INFLUENCE OF TAX AVOIDANCE, SALES GROWTH, AND PROFITABILITY TOWARD LEVERAGE IN FOOD AND BEVERAGES INDUSTRIES

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Abstract

Company may receive significant amounts of funding through leverage activities, as compared to being constrained by internal funds. Companies typically seek leverage to fund long-term activities that incur high expenditures. The purpose of this study is to analyze the influence of tax avoidance, sales growth, and profitability toward leverage in food and beverages industry companies listed at Indonesia Stock Exchange (IDX) from 2017 until 2020. The independent variables used in this study are tax avoidance, sales growth, and profitability, while leverage is the independent variable.The data used in this research are secondary data obtained from food and beverages industry companies listed in IDX from 2017 to 2020. Using the purposive sampling method, out of 34 populations in the food and beverages industry, 11 companies are chosen as samples. With the four years research period, it results in a total of 44 observations. Multiple linear regression was utilized to analyze the data in this study, which was processed through SPSS 25. The result of this study discovers that tax avoidance and sales growth partially have no significant influence toward leverage. Meanwhile, profitability partially has a significant influence toward leverage. Simultaneously, tax avoidance, sales growth, and profitability have a significant influence toward leverage.

***Keywords**: Tax Avoidance, Sales Growth, Profitability, Leverage*

PENDAHULUAN

Economic growth in Indonesia has resulted in the emergence of market competition among companies in the country. The business world is becoming more competitive, and these circumstances require businesses to succeed in achieving their objectives. This competitiveness generally requires that businesses should be able to maximize their value in all their operations. Enhancing the efficiency of the company's operations is a fundamental prerequisite for the company to raise its value and prosper its shareholders' wealth. Therefore, the appropriate financing decision for the business is one of the decisions that the manager must take to improve efficiency in the company and achieve optimum results of its operations.

The cost of'each portion of the capital structure is different. Cost capital resulting from financing decisions is a direct outcome of managerial decisions. The cost of leverage is equal to the creditor's interest rate. Internal financing, on the other hand, is the opportunity cost of using funds or own resources (Brigham & Houston, 2019). If capital structure choices are taken without consideration, it can result in high fixed costs in the form of capital costs, which can lead to low company profitability. Company may receive significant amounts of funding through leverage activities, as compared to being constrained by internal funds. Companies typically seek leverage to fund long-term activities that incur

high expenditures, such as corporate development, expansion, and acquisitions. The leverage will be measured using the ratio between total debt and company capital, which refers to the debt-to-equity ratio (DER). The debt-to-equity ratio is a calculation that compares debt and equity. If the company's debt exceeds its capital, the debt-to-equity ratio is greater than one, indicating that the funds used for the company's financial operations are more heavily reliant on debt. When the debt-to-equity ratio is greater than one, the business must bear the entire cost of capital on its own, increasing the risk it encounters if the investment it makes does not yield an optimal rate of return (Kasmir, 2017).

The focus of this study will be on the food and beverages industry sector. The food and beverages industry is a subcategory of the consumer goods sector. It is one of the world's oldest industries, however, it is still overflowing with innovative ideas. This industry is continually seeking innovative methods to provide the food and beverages people need at the lowest competitive price, yet with the maximum profit as they could. There are several reasons why the food and beverages companies were chosen as the object of this study.

Firstly, the need for leverage in the food and beverage industry is higher than in other industries because of the need for equipment and machinery to support the manufacturing process. Following are the comparison of leverage used by company measured through the debt-to-equity ratio from consumer goods companies listed in the Indonesia Stock Exchange, which involves the food and beverage industry, tobacco industry, pharmaceutical industry, cosmetics and household industry, houseware industry, as well as other industry. The table shows the average debt-to-equity ratio per year from 2016 to 2020.

Table 1. Comparison of Debt-to-Equity Ratio in Consumer Goods Companies from 2016 to 2020

SECTOR	Average Debt to Equity Ratio (DER)				
	2016	2017	2018	2019	2020
Food and Beverage	1.13	1.40	1.31	0.89	1.00
Tobacco	0.41	0.42	0.52	0.59	0.67
Pharmaceutical	1.04	0.89	1.05	0.89	0.93
Cosmetics and Household	0.88	0.99	0.81	1.10	1.00
Houseware	0.73	0.78	0.72	0.98	0.83
Others	0.88	0.42	0.41	1.00	0.73

Source: Prepared by Writer (2021)

Table 1 shows the average debt-to-equity ratio in the consumer goods sector companies, and it can be seen that the debt-to-equity ratio in the food and beverages industry is the highest among the others. From 2016 to 2020, the debt-to-equity ratio in the food and beverages was approximately equal or more than one, except in 2019, which is only amounted to 0.89. This demonstrates that in the food and beverages industry, more of the companies depend more on debt funds or leverage for their investment activities rather than from their own resources.

Secondly, there is a chance that the food and beverages industry will help Indonesia's economy significantly. Whether domestically or internationally, the food and beverages industry has promising business potential. Thus, it enables the development of this industry. Indonesian Ministry of Industry (Kemenperin) mentioned that the food and beverage industry is crucial as the companies are producing products that are essential to society, which also refers to products required to fulfill the basic needs of

humans. As a result, the food and beverage industry is projected to be one of Indonesia's main supporting sectors (Kemenperin, 2019).

Therefore, the significance of analyzing the food and beverages industry is becoming stronger because of these supporting factors. According to Yusuf (2017) in Pramukti (2019), the business world is getting tougher and business competition is getting sharper in the globalization era, which requires that companies, especially manufacturing companies to increase their corporate value. Companies are forced to actively increase their performances to thrive and succeed in their respective fields as competition grows.

