

THE FACTORS AFFECTING TRANSFER PRICING DURING COVID-19 WITH PROFITABILITY AS A MODERATING VARIABLE

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Abstract

The purpose of this study is to examine and analyze whether tax rates, exchange rates, bonus mechanisms, and leverage affect transfer pricing, with profitability as a moderating variable, in healthcare subsector companies listed on the Indonesia Stock Exchange during COVID-19 period and the post-COVID-19 period. The research data were collected through documentation techniques by accessing secondary data from the official website of the Indonesia Stock Exchange. The sampling method used was purposive sampling. Hypothesis testing was conducted using moderated regression analysis. The results show that during the COVID-19 period, tax rates, bonus mechanisms, and leverage have an effect of transfer pricing. In addition, profitability is able to moderate the effect of tax rates on transfer pricing but does not moderate the other variables. In the post-COVID-19 period, tax rates and leverage affect transfer pricing, whereas exchange rates and bonus mechanisms do not have a significant effect. Furthermore, profitability is not able to moderate the effect of any variables on transfer pricing in the post-COVID-19 period.

Keywords: Exchange Rates, Leverage, Profitability, Tax Rates, Transfer Pricing

INTRODUCTION

An estimate of 60% to 70% of global trades are transactions with related parties (Löffler, 2019). When there is a price parity between related and unrelated companies, multinational companies tend to choose transactions with related ones for several reasons, such as risk management, fund allocation, and management control (Pendse, 2012). From the perspective of multinational companies, transactions with related parties carry lower risk than those with non-related parties. Therefore, under the ideal conditions, it is safe to assume that the increase in profits are directly proportional to the increase in transactions with related parties. However, during the COVID-19 pandemic and subsequent years, the data shows that several companies in the healthcare subsector listed on Indonesia Stock Exchange experienced increased profits yet decreased transactions with related parties.

Table 1. Account Receivable from Related Parties

YEAR	PT MEDIKALOKA HERMINA TBK		PT SOHO GLOBAL HEALTH TBK		PT ITAMA RANORAYA TBK	
	ACCOUNT RECEIVABLE FROM RELATED PARTIES	PROFIT	ACCOUNT RECEIVABLE FROM RELATED PARTIES	PROFIT	ACCOUNT RECEIVABLE FROM RELATED PARTIES	PROFIT
2018	6.881.000.000	191.024.000.000	4.983.000.000	49.454.000.000	0	32.260.851.611
	-	-	-	-	-	-
2019	5.926.000.000	343.920.000.000	816.000.000	118.702.000.000	20.218.770.000	33.205.208.231
	-14%	80%	-84%	140%	-	3%
2020	3.676.000.000	645.638.000.000	842.000.000	172.200.000.000	3.850.090.950	60.521.992.500
	-38%	88%	3%	45%	-81%	82%

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YEAR	PT MEDIKALOKA HERMINA TBK		PT SOHO GLOBAL HEALTH TBK		PT ITAMA RANORAYA TBK	
	ACCOUNT RECEIVABLE FROM RELATED PARTIES	PROFIT	ACCOUNT RECEIVABLE FROM RELATED PARTIES	PROFIT	ACCOUNT RECEIVABLE FROM RELATED PARTIES	PROFIT
2021	3.238.000.000	1.290.641.000.000	-	551.091.000.000	21.529.047	112.155.499.624
	-12%	100%	-100%	220%	-99%	85%
2022	1.950.000.000	378.773.000.000	-	375.015.000.000	6.867.920.519	48.004.521.732
	-40%	-71%	-	-32%	31801%	-57%
2023	2.081.000.000	559.284.000.000	-	371.341.000.000	285.543.270.336	5.198.421.281
	7%	48%	-	-1%	4058%	-89%
2024	1.634.000.000	689.129.000.000	-	462.651.000.000	154.499.914.074	53.263.191.012
	-21%	23%	-	25%	-46%	925%

