

# Article

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Factors Affecting the Capital Structure and Its Impact on Tax  
Payment through Free Cash Flow to State-Owned Enterprises  
in Indonesia Stock Exchange

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Abstract

This study aims to determine and analyze the impact of working capital, current year profit, sales growth, fixed assets, and firm size to tax payment through a capital structure and free cash flow on the state-owned enterprises in Indonesia Stock Exchange in 2013-2017. The design of this research is associative. Samples used as many as 20 state-owned enterprises that have gone public in Indonesia Stock Exchange. Collection method using the documentation and literature method. The analysis technique using path analysis, estimation model using ANOVA test and classical assumption, which consist of data normality, multicollinearity, heteroscedasticity, autocorrelation, and coefficient of determination test. The results showed: working capital, current year profit, sales growth, fixed assets, and firm size positive and significant effect on the capital structure, free cash flow, and the tax payment, but no significant effect on free cash flow through capital structure, and also no significant effect to the tax payment through the capital structure and through the free cash flow.

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**Keywords:** Working Capital, Current Year Profit, Sales Growth, Fixed Assets, Firm Size, Taxes, Capital Structure, and Free Cash Flow.

**PRELIMINARY**

Problems company's capital structure is a very important part for businesses because the capital structure will determine the company's ability in carrying out its operating activities, but it also will affect the company's own risk. If companies increase the portion of its debt, the company itself will increase the financial risk. Instead, the company should pay attention to tax issues. For that, most managers do not fully fund the company using its own capital, but also accompanied by the use of third-party debt, for the consideration of the resulting tax benefits (Modigliani and Miller<sup>14</sup> Sutrisno, 2013: 303).

Optimal capital structure is to balance the risk of bankruptcy by the tax savings derived from debt interest payments. The use of debt will also discipline the manager for not indiscriminate use of corporate assets for their own interests, for supervision by creditors is usually much more stringent and effective than the supervision of the holder. As far as interest payments can be used to reduce taxes, the use of debt to provide benefits for business owners. (Modigliani and Miller in Sutrisno, 2013: 322)<sup>56</sup>

Meanwhile, the object of this research is the State Owned Enterprises (SOEs) that are listed in the Indonesia Stock Exchange. SOE is a company engaged in various sectors such as pharmaceuticals, technology, transportation, telecommunications, banking, agriculture, petroleum, mining, and others.<sup>46</sup> Capital structure generated by SOEs listed in the Indonesia Stock Exchange can be seen in Table 1 below:

**Table 1. Capital Structure of SOEs in Indonesia Stock Exchange (In Decimal)**

Code	2013	2014	2015	2016	2017
ADHI	5.28	4.97	2.25	2.69	3.40
ANTM	0.71	0.85	0.66	0.63	0.70
BBNI	7,11	5.59	5.26	5.52	5.79
BBRI	6.89	7.21	6.76	5.84	5.73
BBTN	10.35	10.80	11.40	10.20	11.06
BMRI	7.26	7.16	6.16	5.38	5.22
GIAA	1.66	2.38	2.48	2.70	3.64
INAF	1.19	1.11	1.59	1.40	1.88
JSMR	1.61	1.79	1.97	2,27	3.31
KAEF	0.52	0.64	0.74	1.03	1.34
KRAS	1.26	1.91	1.07	1.14	1.19
PGAS	0.60	1.10	1.15	1.16	0.97
PTBA	0.55	0.71	0.82	0.76	0.51
PTPP	5.26	5.11	2.74	1.89	1.83
SMBR	0.10	0.08	0.11	0.40	0.47
SMGR	0.41	0.37	0.39	0.45	0.57
TINS	0.61	0.74	0.73	0.69	0.98
TLKM	0.65	0.64	0.78	0.70	0.72
WIKA	2.90	2.20	2.60	1.46	2.12
WSKT	<sup>13</sup> 2,69	3.40	2.12	2,66	3.30

Source: Adapted from the Indonesia Stock Exchange, <http://www.idx.co.id>, As of August 10, 2018

Based on Table 1 can be explained that the level of the capital structure owned by the state in the Indonesia Stock Exchange above 100% (1.00), this means that the majority of state-owned companies have debt that is greater than their own capital, which illustrates that the capital structure at the state-owned SOE is not optimal, but the government continues to do the State Capital to the state-owned enterprises in order to improve its financial performance.

One of the policy objectives of the State Capital is that the capital structure of SOEs to be better and have the capital strength to run business activities, so as to obtain optimal benefits. The optimum gain major impact on the cash flow remaining at the end of the year (free cash flow). Basically, the free cash flows expected by the Government as the return of the capital investment. Free cash flow SOEs listed in the Indonesia Stock Exchange, can be seen in Table 2 below:

**Table 2. Free Cash Flow of SOEs in Indonesia Stock Exchange  
(In million rupiah)**

No.	Code	2013	2014	2015	2016	2017
1	ADHI	978 457	<b>-1,128,589</b>	3506732	4317347	3.36491
2	ANTM	<b>-1,602,734</b>	<b>-2,912,551</b>	5272396	<b>-4,382,046</b>	<b>-2,890,561</b>
3	BBNI	<b>-7,591,119</b>	7470509	30,089,689	<b>-5,34081</b>	13,596,952
4	BBRI	<b>-10,557,184</b>	60,677,671	<b>-9,335,298</b>	25,528,079	<b>-2,554,019</b>
5	BBTN	<b>-1,368,802</b>	<b>-5,080,025</b>	7177982	9398218	9229441
6	BMRI	6525974	17.50392	<b>-17,969,549</b>	33,383,816	406 986
7	GIAA	1884642	<b>-570 133</b>	1608338	679 221	<b>-276 264</b>
8	INAF	676 898	<b>-585 003</b>	145 922	176 736	-256 741
9	JSMR	<b>-788 321</b>	<b>-223 278</b>	32 437	801 665	2863261
10	KAEF	77 652	179 210	<b>-112 366</b>	186 690	341 953
11	KRAS	<b>-1.16334</b>	781 755	<b>-1.49823</b>	2062875	200 895
12	PGAS	<b>-3,723,451</b>	<b>-1,539,588</b>	68 285	2528111	<b>-4,165,715</b>
13	PTBA	<b>-2,576,448</b>	677 710	<b>-1,010,577</b>	602 093	<b>-127 663</b>
14	PTPP	<b>-11 287</b>	946 719	<b>-6038</b>	546 184	6059902
15	SMBR	1364451	151 062	<b>-308 551</b>	<b>-1,407,762</b>	148 362
16	SMGR	1048368	855 457	<b>-961 931</b>	<b>-1,129,574</b>	803 316
17	TINS	<b>-163 758</b>	<b>-267 292</b>	128 416	74 659	799 942
18	TLKM	545 039	2905696	9841604	1769119	<b>-4,654,767</b>
19	WIKA	<b>-145 446</b>	914 185	259 228	6724115	1975527
20	WSKT	1081161	556 819	3829993	5144199	<b>-4,567,361</b>

Source: Adapted from the Indonesia Stock Exchange, <http://www.idx.co.id>, As of August 10, 2018

