Return on Assets (ROA), Leverage, And Firm Size for Tax Avoidance (Registered Banking Companies on IDX 2014-2018)

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The purpose of this study is to test and analyze the partial effect of return on assets, leverage, and firm size on tax avoidance, then test and analyze the effect of simultaneously return on assets, leverage and firm size on tax avoidance. The design of this study is a quantitative study with a cross-sectional method. The data source uses secondary data in the form of financial statements of all banking companies listed on the IDX for the period 2014-2018. Population and sampling using purposive sampling technique. The analysis technique uses multiple linear regression. The results showed that ROA partially had a significant and negatively related effect on tax avoidance, Leverage partially had no significant effect and negatively related to tax avoidance, firm size partially had no significant and negatively related effect on tax avoidance, and ROA, Leverage, and Firm size simultaneously has a significant and positive relationship to tax avoidance.

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ABSTRACT

The purpose of this study is to test and analyze the partial effect of return on assets, leverage, and firm size on tax avoidance, then test and analyze the effect of simultaneously return on assets, leverage and firm size on tax avoidance. The design of this study is a quantitative study with a cross-sectional method. The data source uses secondary data in the form of financial statements of all banking companies listed on the IDX for the period 2014-2018. Population and sampling using purposive sampling technique. The analysis technique uses multiple linear regression. The results showed that ROA partially had a significant and negatively related effect on tax avoidance, Leverage partially had no significant effect and negatively related to tax avoidance, firm size partially had no significant and negatively related effect on tax avoidance, and ROA, Leverage, and Firm size simultaneously has a significant and positive relationship to tax avoidance.

INTRODUCTION

Quoted from Kompas, the finance minister of globalization assessment is able to reduce the boundaries between countries. This condition has been exploited by several parties through the practice of avoiding tax. He instructed the Directorate General of Taxes to utilize data as the automatic exchange of information result. 120 countries entered into an agreement on the exchange of tax information in 2018. According to the Directorate General of Taxes, 65 countries utilized information of the whereabouts of Indonesian citizens’ assets abroad in early 2019. Based on records, the number of participant jurisdictions was 98 countries or increased to 33 countries. In addition, based on the OJK quarterly report, the state of banking resilience in the fourth quarter of 2019 can be maintained. It can be seen from the bank capital condition which is still quite solid with a CAR of 23.31%, indicating that the bank is able to absorb risk with the support of profits that will grow and maintain the quality of bank credit.

Research conducted by Akinyomi Oladele John and Okpala Kenneth Enoch (2013) stated that the low quality of service for tax rewards 33 significantly affects tax avoidance and tax evasion in Nigeria.

Furthermore, Reza Jamei (2017) explained the correlation between corporate governance mechanisms and tax avoidance with companies on the Tehran Stock Exchange in 2011-2015 as a population. The results showed that there was no significant effect between the proportion of off-duty members, board members, tax avoidance, and institutional ownership. Another result showed that there was no effect of tax avoidance and managerial ownership.

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Then, Anouar and Houria (2017) explained the main determinants of corporate group tax avoidance based on 45 Moroccan corporate groups in the 2011-2015 period. This research showed that multinational, pro-national, and debt transactions were useful in maximizing tax avoidance opportunities, so they were able to reduce tax obligations.

Afterward Abdullah, M., et al. (2018) with a sample of corporated ranked in the top 100 Malaysian publics revealed the 2014 Malaysia-ASEAN corporate governance report professionally. They examined the correlation between tax avoidance and the after-tax value of Malaysian corporated in an agency framework. The results showed that tax avoidance had a negative correlation with firm value. This research concluded that tax avoidance was not appreciated by shareholders and there was a value reduction.

Siti Nurulaela (2017) reveals that there was an influence between Return on Assets (ROA) and tax avoidance in manufacturing companies on the Indonesia Stock Exchange in 2011-2015. Meanwhile, Amanda Dhinari Permata, Siti Nurulaela, Endang Masitoh W. (2018) conclude that there was no influence among Size, Age, Profitability, Leverage, and Sales Growth on tax avoidance. It showed that the Tax Amnesty program caused companies to avoid tax evasion.

