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Moderating Role of Financial Policies on the Relationship between Tax Aggressiveness and Cash Holding

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Abstract:

Research aims: This study aims to examine and analyze the effect of tax aggressiveness on cash holding, and financial policies (leverage, capital intensity, inventory intensity) can moderate tax aggressiveness on cash holding.

Design/Methodology/Approach: The population in this study was manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2017 period. The sample selected in this study was 106 companies that met the sample criteria. The research data were analyzed using simple regression analysis and multiple regression analysis.

Research findings: The results of this study indicated that tax aggressiveness had a negative effect on cash holding, leverage had a significant negative effect in moderating the effect of tax aggressiveness on cash holding, the capital intensity had a significant positive effect in moderating the effect of tax aggressiveness on cash holding and inventory intensity had a positive significant effect in moderating the effect of tax aggressiveness on cash holding.

Theoretical contribution/Originality: The inconsistency of previous studies regarding tax aggressiveness towards cash holding. This inconsistency is an important matter for further investigation, one of which is through the use of moderating variables that aim to measure strength. Therefore, this study correlates financial policies, which are the policy of leverage, capital intensity, and inventory intensity in companies conducting tax aggressiveness which determines the level of cash holding as a source of the company's fund. There is hardly any research that used leverage, capital intensity, and inventory intensity as moderating variables, particularly capital intensity and inventory intensity.

Practitioner/Policy implication: This research is potentially relevant to academics, researchers, and management. By examining the factors that affect the level of cash holding given the role of financial policy, this study reveals the way for further investigation of this topic with a set of micro and macro variables. This study provides insight into the principles of financial policy in moderating corporate tax aggressiveness to influence cash holding decisions.

Keywords: Cash Holding; Agresivitas Pajak; Leverage; Capital Intensity; Inventory Intensity

Introduction

Taxes are a significant source of state revenue and the most influential, even the highest, source of state revenue. According to data from the Ministry of Finance, state revenue from taxes accounts for 83.54 percent

of total state revenue in 2020, while the remaining 16.45 percent comes from non-tax sources. The tax is mostly used to fund public infrastructure in Indonesia. If a large number of taxpayers fail to comply with their tax obligations, it would be impossible for the state to carry out its functions. Taxes are often abused by businesses in Indonesia, to lower their tax payments through tax aggressiveness, thus reducing State revenues, impairing infrastructure growth, and causing disparities in people's welfare.

Businesses minimize their tax liabilities by actively lowering tax burdens, either by legal means, such as tax avoidance or by unlawful means, such as tax evasion. However, not all tax planning activities are illegal; nevertheless, the more loopholes a business exploits to evade taxes, the more malicious the business becomes. On the one side, tax aggressiveness increases the preventive motive for corporate cash holdings (Anisa & Muid, 2017). On the other hand, tax aggressiveness will impose financial constraints on the company, affecting its cash holding policy (Balakrishnan, Blouin, & Guay, 2011). The reason for the company's cash holdings is not often used as a benchmark for aggressiveness but is frequently used as a proxy for the continuation of the company's processes or investment (Melinda, 2013). Companies can save money by tax evasion, but they must plan for the possibility that they will have to pay tax shortages and late fees in the future when audited by tax authorities. Cash Holdings are the funds that a company accumulates to carry out its regular operations. Companies must be able to handle cash effectively to ensure liquid transactions and prompt payment of commitments, as well as the viability of future investments (Beckhart & Keynes, 1936). In the case of going public companies in Indonesia between 2016 and 2017, several companies experienced an increase in cash as presented in Table 1.

Table 1 The Companies Experienced Increase in Cash Holding

No	Company Name	Increase <i>Cash Holding</i>		Average Increase
		2016	2017	
1	PT. Indofood	12 %	22 %	17 %
2	PT. Telkom	9 %	13 %	11 %
3	PT. Astra	15 %	17 %	16 %
4	PT. Samporna	13 %	20 %	16.5 %
5	PT. Siantar Top	4 %	10 %	6 %
6	PT. Indo Mobil	12 %	20 %	16 %

Data Source: www.idx.co.id

Fluctuations in cash and cash equivalents can be attributed to a variety of factors, one of which is when the company experiences financial constraints (Fazzari et al., 1988), (Schiantarelli, 1996), (Saltari & Travaglini, 2001), (Edwards, Schwab, & Shevlin, 2015). Companies will choose to invest using internal funds, namely cash, and cash equivalents when the costs of reaching external funding are higher. The amount of cash and cash equivalents will be valuable for companies that have financial constraints (Denis & Sibilkov, 2010). External financing can be used to raise cash holdings by a variety of means, including liquidating existing properties, increasing sales, and reducing the number of dividends to be paid by the company (Opler et al., 1999).

