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Subsidy Government Tax Effect and Management of Financial Distress State Owned Enterprises - Case Study Sector of Energy, Mines and Transportation

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ABSTRACT

This study was motivated by the phenomenon of SOE sectors of energy, mining and transportation are very important role in social life and national economic development, but experiencing difficult conditions in financial distress position so that some of them are increasingly dependent on the state budget funding. While others have not been able to conduct its operations optimally as the others. This is what is to be examined in a study by focusing some of the variables that are relevant to determine its role in influencing the level of financial distress faced by the company. The findings indicate that the variable public service obligation or the state budget subsidies (X1PSOt) negative effect were significant, variable tax management (X2TAMt) a significant negative effect, and variable financial performance operational (X5FOPt) positive or negative influence on the financial distress the energy sector, mining and transport within the SOE. While other variables did not influence significantly the effect on the company's financial distress in the sector observed. Policy implications for the management of SOEs is presumably noticed the variable coefficients in the policy of increasing the level of financial distress or avoid financial difficulties.

Keywords: Agency theory, signaling theory, and financial distress.

1. GLANCE TOURISM IN EAST JAVA

This research was motivated by the tang phenomenon occurs in the environment State-Owned Enterprises or SOEs that continuously rely on the financial needs of State Budget or the budget increasing from time to time. Even some of the companies that is no longer possible to operate without the help of government subsidies or have experienced financial distress at the time no longer obtain government funding. Sectors that burdened the state budget in a number of very significant is the energy, mining and transport inside

it consists of seven companies with the scale relatively large, namely PT Pertamina, PT Perusahaan Listrik country, PT Perusahaan Gas Negara, PT Bukit Asam, PT Aneka Tambang, PT Kereta Api Indonesia, and PT Garuda Indonesia. This company has gone public by selling shares and bonds to meet financing the investment, but some of them are still receiving funding operations glittering form of public service obligation (PSO) or subsidies because they experience losses and be a position of financial distress if not assisted degan state budget funds as experienced by PT PLN, PT Pertamina and PT Kereta Api Indonesia. Companies that still persist in the achievement of decent profitability is PT PGN and PT Bukit Asama, so that the two companies are able to run its business independently and give dividen for shareholders. While the company suffered a loss or declining financial condition is PT Garuda Indonesia and PT Aneka Tambang, so the company is in danger of experiencing financial distress, and the price of shares in the capital market has declined. Thus, when viewed from the perspective of financial distress then there are three groups of companies in this sector, companies that depend on the state budget subsidies, the company that produces decent profitability, and the company suffered a loss without a state budget subsidies. Financial distress experienced by the company in this sector vary according maing condition faced by individual companies. But in general can be assessed by looking at the factors that affect the company distresss. Therefore, the research define some of the main variables that affect financial ditress SOE sector energy, mining and transport, the variable subsidy or public service obligation and a variable tax management is done by the company concerned. While moderating variable nature strengthen and weaken that relationship is a real variable earnings management activities, variable earnings management and financial variables operating performance.

Based on these descriptions, the question becomes this research are: (a) whether the public service obligation variables significantly influence the financial distresss energy sector, mining and transport in the environment of SOEs? and (b) whether the wisdom of Tax Management of the company to reduce its tax burden, significantly influence the company's financial distress energy sector, mining and transport in the environment of SOEs?

Based on research problems mentioned above, it is the purpose of this study is (a) assessing the level of significance of the effect of a public service obligation or financial condition distresss subsidies on energy, mining and transport in the environment of SOEs. (B) analyzing the wisdom of Tax Management and its influence on the company's financial distress enargi sector, mining and transport in the environment of SOEs.

The study is expected to contribute to: (a) decision-makers to anticipate the possibility of financial distress that are getting worse; (B) provide input for invsetor to understand the financial distress facing the company; (C) a reference like a practitioner in understanding the company's financial distress SOE sector energy, mining and transportation; and (d) a reference for research next associated with financial distress within the SOE.

Literature Review and Hypothesis Development

Agency Theory

The company aims to maximize the value that can be measured in other ways with the company's stock price. In achieving these objectives the company managers have conflicting objectives with shareholders'

objectives. The manager wants memaksimalkan receipt of compensation, while shareholders want to maximize dividend income or earnings per share Pershare. The contradiction is what causes konflik between shareholders to the manager mentioned as agency theory. The agency theory developed by Michael C. Jensen and William H. Meckling 1976 (Wibowo, 2013), in which the manager as agent and shareholders as the owner or principal.