The decrease in the amount of account receivable from related parties is evident based on the data in Table 1. These companies experienced increased profits during and after the pandemic, but experienced a decrease in the number of transactions with related parties. Various factors can influence a company's decision to reduce transactions with related parties, such as tax rates, exchange rates, bonus mechanisms, and leverage as they are tied to the receivables between related companies. Furthermore, the interaction between these factors tends to be driven by profitability. According to the research conducted by Baroroh, Malik, and Jati (2021), as well as research by Murtanto and Bonita (2021), profitability can moderate the relationship between the mentioned factors and transfer pricing. Based on the explained reasoning, as well as due to the conflicting results of past studies conducted on these independent variables, another re-examination will be conducted on the effect of tax rates, exchange rates, bonus mechanisms, and leverage on transfer pricing with profitability as a moderating variable in healthcare subsector companies listed on the Indonesia Stock Exchange from 2020 to 2024.

LITERATURE REVIEW

The theories underlying this research are agency theory and resource dependence theory. Agency theory was proposed by Jensen and Meckling in 1976 as a theory that describes the relationship between the management as the party running the company (agent) and shareholders (principals) as the parties providing trust. According to this theory, management and shareholders can have differing priorities and interests (Jensen & Meckling, 1976). Problems may arise when shareholders have difficulty verifying management actions, as well as issues regarding the distribution of risks that occur (Eisenhardt, 1989). This difference in priority may encourage management to make use of related party transactions to reduce tax expense and maximize company profits by shifting their profit to a company in a different country with lower tax rates (Panjalusman, Nugraha, & Setiawan, 2018). Although several other research has indicated the effect of tax rates on transfer pricing are not significant (Yusuf & Aziz, 2021; Baroroh, Malik, & Jati, 2021), on the other hand, there are numerous studies that show a positive and significant relationship. Klassen, Lisowsky, & Mescall (2017) has stated that efficient transfer pricing strategies can be implemented to minimize taxes and improve tax compliance. Furthermore, research by Amidu, Coffie, & Acquah (2019) shows that multinational companies can also engage in transfer pricing and income manipulation to aggressively reduce their tax burden.

H1 = Tax rate has a positive and significant effect on transfer pricing.

The constant fluctuations in exchange rates may increase the revenue earned from exchange rate differences during the COVID-19 pandemic. Based on the conflict of interest explained by Jensen and Meckling's (1967) agency theory, management may make transfer pricing decisions and conduct transactions with related companies from countries with stronger currencies to increase revenue (Chan, Landry, & Jalbert, 2004; Ayshinta, Agustin, and

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Afriyenti, 2019). Other past researches suggest that this positive influence can also be caused by: the use of transfer pricing to stabilize against exchange rate fluctuations (Bernard, Jensen, & Schott, 2006), shifting to a predicted rising exchange rate (Alino & Lane, 2015), and profit shifting (Cristea & Nguyen, 2016).

H2 = Exchange rate has a positive and significant effect on transfer pricing.

Bonus mechanisms may also be the source of conflicts between management and shareholders. Hartati, Desmiyawati, and Julita (2014) explained that employing a profit-based performance evaluation for company bonus encourages management to maximize short-term profit growth through transfer pricing. Other reasons that may cause bonus mechanisms to affect transfer pricing include profit manipulation (Ravensky & Akbar, 2021; Lo, Kong, & Firth, 2010; Ridwan et al., 2023) and relocation to tax havens to maximize bonuses (Makni, Maaloul, & Dabbebi, 2020).

H3 = Bonus mechanisms has a positive and significant effect on transfer pricing.

Resource Dependence Theory (RDT) was first introduced by Jeffrey Pfeffer and Gerald R. Salancik in 1978. RDT emphasizes that organizations depend on external resources to survive and thrive. As such, the relationship between leverage and transfer pricing lies in the creation of transfer pricing to reduce dependence on external parties (lenders) and shifting borrowed resources to internal parties. Furthermore, by allocating costs and revenues between entities, a company can manage risk and maintain the group's financial stability (Chan, Landry, & Jalbert, 2004). In addition to risk management, loan and interest management can also be used to reduce tax burdens (Anh, Hieu, & Nga, 2018; Merle, Al-Gamrh, & Ahsan, 2019; Richardson, Taylor, & Lanis, 2013).