Therefore, the researcher formulates the problem formulation as follows: Do return on assets, leverage, and firm size have partial and simultaneous effect on tax avoidance?

**MATERIALS AND METHODS**

This research was a quantitative method with a descriptive approach. Sugiyono (2009) explained that quantitative method is research method based on the positivism philosophy for certain populations and samples. The research data source was secondary data obtained indirectly through intermediary media. The secondary data was the financial statements of banking companies on the IDX in 2014-2018. The population was 36 banking companies that have reported their finances in 2014-2018. This research used purposive sampling technique. The research instrument was the documentation of financial statements on banking companies on the IDX in 2014-2018.

This research used analytical techniques, including: 1) to determine the significant effect of Return on Assets, Leverage, and Firm Size (the independent variable) on the dependent variable (Tax Avoidance). 2) T-test to partially test the effect of the independent variable on the dependent. (Ghozali, 2009). 3) $R^2$ test (determination coefficient test) to measure the Return on Assets, Leverage, and Firm Size (independent variables) on the Tax Avoidance (dependent variable) using the coefficient of determination ($R^2$) (Ghozali, 2009).

**RESULTS AND DISCUSSION**

Researchers examined the return on assets, leverage, and firm size on tax avoidance. This research used secondary data from the corporate financial statements on the Indonesia Stock Exchange (IDX) from the official website www.idx.co.id. This research used banking companies for the period 2014-2018 as the population. Samples based on purposive sampling method, namely:

<table>
<thead>
<tr>
<th>Sample criterion</th>
<th>Number of Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking sector corporation on the IDX in 2014-2018</td>
<td>61</td>
</tr>
<tr>
<td>Companies without publication of annual reports in 2014-2018</td>
<td>(24)</td>
</tr>
<tr>
<td>Companies with negative profit (Loss)</td>
<td>(9)</td>
</tr>
<tr>
<td><strong>Number of Samples based on the criteria</strong></td>
<td><strong>28</strong></td>
</tr>
<tr>
<td>Outlier</td>
<td>(9)</td>
</tr>
<tr>
<td><strong>Total sample (5 years)</strong></td>
<td><strong>165</strong></td>
</tr>
</tbody>
</table>

Multiple linear regression analysis test was as follows:
Table 2.
Multiple Linear Regression Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Variable</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Constan</td>
<td>0.323</td>
</tr>
<tr>
<td></td>
<td>ROA</td>
<td>-0.009</td>
</tr>
<tr>
<td></td>
<td>Leverage</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td>Firm Sze</td>
<td>-0.004</td>
</tr>
</tbody>
</table>

Based on the SPSS version 21 program, the regression equation was:

\[ Y = 0.323 - 0.009X_1 + 0.001X_2 - 0.004X_3 \]

The above equation could be described as follows:
- \( a = 3.535 \), showed a significant effect between ROA, Leverage, and Firm size on tax avoidance. If the independent variable was constant, the value of \( Y \) changed to be equal to a constant value (3.535)
- \( b_1 = -0.009 \), showed a negative effect, namely if the ROA was higher, then tax avoidance will decrease, on the other hand, if the ROA was lower, then tax avoidance will increase. If the other variables were constant, the value of \( Y \) changes by 0.009 every one \( X_1 \) unit.
- \( b_2 = 0.001 \), showed a positive effect, namely if the leverage was higher then tax avoidance will increase, on the contrary if the leverage was lower then tax avoidance will decrease. If the other variables were constant, the value of \( Y \) changes by 0.001 every one \( X_2 \) unit.
- \( b_3 = -0.004 \), showed a negative effect, namely if the firm size was higher then tax avoidance will decrease, on the contrary if the firm size was lower then tax avoidance will increase. If the other variables were constant, the value of \( Y \) changes -0.004 every one \( X_3 \) unit.