The owner company expects to managers as agents perform their duties to support the interests of shareholders. For that principal delegate certain authority to the agent.

In order for the task accomplished as expected principal agent, it must be compensated accompanied by supervision through various means such as financial audit, restrictions to the decision taken by the agent, and the agreement or binding. Event raises the cost of supervision on the part of the principal or owner who called the agency cost.

Agency fees are generally classified into four groups as Sundjaja Barlian, 2002 (Wibowo, 2013), namely (a) the opportunity cost or the opportunity costs of lost opportunities that benefited from this opportunity to respond to new difficulties or opportunities. (B) cost supervision, is the cost issued to oversee operations and prevent management perform a behavior contrary * with the interests of shareholders, such as audit fees. (C) costs of preparing management competencies which are intended to compensate the managers in order to act in the best for shareholders, and provide compensation to the management for his actions. (D) the cost of protection is intended to protect the occurrence of fraud in the management of expenses under on third parties.

Signalling Theory

Miller-Modigliani or MM assumes that investors have the same information with internal enterprise managers about the prospects of the company, but in fact in economics and finance shows that internal managers have better information and more up to date about the condition of the company than investors as in Muhayatsyah (2006). Thus the conditions of asymmetric information impacting the part of investors in assessing the condition of the company, especially with regard to the value of the company. Given these conditions then generally results in low ratings on the stock invetsor companies mentioned as a pooling equilibrium, because the company's assessed pool for the entire company, which resulted in the company of high nialinya integrated with a company whose value is low.

Signaling theory assumes that the information obtained by each party is not the same, which means that signaling theory associated with asymmetric information. In this case the manager of the company must provide financial statements and the infrmsi signal to all interested parties as users of financial statements.

The signal consists of various aspects of atara others what has been done by the management company to meet the interests of shareholders, various other information such as the condition of the company is now better than in the past, and future prospects will be further increased through information financial projections are based on a term strategic planning long company.

The reported profit companies that increasingly will give a good signal, or good news but instead when profit decreased then a signal generated from the financial statements is spotty or bad news.

Specifically in relation to the accounting policy of conservatism, then the manager of the company must provide such information because it prevents companies accounting discretion to exaggerate profits, be careful and help the users of financial statements to inform the profits and assets that do not overstate.

In the concept of leverage provides a signal to investors about the actions of management in view of the company's prospects. If the prospect of a profitable company, the management to avoid the sale of shares, whereas in unfavorable conditions would make the sale of shares.

The theory of this signal helps the parties to avoid the asymmetric information, and present the financial statements of quality, so that the parties concerned believes the relevance and reliability of financial information submitted by the company. This is where the importance of an independent party opinions give an opinion on the financial statements presented by the manager of the company. If this happens, then the quality of financial information will affect decisions stock investors on the stock exchange because it is supported by signals about future prospects of the company are coming.

Financial Distress

According to Weston and Copeland (1997) in Mastuti, F. et. al., (2012), insolvent is as a failure that occurs in the company can be differentiated as follows: (a) Failure of Economics (Economic Distressed) failure in the economic sense that the company's revenues no longer able to cover its costs, which means that the rate of profit is smaller than the cost of capital. Definitions related is that the present value of the cash flows of the company is less than its liabilities. (b) Failure Finance (Financial Distressed) Insolvency has two forms namely Default technically happens when a company fails to comply with one or more conditions within the provisions of its debt, as the ratio of current assets to current liabilities is determined, as well as financial failure or inability of the technique (technical insolvency) which happens if the company is unable to meet its obligations at a predetermined time although the total assets exceed his debts.

Furthermore, Altman Z-Score in Mastuti, F. et. al., (2012) using the insolvent prediction method known as the Altman Z-Score completed the cut-off point to determine the classification of bankruptcy. Altman uses five financial ratios intended for companies going public, namely the Working Capital to Total Assets, Retained Earnings to Total Assets, EBIT to Total Assets, Market Value of Equity to Total Debt, and Sales to Total Assets.

Research Hidayat, M.A. et. al., (2014) in a study of factors affecting financial distress, and the results suggested that financial distress factors influenced significantly by the financial leverage ratio, liquidity, and the activity ratio or total asset turnover.

