year, the result is Rp104.314.531

#### 4.3 Comparison and Analysis of Input Tax Calculation Results Performed Every Month with Only One Time at the End of the Year

This research aims to determine which creditable input tax calculation is more efficient for PT BEC when viewed from the amount of cash disbursements used by PT BEC to pay the VAT owed, then it is necessary to calculate the actual amount of VAT owed by PT BEC which must be deposited into the state treasury. The results of calculating the VAT payable by PT BEC during 2020 with the Input Tax calculated every month and only once at the end of the year are as follows:

##### 4.3.1 Innovation Process

Calculation of VAT payable by PT BEC every month with Input Tax calculated every month during 2020 is presented in Table 3 as follows:

**Table 3.** Calculation of VAT Payable by PT BEC Every Month with Input Tax Calculated Every Month in 2020

Period	Vat Out	Creditable Input Tax	Past Compensation	Underpaid (Overpaid) Tax
January	21.633.316	17.916.251	(20.832.542)	(17.115.477)
February	18.856.076	4.708.132	(17.115.477)	(2.967.533)
March	16.113.318	4.382.531	(2.967.533)	8.763.253
April	7.207.884	1.295.888		5.911.996
May	10.887.630	3.700.586		7.187.043
June	13.702.236	5.249.680		8.452.557
July	13.944.375	3.178.747		10.765.628
August	16.797.486	4.055.524		12.741.962
September	15.095.539	7.608.830		7.486.709

October	18.351.413	5.859.196	12.492.217
November	15.956.513	5.537.111	10.419.402
December	18.531.023	41.048.181	(22.517.158)

Based on Table 3 it can be seen that in January the tax status of PT BEC was overpayment of Rp17.115.477, in February the tax status of PT BEC was overpayment of Rp2.967.533, in March the tax status of PT BEC was underpayment of Rp8.763.253, in April the tax status of PT BEC was underpayment of Rp5.911.996, in May the tax status of PT BEC was underpayment of Rp7.187.043, in June the tax status of PT BEC was underpayment of Rp8.452.557, in July the tax status of PT BEC was underpayment of Rp10.765.628, in August the tax status of PT BEC was underpayment of Rp12.741.962, in September the tax status of PT BEC was underpayment of Rp7.486.709, in October the tax status of PT BEC was underpayment of Rp12.492.217, in November the tax status of PT BEC was underpayment of Rp10.419.402, in December the tax status of PT BEC was overpayment of Rp22.517.158.

The overpaid tax indicates an excess of tax payment by PT BEC, where the excess amount can be compensated for the following month's tax period. The underpaid tax indicates a lack of tax payment by PT BEC, where the amount must be paid by PT BEC to the state treasury. So that the amount of VAT payable that must be deposited by PT BEC to the state treasury can be calculated by accumulating the amount of underpaid tax from March to November, there are Rp8.763.253 + Rp5.911.996 + Rp7.187.043 + Rp8.452.557 + Rp10.765.628 + Rp12.741.962 + Rp7.486.709 + Rp12.492.217 + Rp10.419.402, the result is Rp84.220.768.

#### 4.3.2 Calculation of VAT Payable with Input Tax is Calculated Only at the End of the Year

It is known that the total Output Tax that has been collected by PT BEC is Rp187.076.809 and the total Input Tax is Rp555.126.480, but based on the results of the previous calculation of Input Tax which was only done once at the end of the year, it is known that the amount of Input Tax that can be credited is Rp104.314.531. Thus, the calculation of VAT Payable for the December 2020 period, which is Rp187.076.809 - Rp104.314.531 the result is Rp82.762.278.

Based on the results of the comparison of the actual amount of VAT payable by calculating the Input Tax every month and only at the end of the year, if it is associated with the efficient definition for taxpayers according to Pandiangan [11], the costs incurred for tax obligations are very minimal according to the amount that should be without violating the law. So, by applying the Input Tax calculation which is only done once at the end of the year, PT BEC can save costs incurred and be more efficient because to achieve sales of Rp9.955.591.930 within one year the costs incurred are only Rp82.220.768 where there are savings a fee of Rp1.458.490 instead of calculating the Input Tax every month.

## 5. Conclusions

In accordance with the explanation in the previous discussion, the conclusions from this study are as follows:

1. The calculation of the input tax that can be credited every month is done by calculating the percentage of input tax that can be credited each month, then multiplying that percentage by the total input tax for the month concerned to get the amount of input tax that can actually be credited each month. The amount of Input Tax that can be credited every month is accumulated to find out the amount of Input Tax that can be credited during 2020. The amount of Input Tax that can be credited during 2020 after calculating the Input Tax that can be credited every month is Rp104.540.657.
2. The calculation of the input tax that can be credited only once at the end of the year is done by accumulating the amount of sales tax payable and the total turnover of PT BEC during 2020, then calculating the percentage of input tax that can be credited during the past year multiplying that



percentage by the total input tax to obtain the actual amount of Input Tax that can be credited for one year (in 2020). The amount of Input Tax that can be credited during 2020 after calculating the Input Tax that can be credited only once at the end of the year, the result is Rp104.314.531.

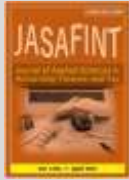
3. Comparison of the results of the calculation of Input Tax which is carried out every month with that which is carried out once at the end of the year shows the actual amount of VAT payable during 2020 for the calculation of each month the result is Rp84.220.768 while the calculation only at the end of the year is Rp82.220.768. So, by applying the Input Tax calculation which is only done once at the end of the year, PT BEC can save cash outlays to pay for the underpayment of VAT and be more efficient because to achieve sales of Rp9.955.591.930 within one year, the total cash disbursements of PT BEC is only Rp82.220.768 where there is a cost savings of Rp1.458.490 instead of calculating Input Tax every month.

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## **The Effect of Work Experience, Independence, and Professional Skepticism on Auditor's Ability to Detect Fraud at Public Accountant Firm in Bali**

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**Abstract:** An auditor in carrying out the audit process of financial statements requires good fraud detection capabilities so that the auditor can provide reasonable assurance that the financial statements are free from material misstatement caused by fraud. The auditor's ability to detect fraud is influenced by various factors including work experience, independence and professional skepticism. This study aims to analyze the effect of work experience, independence and professional skepticism on the auditor's ability to detect fraud. The population in this study is all auditors who work at Public Accountant Firms in Bali registered in the IAPI directory in 2020. The number of samples used is 136 auditors determined based on the saturated sample or census method. Analysis technique used in this study is a modeling technique with Partial Least Square (PLS) through the Smart PLS 3.0 application. The results showed that work experience, independence and professional skepticism had a positive and significant effect on the auditor's ability to detect fraud.

**Keywords:** *Auditor's Work Experience, Auditor's Independence, Auditor's Professional Skepticism, Auditor's Ability to Detect Fraud.*

### **1. Introduction**

The ability of several auditors to detect fraud is in fact still in doubt due to a case of auditor failure at the Public Accountant Firm Sutanto Fahmi Bambang & Partners. which audited PT Garuda Indonesia in 2018 [1]. Auditing Standard 200 states that the auditor must be able to provide reasonable assurance that the financial statements are free from material misstatement as a whole either due to fraud or error [2]. The case of auditor failure in detecting fraud shows that the auditor's responsibility in detecting fraud in the financial statements is still in doubt so that the auditor is unable to provide adequate assurance on the fairness of a financial report to interested parties.

This case causes the auditor must re-establish the confidence of financial statement's users related to the audit results issued by the Public Accountant. The ability of the auditor to detect fraud in the financial

statements must be improved to restore the confidence of the financial statement's users to the audit results of the Public Accountant.

The auditor's ability to detect fraud is influenced by several factors. There are factors that affect the auditor's ability to detect fraud which are still being debated due to differences in research results, namely work experience, independence and professional skepticism. The research of Sania and others (2019) stated that audit experience had a positive and significant effect on the auditor's ability to detect fraud [3], while Larasati and Puspitasari (2019) stated the opposite [4]. The independence variable was declared to have a positive effect on the auditor's ability to detect fraud by Sofie and Nugroho's research (2019) [5] and stated otherwise by Larasati and Puspitasari's research (2019) [4]. Research by Larasati and Puspitasari (2019) states that professional skepticism has a positive and significant effect on the auditor's ability to detect fraud [4], while Budiarto (2017) states the opposite [6].

This research was conducted on auditors who work at Public Accountant Firms in Bali registered in the IAPI directory 2020. Based on this background, this study aims to determine whether work experience, independence, and professional skepticism have a positive and significant impact on the auditor's ability to detect fraud at KAP in Bali.

## 2. Literature Review

Auditing is the process of evaluating evidence related to management's assertions with the aim of assessing the level of compliance between assertions and established criteria and communicating the results to interested parties [7]. The auditor is responsible for the audit of financial statements by evaluating evidence about economic events and comparing it with established criteria to provide reasonable assurance about the fairness of a financial statement [7]. The ability of the auditor to detect fraud is the ability of an auditor to identify and prove irregularities in a financial report that is intentionally presented by the company [8]. Work experience is something that is obtained by an auditor through the number of assignments and the intensity of the tasks carried out by the auditor in the audit of financial statements [9]. The experience of public accountants will increase along with the complexity of the company being audited [10]. Auditor independence is the attitude of the auditor who is impartial and influenced by other parties in considering the facts found in the financial statements [11]. Professional skepticism is the mind of the auditor who always questions, is alert to conditions that indicate misstatements in the financial statements and evaluates audit evidence critically [12]. This study aims to examine and obtain empirical evidence about the effect of work experience, independence and professional skepticism on the auditor's ability to detect fraud. Based on the theoretical basis and the results of previous research, the research hypotheses formulated are as follows: (H<sub>1</sub>) Auditor's work experience has a positive and significant effect on the auditor's ability to detect fraud. (H<sub>2</sub>) Auditor's independence has a positive and significant effect on the auditor's ability to detect fraud. (H<sub>3</sub>) Auditor's professional skepticism has a positive and significant effect on the auditor's ability to detect fraud.

## 3. Research Methods

### 3.1 Types of Research, Population, Sample and Data

This study uses a quantitative approach in the form of an associative causal relationship. The sampling method in this study used a saturated sample or census with a total of 136 auditors working at 16 Public Accountant Firms in Bali. The number of questionnaires distributed was 114 copies with only 86 returned questionnaires so that the response rate of respondents was 75.44%.

### 3.2 Data Collection, Measurement and Analysis

Data on the number of auditors working at Public Accountant Firms in Bali were obtained through documentation techniques. The method of data collection is done by giving a questionnaire that is a series of written statements to the respondents to be answered [13]. The research questionnaire given to the respondents has been tested for validity and reliability through the IBM SPSS Statistic 20

application. The hypothesis was tested with a significant level of 5% through the SmartPLS 3.0 partial least square (PLS) application with the steps of making PLS modeling: (a) Designing the model structural (inner model) which describes the causal relationship between latent variables which is built based on the substance of the theory [14]. (b) Designing a measurement model (outer model), the relationship between indicators and latent variables in this study is reflective. (c) Construct the path diagram (d) Convert the path diagram to a system of equations. (e) Estimation through path estimation and means parameters (f) Goodness of fit and (g) Hypothesis testing.

Table 1. List of Indicators for Each Variable

Latent Variable	Indicator	Code
Work Experience ( $X_1$ )	Experience in Audit	$X_{1.1}$
	Task Intensity	$X_{1.2}$
Independence ( $X_2$ )	Independence in Fact	$X_{2.1}$
	Independence in Appearance	$X_{2.2}$
	Independence in Competence	$X_{2.3}$
Professional Skepticism ( $X_3$ )	<i>Questioning Mind</i>	$X_{3.1}$
	<i>Suspension of Judgment</i>	$X_{3.2}$
	<i>Search for Knowledge</i>	$X_{3.3}$
	<i>Interpersonal Understanding</i>	$X_{3.4}$
	<i>Self Confidence</i>	$X_{3.5}$
	<i>Self Determination</i>	$X_{3.6}$
Auditor's Ability to Detect Fraud ( $Y_1$ )	Knowledge of Fraud	$Y_{1.1}$
	Ability in Detection Stage	$Y_{1.2}$

## 4. Results and Discussion

### 4.1 Research Result

#### 4.1.1 Instrument Test

The research instrument test was conducted on 30 research respondents with the result that all indicators of the research variables had met the validity requirements, namely the Pearson correlation value  $> 0.30$  with a sig. value  $< 0.05$ . All research variables can be said to be reliable because they already have Cronbach's alpha value  $> 0.70$ .

#### 4.1.2 Model Evaluation

##### Measurement Model or Outer Model

Evaluation of the measurement model or outer model is carried out to assess the validity and reliability of the model. Evaluation of this model is done through convergent validity and discriminant validity [15].

Convergent validity is measured through the value of loading factor and average variance extracted (AVE). The loading factor value for confirmatory research should be more than 0.70 and values between 0.60 – 0.70 are still acceptable for exploratory research [15]. The average variance extracted (AVE) test must have a value  $> 0.50$  [15]. The results of the output loading factor and average variance extracted (AVE) are as follows

Table 2. Loading Factor Output Results

Indicator	Loading Factor	Description
X <sub>1.1</sub>	0,956	Valid
X <sub>1.2</sub>	0,960	Valid
X <sub>2.1</sub>	0,842	Valid
X <sub>2.2</sub>	0,941	Valid
X <sub>2.3</sub>	0,958	Valid
X <sub>3.1</sub>	0,911	Valid
X <sub>3.2</sub>	0,767	Valid
X <sub>3.3</sub>	0,876	Valid
X <sub>3.4</sub>	0,859	Valid
X <sub>3.5</sub>	0,879	Valid
X <sub>3.6</sub>	0,755	Valid
Y <sub>1.1</sub>	0,872	Valid
Y <sub>1.2</sub>	0,925	Valid

Table 3. Average Extracted (AVE) Output Results

No	Construct	Average Variance Extracted (AVE) Value
1	Work Experience (X <sub>1</sub> )	0,917
2	Independence (X <sub>2</sub> )	0,837
3	Professional Skepticism (X <sub>3</sub> )	0,711
4	Auditor's Ability to Detect Fraud (Y <sub>1</sub> )	0,808

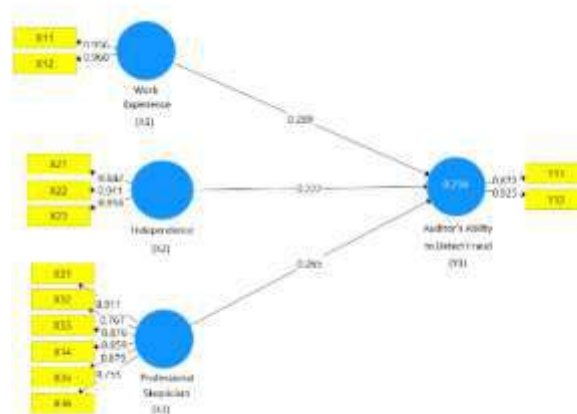


Figure 1. Results of PLS Algorithm

Table 2 and Figure 1 show that the loading factor value for all latent variable indicators is  $> 0.70$  so it can be said to be valid and meet convergent validity. The higher the indicator loading factor value means the greater effect of the indicator on the latent variable. Table 3 shows that the AVE value of the latent variable has been  $> 0.50$  so that all the latent variables used in this study have met convergent validity and can be said to be valid.

