

TAX AVOIDANCE, OWNERSHIP, COMMISSIONERS, AND DEBT COSTS: THE ROLE OF TRANSPARENCY



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Abstract

This study investigates the effects of tax avoidance, institutional ownership, and independent commissioners on debt costs, with transparency serving as a moderating variable. The research sample consists of consumer cyclical sector companies listed on the IDX from 2021 to 2023. Samples were selected using a purposive sampling method, resulting in 84 companies. The study applies multiple linear regression analysis and moderated regression analysis. The results show that tax avoidance hurts the cost of debt. Institutional ownership also negatively impacts the cost of debt, while independent commissioners have a positive effect. Additionally, transparency does not moderate the relationship between tax avoidance and debt costs, nor does it moderate the link between institutional ownership and debt costs. However, transparency can reduce the negative impact of independent commissioners on the cost of debt.

Keywords: Cost of Debt, Institutional Ownership, Independent Commissioner, Transparency, Tax Avoidance

INTRODUCTION

Economic movements have a significant impact on a country's progress, including Indonesia. Amid the dynamics of economic growth that affect various life factors, the business world plays a role as one of the main pillars supporting economic growth in Indonesia. In this context, funding is an important element of the development of the business world. Every company needs funds to manage and grow its business, as well as ensure that its company's activities run smoothly (Manurung & Deli, 2023). Funding can be categorized into two types of sources, specifically internal funding sources and external funding sources. Internal sources of funds, such as retained earnings, come from the funds generated by the company itself, while external sources of funds come from funds obtained from outside parties (Manurung & Deli, 2023). Conflicts between the principal and the agent are common in business finance systems. It is possible that further funding operations will not be approved by the principal. Therefore, the agent must attempt to borrow money from outside sources to cover the full funding system for business operations (Safitri & Amin, 2024). One of the external funding methods that companies often use is to issue debt securities; later, creditors will buy the debt securities and receive a reward in the form of interest. For companies that are in debt, the interest paid is a debt cost, often referred to as the cost of debt (Manurung & Deli, 2023).

The phenomenon of high debt cost can be seen in the case of PT. Sri Rejeki Isman Tbk (Sritex), a consumer cyclical sector company known for its production of high-quality military uniforms and bulletproof vests (Hanani, 2024). Sritex experienced a significant increase in debt to reach Rp. 24 trillion, which led to the factory's closure. As of September 2023, Sritex's liabilities reached US\$1.55 billion, dominated by interest-bearing debt such as bank debt and bonds, which reached 86.88%. This high interest expense suppresses the profitability of the company and leads to a large capital deficit (Hanani, 2024).

In the context of taxation, debt costs are regulated in PMK No 169/PMK.010/2015, where debt interest is used as a tax deduction fee with certain limits. Tax is a mandatory payment for every citizen imposed by the state on society based on legislation (Siregar et al., 2024). Every citizen with taxable income is required to register and report their taxes. The company does not receive direct compensation for the taxes paid because these taxes fall

under public or collective interest (Siregar et al., 2024). Companies often use tax management, including tax avoidance, to lessen their tax load. Legal tax avoidance and taking advantage of legal loopholes as opportunities is a strategy for companies to optimize their tax liabilities (Dhananjaya & Erawati, 2023). Companies that carry out tax avoidance will reduce income tax expense information and increase agency costs. From an agency perspective, engaging in tax avoidance reduces a company's level of transparency as well as causes a disagreement between management and creditors because of the presence of information imbalance (Zetira & Suryono, 2022).

Research conducted by Ayem & Kinait, (2021); Daffa A et al., (2022); Dhananjaya & Erawati, (2023); Karo-karo & Lumbangaol, (2022); Prastyatini & Safitri, (2022); and Sinaga et al., (2023) demonstrating that tax avoidance positively influences the cost of debt. In contrast to previous research, research by Musrifa, (2021); Nisa & Wulandari, (2021); Utami & Pramiana, (2024); and Zetira & Suryono, (2022) revealed that tax avoidance harms the cost of debt. Research conducted by Dara et al., (2024); Darma & Sijabat, (2022); Dewi & Ardiyanto, (2020); Idawati & Wisudarwanto, (2021); Manurung & Deli, (2023); and Pramesti & Afandi, (2024) proving that tax avoidance does not affect the cost of debt.