Mas'ud, I. et. al., (2012) conducted a study of the factors that influence faktro financial distress manufacturing companies listed in Indonesia Stock Exchange, and its findings stated that the factors that have significant influence is variable levels of corporate liquidity, variable levels of profitability and operating cash flow variables. The overall negative impact of these variables, which means a decrease in the variable indicator potentially increasing financial distress or experiencing financial difficulties are more serious.

Hypothesis Development

Based on previous research, the theory and hypothesis proposed in this study is as stated below.

H1: Wisdom public service obligation or a subsidy from the state budget significantly influence financial distress condition energy sector, mining and transportation of an environmental performance SOE.

H2: Management actions in make Tax Management significantly influence financial distress companies in the sectors of energy, mining and transport in the environment of SOEs.

Methods Sample Selection

This study examines specific to the energy sector, Mining and transports in environment country owned enterprises or SOEs with the consideration that this sector is very strategic in social life and national economic development. In terms of subsidizing the electricity sector and fuel many occupied the role significant because this two sector swallow the state budget funds for subsidy around Rp 300 trillion per year, so the other sector budgets must be reduced to meet the funding needs of fuel and electricity subsidies. In terms of industrial development manufacture then this sector very big role, so the government should give priority to the sectors of energy, mining and transport in the environment of SOEs. The mining sector as a support for the needs of power generation and encourage export surpluses trading to strengthen and help the state budget deficit. Air and ground transportation is a basic requirement for the smooth mobility of the resources that are needed by the community, so that the state budget to provide financial assistance in the form of subsidies and equity participation for development investment.

Based on the reasons for the selection of the research sector, then selected seven state-owned companies this derby that have been going public either sell stock or sell obligassi Capital Market. SOE sector menjual tela these stocks are PT Perusahaan Gas Negara, PT Bukit Asam, PT Aneka Tambang and PT Garuda Indonesia. While this new sector companies selling bonds is observed PT Pertamina, PT PLN and PT Kereta Api Indonesia. Observations were made during the period 2010 to start the company in 2015 as many as 42 times. In using variable measurement estate activities earnings management is done by using a regression equation calculating the residual or abnormal cash flow operations or ACFO, abnormal cost production or APROD and abnormal decretionary epenses or ADEXP should use the variable revenue change in previous years, so a period of 6 years only use four years of each company are observed. This is what causes the sheer number of samples used in the calculation of the regression by 28 companies-time (7 firms \times 4 years = 28 experience years).

Variable and Measurement

To answer the problem and test the hypothesis of the study, the measured variables used are defined below.

(a) *The dependent variable YFDt:* Financial distress as measured by the value of the Altman Z-score (1983 dn development 1984) Alttman Model 1983 using the basic calculation of the value of Z-score:

$$Z_i = 1,2 X_1 + 1,4X_2 + 3,3X_3 + 0,6X_4 + 1,0X_5$$

where, $X_1 = (\text{current assets} - \text{current liabilities}) / \text{Total Assets}$

$X_2 = \text{retained earnings} / \text{total assets}$

$X_3 = \text{Earnings before interest and taxes} / \text{Total Assets}$

$X_4 = \text{market value of common stock da preferred} / \text{book value of total debt}$

X5 = Sales/Total Assets

Zi = Value Z-Score

Model 1984 using the base value calculation Z-score: Altman then develop an alternative model to replace the variable X4 (market value of the preferred stock and common stock/total book value of the debt). The equation obtained is:

$$Z_i = 0,717X_1 + 0,847X_2 + 3,107X_3 + 0,420X_4 + 0,998X_5$$

The cut-off is $Z < 1.81$, the company went insolvent category; $1.81 < Z\text{-Score} < 2.99$ the company enters a gray area (gray area or zone of ignorance) or areas prone and $Z > 2.99$ the company is not bankrupt.

