

LEMBAR HASIL PENILAIAN SEJAWAT SEBIDANG ATAU PEER REVIEW
KARYA ILMIAH : JURNAL INTERNASIONAL

Judul Karya Ilmiah : **Cooperative Tax Avoidance: Evidence of Implementation of Agency Theory**
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Cooperative Tax Avoidance: Evidence of Implementation of Agency Theory

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Abstract

The purpose of this study is to examine the implementation of Agency Theory in cooperative business entities between owners (members) with management and management with the tax authority. Management is obliged to increase the welfare of members, through increasing the remaining business results (profitability). Internally it can be done by increasing cost efficiency, the effectivity of capital utilization and using debt. Externally management can make efforts to avoid tax legally. This study was designed using a quantitative approach in the form of panel data. The research data, 2015-2019, with the purposive sample sampling, research using path analysis with a sample of 100 companies in the eastern part of western Java. The results of this study indicate that cooperative management strives to increase profitability and carry out tax savings legally, to meet the expectations of members to improve their welfare, on the other hand, management, continues to fulfil its obligations in tax payments.

Keywords: Operating Efficiency, Capital Intensity, Leverage, Profitability, Tax Avoidance.

INTRODUCTION

Tax is the most significant source of revenue for the country, so it needs to be continuously explored and developed to support national development. Tax is public participation in development financing in the hope of receiving indirect benefits in the form of public facilities such as infrastructure, health, education, security and so on.

The government is always trying to intensify tax collection with various policies as outlined in laws, government regulations and others, such as Tax Amnesty. Based on the Central Government Financial Report (2020), in 2015, the realization of tax revenue reached 83.29% of the target. In the next three years it has increased, in 2016 amounted to 83.48%, 2017 amounted to 91.23%, and 2018 amounted to 93.86%. Tax revenue in the 2019 State Budget is targeted to reach IDR 1,786.4 Trillion.

Indonesia's taxation performance is still lagging behind other countries. In the ASEAN region, Indonesia's tax ratio is only better than Myanmar. Referring to the data of Ministry of Finance, in 2019 tax ratio to be achieved is 12.2% (state budget target), while the realization of the tax ratio in 2014 was 13.7%, 2015 11.6%, 2016 10.8%, 2017 amounted to 10.7%, 2018 amounted to 11.6%.

In ranking Tax performance, Indonesia falls into the lower-middle-income country group with an average tax ratio of 17.7% (Prayoga, 2019). Still, according to the same author, it is stated that the cause of the low tax ratio in Indonesia is due to the low level of tax compliance with various reasons such as the high cost of tax compliance, lack of legal certainty, the presence of peer country pressure, which is a matter of lack of competitive tax rates in Indonesia. Taxpayer compliance is considered still low is a challenge for tax authorities to improve the effectiveness of communication with segmented taxpayers. All communities, both as enterprises and individuals, are obliged to participate in supporting national development by paying taxes, including cooperatives.

Cooperatives as business entities must pay taxes that was explained in article 2, paragraph 1 (b) of the Income Taxes Law. Cooperatives are one of the taxpayers who must carry out their tax obligations, including collecting or cutting individual taxes.

Based on data from the Ministry of Cooperatives and SMEs in 2019, the number of active cooperatives in Indonesia is 123,048 units with 22,463,738 members. As a taxpayer, the cooperative has contributed to state revenue through tax payments of IDR 5.7 Trillion in 2018, an increase

compared to the previous year, in 2017 of IDR 4.4 Trillion and 2016 IDR 3.4 Trillion. The contribution of cooperatives is indeed still very small. This condition is exacerbated by cooperative management compliance in tax payments, especially corporate tax.

Many cooperative practitioners state that cooperatives do not need to pay corporate tax because of their business orientation as a service to members and not profit-oriented (Sugiyanto & Rahayu, 2019). The surplus obtained by the cooperative which is referred to as the residual operating results, as the efficiency of operational costs, this is in accordance with the statement that cooperative operated at cost (Roy, 1981).

For business entities, tax of earning before tax is a burden to reduce the net profit to which the owner has the right, as well as to the cooperative, and this tax reduces the residual results of the business to which the owner (member) is entitled. Thus, the management of cooperatives faced with different interests, to members, management must show their achievements to improve the welfare of members with the remaining business result. On the other hand, management must also face the government, which requires each business entity always obediently to contribute to state revenue through tax payments. These differences in interests encourage cooperative management to try to manage their tax obligations through tax planning, such as legal tax avoidance.