Based on the above Table 2, it can be ascertained in the period 2013-2017, the average SOE never had a negative free cash flow (-). SOEs are supposed to provide benefits not just financial gain, but the Government will acquire part of SOE earnings derived from the payment of taxes. The fact that the case that many of the state-owned tax arrears. State tax arrears, not solely because of state-owned enterprises can not afford to pay taxes, but also due to differences in perception by the Directorate General of Taxation, that still needs to be reconciled again and administrative problems other and are still in the

process of tax court, so only some of the companies are really tax arrears because it faced financial problems. Taxes paid by state-owned enterprises listed on the Indonesia Stock Exchange for the period of 2013-2017, can be seen as shown in Table 3 below:

**Table 3. Tax Payments SOEs in Indonesia Stock Exchange**  
(In million rupiah)

Code	2013	2014	2015	2016	2017
ADHI	305 927	267 896	281 066	297 515	255 755
ANTM	<b>-542 878</b>	<b>-57 849</b>	<b>-227 921</b>	172 485	110 783
BBNI	2220224	2694931	2325616	2892709	3394795
BBRI	6555736	6605228	7.08323	7745779	7977823
BBTN	578 610	433 755	690 979	711 179	834 089
BMRI	5231903	5353232	5217032	3922802	5713821
GIAA	868 435	<b>-1.10137</b>	395 694	113 210	714 542
INAF	<b>-8810</b>	6,237	7609	<b>-1554</b>	<b>-20 935</b>
JSMR	476 835	606 642	749 104	846 625	1156796
KAEF	68 483	79 080	85 163	111 428	77 293
KRAS	<b>-14 074</b>	<b>-322 851</b>	<b>-99 653</b>	<b>-147 474</b>	<b>-40 341</b>
PGAS	2836789	2873884	591 768	1026527	1730974
PTBA	607 081	655 512	626 685	672 511	1061935
PTPP	346 170	387 380	441 971	552 178	455 531
SMBR	88 218	66 315	89 234	90 190	45 383
SMGR	1566101	1517189	1325482	549 585	531 294
TINS	257 101	345 734	66 602	131 921	165 916
TLKM	6.859	7.338	8.025	9.017	8.628
WIKA	392 319	395 094	395 077	84 210	106 276
WSKT	243 230	254 389	350 413	342 520	419 074

Source: Adapted from the Indonesia Stock Exchange, <http://www.idx.co.id>, As of August 10, 2018

Based on Table 3 above, it was explained that there are several companies that have tax returns, is ANTM [PT. Aneka Tambang (Persero) Tbk], GIAA [PT. Garuda Indonesia (Persero) Tbk], INAF [PT. Indofarma (Persero) Tbk], and KRAS [PT. Krakatau Steel (Persero) Tbk]

Research on the factors and their impact on tax through capital structure and free cash flow has been done, but there is still a gap between researchers with each other. Their researchers found a significant effect on the profitability of the capital structure, but there is also the opinion of profitability does not significant effect to the capital structure. Fawzi and Jaafer (2012); Zeeshan et. al. (2012); Manuel et. al. (2013), Nile et. al. (2015); DKY Abeywardhana (2015); Ayad and Mustafa (2015); explained that the profitability have a positive and significant effect on the capital structure. While Anil and Tendai (2012), explains that the profitability of negative effect on the capital structure.

A Gap on the effect of sales growth to the capital structure, the research Anil and Tendai (2012), Ogbulu et. al. (2012); Manuel et. al. (2013); Denis and Nakamura (2013); Aremu et. al. (2013); Mahnazmahdavi et. al. (2013), Alzomaia (2014); and Nsika and Okpukpara (2014); explained that sales growth significant

effect on the capital structure. While Zeeshan, et al. (2012) obtained results that sales growth is negatively related to capital structure. A Gap on effect of the firm size on the capital structure, the research Dgbulu et. al. (2012); Manuel et. al. (2013); Aremu et. al. (2013); Denis and Nakamura (2013); Dejan et. al. (2013); Mahnazmahdavi et. al. (2013), Alzomaia (2014); Nsika et. al. (2014); explained the firm size of have a significant effect on the capital structure. While Taiwo (2012) to get the result that there is a negative correlation between the firm size and capital structure.

A Gap on the effect of capital structure to free cash flow, which Elahe (2016), explains that there is a significant relationship with the capital structure of free cash flow. While Le Long Hau (2017), Usman et al (2018) explains that leverage no significant effect on free cash flow. Gap on the effect of tax to profit, which is a research Armstrong et al. (2012), Thomas and Daniel (2013); Anastasia Kraft (2014), found a significant effect on tax to profit. Meanwhile, Bambang et. al. (2017) explains that the profit no significant effect on income tax.

A gap on the influence of capital structure to tax, with research Yang Ning (2012); Mahnazmahdavi et. al. (2013), Pankaj and Vishakha (2014); Magdalena et. al (2016); found a significant effect on the capital structure to the tax. While Anil and Tendai (2012), explains that the tax negatively related to leverage. Aremu, et. al. (2013), Nsika, et. al. (2014) found no significant effect the tax on capital structure, and Bambang et. al. (2017) found no significant effect of leverage to income tax. A gap in the effect of the tax to free cash flow, the research Anastasia (2014), explains that the free cash flow significantly related to the effective tax rate. While Le Long Hau (2017), explains that tax avoidance has no significant relationship to the free cash flow.

Based on the phenomenon and the gap at the top, then the objectives of the study was to determine and analyze the impact of working capital, current year profit, sales growth, fixed assets, and the firm size to tax payment through the capital structure and through the free cash flow in SOEs in Indonesia Stock Exchange in 2013-2017.

## LITERATURE REVIEW

### Capital structure

#### a. Modigliani & Miller Model (MM models) on Capital Structure

Proposition I: the value of the indebted companies equals the value of companies that do not owe plus the tax savings. I preposition implications are favorable debt financing. Proposition II: The cost of the share capital will increase with increasing debt, but the tax savings will be greater than the decline in value because of the rising cost of share capital. The implication of this second proposition is the use of more and more debt will increase the cost of the share capital.

#### b. Trade-off Theory on Capital Structure

According to Kraus and Litzenberger (1973), the trade-off theory assumes the existence of tax benefits due to the use of debt, so a company will use debt to a certain level in order to maximize the company's value. The essence of the trade-off theory of capital structure is balancing the benefits and sacrifices that arise as a result of the use of debt. As far larger benefits, additional debt is still allowed. If the sacrifice has been greater use of debt, then the additional debt is not allowed. The use of 100% loans are difficult to find in practice and it is opposed by the trade-off theory.