Based on agency theory, institutional ownership is suspected to be another component that affects the cost of debt in addition to tax avoidance. Institutional ownership refers to the number of shares that a particular institution has in a company, such as governments, foreign companies, insurance, banks, and pension funds (Darma & Sijabat, 2022). Institutional ownership plays a crucial role in managing agency conflicts between shareholders and managers, as it can reduce these conflicts. This occurs due to institutional investors engaging in decision-making therefore so no one can manipulate the data (Zetira & Suryono, 2022). Research by Harianto & Aini, (2021); and Tania et al., (2024) proves that institutional ownership has a positive effect on the cost of debt. Research by Darma & Sijabat, (2022); Manurung & Deli, (2023); Nisa & Wulandari, (2021); Pramesti & Afandi, (2024); and Pratiwi et al., (2024) gave results that institutional ownership hurts the cost of debt. Unlike the previous one, research by Andriani & Syafitri, (2020); and Idawati & Wisudarwanto, (2021) proves that institutional ownership does not affect the cost of debt.

In addition to tax avoidance and institutional ownership, independent commissioners are also suspected to be one of the costs of debt factors. Independent commissioners have members who are not affiliated with the company and serve as decision-makers (Musrifa, 2021). The structure of the board of commissioners can help the company provide financial statements that have integrity so that creditors can see how the company is doing (Musrifa, 2021). Research by Harianto & Aini (2021), independent commissioners prove that independent commissioners positively influence the cost of debt. Research by Andriani & Syafitri (2020) proves that independent commissioners negatively affect the cost of debt. In contrast to previous research, the studies by Musrifa (2021) and Tania et al. (2024) proved that independent commissioners had no impact on the cost of debt.

Moderation variables are variables that determine how strong or weak a variable is in influencing the connection between independent variables and dependent variables (Dhananjaya & Erawati, 2023). In this study, the moderation variable used is the transparency of companies in Indonesia, especially in the consumer cyclical industry traded on the Indonesia Stock Exchange. To enhance the company's value, management will encounter agency conflicts, specifically conflicts of interest between managers and shareholders, with each prioritizing their interests. Therefore, information transparency needs to be carried out by companies.

Transparency refers to the level of openness, clarity, and accountability of material and pertinent information about the company (Siahaan et al., 2024). Based on the regulations of the Indonesian capital market, material and pertinent information is data that can greatly influence the risks and future outlook of the business. For transparency, the organization needs to offer clear, precise, and prompt information to all stakeholders (Siahaan et al., 2024). Companies are expected to provide information, including financial information, accurately and promptly, so that investors can easily obtain important information about the company. The more transparent a company is, the lower the agency costs, and the company's value will increase.

This research is a development of previous studies conducted by (Dhananjaya & Erawati, 2023). The distinction between this research and earlier studies is that the prior research treated tax avoidance as an independent variable and institutional ownership as

moderator. In this study, the researcher added the factors of institutional ownership and independent commissioners as independent variables, and transparency will be used as a moderation variable. To enhance the company's value, management will encounter agency conflicts. Therefore, information transparency needs to be carried out. To be transparent, companies need to provide accurate information to all interested parties. The more transparent a company is, the lower the agency costs will be and the worth of the company will rise.

A lot of research on the cost of debt has been done, but there are still many research gaps. This research seeks to investigate the influence of tax minimization strategies, institutional shareholding, and independent commissioners on debt financing costs, as well as the role of transparency as a moderation variable. This study aims to offer deeper insight into the factors influencing the cost of debt and its implications for corporate management strategies by utilizing data from consumer cyclical sector companies listed.

REVIEW OF LITERATURE

Effect of Tax Avoidance on Cost of Debt

The sustainability of a company's operations often depends on the availability of funds. When internal funds are insufficient, the company will seek external funding such as debt. Because of this debt, management acts as an agent and shareholders act as principals, and their objectives are frequently at odds. Shareholders generally want to maximize the value of the company, while management is more motivated to get compensation from increasing profits. This conflict of interest is further complicated by the presence of creditors, who aim to maximize returns on their investments. This difference in goals can trigger opportunistic behavior, such as management being more likely to take high risks to increase short-term profits for personal gain, even though this can endanger the company's survival and harm creditors (Zetira & Suryono, 2022).