H4 = Leverage has a positive and significant effect on transfer pricing.

Tax rates and transfer pricing are positively correlated; the higher the tax payable, the more transfer pricing transactions will be made. Conversely, a company's tax liability increases with the level of profit earned. Based on this, it is understood that the relationship between tax rates and transfer pricing can be influenced by profitability. This argument is supported by a previous study conducted by Murtanto and Bonita (2021), which showed that profitability can strengthen the positive relationship between tax rates and transfer pricing.

H5 = Profitability moderates the effect of tax rates on transfer pricing.

When exchange rates fluctuate, management may be motivated to maintain or increase company profitability by capitalizing on favorable exchange rates through transfer pricing. Besides maintaining or increasing, transfer pricing can also be used as a tool to manage exchange rate risk during volatility. Various studies indicate that companies with high profitability are more likely to use transfer pricing to address changes in currency exchange rates. Research by Ayshintia, Agustin, and Afriyenti (2019) indicated that profitability can enhance a company's response to changes in currency exchange rates through transfer pricing strategies.

H6 = Profitability moderates the effect of exchange rates on transfer pricing.

Company profitability is often the basis for calculating bonuses or management incentives. As profitability increases, incentives given to management also increase, creating a motive for the management to maximize company profits. In this context, company profitability acts as a factor that can strengthen management's motivation to undertake transactions with related parties. The research by Pondrial, Sari, & Putri (2023) shows that profitability can moderate the effect of bonus mechanisms on transfer pricing.

H7 = Profitability moderates the effect of bonus mechanisms on transfer pricing.

The debt to asset ratio used to finance business operations is reflected in leverage. Companies must bear more interest costs and financial risks when leverage increases. To decrease leverage risks, companies may engage in transactions with related parties to shift profits to companies with lower tax rates to ease this burden and mitigate the financial risks associated with debt. Furthermore, companies may shift its portion of leverage to internal resources for greater flexibility in decision-making and financial risk management. In this context, profitability can moderate the effect of leverage on transfer pricing.

H8 = Profitability moderates the effect of leverage on transfer pricing.

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METHOD

This research is a quantitative explanatory study aimed to explain the relationship between tax rates, exchange rates, bonus mechanisms, and leverage on transfer pricing, with profitability as a moderating variable. The population of this study was healthcare subsector companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024. According to the official IDX website, there are 34 companies listed in the healthcare sub-sector. This means the population in this study is 34 companies. This study used a non-probability sampling method with a purposive sampling technique. Purposive sampling was applied based on specific considerations, namely selecting samples based on specific criteria that align with the research focus. The sampling criteria for this study are listed on Table 2.

Table 2. Research Sample Criteria

No.	Criteria	Amount
1.	Total population	34
2.	Healthcare subsector companies not listed on Indonesia Stock Exchange consecutively through 2020-2024	(16)
3.	Healthcare subsector companies that did not publish financial report consecutively through 2020-2024	0
4.	Healthcare subsector companies that reported loss during 2020-2024	(8)
5.	Healthcare subsector companies that provided financial report in currency other than Indonesian Rupiah	0
6.	Total sample	10
7.	Total observations for research period 2020-2024 (5 years)	10x5 = 50

The dependent variables used in this study are tax rates, exchange rates, bonus mechanisms, and leverage. The independent variable is transfer pricing, while the moderating variable is profitability. An explanation of the operational definitions of the variables is provided in Table 3.