### c. **Pecking Order Theory on Capital Structure**

According to Myers (1984), pecking order hypothesis states that the company's internal use equity entering first, and if need external funds, the company will issue a debt prior to use external equity. Internal elections equity by the company compared to external finance can be explained by two different views. According to Myers (1984), the pecking order theory does not indicate the target capital structure. Pecking order theory to explain the sequence of funding. The order of use of a funding source with reference to the pecking order theory is internal funds, debt and equity capital

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### **Free Cash Flow**

The difference of receipts and disbursements of operating cash flow is net cash flow. It is no less important is the cash flows used in operating activities known company with free cash flow (free cash flow). Free cash flow is cash generated from operating companies that intended to be distributed to the shareholders (Brigham and Houston, 2012: 205). Free cash flow is the cash flow available to shareholders after the company meets all the needs of the operation and investment, both in net fixed assets and net current assets (Gumanti, 2013: 227).

### **Tax**

Tax is a contribution required to state owned by any person or entity coercive but still based on the Act, and not rewarded directly and used for the needs of the country are also the prosperity of its people (Law No. 28 of 2007, Section 1 About General provisions and Taxation).

### **Working Capital**

The concept of working capital is commonly used, namely (a) the quantitative concept. This concept emphasizes the quantity required to meet the needs of companies in the finance routine operations, (b) a qualitative concept. This concept focuses on the quality of working capital, and (c) a functional concept. This concept emphasizes the function of the funds held in order to generate revenue. (Munawir, 2012: 115)

### **Current Year Profit**

Profit is the excess of income over expenses during the accounting period, the tax calculation basis, guidance on investment policy and decision making, forecasting future profits, efficiency ratings, and performance assessment (Sutrisno, 2013: 113).

### **Fixed Assets**

Fixed assets are tangible assets obtained in the form of ready-made or built first, which is used in the company's operations, not intended for sale in the framework of the normal activities of the company and have a useful life of more than one year (SFAS No. 16, paragraph 5).

### 5 **firm Size**

The size of the company is a large or small comparison of an object. The size of the company is a scale where the size of the company can be classified according to a variety of way including total assets, the market value of shares, the number of employees, and others (Myers, 1984). The size of the company is

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the number of assets held. Large companies will require greater funding, the fulfillment of those needs, an alternative is used is by using debt (Warsono, 2012: 296).

### Hypothesis Development

#### a. Effect of Working Capital on Capital Structure

Khalaf (2012), Solabomi and Oboh (2013); Julia (2014); Asif and Wang (2014); Point et. al (2014); Jamal Zubairi (2014) and Nguyen (2017), get the result that there was a significant effect of working capital to capital structure. So the hypothesis is:

#### H1: Working capital significant effect on Capital Structure

#### b. Effect of Current Year Profit on Capital Structure

Fawzi and Jaafer (2012); Zeeshan et. al. (2012); Manuel et. al. (2013), Nilesh et al. (2015); DKY Abeywardhana (2015); Ayad and Mustafa (2015); explained that the profitability have a positive and significant effect on the capital structure. So the hypothesis is:

#### H2: Profit Year Walk significant effect on Capital Structure

#### c. Effect of Sales Growth on Capital Structure

Ogbulu et. al. (2012); Manuel et. al. (2013); Denis and Nakamura (2013); Aremu et. al. (2013); Mahnazmahdavi et. al. (2013), Alzomaia (2014); and Nsika and Okpukpara (2014); get the result that the sales growth significant effect on the capital structure. So the hypothesis is:

#### H3: Growth Sales significant effect on Capital Structure

#### d. Effect of Fixed Assets on Capital Structure

Ogbulu et. al. (2012); Denis and Nakamura (2013); Manuel et. al. (2013); Aremu et. al. (2013); Dejan et. al. (2013); Mahnazmahdavi et. al. (2013), Alzomaia (2014); Nsika et. al. (2014); explaining that the fixed assets have a significant effect on the capital structure. The hypothesis is:

#### H4: Fixed Assets a significant effect on Capital Structure

#### e. Effect of Firm Size on Capital Structure

Ogbulu et. al. (2012); Denis and Nakamura (2013); Manuel et. al. (2013); Aremu et. al. (2013); Dejan et. al. (2013); Mahnazmahdavi et. al. (2013), Alzomaia (2014); Nsika et. al. (2014); explain that firm size have a significant effect on the capital structure. So the hypothesis is:

#### H5: Size Significant effect on the Company's Capital Structure

#### f. Effect of Working Capital on Free Cash Flow

Gamze and Emin (2012), to get the result that working capital had a significant relationship to free cash flow. While research by Asma et. al, (2012), Fathin and Idris (2015), Abenet and Venkateswarlu (2016); Bagher et. al. (2016), Fatih and Ela (2016), explains that there is a significant effect of working capital to free cash flow. So the hypothesis is:

#### H6: Working capital significant effect on Free Cash Flow

#### H7: Effect of Current Year Income on Free Cash Flow

Armstrong et al. (2012), Fabricio et. al. (2014), Anastasia Kraft (2014), Seyyed et. al. (2015), Fatih and Ela (2016), Mehdi et. al (2016), Achjeng and Chokri (2017), Le Long Hau (2017), Usman et al (2018), get the result that current year profit for have a significant effect on free cash flow. So it can be formed a hypothesis, namely:

#### H7: Profit Year Walk significant effect on Free Cash Flow



**h. Effect of Growth Sales on Free Cash Flow**

Zhou et. al. (2012), Armstrong et al. (2012), Anastasia Kraft (2014), Achjen and Chokri (2017), and Le Long Hau (2017), to get the result that sales growth have a significant effect on free cash flow. So it can be formed a hypothesis, namely:

**H8: Growth Sales significant effect on Free Cash Flow**

**i. Effect of Fixed Assets on Free Cash Flow**

Takiah, et. al. (2012), Zhou et. al. (2012), Armstrong et al. (2012), Hassani and Azam (2014), Anastasia Kraft (2014), as well as Achjen and Chokri (2017), to get the result that the fixed assets have a significant effect on free cash flow. So the hypothesis is:

**H9: Fixed Assets significant effect on Free Cash Flow**

**j. Effect of the Firm Size on Free Cash Flow**

Zhou et. al. (2012), Armstrong et al. (2012), Anastasia Kraft (2014), Achjen and Chokri (2017), and Le Long Hau (2017), get the result that the firm size have a significant effect on free cash flow. So it can be formed a hypothesis, namely:

**H10: Firm Size significant effect on Free Cash Flow**

**k. Effect of Capital Structure on Free Cash Flow**

According to Jansen and Meckling (1976), the capital structure arranged to reduce conflicts with manager shareholders through free-cash-flow. Elahe Research (2016), explains that there is a significant relationship with the capital structure on free cash flow, then the hypothesis is:

**H11: Structure Capital significant effect on Free Cash Flow.**

**l. Effect of Working Capital on Tax Payments**

Gamze and Emin (2012), as well as Margaret and Akenga (2017), get the result that working capital have a significantly effect to the income tax, it can set up a hypothesis, namely:

**H12: Working capital significant effect on Tax Payments**

**61 Effect of Current Year Profit on Tax Payments**

Armstrong et al. (2012), Thomas and Daniel (2013); and Anastasia Kraft (2014), to get the result that a significant effect on profit to tax. So it can be formed a hypothesis, namely:

**H13: Current Year Profit significant effect on Tax Payment.**

**n. Effect of Sales Growth on Tax Payments**

Armstrong et al. (2012), Mahnazmahdavi et. al. (2013), and Anastasia Kraft (2014), to get the result that sales growth have a significantly effect to corporate taxes. The hypothesis is as follows:

**H14: Growth Sales significant effect on Tax Payments.**

**o. Effect of Fixed Assets on Tax Payments**

Yong-Ching et. al. (2012), Armstrong et al. (2012), Mahnazmahdavi et. al. (2013), Anastasia Kraft (2014), José, et. al. (2017), to get the result that the fixed assets have a significantly effect on corporate taxes. So it can be formed a hypothesis, namely:

**H15: Fixed Assets significant effect on Tax Payments.**

**p. Effect of Firm Size on Tax Payments**

Yulfaida and Zhulaikha (2012), Yong-Ching et al. (2012), Armstrong et al. (2012), Kurniasih and Sari (2013), Utami (2013), Ngadiman and Puspitasari (2014), Agusti (2014), Cahyono et al. (2014), Anastasia Kraft (2014), Nurfadilah (2016), Bambang et. al. (2017), and José, et. al. (2017), to get the result that the

firm size have a significant effect on the taxes to be paid by the company. So it can be formed a hypothesis, namely:

**H16: Firm size significant effect on Tax Payments.**

**q. Effect of Capital Structure on Tax Payments**

Yang and Ning (2012); Mahnazmahdavi et. al. (2013), Pankaj and Vishakha (2014); Magdalena et. al (2016); get results that significantly effect of the capital structure on tax, it can set up a hypothesis, namely:

**H17: Structure Capital significantly effect on Tax Payment.**

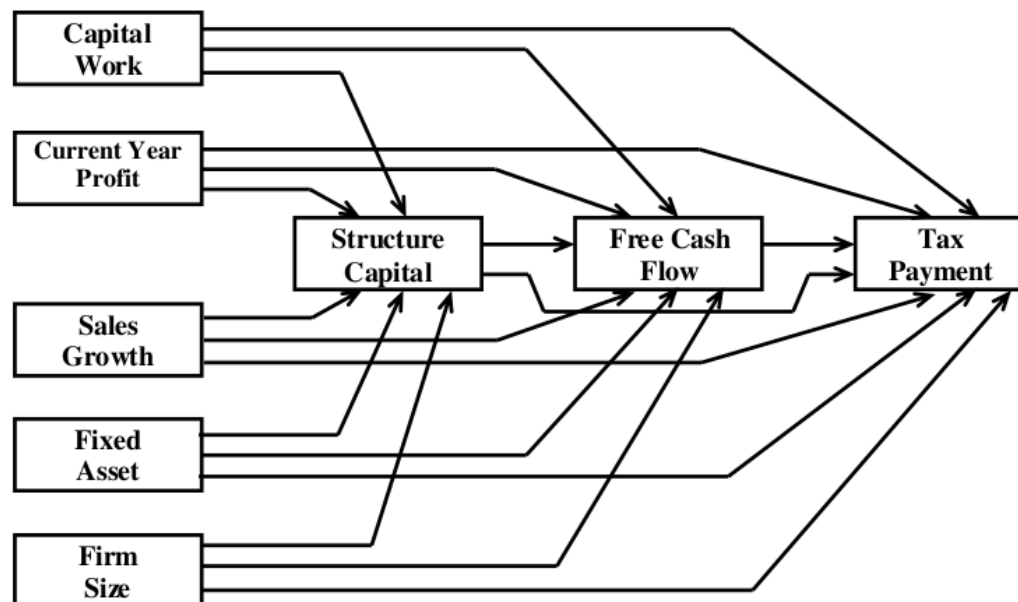
**r. Effect of Free Cash Flow to the Tax Payments**

According to Jansen and Meckling (1976), the capital structure arranged to reduce conflicts with manager shareholders through free-cash-flow. If the company uses debt, the manager will be forced to pull out cash to pay interest, thus reducing the tax paid by the company, it can be formed a hypothesis, namely:

**H18: Free Cash Flow significant effect on Tax Payments.**

**Framework for Think<sup>5</sup>g**

Frameworks to be used in this study, as can be seen in Figure 1, below:



**Picture 1.**  
**Framework for Thinking**

## RESEARCH METHODS

### Research design

The design used in this research is associative. In this study, used to see how much influence the collective five (5) independent variable: Working Capital, Current Year Profit, Sales Growth, Fixed Assets, and the Firm Size to one dependent variable, is Tax Payments, through two intervening variables in the form of Capital Structure and Free Cash Flow, using path analysis model.

### 3 Population and Sample

The population in this study were 121 SOEs, which consists of 14 sectors. The sampling method used was a probability sampling, while the sampling technique used in the form of quota sampling. So that the sample consisted of 20 state-owned enterprises listed on the Indonesia Stock Exchange.

### Types and Sources of Data

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Data used in the form of quantitative and qualitative data. Quantitative data consists of the Balance Sheet, Income Statement and Cash Flow Statement for the period 2013-2017. Qualitative data is schemas, tables, images, and 65 cases that describe the condition of state-owned enterprises and research results. Source of data derived 41 from the Indonesian Capital Market Directory (ICMD) and the Indonesian Stock Exchange (IDX) on the official website of the Indonesia Stock Exchange.

### Method of collecting data

Data collection method used the documentation and literature method. The documents 24 required in this study, among others: Financial Statements of state-owned enterprises, such as Balance Sheet, Income Statement and Cash Flow Statement, and other documents such as the number of SOEs, Overview, Vision and Mission SOEs. Library method is to do the study of literature by studying books and literature in the library and studied the journals international downloaded from the Internet as a reference in the writing of this dissertation.

### Data analysis technique

#### a. Path analysis 10

The analysis model is used to determine the effect of independent variables on the dependent variable through intervening variables. The following will be attached to the model equations econometric research, namely:

$$CS = \beta 1.WC + \beta 2.CYP + \beta 3.SG + \beta 4.FA + \beta 5.FS + e1$$

$$FCF = \beta 6.WC + \beta 7.CYP + \beta 8.SG + \beta 9.FA + \beta 10.FS + \beta 11.CS + e2$$

$$TP = \beta 12.WC + \beta 13.CYP + \beta 14.SG + \beta 15.FA + \beta 16.FS + \beta 17.CS + \beta 18.FCF + e3$$

Information:

*CS* = Capital structure

*FCF* = Free Cash Flow

*TP* = Tax Payment

$\beta 1, \beta 2 \dots \beta 18$  = Regression Coefficients

*WC* = Working Capital

*CYP* = Current Year Profit

*SG* = Sales growth

*FA* = Fixed assets

*FS* = Firm size

*e1, e2, e3* = Error Term

#### b. ANOVA

ANOVA test was used to test the research model. F-table, with a significance level ( $\alpha$ ) = 5% (Singgih, 2012: 227), namely:  $df = (nk-1)$  and  $(k)$

**c. Hypothesis (Partial Test)**

To see a partial effect of independent variables on the dependent variable can be used t test. T-table value, obtained at the significance level ( $\alpha$ ) = 5%, with degrees of freedom df (n-2) (Sugiyono, 2011: 236), namely:  $df = (n-2)$

**c. Testing Multiple Regression Assumptions**

Testing multiple regression assumptions used is the data normality test, multikoleniaritas, heteroscedasticity and autocorrelation test

**d. Analysis of the Coefficient Of Determination (R<sup>2</sup>)**

Analysis of the coefficient of determination (R<sup>2</sup>) to determine the percentage of independent variables can explain the dependent variable. If R<sup>2</sup> is equal to 0, then there is no iota of influence given the independent variables on the dependent variable (Singgih, 2012: 228).