The way to test discriminant validity for reflective indicators is look at the cross loading value for each variable in the PLS Algorithm that must be greater than 0.70 (Ghozali & Latan, 2015). Another method that can be used to assess discriminant validity is to compare the AVE root for each construct with the correlation value between constructs in the model. The model has a fairly good discriminant validity if the AVE root for each construct is greater than the correlation between constructs in the model [14]. The output results of the discriminant validity test are as follows:

Table 4. Cross Loading Output Results

Indicator	Work Experience	Independence	Professional Skepticism	Auditor's Ability to Detect Fraud
X <sub>1,1</sub>	0,956	0,132	0,285	0,375
X <sub>1,2</sub>	0,960	0,128	0,312	0,394
X <sub>2,1</sub>	0,170	0,842	0,212	0,267
X <sub>2,2</sub>	0,130	0,941	0,237	0,310
X <sub>2,3</sub>	0,076	0,958	0,149	0,297
X <sub>3,1</sub>	0,270	0,195	0,911	0,371
X <sub>3,2</sub>	0,134	0,225	0,767	0,235
X <sub>3,3</sub>	0,225	0,164	0,876	0,351
X <sub>3,4</sub>	0,280	0,149	0,859	0,393
X <sub>3,5</sub>	0,291	0,171	0,879	0,305
X <sub>3,6</sub>	0,344	0,217	0,755	0,344
Y <sub>1,1</sub>	0,355	0,257	0,258	0,872
Y <sub>1,2</sub>	0,368	0,311	0,445	0,925

Table 5. AVE Square Root

No	Construct	Average Variance Extracted (AVE) Value	$\sqrt[2]{AVE}$
1	Work Experience (X <sub>1</sub> )	0,917	0.958
2	Independence (X <sub>2</sub> )	0,837	0.915
3	Professional Skepticism (X <sub>3</sub> )	0,711	0.843
4	Auditor's Ability to Detect Fraud (Y <sub>1</sub> )	0,808	0.899

Table 6. *Latent Variable Correlation*

	<b>PK</b>	<b>ID</b>	<b>SP</b>	<b>KC</b>
<b>PK</b>	1.000	0.135	0.312	0.402
<b>ID</b>	0.135	1.000	0.218	0.319
<b>SP</b>	0.312	0.218	1.000	0.403
<b>KC</b>	0.402	0.319	0.403	1.000

Table 4 shows the cross loading value of each measured latent variable indicator is higher than the cross loading value of other latent variable indicators. All indicators of this study are valid because they have met discriminant validity. Table 5 and Table 6 show that the AVE root value for each latent variable is greater than the correlation between latent variables in the model. These results indicate that the indicators used in this study are valid.

The reliability test for reflective construct indicators can be seen through the value of Cronbach's alpha and composite reliability. The value of Cronbach's alpha and composite reliability for confirmatory research must be greater than 0.70 and for exploratory research, the acceptable value of Cronbach's alpha is between 0.60 to 0.70 [15]. The results of the reliability test output are as follows:

Table 7. *Cronbach's Alpha* Output Results

<b>No</b>	<b>Construct</b>	<b>Cronbach's Alpha Value</b>
1	Work Experience (X <sub>1</sub> )	0,910
2	Independence (X <sub>2</sub> )	0,901
3	Professional Skepticism (X <sub>3</sub> )	0,918
4	Auditor's Ability to Detect Fraud (Y <sub>1</sub> )	0,765

Table 8. *Composite Reliability* Output Value

<b>No</b>	<b>Konstruk</b>	<b>Nilai Composite Reliability</b>
1	Work Experience (X <sub>1</sub> )	0,957
2	Independence (X <sub>2</sub> )	0,939
3	Professional Skepticism (X <sub>3</sub> )	0,936
4	Auditor's Ability to Detect Fraud (Y <sub>1</sub> )	0,893

Table 7 and 8 show that the value of cronbach's alpha and composite reliability for each construct is greater than 0,70. These results indicate that the construct in this study is reliable.

*Structural Model or Inner Model*

Testing on the structural model is a goodness of fit test which is carried out by looking at the R-square value to explain the effect of certain exogenous latent variables on endogenous variables whether they have a substantive effect [15]. The results of the R-Square output are:

Table 9. R-Square Output Results

	<i>R Square</i>	<i>R Square Adjusted</i>
Auditor's Ability to Detect Fraud	0,294	0,268

The result of R-square ( $R^2$ ) in this study was 0.294. The R-Square value of 0.294 indicates that the model is classified as "weak". It can be interpreted that the variability of the construct of the auditor's ability to detect fraud is 29.4%, while 70.6% is explained by other variables outside the study.

**5. Discussion**

Hypothesis testing is done through a bootstrapping procedure. The results of the analysis are presented in Table 10:

Table 10. Hypothesis Test Results

<b>Variable</b>	<b>Original Sample</b>	<b>T-Statistic</b>	<b>P Value</b>
Work Experience → Auditor's Ability to Detect Fraud	0,289	2.607	0.009
Independence → Auditor's Ability to Detect Fraud	0,222	2.216	0.027
Professional Skepticism → Auditor's Ability to Detect Fraud	0,265	2.451	0.015

H<sub>1</sub> states that the auditor's work experience has a positive and significant effect on the auditor's ability to detect fraud. Table 10 shows that the relationship between the auditor's work experience and the auditor's ability to detect fraud is significant with t-statistic value > 1.989, which is 2.607 with p-value <0.05, which is 0.009. The direction of the relationship between the auditor's work experience and the auditor's ability to detect fraud is positive, as indicated by the original sample value of 0.289. Based on this, H<sub>1</sub> is accepted. This shows that the higher the auditor's work experience will be in line with the increase in the auditor's ability to detect fraud. The results of this study support research conducted by Sania and others (2019) which states that work experience has a significant effect on the auditor's ability to detect fraud [3] and research conducted by Biksa and Wiratmaja (2016) which states that work experience has a positive effect on the auditor's ability. in detecting fraud [11], but contrary to research by Larasati and Puspitasari (2019) which states otherwise [4]. Based on the results of descriptive statistics, the highest average answer chosen by the respondents is a statement on the task intensity indicator. This means that auditors who work at Public Accountant Firm in Bali already have a high task intensity where the intensity of an auditor's duties can be reflected in the level of frequency of auditors in dealing with audit objects. The longer being an auditor, the more intense the assignments carried out by an auditor so that the auditor's ability to detect fraud on the object being examined increases.

H<sub>2</sub> which states that auditor independence has a positive and significant effect on the auditor's ability to detect fraud is accepted. This is evidenced by the results of hypothesis testing showing the results of the t-statistic value > 1.989, which is 2.216 with p-value <0.05, which is 0.027 with an original sample of 0.222. Based on the results of the hypothesis test, it can be concluded that the higher the auditor's



independence attitude will be in line with the increase in the auditor's ability to detect fraud. The results of this study support the research of Sofie and Nugroho, 2019 which states that independence has a positive effect on the auditor's ability to detect fraud [5] and the research of Ode and others (2020) which states that independence has a positive and significant effect on the auditor's ability to detect fraud [8], but contrary to research by Larasati and Puspitasari (2019) which states the opposite [4]. The independence indicator which has the highest average answer from respondents among other indicators is independence in fact. This shows that auditors who work at Public Accountant Firm in Bali already have independence in fact or auditor freedom from personal interests which is very high where independence in this fact can mean that an auditor is free from personal interests or other parties that can limit the auditor so that the auditor can be honest. in carrying out audit procedures.

H<sub>3</sub> which states that the auditor's professional skepticism has a positive and significant effect on the auditor's ability to detect fraud is accepted. This is evidenced by the results of hypothesis testing that the relationship between auditors' professional skepticism and the auditor's ability to detect fraud is significant as seen from the t-statistic value > 1.989, which is 2.451 with p-value <0.05, which is 0.015. The direction of the relationship between the auditor's professional skepticism and the auditor's ability to detect fraud is positive, as indicated by the original sample value of 0.265. This means that with high professional skepticism, the auditor's ability to detect fraud will be better. The results of this study support the research of Sofie and Nugroho (2019) which states that auditors' professional skepticism has a positive effect on the auditor's ability to detect fraud [5] and the research of Larasati and Puspitasari (2019) which states that professional skepticism has a positive and significant effect on the auditor's ability to detect fraud [4]. This is contrary to the research of Ode and others (2020) which states that professional skepticism has no significant effect on the auditor's ability to detect fraud [8]. Based on the results of the descriptive statistical analysis that has been carried out, the respondents' responses to the statement of the indicator of suspension of judgment or delay in decision making have the highest average among other indicators. This shows that auditors working at Public Accountant Firm in Bali have suspended judgment or delayed decision making if there are things that indicate fraud so that the auditor's ability to detect fraud is good. Suspension of judgment describes the character of an auditor who takes a longer time to determine a decision in the audit process of financial statements.

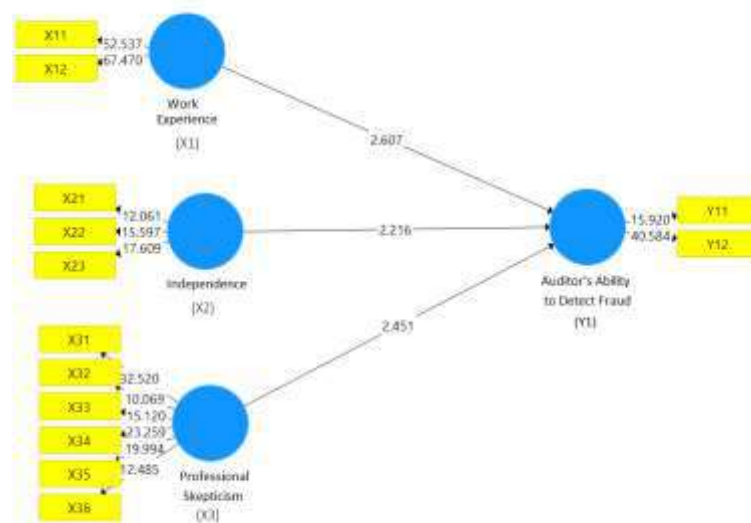


Figure 2. Bootstrapping Results

## 6. Research Limitations

This study uses a saturated sample, but not all auditors who work at the Public Accountant Firm in Bali can be used as respondents and data collection in this study only uses questionnaires due to the limited time of data collection.

## 7. Conclusion

Based on the results of the analysis and discussion above, the research can be concluded as follows: 1) work experience has a positive and significant effect on the auditor's ability to detect fraud, 2) independence has a positive and significant effect on the auditor's ability to detect fraud, 3) professional skepticism has a positive effect and significant to the auditor's ability to detect fraud.

## 8. Acknowledgment

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## **Analysis of Financial Statements to Measure The Level of Health in The LPD of Pecatu Village, South Kuta, Badung**

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**Abstract:** The Village Credit Institution (LPD) is an institution that operates in the financial sector belonging to the village which is developing and providing benefits both in terms of social, economic and cultural aspects to its citizens, so it is necessary to improve performance and preserve its existence. As a part of the traditional village unit in Bali, the LPD has the function of collecting funds and distributing credit and loans to the community. The level of soundness of the LPD shows the institution's ability to utilize its assets productively and efficiently and can manage the continuity of the business that is run effectively, so that it will encourage the continuity of the business. This study aims to measure the level of financial health using the CAMEL method on Village Credit Institution (LPD) of Pecatu Village, South Kuta, Badung in the period 2018 to 2020. Qualitative descriptive analysis is used to interpret the results of the calculation of financial ratios consisting of aspects of Capital, Assets, Management, Earning, and Liquidity. The result of this is the combined scores of all aspects obtained for 2018 is 79,37%, in 2019 is 80,77%, and in 2020 is 65,90%. Therefore it can be concluded that for 2018 and 2019 the financial health level of the LPD of Pecatu Village is in a fairly healthy condition, while in 2020 the financial health level of the LPD of Pecatu Village is in an unhealthy condition.

**Keywords:** *Village Credit Institutions (LPD), Financial Statements, Health Level, Financial Ratios*

### **1. Introduction**

The Village Credit Institution (LPD) is an institution that operates in the financial sector belonging to the village which is developing and providing benefits both in terms of social, economic and cultural aspects to its citizens, so it is necessary to improve performance and preserve its existence. As a part of the traditional village unit in Bali, the LPD has the function to collect funds and distribute credit and loans to the community based on the provisions and regulations of the Bali Level I Regional Regulations, the aim of which is that later all the remaining business results obtained will be returned to the community [1]. village income to be used by traditional villages in order to help repair public facilities owned by traditional villages.

Based on the Regional Regulation of the Province of Bali Number 3 of 2017 concerning Village Credit Institutions, LPD is an institution in the financial sector belonging to the village which is in the Traditional Village. LPD that are engaged in the economy have the aim of making a profit, where the

distribution of the net profit of the LPD at the end of the accounting year is set for capital reserves of 60%, village development funds of 20%, production services of 10%, empowerment funds of 5% and social funds of 5%.