Tax avoidance as a way to save tax legally by using regulatory loopholes or because there is no regulation yet (Praditasari & Setiawan, 2017). The Minister of Finance stated that the delay in the collection of tax funds is due to the large number of taxpayers who practice tax avoidance and tax evasion (Putri et al., 2019). Tax avoidance in its application of agency theory where there is a conflict of interest between managers, tax executors and investors (Putra et al., 2018).

Cooperative management as an agent must try to realize the owner welfare, on the other hand, the manager is obliged to pay corporate tax, which has consequences for the reduced profits to which members are entitled. Management must be able to demonstrate its performance to members; on the other hand, management must also be able to manage taxation to be paid by optimizing tax planning through legal tax avoidance. Profitability is a measure of management's success. Profitability distribution as a dividend leads to a decline in the agency conflict (Park, 2009). Dividend payout also resolves the agency conflict between the inside and outside shareholders (Jensen, 1986; Myers, 2000).

The amount of cooperative tax payments is directly related to the size of the residual earning before the tax obtained, tax avoidance efforts carried out to increase the residual earning after tax to the owner's rights. Government as a principal is consistent to get more tax for the target of national income, while the manager wants to minimize tax payment to get more profitability (Irianto & S.Ak, 2017).

Some of the previous studies that have been explained, the research was conducted aimed at finding out Cooperative Tax Avoidance: Evidence of Application of Agency Theory. Where the research variables will be conducted, namely the relationship of operating efficiency, capital intensity and leverage on profitability and tax avoidance.

LITERATURE REVIEW

Theoretical Framework and Hypothesis Development

Previous research that focused on tax avoidance as the dependent variable was conducted by (Brown & Drake, 2014), (Ogbeide, 2017), (Putra et al., 2018). In this study, the effect of Operating Efficiency, Capital Intensity and Leverage, on profitability and its effect on Tax Avoidance, Direct and Indirect Effects of Operating Efficiency, Capital Intensity and Leverage on Tax Avoidance through Profitability are examined.

The Effect of Operating Efficiency, Capital Intensity and Leverage on Profitability

Proof of the existence of an agency relationship between members and management and reduction of agency conflict strived to increase profitability, through increased operating efficiency, the intensity of use of assets, and leverage. According to (Ross et al., 2012), profitability measured by "return on equity (ROE) is influenced by operating efficiency, asset use efficiency and financial leverage". The value of the cost-efficiency ratio affects the change in the value of the net profit margin (Iqbal, 2011). Profitability can be increased by the effective use of assets, measured by asset turnover or capital intensity ratio that impacts profitability (Cornett., 2012; Ross et al., 2012).

Leverage, as measured by the debt to equity ratio, has a positive effect on return on equity (Salim, 2015) (MOSCU, 2014). The results of research conducted (Dewi, 2014) also concluded that there is a significant effect of leverage on firm value as measured by Tobin's Q. From various studies above shows that operating efficiency, capital intensity and leverage, affect profitability, so the hypothesis can be determined:

Hypothesis 1: There is an Effect of operating efficiency, capital intensity and leverage on profitability.

Direct and Indirect Effect of Operating Efficiency, Capital Intensity, Leverage on Tax Avoidance Through Profitability

Tax avoidance is a management effort to reduce agency conflict between management and the cooperative owner and tax authority. Management seeks to improve operating efficiency, capital intensity and leverage, increasing these three variables is expected to reduce tax payments as tax avoidance so that profitability to which the owner is entitled remains high. Operating efficiency is carried out as an effort to improve cost efficiency, especially operational costs. Capital intensity is an effort of management to make effective use of resources owned by cooperatives to increase business activities; consequently, the need for fixed assets will also increase, the addition of fixed assets will increase depreciation expenses used to reduce cooperative income, depreciation expenses as non-cash costs. At the same time, leverage is a management effort to increase capital requirements from creditors, with higher interest expense to be paid. Depreciation and interest expense can be used to streamline tax payments. Several studies have been conducted to examine the factors that influence tax avoidance, among others, capital intensity, leverage, and profitability (Kim & Im, 2017). Another study from the perspective of financial management is related to tax planning which is influenced by aspects of operating efficiency, capital intensity, leverage, and profitability (Erickson & Heitzman, 2013). Other research also states that tax avoidance is influenced by capital intensity, leverage, and profitability (Putra et al., 2018).