Company must pay attention to the factors that affect the use of leverage decision. Several factors that affect the capital structure are described by several researchers. Several aspects which influence the decision-making, including revenue stability, financial flexibility, asset structure, operating leverage, sales growth, profitability, market condition, company's internal condition, taxation, and business risks (Brigham & Houston, 2019).

One of the factors that influence organizational decisions on the use of leverage is taxation. This is linked to a country's tax rates levied by the government. The interest cost incurred because of the length of the term loan would reduce the company's taxable profit, resulting in a decrease in the amount of taxes owed to the government. As a result, high tax rates enable businesses to use more leverage, such as creditors' debt as a source of funding.

From the perspective of the corporate taxpayer, it is anticipated to have lower taxes rates charged as taxes are expenses that reduce the company's income. As Indonesia applies the self-assessment system, taxpayers are given opportunities to measure their tax responsibilities on their own. This system allows taxpayers to pay taxes in the cost-effective means as possible, while not breaking the relevant tax laws, which is defined as tax avoidance. As a result, many companies engage in various attempts to conduct tax avoidance by lowering tax expenses that must be deposited in the state treasury.

Tax avoidance is the practice of avoiding paying taxes by ignoring the rules of the taxation system. Through engaging in this activity, the corporation is consciously exploiting the flaws in tax legislation, as well as selecting a burden that can lower taxes (Wang et al., 2020). However, not all companies engage in tax avoidance because they anticipated the risks that it will be costly, resulting in higher taxation costs, and may damage the company's image, causing the company's long-term stability to be negatively impacted (Guenther et al., 2017). The tax avoidance can be measured by calculating the effective tax rate through comparing the total tax expense with income before tax.

The second factor in this research is sales growth as measured by the change in the company's total sales. It is an important part of running a business and a critical aspect to be considered in its development. The company may struggle to expand without strong sales growth. Sales performance represents the company's success and is one of the internal metrics used to determine the company's potential to boost sales year on year, which in this situation would make it easier for the firm to receive additional financing. Companies with high sales can expand by borrowing money from outside sources. A rise in sales, accompanied by an increase in financial performance, would enhance the company's external confidence. The proportion of debt would rise significantly as creditors have more confidence in the business (Brigham & Houston, 2019).

High or stable sales growth will have an impact on the company's profits so that it becomes a consideration in determining the company's financing structure. When a company's sales growth is stable, the company will tend to use debt as a source of funding. A high sales growth rate indicates that the company's sales volume is increasing, necessitating an increase in production capacity, which

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requires more funds that are normally obtained from outside sources in the form of loans or debt (Hanafi & Halim, 2016).

Profitability is also one of the factors that influence the use of leverage. Profitability refers to a company's ability to generate profit from sales, assets, and capital (Hanafi & Halim, 2016). Most company's ultimate objective is to make as much money or profit as possible. By achieving the highest profit as planned, the business may accomplish a lot for the owner's or shareholder's and workers' well-being, as well as increase product quality and expand its business or make new investments. When a company's profitability is high, it is most likely to use internal finance, so greater profitability means more earnings can be stored in bigger amounts, reducing the need for leverage. If the company's performance grows, retained profits can be used as the main source of funding, thus reducing the use of leverage in the capital structure (Widayanti et al., 2016). From this point of view, profitability has a substantial role in the company's decision whether to use leverage or not.

Many ratios can be utilized to present the profitability value. Profitability in this research will be determined using return on equity (ROE). This ratio is used to describe the capacity of net income after taxes of a company to be invested in its capital. The writer selected ROE because it compares net income after taxes to own capital, and it is considered a precise ratio among other profitability ratios in terms of measuring the financing structure of a company.

Following are data of tax avoidance (ETR), Sales Growth (SG), profitability (ROE), and leverage (DER) in the food and beverages companies listed at the Indonesia Stock Exchange (IDX) that mostly uses leverage.

Table 2. Data of Tax Avoidance (ETR), Sales Growth (SG), Profitability (ROE), and Leverage (DER) in food and beverages companies listed at IDX from 2017 to 2020.

No	Company's Code	Year	ETR	SG	ROE	DER
1	BUDI	2017	0.25	0.02	0.04	1.46
		2018	0.30	0.05	0.04	1.77
		2019	0.24	0.13	0.05	1.33
		2020	0.03	-0.24	0.05	1.24
2	MYOR	2017	0.25	0.13	0.22	1.03
		2018	0.26	0.16	0.21	1.06
		2019	0.24	0.04	0.21	0.92
		2020	0.22	-0.02	0.19	0.75
3	SKLT	2017	0.16	0.10	0.07	1.07
		2018	0.19	0.14	0.09	1.20
		2019	0.21	0.23	0.12	1.08
		2020	0.24	-0.02	0.10	0.90

Source: Prepared by Writer (2021)

According to Table 2, we can see the three leading companies in the food and beverages industry that mostly use leverage as demonstrated by their DER that is more than one, namely company with the code BUDI, MYOR, and SKLT. This indicates that the companies are using leverage to finance the companies' operations. On the other hand, the company with code SKLT has an ETR of less than 25% for the four consecutive years, which reveals that the company performed tax avoidance practices. In

which, the smaller the ETR value, the greater the company is considered doing tax avoidance. In addition, it can be seen that each company have a positive sales growth from 2017 to 2019, except in 2020 where there was a decrease in sales. Then, the profitability level of the three companies was also quite stable.