LPD is expected to be able to encourage economic development in the village community through effective and efficient savings and credit distribution programs for villagers. The role of the LPD is as a container for village wealth which can be in the form of cash or securities, carrying out its functions in the form of an effort to improve the living standards of villagers, so that the LPD is expected to always be able to improve effectiveness and efficiency in managing its business. In line with improving the living standards of villagers, LPD must be able to improve their performance and also maintain their level of financial health so that they can continue to grow and provide benefits to the village community [2]. LPD health is the ability of the LPD to carry out normal operational activities and be able to fulfill its obligations in accordance with applicable regulations. The way to find out the health level of the LPD in question is to analyze the financial statements of the LPD. Financial statements can provide an overview of the entity's financial position at a certain period, so that the financial statements will provide convenience to the management or interested parties in making the right decisions for the continuity of their business.

Financial statement analysis is one way to find a relationship or correlation between various items contained in the company's financial statements. Financial statement analysis is the process of classifying financial statements according to their elements and conducting a review of each of these elements with the aim of obtaining a proper understanding and understanding of financial statements, especially information desired by interested parties, including the owners, the management, the customer (customers borrowing funds and depositors of funds) and the builder [3], [4]. Analysis of the financial statements is done by determining and measuring the relationship between the items in the financial statements, so that in the end it can be seen what changes have occurred in each item when a comparison is made. The LPD level of soundness indicates the ability to utilize its assets productively and efficiently and to manage business continuity that is run effectively, so as to encourage the sustainability of the business [5]. The LPD health level is assessed by using a quantitative approach to overcome 5 (five) factors that affect the condition of the LPD as a financial institution, namely; (1) capital; (2) the quality of productive assets; (3) management; (4) profitability and (5) liquidity or abbreviated with the term CAMEL in accordance with Pergub Bali No. 44 of 2017 concerning Guidelines for the Implementation of the Bali Provincial Regulation Number 3 of 2017 concerning Village Credit Institutions (Bali Governor Regulation, 2017).

Capital, Asset, Management, Earning and Liquidity (CAMEL) methods are the five determining factors to analyze the health level predicate in LPD. In these factors there are components which are then given a weight to determine the health of an LPD. These factors have an interrelated relationship in determining the health of an LPD. Determination of LPD health assessment by summing all component values of all factors in determining the health of an LPD. The large number of health scores can be used to determine the criteria for the health of the LPD [6].

The Pecatu Traditional Village LPD is one of the LPD in Badung Regency that is active in carrying out its operational activities. As a community service center in the economic sector in the village, the Pecatu Traditional Village LPD is expected to be able to encourage village development in a better direction. The business fields contained in the Pecatu Traditional Village LPD are in the field of credit, the field of savings in the form of savings, loans, deposits, and activities in the service sector such as serving receipt of insurance payments, PDAM payments, electricity payments. Total Capital, Loans Disbursed, Net Profit, and the value of NPL (Non Performing Loan) Pecatu Traditional Village LPD in 2018, 2019 and 2020. The capital received by Pecatu Traditional Village LPD increased in 2019 but decreased slightly in 2020. In terms of loans, the loans disbursed always increase every year. Thus, there was a condition where there was a decrease in capital in 2020 but accompanied by a fairly high increase in credit loans. Supposedly when the capital received increases, it is accompanied by an increase in credit provided, but what happened to the Pecatu Traditional Village LPD was the opposite, namely, there was a decrease in capital but the number of loans granted experienced a fairly high increase.

According to the management's explanation, the Pecatu Traditional Village LPD experienced obstacles in the credit collection process caused by LPD customers who were the village customs of Pakraman not yet fully fluent in paying credit installments, causing bad loans. When viewed from the NPL (Non Performing Loan) value, namely the number of non-performing loans owned by the Pecatu Traditional Village LPD for 2018 of 12.12%, in 2019 of 15.17% and in 2020 of 18.07%. Of the three numbers, it is categorized into non-performing credit risk which is quite high with a set limit of 5%. The high NPL value indicates that the LPD is less able to manage its activities. In addition to the reduced capital owned by the LPD, the capital issued by the LPD to its customers also cannot return to the LPD, this can result in a decrease in profits that will later be generated by the LPD. In the process of lending, of course, this invites a risk where there are non-performing loans which are categorized as substandard, doubtful, and bad loans. The amount of non-performing loans will affect the ability of the Pecatu Traditional Village LPD to earn profits from interest income. Thus, it is necessary to do an analysis so that it can find out how the LPD ability to provide capital is to minimize the possible risks that will arise due to disbursed loans, as well as the ability of the Pecatu Traditional Village LPD to earn profits within a certain period. To assess the health level of the Pecatu Traditional Village LPD using the capital, asset, management, earning and liquidity (CAMEL) analysis method based on financial reports, namely, balance sheets and income statements from 2018 to 2020. This health assessment is very important to do because the community has give trust to the LPD to manage their funds or money. LPDs that are declared healthy are actually very profitable because they can increase their prestige in the eyes of their customers or potential customers [7].

Based on this background, the formulation of the problem in this study is "How is the health level of the Pecatu Traditional Village LPD during the 2018 - 2020 period in terms of aspects of Capital, Assets, Management, Earning, and Liquidity"

## 2. Literature Review

### 2.1 Financial Report

The financial report is a very important report in an effort to obtain information about the condition or condition of the company's finances and the results that have been achieved by the company in a certain period. Financial reports are made as a form of accountability from company leaders and financial statements are also used to provide information related to financial conditions that can be used by parties outside the company.

### 2.2 Financial Statement Analysis

Financial statement analysis is a process of doing the periodic review of the financial statements that will result from such reviews can be seen a variety of relationships and trends that will be able to give judgment in making the right decision [8].

### 2.3 Village Credit Institutions (LPD)

Perda Bali No. 3 of 2017 explains that the LPD is a financial institution belonging to the village 's air there is in the region of d one. With its line of business, it receives or collects funds from villagers and provides loans to villagers. Based on Pergub Bali No . 44 of 2017 states that the LPD is a forum for village wealth, which carries out its main function in the form of an effort to improve the living standards of villagers and support sustainable development in the village area.

### 2.4 Level of Financial Soundness of Village Credit Institution

The level of health is the ability to carry out operational activities in the banking sector normally and be able to fulfill its obligations in ways that are in accordance with applicable banking regulations . One of the main sources of the indicators of her can be used as the basis of assessment of health are the financial statements of the period to be analyzed concerned [9].

### 2.5 CAMEL Method

Based Pergub Bali No. 44 of 2017 concerning Guidelines for the Implementation of the Bali Regional Regulation No. 3 of 2017 About the Village Credit Institutions which, LPD should always maintain a level of health. The five aspects, namely health assessment of capital adequacy, the quality of assets productive, management, earnings and liquidity or CAMEL [10]. The CAMEL health assessment criteria are as follows:

- Healthy predicate with a score of 81 to 100
- The predicate is quite healthy with a score of 66 to < 81
- Less healthy predicate with a score of 51 to < 66
- Unhealthy predicate with a score of 0 to 51

### 3. Research Method

This is a research with the kind of qualitative-descriptive within the meaning of researchers as a key instrument to the result of its further emphasize the significance compared to emphasize generality. The qualitative descriptive used in this study has the aim of exploring the data or figures contained in the financial statements of the Pecatu Traditional Village LPD in 2018 - 2020 which are then analyzed using the Camel method to be able to find out how the state or level of health of the Pecatu Traditional Village LPD is.

### 4. Result and Discussion

#### 4.1 Assessment of the Capital Aspects of the Pecatu Traditional Village LPD in 2018 - 2020

Based on the analysis conducted, it shows that the CAR LPD ratio of the Pecatu Traditional Village in 2018 is in a healthy condition by obtaining a ratio of 22.51%, meaning that every IDR 1.00 assets that contain risks are guaranteed with a capital of IDR 0.2251. With a ratio of 22.51%, the value of 182.5 is obtained and the value after weighting is 25. In 2019, the calculation results show that the CAR LPD ratio of the Pecatu Traditional Village is in a healthy condition by obtaining a ratio of 21.48% meaning, every Rp1.00 of risk-bearing assets is guaranteed with a capital of Rp0.2148. With a ratio of 21.48%, a score of 175.8 is obtained and the score after weighting is 25. Furthermore, in 2020, the calculation results show that the CAR ratio of the Pecatu Traditional Village LPD in 2020 is also in a healthy condition by obtaining a ratio of 20.08% means that every Rp1.00 of the risky asset is guaranteed with a capital of Rp0.2008. With a ratio of 20.08%, a score of 161.8 is obtained and the value after being weighted is 25.

Overall, the capital of the Pecatu Traditional Village LPD is at low risk. Capital is already above 12% which is the minimum standard of the CAR ratio in accordance with Bali Governor Regulation No. 44 of 2017. This shows that the core capital and supplementary capital belonging to the LPD are able to face the risks contained in the assets, which in the event of a bad loan which will later become a burden is the core capital of the LPD, not third party funds that are used as a burden on bad loans.

#### 4.2 Assessment of the Productive Assets of the Pecatu Traditional Village LPD in 2018 - 2020

##### 4.2.1 Earning Asset Quality Ratio

Based on the results of the analysis, the ratio of KAP LPD Desa Adat Pecatu in 2018 is in a healthy condition by obtaining a ratio of 6.45%, which means that for every Rp. 1.00 of productive asset, the risk of not being able to be reclaimed is Rp. 0.0645. With the ratio, the value obtained is 90.33 and the value after weighting is 22.58. The ratio of KAP LPD Pecatu Traditional Village in 2019 is also in a healthy condition by obtaining a ratio of 7.57%, which means that for every Rp. 1.00 of productive asset, there is a risk of not being refunded of Rp. 0.0757. With a ratio of 7.75%, the value obtained is 82.87 with a maximum value of 100 and the value obtained after being weighted is 20.72. In 2018 and 2019 the ratio was below 7.85%, the smaller the KAP ratio, the better the credit quality. The maximum standard of the KAP ratio is 7.85% in accordance with the Bali Governor Regulation Number 44 of 2017. Furthermore, the ratio of the LPD LPD Pecatu Traditional Village in 2020 is in an unhealthy condition by obtaining a ratio of 10.29%, which means that every Rp1.00 of productive asset is risky.

non-refundable amounting to Rp0.1029. With a ratio of 10.29%, the value obtained is 64.73 with a maximum value of 100 and the value obtained after being weighted is 16.18. In 2020, it obtained above the maximum standard KAP ratio of 7.85%, this means that LPD must be careful in issuing loans and prioritize credit quality over credit quantity.

#### 4.2.2 CRR Ratio

Based on the analyst is the ratio of CRR, LPD Pecatu Village People in 2018 amounted to 34.86%, which means every IDR 1.00 earned losses incurred in the planting of productive assets, LPD ensure the backup Rp0,3486 formed. With a ratio of 34.86%, the value obtained is 34.86 and the value after weighting is 3.48. The CRR ratio of the Pecatu Traditional Village LPD in 2019 was 24.29%, which means that for every Rp1.00 of the loss incurred in investing productive assets, the LPD guarantees with Rp0.2429 of the reserve formed. With a ratio of 24.29%, the value obtained is 24.29 and the value after weighting is 2.43. Furthermore, the CRR ratio of the Pecatu Traditional Village LPD in 2020 is 18.51%, which means that for every Rp1.00 of the loss incurred in investing in productive assets, the LPD guarantees with Rp0.1851 of reserves formed. With a ratio of 18.51%, the value obtained is 18.51 and the value after being weighted is 1.85. From the results of the analysis above, it shows that the CRR LPD ratio of the Pecatu Traditional Village in 2018, 2019, and 2020 is in an unhealthy condition where the amount of the budget for doubtful loan reserves that have been formed is very small compared to the reserve for doubtful loans which must be formed.

#### 4.3 Assessment of the Management Aspects of the Pecatu Traditional Village LPD in 2018 - 2020

Based on the management's assessment of the Pecatu Traditional Village LPD in 2018, 2019, and 2020 each received a healthy predicate with a score of 92. The management credit score is calculated by adding up the value contained in each question or management statement with a maximum limit of 100.

#### 4.4 Assessment of the Profitability Aspects of LPD Pecatu Traditional Village in 2018 - 2020

##### 4.4.1 ROA Ratio

Based on the results of the analysis, in 2018 the ROA ratio obtained results below 2.025% which is the minimum ROA ratio in accordance with the Bali Governor Regulation Number 44 of 2017. In 2018 the ratio of 1.02% means that every Rp1.00 the use of assets is only able to generate income. profit of Rp. 0.0102. With a ratio of 1.02%, a value of 40.8 is obtained and the value obtained after being weighted is 4.08. With these results in 2018, the Pecatu Traditional Village LPD was in an unhealthy condition. In 2019, obtaining an ROA ratio of 1.44% means that for every Rp. 1.00 the use of assets is only able to generate a profit of Rp. 0.0144. With a ratio of 1.44%, a value of 57.6 is obtained and the result of the value after being weighted is 5.76. With these results in 2019, the Pecatu Traditional Village LPD is in an unhealthy condition. Furthermore, in 2020, an ROA ratio of 0.32% was obtained, meaning that for every Rp. 1.00 the use of assets is only able to generate a profit of Rp. 0.0032. With a ratio of 0.32%, a value of 12.8 is obtained and the result of the value after being weighted is 1.28. With these results in 2020, the Pecatu Traditional Village LPD is also in an unhealthy condition.

From the results of these calculations, the ROA ratio in the Pecatu Traditional Village LPD is in poor performance. The high-risk ROA ratio means that the LPD is not able to generate good profits when compared to its average assets.

