The Impact of Profitability, Liquidity, and Company Size toward Tax Avoidance in Consumer Goods Sector Listed on the Indonesia Stock Exchange

[1]Louis Yosen Primsa Tarigan [2]Angeline Vanessa

Universitas Pelita Harapan, Indonesia

[1]primsa.tarigan@uph.edu [2]angeline.vanessatjioe@yahoo.com

Abstract

The objective of this research is to analyze the effect of profitability (measured by return on asset, liquidity (measured by current ratio), and company size (measured by total assets) toward tax avoidance (measured by the effective tax rate) in consumer goods sector listed on the Indonesia Stock Exchange (IDX) for the period of 2019 to 2021.The population of this research is all consumer goods sector listed on the Indonesia Stock Exchange for the period of 2019 to 2021. By using the purposive sampling method, 32 companies were selected, resulting in a total of 96 samples from three years observation. The data analysis method used descriptive statistics, classical assumption, multiple linear regression, and hypothesis test, which are processed through SPSS 26.This research finds that profitability, liquidity, and company size do not have significant effect partially on tax avoidance; while simultaneously, the tax avoidance of consumer goods sector listed on IDX from 2019-2021 is not significantly impacted by all independent variables. The adjusted R^2 is 1.4%, reflecting the ability of independent variables to make impact to tax avoidance.

Keywords: Profitability, Liquidity, Company Size, Tax Avoidance, Effective Tax Rate

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh profitabilitas (yang diukur dengan return on asset*), likuiditas (yang diukur dengan rasio lancar), dan ukuran perusahaan (yang diukur dengan jumlah aset) terhadap penghindaran pajak (yang diukur dengan tarif pajak efektif) pada perusahaan di sektor barang konsumsi yang terdaftar di Bursa Efek Indonesia (BEI) periode 2019-2021.Populasi dari penelitian ini adalah seluruh perusahaan sektor barang konsumsi yang terdaftar di BEI periode 2019-2021. Dengan menggunakan metode purposive sampling, 32 perusahaan terpilih sebagai sampel penelitian dengan total 96 sampel. Metode analisis data menggunakan statistik deskriptif, uji asumsi klasik, regresi linier berganda dan uji hipotesis yang diolah melalui SPSS 26.*

Penelitian ini mengungkapkan bahwa profitabilitas, likuiditas, dan ukuran perusahaan tidak berpengaruh signifikan secara parsial terhadap penghindaran pajak; sementara itu secara simultan penghindaran pajak perusahaan barang konsumsi yang terdaftar di BEI tahun 2019-2021 tidak dipengaruhi secara signifikan oleh semua variabel independen. Tingkat adjusted R^2 *adalah 1,4%, yang mencerminkan tingkat pengarauh variabel independen terhadap penghindaran pajak.*

Keywords: Profitabilitas, Likuiditas, Ukuran Perusahaan, Penghindaran Pajak, Tarif Pajak Efektif

1.   INTRODUCTION

Taxes are the main source of income for a country for the development and welfare of citizens, especially in Indonesia. In accordance with Article 1 paragraph 1 of the KUP Law Number 28 of 2007, tax is defined as a payment to the state owned by entities or individuals that are forced by law to pay, without receiving direct compensation, and is used for the requirements of the country and the welfare of the people.

Different interests between companies and the government cause tax resistance, which can take place in form of tax avoidance. Tax avoidance is a legal tax minimization strategies that take advantage of loopholes in tax law. It is practice by exploiting the loophole or weakness of a tax regulation (Kurnia et al., 2020). The Effective Tax Rate (ETR) is used to quantify tax avoidance in this study. ETR is the ratio amount of tax expense paid by the company divided by company profits.

Among all factors, profitability is one that very frequent used to observe tax avoidance. Profitability is a way to measure how well a business is doing. Warka et al. (2021) defined that profitability is company's ability to generate profit. It measures how effective company in utilizing its assets. The return on assets (ROA) value is one measure of how profitable a business is. In this study, ROA, which is a measure of how well a company can make money with all of its assets, is used as the profitability indicator. Return on assets (ROA) measures how much money a company can make from all of its resources or assets. (Sirait, 2017).

The outcomes of previous research stated that the return on assets (ROA) affects tax avoidance (Darsani & Sukartha, 2021). They argued that higher ROA leads to a bigger net income for the company. High-profitability companies tend to position themselves in tax planning to lower tax expenses since a high profit will incur a high tax expense. However, according to Artinasari & Mildawati (2018), profitability represented by ROA does not influence tax avoidance represented by ETR. It was due to that Companies with high profitability will prefer to pay tax expenses instead of doing tax avoidance.

Liquidity is also a factor that can influence tax avoidance. Companies with more liquidity show that they have enough cash flow to meet all of their responsibilities, like paying taxes in accordance with the law. On the other hand, companies that do not have enough cash on hand will not be able to pay their taxes or follow tax law. Due to a lack of cash, the company will keep the cash flow going rather than pay taxes. The more debt a company has, the more likely it is to avoid paying taxes. In this study, liquidity is measured by current ratio.

According to the findings of other studies, liquidity has a favorable and considerable impact on tax evasion (Urrahmah and Mukti, 2021). A measure of the company's capacity to meet its immediate obligations is its liquidity. Febrilyantri (2022) states that liquidity has no effect on tax avoidance. The corporation can easily meet its short-term obligations, such as tax payment demands, because it has a healthy level of liquidity.