According to Puspita and Febrianti (2018), tax avoidance has an effect on the use of leverage (DER), because firms that use debt in their finance composition would incur interest payments, which can be deductible from taxable income and result in decreasing taxable profits for the company and a reduction in the level of tax that the corporation would pay. From the data above, it can be seen that not all companies with smaller ETR values have a high DER value. Previous research concerning the influence of tax avoidance on leverage done by Rahmasari et al. (2020), Diana (2020), Saragi and Hutabarat (2020), as well as Sihotang (2020) showed that tax avoidance does not have a significant influence on leverage. However, research done by Abdullah (2020) indicated that tax avoidance has a significant influence on leverage.

On the other hand, sales growth also can be used to identify the capital structure decision. Based on the data above, it can be seen that not all companies that experience an increase in sales growth are accompanied by an increase in DER. According to research done by Diana (2020) and Pramukti (2019), sales growth has a significant influence on leverage. Meanwhile, research done by Marlina et al. (2020) and Kartika (2016), stated that sales growth does not have a significant influence on leverage.

Furthermore, profitability is also considered to be one of the variables that may influence the use of leverage. Based on the data above, it can be seen that not all companies that experience an increase in the profitability measured by ROE are accompanied by a decrease in DER. According to research done by Nguyen et al. (2020), Abdullah (2020), Marlina et al. (2020), Pramukti (2019), Kartika (2016), and Gómez et al. (2016) stated that profitability has a significant influence on leverage.

There are differences in research results regarding the variables that affect leverage, as shown by many previous studies. This study aims to retest the variables that influence leverage. In this research, the independent variables which are the indicators that will be used to evaluate leverage are tax avoidance, sales growth, and profitability. The research will be carried out on the food and beverages companies listed at the Indonesia Stock Exchange from 2017 to 2020.

Food and beverages industry companies often need additional funds to buy properties and manufacturing facilities. In which, one of the ways that those funds can be gained is through leverage activities. Therefore, the analysis of the factors that influencing leverage is imperative. According to the concerned issues described in the background, the writer is encouraged to conduct a study with the title "The Influence of Tax Avoidance, Sales Growth, and Profitability toward Leverage in Food and Beverages Industries".

STUDI LITERATUR DAN PENGEMBANGAN HIPOTESIS
THEORETICAL BACKGROUND
Trade-Off Theory

Trade-off theory is a capital structure concept based on the exchanges between the benefits and drawbacks of financing activities through debt. This theory assumes that a company's capital structure strikes a balance between the advantages of borrowing money through debt (referring to the tax shield benefit of leverage) with the costs of financial distress and agency costs (Wikartika & Zumrotul, 2018). This theory explained that debt increases interest expenses, which can be utilized to reduce tax obligations. When interest expenses can be deducted from income, the profit before tax is reduced, and the outcome is the tax is reduced as well. On the other hand, this theory also described that using more

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external finance through debt will result in financial difficulties or bankruptcy. When a company's capital structure incorporates more debt, problems relating to bankruptcy are more likely to occur.

The company's decision to finance its operations is usually based on the optimal capital structure (Oktavina et al., 2018). In which, the optimal capital structure is created by weighing the advantages of tax savings from debt against the costs of bankruptcy. According to Umdiana and Claudia (2020), the essence of the trade-off theory in the capital structure is to balance the benefits and sacrifices arising from the use of debt. Additional debt is permissible as long as the benefits outweigh the sacrifices incurred. Meanwhile, if the sacrifice incurred as a result of the use of debt is greater, additional debt is not permitted. Based on this theory, companies endeavor to maintain a targeted capital structure in order to maximize market value.

From the explanation, this theory revealed that companies that use no debt at all and companies that use all debt to finance their operations are both terrible. As stated in the trade-off theory, the selection of alternative sources of funds is based on consideration of the costs and benefits arising from the use of debt, so companies need to choose the right capital structure. In other words, the best strategy is to find a balanced approach that considers both financing options.

Pecking Order Theory

Pecking order theory was first established by Donaldson in 1961. Donaldson stated that there is a priority in the company's financing decision. Stewart C. Myers then developed this idea in 1984 and explained the theoretical model of financing decisions by linking the need for external financing sources in the capital structure of a company. Pecking order theory describes a company's preferences when it comes to establishing the optimal capital structure. According to this theory, determining the best capital structure requires a sequence of company financing decisions, namely choosing internal funding sources and then external funding sources, with debt first and equity securities as the last alternative (Febriana & Yulianto, 2017).

This theory states that companies favor internal funding sources because they avoid providing a lot of information to outsiders. However, internal funds are frequently insufficient to fund all of the company's investment and operational activities. The internal financing deficit denotes a situation in which the company's internal funds are insufficient to support the company's activities (both investment and operations) in the future. Therefore, when a company's internal funding is insufficient, it will pursue external financing, emphasizing debt financing above the issuance of stock shares (Dewi & Wirama, 2017).

LITERATURE STUDY

The literature study used here are Financing Activities, Tax Avoidance, Sales Growth, and Profitability.

HYPOTHESIS DEVELOPMENT

Influence of Tax Avoidance Towards Leverage

The corporation uses loans as an external source of finance to sustain its operating operations, which reduces the tax cost to be paid; this is considered tax avoidance done by the organization through keeping taxes to a minimum. Tax avoidance indicates that the corporation is consciously exploiting the flaws in tax legislation and choosing a method that can lower taxes (Wang et al., 2020). Tax avoidance is inextricably linked to the business, in the way that it is mainly attributed to the company's leverage decision. Tax avoidance is associated with the practice of selecting one or more evaluated external funding options to benefit from a variety of leverage opportunities available to the organization.

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H_1 : Tax Avoidance has a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX).