Table 3. Operational Definitions of Variables

Variable	Definition	Indicator	Scale
Tax Rate (X ₁)	The basis for imposing tax on taxable objects that are the responsibility of the taxpayer. (Dewi, Widyasari, & Nataherwin, 2020)	$ETR = \frac{\text{Tax Expense}}{\text{Profit Before Tax}}$ (Saraswati & Sujana, 2017)	Ratio
Exchange Rate (X ₂)	The ratio between one currency and another currency that can be exchanged at any time. (Nurwati, Prastio, & Kalbuana, 2021).	$\text{Exchange Rate} = \frac{\text{Foreign Exchange Profit and Loss}}{\text{Profit Before Tax}}$ (Marfuah & Azizah, 2014)	Ratio
Bonus Mechanisms (X ₃)	The bonus awarded based on the evaluation of management performance given by shareholders to management through the Annual General Meeting of Shareholders. (Indriaswari & Aprilia, 2017)	$ITRENDLB = \frac{\text{Net Profit Year } t}{\text{Net Profit Year } t - 1} \times 100\%$ (Ani & Siregar, 2022)	Ratio
Leverage (X ₄)	A financial ratio that shows how much of a company's assets are financed with debt, with interest expense as an additional cost and a reduction in income tax expense.	$DAR = \frac{\text{Total Debt}}{\text{Total Asset}}$ (Wahyuni, Fahada, & Atmaja, 2017)	Ratio

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Variable	Definition	Indicator	Scale
	(Wahyuni, Fahada, & Atmaja, 2017)		
Transfer Pricing (Y)	Transactions with related parties where a price is set for the delivery of goods, services or intangible assets. (Mulyani, Prihartini, & Sudirno, 2020)	$TP = \frac{\text{Account Receivables from Related Parties}}{\text{Total Account Receivables}} \times 100\%$ (Hasibuan, Harisman, & Samad, 2022)	Ratio
Profitability (Z)	The ability of a company to generate profits within a specified time period. (Putri, Iskandar, & Dwianika, 2023).	$ROA = \frac{\text{Net Profit}}{\text{Total Asset}}$ (Brigham, 2010)	Ratio

The data analysis techniques used in this study include descriptive statistics, classical assumption tests, panel data regression tests, and hypothesis testing for the research period during the COVID-19 pandemic (2020 to 2022) and the post-COVID-19 period (2023 to 2024). Based on the data analysis, the panel data regression formula for this study is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 Z + \beta_6 X_1 * Z + \beta_7 X_2 * Z + \beta_8 X_3 * Z + \beta_9 X_4 * Z + e$$

RESULTS AND DISCUSSION

Descriptive statistical tests showed an increase in the average, minimum, and maximum values for profit, total assets, and total equity of the companies. However, transactions with related parties experienced an overall decline. Based on the panel data regression model tests conducted, the Fixed Effect Model was selected for the 2020-2022 period and the Common Effect Model for the 2023-2024 period. These results can be understood as significant differences in characteristics between companies in both periods. The period during the pandemic was also free from multicollinearity and did not exhibit any symptoms of heteroscedasticity. However, the period after the pandemic was not free from multicollinearity or failed the multicollinearity test (Napitupulu et al., 2021: 141). The occurrence of multicollinearity in research using moderating variables is normal, namely the occurrence of a high correlation between the independent variable and the interaction variable or a high correlation between the moderating variable and the interaction variable. This is because the interaction variable is a multiplication of the independent variable and the moderating variable, resulting in a high correlation (Paleka et al., 2023; Aini et al., 2025; Kurniawan & Sutarmin, 2016; Astuti et al., 2018). Therefore, the test can continue. Afterward, a heteroscedasticity test was conducted and no symptoms of heteroscedasticity were found.

During the pandemic period, the Adjusted R Square value was 0,754152 or 75,4152%. The coefficient of determination indicates that the independent variables consisting of Tax Rates (X1), Exchange Rates (X2), Bonus Mechanisms (X3), and Leverage (X4) moderated by Profitability (Z) were able to explain the Transfer Pricing (Y) variable by 75,4152%, while the remaining 24,5848% was explained by other variables not included in this research model. For the post-pandemic period, the Adjusted R Square value was 0,634146 or 63,4146%. The coefficient of determination value shows that the independent variables consisting of Tax Rates (X1), Exchange Rates (X2), Bonus Mechanisms (X3) and Leverage (X4) moderated by Profitability (Z) are able to explain the Transfer Pricing variable (Y) by 63,4146%, while the remaining 36,5854% is explained by other variables not included in this research model.

The results of the hypothesis testing are listed on Table 4.