**RESEARCH RESULT**

**Multiple Regression Assumption Testing Results**

The data on variable working capital, current year profit, sales growth, fixed assets, firm size, capital structure, free cash flow, and tax payment have been distributed to normal, does not happen autocorrelation, multicollinearity, and heteroskedasticity.

**Results Analysis of First Model**

Based on test results with SPSS for Windows Version 20:00, path analysis results obtained in the first model, as follows:

**Table 4. Results Path analysis and Hypothesis t of the First Model**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,487	,136		2,356	,028
MK	,507	,130	,464	5,359	,000
LTB	,450	,253	,346	4,709	,000
PP	,398	,024	,307	3,024	,019
AT	,329	,056	,262	2,284	,025
UP	,719	,282	,529	8,126	,000

Source: SPSS for Windows Version 20:00

Based on Table 4 above, can be formed an equation path analysis the first model, is as follows:

$$CS = \beta 1.WC + \beta 2.CYP + \beta 3.SG + \beta 4.FA + \beta 5.FS + e1$$

$$CS = 0,464.WC + 0,346.CYP + 307.SG + 0,262.FA + 0,529.FS$$

Working Capital (WC) beta value is 0.464; means the working capital affect to the capital structure as much as 0.464; Current Year Profit (CYP) beta value is 0.346; means current year profit affect to the capital structure as much as 0.346. Sales Growth (SG) beta value is 0.307; means sales growth affect to the capital structure as much as 0.307. Fixed Assets (FA) beta value is 0.262; means fixed assets affect to

capital structure as much as 0.262. Firm Size (FS) beta value is 0.529; means the firm size affect to capital structure as much as 0.529.

### 20 Hypothesis Testing Results F (Test ANOVA) on the First Model

Based on the results of testing the hypothesis F (ANOVA) F-count values obtained in the first model, is as follows:

**Table 5. Test Results Hypothesis F (Test ANOVA) on the First Model**

15 Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16,821	5	3,364	73,008	,000 <sup>a</sup>
	Residual	4,332	94	,046		
	Total	21,153	99			

Source: SPSS for Windows Version 20:00

The F-table with alpha ( $\alpha$ ) = 5% <sup>1</sup>  $df = (n-k-1) = (100-5-1) = 94$  and  $k = 5$ , (5%; 94; 5), amounting to 2,310; mean F-count (73.008) > F-table (2,310) and the Sig F (0,000) <  $\alpha$  (0.05), then  $H_0$  is rejected and  $H_a$  accepted, that <sup>5</sup> meaning working capital, current year profit, sales growth, fixed assets, and the firm size simultanly have a significant effect on the capital structure.

### Hypothesis Testing Results t (Partial Test) on the First Model

T-table with alpha ( $\alpha$ ) = 5% (0.05), and  $df = (n - 2) = (100-2) = 98$  (5%; 98), amounting to 1.985. Based on Table 4. Results Path analysis and Hypothesis t on First Model, the value of t-count Working Capital (5.359) > t table (1.985) and Sig t (0.000) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that meaning working capital have a significant effect on the capital structure. T-count Current Year Profit (4.709) > t table (1.985) and Sig t (0.000) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that meaning current year profit have a significant effect on the capital structure.

T-count Sales Growth (3.024) > t-table (1.985) and Sig t (0.019) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that meaning sales growth have a significant effect on the capital structure. T-count Fixed Assets (2.284) > t-table (1.985) and Sig t (0.025) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that meaning fixed assets have a significant effect on the capital structure. T-count Firm Size (8.126) > t-table (1.985) and Sig t (0.000) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that meaning firm size have a significant effect on the capital structure.

### Coefficient Determination Test Results at First Model

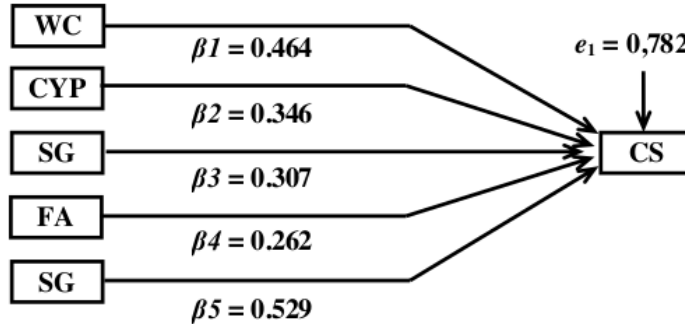
Based on calculations, the coefficient of determination in the First Model, as follows:

**Table 6. Determinant Coefficient Test Results at First Model**

8 Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,892 <sup>a</sup>	,795	,782	,21582	1,991

Source: SPSS for Windows Version 20:00

Adjusted R-square value amounted to 0,782; that means the capital structure can be explained by working capital, current year profit sales growth, fixed assets, and the firm size as much as 0,782 (78.2%); while the rest of 0.218 (21.8%) is explained by other factors that are not included in this study ( $e_1 = 0,782$ ). So that the results of the path analysis diagram First Model as follows:



**Figure 2.**  
**The results of path analysis on the First Model**

**Results Analysis Direct Impact on Second Model**

Based on test results with SPSS for Windows Version 20:00, obtained the test results path analysis the second model, as follows:

**Table 7. Results path analysis and Hypothesis t on Second Model**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,023	,928		2,103	,027
	MK	,684	,143	,579	3,316	,000
	LTB	,627	,151	,531	3,180	,000
	PP	,279	,062	,261	2,093	,048
	AT	,475	,106	,369	2,458	,016
	UP	,524	,115	,550	3,515	,001
	SM	,332	,097	,305	2,253	,021

Source: SPSS for Windows Version 20:00

Table 7. Based on the above, it can be formed an equation path analysis the second model, as follows:

$$FCF = \beta_6.WC + \beta_7.CYP + \beta_8.SG + \beta_9.FA + \beta_{10}.FS + \beta_{11}.CS + e_2$$

$$FCF = 0,579.WC + 0,531.CYP + 0,261.SG + 0,369.FA + 0,550.FS + 0,305.CS$$

Working Capital (WC) beta value is 0,579; that means the working capital affect free cash flow as much as 0,579. Current Year Profit (CYP) beta value is 0,531; that means current year profit affect free cash flow as much as 0,531. Sales Growth (SG) beta value is 0.261; that means sales growth affect free cash flow as much as 0.261. Fixed Assets (FA) beta value is 0.369; that means fixed assets affect free cash flow as much as 0.369. Firm Size (FS) beta value is 0,550; that means firm size affect free cash flow as

much as 0,550. Capital Structure (CS) beta value is 0,305; that means the capital structure affect free cash flow as much as 0,305