Influence of Sales Growth Towards Leverage

A business with reasonably steady sales growth has a stable cash flow, allowing it to take on more debt as it can pay it off with less risk. This is followed up by corporate earnings that will be used to cover borrowing rates in the future. The rate of sales growth can be used as a determination to assist businesses in making decisions. Good sales performance represents the company's accomplishment and is one of the internal measurements used to determine the company's potential, which may result in making it easier for the company to receive additional financing. Previous research performed by Diana (2020) and Pramukti (2019) showed that sales growth has a significant influence toward leverage.

H_2 : Sales Growth has a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX).

Influence of Profitability Towards Leverage

Profitability refers to a company's ability to profit from its investments. In determining how to finance the company, the managers of the company usually begin with internal financing, then they will pursue external financing. Since financing from internal funds raised has low costs and the firm will be deemed capable of supporting its business from retained earnings. The greater the profitability, the more likely the company will use its own funds or retained earnings gained from operations to finance the company's operations. Thus, it will not be using leverage. Greater profitability makes the firm more appealing to outside parties (investors and borrowers), and if borrowers are more interested in spending their money in the company, the financial leverage will also rise. Previous research performed by Nguyen et al. (2020), Abdullah (2020), Marlina et al. (2020), Pramukti (2019), Kartika (2016), and Gómez et al. (2016) showed that profitability has a significant influence on leverage.

H_3 : Profitability has a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX).

Influence of Tax Avoidance, Sales Growth, And Profitability Towards Leverage

H_4 : Tax Avoidance, Sales Growth, and Profitability have a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX) simultaneously.

METODE PENELITIAN
RESEARCH DESIGN

The writer uses a quantitative descriptive study design to evaluate this research. The quantitative descriptive study design is a technique for taking hypotheses to the test by measuring and examining variables so that data collected can be evaluated and interpreted using statistical methods to describe the phenomena through numerical data collection (Noor, 2017).

Aside from that, this research concentrates on deductive reasoning, indicating that it is focused on a general pattern that leads to a more specific pattern in making a conclusion. This research involves causal research design, in which the impact of one variable on another is demonstrated empirically using the data and facts gathered. The writer's purpose of conducting causal research is to find out whether the independent variables, namely tax avoidance, sales growth, and profitability, have an impact on the

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dependent variable, which is leverage. Specifically, this research will examine the relationships of independent and dependent variables mentioned in the food and beverages industry company listed at the Indonesia Stock Exchange.

POPULATION AND SAMPLE
Population
In general, a population is a wide group of subjects and individuals with certain traits that will be studied. To put it another way, a population is a grouping of items and research subjects that share characteristics and are chosen by researchers to be observed and analyzed (Sekaran & Bougie, 2017). The population in this research involves food and beverages companies that are listed at the Indonesia Stock Exchange. They are selected as the population because they are capital-intensive companies that are focused on high-capital market activities. Because of the large amount of capital required, the business must manage its capital effectively and efficiently to get large profits.

Sample
A sample is a set of observation items that act as a representative of the population's size and characteristics. The sample in this research is chosen using the purposive sampling technique. It is a method for determining the sample with particular considerations or conditions that the sample should meet in order to solve the research problems (Sugiyono, 2017). A purposive sample is made up of samples that have been deliberately or purposely chosen to have characteristics that are relevant to the study's objectives. The following are the criteria to select the samples that will be used in the research:
1. Companies that are classified as food and beverages companies listed in the Indonesia Stock Exchange.
2. Food and beverages companies that are consistently listed in the Indonesia Stock Exchange for the period 2017 to 2020.
3. Companies in the food and beverages industry that released and published annual reports consistently for the period 2017 to 2020.
4. Companies in the food and beverages industry that have the tax expense figure to measure the tax avoidance variable in this study for the period 2017 to 2020.
5. Companies in the food and beverages industry that did not experience any losses for the period 2017 to 2020.

Thus, based on the sample eligibility requirements described previously, the samples obtained by the purposive sampling method will be formulated in the following table:

Table 3. Determination of Sample

No	Description	Amount
1.	Companies that are classified as food and beverages companies listed in the Indonesia Stock Exchange.	34
2.	Food and beverages companies that are not consistently listed in the Indonesia Stock Exchange for the period 2017 to 2020.	(15)
	Companies in the food and beverages industry that are consistently listed in the Indonesia Stock Exchange for the period 2017 to 2020.	19
3.	Companies in the food and beverages industry that did not release and publish annual reports consistently for the period 2017 to 2020.	(1)

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4.	Companies in the food and beverages industry that do not have the tax expense figure required to measure the tax avoidance variable in this study for the period 2017 to 2020.	(1)
5.	Companies in the food and beverages industry that experienced losses for the period 2017 to 2020.	(6)
Number of companies qualified to be samples		**11**
Total number of research samples		**44**

Source: Prepared by Writer (2021)

There was a total of 34 companies in the food and beverage industry that are listed at Indonesia Stock Exchange (IDX). This study eliminated 15 companies that were not consistently listed in the IDX for the period 2017 to 2020, such as companies that were listed during the mid or end of 2017 and those that were listed after 2017. Thus, resulting in 19 companies that are consistently listed in IDX for 2017 to 2020. From the 19 companies that are consistently listed, eight companies are then eliminated because of not fulfilling the criteria set to be taken as sample. In which, there is one company that did not regularly publish their annual report, one of them does not have the tax expense figure required to measure the variables in this study, and lastly six of them experience losses for the period 2017 to 2020. From the criteria set, there are 11 companies selected to be the samples. As the research period is from the year 2017 to 2020, which is four years, it results in a total of 44 samples that will be used in this study. The list of food and beverages industry companies listed in IDX that are selected to be the samples are as follows:

Table 4. List of Samples

PT	Code	Company Name
1	ADES	PT Akasha Wira PT Tbk
2	BUDI	PT Budi Starch & Sweetener Tbk
3	CEKA	PT Wilmar Cahaya PT Tbk
4	DLTA	PT Delta Djakarta Tbk
5	ICBP	PT Indofood CBP Sukser Makmur Tbk
6	INDF	PT Indofood Sukses Makmur Tbk
7	MYOR	PT Mayora Indah Tbk
8	SKBM	PT Sekar Bumi Tbk
9	SKLT	PT Sekar Laut Tbk
10	STTP	PT Siantar Top Tbk
11	ULTJ	PT Ultra Jaya Milk Industry & Trading Company Tbk

Source: Prepared by Writer (2021)

DATA COLLECTION METHOD
Secondary data is being applied as the data collection method in this research, in which it refers to the source of research data that is obtained indirectly through third parties who published the information called intermediary media (Sekaran & Bougie, 2017). The source of secondary data collected in this research is obtained from the official website of Indonesia Stock Exchange namely www.idx.co.id, or through the websites of the respective companies.

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To collect the data, the writer used a documentation technique, which is a method of data collection that does not necessarily contribute to the research subject, but rather through existing documents or reports. Besides that, the library research method is also applied in this study, which is by gathering data or related theory about the issue that will be examined. It is done by conducting literature reviews from useful resources such as essays, journal articles, documents, books, previous studies, and any other form of written media that are relevant (Sekaran & Bougie, 2017).

OPERATIONAL VARIABLE DEFINITION AND VARIBALE MEASUREMENT
The variables of the study are divided into two categories, which are dependent variables and independent variables. There is one dependent variable, namely leverage, as well as three independent variables, namely tax avoidance, sales growth, and profitability.
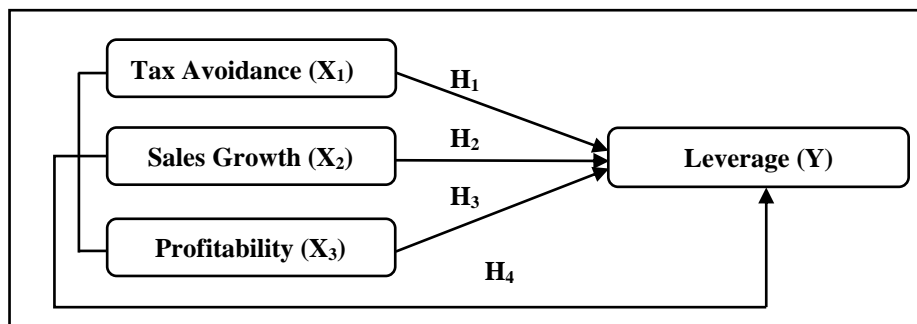

Figure 1.
Research Model
Source: Prepared by Writer (2021)

Dependent Variable
A dependent variable refers to a variable of which value is affected or determined by other variables being evaluated called as independent variables (Sugiyono, 2017). The dependent variable of this research is leverage. Leverage refers to funding through debt which comes from somewhere other than the company (from creditors or financial institutions) or meaning that it is not generated by the company's operations. The dependent variable in this research, which is leverage, will be measured using the Debt-to-Equity Ratio (DER). The debt-to-equity ratio is an indicator that shows the proportion of debt and equity used to fund a company's assets (Kasmir, 2017). The high debt-to-equity ratio shows that the firm is vulnerable to risk due to its high debt level. The formula of DER is as follows:

$$\text{Debt to Equity Ratio (DER)} = \frac{\text{Total Liabilities}}{\text{Total Shareholders' Equity}}$$

Independent Variables
Variable that is controlled, modified, or adjusted to see if it affects the outcome or causes changes in the dependent variable is called an independent variable (Sugiyono, 2017).

Tax Avoidance
Tax avoidance refers to a strategy for lowering taxpayer's tax burden by utilizing loopholes in a country's tax laws. In other words, it is a method of meeting tax obligations by lowering taxes to the minimum level in order to achieve revenues that are in line with standards while remaining compliant

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with relevant regulations. The writer used the Generally Accepted Accounting Principle Effective Tax Rate (GAAP ETR) to measure the tax avoidance practices in this analysis.

The GAAP ETR is a ratio that measures tax avoidance by comparing total Income tax expense in the year to income before tax to determine the effective tax rate (Hanlon & Heitzman, 2010). GAAP ETR can be formulated as follows:

$$\text{GAAP ETR} = \frac{\text{Income Tax Expense}}{\text{Income before Tax}}$$

Sales Growth

Sales Growth is a comparison of the difference between current period sales and the previous period sales. In which, sales growth refers to an increase in the number of sales over time or from one year to the following year. Sales growth from the previous year can be used as an estimation to forecast sales growth for the current year. Sales growth is measured by calculating the current year's sales minus the previous year's sales divided by the previous year's sales.

As this research period is from 2017 to 2020, in determining the sales growth in 2017, it will need to use the previous year's sales value that was sales in 2016. The formula to determine Sales Growth is as follows:

$$\text{Sales Growth (SG)} = \frac{\text{Sales}_t - \text{Sales}_{t-1}}{\text{Sales}_{t-1}}$$

Profitability

Profitability is an indicator that shows a company's ability to generate profit over a given period (Kasmir, 2017). If the company makes a profit, it will influence the financing decision as well as the investment policies of investors. Profitability is used to determine not only a company's ability to earn money but also how good it is at handling its capital. Several ratios can be used to measure the profitability of a company. This research will be using Return on Equity (ROE) as the measurement for profitability.