- (a) *Variable Public Service Obligation (X1PSOt)*: Government subsidies that the national budget allocated dsebagai PSO public service obligation or observation period (2010 - 2015) for each SOE observed.
- (b) *Variable Tax management (X2TAMt)*: Tax management is measured by the magnitude of the effective tax burden paid by the company that the achievement of bias is smaller than the average tariff pajaak company defined generally by the government. MALDI, B.C., Anwar, Y., Dwi Chrism, E.B.A. (2014) in his study of Examining Corporate Governance and Corporate Tax Management, using variable rate taxes ETR or effective as in the model presented below:

$$ETR_{i,t} = \beta_1 + \beta_2 ETR_{i,t-1} + \beta_3 BOARD + \beta_4 INDEP + \beta_5 COMP + \beta_6 SIZE + \beta_7 ROA + \beta_8 LEV + \epsilon$$

where, ETR = effective tax rate of i-corporation at t-time (GAAP ETR and ETR Current is used in this research); GAAP ETR = tax expense based on GAAP-based accounting report; Current ETR = current tax expense/pretax income; BOARD = number of boards; Indep = number of independent board (in percentage); COMP = board compensation to total sales; SIZE = control variable (log of total assets); ROA = control variable (net income to total assets); LEV = control variable (debt to equity). Tax management is used by company management to achieve operational financial performance. In the short term, the company to save or reduce the tax burden compared to the actual conditions that increase profitability, but long-term natural may affect the sustainability of the company because the government will apply a penalty if it turns out the results of a tax audit is apparently act of tax manipulation, even threatened business license suspended even can result in criminal manipulation pajaak state losses.

(b) *Variable real earnings management activities (X3RAEMt)*: This variable was measured by using abnormal operating cash flow, abnormal and abnormal discretionary costs prouksi epenses. The independent variable real earnings management activities are actions taken by management to influence the financial statements through policies related to the company's activities as production, sales, accounts receivable, inventory and more. measurement varaiabel estate activities as in Roychowdhury, S (2006) in equation (1) to the equation (5) below, but in this study only using equation (1), (4) and (5) the grounds according to the relevance of research in the environment SOE sectors of energy, mining and transport were studied. Equation (1) Operating cash flow (CFO).

$$CFO_t/A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta_1(S_t/A_{t-1}) + \beta_2(\Delta S_t/A_{t-1}) + \epsilon_t$$

Equation (2) cost of goods sold (COGS),

$$COGS_t/A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta(S_t/A_{t-1}) + \epsilon_t$$

Equation (3) changes in inventory (ΔINV),

$$\Delta INV_t / A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta_1(\Delta S_t / A_{t-1}) + \beta_2(\Delta S_{t-1} / A_{t-1}) + \epsilon_t$$

Equation (4) production (PROD)

$$PROD_t / A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta_1(S_t / A_{t-1}) + \beta_2(\Delta S_t / A_{t-1}) + \beta_3(\Delta S_{t-1} / A_{t-1}) + \epsilon_t$$

Equation (5) discretionary expense (DISEXP),

$$DISEXP_t / A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \beta(S_{t-1} / A_{t-1}) + \epsilon_t$$

$$AREAL_t = ACFO_t + APROD_t + ADEXP_t$$

where, A_t : total assets, end of year t ; and S_t : sales period t

Variable measurement procedure in this study begins by using equation (1), Equation (2) and equation (5), and then calculated the residual or abnormal from the third equation (ACFO, APROD, ADEXP) as in the study by Cohen et. al., (2008) in Roychowdhury, S (2006) below.

Where: AREA: abnormal estate activities; ACFO: abnormal operating cash flow; APROD: abnormal production costs; and ADEXP: abnormal discretionary expense.

(c) *Variable accruals earnings management (X4ACEMt)*: Measurement of accruals earnings management variables based on the difference between the interest and earnings before tax, as defined by Kasznik (1999).

The independent variable is the total accruals earnings management actions taken to affect the financial statements or earnings management by using techniques accruals in recording financial transactions. Measurement of total accruals earnings management variable (TEAM) was used formula as in the model proposed by Jones (1991), Dechow (1995) and Kasznik (1999) below.

$$ACCR = NI - CFO$$

where, ACCR = total accruals; NI = net income before extraordinary items; CFO = cash flow from operating activities.

Kothari, S.P., Leone, A.J., Wasley, C.E. (2002) in his research on Performance Matched Measures. Performance Discretionary, Discretionary Accrual, Accrual Measures using variable total accruals as used in the model of Jones (1991) that total accruals measured as the difference between net income to operating cash flow. In its findings stated that the total accruals and exhibited significantly positively influenced by variables: Book/Market Sales Growth, E/P Ratio, Size, and Cash Flows.