In this study, besides testing the direct effect of operating efficiency, capital intensity leverage and profitability on tax avoidance, also testing the indirect effect of the first three variables on tax avoidance through profitability. Management seeks to increase the profitability that the owner hopes, on the other hand, the taxes that must be paid by the cooperative are also based on profitability. The greater the profitability obtained, the greater the tax that must be paid. Earning management can manipulate profitability using specific tools to do tax avoidance (Badertscher et al., 2009; Scott, 2009). The action of earnings management can moderate the effect of operating efficiency, capital intensity and leverage on tax avoidance (Rani et al., 2018). A higher leverage ratio indicates the dependence of funding from creditors, which results in an increasingly large interest expense (Astuti et al., 2017), and will reduce profits and taxes that must be paid. Leverage is a significant and positive relationship with tax aggressiveness that measured by the effective tax rate (Ogbeide, 2017).

Another agency problem arises between the tax authority and management. Management seeks to increase the profitability of cooperatives. Still, with an increase in profitability impacting higher tax payments, the management's effort is to do tax avoidance (Sadiq et al, 2019). Profitability affects the effective tax rate, and the ability to make profits must prepare tax paid proportionately. Some evidence suggests that income is related to tax avoidance practices (Johns & Slemrod, 2010). Other researchers also explain that there is a relationship between the amounts of income earned by the amount of tax paid (Tabandeh et al., 2012). High tax payments offset high profitability (C. L. Putri & Lautania, 2016). The research is in line with the research conducted (Rinaldi & Cheisviyanny, 2015), which states that profitability has a positive effect on the effective tax rate. Thus, it can be explained that the higher the amount of corporate income, then also the higher the effort to practice tax avoidance. The hypothesis set is as follows:

Hypothesis 2: There is a direct effect of the variables operating efficiency, capital intensity, leverage and profitability on tax avoidance.

Hypothesis 3: There are indirect effects of operating efficiency, capital intensity and leverage variables on tax avoidance through profitability.

RESEARCH METHODS

In this study using quantitative research methods, statistical analysis is used to process data to test the hypotheses that have been proposed, as well as to prove the implementation of agency theory in cooperatives between members and management and management with the tax authority. The object of this study relates to the variables operating efficiency, capital intensity, leverage as independent variables, profitability and tax avoidance as dependent variables in cooperative samples in "Jawa Barat Bagian Timur". The data needed is secondary data from the cooperative financial statements for the period of 2015 to 2019. Purposive sampling technique was used with a sample size determined by 100 cooperatives, and research uses path analysis to find out the relationship between research variables. With the requirement that the active cooperative present financial reports, hold annual member meetings, turnover above IDR 4.8 billion and pay corporate tax on the remaining business results. Concept definitions and measurements of each variable used as the object of research:

1) Tax Avoidance

Tax avoidance is measured by the Effective Tax Rate (ETR) as a comparison between real taxes paid and commercial profits before taxes. ETR is used to measure tax paid as a proportion of income (Ardyansah, 2014). According to (Noor et al., 2010), ETR is a measure of the corporate tax burden because it reveals the level of tax paid on profit. ETR calculation is formulated:

$$\text{Effective Tax Ratio} = \frac{\text{Tax Payment}}{\text{Earning Before Tax}} \times 100\% \quad \dots\dots\dots 1)$$

The higher the ETR means, the higher the taxpayer compliance or, the smaller tax avoidance, conversely the smaller the ETR, the lower the compliance in paying taxes or the higher the tax avoidance done by the taxpayer.

2) Profitability Ratio

A profitability ratio is the ability to obtain a return on the owner's capital (Cornett., 2012) and (Ross et al., 2012). This study uses ROE to measure the level of profitability, showing effectiveness in generating profitability for owners (Hanafi, 2005). ROE is formulated as follows:

$$\text{Return on Equity} = \frac{\text{Earning After Tax}}{\text{Equity}} \times 100\% \quad \dots\dots\dots 2)$$

The higher ROE shows, the higher the management's ability to meet the wishes of the owner in improving his welfare. The higher the value of ROE, the higher the return to which the owner is entitled so that the better and more effective business management (Harahap, 2009).