Companies are being urged more and more to evade taxes in order to reduce the amount of money they have to pay in taxes. However, using debt excessively might raise the amount of debt that the business must pay. (Zetira & Suryono, 2022). In general, companies that engage in tax avoidance have greater debt, which can ultimately increase creditors' risk

perceptions and increase financing costs. This indicates that efforts to avoid taxes can have unintended consequences, namely increased financial costs for the company. Tax avoidance has a positive effect on the cost of debt, supported by research conducted by Ayem & Kinait, (2021); Daffa A et al., (2022); Dhananjaya & Erawati, (2023); Karo-karo & Lumbangaol, (2022); Prastyatini & Safitri (2022); and Sinaga et al. (2023). So, the hypothesis proposed is as follows:

H1: Tax avoidance has a positive effect on the cost of debt.

Effect of Institutional Ownership on Cost of Debt

Agency theory highlights the conflict of interest between management as an agent and shareholders as principals in the company. Institutional ownership as principals, which is generally represented by institutional investors such as pension funds or insurance companies, plays an important role in resolving this conflict. Institutional investors have significant shareholdings and tend to be more active in monitoring company performance than individual shareholders. Strict institutional investor oversight can lessen management's opportunistic behavior as agents, such as making decisions that are against the company's interests or taking actions that hurt shareholders. (Nisa & Wulandari, 2021).

The higher a company's institutional ownership percentage, the stronger the pressure on management to act responsibly and transparently. Good institutional investor oversight can boost the company's credibility with creditors, which lowers the perception of credit risk and eventually, the cost of debt. This suggests that institutional investors may serve as a useful control mechanism, lowering agency costs and raising the value of the business. The cost of debt is negatively impacted by institutional ownership, according to research by Darma & Sijabat, (2022); Manurung & Deli, (2023); Nisa & Wulandari, (2021); Pramesti & Afandi, (2024); and Pratiwi et al., (2024). Thus, the hypothesis proposed is:

H2: Institutional ownership has a negative effect on the cost of debt.

Effect of the Independent Commissioner on the Cost of Debt

Independent commissioners are external parties who are expected to act as objective supervisors in the company. Unlike non-independent commissioners who may have ties to management or majority shareholders, independent commissioners are free from conflicts of interest that can cloud their judgment. Independent commissioners serve as a check on

conflicts of interest between shareholders as principals and management as agents within the framework of agency theory. When management acts as agents tends to maximize personal gain; independent commissioners, as principals, are expected to ensure that decisions taken are in line with the company's long-term interests and shareholder value (Andriani & Syafitri, 2020).

One important area overseen by independent commissioners is the company's debt policy. The decision to take on debt has a significant impact on the company's capital structure and risk. Independent commissioners can help ensure that debt is used effectively and efficiently and minimize excessive financial risk. With strict supervision from independent commissioners, creditors will feel more confident that the company is well managed and its credit risk is lower. This can reduce the cost of debt that must be borne by the company. Independent commissioners have a negative impact on the cost of debt, as supported by research conducted by Andriani & Syafitri, (2020). Therefore, the hypothesis proposed is as follows:

H3: Independent commissioners have a negative impact on the cost of debt.

Moderation of Transparency on the Relationship between Tax Avoidance and Cost of Debt

Agency theory explains the potential for a conflict of interest between management as an agent and shareholders as principals in a company. One manifestation of this conflict is the tendency of management to maximize personal gain, including through tax avoidance practices. This practice not only harms shareholders but can also increase the perception of risk for creditors. Companies that frequently engage in tax avoidance are generally considered to have low corporate governance quality, which indicates a lack of transparency and accountability in corporate management (Musrifa, 2021).

This poor corporate governance quality increases the perception of risk for creditors. Creditors tend to view companies with weak governance as entities that are less reliable in meeting their financial obligations. Creditors will therefore demand higher interest rates to offset the increased risk. On the other hand, businesses that exhibit a high degree of transparency will have an easier time winning over creditors. Creditors can more correctly assess credit risk and gain a better understanding of the company's financial situation when

there is transparency (Musrifa, 2021). Therefore, it can be concluded that companies with low governance quality and low transparency levels will face higher debt costs compared to companies with good and transparent governance (Musrifa, 2021). Therefore, the proposed hypothesis is as follows:

H4: Corporate transparency weakens the positive effect of tax avoidance on the cost of debt.