##### 4.4.2 BOPO Ratio

Based on the results of the BOPO ratio analysis in table 4.12 on the Pecatu Traditional Village LPD for 2018, 2019, and 2020, the results of the BOPO ratio are above 79.75% which is the minimum limit for the BOPO ratio in accordance with the Bali Governor Regulation Number 44 of 2017. Based on the results of the analysis, The BOPO ratio in 2018 is 87.43%, which means that for every Rp1.00 of operating income, Rp.0.8743 is spent on operational costs. With a ratio of 87.43%, the value is 50.28 and the value after weighting is 5.03. With these results in 2018, the Pecatu Traditional Village LPD was in an unhealthy condition. The BOPO ratio in 2019 is 80.35%, which means that for every Rp. 1.00



of operating income, Rp. 0.8035 is spent on operational costs. With a ratio of 80.35%, the value obtained is 78.6 and the value after weighting is 7.86. With these results in 2019, the Pecatu Traditional Village LPD is in a fairly healthy condition. Furthermore, the BOPO ratio in 2020 is 94.02%, which means that for every Rp1.00 of operating income, Rp.0.9402 is spent on operational costs. With a ratio of 94.02%, the value obtained is 23.92 and the value after weighting is 2.39. With these results in 2020, the Pecatu Traditional Village LPD is in an unhealthy condition.

From the results of these calculations, the BOPO ratio in the Pecatu Traditional Village LPD is in a poor condition. The smaller the BOPO ratio, the more efficient the LPD's operational activities. On the LPD Pecatu Village People at high risk LPD this means not being able to reduce operating costs and are not able to do peng saving early by shopping early so operating costs are happening almost equivalent in number to the operating income earned.

#### *4.5 Assessment of the Liquidity Aspects of LPD Pecatu Traditional Village in 2018 - 2020*

##### *4.5.1 Liquid Tool Ratio*

Based on the results of the analysis, the ratio of LPD liquid assets in 2018 was 34.62%, which means that every IDR 1.00 of current debt will be guaranteed by liquid assets of IDR 0.3462. With a ratio of 34.62%, the value of 230.8 is obtained with a maximum limit of 100 and the value after weighting is 5. The ratio of LPD liquid assets in 2019 is 37.70%, which means every Rp1.00 of current debt will be guaranteed by liquid assets of IDR 0.3770. With a ratio of 37.70%, the value of 251.3 is obtained with a maximum limit of 100 and the value after weighting is 5. Furthermore, the ratio of LPD liquid assets in 2020 is 26.38%, which means that every Rp1.00 of current debt will be secured by liquid assets of Rp0.2638. With a ratio of 26.38%, a score of 175.9 is obtained with a maximum limit of 100 and the score after weighting is 5. From the analysis above, in 2018, 2019, and 2020, the Pecatu Traditional Village LPD is in a healthy condition. The more liquid the LPD is, the more capable an LPD is to meet its current obligations

##### *4.5.2 LDR ratio*

Based on the results of the analysis, the LDR ratio of the Pecatu Traditional Village LDR in 2018 was 68.30%, meaning that for every Rp1.00 of third party funds that were successfully obtained and the core capital owned had been distributed in the form of credit of Rp0.6830. With a ratio of 68.30%, a score of 186.8 is obtained with a maximum value of 100 and the score after being weighted is 5. The LDR ratio of the LPD Pecatu Traditional Village in 2019 is 64.08% meaning every Rp1.00 of successful third party funds obtained and the core capital owned has been distributed in the form of credit amounting to Rp0.6408. With a ratio of 64.08%, a value of 203.7 is obtained with a maximum value of 100 and the value obtained after being weighted is 5. Furthermore, the LDR ratio of the LPD Pecatu Traditional Village in 2020 is 73.99%, meaning that every Rp1.00 of third party funds successfully obtained and the core capital owned has been channeled in the form of credit amounting to Rp0.7399. With a ratio of 73.99%, a score of 164.04 is obtained with a maximum value of 100 and the value obtained after being weighted is 5.

From the analysis above, in 2018, 2019 and 2020, the Pecatu Traditional Village LPD was in a healthy condition. The larger the LDR ratio value indicates that the LPD's liquidity level is getting smaller, because the amount of debt will increase so that it will have an impact on the amount of funds needed to pay the debt will also be greater. Thus the smaller the value of the LDR ratio, indicating that the LPD is more liquid. LPDs are at low risk, this means that LPDs are able to suppress circulation of credit and obtain as much funds as possible so that liquidity in LPDs is safe.

## **5. Conclusion**

Based on the discussion, the results of the analysis of the level of health in the Pecatu Traditional Village LPD in 2018 - 2020 using the CAMEL (Capital, Assets, Management, Earning, and Liquidity) method which obtained a combined score for 2018 of i 79.37 and 2019 of i 80.77, so it can be concluded that for 2018 and 2019 the health level of the Pecatu Traditional Village LPD is in a fairly healthy condition.

Meanwhile, in 2020 it obtained a combined score of 65.9, which means that the health level of the Pecatu Traditional Village LPD is in the less healthy predicate.

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## **Analysis of Financial Performance at the Jimbaraya Multipurpose Cooperative Period 2018-2020**

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**Abstract:** Financial performance is one of the important factors in the company. Good financial performance can be assessed from the results of the analysis that obtain a percentage in accordance with the standards that have been set. the results of the analysis can assist cooperatives in making appropriate plans and policies in achieving the vision and mission of the cooperative. The research aims to analyze the level of financial performance movement and the health of cooperatives based on the liquidity ratio, solvency ratio, activity ratio and profitability ratio with period from 2018-2020 in accordance with the Regulation of the State Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia number 06/Per/M/KUKM/V/2006. This research uses a qualitative approach. The results showed that the liquidity ratio is measured using the current ratio and the quick ratio obtains a fairly healthy result because the cooperative is able to guarantee the payment of its current debt. The solvability ratio is measured using the total debt to total assets ratio has fluctuated, where the assets are insufficient to guarantee the cooperative's debt, then measured using the total debt to total equity ratio, there is some less owned capital to guarantee the cooperative's debt. The activity ratio based on the total assets turnover ratio obtained unhealthy results because the sales results obtained were very small. The profitability ratio is measured using return on assets and return on equity has decreased because it is caused by a decrease in profits obtained by cooperatives.

**Keywords:** *likuidity, solvability, aktivitas, profitabilitas*

### **1. Introduction**

Cooperatives play a positive role as one of the pillars of the Indonesian economy, either directly or indirectly. In addition, the development of cooperatives is also directed at establishing a positive identity and image as well as strengthening cooperative institutions so that they can act as a medium for community activities [1]. in carrying out its activities, cooperatives always need funds or capital. Owned capital is useful for generating profits that can be operated more effectively. Therefore, cooperatives must be able to see the state of their organization to improve their existence in the midst of their efforts to achieve cooperative goals.

Cooperatives need to analyze financial statements to determine the financial performance of cooperatives so that cooperatives can carry out their duties and obligations properly to achieve cooperative goals [2]. In analyzing financial statements, it is possible to find out the right way to solve problems that arise from the information obtained about which part of the finance there are problems.

One technique that can be used to analyze financial statements is to use financial ratio analysis, namely liquidity ratios, solvency ratios, activity ratios and profitability ratios which are indicators of financial analysis.

This also applies to the Jimbaraya Multipurpose Cooperative, to find out whether its financial performance can be said to be good or bad, it needs to be analyzed using financial ratios. Good financial performance can be assessed from the results of the analysis that obtain a percentage in accordance with the standards that have been set. The results of the analysis can assist cooperatives in making appropriate plans and policies in achieving the cooperative's vision and mission. The research aims to analyze the level of financial performance movement and the health of cooperatives based on the liquidity ratio, solvency ratio, activity ratio and profitability ratio with period from 2018-2020.

## **2. Literature Review**

### *2.1. Financial Ratio Analysis*

Ratio analysis can explain a balance or relationship that occurs between one result and another to determine the overall financial performance from time to time using an analytical tool in the form of a ratio [3]. Financial ratios explain the numbers or amounts obtained from the comparison of financial statement items which include balance sheet and profit and loss statements [4].

### *2.2. Liquidity Ratio*

The liquidity ratio serves to see the company's capacity to pay its current liabilities. That's mean this ratio is useful so that there are no cases of cooperatives that are unable to pay their current debts that are due [4].

### *2.3. Solvability Ratio*

The solvency ratio can show the capacity of the cooperative in paying all its debts, both in the form of current debt and non-current debt [5]. The results obtained from this ratio will show the amount of the company's debt burden with its assets [6].

### *2.4. Activity Ratio*

The activity ratio can be useful to find out how effective the cooperative is in using its funding sources. If the turnover of these funds is faster, the more effective the cooperative is in utilizing its funds [4].

### *2.5. Profitability Ratio*

Profitability ratios can be useful in measuring how much the company's capacity for profit is. The profits obtained will be used to carry out the company's activities [7]. High profits will make it easier for companies to produce policies that will benefit the company in the future [8].

### *2.6. Cooperative*

Cooperatives are business entities of various people who have common goals or interests. Multi-purpose cooperative is a cooperative with its business activities in various economic aspects such as credit, consumption, service and production which consists of several people or cooperative legal entities whose activities are based on the cooperative principle which is also a people's economic movement based on the principle of familyship [8].

### *2.7. cooperative financial performance*

Financial performance can describe any financial success achieved by a cooperative in a certain period to achieve goals that can be measured its development by analyzing the financial data contained in the report [9].

### 3. Research Methods

The primary data used in this study is information about the balance sheet and income statement. In this research, secondary data includes the balance sheet and income statement. The data collection procedure in this research was carried out by means of an observation, interview, and documentation. Data collection in the field, assisted by interview guidelines, and documentation tools. In this research, to test the validity of the data used time triangulation and technical triangulation. The guideline used in this research is the Regulation of the State Minister for Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, number 06/Per/M.KUKM/V/2006. The analysis technique are as bellows:

#### 3.1. Liquidity Ratio

##### 3.1.1. Current Ratio

It is calculated by dividing current assets by current liabilities.

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current debt}} \times 100\%$$

##### 3.1.2. Quick Ratio

It is calculated by subtracting inventory from current assets and dividing the remainder by current debt.

$$\text{Quick Ratio} = \frac{\text{Current assets} - \text{inventory}}{\text{Current debt}} \times 100\%$$

#### 3.2. Solvability Ratio

##### 3.2.1. Total Debt To Total Assets Ratio

It is calculated by dividing total debt by total assets.

$$\text{Total Debt To Total Assets Ratio} = \frac{\text{Total debt}}{\text{Total assets}} \times 100\%$$

##### 3.2.2. Total debt to Total Equity Ratio

It is calculated by dividing the total debt by the total equity.

$$\text{Total Debt To Total Equity Ratio} = \frac{\text{Total debt}}{\text{Total equity}} \times 100\%$$

#### 3.3. Activity Ratio

##### 3.3.1. Total Assets Turn Over Ratio

It is calculated by dividing sales by total assets.

$$\text{Total Assets Turn Over Ratio} = \frac{\text{Sales}}{\text{Total assets}}$$

#### 3.4. Profitability Ratio

##### 3.4.1. Return on Assets Ratio

It is calculated by dividing profit by total assets.

$$\text{Return on Assets Ratio} = \frac{\text{Profit}}{\text{Total assets}} \times 100\%$$

##### 3.4.2. Return on Equity Ratio

It is calculated by dividing profit by total equity.

$$\text{Return on Equity Ratio} = \frac{\text{Profit}}{\text{Total equity}} \times 100\%$$

## 4. Result and Discussion

### 4.1 Result

Based on Table 1 below, it can show the condition of financial performance using the financial ratio of the Jimbaraya Multipurpose Cooperative.

**Tabel 1.** Financial Ratio Analysis Results

Tahun	CR	QR	DTAR	DTER	TATO	ROA	ROE
2018	173,85%	173,49%	57,15%	133,38%	0,035	9,76%	22,78%
2019	161,08%	160,88%	61,73%	161,32%	0,018	5,87%	15,36%
2020	161,53%	161,38%	57,69%	136,38%	0,017	4,36%	10,31%

Total assets turn over, return on assets, and return on equity ratio continuously decreasing. While the current ratio, quick ratio, total debt to total assets, total debt to total equity, total assets turn over ratio, return on assets, and return on equity ratio obtaining fluctuating results.

### 4.2 Discussion

**Tabel 2.** Criteria for The Results of Financial Ratio Analysis

Tahun	CR	QR	DTAR	DTER	TATO	ROA	ROE
2018	Quite Healthy	Quite Healthy	Quite Healthy	Quite Healthy	Not Healthy	Healthy	Very Healthy
2019	Quite Healthy	Quite Healthy	Not Healthy	Not Healthy	Not Healthy	Quite Healthy	Healthy
2020	Quite Healthy	Quite Healthy	Quite Healthy	Quite Healthy	Not Healthy	Quite Healthy	Quite Healthy

The results of research on the financial performance of the Jimbaraya Multipurpose Cooperative (KSU) during the period 2018-2020 in terms of liquidity, namely the current ratio, are between 150%-175%. These results based on the Regulation of the State Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, number 06/Per/M.KUKM/V/2006 included in the fairly healthy criteria, which means that the cooperative has sufficient current assets to guarantee the payment of its current debt. Furthermore, the quick ratio in 2018-2020 is also between 150% - 175%. These results are included in the fairly healthy criteria, which means that the cooperative is able to guarantee all current debts with current assets without taking into account inventory.

Financial performance in terms of solvency, namely the total debt to total assets ratio in 2018 and 2020, is in a fairly healthy criteria, which means that the cooperative is able to pay all short-term debt and long-term debt using all its assets. However, the total debt to total assets ratio in 2019 was in an unhealthy criteria. This is because the value of total debt cannot be properly balanced by total assets. In other words, cooperatives need to increase their total assets and reduce their debts or loans so that cooperatives do not experience losses or go bankrupt. Furthermore, the total debt to total equity ratio in 2018 and 2020 is in a fairly healthy criteria, which means that cooperatives have the ability to cover all debts they have with their own capital. However, the total debt to total equity ratio in 2019 is in the unhealthy criteria due to the lack of capital to guarantee the debt of the cooperative or in other words the capital owned is not sufficient to pay all the debts of the cooperative.

Financial performance in terms of activity, namely the total assets turn over ratio in 2018-2020 is in an unhealthy criterion. This shows that the cooperative is not good enough in carrying out sales and seeking assets productively. This ratio can be useful for measuring the turnover of all assets owned by cooperatives and measuring how much sales are obtained from each rupiah of assets.