Another factor that influences tax avoidance is company size, which shows the company's capacity to execute its economic activity. Large size means that the transactions will be more complex, thus enabling the company to exploit the loopholes in the taxation laws. Company size in this research will be measured by the total assets of the company.

Based on the results of previous research, the size of the company has a positive and significant impact on tax avoidance (Irianto et al., 2017). It implies that a larger company size will have a lower effective tax rate, and a lower effective tax rate will lead to more tax avoidance. However, according to Faizah & Adhivinna (2017), company size has no influence on tax avoidance. Companies with more assets typically have a better chance of producing consistent earnings than those with fewer assets, so companies with high assets are able to manage and pay their tax expense.

Based on the arguments above, the title proposed in this journal is "**The Impact of Profitability, Liquidity, and Company Size toward Tax Avoidance in Consumer Goods Sector Listed on the Indonesia Stock Exchange**".

2.   LITERATURE REVIEW
2.1   Agency Theory

According to Jensen & Meckling (1976), agency theory is a contractual relationship between the principal (contract giver) and agent (contracted). The principal can contact the agent to work for the principal interests or objectives so that the principal can give authority in decision-making for the agents to achieve those goals. The agents are responsible for achieving those goals and can accept remuneration from the principal. The closer employees get to reaching a main goal, the more money they will get. According to this theory, the agent and principal have different interests. An agency problem occurs when the agent does not act in the principal's best interests. This conflict is inseparable from the tendency of agents to prioritize their benefits over the interests of others.

An agency problem concerning tax avoidance occurs between the government as a tax collector (principal) and company management as a taxpayer (agent). According to Darsani & Sukartha (2021), conflicts of interest between governments and company management lead to non-compliance by company management, which affects the company to do tax avoidance. As the principal, the government has an obligation to collect as many taxes as possible, as these are the state's main source of income. On the contrary, the company's management as an agent should maximize the company's revenue by paying as little tax as possible, since tax is one of the expenses that can reduce the company's profit. Since the government does not always have details about the company's activities, it becomes an advantage for the company to do tax avoidance.

2.2   Tax Avoidance

According to Mardiasmo (2019), tax avoidance is the legal endeavor to reduce one's tax liability. Although tax avoidance causes losses to the state because of a decrease in state revenue, the government cannot impose sanctions on companies because no laws are violated. Tax avoidance is when a company does something to lessen or lower its corporate tax costs while still following the rules of taxation. This is done by using exceptions, deductions, and tax delays that are legal but not covered by the rules of taxation (Firmansyah & Triastie, 2021).

According to Aronmwan & Okafor (2019), tax avoidance activity in a company can be measured in a variety of ways, such as:
1.   Effective Tax Rate (ETR) = Tax Expense/ Profit before Tax
2.   Current ETR = Current Tax Expense/ Profit before Tax
3.   Cash ETR = Cash Tax Paid/ Pre−tax Income
4.   Book Tax Different
5.   Temporal Book Tax Different
6.   Cashflow Effective Tax Rate
7.   Long-run Effective Tax Rate
8.   Total Book Tax Different
9.   Discretionary Permanent Book Tax Different
10.   Total Discretionary Book Tax Different
11.   Tax Effect Book Tax Different

For this research, the Effective Tax Rate (ETR) will be used by the author to assess tax avoidance activity. ETR represents the effectiveness of a company in operating its tax

burden by contrasting the tax burden with the total net income. Higher involvement in tax avoidance activity is correlated with a lower ETR value and vice versa. (Chen, 2018).

2.3   Profitability

The level of profit becomes a reference for the sustainability of a company. The profitability ratio is used to figure out how much a company is making by figuring out what share of its profit it is. Return on assets (ROA) is a measure of a business's ability to make money by using all its resources or assets. It is a type of income number.

According to Hery (2016), the profitability ratio is used to describe a company's capacity to generate profits from its own sales, assets, and even its own capital. Profitability ratios can also be used to evaluate management performance. Whether good performance will be shown through the success of management in generating maximum profit for the company. He mentioned several indicators of profitability as follows:

1. Return on assets, which measures a company's capability to generate net profits from all its assets.
2. Return on equity, that shows how well a company can use its own equity to create net profits.
3. Gross profit margin, which shows how much gross profit is earned from every sale.
4. Operating profit margin, which shows how much operating profit is earned from every sale.
5. Net profit margin, which shows how much net profit is earned from every sale.

This study uses Return on Assets (ROA) for this research. ROA measures how efficiently a company utilizes its assets to produce profits for the business. The greater a company's ROA, the greater its profit level and the more advantageous its asset utilization.

2.4   Liquidity

Lessambo (2018) defined liquidity as the ability of a company to repay the short-term liabilities at its due date. When a company has a lot of cash on hand, it gives the idea that it can easily fulfill its short-term obligations. Companies with high liquidity show that they have enough cash flow to pay all their expenses, including taxes, as required by the law.

Hery (2016) mentioned some measurement for liquidity, which are as follows:

1. Current ratio, which measures how strong the current assets are to cover the settlement of current liabilities.
2. Quick ratio, which measures how strong the current assets minus inventory are to cover the settlement of current liabilities.
3. Cash ratio, which measures how strong the cash owned by a company is to cover the settlement of current liabilities.

This study uses the current ratio to measure liquidity. Using this measurement, the ownership of current assets are measured for its capacity to settle current liabilities.