When a company experiences a cash surplus, the manager (commissioner, director) may employ several legal policies in the application of tax aggressiveness to minimize the tax burden that must be paid. Reduced tax payments are equivalent to the corporation attempting to raise its net profit after taxes. As tax costs decrease, the amount of cash paid to the tax authorities decreases. Non-paid contributions add to the company's current funds and can be used to contribute when the company is unable to obtain capital externally (Edwards et al., 2015).

A cash surplus policy creates problems for the company as an unproductive agent for investors (Hanlon, Maydew, & Saavedra, 2017). Investors would expect that the company's spending will be less effective (Denis & Sibilkov, 2010). The free cash flow theory (Jensen, 1986) explained that companies have the discretion to increase the number of assets and obtain jurisdiction over the company's investment decisions. A high degree of cash ownership increases managerial power and allows managers to use cash and cash equivalents for personal gain, which can be counterproductive to shareholders' interests (Ferreira & Vilela, 2004). As a result, investors put pressure on businesses to be tax aggressive, as one of the side effects of tax aggressiveness is the existence of cash held by the business that is directly used to pay taxes. The more aggressive a company is with taxes, the more cash it holds.

Several previous research examined the tax aggressiveness of cash holdings empirically, including (Hanlon et al., 2007), (Wang, 2015), (Anisa & Muid, 2017). According to previous studies, the more tax aggressive a business is, the greater its cash and cash equivalents. According to their report, cash and cash equivalents are higher due to precautionary motives, due to tax uncertainty. Tax aggressiveness carried out by the company has a positive effect on the level of cash holding.

On the other hand, tax aggressiveness had a detrimental effect on cash holdings, as shown in the studies by (Chen et al., 2014), (Tambunan & Septiani, 2017), (Kurniawan & Nuryanah, 2017), which revealed that the higher the tax aggressiveness, the lower the cash retained in the company. Since the company distributes dividends to shareholders and lowers cash holdings, tax aggressiveness results in lower agency costs. This demonstrates that managers perform in the best interests of shareholders.

Consistent study findings may be established by incorporating additional moderating variables to ascertain the source of the inconsistency. This inconsistency may be the result of a company's financial policies, specifically its debt, capital intensity, and inventory intensity. If a company has a high level of leverage, it is reasonable to assume that it would have a large cash reserve due to the high risk of default. Financially constrained companies will retain more cash holding. The results of the study conducted by (Alicia et al., 2020) disclosed that the use of debt-based funding would result in interest charges, forcing the company to have the cash to repay the debt. Since past-due debts will incur increased expenses if they are not paid. Besides, leverage has a negative relationship with cash holding, a study conducted by (Wijaya, et al., 2010) showed that businesses that can easily access financing from debt can maintain a low level of cash. Thus, leverage can moderate the impact of tax aggressiveness on cash holdings, so that

management pursues tax aggressiveness by debt funding and businesses accumulate greater cash reserves to mitigate the risk of financial stress (Ganey, Ozkan, & Ozkan, 2007).

Another essential aspect to consider when it comes to cash holdings is capital intensity and inventory intensity. Capital Intensity, or the intensity of fixed assets, is the amount of money invested in fixed assets by a company. The amount of capital invested by a company in fixed assets is typically expressed as the ratio of fixed assets to revenue. Inventory Intensity is a component of the capital intensity ratio, which is a measure of an investment activity carried out by a company that is correlated with inventory investment (Ardyansah & Zulaikha, 2014). Inventory Intensity can be defined as the amount of money a company invests in its supplies. Thus, in principle, the higher the capital intensity and inventory intensity ratios, the greater the potential cash flow of the company, since a high capital intensity ratio means that the business has sufficient cash available from sales for operating financing and fund placement on fixed assets. Companies with highly volatile cash flows also store large sums of cash in order to anticipate liquidity problems, which, if they occur, may result in external financing costs. The greater the difference in the cash flow of a company, the more likely it is that the company will face a shortage of liquid assets (Ozkan & Ozkan, 2004).