3) Operating Efficiency Ratio

Operating efficiency ratio demonstrate the ability to use efficiently the costs and expenses that must be borne to generate sales (Cornett., 2012) and (Ross et al., 2012), while according to (Pancheva, 2013) states that Operating efficiency is measured by comparing total costs with sales. Operating efficiency ratio is formulated:

$$\text{Operating Efficiency} = \frac{1 - \text{EBT}}{\text{Sales}} \times 100\% \quad \dots\dots\dots 3)$$

The lower this ratio indicates that the ability of management to use costs more efficiently, the greater the organization's ability to generate profits, reflecting the performance of management in managing the business efficiently.

4) Capital Intensity Ratio

Capital intensity ratio measured by comparing total assets with turnover in the same period, another measure for the Capital Intensity Ratio as a proportion of fixed assets for all assets held (C. L. Putri & Lautania, 2016). This ratio is the opposite of total asset turnover, which is to measure the effectiveness of sales with a certain number of assets (Cornett., 2012), and (Ross et al., 2012).

$$\text{Return on Equity} = \frac{\text{Total Assets}}{\text{Sales}} \times 100\% \quad \dots\dots\dots 4)$$

The smaller this ratio, the more effective the use of assets in generating sales. The higher this ratio, the greater the depreciation which is recognized as an expense but non-cash, which results in a reduction in the residual income of the cooperative so that corporate tax is also smaller.

5) Leverage

Leverage is a ratio to find out the use of funds from debt to finance assets. The debt can measure leverage to assets ratio, which compares the total debt with equity (Ardyansah, 2014) and (Ross et al., 2012).

$$\text{Debt to Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}} \times 100\% \dots\dots\dots 5)$$

The greater this ratio shows, the more significant the source of funds originating from debt as a result of the interest expense to be paid is greater, and the residual income is smaller and results in smaller corporate tax that must be paid, the tax has an effect on the active interest of the loan (Modigliani, Miller, 1958).

RESULTS AND DISCUSSION

The number of cooperative samples obtained is in accordance with the specified sample size, but after being selected, most cooperatives do not meet the established criteria. A total of 54 cooperatives with a turnover of under IDR 4.8 billion with a final tax of 0.5% of turnover. Cooperatives that have a turnover of above IDR 4.8 billion and pay corporate tax, the object of which is the remainder of the results of operations only, presenting financial reports by applicable accounting standards and the routine holds an annual member meeting, totalling 46 cooperatives.

1) Variable Description

Descriptively it can be explained the results of research of each average value, minimum value, maximum value and standard deviation of each variable are presented in the following table 1.

Table 1. Variable Description

No	Description	Unit	Average	Min	Max	Deviation Standard
1	Tax Avoidance	%	21.34	0.62	42.83	9.72
2	Return on Equity	%	11.56	0.28	98.71	16.66
3	Operating Efficiency	%	91.89	57.59	99.83	8.92
4	Capital Intensity	%	265.16	16.21	959.2	238.1
5	Debt to Equity Ration	%	259.01	9.85	1143.11	248.7

2) Path Analysis Test Results

The results of the path analysis of panel data from 46 cooperatives, from 2015 to 2019, can be explained through the model 1 path structure and the model 2 path structure.

Model 1 Track Structure:

Structure of the Model 1 Path to test the effect of operating efficiency, capital intensity and leverage variables on profitability, is explained in table 2 below:

Table 2. Line Structure Coefficient Model 1: Effect of Operating Efficiency, Capital Intensity and Leverage on Profitability

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.517 ^a	.267	.256	18.02531
a. Predictors: (Constant), Leverage, Capital Intensity, Operating Efficiency				

Model	Unstandardized Coefficients		Standardized Coefficient	t	sig
	B	Std Error			
(Constant)	91.776	13,383		6,858	,000
Operating Efficiency	-,981	,142	-,464	-6,899	,000

Capital Intensity	-,029	,007	-,278	-4,202	,000
Leverage	,285	,053	,346	5,369	,000
a. Dependent Variable: Profitability					

Based on the results of the analysis on the path structure of model 1, Table 2, the magnitude of the influence of the variable operating efficiency, capital intensity and leverage on profitability is known. Referring to the Coefficients table, it can be seen the path coefficient values of the three independent variables have a significant effect on profitability, each with a significance value of 0,000 less than 0.05. Based on the Model Summary table, the magnitude of the correlation coefficient is 0.517, and the determinant coefficient is 0.267. This coefficient indicates that the variable operating efficiency, capital intensity and leverage significantly influence profitability with the contribution of the influence of the three independent variables amounting to 26.7%. The remaining 73.4% is influenced by other variables not examined.