**20** **Hypothesis Testing Results F (Test ANOVA) on the Second Model**

Based **1** the results of testing the hypothesis F (ANOVA test) F-count values obtained in the second model, as follows:

**Table 8. Test Results Hypothesis F (Test ANOVA) on the Second Model**

15 Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27,506	6	4,584	15,226	,000 <sup>a</sup>
	Residual	28,002	93	,301		
	Total	55,508	99			

Source: SPSS for Windows Version 20:00

The F-table with **1**  $\alpha = 5\%$  (0.05),  $df = (n-k-1) = (100-6-1) = 93$  and  $k = 6$ , (5%; 93; 6), is 2,200; F-count (15.226) > F-table (2,200) and Sig F (0,000) <  $\alpha$  (0.05), then  $H_0$  is **22** rejected and  $H_a$  accepted, that means working capital, current year profit, sales **68** growth, fixed assets, firm size and capital structure simulanly have a positive and significant effect on free cash flow.

**Hypothesis Testing Results t (Partial Test) on the Second Model**

T-table with  $\alpha = 5\%$  (0.05),  $df = (n - 2) = (100-2) = 98$  (5%; 98), is 1.985. Based on Table 7. Results Path analysis and Hypothesis t on Sec**3** Model, it means that the t-count Working Capital (3.316) > t-table (1.985) and Sig t (0.000) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that means working capital have a positive and significant effect on the free cash flow, T-count Current Year Profit (3.180) > t-table (1.985) and Sig t (0.000) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that means current year profit have a positive and significant effect on the free cash flow, T-count Sales Growth (2.093) > t-table (1.985) and Sig t (0.048) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that means sales growth have a positive and significant effect on free cash flow. **3**

T-count Fixed Assets (2.458) > t-table (1.985) and Sig t (0.016) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that means the fixed assets have a positive and significant effect on free cash flow. T-count Firm size (3.515) > t-table (1.985) and Sig t (0.001) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that means the firm size have a positive and significant effect on free cash flow. T-count Capital Structure (2.253) > t-table (1.985) and Sig t (0.021) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  is rejected, that means capital structure have a positive and significant effect on free cash flow.

**31** **Testing Results The coefficient of determination in the Second Model**

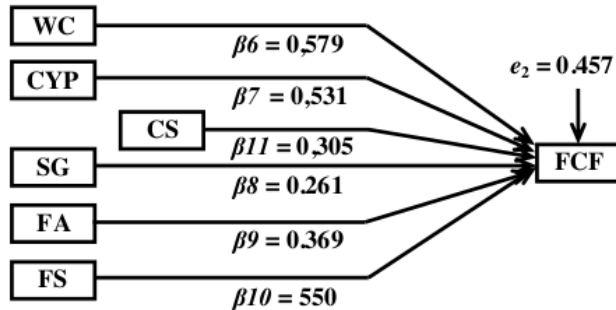
Based on calculations, the coefficient of determination in the second model, as follows:

**Table 9. Determinants Coefficient Test Results in Second Model**

8 Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,704 <sup>a</sup>	,496	,457	,55169	2,214

**Source: SPSS for Windows Version 20:00**

Adjusted R-Square is 0.457, that means free cash flow can be explained by working capital, current year profit, sales growth, fixed assets, firm size and capital structure is 0.457 (45.7%); the balance of 0.543 (54.3%) is explained by other factors that are not included in this study ( $e_2 = 0.457$ ). So that the results of the path analysis diagram direct influence on Second models are as follows:



**Figure 3.**  
**Results of path analysis**  
**Direct Impact on Second Model**

**Result Path analysis Indirect Effect on Second Model**

Working Capital (WC) to the Capital Structure (CS) beta value is 0.464 (0,464.WC), while the Capital Structure (CS) to the Free Cash Flow (FCF) beta value is 0,305 (0,305.CS), then the indirect effect Working Capital (WC) to the Free Cash Flow (FCF) through the Capital Structure (CS), Namely:  $\beta_{19}.WC.CS = \beta_1.WC \times \beta_{11}.CS = 0,464.WC \times 0,305.CS = 0,142.WC.CS$ , then the indirect effect working capital to free cash flow through a capital structure is 0,142. Comparison of the effects of indirect with direct effect, namely:  $FCF = 0,142.WC.CS < FCF = 0,579.WC$ , that means working capital have no significant effect on free cash flow through the capital structure.

Current Year Profit (CYP) to the Capital Structure (CS) beta value is 0.346 (0,346.CYP), while the Capital Structure (CS) to the Free Cash Flow (FCF) is 0,305 (0,305.CS), then the indirect effect Current Year Profit (CYP) to the Free Cash Flow (FCF) through the Capital Structure (CS), namely:  $\beta_{20}.CYP.CS = \beta_2.CYP \times \beta_{11}.CS = 0,346.CYP \times 0,305.CS = 0,106.CYP.CS$ , then the indirect effect current year profit on free cash flow through the capital structure is 0.106. Comparison of the indirect with direct effect, namely:  $FCF = 0,106.CYP.CS < FCF = 0,531.CYP$ , that means current year profit have no significant effect on free cash flow through the capital structure.

Sales Growth (SG) to the Capital Structure (CS) beta value is 0.307 (0,307.SG) and the Capital Structure (CS) to the Free Cash Flow (FCF) beta value is 0,305 (0,305.CS), then the indirect effect Sales Growth (SG) to the Free Cash Flow (FCF) through the Capital Structure (CS), Namely:  $\beta_{21}.SG.CS = \beta_3.SG \times \beta_{11}.CS = 0,307.SG \times 0,305.CS = 0,094.SG.CS$ , then the indirect effect sales growth to the free cash flow through the capital structure is 0.094. Comparison of the indirect effect with a direct effect, namely:  $FCF = 0,094.SG.CS < FCF = 0,261.SG$ , that means he sales growth have no significant effect on free cash flow through the capital structure.

Fixed Assets (FA) to the Capital Structure (CS) beta value is 0.262 (0,262.FA) and the Capital Structure (CS) to the Free Cash Flow (FCF) beta value is 0,305 (0,305.CS), then the indirect effect of Fixed Assets



(FA) to Free Cash Flow (FCF) through the Capital Structure (CS), Namely:  $\beta_{22}.FA.CS = \beta_{4}.FA \times \beta_{11}.CS = 0,262.FA \times 0,305.CS = 0,080.FA.CS$ , then the indirect effect of fixed assets to the free cash flow through the capital structure is 0.080. Comparison of the indirect effect with a direct effects, as follows:  $FCF = 0,080.FA.CS < FCF = 0,369.FA$ , hat means the fixed assets have no significant effect on free cash flow through the capital structure.