2.5   Company Size

According to Ulhaq & Effendi (2021), the larger company has more complex operations and transactions. Large companies can make better internal control systems than small companies because they have more means and more knowledge.

Dang & Li (2018) stated that the size of the firm can be measured by below formula:

1. Ln (Total Asset)
2. Ln (Total Sales)
3. Ln (Market Value of Equity)

The greater the value of these items means the larger the corporate size. In this research, company size is measured by the natural logarithm of total assets.

2.6   Research Model

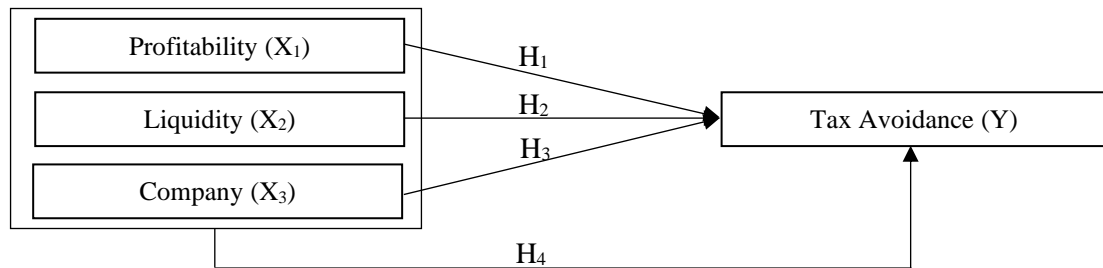The relationship between independent and dependent variables can be expressed in the following scheme:

```
┌─────────────────────────────┐
│  ┌───────────────────────┐  │          H₁
│  │  Profitability (X₁)    │  │──────────────────┐
│  └───────────────────────┘  │          H₂       ┌─────────────────────┐
│  ┌───────────────────────┐  │──────────────────│  Tax Avoidance (Y)   │
│  │  Liquidity (X₂)        │  │          H₃       └─────────────────────┘
│  └───────────────────────┘  │
│  ┌───────────────────────┐  │
│  │  Company (X₃)          │  │
│  └───────────────────────┘  │
└─────────────────────────────┘
                                          H₄
```

Figure 1 Research Model

Based on the research model above, four hypotheses are proposed as follows:

H_1:   Profitability has a significant impact on tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange partially.

H_2:   Liquidity has a significant impact on tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange partially.

H_3:   Company size has a significant impact on tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange partially.

H_4:   Profitability, liquidity, and company size have a significant impact on tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange simultaneously.

3.   RESEARCH METHODOLOGY
3.1   Research Design

A research design is a blueprint or plan for the collection, measurement, and analysis of data, created to answer the research questions. Obviously, there is no single design that is superior in all circumstances. The quality of a research design depends on how carefully you choose the appropriate design alternatives (Sekaran & Bougie, 2016).

This research is quantitative based and conducted using the casual research design, where the influence of a variable on other variables will be proven empirically based on the data and facts obtained.

3.2   Population and Sample

Sample refers to a set of observation objects that are taken from the population. The sample also can be defined as the subset of the population that is taken as the focus of research. This study uses purposive sampling techniques, which is a technique to determine the sample with particular considerations or criteria that the sample must fulfill so that the research problem can be solved (Sugiyono, 2021). The sampling criteria for this study are as follow:

1. Consumer goods sector companies that are listed on the Indonesia Stock Exchange from the year 2019 to 2021.
2. Consumer goods sector companies that consistently publish their annual financial statements from the year 2019 to 2021.
3. Consumer goods sector that are profitable for three consecutive years, from 2019 to 2021.

3.3 Data Collection and Analysis Method

The data implementation for this research was collected from secondary data which is in form of the annual reports of consumer goods sector companies listed on the Indonesia Stock Exchange for the 2019 - 2021. The data is utilized with the Statistical Product and Service Solution (SPSS).

3.4 Operational Variable Definition and Variable Measurement

This research uses two types of variables, which are dependent and independent variable. The dependent variable in this research is tax avoidance. The independent variables in this research are profitability, liquidity, and company size.

3.4.1 Dependent Variable

The dependent variable is one in which the change in value is determined by the influence of other factors. The letter "Y" represents the dependent variable. The dependent variable in this study is the Effective Tax Rate (ETR), which is the indicators of tax avoidance.

The ETR is the tax burden multiplied by the tax rate as measured against the tax base. It is measured as below:

$$\text{ETR} = \frac{\text{Income Tax Expenses}}{\text{Earnings Before Taxes}}$$

3.4.2 Independent Variable

A variable that influences the dependent variable is an independent variable. It is denoted by the letter "X". The independent variables in this study are profitability (X_1), liquidity (X_2) and company size (X_3).