Hypothesis 1 proposed that it is proven that based on the results of the analysis there is a significant effect of the operating efficiency, capital intensity and leverage variables on profitability, but the operating efficiency variable and capital intensity have a negative effect, while the leverage variable has a positive effect on profitability.

Model 2 Track Structure:

The results of the analysis of the pathway model 2 to determine the direct effect of the operating efficiency, capital intensity, leverage, and profitability variables on tax avoidance can be explained through table 3.

Table 3. Line Coefficient Model 2: The effect of operating efficiency, capital intensity leverage, and profitability variables on tax avoidance

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.563 ^a	.317	.302	8.28169
a. Predictors: (Constant), Profitability, Capital Intensity, Leverage, Operating Efficiency				

Model	Unstandardized Coefficients		Standardized Coefficient	t	sig
	B	Std Error			
(Constant)	-18,361	6,886		-2,666	,008
Operating Efficiency	,397	,073	,396	5,415	,000
Capital Intensity	,001	,003	-,011	-,165	,869
Leverage	,285	,053	,346	5,369	,002
Profitability	-,107	,034	-,225	-3,156	,002
a. Dependent Variable: Tax Avoidance					

Based on the output analysis of the model path structure 2. Table 3 in the Coefficients table, shows that of the four operating efficiency variables, capital intensity, leverage and profitability, three variables significantly influence tax avoidance, namely operating efficiency, leverage, and profitability with more significance values smaller than 0.05, respectively 0.000, 0.002 and 0.002. In contrast, the capital intensity does not significantly influence tax avoidance because the significance value is 0.869 > 0.05.

The value of the path coefficient in the Summary table is 0.563, and R Square is 0.317. This coefficient shows the effect of operating efficiency, capital intensity, leverage, and profitability variables on tax avoidance, with a contribution of 31.7%. The remaining 68.3% is influenced by other variables not examined.

Based on the analysis, hypothesis 2 is not all proven, operating efficiency, leverage, and profitability have a significant direct effect on tax avoidance, profitability has a significant negative effect on tax avoidance. At the same time, the capital intensity does not affect tax avoidance.

Hypothesis 3 test, using the results of the analysis of the path structure of model 2. Can be calculated the indirect effect of the variable operating efficiency, capital intensity and leverage on tax avoidance through profitability, by multiplying the beta value of the direct effect of independent variables on profitability with the beta value of the effect of profitability on tax avoidance. For example, the magnitude of the indirect effect of operating efficiency variables, on tax avoidance through profitability = $0.396 \times 0.225 = -0.089$. The total effect of operating efficiency variables on tax avoidance through profitability variables is the result of the sum of the direct effects of 0.396 with an indirect effect of - 0.089. Equals 0.307. The results of the calculation of indirect and total effects are presented in the following Table 4.

Table 4. Path coefficient calculation which includes Direct Effect, Indirect Effect and Total Effects

No	Description	Direct Effect	Indirect Effect	Total
1	The effect of Profitability on Tax Avoidance	-0.225		
2	The effect of Operating Efficiency on Tax Avoidance through Profitability	0.396	0.104	0.500
3	The effect of capital intensity against tax avoidance through profitability	0.011	0.063	0.074
4	The effect of leverage on tax avoidance through profitability	0.216	-0.078	0.138

The indirect effect of operating efficiency variables on tax avoidance through profitability variable is 0.104. The total effect of operating efficiency variables on tax avoidance through profitability variable is 0.500, the indirect effect of capital intensity variable on tax avoidance through profitability variable is 0.063, and the total effect is 0.074, The indirect effect of variable leverage on tax avoidance through profitability is -0.078, and the total effect is 0.138.

Thus hypothesis 3 proposed proved to have an indirect effect of each variable operating efficiency, capital intensity and leverage on tax avoidance through profitability.

Discussion

The purpose of this study was to examine the agency relationship in a cooperative business entity, between members and management and management with a tax authority. Management's efforts to increase profitability are in line with members' expectations so that their welfare can be improved. From the results of the analysis show that the profitability of cooperatives can be increased by the efficiency of operational costs, evidenced by the significant negative effect of the operating efficiency variable on profitability. Operating efficiency is calculated by formula 1- (EBT / Sales). This means that the smaller the value of this ratio, the more efficient the use of operational costs so that it will increase profitability. Thus management's efforts to improve efficiency can increase profitability as measured by return on equity. This effort was made to meet the desires of the owner so that agency problems can be reduced by increasing operating efficiency. The results of this study are in accordance with the opinions (Park, 2009), (Jensen, 1986) and (Myers, 2000), dividend distribution will reduce agency problems. Operating efficiency reduces agency problems (Ang et al., 2000); (McKnight & Weir, 2009); and (Wellalage & Locke, 2011).