Firm Size (FS) to the Capital Structure (CS) beta value is 0.529 (0,529.FS) and the Capital Structure (CS) to the Free Cash Flow (FCF) beta value is 0,305 (0,305.CS), then the indirect effect of Firm Size (FS) to Free Cash Flow (FCF) through the Capital Structure (CS, namely:  $\beta_{23}.FS.CS = \beta_{5}.FS \times \beta_{11}.CS = 0,529.FS \times 0,305.CS = 0,161.FS.CS$ , then the indirect effect of firm size to the free cash flow through the capital structure is 0.161. Comparison in direct effect with a indirect effect, namely:  $FCF = 0,161.FS.CS < FCF = 0,550.FS$ , that means the firm size have no significant effect on free cash flow through the capital structure.

So that the results of the path analysis diagram indirect effect on Second Model as follows:

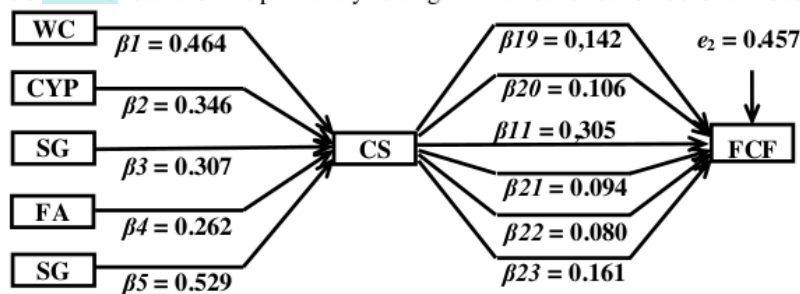


Figure 4.  
Results of path analysis  
Indirect Influence on Second Model

#### Result Path analysis Direct Impact on Third Model

Based on testing with SPSS for Windows Version 20:00, obtained the test results path analysis on The Third Model, as follows:

Table 10. Results Path analysis and Hypothesis t on the Third Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,225	,545		3,413	,000
	MK	,540	,200	,422	5,698	,000
	LTB	,507	,188	,417	5,743	,000
	PP	,256	,036	,200	2,543	,026
	AT	,200	,095	,179	2,095	,039
	UP	,487	,219	,348	4,222	,000
	SM	,259	,156	,164	2,678	,021
	AKB	,316	,161	,216	2,710	,015

Source: SPSS for Windows Version 20:00

Table 10. Based on the above, it can be formed an equation path analysis Third Model, as follows:

$$TP = \beta_{12}.WC + \beta_{13}.CYP + \beta_{14}.SG + \beta_{15}.FA + \beta_{16}.FS + \beta_{17}.CS + B_{18}.FCF + e_3$$

$$TP = 0.422.WC + 0.417.CYP + 0.200.SG + 0.179.FA + 0.348.FS + 0.164.CS + 0.216.FCF$$

Working Capital (WC) beta is 0.422 (0,422.WC), that means working capital affect to the tax payments is 0.422. Current Year Profit (CYP) beta value is 0.417 (0,417.CYP), that means the current year profit affect to the tax payments is 0.417. Sales Growth (SG) beta value is 0.200 (0,200.SG), that means the sales growth affecting to tax payments is 0.200. Fixed Assets (FA) beta value is 0.179 (0,179.FA), that means the fixed assets affect to the tax payment is 0.179. Firm Size (FS) beta value is 0,348 (0,348.FS), that means the firm size affect to the tax payments is 0,348. Capital Structure (CS) beta value is 0.164 (0,164.CS), that means the capital structure affect to the tax payments is 0.164. Free Cash Flow (FCF) beta value is 0.216 (0,216.FCF), that means free cash flow affect to the tax payments is 0.216.

#### 20. Hypothesis Testing Results F (Simultaneous Testing) at the Third Model

Based on the results of testing the hypothesis F (ANOVA) F-count values obtained at the Third Model, is as follows:

**Table IV.11. F Hypothesis Test Results (Test ANOVA) at the Third Model**

15 Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	49,335	7	7,048	68,718	,000 <sup>a</sup>
	Residual	9,436	92	,103		
	Total	58,771	99			

Source: SPSS for Windows Version 20:00

The F-table with  $\alpha = 5\%$ ,  $df = (n-k-1) = (100-7-1) = 92$  and  $k = 7$  (5%; 92; 7), is 2,110, and the value of the F-count (68.718) > F-table (2,110) and Sig F (0,000) <  $\alpha$  (0.05), then  $H_0$  is rejected and  $H_a$  accepted, that means the working capital, current year profit, sales growth, fixed assets, firm size, capital structure, and the free cash flow simultaneously have a positive and significant effect on the tax payments.

#### Hypothesis Testing Results t (Partial Test) at the Third Model

T-table with alpha ( $\alpha$ ) = 5%,  $df = (n - 2) = (100-2) = 98$  (5%; 98) is 1.985. Based on Table 10. Results Path analysis and Hypothesis t at the Third Model, t-count of working capital (5.698) > t-table (1.985) and Sig t (0.000) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that means working capital have a positive and significant effect on the tax payments, T-count Current Year Profit (5.743) > t-table (1.985) and Sig t (0.000) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that means the current year profit have a positive and significant effect on the tax payments, T-count Sales Growth (2.543) > t-table (1.985) and Sig t (0.026) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that means sales growth have a positive and significant effect on the tax payments.

T-count Fixed Assets (2.54) > t-table (1.985) and Sig t (0.039) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that means the fixed assets have a positive and significant effect on the tax payments, T-count Firm Size (25.22) > t-table (1.985) and Sig t (0.000) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that means the firm size have a positive and significant effect on the tax payments, T-count Capital Structure (2.678) > t-table (1.985) and Sig t (0.021) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that means

26 capital structure have a positive and significant effect on the tax payments, T-count Free Cash Flow (2,717 > t-table (1.985) and Sig t (0.021) <  $\alpha$  (0.05); then  $H_0$  is rejected and  $H_a$  accepted, that means the free cash flow have a positive and significant effect on the tax payments.

31 **Testing Results The coefficient of determination in the Third Model**

Based on calculations, the coefficient of determination in the Third Model is as follows:

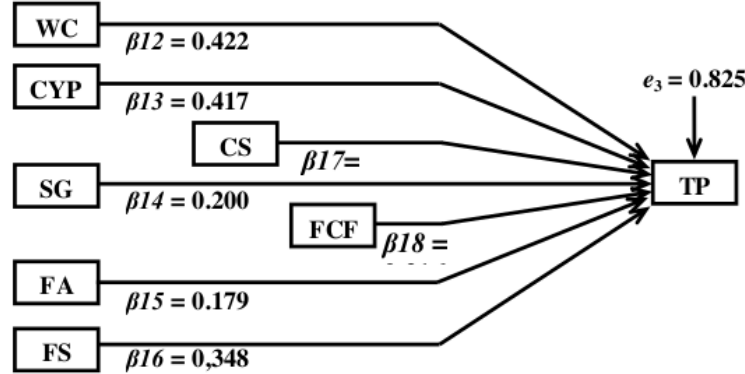
**Table 12. Determinants Coefficient Test Results in Third Model**

8 Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,916 <sup>a</sup>	,839	,825	,32201	1,859

Source: SPSS for Windows Version 20:00

Adjusted R-Square value is 0.825, that means tax payments can be explained by working capital, current year profit, sales growth, fixed assets, firm size, capital structure and free cash flow as much as 0.825 (82.5%); the balance of 0.175 (17.5%) is explained by another another factors ( $e_3 = 0.825$ ).