3.4.2.1 Profitability (X_1)

Profitability is a critical factor in determining whether to impose income tax on companies, as it serves as an indicator that reflects the company's financials. The capacity of a business to generate profits over a specific length of time while maintaining a particular level of income, share capital, and assets is referred to as the business's profitability. Profitability is a measure that assesses the company's performance by using a financial ratio, such as return on assets. The greater the profitability ratio will affect the greater ability of the companies in generating profits. Return on Assets measures the ability of the company to yield a profit from the total assets owned. The ROA is calculated as follows:

$$\text{Return on Asset (ROA)} = \frac{\text{Net Income}}{\text{Total Assets}}$$

3.4.2.2 Liquidity (X_2)

Liquidity is a ratio that shows or measures how quickly a company can pay off its debts. This means that when the company gets a bill, it will be able to pay these bills, even ones that are past due. The current ratio is the way to measure this ratio. It is a way to figure out how well a company can meet its short-term responsibilities or pay off bills that are coming due soon. It is calculated as follows:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

3.4.2.3 Company Size (X₃)

The greater the size of the firm, the greater the number of transactions that need to be involved. The firm size is proxied by Ln total assets. The natural log (Ln) used in this study is intended to reduce the fluctuation in the data that is redundant without changing the true original value proposition. The company size formula is as follows:

$$\text{Firm Size} = \text{Ln (Total Assets)}$$

4.   RESULT
4.1   Sample Size Determination

The sample criteria are as follow:

Table 1 Determination of Sample

No.	Criteria	Total
1	Consumer goods sector companies listed on the Indonesia Stock Exchange	85
2	Consumer goods sector companies listed on the Indonesia Stock Exchange after 2019	(35)
3.	Consumer goods sector companies that do not consistently publish the financial statement from 2019 to 2021	(1)
4.	Consumer goods sector companies that suffer losses from 2019 to 2021	(17)
	Total companies that meet the criteria	32
	Research years	3
	Total research samples	96

4.2   Descriptive Statistics

The results of descriptive statistics tests are as follows:

Table 2 Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Profitability (ROA)	96	0,001	0,416	0,10507	0,081607
Liquidity (CR)	96	0,614	13,309	3,02626	2,668748
Company Size	96	25,974	32,820	29,10676	1,524691
Tax Avoidance (ETR)	96	0,032	0,815	0,25608	0,103584
Valid N (listwise)	96				

From Table 2 above, we can see that profitability has a minimum value of 0.001, which is represented by PT Kimia Farma, Tbk (KAEF) in 2019, and the maximum value of 0.416 represented by PT Multi Bintang Indonesia, Tbk (MLBI) in 2019. Meanwhile, the mean value is 0.105 which indicates the selected samples of consumer goods companies experienced average profitability of 10.5%. The mean value is closer to the minimum value rather than the maximum value, indicating that the return on asset (ROA) data has a lower value. The standard deviation value is 0.081, which is smaller than the mean value, showing that the data has little variation and is centered around the mean.

Liquidity has a minimum value of 0.614, which is represented by PT Unilever Indonesia, Tbk (UNVR) in 2021, and for the maximum value of 13.309 represented by PT Campina Ice Cream Industry, Tbk (CAMP) in 2021. The mean value is 3.026, which indicates the selected samples of consumer goods companies experienced an average liquidity of 302,6%. The mean value is closer to the minimum value rather than the maximum value, indicating that the current ratio (CR) data has a lower value. The standard

deviation value is 2.668, which is smaller than the mean value, indicating that the data has little variation and is centered around the mean.

Company size has a minimum value of 25.974, which is represented by PT Pyridam Farma, Tbk (PYFA) in 2019, and the maximum value of 32.820 represented by PT Indofood Sukses Makmur, Tbk (INDF) in 2021. The mean value of 29.106 indicates the selected samples of consumer goods companies experienced an average company size of 29.106. The mean value is closer to the minimum value rather than the maximum value, indicating that the company size data has a lower value. The standard deviation value is 1.524, which is smaller than the mean value, indicating that the data has little variation and is centered around the mean.

Tax avoidance has a minimum value of 0.032, which is represented by PT Budi Starch & Sweetener, Tbk (BUDI) in 2020, and the maximum value of 0.815 represented by PT Sekar Bumi, Tbk (SKBM) in 2019. The mean value is 0.256, which indicates the selected samples of consumer goods companies experienced an average tax avoidance of 25.6%. The mean value is closer to the minimum value rather than the maximum value, indicating that the company size data has a lower value. The standard deviation value is 0.103, which is smaller than the mean value, indicating that the data has little variation and is centered around the mean.

4.3   Classical Assumption Test
4.3.1 Normality Test

The purpose of normality test is to find out if the regression of the dependent and independent factors has a normal distribution or not. For this study, the author used the Kolmogorov-Smirnov (K-S) test. The result of the test is listed below:

Table 3 Result of Normality Test Using Kolmogorov-Smirnov Test before Outliers Exclusion

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		96
Normal Parameters[a,b]	Mean	0.0000000
	Std. Deviation	0.13620118
Most Extreme Differences	Absolute	0.201
	Positive	0.112
	Negative	-0.201
Test Statistic		0.201
Asymp. Sig. (2-tailed)		.000[c]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

From the Kolmogorov-Smirnov (K-S) test result as shown in Table 3, it can be seen that the significance level (Asymp. Sig. 2-tailed) is 0.000, which is less than 0.05 (0.000 < 0.05). It indicates the residual is not normally distributed and thus the normality test fails.To solve this problem, the author eliminates outlier data. An outlier is defined as an observation data point with an extreme value that differs significantly from the other data values. There are 12 samples considered outliers that will be eliminated in this study.

The result of the Kolmogorov-Smirnov (K-S) test after the outlier is shown below:

Table 4 Result of Normality Test Using Kolmogorov-Smirnov after Outliers Exclusion

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		84
Normal Parameters[a,b]	Mean	-0.0185513
	Std. Deviation	0.04775657
Most Extreme Differences	Absolute	0.067
	Positive	0.053
	Negative	-0.067
Test Statistic		0.067
Asymp. Sig. (2-tailed)		.200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Table 4 shows the results of the Kolmogorov-Smirnov (K-S) test. The significance level (Asymp. Sig. 2-tailed) is 0.200, which is higher than 0.05 (0.200 > 0.05). Because of this, we can say that the leftover data were spread out properly and passed the normality test. Therefore, it can be concluded that the residuals are now normally distributed.