The capacity of a company to obtain net profits for investors or owners of the company's shareholder investment using their own capital is measured by the ROE. It reflects the ability of the company's equity to generate profit. ROE compares net income after tax to the equity that the company's shareholders have invested (Kasmir, 2017). The formula of ROE is as follows:

$$\text{Return on Equity (ROE)} = \frac{\text{Income After Tax}}{\text{Total Shareholders' Equity}}$$

The following is summary of each operating variable's definition and its measurement in this research:

Table 5. Operational Definition and Measurement of Variables

Variables	Definition	Formula or Measurement	Scale
Leverage (Y)	A source of funding through debt which comes from somewhere other than the company (from creditors or financial institutions) or meaning that it is not generated by the company's operations.	Debt to Equity Ratio (DER) $$= \frac{\text{Total Liabilities}}{\text{Total Shareholders' Equity}}$$	Ratio

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	A method of meeting tax obligations by lowering taxes to the minimum level to achieve revenues that are in line with standards while remaining compliant with relevant regulations.	GAAP ETR $$= \frac{\text{Income Tax Expense}}{\text{Income before Tax}}$$	Ratio
Tax Avoidance (X_1)			
Sales Growth (X_2)	A comparison of the difference between current period sales and the previous period sales.	Sales Growth (SG) $$= \frac{\text{Sales } t - \text{Sales } t-1}{\text{Sales } t-1}$$	Ratio
Profitability (X_3)	An indicator that shows a company's ability to generate profit over a given period.	Return on Equity (ROE) $$= \frac{\text{Income after Tax}}{\text{Total Shareholders' Equity}}$$	Ratio

Source: Prepared by Writer (2021)

DATA ANALYSIS METHOD

The data analysis method used here are Descriptive Statistics, Classical Assumption, Multiple Linear Regression Test, and Hypothesis Testing.

HASIL DAN PEMBAHASAN
RESULTS
Descriptive Statistics

Descriptive statistics present the summary of data gathered in this study, such as the minimum and maximum value, mean, and standard deviation of each variable.

Table 6. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ETR	44	0.03	0.81	0.2634	0.11237
SG	44	-0.53	0.50	0.0370	0.16151
ROE	44	0.00	0.26	0.1380	0.07138
DER	44	0.16	1.77	0.7005	0.40158
Valid N (listwise)	44				

Source: Data Processed using SPSS (2021)

Classical Assumption
Normality Test

Table 7. Normality Test Result using Kolmogorov-Smirnov

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		44
Normal Parameters[a,b]	Mean	0.0000000
	Std. Deviation	0.32694953

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Most Extreme Differences	Absolute	0.079
	Positive	0.060
	Negative	-0.079
Test Statistic		0.079
Asymp. Sig. (2-tailed)		0.200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: Data Processed using SPSS (2021)
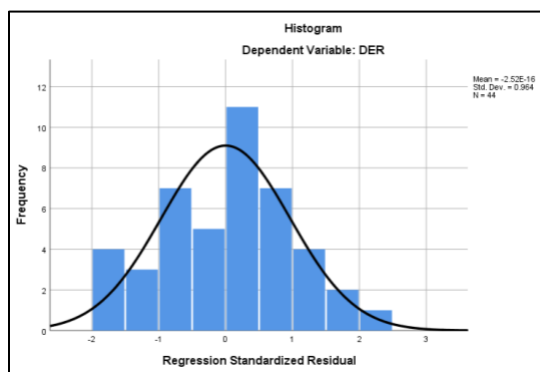

Figure 2.
Normality Test using Normal Probability Plot
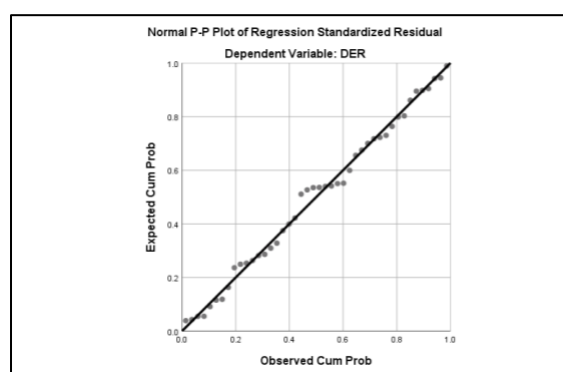Source: Data Processed using SPSS (2021)

Figure 3.
Normality Test using Histogram
Source: Data Processed using SPSS (2021)

Table 8. Multicollinearity Test

Coefficients[a]			
		Collinearity Statistics	
Model		Tolerance	VIF
1	ETR	0.834	1.199
	SG	0.901	1.110
	ROE	0.883	1.132
a. Dependent Variable: DER			

Source: Data Processed using SPSS (2021)

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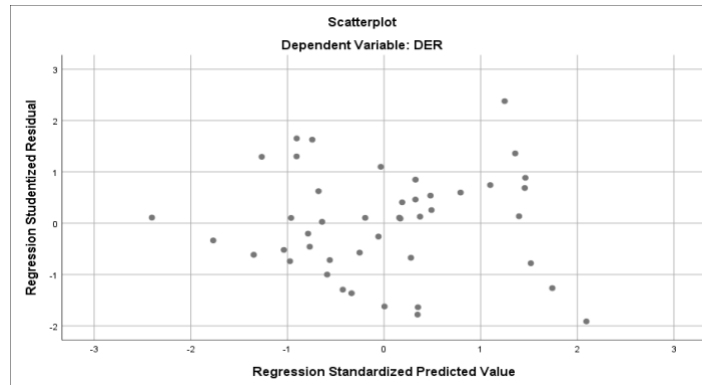
Heteroscedasticity Test