Moderation of Transparency on the Relationship between Institutional Ownership and Cost of Debt

Agency theory explains the potential for a conflict of interest between management as an agent and shareholders as principals. Institutional investors as one of the principals have an important role in reducing this conflict. With adequate resources and expertise, institutional investors act as effective monitors of management performance. The presence of significant institutional investors in a company's ownership structure can improve the quality of corporate governance. This is because institutional investors have a strong incentive to oversee management performance and ensure that decisions are in line with the interests of long-term shareholders (Musrifa, 2021).

This good quality of corporate governance will have a positive impact on creditor perceptions. Creditors tend to view companies with high institutional ownership as companies that are better managed and have lower risks. As a result, creditors will be willing to provide loans at more competitive interest rates. In addition, transparency is also a factor in reducing debt costs. Transparent companies provide relevant and accurate information to stakeholders, including creditors. This openness of information allows creditors to make a more objective assessment of the company's credit risk. Thus, transparency can reduce information asymmetry between companies and creditors, thereby reducing the cost of debt (Musrifa, 2021).

In the context of agency theory, both institutional ownership and transparency act as control mechanisms that can reduce conflicts of interest and increase firm value. In other words, these two factors can increase creditor trust in the company, thereby reducing the cost of debt that must be borne by the company (Musrifa, 2021). Therefore, the following hypothesis is proposed:

H5: Corporate transparency can strengthen the negative effect of institutional ownership on the cost of debt.

Moderation of Transparency on the Relationship between the Independent Commissioner and the Cost of Debt

Agency theory describes the potential for a conflict of interest between the owner as principal and the manager as agent in a company. Independent commissioners act as a control mechanism designed to reduce this conflict. By not having a direct affiliation with management, independent commissioners as one of the principals are expected to act objectively in overseeing the company's performance and ensuring that decisions taken are in line with the interests of shareholders (Musrifa, 2021).

Corporate transparency, on the other hand, acts as a reinforcement of the influence of independent commissioners. When companies openly disclose information about financial performance, business strategy, and corporate governance, this allows independent commissioners to carry out their supervisory duties more effectively. In addition, transparency also increases the trust of stakeholders, including creditors, in the company. Creditors will find it easier to assess the quality of the company and its credit risk when the information needed is available completely and accurately (Musrifa, 2021).

The combination of independent commissioners and high transparency creates a strong synergy in reducing debt costs. Creditors will view companies with these characteristics as well-managed companies with lower risks. As a result, they will be willing to provide loans at more competitive interest rates. In the context of agency theory, the presence of independent commissioners and high transparency can strengthen control mechanisms, reduce information asymmetry, and increase stakeholder trust, ultimately reducing the company's cost of debt (Musrifa, 2021). Therefore, the following hypothesis is proposed:

H6: Company transparency can strengthen the negative influence of independent commissioners on the cost of debt.

RESEARCH METHOD

This study uses a quantitative method. Research data is collected by documentation techniques, namely collecting data by analyzing the data of each company and then citing data relevant to the research problem (Shobandiyah & Rahmadhani, 2024). The data sources used include the annual reports of consumer cyclical sector companies for the 2021-2023 period, which can be accessed through the official website of the Indonesia Stock Exchange (IDX) (www.idx.co.id) and the official site of the company. The study population consists of 157 companies in the consumer cyclical sector registered on the Indonesia Stock Exchange (IDX). The purposive sampling method is used to select samples based on certain criteria. The research sample based on the above criteria consists of 84 companies. SPSS 27 is used as a tool to process data. The data analysis was carried out, namely, by using multiple linear regression analysis followed by MRA interaction testing to test moderation variables. In testing the hypothesis in this study, the equation model that will be used is as follows:

Model 1: The impact of Independent Variables on COD

$$\text{COD} = \alpha + \beta_1 \text{TA} + \beta_2 \text{IO} + \beta_3 \text{IC} + e$$

Model 2: Moderate Regression Analysis (MRA)

$$\text{COD} = \alpha + \beta_1 \text{TA} + \beta_2 \text{IO} + \beta_3 \text{IC} + \beta_4 \text{TP} + \beta_5 \text{TA} * \text{TP} + \beta_6 \text{IO} * \text{TP} + \beta_7 \text{IC} * \text{TP} + e$$