Financial performance in terms of profitability, namely return on assets in 2018-2020, although the ratio has decreased, it is still within the healthy and fairly healthy criteria. That is, the cooperative is able to use the total assets well to obtain profits or profits. The profits obtained can be managed by the cooperative so that it can take active actions to enlarge or expand the scope of existing business

activities. Furthermore, the return on equity in 2018-2020, although it continues to decline, is still within the criteria of very healthy, healthy and quite healthy. That is, cooperatives are able to manage their own capital to generate profits.

## 5. Conclusions and Suggestions

Based on the results of research and discussion, it can be concluded that: The liquidity ratio Measured from current ratio in 2018-2020 shows the results that cooperatives are in fairly healthy criteria. Measured from quick ratio in 2018-2020 shows the results that the cooperative is in a fairly healthy criteria. The solvability ratio Measured from total debt to total assets ratio in 2018-2020 shows the results that the cooperative is in fairly healthy criteria. However, in 2019 it showed that cooperatives were in the unhealthy criteria. This is because the total assets owned by the cooperative are not sufficient to guarantee the total existing debt. Measured from total debt to total equity ratio from 2018-2020, the results show that the cooperative is in fairly healthy criteria. However, in 2019 it showed that cooperatives were in the unhealthy criteria. This is due to the lack of capital to guarantee the existing debt, in other words the capital owned is not sufficient to pay all the debts of the cooperative. The activity ratio Measured from total assets turnover ratio in 2018-2020 shows the results that cooperatives are in unhealthy criteria. This proves that cooperatives are not good enough in making sales and maximizing their assets in generating sales. The Profitability ratio Measured from return on assets (ROA) in 2018-2020 shows that the results of the cooperative are within the healthy criteria in 2018 and quite healthy in 2019-2020. Measured from return on equity (ROE) from 2018-2020 the cooperative is in very healthy criteria in 2018, healthy in 2019, and quite healthy in 2020.

The advice can be given based on the results of research that the Jimbaraya multipurpose cooperatives need to increase their assets. Payment by members on loans made is one way that can increase assets. Cooperatives need to use their own capital in carrying out their operational activities and can better manage their own capital. Cooperatives need to increase profits and reduce costs so that they are able to generate larger residual income and can provide guarantees for larger debts. Cooperatives are expected to reduce the amount of debt they have so as not to suffer losses. cooperatives are expected to increase their sales, to increase the ratio of unhealthy activities.

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## **Analysis of the Treatment of Income Tax Article 25 Overpayment at PT AWD**

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**Abstract:** The outbreak of the COVID-19 pandemic in Indonesia has greatly impacted various sectors, including PT AWD which is engaged in SPA services. PT AWD experienced a significant decrease in turnover, causing an overpayment of taxes caused by the payment of tax installments that have been paid every month. Based on this phenomenon, this study was conducted to determine the impact that occurs on PT AWD if it makes restitution or tax burden in managing the tax overpayment. This study was processed using descriptive qualitative techniques with primary data, namely the results of interviews with the employees of PT AWD, and secondary data in the form of company financial statements. Based on this research, it is known that if PT AWD makes restitution, PT AWD will get back the cash that has been paid on condition that it is able to meet the requirements for implementing restitution and comply with its tax obligations. Meanwhile, if PT AWD makes an imposition, the overpayment tax cannot be taken back by the company. Because the overpayment tax has been recognized as an expense in the company's financial statements, so this treatment is more advisable for taxpayers who have a relatively low nominal tax overpayment.

**Keywords:** *Overpayment Taxes, Income Tax Article 25, Restitution, Tax Burden.*

### **1. Introduction**

State income is an important element in development for the progress of a country. The supporting factor for this is of course based on the level of the country's economy and its people [1]. The country's economic growth can be observed from the development of goods and services production activities so that there is an increase in Gross Domestic Product (GDP) [2]. Based on the GDP growth graph data, it is shown that in 2020 the percentage level of Indonesia's GDP is in the position of -2.07% [3]. This decrease was caused by the Covid-19 virus pandemic in almost all parts of the world. This condition causes the economy to sluggish which causes people's purchasing power to decrease, so that corporate income and taxes payable also decrease.

However, it is often found that tax payments are greater than they should be when taxpayers experience a decrease in income. This is due to the existence of monthly installments of Income Tax Article 25 by taxpayers to reduce the tax burden at the end of the year. The calculation and payment of Article 25 Income Tax installments using this self-assessment system uses the assumption system that argues that the amount of tax payable this year is the same as the amount of tax payable in the previous year [4]. The use of this system in the collection of Article 25 Income Tax installments certainly causes a difference that will be found at the end of the year, whether it is an excess difference or a less difference [5]. The emergence of this difference is due to changes in operating income which continue to change every year. If an underpayment difference is found, the taxpayer is required to pay off the shortfall before reporting the Annual Income Tax Return [6]. However, if the calculation results indicate an excess, the excess tax can be reclaimed in accordance with the applicable rules and regulations or can be recognized as tax expense in the company's financial statements, considering that this tax overpayment cannot be compensated for in the next tax year [7].

As experienced by PT AWD which is engaged in SPA services, in 2020 it was affected by the Covid-19 outbreak so that it experienced a significant decrease in turnover. This causes PT AWD to have an overpaid tax status of Rp. 161,233,926.00 because it has paid monthly tax installments. This overpaid status must be managed properly by the company. The existence of the option of making restitution or tax burden to manage this overpaid tax makes companies have to be careful in making decisions, moreover that each option has a different impact on the company's finances.

Based on this phenomenon, researchers are encouraged to find out and research further about the impact that occurs when making restitution or tax burden into the company's financial statements. So it is expected to find the best profitable steps for the company in managing overpayment taxes related to the Article 25 Income Tax installments.

## 2. Literature Review

### 2.1 *Planned Behavior Theory*

Actions taken by someone are always based on the intention that appears first, as explained by Ajzen (1991) in the theory of Planned Behavior [8]. Through this theory, we can see the relationship between the intentions in a person in this context is the taxpayer's actions in the treatment of overpaid taxes [9].

### 2.2 *Income Tax Article 25*

Taxes are mandatory payments imposed on individuals and organizations so that they can help stimulate the economy [10]. To reduce the burden on taxpayers at the end of the year, a policy is issued regarding installments of taxes in the current year which are paid by taxpayers every month, hereinafter referred to as Income Tax Article 25 [11]. The determination of the amount of installments that must be paid each month is determined using the principle of collection of fictitious steles, so that the amount of tax payable in the current year will be considered the same as the amount of income tax payable according to the Annual Income Tax Return of the previous tax year [12].

The presence of this tax installment will certainly lead to underpaid or overpaid status at the end of the year due to the calculation based on past financial conditions [13]. With the discrepancy found, the taxpayer has the right to request a refund of the overpayment if the difference stated on the Annual Income Tax Return is worth more and is obliged to pay back the tax payable if the difference is found to be less, it aims to confirm the payment of the installments that have been paid in accordance with the tax payable in the current tax year [14].

### 2.3 *Restitution*

Restitution or refunds of overpaid taxes can occur if the tax paid is greater than the amount of tax payable. As a result of this difference, the taxpayer has the right to make restitution which has become the government's obligation to return the tax that was more paid by the taxpayer [15]. In addition to

overpayment, restitution can also be caused by taxable entrepreneurs who carry out export activities of taxable goods with luxury groups and the discovery of collection errors [16]. The application for restitution can be made in writing by filling in the available application fields in the Annual Income Tax Return column after the tax year ends and waiting for the issuance of the Overpaid Tax Assessment Letter if the audit has been carried out in accordance with the explanation contained in Undang-Undang Nomor 16 Tahun 2009.

#### *2.4 Tax Burden*

Some taxpayers are reluctant to make restitution for various reasons such as the time span for the restitution process which is considered too long, unpreparedness in facing the examination, to the lack of responsiveness and education of the tax service officers themselves [17]. Other decisions and actions that can be taken by the taxpayer, in this case the corporate taxpayer who manages the tax is overpaid in addition to restitution by admitting the overpaid tax becomes a tax burden into the account on other financial statements [18]. This process can be done by making fiscal corrections to the company's financial statements accordance with applicable tax regulations [19]. Fiscal corrections are carried out by taxpayers to adjust income and expenses in commercial accounting with fiscal accounting.

### **3. Research Method**

This research is a descriptive qualitative type to identify the impact of the implementation of restitution and tax burden in accordance with the phenomena that occur in PT AWD. This study uses primary data, namely the results of interviews with the finance department and tax consultants of PT AWD, while secondary data used is the financial statements of PT AWD. The data collected in this study were tested for validity using triangulation so that the data used were valid and accountable data. In this study, the researcher attempts to summarize the results of systematic data analysis which will be described based on facts and theories regarding the treatment of overpaid income tax.

### **4. Result and Discussion**

#### *4.1 Description of Research Results*

##### *4.1.1 Overpayment of Article 25 Income Tax Installments*

Article 25 income tax installments collected based on a fictitious steles which assumes that the tax payable this year is equal to the amount of tax payable in the previous year. This installment is paid every month by the taxpayer in accordance with Undang-Undang Nomor 36 Tahun 2008 [20]. According to the tax consultant PT AWD, the collection of Article 25 income tax installments is considered sufficient to have a positive and negative impact on companies that depend on the condition of the company itself. As experienced by PT AWD in March 2020, there has been a significant decrease in turnover so it has decided to apply for a reduction in installments according to the Decree of the Director General of Taxes Number KEP-537/PJ./2000 [21]. This application is expected to help companies reduce the amount of taxes paid at the end of the year, but it turns out that the amount of overpaid taxes is around Rp161.233.926,00. As stated by the tax consultant PT AWD that the presence of tax incentives is only to ease the company's cash flow in the current year, especially during the difficult time, and not to reduce the amount of tax payable. The existence of this overpaid tax must be managed properly by the company, either through restitution or admitting it as an expense into the company's financial statements.

##### *4.1.2 Restitution of Article 25 Income Tax Overpaid*

Restitution submission is one of the steps that can help improve the company's cash flow, especially in difficult conditions, as explained by tax consultant PT AWD. Before the restitution can be granted, the tax payer must conduct an audit by the tax payer. Related to this inspection activity, taxpayers are required to complete documents related to the company's business activities. PT AWD has prepared

documents such as Trial Balance, balance sheet, profit and loss statement, general ledger, list of fixed assets and depreciation, PHR archives from January to December, Income Tax Article 21 archives from January to December, Income Tax Article 23 archives from January to December, and Income Tax Article 4 paragraph (2) archives from January to December.

However, in the implementation of restitution, it is often found that there are differences in the calculation when the restitution is realized with the amount submitted by the taxpayer. This is a consideration for PT AWD in applying for restitution. Tax consultant PT AWD stated that discrepancies that are often encountered in the implementation of restitution can be avoided by completing the documents and ensuring that the company's financial statements are in accordance with the existing corporate income tax return. The long process of restitution is considered very complicated and complex for taxpayers so that it tends to cause fraud in compiling the company's financial statements, even though restitution itself is carried out as a form of testing the level of taxpayer compliance. Based on the results of interviews, it is known that the implementation of restitution can provide many benefits if the taxpayer knows the tax gray area and follows the development of current tax regulations and policies, especially now that restitution applications can be carried out online together with the reporting of the Corporate Annual Tax Return reporting. Obstacles that are still often encountered in the implementation of restitution are only when waiting for the results of the examination by an account representative that sometimes exceeds the period of 30 days. This long process is usually caused by incomplete documents uploaded by the taxpayer, so it takes additional time to reconfirm to the taxpayer.

#### *4.1.3 Tax Burden of Article 25 Income Tax Overpaid*

Tax burden is another option in managing overpaid taxes by recognizing the overpayment becomes a tax burden. Based on the results of interviews with the finance department of PT AWD, she was explained that the implementation of this tax burden would certainly make the company feel burdened, especially when in difficult conditions and the amount charged was quite large. This step is considered quite efficient for corporate taxpayers who have a low nominal amount of overpaid tax, because when compared to a long restitution process, this is considered quite efficient. Recognition of overpaid tax due to the installment of Income Tax Article 25 must be journaled first and then positive fiscal correction, because the income tax account cannot be charged to the company's fiscal financial statements. If the taxpayer carries out the burdening process, usually the taxpayer will receive an SP2DK from the Tax Office to provide information on the alleged non-fulfillment of his tax obligations, because this treatment is only carried out within the scope of the company.

## *4.2 Discussion and Findings*

### *4.2.1 Impact of Restitution on Article 25 Income Tax Overpayment in PT AWD*

In accordance with the theory of planned behavior, that a person's actions always come from the intentions within the person. With this phenomenon, the company certainly has the intention to manage this overpaid tax which can be implemented through one of the options, namely the restitution. Based on Article 29 paragraph (3) and paragraph (3) letter a of Undang-Undang Nomor 16 Tahun 2009 concerning General Provisions and Tax Procedures, it is stated that in the context of the audit, the taxpayer must show documents related to business activities and income as prepared by PT AWD [22]. Through the implementation of this restitution, the company can take back its rights to be used for company operations. If the restitution process is granted 100%, the company must make a cash receipts journal by writing off the advance for Income Tax Article 25 which was previously paid with the journal entry,

Cash	Rp161.233.926,00
Prepaid Income Tax Article 25	Rp161.233.926,00

On the other hand, it is still often found that taxpayers are anxious in carrying out the complicated restitution process and the amount of realization is not in accordance with the amount submitted. Of course this anxiety can actually be overcome by knowing the gaps in taxation procedures that are still in accordance with applicable tax regulations, so that the tax authorities can find out in detail about the actual state of the company and have fulfilled their obligations in managing overpaid taxes. In addition, another thing that is considered in carrying out this restitution process is that the examination process carried out by the Account Representative takes quite a long time if the documents required for the examination of restitution activities are not uploaded completely, so it requires additional time for the Account Representative to complete his work.