According to agency theory, a company's cash flow will change as a result of managers' interference, who use these assets for personal benefit. The organization would be forced to choose between losing investment opportunities and incurring agency costs as a result of excessive cash ownership, as described in the free cash flow theory (Nguyen & Nguyen, 2018). As a result of their tax evasion, companies can retain cash and cash equivalents that are used to pay taxes. According to this explanation, capital intensity and inventory intensity can moderate tax aggressiveness toward cash holdings.

This research contributes in two ways. First, this research is expected to support the agency theory. Agency theory is used to understand why company executives can behave not in the best interests of shareholders, but in their own, resulting in a conflict of interest. Where capital holdings are involved, the cash flow of the business may be affected by the intervention of managers who use these assets for personal benefit. Second, this research is expected to contribute to and become a factor in deciding cash holding policies aimed at increasing cash holding in order to attract investors, as well as in decision- and policy-making aimed at maximizing cash holding, it also needs to pay careful attention on tax aggressiveness to cash holdings through the use of financial policies as a moderating element in order to maintain financial stability while maintaining cash holdings for both internal and external parties.

Literature Review and Hypotheses Development

Agency Theory

Agency theory is a concept to describe the contractual relationship between principals and agents. The principal party is the one who appoints the other party, namely the agent, to carry out all of the principal's activities in his capacity as a decision maker (Raharjo, 2007). Agency relationship as a contract with one or more principals involving agents to perform some services for them by delegating decision-making authority to agents (Jensen & Meckling, 1976). In this situation, the agent has access to all of the company's records, in contrast to the principals. Indeed, this information must be communicated to the capital owner, so that the capital owner is aware of the company's situation. It is alleged that in cases of tax aggressiveness, information has been concealed from shareholders, resulting in information asymmetry (Chen et al., 2014). As a result, investors lack adequate details about the company's recent condition.

Company managers can behave not in the best interests of shareholders, but in their own, resulting in a conflict of interest. If it is correlated with cash holdings, the cash flow of the business can change as a result of managerial interference in the use of these assets for personal benefit. This can be explained using the free cash flow theory by (Jensen, 1986). According to the free cash flow theory a high degree of cash ownership will increase the flexibility of managers and give managers the opportunity to use cash and cash equivalents for their personal gain.

The company would be forced to choose between losing investment opportunities and incurring agency costs as a result of excessive cash ownership, as described in the free cash flow theory (Nguyen & Nguyen, 2018). Due to tax aggressiveness, companies can retain cash and cash equivalents that are used to pay taxes. Investors will impose restrictions on managers' ability to store surplus cash and cash equivalents by requesting that businesses refrain from being too tax aggressive.

The Effect of Tax Aggressiveness on Cash Holding

According to agency theory, tax aggressiveness ultimately benefits the agent, specifically the manager, who has access to more information than the business owner. Managers attempt to conceal this opportunistic activity by limiting access to such company-specific information. (Kim et al., 2010). This exacerbates the asymmetry of information between the agent and the owner, resulting in the transfer of the company's assets to the agent. (Dhaliwal et al., 2011). In this case, the most liquid asset is cash which is predicted to be the asset that is mostly transferred by the agent, as argued by (Dhaliwal et al., 2011) that while tax savings as a result of aggressive actions to reduce tax burdens favor companies by raising cash flow, this effect can be reversed because tax aggressiveness encourages managers to participate in more opportunistic behavior, resulting in increased losses for company owners.

Studies conducted by (Wang, 2015) and (Hanlon et al., 2017), revealed that the greater a company's tax aggressiveness, the greater its capital and cash equivalents. According to their report, cash and cash equivalents are more expensive due to prudential reasons and tax uncertainty. A study by (Edwards et al., 2015) disclosed the similar outcomes, but the exposure to increases in cash and cash equivalents was solely due to company financial constraints. Since tax aggressiveness allows companies to conserve cash and cash equivalents. Thus, companies use tax aggressiveness as a means of replenishing cash and cash equivalents. Overall, tax aggressiveness increases a company's preventive benefits while simultaneously exposing it to financial constraints. Based on the above discussion, the research hypothesis is as follows:

H₁: Tax Aggressiveness has a positif effect on Cash Holding.