4.3.2 Heteroscedasticity Test

The heteroscedasticity test checks to see if the variance of one leftover data is different from that of another in the regression model. In this study, the writer uses a scatterplot and the park test are used to determine heteroscedasticity.

The observation of the scatterplot graph is among the dependent variable (ZPRED) with the residual (SRESID). The following is the result of the scatterplot graph:
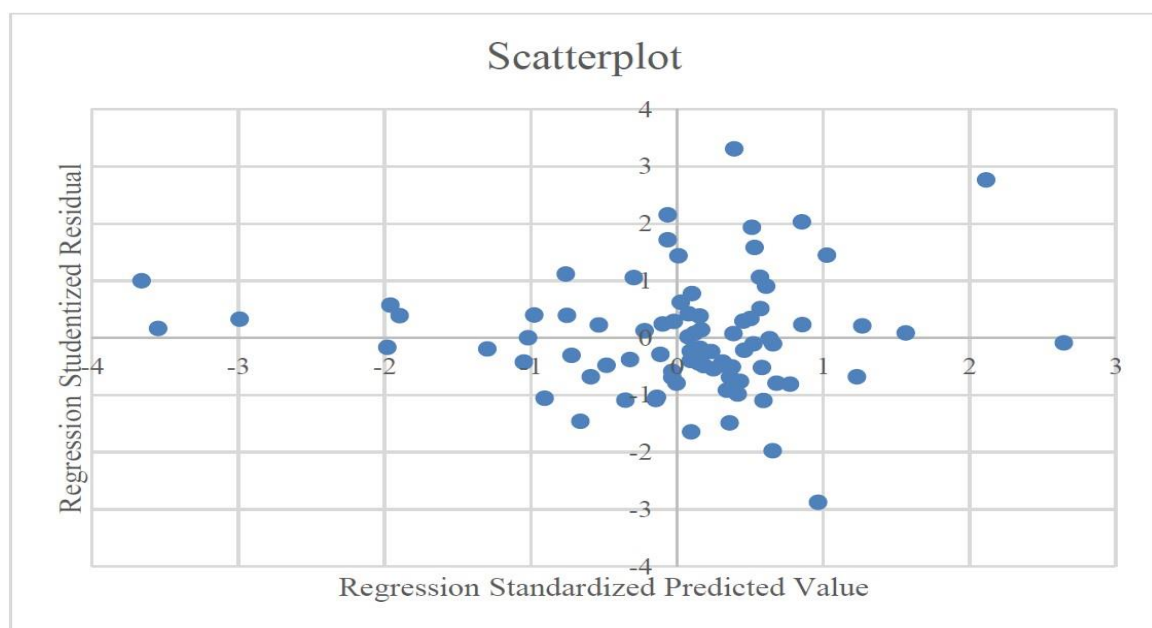

Figure 2 Result of Heteroscedasticity Test using Scatterplot

Based on Figure 2, the scatterplot graph demonstrates that the nodes are widely distributed, scattering both above and below the y-axis zero value. This may indicate that there is no heteroscedasticity problem in the regression model.

We continue the heteroscedasticity test by conducting Park test, which is applied by regressing the natural logarithm of squared residuals against independent variables. The regression model will pass the heteroscedasticity test if the significance level is higher than 0.05 whereas if the significance level is below 0.05 it indicates heteroscedasticity in the regression model. The following is the result of Park test:

Table 5 Result of Park Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.105	3.515		-0,599	0.551
	Profitability (ROA)	-2.996	2.467	-0.134	-1.215	0.228
	Liquidity (CR)	-0.188	0.111	-0.188	-1.696	0.094
	Company Size	-0.137	0.119	-0.128	-1.151	0.253
a. Dependent Variable: LN_RES_2						

From the results of Table 5, the significance level of each of the independent variables exceeds 0.05. It indicates that there is no heteroscedasticity in the data and thus heteroscedasticity test can be said to have been completed with this data.

4.3.3 Multicollinearity Test

The goal of the multicollinearity test is to find out if the regression model found a relationship between two or more unrelated factors. If the tolerance number is greater than 0.10 or the variance inflation factor (VIF) is less than 10, the regression model is said to be free of multicollinearity signs. The results are shown below:

Table 6 Result of Multicollinearity Test using Tolerance Value and Variance Inflation Factor (VIF)

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Profitability (ROA)	0.960	1.041
	Liquidity (CR)	0.942	1.062
	Company Size	0.939	1.065
a. Dependent Variable: Tax Avoidance (ETR)			

Based on the result in Table 6, we can see that for every independent variable, the the value of tolerance is greater than 0.10, and the variance inflation factor (VIF) is lower than 10. This result means that there is no issue with the multicollinearity problem among independent variables.

4.3.4 Autocorrelation Test

In a model of linear regression, the autocorrelation test is used to see if there is a link between the causing error in period t and the error in period t-1. The Durbin-Watson (D-W) test was used in this study to find correlations. In the previous chapter, we talked about how decisions are made.