#### 4.2.1. *Impact of Tax Burden on Article 25 Income Tax Overpayment in PT AWD*

Management of overpaid taxes is often a consideration for taxpayers. The majority of taxpayers who are less likely to want to restitution will take steps to burden the overpayment of taxes into the company's financial statements. Of course, this will cause an increase amount of expenses so it risks reducing the company's profit, because the amount of overpayment is not taken back by the company from the state treasury. There are many supporting factors that cause taxpayers not to want to carry out the restitution process, such as the amount of realizations that are not in accordance with the number of submissions to the long and time-consuming restitution process. For some taxpayers, accounting treatment with the imposition of this tax overpayment becomes an alternative choice if the amount of overpaid tax owned by the taxpayer is still relatively low.

For the implementation of this imposition, the amount of installments of Income Tax Article 25 that have been paid previously will be recognized as an expense of Income Tax Article 25 in the amount of overpayment tax owned by the company. The journal that must be made by the company when burden are,

Burden of Income Tax Article 25	Rp161.233.926,00
Prepaid Income Tax Article 25	Rp161.233.926,00

After the journal entry is carried out, the tax burden that has been credited must be corrected for positive fiscal in the company's fiscal financial statements. This is done because the income tax expense cannot be recognized in the company's fiscal financial statements as shown in the Table 1.

This burden process is only carried out within the scope of the company and is not detected by the tax authorities. But anything related to the taxpayer's tax obligations will certainly be monitored by the tax authorities, so that if the tax authorities find any indications that the taxpayer has not completed their obligations in this case managing overpaid taxes in accordance with applicable regulations, the Tax Office will send SP2DK to the taxpayer to ask for an explanation. The trigger for receiving SP2DK by taxpayers is because in the KPP data base, taxpayers are still overpaid and have not returned the excess which has actually been charged to the company's financial statements.

#### 4.3 *Research Limitations*

This study only focuses on the impact of the implementation of restitution and also the burden as an option in managing overpaid taxes and at the same time becomes a limitation in this study. So it is better to develop this research, which can then be added related to other methods that can be an option for managing tax overpayments. So that readers can add their insight related to the steps of overpayment tax management and the impact that will be caused through these steps, and can assist taxpayers in making the right decisions for managing overpaid taxes.

**Table 1.** Fiscal Correction List PT AWD

	<b>Commercial (Rp)</b>	<b>Correction (+) (Rp)</b>	<b>Correction (-) (Rp)</b>	<b>Fiscal (Rp)</b>
<b>REVENUE</b>				
REVENUE	3.785.103.858			3.785.103.858
<b>TOTAL REVENUE</b>	<b>3.785.103.858</b>			<b>3.785.103.858</b>
<b>COST OF REVENUE</b>	428.044.021			428.044.021
<b>GROSS PROFIT</b>	<b>3.357.059.837</b>			<b>3.357.059.837</b>
<b>OPERATING EXPENSES</b>				
Salary & Related	2.988.309.624			2.988.309.624
Transportation	13.060.166			13.060.166
Consultant	26.000.000			26.000.000
Rent	38.000.000			38.000.000
Depreciation	297.333.360			297.333.360
Ammortization	506.505.952			506.505.952
Insurance	116.792.056			116.792.056
Flower & Decoration	12.165.000			12.165.000
Office Supplies	15.856.597			15.856.597
Advertising & Promotion	33.096.000	33.096.000		-
Internet	35.562.500			35.562.500
Cleaning Supplies	1.725.000			1.725.000
Medical	3.100.000	3.100.000		-
Bank Commission	49.252.181			49.252.181
Consumption	2.461.000	2.461.000		-
Electricity	117.237.809			117.237.809
Water Tax	2.705.010			2.705.010
Other Tax	73.900.788	73.900.788		-
Training	20.546.000			20.546.000
Maintenance Building & Furniture	441.910.444			441.910.444
Uniform	15.172.500	15.172.500		-
Printing	10.116.000			10.116.000
Telephone	3.378.080			3.378.080
PPN	2.627.500			2.627.500
Burden of Income Tax Article 25	161.233.926	161.233.926		-
<b>TOTAL OPERATING EXPENSES</b>	<b>4.988.047.493</b>	<b>127.730.288</b>	<b>-</b>	<b>4.699.083.279</b>
<b>PROFIT (LOSS) OPERATIONAL</b>	<b>(1.630.987.656)</b>	<b>127.730.288</b>	<b>-</b>	<b>(1.342.023.442)</b>
<b>NON OPERATIONAL INCOME (EXPENSES)</b>				
Interest Bank Income	19.199.767		19.199.767	-
Bank Administration	(1.836.200)			(1.836.200)
Interest Tax Expense	(3.835.290)	3.835.290		-
<b>TOTAL REVENUE &amp; EXPENSES NON OPR</b>	<b>13.528.277</b>	<b>3.835.290</b>	<b>19.199.767</b>	<b>(1.836.200)</b>
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(1.617.459.379)</b>	<b>131.565.578</b>	<b>19.199.767</b>	<b>(1.343.859.642)</b>

## 5. Conclusion

Based on the research that has been carried out, the conclusion that can be drawn is for the restitution process has the advantage of taxpayers in this case PT AWD can take back the cash that has been paid to be later reused in the company's operations. In addition, this process is also in accordance with the applicable regulations so that the fiscus can know the state of the company. The implementation of

restitution can be carried out properly if PT AWD knows and fulfills the specified requirements and prepares the necessary documents so that the restitution can be fully granted. In contrast to the process of imposing overpaid taxes which are recognized as an expense into the company's financial statements. If PT AWD takes this step, then PT AWD will not get back the money it has paid to the state and will certainly affect the level of profit of the company commercially. But the implementation of this option is considered quite helpful in managing overpaid taxes that have a relatively low nominal when it should be compared to the restitution process which is quite long and complicated.

## 6. Acknowledgment

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## **Effect of Tax Incentives and Non-Tax Incentives on Earnings Management with Tax Avoidance as a Variable Moderation**

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**Abstract:** Tax incentives and non-tax incentives are both potential motivators for earnings management activity. As a result, the study was conducted to determine the reality of various aspects that could affect profits management. It also conducted tests to demonstrate the impact of tax avoidance on the relationship between the research variables. This research employed secondary data from the Indonesia Stock Exchange for the year 2020, as well as a purposive sampling strategy to select the appropriate firm to serve as the sample. To aid in the testing of the variables, this study used the multiple linear regression model as an analysis tool utilizing IBM SPSS version 25. The findings suggest that tax incentives can be used to detect profits management, as measured by a proxy of tax planning and deferred tax expense. Non-tax incentives, on the other hand, cannot be used to predict earnings management if the proxy is based on the profitability ratio and the amount of managerial ownership. Meanwhile, tax evasion can only amplify the impact of present taxes on earnings management, which includes variables such as tax incentives.

**Keywords:** *Tax Incentives, Non-Tax Incentives, Earnings Management, Tax Avoidance*

### **1. Introduction**

Financial statements are particularly significant to the stakeholders in the firm since they may describe the level of productivity and performance of the management organization through time. Financial statements are the end result of the process of recording the activity of a company's operations that would describe the state of the financial report on the balance sheet, the decline or addition of financial performance, as well as the amount of cash flow in one period for internal and external parties.

As a result, the financial statement information will aid in the decision-making or policy-making process in the investment, as well as, of course, the provision of credit [1]. It is also essential to the agent parties and the company's principal, because the amount of earnings will be the foundation for determining taxation in the next period [2]. Based on these information, the earnings company became a target for manipulation by management, which is done by increasing or decreasing turnover and profit, or what we term earnings management.

In general, earnings management is done for a variety of reasons, including tax incentives and non-tax incentives. In a company that is experiencing a drop in sales, the management will engage in tax evasion in order to avoid paying the excess taxes. Based on earlier research by [3] and [4], variable non-

tax has a consistent effect on earnings management, with proxies for earnings pressure, debt, firm size, and earning bath. Meanwhile, in a changing tax environment, tax incentives have a substantial impact on earnings management as a proxy for tax planning, current tax burden, and capital intensity given by the government [5].

Based on earlier research, the author has combined the manufacturing companies listed on IDX in the basic industry and chemicals sector, as well as the consumer products industry, for the 2020 term. On that period the company's manufacturing sector is given the first policy to get tax incentives by the government due to the affected by the situation of the pandemic coronavirus disease 2019, in this case author believes will increase in the occurrence of the practice of earnings management of companies and tax avoidance.

## 2. Literature Review

### 2.1 Theoretical Basis

#### 2.1.1 Agency Theory

One of the most basic theories used in the business sector to explain the agency relationship between the principal and the agent is the agency theory. Individuals in agency relationships, according to agency theory, are utility maximizers who will always behave in their own best interests [6]. The government, as the principal, and the company, as the agent, each have different considerations in terms of tax payment due to the interconnection of the theory of agency in this regard. The firm attempted to pay as little tax as possible, while the government sought to collect as much tax as possible.

#### 2.1.2 Earnings Management

The practice of earnings management refers to the actions taken by a company's manager to increase or decrease earnings in the external financial reporting process with the goal of benefiting himself [7]. Earnings management refers to the efforts done by a firm's management to influence earnings reporting in order to offer information about economic advantages that the company does not have.

#### 2.1.3 Tax Incentives

Tax incentives are one of the methods used to encourage businesses to pay their taxes on time [3]. One of the government's tax incentives for taxpayers affected by the pandemic is a fiscal stimulus scheme covid-19. This incentive policy was regulated until 2021 by Peraturan Menteri Keuangan (PMK) Number 82/PMK.03/2021, which is an amendment to PMK Number 9/PMK.03/2021 concerning "Tax Incentives for Taxpayers Affected by the 2019 Coronavirus Disease Pandemic". In addition, the government issued UU Number 11 of 2020, titled "Work Copyright Law," which reduced the business income tax rate by 22%.

#### 2.1.4 Non-tax Incentives

Non-tax incentives are incentives provided by the company itself with the goal of increasing staff productivity, maintaining the firm's and stakeholders' reputations, attracting prospective new investors, and lowering tax payments. Every corporation provides non-tax incentives that are adapted to the party management's policy in response to changes in earnings management rates [8].

#### 2.1.5 Tax Avoidance

Tax avoidance is a process control action used to avoid the negative repercussions of imposing a tax that is not wanted. Although tax avoidance is mainly an act of nature that reduces the tax payable rather than the ability or responsibility of the tax payer to pay the taxes-tax, vigilance is also required to ensure that firms do not engage in tax smuggling [9].

### 2.2 Hypothesis

H1 : Tax planning have a significant effect on earnings management.

H2 : Deferred taxes expense have a significant effect on earnings management

- H3 : Current tax expense have a significant effect on earnings management.  
 H4 : Leverage have a significant effect on earnings management.  
 H5 : Profitability have a significant effect on earnings management  
 H6 : Managerial ownership have a significant effect on earnings management.  
 H7 : Tax avoidance have a significant effect on the relationship of tax planning and earnings management.  
 H8 : Tax avoidance have a significant effect on the relationship of deferred tax expense and earnings management.  
 H9 : Tax avoidance have a significant effect on the relationship of current tax expense and earnings management  
 H10: Tax avoidance have a significant effect on the relationship of leverage and earnings management  
 H11: Tax avoidance have a significant effect on the relationship of profitability and earnings management.  
 H12: Tax avoidance have a significant effect on the relationship of managerial ownership and earnings management

### 3. Methodology

The type of data used in this study is secondary data. In the period 2020, the author combines the manufacturing enterprises listed on IDX in the sectors of basic industry and chemicals, as well as the consumer products industry. With the use of the purposive sampling method, the company was able to achieve 16 results, namely:

**Table 1.** List of Sample Manufacturing Company for Period 2020

No	Code	Company Name	No	Code	Company Name
1	ALKA	PT Alakasa Industrindo Tbk	9	KAEF	PT Kimia Farma Tbk
2	DPNS	PT Duta Pertiwi Nusantara Tbk	10	MERK	PT Merck Tbk
3	EKAD	PT Ekadharna International Tbk	11	ROTI	PT Nippon Indosari Corpindo Tbk
4	INAI	PT Indal Aluminium Industry Tbk	12	SCPI	PT Organon Pharma Indonesia Tbk
5	SRSN	PT Indo Acidatama Tbk	13	SKLT	PT Sekar Laut Tbk
6	INCI	PT Intanwijaya Internasional Tbk	14	STTP	PT Siantar Top Tbk
7	KLBF	PT Kalbe Farma Tbk	15	TRST	PT Trias Sentosa Tbk
8	KDSI	PT Kedawung Setia Industrial Tbk	16	UNIC	PT Unggul Indah Cahaya Tbk

The formula of discretionary accruals for earnings management was used to calculate the value of the dependent variable. Tax incentives are the first independent variable, and it is measured using three proxy variables: tax planning, deferred tax expense, and current tax expense. The non-tax incentive is the second independent variable, and it was measured using three proxy measures: leverage (DER), profitability (ROA), and managerial ownership. Meanwhile, the methodology used the cash effective tax rate as a moderating element for tax avoidance (CETR). The formula for each variable is as follows:

$$a. \text{ Discretionary accruals} = \frac{TA_{it}}{TA_{it-1}} NDA_{it}$$

$$b. \text{ Tax planning} = \frac{\text{Net Income}}{EBIT}$$

$$c. \text{ Deferred tax expense} = \frac{DTE}{TA_{it-1}}$$

$$d. \text{ Current tax expense} = \frac{CTE}{TA_{it-1}}$$

$$e. \text{Leverage} = \frac{\text{Total Liability}}{\text{Total Ekuity}}$$

$$f. \text{Profitability} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

$$g. \text{Managerial ownership} = \frac{\text{Number of shares owned by managers}}{\text{Number of shares outstanding}}$$

$$h. \text{Tax avoidance} = \frac{\text{Payment of Taxes}}{\text{EBIT}}$$

The documentation and literature study techniques were used in the instrument data gathering technique. Aside from that, multiple regression analysis approaches were used in this study, as well as IBM SPSS version 25 as a tool to test the research variables. The following is the equation for the regression model used in this study:

$$DA = \alpha + \beta_1\text{TRR} + \beta_2\text{BPT} + \beta_3\text{BPK} + \beta_4\text{DER} + \beta_5\text{ROA} + \beta_6\text{MGTOWN} + \beta_7\text{CETR} + \beta_8\text{TRR}*\text{CETR} + \beta_9\text{BPT}*\text{CETR} + \beta_{10}\text{BPK}*\text{CETR} + \beta_{11}\text{DER}*\text{CETR} + \beta_{12}\text{ROA}*\text{CETR} + \beta_{13}\text{MGTOWN}*\text{CETR} + \varepsilon$$

Explanation:

DA	= Discretionary Accruals (earnings management)
TRR	= Tax Planning
BPT	= Deferred Tax Expense
BPK	= Current Tax Expense
DER	= Leverage
ROA	= Profitability
MGTOWN	= Managerial Ownership
CETR	= Tax Avoidance
$\beta_1, \beta_2, \text{etc}$	= Coefficient of Explanatory Variable
$\varepsilon$	= Coefficient Error

## 4. Results and Discussion

### 4.1 Descriptive Statistical Analysis

**Table 2.** Results of Descriptive Statistical Analysis

Variable	n	Minimum	Maximum	Mean	St. Deviation
DA	64	-1,5541	3,6039	0,5749	1,2399
TRR	64	0,0057	3,7040	0,8022	0,5277
BPT	64	0,0000	0,0619	0,0037	0,0079
BPK	64	0,0001	0,0619	0,0134	0,0138
DER	64	0,0956	5,2111	0,9317	1,0473
ROA	64	0,0001	0,1823	0,0404	0,0405
MGTOWN	64	0,5141	0,9879	0,7726	0,1495
CETR	64	0,0202	3,3336	0,5218	0,7125

According to table 2 data descriptive statistics, the variables of earnings management (DA), deferred tax expense (BPT), current tax expense (BPT), leverage (DER), profitability (ROA), and a moderating variable known as tax avoidance (CETR) have a mean value that is small compared to the value of the standard deviation that describes that these variables have a high level of variation in the data (heterogeneous). Whereas a mean value larger than the value of standard deviation indicates that the data has a low level of variation and is not scattered in a variable tax planning (TRR) and managerial ownership (MGTOWN) (homogeneous).