(d) *Variable operation of financial performance (X5FOPt)*: Performance operating financial variable measurement is based on the achievement level of the operating profit of the total assets used company, as in Aba, E.K., Badr, M.A., Hyden, M.A. (2014) in his study of Impact of ISO 9001 certification on financial firms operating performance. International Journal of Quality & Reliability Management, has been using variable Operation Financial Performance as the following formulations.

$$FOP = EBITA / \text{Total assets}$$

where, FOP = financial operating performance; EBITA = earnings before interest, taxes and amortization; and TA = total assets

Selection Models

In this study related to causality and using data panel, namely time series and cross section, so the model regression is the right choice. The basic concept of regression analysis was first introduced by Francis Gultom (1886) and supported by Karl Person and A. Lee (1903), in Gujarati (2016) and Suliyanto (2011).

The regression model to test the hypothesis through the tendency of positive or negative relationship and the level of significance of the relationship between the independent variables with the dependent variable. The significance level relationships simultaneously conducted via statistical tests-F while the level of relations signifikansi partially or individually for each independent variable on the dependent variable is done through statistical *t*-test. Furthermore, to determine how much ability the regression model is able to explain the phenomenon under study is reflected in the amount of adjusted R-squared or the coefficient of determination. And to assure the accuracy of predication model of proficiency level, then performed classical assumption through multicollinearity test, autocorrelation test and test heteroscedasticity.

Research Models

To test the hypothesis proposed in this study, the analysis model used is as the following equation.

$$YFD_t = \beta_0 + \beta_1 X1PSO_t + \beta_2 X2TAM_t + \beta_3 X3RAEM_t + \beta_4 X4AEM_t + \beta_5 X5FOP_t + e$$

where,

YFD_t: financial distress companies sector energy, mining and transport in the environment of SOEs in period *t*.

X1PSO_t: public service obligation or subsidy state budget due to cost or the price is lower than the treated more its economic cost in period *t*.

X2TAM_t: tax management undertaken to sign a number of the company's tax burden in period *t*.

X3RAEM_t: activities real earnings management conducted by the company in an environment of SOEs in period *t*.

X4AEM_t: accruals earnings management conducted by the management company to affect the financial statements through the system recording transactions accruals in period *t*.

X5FOP_t: operating financial performance or the financial performance of the company's operations in an environment of SOEs in period *t*.

β_0 : constants

$\beta_1 \dots \beta_5$: regression coefficient independent variable

e: error

2. RESULTS AND DISCUSSION

Descriptive Statistics and Correlation Matrix

Results of research such as descriptive table below shows that there are variations in the data in each variable is quite high, as reflected in a range between the minimum and maximum figures. This is mainly due to

differences in scale State-owned enterprises, or SOEs were observed. Some companies have a high degree of revenue while others acquire revenue relatively low, some companies earn higher profit, and the other is still a loss or is subsidized by the state budget to avoid financial distress. Variations of the observational data shows that the selection of the sample in this study to get an overview representative the energy sector, mining and transport within the state-owned enterprises, so as to obtain a result analysis which can be useful for decision-making SOEs, and observations practitioners or researchers of this field. Companies in this sector varies on when the business is large-scale business with mid-level categories such as Bukit Asam, PGN, and Aneka Tambang, while large-scale top level categories such as Pertamina, PLN, Garuda and Railway Indonesia. Companies in this sector requires investment funds large enough to require funding from the capital market. Energy state-owned companies in the sector, mining and transport observed is to go public selling stocks and bonds in the capital market both nationally and internationally. PLN, Pertamina and Rail only limited to selling bonds in national and international capital market instrument, while others have sold shares on the Indonesia Stock Exchange.

Table 1
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
YFDt	28	.40	2.76	1.5265	.72242
X1PSOt	28	0.00	.51	.1075	.15793
X2TAMt	28	-.27	6.09	.5821	1.31055
X3REAMt	28	-.19	.52	.0002	.17193
X4AEMt	28	-.69	.11	-.1165	.17480
X5FOPt	28	-.42	.32	.0270	.17882

YFDt : financial distress companies in SOEs, X1PSOt : Government Subsidies or Public Service Obligation, X2TAMt : tax management conducted by the company so that the tax burden is lower than the prescribed rate, X3REAMt : the company's management actions to affect its financial performance objectives to be achieved by way of principal activity of the company through, X4AEMt : actions taken to affect the financial statements through the handling of transaction records accruals, and X5FOPt : the financial performance of the company's operations

The standard deviation also shows the extent of the deviation of observational data of the average value or mean, and are consistent, as described on the minimum and maximum range. The higher the number of standard deviations, the higher the degree of deviation from the average value or mean, which means observation corporations that time there has been a variation sharp enough so that it can be stated that this study has represented observations on the range is quite wide and can explain the condition this sector is better for medium-scale enterprise level and the top level in this sector. The correlation between independent variables with the dependent variable as the table correlations below, which varies in the range of 0.226 to 0.877 consisting of independent variables that have a strong correlation is X1PSOt = 0.829 and X5FOPt = 0.877 which means that these two variables have a high level of sensitivity in relation to the company's financial distress energy sector, mining and transportation.