The Durbin-Watson test came up with the following results:

Table 7 Result of Autocorrelation Test using Durbin-Watson Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.146[a]	0.021	-0.015	0.042461	1.607
a. Predictors: (Constant), Company Size, Profitability (ROA), Liquidity (CR)					
b. Dependent Variable: Tax Avoidance (ETR)					

Based on Table 7, the value (d) of the Durbin-Watson test is 1.607. The level of significance (α) is 5%, or 0.05. There are 84 cases in total, and there are three independent factors. Using the Durbin-Watson table (α = 5%, n = 84, k = 3), the lower bound (dL) is 1.5723 and the upper bound (dU) is 1.7199. By comparing the lower bound, the upper bound, and the Durbin Watson number, you get the answer shown below:

Figure 2 Result of Durbin-Watson Test

The Durbin-Watson test result shows that the Durbin-Watson value falls on the dL ≤d ≤ dU (1.5723 ≤ 1.607 ≤ 1.7199) area which refers to no decision. So, the other method is performed to overcome the autocorrelation problem by using the Cochrane-Orcutt method.

Table 8 Result of Autocorrelation Test using Cochrane-Orcutt Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.223[a]	0.050	0.014	0.04199	2.203
a. Predictors: (Constant), LAG_X3, LAG_X2, LAG_X1					
b. Dependent Variable: LAG_Y					

From Table 8, the value of Durbin-Watson by using the Cochrane-Orcutt method is 2.203. Referring to the Durbin-Watson table (α = 5%, n = 84, k = 3), the obtained lower bound (dL) is 1.5723 and the upper bound (dU) is 1.7199. The result shows that the Durbin-

Watson value falls on the dU ≤ d ≤ 4-dU (1.7199 ≤ 2.203 ≤ 2.2801) area which yields no autocorrelation and passes the autocorrelation test.

4.4   Multiple Linear Regression Analysis

Multiple linear regression is a test used to determine whether there is a relationship between one dependent variable with more than one independent variable. The results of multiple linear regression can be seen in the table below:

Table 9 Multiple Linear Regression Analysis

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.232	0.077		3.028	0.003
Profitability	-0.111	0.070	-0.177	-1.576	0.119
Liquidity	0.002	0.003	0.057	0.508	0.613
Company Size	-0.003	0.004	-0.099	-0.874	0.385
a. Dependent Variable: Tax Avoidance					

From Table 9, multiple linear regression is formulated as below:

$$Y = 0.232 - 0.111X_1 + 0.002X_2 - 0.003X_3$$

The following is an explanation of the regression model based on the results above, as follows:

1. The constant value of the regression model is 0.232, which means that if the value of profitability, liquidity, and company size is zero then the effective tax rate value will be 0.232.
2. The coefficient of the regression model for profitability (ROA) is -0.111, which means that ROA has a negative effect on ETR, with an increase of ROA value by 1 unit, then the value of ETR will decrease by 0.111 unit with the speculation that the value of liquidity and company size is fixed or constant.
3. The coefficient of the regression model for liquidity (CR) is 0.002, which means that CR has a positive effect on ETR, with an increase of CR value by 1 unit, then the value of ETR will increase by 0.002 unit with the speculation that the value of profitability and company size is fixed or constant.
4. The regression model's coefficient for company size is -0.003, which means that company size has a negative effect on ETR. If the value of company size goes up by 1 unit, the value of ETR will go down by 0.003 unit, assuming that the value of profitability and liquidity stays the same.

4.5   Partial Hypothesis Test (t-test)

The t-test is used to find out how much the variation of the dependent variable is affected by each independent or explanatory variable. There are two ways to conduct t-test, which are by observing t-count and the significance level.

The result of partial testing can be seen as follows:

Table 10 Result of Partial t-test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.232	0.077		3.028	0.003
	Profitability	-0.111	0.070	-0.177	-1.576	0.119
	Liquidity	0.002	0.003	0.057	0.508	0.613
	Company Size	-0.003	0.004	-0.099	-0.874	0.385
a. Dependent Variable: Tax Avoidance						

Partial hypothesis testing (t-test) result shown in Table 10 are explained below:

1. Profitability as the first independent variable has a t-count value of -1.576, which is higher than the t-table value of -1.9869 and the significance value is 0.119, which is greater than 0.05. This result indicates that profitability measured by ROA partially has no significant influence on tax avoidance. In conclusion, H1 which stated that profitability partially has a significant influence on tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange is rejected.

2. Liquidity as the second independent variable has a t-count value of 0.508, which is lower than the t-table value of 1.9869 and the significance value is 0.613, which is greater than 0.05. This result indicates that liquidity measured by CR partially has no significant influence on tax avoidance. In conclusion, H2 which stated that liquidity partially has a significant influence on tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange is rejected.

3. Company size as the third independent variable has a t-count value of -0.874, which is higher than the t-table value of -1.9869 and the significance value is 0.385, which is greater than 0.05. This result indicates that company size partially has no significant influence on tax avoidance. In conclusion, H3 which stated that company size partially has a significant influence on tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange is rejected.

4.6 Simultaneous Hypothesis Test (f-test)

The F-test is used to determine whether or not all of the model's independent variables have an impact on the dependent variable simultaneously. There are two ways to conduct f-test, which are by observing f-count and the significance level.