Table 4. Summary of Hypothesis Testing Results

Variables	COVID-19 Period (2020-2022)			Post COVID-19 Period (2023-2024)		
	Coefficient	Calculated Prob t	Result	Coefficient	Calculated Prob t	Result
Tax Rate (X1)	0,168958	0,0383	Positive and Significant	0,176694	0,0413	Positive and Significant
Exchange Rate X2	-0,007378	0,9044	Insignificant	-0,007418	0,8672	Insignificant
Bonus Mechanisms (X3)	-0,114270	0,0471	Negative and Significant	-0,489678	0,4499	Insignificant
Leverage (X4)	0,258542	0,0044	Positive and Significant	0,291544	0,0044	Positive and Significant
X1Z	0,178071	0,0169	Positive and Significant	-0,090081	0,1753	Insignificant
X2Z	0,004338	0,9598	Insignificant	0,023790	0,8011	Insignificant
X3Z	0,060752	0,1332	Insignificant	-0,499695	0,2988	Insignificant
X4Z	0,097038	0,1132	Insignificant	0,164875	0,2110	Insignificant
	Adjusted R Squared: 0,754152			Adjusted R Squared: 0,634146		
	Calculated Prob F: 0,002231			Calculated Prob F: 0,012323		

EFFECT OF TAX RATES ON TRANSFER PRICING

The positive and significant relationship between tax rates and transfer pricing aligns with the agency theory proposed by Jensen and Meckling (1976). In this relationship, conflicts of interest can arise when management acts in self-interest and minimizes the company's tax burden through strategies such as transfer pricing. A reduced tax burden will increase after-tax profits and demonstrate good management performance. Companies in the healthcare subsector are particularly concerned about the unfavorable circumstances and financial uncertainty during the COVID-19 pandemic. Under such circumstances, management is highly motivated to shift profits to affiliated entities in countries with lower tax rates through transfer pricing (Panjalusman, Nugraha, & Setiawan, 2018) or countries with more stable economies. By reducing the tax burden and maintaining profitability, the company will also appear stable to investors and capital owners (Jayanti & Kusumawati, 2023). This demonstrates the behavior of self-interested agents who seek to maintain their position and compensation by demonstrating financial efficiency despite worsening economic conditions. After the COVID-19 pandemic, even though economic conditions have begun to improve, the positive influence of tax rates on transfer pricing remains significant. This indicates that tax incentives remain a strategic factor in corporate financial decisions. These findings are in line with the researches by Jayanti & Kusumawati (2023), Klassen, Lisowsky, & Mescall (2017), Amidu, Coffie, & Acquah (2019), Sikka & Willmott (2010), and Murtanto & Bonita (2021).

EFFECT OF EXCHANGE RATE ON TRANSFER PRICING

During the COVID-19 pandemic, economic risks increased along with fluctuations in exchange rates. This led management to avoid decisions that could exacerbate earnings volatility. Managements opted for a conservative strategy regarding exchange rates rather than employing transfer pricing to exploit foreign exchange differences (Ainiyah & Fidiana, 2019). Thus, the negative and insignificant relationship indicates that exchange rate fluctuations did not encourage opportunistic management actions during the pandemic, and management focused more on cost efficiency and financial stability. After the pandemic, although economic conditions improved and exchange rates remained relatively stable, their impact on transfer pricing remained insignificant. This may be due to internal factors influencing management more than external factors such as exchange rates (Ridwan et al., 2023). Furthermore, when exchange rate risk decreases, management's incentive to profit from exchange rate differences through transfer pricing also decreases. Their primary concern remains minimizing taxes and maximizing corporate profits, rather than speculating on exchange rate fluctuations. The findings of this study are in line with the research results of Ainiyah & Fidiana (2019), Mulyani et al., (2023), and Ridwan et al., (2023).