Public service obligation or PSO (X1PSOt) as funding from the state budget subsidy granted to the company sector of electricity, fuel and train because without the funding, the company will experience

financial Distre. Prices were treated lower than its economic cost, which means the company is not able to finance its operations, not coined liquidity ability to repay debts maturing and tough do development or investment. PSO or the state budget subsidies to the electricity sector, the fuel and the train became a must if the government does not provide alternative domestic fuel price increase, the increase in basic electricity tariff and railway cost adjustments. This has become increasingly interesting of this study because of the company's operational or without subsidy has been in the position of financial distress, not only to help with the relatively limited number or a small but significant amounts of around Rp 300 trillion per year.

Financial operating performance (X5FOPt) as variables yng describe the company's operating financial performance was very strong correlation with the financial distress of energy sector companies, mining and transport environment of state-owned enterprises. This shows that the operational financial performance have contributions to corporate sustainability therefore shareholders in this ministry of state enterprises to deploy an appraisal system performance that must be met by the state, especially on the performance of financial, operational and administrative performance. Among the performance of the charter, the financial performance has the highest weighting in the calculation of the level of health of SOEs. Financial operations are strongly correlated with financial performance ditres which means also that this variable must be a priority in controlling the stability of the financial order not to experience difficulties in operating cash flow, cash flow and investing cash flow funding.

Correlation variable accrual earnings management (X4AEMt) = 0.469 or 50%, which means the range this variable correlation with less financial distress, although it is not too strong compared variable X1PSOt and X5FOPt. This means that financial distress is also influenced by the actions of management earnings accrual recording transactions, so as to signify the position of financial distress experienced energy sector SOEs, consideration and transportation.

Correlation variable tax management (X2TAMt) = 0.226 and real variable earnings management activities (X3REAMt) = 0.294 is relatively small so it can be stated that these two variables are less reflect the ability to explain the change in the dependent variable of financial distress as a result of changes in the independent variables. Ta policy management in reality it is difficult to do because the company different from a private SOEs in terms of tax management, because of financial distress that occurred in SOEs, it will be saved by the finance ministry and do not need to tax management. This is the reason for the low correlation between tax management with financial dependent vriabel istress (YFDt).

The correlation between the independent variables as indications of multicollinearity, although it is still early stage, and needs to do a follow-up test of the theory and statistical tests Variance Inflation Factor or VIF to confirm a violation of classical regression assumptions between independent variables turns X1PSOt variables correlated with variables X5FOPt at the level of 0.771 or correlation reaches 77.1%. Theoretically this does not happen correlation for each stand alone or slaing not associated with each other. X1PSOt as the level of subsidies provided by the state budget to companies related to the life of many pawns electrical, fuel and train. While X5FOPt as an indicator of financial performance reflects the operational number achievement of operational results correspond respectively core business compared with total assets of company-operated energy sector, mining and transportation. The statistical indicates VIF each independent variable was obtained in the range between 1.056 to 3.753, or less than 10, so otherwise that the regression equation is not there multikolinearitas. In particular, the VIF level variables and X5FOPt X1PSOt = 2.530

= 3.753 showed that both the variabel there is no indication multicollinearity, so that a strong correlation between the two variables does not happen multicollinearity.

Table 2
Correlations

	YFDt	X1PSOt	X2TAMt	X3REAMt	X4AEMt	X5FOPt
YFDt	1					
p-value						
X1PSOt	-.829**	1				
p-value	.000					
X2TAMt	-.226	.062	1			
p-value	.124	.376				
X3REAMt	-.294	.417*	-.131	1		
p-value	.064	.014	.253			
X4AEMt	.469**	-.440**	.104	-.653**	1	
p-value	.006	.010	.298	.000		
X5FOPt	.877**	-.711**	-.082	-.296	.660**	1
p-value	.000	.000	.340	.063	.000	

** . Correlation is significant at the 0.01 level (1-tailed).

* . Correlation is significant at the 0.05 level (1-tailed).