The followings are the results of simultaneous hypothesis testing:

Table 11 Simultaneous Significant Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.007	3	0.002	1.380	.255[b]
	Residual	0.139	79	0.002		
	Total	0.147	82			
a. Dependent Variable: Tax Avoidance						
b. Predictors: (Constant), Profitability, Liquidity, Company Size						

Based on the simultaneous hypothesis testing (F-Test) result shown in Table 11, the f-count obtained is 1.380, which is lower than the Ftable numerator degree of freedom value (total independent variables) is 3, and the denominator degree of freedom value (total samples – total independent variables) is 81. Thus, the F-table value obtained for this research is 2.717 and the significance level is greater than 0.05 at 0.255. This shows that tax avoidance is not significantly impacted by profitability (ROA), liquidity (CR), and company size simultaneously. Therefore, H4 is rejected.

4.7 Coefficient of Determination Test

Coefficient of determination measures the ability of independent variables to explain the dependent variable. The result of the test is as follows:

Table 12 Coefficient of Determination Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.223[a]	.050	.014	.04199
a. Predictors: (Constant), LAG_X3, LAG_X2, LAG_X1				

The value of adjusted R^2 is 0.014 based on the coefficient of determination result displayed in Table 12. According to this, profitability, liquidity, and company, size only account for 1.4% of tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange from 2019 to 2021. The remaining 98.6%, meanwhile, is influenced by other factors that are not examined in this study.

4.8 Discussion
4.8.1 The Influence of Profitability on Tax Avoidance

The independent variable profitability has a tcount value of -1.576, higher than the t-table value of -1.9869, and a significance value of 0.119, exceeding 0.05, according to the results of the partial significance test (t-test). This shows that from 2019 to 2021, tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange is not significantly impacted by profitability. Therefore, H1 is rejected.

This result is consistent with the previous research conducted by Ariyanti et al (2021), Novianti & Sukendar (2022), and Dianawati & Agustina (2020), but not with the research conducted by Irianto et al. (2017), Noviyani & Muid (2019), and Darsani & Sukartha (2021) who found that profitability has an effect on tax avoidance.

4.8.2 The Influence of Liquidity on Tax Avoidance

The tcount value for the independent variable liquidity is 0.508, lower than the t-table value of 1.9869, and the significance value is 0.613, which is greater than 0.05, according to the results of the partial significance test (t-test). This demonstrates that, from 2019 to 2021, tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange is not significantly affected by liquidity. Therefore, H2 is rejected.

This result is consistent with the previous research conducted by Dianawati & Agustina (2020), but not with the research conducted by Urrahmah & Mukti (2021), Ariyanti et al. (2021), and Novianti & Sukendar (2022) who found that liquidity affects tax avoidance.

4.8.3   The Influence of Company Size on Tax Avoidance

The independent variable company size has a tcount value of -0.874, higher than the t-table value of -1.9869, and a significance value of 0.385, larger than 0.05, according to the results of the partial significance test (t-test). This demonstrates that, from 2019 to 2021, tax avoidance is not significantly affected by company size in consumer goods sector listed on the Indonesia Stock Exchange. Therefore, H3 is rejected.

This result is consistent with the previous research conducted by Novianti & Sukendar (2022), but not with the research conducted by Irianto et al. (2017), Noviyani & Muid (2019), and Dewinta & Setiawan (2016) who found that company size has an effect on tax avoidance.

4.8.4   The Influence of Profitability, Liquidity, and Company Size toward Tax Avoidance

The Fcount value, which was determined using simultaneous hypothesis testing (F-Test), was 1.380, which is less than the F-table value of 2.717. and the significance level is greater than 0.05 at 0.255. This shows that tax avoidance is not significantly impacted by profitability (ROA), liquidity (CR), and company size simultaneously. Therefore, H4 is rejected.

The adjusted R^2 value, which represents the coefficient of determination, is 0.014. According to this, profitability, liquidity, and firm size only account for 1.4% of tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange from 2019 to 2021. The remaining 98.6%, meanwhile, is influenced by other variables that are not examined in this study. The following is the summary of the hypothesis test result:

The following table summarizes the result of hypothesis tests:

Table 13
Summary of Hypothesis Tests Results

No.	Hypothesis	T or F count	Sig	Result
H1	Profitability partially has a significant impact toward tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange (IDX).	-1.576	0.119	H1 rejected
H2	Liquidity partially has a significant impact toward tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange (IDX).	0.508	0.613	H2 rejected
H3	Company size partially has a significant impact toward tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange (IDX).	-0.874	0.385	H3 rejected
H4	Profitability, liquidity, and company size partially have a significant effect toward tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange (IDX).	1,38	0.255	H4 rejected

5.   CONCLUSION

Based on the hypothesis testing, the following conclusions can be drawn:
1.   profitability partially has no significant effect on tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange from 2019 to 2021;
2.   liquidity partially has no significant effect on tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange from 2019 to 2021;
3.   company size partially had no significant effect on tax avoidance in consumer goods sector listed on the Indonesia Stock Exchange from 2019 to 2021;
4.   from 2019 through 2021, the tax avoidance of consumer goods sector listed on IDX is not significantly impacted by profitability, liquidity, and company size. Therefore, the fourth hypothesis (H4) is rejected;
5.   the coefficient of determination of adjusted R^2 is 0.014.

REFERENCES

Ariyanti, R., Notoatmojo, M., & Kusuma Dewi, O. (2021). *Pengaruh Profitabilitas, Liquiditas,* Leverage *dan Kepemilikan Institusional terhadap* Tax Avoidance (*Studi pada Perusahaan Manufaktur Sektor Makanan dan Minuman yang Terdaftar di Bursa Efek Indonesia Periode 2015-2019*). Jurnal Aktual Akuntansi Keuangan Bisnis Terapan, Vol. 4, No 2. https://doi.org/10.32497/akunbisnis.v4i2.3114

Aronmwan, E., & Okafor, C. (2019). Corporate Tax Avoidance: Review Of Measures And Prospects. International Journal of Accounting & Finance (IJAF) Vol.8 No.2, 21-42.