#### 4.2 The Classic Assumption Test

The results of the classical assumption test in this study revealed that there are four different types of tests, including the classic assumption test. First, the results of the normality test on the study's variable revealed that the Asymp. Because Sig 0,200 is more than 0.05, the variable-variable regression model is assumed to be normally distributed. Meanwhile, results of the test of multi-collinearity indicates that each variable has been qualified with the value of tolerance  $\geq 0.10$  and the value of VIF  $\leq 10$ . It can be concluded that the regression model is free from multi-collinearity. The third test of the auto-correlation get results obtained the value of Durbin Watson by 1,959 with a value of "du" (6,64) a number of 1,805 and the value of the 4-du is 2,195. Then from these results it is known that  $1,805 < 1,959 < 2,195$  so from the regression model in this study there is no auto-correlation. Last, the value of the absolute residuals (ABS res) is calculated using the findings of the heteroscedasticity test to define all independent variables in the research that have a value of sig greater than 0,05 and have a significant impact on the dependent variable. There is no heteroscedasticity in the regression model.

#### 4.3 Testing The Model

##### 4.3.1 Multiple Regression Analysis

**Table 3.** Results of Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	0,201	1,691			0,119	0,906
TRR	0,785	0,352	0,279		2,232	0,030
BPT	-1,705	0,740	-0,300		-2,305	0,025
BPK	-0,377	0,318	-0,138		-1,185	0,242
DER	1,172	0,446	0,429		2,629	0,011
ROA	-0,628	0,359	-0,216		-1,748	0,087
MGTOWN	-0,473	1,934	-0,033		-0,244	0,808
CETR	-0,102	0,266	-0,063		-0,385	0,702
TRR*CETR	-0,297	0,158	-0,431		-1,875	0,067
BPT*CETR	-0,116	0,392	-0,033		-0,297	0,768
BPK*CETR	-0,805	0,398	-0,238		-2,021	0,049
DER*CETR	0,150	0,147	0,285		1,026	0,310
ROA*CETR	-0,640	0,367	-0,190		-1,745	0,087
MGTOWN*CETR	-0,111	0,110	-0,136		-1,013	0,316

a. Dependent Variable: DA

The value of the constants from the results of the regression analysis obtained by 0,201 show that if all the independent variables (X) as well as the moderating variable is 0, then the magnitude of the value of the discretionary accruals is 0,201. The value of the coefficient of TRR is 0,785 that indicates the direction of positive, which means that tax planning increased by 1 unit, then the earnings management will rise by 0,785, assuming the other independent variables and moderation is constant. The value of the coefficient of BPT is -1,705 which indicates the negative direction, which means that deferred tax expense increased by 1 unit, then the earnings management will be dropped 1,705, assuming the other

independent variables and moderation is constant. The value of the coefficient of the BPK is -0,377 which indicates the negative direction, which means that current tax expense increased by 1 unit, then the earnings management will be dropped 0,377, assuming the other independent variables and moderation is constant. The value of the DER coefficient is 1,172, showing a positive direction. Which means that if leverage is increased by one unit, earnings management will increase by 1,172, assuming all other independent variables and moderation remain constant.

The value of the coefficient of ROA is -0,628 which indicates the negative direction, which means that profitability is increased by 1 unit, then the earnings management will be dropped 0,628, assumed the other independent variables and moderation is constant. The value of the MGTOWN 6 coefficient is -0,473, showing a negative direction, indicating that if managerial ownership increases by one unit, earnings management will be decreased by 0,473, assuming the other independent variables and moderation remain constant. The CETR coefficient is -0,102, showing a negative relationship, indicating that if tax avoidance increases by 1, earnings management will be decreased by 0,102, assuming the other independent variables remain constant. The value of the coefficient of TRR\*CETR is -0,297 which indicates the negative direction, which means that TRR\*CETR increased by 1 unit, then the earnings management will be dropped 0,297 assuming the other independent variables is constant.

The coefficient of BPT\*CETR is -0,116, showing a negative direction. If BPT\*CETR increases by 1 unit, the earnings management will decrease by 0,116, assuming the other independent variables remain constant. The value of the BPK\*CETR coefficient is -0,805, showing a negative direction, indicating that even if BPK\*CETR increased by 1 unit, the earnings management will be decreased by 0,805 providing the other independent variables remain constant. The coefficient of DER\*CETR is 0.150, showing a positive direction. If DER\*CETR increases by one unit, the earnings management will increase by 0.150, assuming the other independent variables remain constant. The value of the ROA\*CETR coefficient is -0,640, showing a negative direction, indicating that if ROA\*CETR increased by 1 unit, the earnings management will be decreased by 0,640, assuming the other independent variables remain constant. The coefficient of MGTOWN\*CETR is -0,111, showing a negative direction. If MGTOWN\*CETR increases by 1 unit, the earnings management will be decreased by 0,111, assuming the other independent variables remain constant.

#### 4.3.2 Test of the Coefficient of Determination ( $R^2$ )

**Table 4.** Results of Multiple Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,673 <sup>a</sup>	0,453	0,310	1,029590

a. Predictors: (Constant), TRR, BPT, BPK, DER, ROA MGTOWN, CETR, TRR\*CETR, BPT\*CETR, BPK\*CETR, DER\*CETR, ROA\*CETR, MGTOWN\*CETR

Based on the results of the test of  $R^2$  the results obtained by 0,310 or 31%. The test results describe that the magnitude of the variable of earnings management is influenced by tax planning, the tax burden is deferred, the tax burden now, leverage, profitability, managerial ownership, as well as tax avoidance which amounted to 31% and the remaining percentage of a number of 69% of earnings management is influenced by other variables.

#### 4.4 Discussion

##### 4.4.1 The Influence of Tax Incentives On Earnings Management

First based on the results of the t test for the first variable tax planning (TRR) obtained the value of the coefficient of 0,785 with sig 0,030 smaller than 0.05. That is, that the tax planning have a significant positive impact on earnings management, then H1 is accepted. This means that the management's tax planning aim is to decrease the amount of tax payable to the government in order to increase the amount

of profit reported on the financial statements. Furthermore, the company would set up its financial condition over time to appear healthy [10]. This conclusion is also consistent with the findings of [11]. The results obtained by -1,705 with a sig value of 0.025 are smaller than 0.05 on the results of the t test for the second variable deferred tax expense (BPT). That is, if deferred tax expense has a significant negative impact on profits management, H2 is acceptable. This indicates the greater the presentation of the amount of income tax expense some deferred income on the financial statements will lower the earnings management practices of the company. This result is supported with research by [12], which argues that a deferred tax load can indicate the presence of earnings management methods because the goal is to achieve a profit drop in the future.

Meanwhile, the t-test for the third variable of the current tax expense (BPK) yielded a coefficient of -0,377 with sig 0,242, which is greater than 0.05. As a result, H3 rejects the tax burden because it has no significant impact on earnings management. This results showed that if the payment of the current tax expense for now increased from the previous period level of the manager to do earnings management practices will have no effect. This result is supported with research [13] which argues that the current tax burden doesn't even have a significant impact on earnings management due to the presence of companies that provide shares, and also that the tax burden is now high compared to the commercial tax burden.

#### *4.4.2 The Influence Of Non-Tax Incentives On Earnings Management*

The leverage (DER) coefficient gets values of 1,172 with sig 0.011, which is less than 0.05, according to the t-test results for the fourth variable. As a result, H4 recognized that leverage has a considerable positive impact on earnings management. This indicates that the manager did not like the risk of the loan agreement, and that if the company has a high leverage ratio, it will make decisions for itself improve earnings management practices. The results are consistent with research conducted by [14], which argues that the higher the leverage ratio, the more reliant the company is on its creditors as a source of funds for operational activities, and therefore the cost of debt (interest expense) paid by the company would be magnified. On the results of the t test for the fifth variable (ROA) profitability coefficient values obtained by -0,628 with sig 0,087 is greater than 0.05. It means that profitability has no significant effect on earnings management, software H5 rejected. This shows that organizations with a high level of profitability have already made a large profit, and the managers will not exercise in earnings management methods again. Increases in sales are extremely important to both the agent and the principle, because high-profit companies are even more likely to pay their due taxes [15]. A high level of profitability shows that a company's operations run smoothly [16].

Meanwhile, the results of the t test for the variable sixth managerial ownership (MGTWON) coefficient values obtained by -0,473 with sig 0,808 is greater than 0.05. It means that managerial ownership has no significant effect on earnings management, so H6 rejected. This condition indicates that providing management stock ownership gives them a dual role within the company, allowing them to be more careful in their decision-making and maximizing profit for the company. Managers will be more likely to choose not to reverse engineer the company's profitability if they share a shared interest [17].

#### *4.4.3 The Influence Of Tax Incentives On Earnings Management is Moderated by Tax Avoidance*

On the results of the t test for the variable of interaction between tax planning with tax avoidance (TRR\*CETR) obtained the value of the coefficient of -0,297 with sig 0,067 is greater than 0.05. It means that tax avoidance is not able to moderate the influence between tax planning on earnings management, so H7 rejected. This indicates that the use of tax avoidance is not a factor that increases the proportion of tax planning that is implemented, regardless of the fact that tax avoidance is a part of tax planning. As a result, there is no obvious impact on the agent's earnings management strategies. This is in accord with [18] who argues that avoidance can be achieved through both substantive and formal tax planning. On the results of the t test for the variable of interaction between deferred tax expense with tax avoidance (BPT\*CETR) obtained the value of the coefficient of -0,116, with the value of sig 0,768 is greater than

0.05, it Means that tax avoidance is not able to moderate the influence between the load deferred tax on earnings management, so H8 rejected. This indicates that the smallness of temporary differences income commercial income tax resulted in the discretion of the management or practice manager to take a policy that arbitrarily for the sake of personal interests will be lower. With low levels of discretion over the management of that party agents tend not to do earnings management, so that the result can't be detected the presence of the application of tax avoidance in terms of reducing tax obligations [19].

Meanwhile, the results of the t test for the variable of interaction between the current tax expense with the tax avoidance (BPK\*CETR) obtained the value of the coefficient of -0,805 with sig 0,049 equal to the value of 0.05. It means that tax avoidance is able to moderate the influence between the load current tax on earnings management, so H9 accepted. This indicates that the temporary differences between commercial profit to different fixed and time that affect the agency in the conduct of tax avoidance. Basically because of tax avoidance in the indicator measuring involves the amount of tax is now added with the amount of tax expense deferred, so that tax avoidance can show the total tax burden of companies [20].

#### *4.4.4 The Influence Of Non-Tax Incentives On Earnings Management is Moderated by Tax Avoidance*

On the results of the t test for the variable interaction between leverage with tax avoidance (DER\*CETR) coefficient values obtained by 0,150 with sig 0,310 is greater than 0.05. It means that tax avoidance is not able to moderate the effect between leverage on earnings management, software H10 rejected. This conditions indicates that company that have a rate ratio of high leverage will lead to high interest expense due to debt on the loan, because it indicates the company rely on the source of funds of the company on the debt loans from external parties (creditors). Therefore, in order to avoid violation of debt agreements of the parties of the manager will be more vigilant in reporting financial statements and prefer not to reverse engineer the profit [21]. On the results of the t test for the variable interaction between profitability with tax avoidance (ROA\*CETR) obtained the value of the coefficient of -0,640 with sig 0,087 is greater than 0.05. It means that tax avoidance is not able to moderate the influence between profitability against the profit management, so H11 rejected. This indicates that companies that have a high level of profitability will tend to be obedient in the payment of taxes and because this is what causes the agent is choosing to no longer manipulate earnings and committing tax evasion. The results of this study are also supported by [22] which states profitability has no significant effect negatively on tax avoidance.

Meanwhile, the results of the t test for the variable interaction between managerial ownership with tax avoidance (MGTOWN\*CETR) obtained the value of the coefficient of -0,111 with sig 0,316 is greater than 0.05. It means that tax avoidance is not able to moderate the effect between managerial ownership on earnings management, so H12 rejected. This indicates that the company has managerial ownership is below average 5%, so in terms of the decision-making party the agent does not participate contribution. Based on these results also supported from the research conducted by [23] stated managerial ownership has no significant effect on tax avoidance. The cause is on the sample of companies used are still many who have managerial ownership below the standard which is about of 66.7%, which does not allow the manager has the right in deciding everything for the company.