EFFECT OF BONUS MECHANISM ON TRANSFER PRICING

The findings of this study indicated that during the COVID-19 pandemic, bonus mechanism had a significantly negative impact on transfer pricing. This is understandable, as during times of crisis, economic pressure and high uncertainty will force companies to tighten their supervision on management (Meylani et al., 2023) and managerial incentives. Performance-based bonuses will encourage managers to focus on internal efficiency and operational stability, rather than increasing profits through transfer pricing transactions that carry exchange rate, tax, and supervisory risks, as well as cash flow risks. In other words, the bonus mechanism actually functions as a control and aligning tool during times of crisis. This result aligns with the research by Ravensky & Akbar (2021), Makni, Maaloul, & Dabbebi (2020), Lo, Kong, & Firth (2010), and Ridwan et al. (2023). After the COVID-19 pandemic ended, the effect of bonus mechanism on transfer pricing remained negative but became insignificant. This can be understood as the impact of the pandemic, which did not change the direction of the relationship between the two variables, but rather changed its effect to no longer be statistically significant. In the context of agency theory, this could be due to weakened management supervision and changes in the bonus mechanism after the pandemic. The bonus mechanism, which was initially focused on financial stability, shifted to focus on long-term performance. Therefore, the bonus mechanism, which initially served as a driver and aligner between management and shareholder interests, weakened its influence. The results of this insignificant effect are supported by research by Baroroh, Malik, & Jati (2021), Sulistyowati & Kananto (2018), and Nizary & Budyastuti (2024).

EFFECT OF LEVERAGE ON TRANSFER PRICING

The study's findings, which indicate a positive and significant trend, can be explained by the resource dependence theory proposed by Pfeffer & Salancik (1978). According to this theory, to maintain company operations and support growth, companies may borrow from external parties, creating resource dependence (Pfeffer & Salancik, 1978). During the COVID-19 pandemic, companies with high levels of leverage will experience pressure from lenders regarding their ability to repay loans. In an effort to increase corporate profits and lower tax burdens, companies may implement transfer pricing (Taylor, Tower, & Van Der Zahn, 2011). Furthermore, to reduce dependence on external parties during volatile times, companies may implement transfer pricing to allocate resources between internal parties (Jiang et al., 2023). After the pandemic, even though economic conditions began to improve, the effect of leverage on transfer pricing remained positive and significant. This indicates a continued tendency to reduce dependence on external parties and maintain stable loan repayment capacity through transfer pricing transactions. Transfer pricing is used as a profit management strategy and to strengthen financial reporting for investors and lenders (Richardson, Taylor, & Lanis, 2013). This result is in line with the researches done by Anh, Hieu, & Nga (2018), Merle, Al-Gamrh, & Ahsan (2019), Sulistyowati & Kananto (2018), and Richardson, Taylor, & Lanis (2013).

PROFITABILITY MODERATING THE EFFECT OF TAX RATES ON TRANSFER PRICING

Financial fluctuations during the pandemic and high demand for the healthcare subsector encouraged companies to maximize profits during the period. Increased profits incentivized management to implement transfer pricing to minimize tax burdens and maintain company performance (Klassen, Lisowsky, & Mescall, 2017). Within the context of agency theory, this reflects self-interested agent behavior, where management acts to maximize its own interests, especially when information asymmetry exists between managers and shareholders. Therefore, profitability can strengthen the relationship between tax rates and transfer pricing, during the pandemic period and post-pandemic. Research findings on the ability of profitability to moderate the effect of tax rates on transfer pricing are also supported by Baroroh, Malik, & Jati (2021) and Murtanto & Bonita (2021).

PROFITABILITY MODERATING THE EFFECT OF EXCHANGE RATES ON TRANSFER PRICING

The inability of profitability to either strengthen or weaken the impact of currency exchange rates on transfer pricing can be explained through agency theory. According to Jensen & Meckling (1976), conflicts of interest often arise from differing objectives and information gaps between management and shareholders. In the context of transfer pricing, management may prioritize decisions that differ from shareholder interests to achieve specific objectives, such as maximizing after-tax profit or financial stability (Amidu, Coffie, & Acquah, 2019). However, exchange rate volatility makes profiting from exchange rate differences too risky, making currency exchange rates a less-than-primary management consideration (Ainiyah & Fidiana, 2019). Furthermore, companies with both high and low profits are equally affected by exchange rate risk. Therefore, profitability cannot strengthen the insignificant influence of currency exchange rates on transfer pricing.