Capital intensity ratio as opposed to asset turn over, if this ratio is smaller means more effective use of cooperative assets. In accordance with the results of this study indicate that capital intensity has

a significant negative effect on profitability, it can be interpreted that management has managed assets effectively to increase profitability, as an effort to realize the goals of members through effective asset management. The results of this study are in accordance with the opinions (Rashid, 2013) and (Florackis & Ozkan, 2009) that internally profitability can be improved by streamlining asset utilization.

Leverage is referred to as the debt ratio, indicating the number of cooperative funding sources from debt. Based on the results of the analysis shows that leverage has a significant positive effect on profitability. Cooperative debt has an interest expense, with a higher interest expense that will result in smaller earning before tax so that the corporate tax burden is also smaller. Alternatively, with the existence of corporate tax, the effective interest paid by cooperatives gets smaller, the profitability of cooperatives to which the members are entitled becomes greater, the debt can be a leveraged return for the owner. The results of this study show that increasing debt can discipline management (Modigliani & Miller, 1958), and (Frierman & Viswanath, 1994).

Agency conflict in the cooperative is caused by differences in interests between management who obtain the mandate from cooperative members as owners can be minimized. Management can reduce conflicts by managing business by streamlining operational expenses, making effective use of assets and increasing cooperative debt so that efforts to increase the profitability desired by members can be achieved.

The results of this study indicate the efforts of cooperative management to reduce conflicts of interest with the tax authority in tax payments. Cooperative management must manage tax with tax planning, one of which is by doing tax avoidance. Efforts are made by managing factors that can be used to reduce tax payments legally. Management of operating efficiency, leverage, and profitability are essential because these three variables significantly influence tax avoidance.

Operating efficiency and leverage have a direct positive effect on tax avoidance. It can be interpreted that the increased operating efficiency by management affects the compliance of tax payments or the reduction in efforts to avoid tax payments, in other words, the more efficient business management, the more tax will be paid.

Cooperative profitability has a negative and significant effect, meaning that the higher the profitability, the management seeks to reduce tax payment compliance or increase tax avoidance efforts. This management action is an effort so that management's achievements can be judged well by members because they have tried to reduce taxes so that profitability is higher. Management still strives to reduce tax payments in a way that does not violate the rules so that the tax authority's desire to increase revenue is achieved. The conflict between parties can be minimized. The results of the study are in accordance with opinions (Erickson & Heitzman, 2013) (Putra et al., 2018) that tax avoidance is influenced by capital intensity, leverage, and profitability. (Ogbeide, 2017) leverage is a significant and positive relationship with tax aggressiveness that measured by the effective tax rate.

An interesting finding is that there is an indirect effect of operating efficiency, capital intensity and leverage on tax avoidance through profitability. Cooperative management tries to balance the interests of members with the interests of paying taxes. Members have an interest in the acquisition of the remaining business results to improve their welfare, and the tax authority has an interest in the tax that must be paid by the cooperative, while management is concerned with the achievements obtained, including compensation to be received. Management seeks to improve operating efficiency, make effective use of assets, and increase the debt that can leverage the remaining business results to which members are entitled. These efforts are also intended to be able to make tax savings.

The conditions on the ground indicate that most members are very hopeful of the distribution of the remainder of the business results generated by cooperatives. The financial behaviour of members about the distribution of dividends is interesting to study further.

On the other hand, cooperative management as an agent is related to the obligation to pay taxes, trying to meet these obligations by saving tax payments, which is done by streamlining operational costs and increasing debt on the one hand to increase profitability and on the other hand is used as an effort to reduce tax payments.

CONCLUSION

Based on data analysis and discussion of Direct and Indirect Effects of Operating Efficiency, Capital Intensity, Leverage on Tax Avoidance Through Profitability, several conclusions can be drawn as follows:

Agency theory is proven to occur in cooperative organizations that have characteristics, values and principles that are different from other business entities. Management always tries to balance the interests of members with management and management with the tax authority. Management strives to demonstrate performance by improving operating expenses, making effective use of assets, and utilizing debt to increase cooperative profitability. On the other hand, management can manage taxation by doing tax avoidance, in order to save cooperative tax to increase the profitability of the members, but still, adhere to the applicable tax provisions.

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