Tax Aggressiveness and Cash Holding are moderated by Financial Policies (Leverage, Capital Intensity and Inventory Intensity)

Modigliani and Miller's (MM) tax theory is a continuation of the MM tax theory. Whereas MM concludes in this theory that using debt as a means of financing would result in tax savings because debt generates an interest expense that can be used to reduce the amount of taxes that must be paid (Brigham, Houston, & Yulianto, 2006). If a company has a significant level of leverage, it is reasonable to assume that it would have a lot of cash on hand due to the high risk of default. Financially constrained companies will retrain more cash holding. The result of the study conducted by (Alicia, et al., 2020) disclosed that using debt funding would result in interest expense, forcing the company to have cash to repay the debt. Since past-due debts will incur increased expenses if they are not paid. As a result, management engages in tax avoidance by debt financing, and companies seek to accumulate greater cash reserves to hedge against financial stress (Guney et al., 2007). A study by (Wijaya, et al., 2010) revealed that leverage has a negative effect on a company's cash holding, which means that the more leverage a company has, the lower its cash position. If a company can easily raise capital through debt, it can have a small amount of cash on hand.

Other essential issues related to cash holding are capital intensity and inventory intensity. Capital intensity correlates with investments in forms of fixed assets (Novitasari, Ratnawati, & Silfi, 2017) explained that if the number of fixed assets owned by the company is high, it will result in high depreciation expense which will automatically cause the company's profits to decrease. The amount of company capital that is invested in the company's fixed assets is usually measured using the ratio of fixed assets divided by sales. Inventory Intensity is part of the capital intensity ratio, which is an investment activity carried out with a company that is associated with investment in the form of inventory (Ardyansah & Zulaikha, 2014). Inventory intensity is a measurement of how much inventory the company is investing in (Musyarrofah & Amanah, 2018). Thus, in theory, the higher the capital intensity and inventory intensity ratios, the greater the company's potential cash flow would be, since a high capital

intensity ratio implies that the business has sufficient cash available from sales for operating financing and funding fixed asset placement.

According to agency theory, a company's cash flow will change as a result of managers' interference, who use these assets for personal benefit. The organization would be forced to choose between losing investment opportunities and incurring agency costs as a result of excessive cash ownership, as described in the free cash flow theory (Nguyen & Nguyen, 2018). Due to tax avoidance, companies can retain cash and cash equivalents that are used to pay taxes. According to this explanation, capital intensity and inventory intensity can moderate tax aggressiveness toward cash holdings. The following study hypotheses are based on the discussion above:

H₂: Leverage moderates the relationship between Tax Aggressiveness and Cash Holding.

H₃: Capital Intensity moderates the relationship between Tax Aggressiveness and Cash Holding.

H₄: Inventory Intensity moderates the relationship between Tax Aggressiveness and Cash Holding.

Research Method

Population and Research Sample

This type of research is associative research. Associative research is a type of research that aims to analyze the relationship between one variable and another. The population of this sample consists of manufacturing sector companies that were publicly traded on the Indonesian Stock Exchange between 2016 and 2017. Purposive sampling was used to choose the sample in compliance with the study's goals, those that meet the requirements were 212 companies.

Table 2 Sample Selection

Criteria	Number
The company is a go public manufacturing company that is listed and consistently listed on the IDX for the period 2016-2017	193
The company does not have data related to the variables used in this study.	(43)
Companies that have lost during the last 5 years, because if they have suffered losses, the company will receive tax compensation or not be taxed	(44)
Total Companies as Samples	106
Observation Year	2
Number of Samples	212

Source: Author Estimation

Operational Definion and Variable Measurement

Dependent Variable

Dependent variable in this study is tax aggressiveness which was calculated using Cash Effective Tax Rate (CETR) stated by (Hanlon & Heitzman, 2010). The formula to calculate Cash ETR is as follows:

$$\text{Cash ETR} = A = \frac{\text{Cash Tax Paid } i,t}{\text{Pretax Income } i,t}$$

The cash effective tax rate (ETR) is calculated using the amount of cash tax paid by the company in the current year. Cash tax charged is the cash tax paid by company *i* in year *t*, as determined by the financial statements of the company. Pretax income is the income before taxes earned by company *i* in year *t*, as determined by the financial statements of the company.

Independent Variable

Independent variable in this study is cash holding. Cash holding can be calculated using the ratio of cash and cash equivalents to total assets (Ogundipe, Ogundipe, & Ajao, 2012).