Currency exchange rates will continue to have an insignificant impact on transfer pricing after the COVID-19 pandemic ends and the economy begins to recover. The relationship between currency exchange rates and transfer pricing cannot be strengthened, despite a tendency to increase profitability, because there are a number of other factors that are more significant and less harmful than exploiting exchange rate differences to increase profits (Ridwan et al., 2023). Researches by Devita & Sholikhah (2021) and Azzura & Pratama (2019) supports the findings regarding the inability of profitability to influence transfer pricing and its relationships.

PROFITABILITY MODERATING THE EFFECT OF BONUS MECHANISMS ON TRANSFER PRICING

In the context of Jensen & Meckling's (1976) agency theory, the relationship between bonus mechanisms and transfer pricing has the potential to cause conflict due to differing objectives, namely between shareholders seeking to maximize long-term company value and management tending to pursue personal interests, such as short-term incentives. To mitigate this conflict, bonus mechanisms are generally designed to align management and shareholder interests, thus encouraging management to make decisions aligned with shareholder interests (Beccerra & Gupta, 1999). However, because profitability cannot significantly impact the relationship between bonus mechanisms and transfer pricing, it can be argued that the implemented bonus mechanisms are not based on company profits or have limitations that prevent profitability from being included in management decision-making. Furthermore, strict supervision (Meylani et al., 2023) and updated tax regulations limit the scope for transfer pricing, shifting management's focus to operational performance rather than tax optimization during the COVID-19 pandemic. The post-pandemic period has economic conditions stabilizing, leading companies to continue implementing conservative compensation policies tailored to financial recovery. Therefore, despite increasing corporate profits, there is no significant pressure for management to use transfer pricing as a tool to aggressively increase profits in the short term. The company's focus on long-term performance means that profitability cannot strengthen or weaken the impact of bonus mechanisms on transfer pricing, even after COVID-19. The results of this study align with the findings of research by Murtanto & Bonita (2021) and Baroroh, Malik, & Jati (2021).

PROFITABILITY MODERATING THE EFFECT OF LEVERAGE ON TRANSFER PRICING

The inability of profitability to moderate the effect of leverage on transfer pricing can be explained through resource dependency theory. According to Pfeffer & Salancik (1978), companies cannot operate independently and will become dependent on external resources, including funding through loans. To reduce this dependence, companies can transfer loans to internal sources through transfer pricing (Jiang et al., 2023). The company's profitability does not influence management decisions because profit serves as a tool to maintain liquidity during the volatile pandemic. External pressure remains a primary consideration for management in implementing transfer pricing. After the pandemic ended and economic conditions began to stabilize, the profitability of companies in the healthcare subsector increased along with improved business activity. However, the findings of this study indicate that profitability was still unable to reduce or strengthen the impact of leverage on transfer pricing. This demonstrates that transfer pricing strategies have become part of a sustainable management policy, not merely a short-term response to crisis pressures. The company's funding structure has not undergone significant changes, so dependence on external parties remains and remains the basis for managerial decision-making. The results of this study are supported by Devita & Sholikhah (2021) and Azzura & Pratama (2019)

CONCLUSION

Based on the analysis and discussion regarding the influence of tax rates, exchange rates, bonus mechanisms, and leverage on transfer pricing, with profitability as a moderating variable in healthcare subsector companies listed on the Indonesia Stock Exchange from 2020 to 2024, several conclusions can be drawn. Tax rates have a positive and significant influence on transfer pricing, both during the COVID-19 pandemic and after the pandemic. Currency exchange rates have a negative and insignificant influence on transfer pricing, both during and after the pandemic. Bonus mechanisms have a negative and significant influence on transfer pricing during the pandemic, but have a negative and insignificant impact after the pandemic. Leverage has a positive and significant influence on transfer pricing, both during and after the pandemic. Profitability is proven to moderate the influence of tax rates on transfer pricing only during the pandemic, but no longer moderates after the pandemic. Profitability was unable to moderate the effect of exchange rates, bonus mechanisms, and leverage on transfer pricing, either during or after the pandemic.

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