So that the path diagram (path analysis) direct influence on the third model is as follows:



**Figure 5.**  
**Path Analysis Results**  
**Direct Impact on Third Model**

**Result Path analysis Indirect Effect on Third Model**

Working Capital (WC) to the Capital Structure (CS) beta value is 0.464 (0,464.WC), and the Capital Structure (CS) to the Free Cash Flow (FCF) beta value is 0,305 (0,305.CS), and the Free Cash Flow (FCF) to the Tax Payments (TP) beta value is 0,216 (0,216.FCF), then the indirect effect of Working Capital (WC) to the Tax Payments (TP) through the Capital Structure (CS) and through the Free Cash Flow (FCF) as follows:  $\beta_{24.WC.CS.FCF} = \beta_{11.WC} \times \beta_{11.CS} \times \beta_{18.FCF} = 0,464.WC \times 0,305.CS \times 0,216.FCF = 0,031.WC.CS.FCF$ , so that the indirect effect of working capital to tax payments to tax payments through the capital structure and through the free cash flow is 0,031. Comparison of the indirect effect with the direct effect, namely:  $TP = 0,031.WC.CS.FCF < TP = 0,422.WC$ , that means thw working capital have no significant effect to the tax payments through the capital structure and through the free cash flow.

Current Year Profit (CYP) to the Capital Structure (CS) beta value is 0.346 (0,346.CYP), the Capital Structure (CS) to the Free Cash Flow (FCF) beta value is 0,305 (0,305.CS), and the Free Cash Flow (FCF) beta value to the Tax Payments (TP) is 0.216 (0,216.FCF), then indirect effect of the Current Year Profit (CYP) on the Tax Payments (TP) through the Capital Structure (CS) and through the Free Cash Flow (FCF), namely:  $\beta_{25.CYP.CS.FCF} = \beta_{2.CYP} \times \beta_{11.CS} \times \beta_{18.FCF} = 0,346.CYP \times 0,305.CS \times 0,216.FCF = 0,023.CYP.CS.FCF$ , so that the indirect effect of the current year profit to the tax payment through the capital structure and through the free cash flow is 0,023. Comparison indirect effect with a direct effect, namely:  $TP = 0,023.CYP.CS.FCF < TP = 0,417.CYP$ , it means the current year profit have no significant effect on the tax payments through the capital structure and through the free cash flow.

Sales Growth (SG) to the Capital Structure (CS) beta value is 0.307 (0,307.SG), the Capital Structure (CS) to the Free Cash Flow (FCF) beta value is 0,305 (0,305.CS), and the Free Cash Flow (FCF) to the Tax Payments (TP) beta value is 0.216 (0,216.FCF), then indirect effect of the Sales Growth (SG) on Tax Payments (TP) through the Capital Structure (CS) and through Free Cash Flow (FCF) is as follows:  $\beta_{26.SG.CS.FCF} = \beta_{3.SG} \times \beta_{11.CS} \times \beta_{18.FCF} = 0,307.SG \times 0,305.CS \times 0,216.FCF = 0,020.SG.CS.FCF$ , so that the indirect effect of sales growth to the tax payments through the capital structure and through the free cash flow is 0,020. Comparison indirect effect with a direct effect, as follows:  $TP = 0,020.SG.CS.FCF < TP = 0,200.SG$ , that means the sales growth have no significant effect on the tax payments through the capital structure and through free cash flow.

Fixed Assets (FA) to the Capital Structure (CS) beta value is 0.262 (0,262.FA), the Capital Structure (CS) to the Free Cash Flow (FCF) beta value is 0,305 (0,305.CS), and Free Cash Flow (FCF) to the Tax Payments (TP) beta value is 0.216 (0,216.FCF), then the indirect effect of Fixed Assets (FA) on the Tax Payments (TP) through the Capital Structure (SM) and through Free Cash Flow (FCF), as follows:  $\beta_{27.FA.CS.FCF} = \beta_{4.FA} \times \beta_{11.CS} \times \beta_{18.FCF} = 0,262.SG \times 0,305.CS \times 0,216.FCF = 0,017.FA.CS.FCF$ , so that the indirect effect of the fixed assets to the tax payments through the capital structure and through the free cash flow is 0,017. Comparison of the indirect effect with the direct effects, as follows:  $TP = 0,017.FA.CS.FCF < TP = 0,179.FA$ , that means the fixed assets have no significant effect on the tax payments through the capital structure and through free cash flow.

Firm Size (FS) to the Capital Structure (CS) beta value is 0.529 (0,529.FS), the Capital Structure (CS) to the Free Cash Flow (FCF) beta value is 0,305 (0,305.CS), and the Free Cash Flow (FCF) to the Tax Payment (TP) beta value is 0.216 (0,216.FCF), then the indirect effect of Firm Size (FS) on the Tax Payments (TP) through the Capital Structure (CS) and through Free Cash Flow (FCF), namely:  $\beta_{28.FS.CS.FCF} = \beta_{5.FS} \times \beta_{11.CS} \times \beta_{18.FCF} = 0,529.FS \times 0,305.CS \times 0,216.FCF = 0,035.FS.CS.FCF$ , so that the indirect effect of firm size to the tax payments through the capital structure and through the free cash flow is 0.035. Comparison indirect effects with a direct effect as follows:  $TP = 0,035.FS.CS.FCF < TP = 0,348.FS$ , that means the firm size have no significant effect on the tax payments through the capital structure and through free cash flow.

So that the path analysis indirect effect on a third model is as follows:

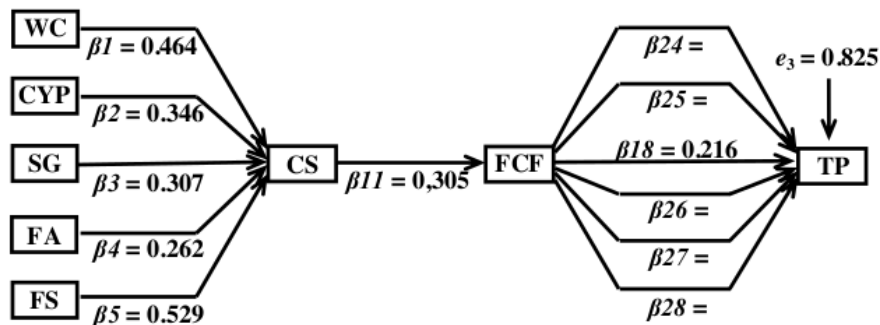


Figure 6.  
Path Analysis Results  
Indirect Effect on Third Model

## 1 CONCLUSION

Based on the results of data analysis and discussion undertaken in the previous chapter, it can be concluded that: working capital, current year profit, sales growth, fixed assets, and firm size have a positive and significant effect to the capital structure, free cash flow, and tax payments, but no significant effect on free cash flow through the capital structure and no significant effect on the tax payments through the capital structure and through free cash flow.

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