Moderating Variable

The leverage ratio or solvency ratio is a ratio used to measure the extent to which the company's assets are financed from debt. In this study the leverage calculation according to (Kasmir, 2013) can be measured using the following formula:

$$\text{Leverage} = \frac{\text{Total liabilities}}{\text{Total Asset}}$$

Capital Intensity can be defined as how much the company invests its fixed assets. In this study, the capital intensity calculation according to (Sartono, 2001) uses the following formula:

$$\text{Capital Intensity} = \frac{\text{Total Fixed Asset}}{\text{Revenues}}$$

Inventory intensity is a measurement of how much inventory is invested in the company. On the other hand, companies that have large stocks will have a large burden or require large costs to manage these preparations. PSAK No. 14 explains that additional costs arising from the company's investment in the company in stocks must be excluded from the cost of supplies and recognized as costs in the period in which the costs occur. The inventory intensity calculation according to (Hery, 2016) uses the following formula:

$$\text{Inventory Intensity} = \frac{\text{Total Inventory}}{\text{Total Asset}}$$

Data Analysis Technique

Data analysis is used to conduct analytical tests in a variety of ways. Descriptive statistics are used to characterize the profile of the survey company's data, which includes the average or mean value, the minimum or maximum value, and the standard deviation (Ghozali, 2016). Meanwhile, this study's data analysis employed two regression models to examine the influence of independent variables on the dependent variable: simple linear regression and multiple linear regression (multiple regression). Simple linear regression analysis was used to determine the impact of tax aggressiveness on the cash position of the company. The equation for simple linear regression is as follows:

$$AP = \alpha + \beta_1 CH_1 + e$$

The regression analysis result stage is a coefficient for each independent variable. This study uses a simple linear regression analysis method and multiple linear analysis. Multiple regression models can be used to test the effect of Leverage, Capital Intensity, and Inventory Intensity to moderate the effect of tax aggressiveness on cash holding. The equation for multiple linear analysis is as follows:

$$AP = \alpha + \beta_2 CH + \beta_3 L + \beta_4 CI + \beta_5 II + e$$

$$AP = \alpha + \beta_6 CH + \beta_7 L + \beta_8 CI + \beta_9 II + \beta_{10} CH * L + \beta_{10} CH * CI + \beta_{10} CH * II + e$$

Explanation:

AP	= Tax Aggressiveness
α	= Constante
β	= Regression Coefficient
CH	= Cash Holding
L	= Leverage
CI	= <i>Capital Intensity</i>
II	= <i>Inventory Intensity</i>
e	= Error Coefficient

Result and Discussion

Descriptive Statistics

This analysis examines one independent variable, cash holdings, as well as moderating variables, leverage, capital intensity, and inventory intensity. Descriptive variables were used to describe the data, which consisted of 106 samples for manufacturing companies. The researcher explains the data being tested after determining the number of samples to be used and taking measurements of these variables. The following calculations were performed using the results of data processing with SPSS version 23.0.

Table 3 Statistik deskriptif

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Tax Aggressiveness (Y)	212	.04	.76	.2618	.1176
Cash Holding (X1)	212	.01	.64	.1694	.0975
Leverage (X2)	212	.06	1.2	.5759	.3496
Capital intensity (X3)	212	.04	.81	.3701	.1741
Inventory intensity (X4)	212	.01	.98	.2529	.1653

Table 3 summarizes the study findings. Tax aggressiveness ranges from 0.04 percent to 0.76 percent, with an average of 0.26 percent and a standard deviation of 0.1176 percent. This means that tax evasion is concentrated at 0.26 with a 0.11 standard deviation. These findings suggest that Indonesia's tax aggressiveness is still below 50%, at 26%, and therefore considered reasonable in consideration of the amount of corporate tax payments. Cash Holding has a mean of 0.17 and a standard deviation of 0.097. Its minimum value is 0.01 and its maximum value is 0.64. This demonstrates that Indonesia's cash holding companies are still limited. A healthy cash balance of between 8% - 10% of total assets is needed to fund the company's operating activities.

This indicates that Cash Holdings are concentrated at 0.16 with a 0.09 deviation. While the moderating variable, leverage, ranges from 0.06 to 1.2, with an average of 0.57 and a standard deviation of 0.3496. This indicates that the leverage is concentrated at 0.57 with a 0.34 standard deviation. This demonstrates that companies in Indonesia only have a small amount of leverage.