Information:

COD	: Cost of Debt
TA	: Tax avoidance
α	: Constant Value
$\beta_1 - \beta_7$: Regression Coefficient
IO	: Institutional ownership
IC	: Independent commissioner
TP	: Transparency
TA*HCMC	: Tax Avoidance on Transparency
IO*TP	: Institutional Ownership on Transparency
IC*TP	: Independent Commissioner on Transparency
e	: Error Standard

Research Model

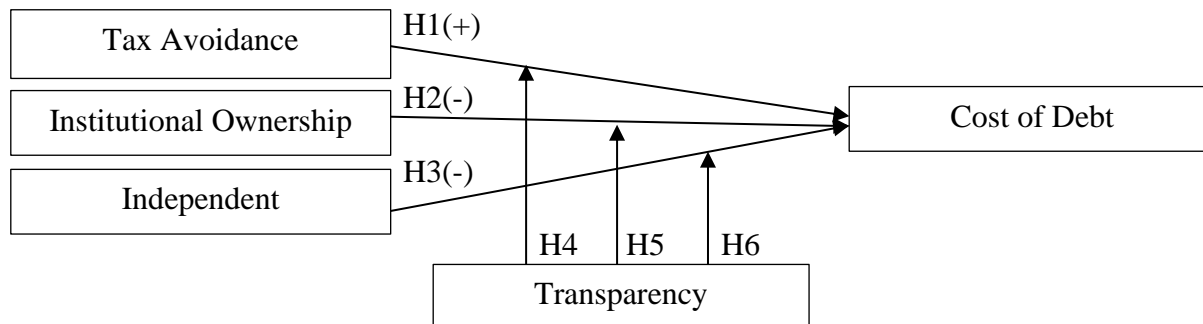


Figure 1.
Theoretical concept

Variable Operational Definition

Table 1.
Operational Indicators and Definition

Definition	Operational Indicators
Cost of Debt is defined as the rate of return expected by creditors on loans that have been given to the company (Ross et al., 2022).	$COD = \frac{\text{Interest Expense}}{\text{Average Interest Bearing Debt}}$
Tax avoidance is a legitimate tax planning practice by taking advantage of tax loopholes to reduce the tax expense (Blaufus et al., 2019).	$ETR = \frac{\text{Tax Expense}}{\text{Earning Before Tax}}$ Companies that have an ETR value (<22%) are considered tax avoidance and are given a value of 1, and vice versa.
Institutional ownership refers to the proportion of shares owned by entities such as limited liability companies, financial institutions, banks, insurance, foundations, and others (Edison, 2017).	$IO = \frac{\text{Number of Institutional Shares}}{\text{Number of Shares Outstanding}}$
Independent Commissioners are part of an organization that has authority and responsibility in managing the company, as well as providing advice board of directors to ensure that company implements Good Corporate Governance (Musrifa, 2021).	$IC = \frac{\text{Amount of Independent Commissioners}}{\text{Numbers of Commissioner}}$
Transparency is defined as the availability of relevant information for investors and the public, to minimize conflicts of interest between management and shareholders.(Musrifa, 2021)	$\text{Transparency} = \frac{n}{k}$ Information: n: Number of items disclosed k: The total number of disclosure items determined in the study amounted to 31 items A value of 1 for disclosed items and 0 for undisclosed items.

RESULTS AND DISCUSSION

The sample utilized in this research is the yearly report of companies in the consumer cyclical sector that publicly traded on IDX in 2021-2023. Considerations in sample selection are generally adjusted to the purpose or problem of the research. Table 2 below illustrates the procedure for identifying the sample utilized according to the criteria established in this research.