3. THE RESULT OF HYPOTHESIS

Policies public service obligation (X1PSOt) which provides subsidies to state-owned companies experiencing financial distress due to the price level that is applied is lower than the cost economics. X1PSO variable regression coefficient = - 1.695 with p -val = 0.003, which means that these variables negatively affect the level of financial distress companies energy, mining and transport in the environment of SOEs. This illustrates that the coefficient is mathematics case of X1PSO variable increment by one unit, it causes a decrease in the level of financial distress or condition into bankruptcy. This is caused by looseness especially fulfillment subsidy funding will further exacerbate financial distress because of the company’s management was just busy doing without thinking about the investment rate of return, and even tends to expand increasingly detrimental, thus diminishing financial distress. And this has resulted in higher dependence on subsidies, and the suit to make any price adjustments because the range between cost and the cost of getting away and the amount of subsidies increased from time to time.

Wisdom tax management (X2TAMt) shows the management’s action to make efforts to reduce the tax burden. The results showed regression coefficient = -0.074 with p -value = 0.078, which means that the mean that this variabel increase of one unit will cause a decrease in financial distress variable (YFDt) as big as 0,074 with a confidence level of 7.8%. This occurs because the act of tax management that reflects a decreasing tax burden will lead to increased levels of financial distress due to liquidity conditions could be improved or save on payment of the tax burden.

The company’s policy is to do management earning income through earnings management activities (X3REAMt) showed coefficient = -0.325 with p -value = 0.479 which means that these variables negatively affect financial distress (YFDt). It shows that the addition of these variables will lead to a decrease in the level of financial distress or heading in the financial conditions are getting worse. This variable has a

p-value levels are relatively high or greater than 0.10, or 10% so could stated that this variable does not have significant influence on the dependent variable of financial distress companies sktor energy, mining and transportation.

Earnings management actions by the company through accruals earnings management (X4AEMt) show coefficient = -0.827 with *p*-value = 0.141 which means that this variable negatively affect financial distress (YFDt). It indication that the addition of these variables will lead to a decrease in the level of financial distress or heading in the financial conditions are getting worse. This variable has a *p*-value levels are relatively high or greater than 0.10, or 10%, so it can be stated that this variable does not have significant influence on the dependent variable of financial distress companies sktor energy, mining and transportation.

Operational financial performance (X5FOPt) showed coefficient = 2.874 with a *p*-value = 0.000, which means that this variable positively affects financial distress (YFDt). Added one unit X5FOPt variable will cause the increase of the level of financial distress companies, so getting away from financial difficulties for the company increased attainners χ -score is the basis for determining the level of the financial difficulties the company's energy sector, mining and transportation of natural environment SOEs.

Level adjusted – R2 = 0.865 indicates that be used regression models have the ability to explain the phenomena that investigated. This suggests that the change in the dependent variable of financial distress (YFDt) can be explained by changes in the independent variable of about 86.5%.

Table 3
The Effect of Government Subsidy and Tax Management on Financial Distress of SOEs
 $YFDt = \beta_0 + \beta_1 X1PSOt + \beta_2 X2TAMt + \beta_3 X3REAMt + \beta_4 X4AEMt + \beta_5 X5FOPt + e$

Variables	Prediction	Coefficients	p-value
Constant		1.578	.000 ***
X1PSOt	-	-1.695	.003 ***
X2TAMt	+	-0.074	.078 *
X3REAMt	-	-0.325	.479
X4AEMt	-	-0.827	.141
X5FOPt	-	2.874	.000 ***
Adj - R2		.865	
F - statistic		35.570	
Prob F-statistic		0.000	
Durbin-Watson		1.369	
Total Observations		28	

*** Significant at a level of 1 percent, ** Significant at a level of 5 percent, * Significant at a level of 10 percent,

Note : YFDt : financial distress companies in SOEs, X1PSOt : Government Subsidies or Public Service Obligation, X2TAMt : tax management conducted by the company so that the tax burden is lower than the prescribed rate, X3REAMt : the company's management actions to affect its financial performance objectives to be achieved by way of principal activity of the company through, X4AEMt : actions taken to affect the financial statements through the handling of transaction records accruals, and X5FOPt : the financial performance of the company's operations

The F-statistic = 35.570 with Prob = 0.000 indicate that the independent variables simultaneously or collectively have a significant effect on the financial distress (YFDt), but only partially variable X1PSOt, X2TAMt and X5FOPt that significantly, while the other independent variable is not significant influence on YFDt variable dependent on the company's energy sector, mining and transport in the environment of SOEs.