## **5. Conclusion**

Based on the results of analysis and discussion that has been done in the previous part, it can be taken the conclusion to this research, as follows:

- a. Tax planning and tax expense deferred significant effect on earnings management, while the tax burden is not influential. It can be concluded that tax incentives can basically be an indicator of detection of earnings management when viewed based on the measurement of tax planning and tax expense deferred, but will not be the predictor with the tax burden now as a measuring tool.
- b. Profitability as well as managerial ownership has no significant effect on earnings management, while the leverage significant positive effect. It can be drawn the conclusion that the incentives for non-tax basically can't be a predictor of when the agent is indicated to the practice of



earnings management is viewed based on profitability and managerial ownership, but can be an indicator detector with leverage as measuring tools.

- c. Tax planning and tax expense deferred income do not affect earnings management when moderated with tax avoidance, while the tax burden now have a negative influence significant. It can be drawn the conclusion that tax avoidance is not able to moderate the relationship between tax incentives with earnings management. However, with the tax burden now as an indicator, then it can be detected the presence of earnings management practices. So tax avoidance said to be able to strengthen the relationship between the load current tax on earnings management.
- d. Leverage, profitability, and managerial ownership have no effect on earnings management when moderated with tax avoidance. It can be drawn the conclusion that tax avoidance is not able to moderate the relationship between incentives and non-tax earnings management.

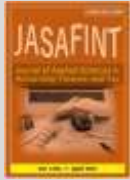
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## **Financial Ratio Analysis to Predict The Potential of The Company's Financial Distress With Altman Z-Score Method at PT Bali Kulina Utama**

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**Abstract:** Identification of potential financial distress in a company is an important step in predicting the company's financial health condition. Financial distress conditions can occur before the company goes bankrupt which is marked by a decline in company finances. To deal with these conditions, the company is expected to be able to prepare a strategy to anticipate the occurrence of bankruptcy by analyzing financial ratios. This study aims to calculate, analyze, and classify the potential of financial distress at PT Bali Kulina Utama through financial ratios with the prediction model used is Altman Z-Score Modification method. Primary and secondary data obtained through interviews and documentation data collection techniques. The data analysis technique is descriptive qualitative by calculating each financial ratio that contained in the Altman Z-Score Modification model and calculating the Z-Score Modification equation to predict financial distress position. Based on the results, it can be concluded that the potential of financial distress at PT Bali Kulina Utama in 2018-2020 is in a non financial distress condition, because the Z-Score Modification equation value is in Z"-Score > 2,6.

**Keywords:** *financial ratio, financial distress, Altman Z-Score Modification*

### **1. Introduction**

The existence of the company can be seen from the company's financial condition which is reflected in the financial statements. The information contained in the financial statements is analyzed using financial statement analysis techniques. Basically the analysis of financial statements is carried out in order to be able to analyze the condition of the company in a certain time, whether the company is in good condition or experiencing financial distress.

Financial distress, which is the initial stage before the company can no longer operate and eventually goes bankrupt. Financial distress analysis can be used as a tool to anticipate and predict this potential.

One of the predictions of potential financial distress can be using Altman Z-Score Modification prediction model which is used as a measurable control tool on the financial status of companies experiencing financial distress[1]. Altman Z-Score Modification is expressed in the form of a linear equation consisting of 4 coefficients to represent certain financial ratios.

The technique used in this model is the Multiple Discriminant Analysis (MDA) technique, with a combination technique in the form of related financial ratios to form an equation. The Altman model is dynamic and always evolving and can be used by non-manufacturing companies. Because of these developments, the Altman model was able to predict with an accuracy of 95% [2].

The condition of potential financial distress can be seen in the financial statements of PT Bali Kulina Utama which are presented in Table 1.

**Table 1.** Total Asset, Current Liabilities, Total Liabilities, and Profit/Loss  
PT Bali Kulina Utama in 2018-2020 (in IDR)

Year	Total Asset	Current Liabilities	Total Liabilities	Profit/Loss
2018	2.002.480.042	223.015.996	622.480.042	302.950.650
2019	2.276.092.954	235.103.789	623.142.304	249.974.216
2020	2.228.836.344	300.623.891	675.911.478	225.957.161

Based on table 1, PT Bali Kulina Utama experienced an increase in debt from 2018 to 2020 to fulfill the company's operational activities. The increase in debt that occurs is interpreted as a negative indicator because the company chooses to increase its debt. This is a bad consequence for the company if it is not followed by the ability to generate profits to cover debt. In addition, the profit earned from year to year tends to decrease significantly. The profit obtained in 2018 was the highest profit and in the following year it decreased.

The decrease in profit is indicated as the company's inability to use working capital and is an illustration of the ineffectiveness of the company's management in carrying out operational activities. Therefore, it is necessary to make decisions based on appropriate financial statement analysis using the Altman Z-Score Modification model.

## 2. Literature Review

The financial statements of a company reflect the financial condition of the company itself. The company's financial condition is not always in a good state, so it is very important to determine the company's financial position through financial statements. The financial statements are presented and arranged in such a way that the users of the financial statements can determine the background of the company's performance [3]. The company's performance is assessed and evaluated by analyzing the financial statements in order to maximize performance in the coming period [4]. The problem analysis process in the financial statements is carried out using a measuring instrument in the form of financial ratios [5], based on the variables that exist in the components of the financial ratios [6]. This measuring tool is useful for management to find out the early signs of financial distress [7]. Financial distress is indicated as the inability to pay off the company's debt which has an impact on liquidity so that the company has an excess amount of debt [8]. One of the financial distress analysis methods is Altman Z-Score Modification method issued by Edward I. Altman in 1968 [9], which later developed into the most widely used bankruptcy prediction model today because it is very flexible for all types of companies [10]. This model is a statistical model that combines four financial ratios to produce a Z-Score [11], namely working capital to total asset, retained earning to total asset, earning before interest and tax to total asset, and book value of equity to book value of debt [12], and there is a Z-Score Modification equation that is used to determine the company financial status [13].

## 3. Research Method

This study uses descriptive qualitative data analysis with PT Bali Kulina Utama financial report data, collected through interviews and documentation. The financial statements used in this study are in the form of income statements and balance sheets during 2018-2020. Data analysis was carried out by

calculating each financial ratio contained in the Altman Z-Score Modification model and calculating the Z-Score Modification equation to predict financial distress position.

### 3.1. Altman Z-Score Modification Method

#### 3.1.1. Working Capital to Total Asset ( $X_1$ )

This ratio shows the company's ability to provide net working capital of the total assets owned by the company.

$$WCTA (X_1) = \frac{\text{Working Capital}}{\text{Total Assets}}$$

#### 3.1.2. Retained Earning to Total Asset ( $X_2$ )

This ratio shows the amount of retained earning used to finance the total assets owned by the company.

$$RETA (X_2) = \frac{\text{Retained Earning}}{\text{Total Assets}}$$

#### 3.1.3. Earning Before Interest and Tax to Total Asset ( $X_3$ )

This ratio shows the company's ability to earn operating profit before interest and taxes from the total assets owned by the company.

$$EBITTA (X_3) = \frac{\text{EBIT}}{\text{Total Assets}}$$

#### 3.1.4. Book Value of Equity to Book Value of Debt ( $X_4$ )

This ratio shows the company's ability to fulfill its obligations with the company's own capital.

$$BVEBVD (X_4) = \frac{\text{Book Value of Equity}}{\text{Book Value of Debt}}$$

#### 3.1.5. Altman Z-Score Modification equation formula

$$Z'' = 6,56X_1 + 3,26X_2 + 6,72X_3 + 1,05X_4$$

Company classification based on the cut off contained in the Altman Z-Score Modification method:

Criteria	Description
$Z \leq 1,1$	Financial Distress
$1,1 < Z \leq 2,6$	Grey Area
$Z > 2,6$	Non Financial Distress

## 4. Result and Discussion

### 4.1. Calculation of ratios with Altman Z-Score Modification Method

The calculation of each ratio component in the Altman Z-Score Modification prediction model can be shown in Table 3.

**Table 3.** Altman Z-Score Modification Ratio Value  
PT Bali Kulina Utama in 2018-2020

Year	WCTA ( $X_1$ )	RETA ( $X_2$ )	EBITTA ( $X_3$ )	BVEBVD ( $X_4$ )
2018	0,4183	0,2472	0,1949	2,2491
2019	0,4778	0,1977	0,1408	2,6526
2020	0,4373	0,0897	0,1286	2,2975

The results of the calculation of the ratio reflect the condition of PT Bali Kulina Utama for three years which can be concluded in the analysis of each ratio as follows:

#### 4.1.1. Ratio Analysis of Working Capital to Total Asset ( $X_1$ )

The ratio of working capital to total asset in 2018 has a value of 0,4183, which means that net working capital is 41,83% of the company's total assets. This ratio increased by 5,95% in 2019 when compared to the previous year, so that the acquisition of working capital for 2019 was 0,4778. The increase in the ratio value that occurred in 2019 was due to an increase in the company's current assets in the cash and bank cash sections. This is inversely proportional to the value in 2020 which decreased by 4,04% from 2019. The ratio value in 2020 was 0,4373 which was caused by a decrease in working capital due to an increase in current debt and also had an effect on the decline in the value of current assets in 2020.

#### 4.1.2. Ratio Analysis of Retained Earning to Total Asset ( $X_2$ )

The ratio of Retained Earning to Total Assets in 2018 is 0,2472 which means 75,27% is profit distributed to shareholders and every IDR 1 of the company's total assets is able to obtain retained earning of 0,2472. The value of the ratio decreased in 2019 by 4,95% when compared to the previous year, so the retained earning for 2019 was 0,1977. The decrease in the value of the ratio was caused by a decrease in the number of sales, so that the resulting retained earning decreased. The decline in the value of the ratio also occurred in 2020, so that the value of the ratio in 2020 was 0,0897 from 2019 which decreased by 10,79%. In 2020 there was a distribution of a number of dividends to shareholders, so this is what causes the value of the retained earning ratio in 2020 to decrease.

#### 4.1.3. Ratio Analysis of Earning Before Interest and Tax to Total Asset ( $X_3$ )

The ratio of Earning Before Interest and Tax to Total Asset in 2018 obtained a value of 0,1949 which means that operating profit before interest and taxes can be obtained from the total assets of 19,4%. The ratio value decreased in 2019 by 5,4% when compared to 2018, so that the acquisition value was 0,1408. The decrease in the value of the ratio was caused by a decrease in the number of sales. The decline in the value of the ratio also occurred in 2020, the value of the ratio in 2020 was 0,1286. The decrease occurred by 1,21% from 2019 due to a decrease in the amount of income from sales, current accounts, rentals, and others also in line with the increase in the company's short-term and long-term debt.

#### 4.1.4. Ratio Analysis of Book Value of Equity to Book Value of Debt ( $X_4$ )

The ratio of Book Value of Equity to Book Value of Debt in 2018 was 2,2491, which means that every IDR 1 of the company's debt can be guaranteed by 224,94% of the value of its own capital. The value of this ratio increased by 40,35% in 2019 when compared to 2018, the value of the ratio in 2019 was

2,6526. The increase in the value of the ratio was due to the increase in profit for the year in 2019. The value of this ratio was inversely proportional to the year 2020 which decreased by 35,5% from 2019 the value became 2,2975. The decrease occurred due to the reduced value of the paid-in capital to the company. This happens because the amount of company debt increases and is not followed by an increase in the number of sales, so that the resulting profit decreases.

#### 4.2. Calculating of Financial Distress Position with Altman Z-Score Modification Method

The results of the ratio calculation are entered into the Z-Score Modification equation by adding up the results of the  $X_1$  to  $X_4$  ratio calculations after being multiplied by the Z-Score value of each ratio. The results of obtaining the Altman Z-Score Modification model equation values can be shown in table 4.

**Table 4.** Equation Value of Altman Z-Score Modification  
PT Bali Kulina Utama in 2018-2020

Year	WCTA ( $X_1$ )	RETA ( $X_2$ )	EBITTA ( $X_3$ )	BVEBVD ( $X_4$ )	Z-Score (Score)
2018	2,7441	0,8059	1,3096	2,3615	7,2211
2019	3,1345	0,6445	0,9463	2,7852	7,5105
2020	2,8690	0,2925	0,2925	2,4124	6,4384

Based on the calculation results of the Z-Score Modification equation in table 4, the financial distress position of PT Bali Kulina Utama can be grouped into the criteria determined by Altman. These criteria are classified based on the cut off value which can be seen in table 5.

**Table 5.** Classification of Potential *Financial Distress*  
PT Bali Kulina Utama in 2018-2020

Year	Z-Score (Score)	Classification
2018	7,2211	Non Financial Distress
2019	7,5105	Non Financial Distress
2020	6,4384	Non Financial Distress

Table 5 presents the results of the financial distress classification which describes the financial condition of PT Bali Kulina Utama in 2018-2020. The classification results show that PT Bali Kulina Utama is in a condition of non financial distress.

##### 4.2.1. Financial Distress Position Analysis

Financial distress position at PT Bali Kulina Utama obtained a value of Z-Score Modification in 2018, 2019, and 2020 respectively is 7,2211; 7,5105; and 6,4384. The company is categorized as non financial distress because it is on the criteria  $Z''\text{-Score} > 2,6$ . This is also supported by the value of the four financial ratios after being multiplied by the Z-Score value in the equation of each ratio. The results of the calculation of the ratio component provide an illustration of the company has operated its assets effectively. In this regard, the effectiveness of management work in managing assets for investment and funding purposes in fulfilling obligations, makes the company able to avoid financial distress condition.

## 5. Conclusion

Based on the calculation results of the ratio component and the Z-Score Modification equation, it can be concluded that in 2018, 2019, and 2020 provide a positive illustration of the company's sustainability

as reflected in the value of the calculation of the four financial ratios. The results of these calculations make PT Bali Kulina Utama in a condition of non financial distress, with the criteria Z"-Score > 2,6.

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