Table 2.
Data for Sample Selection

No	Criterion	Total
1	Consumer cyclical sector companies listed	157
2	Have just IPO	(30)
3	Companies that do not present complete data on the information needed to analyze the data	(43)
4	Number of companies that meet the criteria	84
	Observation period 3 x 84	252
	Casewise	(15)
	Number of samples	237

Descriptive Statistics

Table 3.
Descriptive Statistical

	Minimum	Maximum	Mean	Std. Deviation
Cost of Debt	.050	.099	.07142	.009413
Institutional Ownership	.000	1.011	.76355	.237937
Independent Commissioner	.250	.750	.43153	.108188

Source: Data Processing Results, 2025

According to Table 3. The information analyzed in this research totaled 237 data points. The dependent variable in this research is the cost of debt, which has a minimum value of 0.050 obtained from PT. Multistrada Arah Sarana Tbk., and the maximum score of 0.099 was obtained from PT. Idea Indonesia Akademi Tbk., PT. Bali Bintang Sejahtera Tbk., and PT. Fast Food Indonesia Tbk., with a mean value of 0.07142, and a standard value of 0.009413. The independent variable of institutional ownership has a minimum value of 0.000 obtained from PT. Boston Furniture Industries Tbk., and the maximum score of 1,011 was obtained from PT. MNC Sky Vision Tbk., with a mean value of 0,76355, and a standard value of 0,237937. The independent variable of independent commissioners has a minimum

value of 0.250 obtained from PT. Argo Pantes Tbk and PT. Chitose International Tbk, the maximum score of 0.750 was obtained from PT. Global Mediacom Tbk. and PT. Pan Brothers Tbk., with a mean value of 0,43153, and a standard value of 0.108188.

Table 4.
Results of Tax Avoidance Frequency Statistical Test

	Frequency	Valid Percent
Not Avoidance	93	39.2
Avoidance	144	60.8
Total	237	100.0

Source: Data Processing Results, 2025

Based on Table 4, there are 237 research samples, of which 93 samples are not indicated to be tax avoidance, with a percentage of 39.2%. Meanwhile, 144 other data samples are indicated to be tax avoidance, with a percentage of 60.8%. Thus, companies that commit tax avoidance are more than companies that do not.

Table 5.
Results of the Transparency Frequency Statistics Test

	Frequency	Valid Percent
Transparency	75	31.6
More Transparency	162	68.4
Total	237	100.0

Source: Data Processing Results, 2025

Based on Table 5, there are 237 research samples, of which 75 data samples have a transparency value below average, with a percentage of 31.6%. Meanwhile, 162 other data samples had an above-average transparency value with a percentage of 68.4%. More companies have disclosed transparency above the average value compared to companies that have disclosed transparency below the average value.

Hypothesis Test Results

Table 6.
Hypothesis Test Results

Model	Model 1 (Without Moderator)			Model 2 (With moderator)		
	Unstandardized Coefficients B	t	Sig	Unstandardized Coefficients B	t	Sig
(Constant)	.081	21.588	.000	.067	6.115	.000
TA	-.007	-6.457	.000	-.005	-1.090	.277
IO	-.007	-3.153	.002	-.012	-1.376	.170

IC	.012	2.375	.018	.049	2.815	.005
TP	-.003	-2.415	.017	.006	.968	.334
TA*TP				-.002	-.639	.524
IO*TP				.003	.525	.600
IC*TP				-.023	-2.212	.028

Source: Data Processing Results, 2025

The Impact of Tax Avoidance on the Cost of Debt

The outcomes of the t-test presented in Table 6 show that the t-value calculated on tax avoidance is -6.457, and the significance value of 0.000 is less than 0.05, so the first hypothesis (H1) is rejected. This study shows that significant Tax Avoidance negatively impacts the Cost of Debt, consistent with agency theory, which indicates that increased tax avoidance will lower the cost of debt. This result is under research Musrifa (2021), Nisa & Wulandari (2021), Utami & Pramiana (2024), and Zetira & Suryono, (2022), which shows that Tax Avoidance negatively impacts the COD.

The agency's theory indicates that prudent and legitimate tax avoidance practices can enhance a firm's financial results and lower the perceived risk for creditors. Agency theory explains that management, as an agent, has the responsibility to improve the worth of the company for the benefit of shareholders as principals (Stawati, 2020). In the context of tax management, management can use legal tax avoidance strategies to reduce tax expenses and increase cash flow. Effective tax avoidance can increase a company's cash flow and profitability (Stawati, 2020). This makes the company able to meet its financial obligations, including debt payments. By reducing the tax expense, companies can reduce overall financial risk (Karo-karo & Lumbangaol, 2022). This makes the company more stable and less vulnerable to financial shocks. Tax avoidance that is carried out transparently and under regulations can increase the credibility of the company in the eyes of creditors. Creditors see this as an indication of good financial health, which reduces the risk of default and allows companies to get loans at lower interest rates (Utami & Pramiana, 2024).