Test autocorrelation using the Durbin-Watson showed DW-statistic = 1.369, while DW tables at N = 28 and k = 5 is obtained dL and dU = 1.03 = 1.85 so it is stated that the regression model used can not be ensured autocorrelation or uncertain, because the position of the value of DW-statistic (1.369) is between the value of dL (1.03) and the value of dU (1.85). Otherwise no autocorrelation if DW-statistic is smaller than from dL (1.03), and declared free from autocorrelation if DW-statistic greater than dU (1.85).

Multicollinearity test has proven that VIF has been described in the above correlations matrix, i.e., there is no indication multicollinearity for each variable independent have level VIF smaller than 10. The calculation results for each variable VIF varies between 1.056 up to 3.753 or smaller than 10 as required for testing multicollinearity.

Heteroskedasticity test using Glejser method showed that none of the independent variables have significant influence with p-value vary between 0,365 to 0.884, which means that in the regression model used is not indicated the existence of heteroscedasticity.

Normality test showed that the data used in the regression model is in compliance with the assumptions of normality so stated that it found no violation of normality assumption as in classical assumptions.

4. DISCUSSION

The correlation matrix shows that independent variables X1PSOt, X4EMt and X5FOPt strongly correlated to the dependent variable YFDt which means that these variables have a strong correlation with the financial distress experienced by the company waterwheel sector, mining and transport in the environment of SOEs. In relation to the strong correlation between the independent variables X1PSOt with X5FOPt indicated the existence multicollinearity, but in theory the two variables are not related to each other, while statistically proven that the amount VIF only variation between 1.056 to 3.735, or less than 10, so otherwise there is no indication multicollinearity.

Regression analysis showed variable X1PSOt, X2TAMt, and X5FOPt significant effect on the condition of financial distress (YFDt) state-owned enterprises in the energy sector, mining and transportation. While other independent variables did not affect the financial distress significant this sector. SOE policy implications for improving the position of financial distress, should pay attention to the tendency of the influence of the significant variables as mentioned above.

Variable X1PSOt negatively affect financial distress, implications subsidize permanently every year it will be even worse for the company's financial performance because management does not moreover oriented to the achievement of a certain return, but oriented towards the expansion does not look at the feasibility financial, so the threaten position of financial distress of SOEs concerned especially if the subsidies are reduced much less eliminated, then bankruptcy is instantaneous. variable X2TAMt negatively affect the financial distress implication that SOEs are making efforts reduction tax burden, the financial position distress getting better or getting away from a position of financial hardship.

The implication is a state of emotion wary of doing tax management for not providing actual benefit but only reflect more performance better than the actual conditions.

Variable take effect X5FOPt positively to financial distress which means increased operational financial performance will be better. SOE for decision makers should tighten the financial performance of operations in an effort to nourish energy condition financial sector, mining and transportation.

The regression model that is used to explain the phenomenon under study, test F-statistic is significant but partial only some variables that have a significant effect, namely X1PSOt, X2TAMt and X5PSOt, while the other independent variables had no significant effect.

Classic assumption test showed no indication of multicollinearity, autocorrelation presence can not be ascertained, there are no heteroscedasticity and meet the assumptions of normality, so that the regression equation can be used to make a predication future of the company in case of changing the independent variable.

5. CONCLUSIONS

Based on the analysis and discussion of the above, then the following can be concluded that the financial distress of the energy sector, mining and transport in the environment SOEs affected negatively and significantly by variables public service obligation or the state budget subsidies (X1PSOt) which means that an increase in the independent variable will cause decreased levels of financial distress because the company no longer oriented toward the return or profitability, but oriented to the development or investment projects that are not financially feasible. Tax management actions or efforts to suppress the tax burden (X2TAMt) negatively affect the financial distress the energy sector, mining and transport in the environment of SOEs, so that decision makers should look like this effort because it tends do adverse action state revenue.

Operational financial performance (X5FOPt) positive influence on the financial distress of state-owned enterprises in the energy, mining and transportation. It becomes imperative for policy makers SOE that this sector should controlled financial performance of operations in order to become more healthy financial distress or increased, then gradually increase this performance with the development of information systems and technology used.

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