Capital intensity ranges from 0.04 to 0.81, with a mean of 0.37 and a standard deviation of 0.17. This indicates that capital intensity is concentrated at 0.37 with a 0.17 standard deviation. This demonstrates that the proportion of fixed assets in the form of investment for business operations is still limited in Indonesia.

Inventory Intensity ranges from 0.01 percent to 0.98 percent, with an average of 0.26 percent and a standard deviation of 0.16 percent. This indicates that inventory intensity is concentrated at 0.26, with a 0.16 standard deviation. This demonstrates that the proportion of preparations in company assets in Indonesia is still small, as shown by a sample of manufacturing companies, and thus it is entirely reasonable if stocks are high.

Classical Assumption

The classical assumption test is consists of three stages: Normality of Data, Multicollinearity, and Heteroscedasticity. The non-parametric Kolmogorov test was used to determine normality. Kolmogorov Smirnov Z (1- Sampe K-S) and the test results indicate that the Sig. is 0.188, indicating that the residual value is normally distributed or meets the normality test criteria. Meanwhile, the multicollinearity test revealed that the independent variables in this analysis had a Variance Inflation Factor (VIF) less than 10, indicating that there are no signs of multicollinearity between the independent variables. The heteroscedasticity test reveals that each variable has a sig value greater than 0.05, indicating that there is no heteroscedasticity. In other words, the assumption of non-heteroscedasticity that has been evaluated is fulfilled.

Hyphotesis Testing

Table 4 Summary of t-test results

Hypothesis	Sig.	Coefficient	Conclusion
H ₁ : Tax aggressiveness has a positive effect on cash holding	0.047	-0.193	Unsupported
H ₂ : Leverage moderates the correlation between taz aggressiveness on cash holding	0.010	-0.074	Unsupported
H ₃ : Capital intensity moderates the correlation between tax aggressiveness on cash holding	0.024	0.320	Supported
H ₄ : Inventory intensity moderates the correlation between tax aggressiveness on cash holding	0.018	0.210	Supported

The Effect of Tax Aggresiveness on Cash Holding

The findings of the simple regression study indicated a negative association between cash holdings and tax aggressiveness. The lower the cash holdings value, the more aggressive the company. As a result, it refuted the first hypothesis. The negative impact of tax aggressiveness is reinforced by agency theory, which states that managers take opportunistic behavior as a result of the presence of company cash. Aggressiveness results in lower agency expenses when the corporation distributes dividends to shareholders and reduces cash holdings. Additionally, the more stringent the tax policy, the less cash is held in the company, but is held in other ways. This is to avoid detection of the company's cash surplus. Aggressive businesses typically protect their assets by transferring cash from the parent company to subsidiaries through transfer pricing or other policies. This is facilitated by Indonesia's implementation of a policy granting DGT access to corporate and individual accounts for the purpose of tax collection. This strategy would undoubtedly enable businesses to conserve their properties, including cash. As a result, cash holdings will decline.

This study supports the research by (Tambunan, et al., 2017) stated that tax aggressiveness had a negative effect on the company's cash holding. This is due to agency conflicts, tax aggressiveness will lead to lower agency costs. The trade-off theory is in line with the agency theory which says that managers take opportunistic actions from the existence of a company's cash holding. Since the corporation distributes dividends to shareholders and lowers cash holdings, tax aggressiveness results in lower agency costs. This demonstrates that managers behave in the best interests of shareholders.

Leverage moderates the correllation between Tax Aggresiveness on Cash Holding

The results of the hypothesis test indicated that the leverage variable has a negative impact on moderating the effect of tax aggressiveness on cash holdings. On the basis of these findings, it can be concluded that the greater the company's leverage, then the effect of tax aggressiveness in rising cash holdings is negative. Increased debt combined with a decline in the CETR value means that the business is engaging in low aggressiveness.

This study supports the research by (Wenyao, 2007). Companies who use this debt as a replacement for corporate cash are able to reduce the asymmetry of company information, lowering agency costs and encouraging companies to refrain from tax-aggressive conduct that is not in the shareholders' best interests. If a business has a high degree of debt, it is reasonable to assume that it would have a lot of cash on hand due to the high risk of default. Financially constrained businesses will retain more cash holding. The results of the study conducted by (Alicia, et al., 2020) disclosed that the use of financing in the form of debt will result in an interest expense to be paid, thus requiring the company to provide cash to pay the debt.