The Impact of Institutional Ownership on the Cost of Debt

The results of the t-test in Table 6 show that the t-value calculated on institutional ownership is -3,153, and a significance value of 0.002 is less than 0.05, so the second hypothesis (H2) is accepted. This study shows that institutional ownership has a significant

negative effect on the cost of debt, which is in line with the agency theory that explains that a high level of institutional ownership will reduce the cost of debt. This result is under research by Darma & Sijabat, (2022); Manurung & Deli, (2023); Nisa & Wulandari, (2021); Pramesti & Afandi, (2024); and Pratiwi et al., (2024) which indicates that Institutional Ownership adversely impacts the Cost of Debt.

Agency theory explains that management, as an agent, has the responsibility to maximize the value of the company for the benefit of shareholders as principals. In the context of institutional ownership, institutions as major shareholders have an incentive to monitor management performance and ensure that their interests are protected. Large institutional ownership encourages stricter oversight of management. Institutions have the resources and expertise to monitor a company's performance and identify potential problems (Tania et al., 2024). This strict oversight reduces the manager's opportunistic behavior and ensures that decisions are in line with the interests of the stockholders and creditors. Effective supervision by institutions can reduce agency costs, which are costs incurred due to conflicts of interest between management and shareholders (Pratiwi et al., 2024). This reduction in agency costs increases the efficiency of the company and reduces the risk that creditors feel. Creditors see this reduction in risk as an increase in the company's ability to repay its debts, leading to a decrease in the cost of debt (Pratiwi et al., 2024).

The Impact of Independent Commissioners on the Cost of Debt

The results of the t-test in Table 6 show that the t-value calculated on the independent commissioner is 2,375, and a significance value of 0.018 is less than 0.05, so the third hypothesis (H3) is rejected. This study shows that the Independent Commissioner has a significant positive effect on the Cost of Debt, in line with the agency theory that explains that A high number of independent commissioners will increase the cost of debt. This result is under research Harianto & Aini, (2021) that shows that Independent Commissioners positively influence the Cost of Debt.

The agency theory explains that independent commissioners play an important role in overseeing management and protecting the interests of shareholders. However, in some cases, the existence of more independent commissioners can send risk signals to creditors. Creditors may see the presence of more independent commissioners as an indication that the

company faces governance challenges or higher business risks (Andriani & Syafitri, 2020). Creditors may be concerned that an independent commissioner is needed to oversee potentially opportunistic management or to address the company's financial problems. As compensation for perceived risk, creditors may charge higher interest rates, which increases the cost of debt (Harianto & Aini, 2021). While commissioners increase oversight and transparency, it can also reveal negative information about the company that creditors were not previously aware of (Harianto & Aini, 2021). The disclosure of this negative information can increase creditors' risk perception and cause them to demand higher returns (Harianto & Aini, 2021).

Transparency Moderates the Relationship between Tax Avoidance and the Cost of Debt

Based on the results of the TA*TP interaction test in Table 6, the Effect of Transparency on the Cost of Debt was not significant in the first estimate, with a significance value of 0.334. In the second estimate, the TA*TP interaction has a significance value of 0.524, greater than 0.05, so the fourth hypothesis (H4) is rejected. This study shows that Transparency cannot moderate the relationship between Tax Avoidance and COD. These findings indicate that while transparency can provide creditors with better information, it is not enough to mitigate the risks associated with tax avoidance practices.

Tax avoidance, even legal ones, can increase risk perception among creditors. Creditors may be concerned about potential tax sanctions, adverse tax policy changes, or reputational risks associated with aggressive tax avoidance practices (Ayem & Kinait, 2021). Transparency alone is not enough to eliminate this uncertainty. Creditors may still demand higher rates of return as compensation for perceived risk (Ayem & Kinait, 2021). Tax uncertainty is often changing, and companies involved in tax avoidance may face the risk of regulatory changes that could negatively impact their finances. Transparency cannot eliminate this uncertainty, and creditors may remain concerned about the potential impact of tax policy changes on a company's ability to pay its debts (Dhananjaya & Erawati, 2023). Even if tax avoidance is carried out legally, there is always a risk that tax authorities may oppose the practice or impose sanctions if the regulations are interpreted differently (Zetira & Suryono, 2022). This risk of sanctions can increase creditors' perception of risk regardless of the company's level of transparency. While transparency can reduce information

asymmetry, there is still in-depth internal company information that cannot be fully disclosed to the public (Zetira & Suryono, 2022).