Figure 4.
Heteroscedasticity Test using Scatterplot Graph
Source: Data Processed using SPSS (2021)

Table 9. Heteroscedasticity Test using Glejser Test

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.449	0.111		4.054	0.000
	ETR	-0.482	0.282	-0.281	-1.711	0.095
	SG	0.248	0.189	0.208	1.316	0.196
	ROE	-0.513	0.431	-0.190	-1.191	0.241
a. Dependent Variable: ABRESID						

Source: Data Processed using SPSS (2021)

Autocorrelation Test

Table 10. Autocorrelation Test after Cochrane Orcutt Method

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.503[a]	0.253	0.196	0.31441	1.791
a. Predictors: (Constant), Lag_ROE, Lag_SG, Lag_ETR					
b. Dependent Variable: Lag_DER					

Source: Data Processed using SPSS (2021)

Table 11. Summary of Classical Assumption Tests Results

Classical Assumption Tests	Tests Applied	Results
Normality Test	Kolmogorov-Smirnov (K-S), Histogram and Normal Probability Plot.	The regression model is normally distributed.

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Multicollinearity Test	Tolerance and Variance Inflation Factor (VIF)	No multicollinearity occurs in the regression model.
Heteroscedasticity Test	Scatterplot and Glejser Test	No heteroscedasticity occurs in the regression model.
Autocorrelation Test	Durbin-Watson Test	No autocorrelation occurs in the regression model.

Source: Prepared by Writer (2021)

Multiple Linear Regression

Regression Model of Research is $Y = 0.771 - 0.529X_1 + 0.288X_2 - 3.027X_3 + e$

Hypothesis Testing
Partial Hypothesis Testing

Table 11. Result of Partial Hypothesis Testing (t-Test)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.771	0.139		5.533	0.000
	Lag_ETR	-0.529	0.504	-0.156	-1.050	0.300
	Lag_SG	0.288	0.287	0.144	1.001	0.323
	Lag_ROE	-3.027	0.924	-0.487	-3.277	0.002
a. Dependent Variable: Lag_DER						

Source: Data Processed using SPSS (2021)

Simultaneous Hypothesis Testing

Table 12. Result of Simultaneous Hypothesis Testing (F-Test)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.309	3	0.436	4.413	0.009[b]
	Residual	3.855	39	0.099		
	Total	5.164	42			
a. Dependent Variable: Lag_DER						
b. Predictors: (Constant), Lag_ROE, Lag_SG, Lag_ETR						

Source: Data Processed using SPSS (2021)

Coefficient of Determination (Adjusted R2)

Table 13. Result of Coefficient of Determination (Adjusted R2)

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.503[a]	0.253	0.196	0.31441
a. Predictors: (Constant), Lag_ROE, Lag_SG, Lag_ETR				
b. Dependent Variable: Lag_DER				

Source: Data Processed using SPSS (2021)

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DISCUSSION

The Influence of Tax Avoidance Towards Leverage

The result of the hypothesis test in this research reveals that the independent variable, namely tax avoidance, has no significant influence towards the leverage of food and beverages companies listed at Indonesia Stock Exchange. This is supported by the result of partial hypothesis test conducted that shows the t-count value of -1.050 which is higher than the negative t-table value of -2.0195, as well as the significance level of 0.300 which is greater than 0.05. Based on these results, it exposes that there is a negative relationship of tax avoidance on leverage even though it is not significant. This portrays that the first hypothesis (H_1) in this study which states that tax avoidance has a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX) is rejected. Companies intentionally engage in tax avoidance in order to reduce the amount of tax they must pay. Tax avoidance has an influence on financing decisions because it changes the relative costs of equity and debt. The company has a source of finance for developing and managing the business it operates, one of which is through leverage activities such as receiving loan from creditors or investors. Tax avoidance is in connection with the selection of one or more profitable investment alternatives from a variety of investment options offered to the company.

Based on the results of the study, it discovers that there is a negative relationship of tax avoidance on leverage. According to the findings in this study, the higher the value of corporate tax avoidance, the lower the value of a company's debt (DER) and vice versa. This is most likely due to the fact that the company does not benefit from the debt. The tax benefits received by the company in the form of interest expenditure as a result of using debt are not felt by the company. As indicated in the trade-off theory, the decision to increase debt has both a negative and a positive impact since the company must balance between the benefits of debt with the costs of debt.

The result of this study is consistent with findings by Rahmasari et al. (2020), Diana (2020), Saragi and Hutabarat (2020), as well as Sihotang (2020), which showed that tax avoidance does not have a significant influence on leverage. However, this is inconsistent with the researches done by Abdullah (2020) which indicated that tax avoidance has a significant influence on leverage.

The Influence of Sales Growth Towards Leverage

The result of the hypothesis test in this research reveals that the independent variable, namely sales growth, has no significant influence toward the leverage of food and beverages companies listed at the Indonesia Stock Exchange. This is supported by the result of partial hypothesis test conducted that shows the t-count value of 1.001 which is less than the t-table value of 2.0195, as well as the significance level of 0.323 which is greater than 0.05. Based on these results, it exposes that there is a positive influence of tax avoidance on leverage even though it is not significant.

This portrays that the second hypothesis (H_2) in this study which states that sales growth has a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX) is rejected. However, as sales growth has a positive direction towards leverage, this means that the higher the company's sales growth, the more opportunities of using leverage are provided. Sales performance represents the company's success, which in turn increase creditors' confidence to provide loan and as a result company has more chances to receive additional financing.