The F test results were as follows:

Table 3.
Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>F arithmetic</th>
<th>F table</th>
<th>Sig</th>
<th>Std</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4.502</td>
<td>2.66</td>
<td>0.016</td>
<td>&lt; 0.05</td>
<td>Ho ditolak</td>
</tr>
</tbody>
</table>

Results showed that the significance value was 0.016 < 0.05 and F count > F table was 4.502 > 2.76. So, it can be concluded that H0 was rejected while Ha was accepted. The test results showed that Ha was accepted. It meant that there was a simultaneous significant positive effect between ROA, Leverage, and Company Size on tax avoidance in 2014-2018.

The F test results were as follows:

Table 4.
T test Results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>T count</th>
<th>T table</th>
<th>Sig</th>
<th>Std</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>-1.956</td>
<td>-1.6547</td>
<td>0.022</td>
<td>&lt; 0.05</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>0.248</td>
<td>1.6547</td>
<td>0.804</td>
<td>&gt; 0.05</td>
<td>Rejected</td>
</tr>
<tr>
<td>H3</td>
<td>-1.962</td>
<td>-1.6547</td>
<td>0.027</td>
<td>&lt; 0.05</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

The T-table above showed that there was a significant effect between ROA, Leverage, and Company Size on tax avoidance in 2014-2018 at a significance level of 5%. 
The $R^2$ test results (coefficient of determination) were as follows:

<table>
<thead>
<tr>
<th>Model</th>
<th>Adjusted R Square</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.209</td>
<td>The independent variable affects the independent variable by 20.9%</td>
</tr>
</tbody>
</table>

The adjusted $R$ square = 0.209 meant that the return on assets, leverage, and firm size variables affect tax avoidance by 20.9%. Figures indicated the model as an explanation of tax avoidance with sufficient cross section data because it reached 20.9%. The remaining 79.1% would be explained by other variables.

ROA had a significant and positive effect on tax avoidance. The result of $t_{\text{count}}$ was -1.956 (negative) > $t_{\text{table}}$ was (df=165-3-1) = 1.6547 and Sig. = 0.022 was smaller than the significance value of 0.05, so $H_0$ was rejected or $H_1$ was accepted.

Leverage partially had no significant and negative effect on tax avoidance. The result of $t_{\text{count}}$ was 0.248 (positive) > $t_{\text{table}}$ was (df=165-3-1) = 1.6547 and Sig. = 0.804 was higher than the significance value of 0.05, then $H_0$ was accepted and $H_1$ was rejected so there was no leverage effect on Tax avoidance.

Firm size partially had no significant and negative effect on tax avoidance. The result of $t_{\text{count}}$ was -1.9622 (negative) < $t_{\text{table}}$ was (df=165-3-1) = 1.6547 and Sig. = 0.027 was smaller than the significance level of 0.05, then $H_0$ was rejected and $H_1$ was accepted so there was a negative effect of firm size on Tax avoidance.

ROA, Leverage, and Firm size had a simultaneous and significant positive effect on tax avoidance. The positive $F_{\text{count}}$ result was 4.502 > $F_{\text{table}}$ = 2.66 and the significance was 0.016 < 0.05 so the return on assets, leverage, and firm size variables had a positive and significant effect simultaneously on tax avoidance. It meant that $H_0$ was rejected and $H_1$ was accepted.

**CONCLUSIONS AND SUGGESTIONS**

From the research results, it can be concluded that:

1. The ROA variable partially has a significant and negative effect on tax avoidance.
2. The leverage variable partially has no significant and negative effect on tax avoidance.
3. The firm size variable partially has no significant and negative effect on tax avoidance.
4. The ROA, Leverage, and Firm size variables simultaneously have a significant and positive correlation on tax avoidance.

From the conclusions above, the following research suggestions are recommended:

1. Future researchers are expected to conduct longer research so the results are more valid, the coefficient of determination varies significantly and there is an increase from 0.209 (poor category) to about 0.5 (enough category) from the overall model results.
2. The future researchers are expected to add variables and/or company financial ratios to independent variables because there are other financial ratios that affect tax avoidance.

**REFERENCES**


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