Transparency Moderates the Relationship of Institutional Ownership to the Cost of Debt

Based on the results of the IO*TP interaction test in Table 6, the Effect of Transparency on the Cost of Debt is not significant in the first estimate, with a significance value of 0.334. In the second estimate, the IO*TP interaction has a significance value of 0.600, greater than 0.05, so the fifth hypothesis (H5) is rejected. This study shows that Transparency cannot moderate the relationship between Institutional Ownership and Cost of Debt. These findings indicate that while transparency can provide better information to creditors, it is not enough to reduce the information asymmetry between institutional ownership and creditors.

Institutional ownership often has access to more in-depth internal company information than creditors. This information may include strategic, operational, and financial information that is not disclosed to the public (Manurung & Deli, 2023). While transparency can reduce information asymmetry, it may not be enough to eliminate the difference in access to information between institutional ownership and creditors (Sinaga et al., 2023). Although companies are transparent in their information disclosure, the quality of the information disclosed may not be enough to influence creditors' risk perceptions. Creditors may pay more attention to specific, detailed financial information, which is not always covered by the voluntary disclosure index. Creditors tend to make decisions based on a conservative risk assessment (Darma & Sijabat, 2022). They may rely more on information they own than on information disclosed by the company. Even with good transparency, creditors may still be worried about potential risks that the company does not cover.

Transparency Moderates the Relationship of Independent Commissioners to the Cost of Debt

Based on the results of the IC*TP interaction test in Table 6, the effect of corporate transparency on the Cost of Debt is not significant in the first estimate, with a significance value of 0.334. In the second estimate, the IC*TP interaction has a significance value of 0.028 less than 0.05, so the sixth hypothesis (H6) is accepted. This study shows that Transparency

can moderate the relationship between Independent Commissioners and the Cost of Debt. In this relationship, Transparency weakens the relationship between the Independent Commissioner and the Cost of Debt.

Independent commissioners have a role to play in ensuring that company decisions are taken with fair and accountable considerations; they play an important role in overseeing management and protecting the interests of shareholders and creditors (Musrifa, 2021). However, the effectiveness of the oversight of independent commissioners depends on their access to relevant and accurate information. Corporate transparency can increase independent commissioners' access to information about company strategies, policies, and performance. With better information, independent commissioners can make more informed decisions and improve the effectiveness of their supervision. Adequate translation can help independent commissioners identify potential risks and governance issues. This effective supervision can reduce the perceived risk by creditors, leading to a decrease in the cost of debt (Darma & Sijabat, 2022). Excessive transparency can lead to overestimation, where too much information is disclosed to the public (Andriani & Syafitri, 2020). This overexposure can increase the perception of creditors and cause them to demand higher rates of return, which increases the cost of debt.

CONCLUSION

The conclusion of this study shows that tax avoidance hurts the cost of debt, meaning that the higher the tax avoidance carried out by the company, the lower the cost of debt that must be borne. This is in line with previous findings that emphasize the importance of tax management in corporate strategy. In addition, institutional ownership also hurts the cost of debt, indicating that institutional participation in share ownership can reduce the costs that the company must pay to creditors. Meanwhile, the presence of independent commissioners impacts the cost of debt, indicating that although independent commissioners play a role in improving corporate governance, this can also increase the cost of debt. This study found that transparency is unable to moderate the relationship between tax avoidance and the cost of debt, as well as between institutional ownership and the cost of debt, but can strengthen the negative effect of independent commissioners on the cost of debt. These findings provide

important insights for corporate management in formulating effective strategies to manage the cost of debt and increase the transparency of information to stakeholders. Based on the results of previous research and discussion, some suggestions can be drawn as follows: Researchers can then research with different objects, for example, in the mining sector, the property and real estate sector, the banking sector, and other sectors listed. The next researcher is expected to be able to add years of research for the actual condition of the company.

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