Artinasari, N., & Mildawati, T. (2018). *Pengaruh Profitabilitas,* Leverage, *Likuidittas, Capital Intensity dan Inventory Intensity terhadap* Tax Avoidance. Jurnal Ilmu dan Riset Akuntansi, 1-18.

Chen, X. (2018). Corporate Social Responsibility Disclosure, Political Connection and Tax Aggressiveness: Evidence from China's Capital Markets. Open Journal of Business and Management, 151-164. https://doi.org/10.4236/ojbm.2018.61010

Dang, C., & Li, F. (2018). Measuring firm size in empirical corporate finance. Journal of Banking & Finance, 159-176. https://doi.org/10.1016/j.jbankfin.2017.09.006

Darsani, P., & Sukartha, I. (2021). The Effect of Institutional Ownership, Profitability, Leverage and Capital Intensity Ratio on Tax Avoidance. American Journal of Humanities and Social Sciences Research (AJHSSR) Volume-5, Issue-1, 13-22.

Dewinta, I., & Setiawan, P. (2016). *Pengaruh Ukuran Perusahaan, Umur Perusahaan, Profitabilitas, Leverage, dan Pertumbuhan Penjualan terhadap* Tax Avoidance. E-Jurnal Akuntansi Universitas Udayana, Vol.14. No.3.

Dianawati, dan Agustina, L. (2020). The Effect of Profitability and Leverage on Tax Avoidance with Company Size as a Moderating Variable. Chief Editor, 9(3), 166–172.

Faizah, S., & Adhivinna, V. (2017). *Pengaruh Return on Asset,* Leverage, *Kepemilikan Institusional dan Ukuran Perusahaan terhadap* Tax Avoidance. Jurnal Akuntansi Vol. 5 No. 2, 136-145. https://doi.org/10.24964/ja.v5i2.288

Febrilyantri, C. (2022). *Pengaruh Likuiditas, Leverage, Ukuran Perusahaan terhadap Tax Avoidance pada Perusahaan Manufaktur Sub-Sektor Otomotif Tahun 2018-2021.* Journal of Islamic Banking and Finance, 128-141. https://doi.org/10.21154/etihad.v2i2.5106

Firmansyah, A., & Triastie, G. (2021). *Bagaimana Peran Tata Kelola Perusahaan Dalam Penghindaran Pajak, Pengungkapan Tanggung Jawab Sosial Perusahaan, Pengungkapan Risiko, Efisiensi Investasi?* Jawa Barat: Penerbit Adab.

Hery. (2016). Analisis Laporan Keuangan. Jakarta: PT. Grasindo.

Irianto, B., Sudibyo, Y., & Wafirli, A. (2017). The Influence of Profitability, Leverage, Firm Size and Capital Intensity Towards Tax Avoidance. International Journal of Accounting and Taxation Vol. 5, No. 2, 33-41. https://doi.org/10.15640/ijat.v5n2a3

Jensen, M., & Meckling, W. (1976). Theory of The Firm: Managerial Behavior, Agency Costs and Ownership Structure. Journal Of Financial Economics 3, 305-360. https://doi.org/10.1016/0304-405X(76)90026-X

Kurnia, Suryani, E., & Suciarti, C. (2020). The Effect of Leverage, Capital Intensity and Deferred Tax Expense on Tax Avoidance. Journal of Accounting Auditing and Business, Vol.3, No.2. https://doi.org/10.24198/jaab.v3i2.28624

Lessambo, Felix I. 2018. Financial Statement Analysis and Reporting. Springer.

Mardiasmo. (2019). Perpajakan. Yogyakarta: Andi.

Novianti, Andi N., & Sukendar, Heri (2022). Effect of Liquidity, Leverage, Profitability and Company Size on Tax Aggressiveness in Banking Companies Listed in Indonesia Stock Exchange in 2014-2016. 7th North American International Conference on Industrial Engineering and Operations Management,

Noviyani, E., & Muid, D. (2019). *Pengaruh Return on Assets,* Leverage*, Ukuran Perusahaan, Intensitas Aset Tetap dan Kepemilikan Institusional terhadap Penghindaran Pajak*. Diponegoro Journal Of Accounting, Halaman 1-11.

Sekaran, U., & Bougie, Roger J. (2016). Research Methods for Business. Wiley.

Sirait, P. (2017). Analisis laporan keuangan. Yogyakarta.

Sugiyono. (2021). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D. Yogyakarta: Alfabeta Bandung.*

Ulhaq, R., & Effendi, E. (2021). *Pengaruh Audit Tenur, Reputasi Auditor, Ukuran Perusahaan dan Komite Audit*. Jawa Barat: Penerbit Adab.

Urrahmah, S., & Mukti, A. (2021). The Effect of Liquidity, Capital Intensity, and Inventory Intensity on Tax Avoidance. International Journal of Research - Granthaalayah, 1-16. https://doi.org/10.29121/granthaalayah.v9.i12.2021.4399

Warka, I. W., Sara, I. M., & Ningsih, N. L. (2021). *Determinan Profitabilitas Lembaga Perkreditan Desa (LPD)*. Bali: Scopindo Media Pustaka.