Although the effect of sales growth towards leverage is not significant, sales growth can still be one of the supporting factors that may help in determining the company's financing decision. Nonetheless, to create better financing decisions, the company's management should pay greater attention to other

fundamental aspects. On the other hand, investors and creditors are encouraged to reconsider other more influencing factors rather than depending simply on sales growth when making investment decisions. The result of this study is in line with findings by Marlina et al. (2020) and Kartika (2016) which stated that sales growth does not have a significant influence on leverage. However, this is contradictory with the researches done by Diana (2020) and Pramukti (2019), which presented that sales growth has a significant influence on leverage. All of them stated that sales growth has a positive significant influence toward leverage.

The Influence of Profitability Towards Leverage

The result of the hypothesis test in this research reveals that the independent variable, namely profitability, has a significant influence toward leverage. This is supported by the result of partial hypothesis test conducted that shows the t-count value of -3.277 which is lower than the negative t-table value of -2.0195, as well as the significance level of 0.002 which is less than 0.05. Based on these results, it exposes that there is a negative influence of profitability on leverage, and it is proven to be significant.

This portrays that the third hypothesis (H_3) in this study which states that profitability has a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX) is accepted. Furthermore, as profitability has a negative influence on leverage, it indicates that a higher company's profitability will result in a lower possibility of the company using leverage as the external financing sources. On the contrary, a lower company's profitability will result in a higher possibility of the company using leverage as the source of funding.

Company has a propensity to use internal financing through retained earnings rather than seeking leverage when the profitability is high. This is supported by the pecking order theory that states a company's managers usually begin with internal financing for the funding decision, then will pursue external financing. It is due to the circumstance that financing from internal funds has lower costs. Moreover, economic situations that are characterized by a high level of uncertainty appear to encourage management to prioritize the use of internal funds over external funds. Because of the high rate of return on investment, the majority of the financial requirements may be satisfied by funds generated internally and debt will be used cautiously. The result of this study is consistent with findings by Nguyen et al. (2020), Abdullah (2020), Marlina et al. (2020), Pramukti (2019), Kartika (2016), and Gómez et al. (2016), which revealed that profitability has a significant influence on leverage.

The Influence of Tax Avoidance, Sales Growth, And Profitability Towards Leverage

Through the test performed, it reveals that the value of F-count is 4.413, which is greater than the F-table value of 3.226. Furthermore, the significance level obtained is 0.009 which is lower than 0.05. The result of the F-test shows that there is a significant simultaneous influence of tax avoidance, sales growth, and profitability towards leverage. With the result, it indicates that the fourth hypothesis (H_4) in this study is accepted.

The result of Adjusted R^2 is 0.196. This result indicates that the multiple linear regression model accounts for 19.6% of the total variability. This represents that 19.6% of the leverage as the dependent variable is influenced by the tax avoidance, sales growth, and profitability as the independent variables. Meanwhile, the other 80.4% is influenced by other aspects which are not examined in this research. Following is shown the summary of hypothesis tests results:

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Table 14. Summary of Hypothesis Tests Results

No	Hypothesis	t or F count	t or F table	Sig.	α	Result
H_1	Tax Avoidance has a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX) partially.	-1.050	-2.0195	0.300	0.05	H_1 Rejected
H_2	Sales Growth has a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX) partially.	1.001	2.0195	0.323	0.05	H_2 Rejected
H_3	Profitability has a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX) partially.	-3.277	-2.0195	0.002	0.05	H_3 Accepted
H_4	Tax Avoidance, Sales Growth, and Profitability have a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX) simultaneously.	4.413	3.226	0.009	0.05	H_4 Accepted

Source: Prepared by Writer (2021)

SIMPULAN, IMPLIKASI, KETERBATASAN PENELITIAN
CONCLUSION
This research examines the influence of tax avoidance, sales growth, and profitability toward leverage. The object of this study is food and beverages companies listed at Indonesia Stock Exchange (IDX) from 2017 until 2020. The purposive sampling method is utilized in obtaining 11 companies that are qualified to be the samples, yielding a total of 44 observations for this research. The dependent variable in this study is leverage, while the independent variables are tax avoidance, sales growth, and profitability.
Based on the results of data analysis through multiple linear regression and hypothesis testing, the conclusions of this study are:
1. The first hypothesis (H_1) is rejected. The study discovers that tax avoidance does not have a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX) from 2017 until 2020.
2. The second hypothesis (H_2) is rejected. The study discovers that sales growth does not have a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX) from 2017 until 2020.
3. The third hypothesis (H_3) is accepted. The study discovers that profitability has a significant influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX) from 2017 until 2020.
4. The fourth hypothesis (H_4) is accepted. Tax avoidance, sales growth, and profitability have a significant simultaneous influence toward leverage in food and beverages companies listed at Indonesia Stock Exchange (IDX) from 2017 until 2020.

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5. According to the adjusted coefficient of determination result, 19.6% of the leverage in food and beverages companies listed at IDX from 2017 to 2020 is driven by tax avoidance, sales growth, and profitability. Meanwhile, the remaining 80.4% is influenced by other aspects which are not examined in this research.

In conclusion, leverage reflects how much of a company's funding comes from debt. Various aspects can explain the reason why a company uses leverage, for instance: tax avoidance, sales growth, profitability, etc. Management tends to like the use of leverage because it provides tax incentives. Nevertheless, the result of this study shows that companies still considered the risks of using leverage, and thus tax avoidance does not have a significant influence on the use of leverage. Sales growth was also revealed to have no significant influence on leverage. On the other hand, profitability is proved to have a significant influence with inverse relationship toward leverage as company with high profitability will prefer to use internal financing rather than leverage.

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