Capital Intensity moderates the correlation between tax aggressiveness towards Cash Holding

The intensity capital variable demonstrates a positive effect in moderating the effect of tax aggressiveness on cash holdings. On the basis of these findings, it can be concluded that the higher the capital intensity of the company, the more positive the impact of increasing cash holdings on tax avoidance. Capital intensity has a positive impact on tax evasion. A rise in the capital intensity value followed by a decline in the CETR value suggests that the business is engaging in high aggressiveness.

This study is in line with the research by (Ardyansah & Zulaikha, 2014) which states that companies with high fixed assets will have a low amount of tax expense compared to companies that have low total assets, this is due to high depreciation expenses which will automatically cause company profits to decrease. It can be concluded that capital intensity is one of the company's strategies to carry out tax aggressiveness and substitution for the need for funds as cash holding that is used to pay short-term obligations and distribute cash in the form of dividends to shareholders because of tax aggressiveness, it will increase the amount of cash holding.

The Effect of Inventory Intensity on Agresivitas Pajak

The intensity capital variable shows that the variable intensity capital variable in moderating the effect of tax aggressiveness on cash holding has a positive effect. This shows that Inventory intensity has an influence on tax aggressiveness, that it can be seen that the amount of company cash holding has increased due to Inventory Intensity. Based on these results, it can be said that Inventory intensity has a positive effect on tax aggressiveness with the interpretation that the higher the Inventory intensity value will increase the CETR value. So, it can be concluded that the higher the company's inventory intensity, the effect on tax aggressiveness in increasing cash holding is positive.

It is consistent with the study by (Ardyansah & Zulaikha, 2014) that businesses that invest in inventory in the warehouse would incur storage and repair costs, resulting in a rise in company expenditures and a decrease in company income. It can be inferred that intensity capital is one of the company's techniques for tax aggressiveness and replacement for the need for funds as cash holdings used to pay short-term obligations

and allocate cash to shareholders in the form of dividends. As a result of tax aggressiveness, the amount of cash holdings would increase.

Conclusion

The aim of this study is to analyse the effects of tax aggressive on cash holdings and moderating variables, specifically financial policy as measured by capital intensity, inventory intensity, and leverage. Based on the results of research data analysis and discussion, it can be concluded that tax aggressiveness has a negative effect on cash holding. According to agency theory, there is a conflict of interest. This suggests that there has been a conflict of interest between managers and shareholders in the agency relationship. Since the company distributes dividends to shareholders and lowers cash holdings, tax aggressiveness results in lower agency costs.

Capital intensity, inventory intensity, and leverage serve as proxy variables for financial policy variables by moderating tax aggressiveness against cash holdings. Leverage has a negative effect in moderating the effect of tax aggressiveness on cash holding. This is consistent with agency theory, which states that companies that use debt as a replacement for corporate cash holdings minimize corporate knowledge asymmetry, thus lowering agency costs and encouraging companies to rein in tax aggressive behavior that is not in the best interests of shareholders.

Capital intensity and inventory intensity have a positive effect in moderating the effect of tax aggressiveness on company cash holding. According to agency theory, managers engage in tax aggressiveness because of agency problems. This occurs as a result of managers desiring the same ownership as shareholders. This is one of the company's strategies for pursuing tax aggressiveness and substituting cash holdings for the need for funds to pay short-term obligations and allocate cash to shareholders in the form of dividends, as tax aggressiveness increases the amount of cash holdings.

Academics, researchers, and management can find the research useful. By analyzing the factors that affect cash holdings in light of the position of financial policy, this study paves the way for future research using a variety of micro and macro variables. This study sheds light on the financial policy concepts necessary to moderate company tax aggressiveness to influence cash holding decisions. Small differences in cash holdings can be explained by variations in tax aggressiveness, leverage, capital intensity, and inventory intensity, as shown by this research model.

Numerous limitations apply to this analysis. To begin, this study discovered that while leverage is not a pure moderating variable, future research is expected to combine it with other variables. Second, since the population is concentrated in manufacturing, it has not yet had a significant effect on the degree of generalization, it is hoped that additional researchers will explore other populations, such as services, banking, and mining. Third, since this analysis only covers a two-year duration, from 2016 to 2017, it is suggested that future researchers add or extend the research period.

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