THE IMPACT OF COST OF DEBT, INVENTORY INTENSITY, AND PROFITABILITY TOWARD TAX AVOIDANCE ON NON-CYCLICALS CONSUMER GOODS COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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ABSTRACT

This research is conducted to determine the impact of the cost of debt, inventory intensity, and profitability toward tax avoidance. It observes non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange in 2021 and 2022. There are 57 non-cyclicals consumer goods companies, from which 29 companies fulfill the criteria. For two years observation, total sample for the research is 58 units.The research used secondary data from the Indonesia Stock Exchange with purposive sampling method. The data collected for the research will be analyzed using classical assumption test and multiple linear regression analysis method. The analysis tool used is SPSS version 26.The result of this research show that cost of debt, inventory intensity, and profitability simultaneously do not significantly influence the tax avoidance. Meanwhile, the cost of debt is partially significant toward tax avoidance with significance value of 0.015 while the inventory intensity and profitability are partially insignificant toward tax avoidance in non-cyclical consumer good companies that are listed on the Indonesia Stock Exchange for year 2021-2022.

Keywords: Cost of Debt, Inventory Intensity, Profitability, Tax Avoidance

ABSTRAK

Penelitian ini dilakukan untuk mengetahui pengaruh biaya utang, intensitas persediaan, dan profitabilitas terhadap penghindaran pajak. Penelitian ini menggunakan perusahaan barang konsumsi non-siklik yang terdaftar di Bursa Efek Indonesia tahun 2021 dan 2022. Terdapat 57 perusahaan barang konsumsi non-siklik, yang 29 diantaranya memenuhi kriteria. Penelitian ini menggunakan 58 unit sampel untuk dua tahun pengamatan. Penelitian ini menggunakan data sekunder dari Bursa Efek Indonesia dengan metode purposive sampling. *Data yang dikumpulkan untuk penelitian akan dianalisis menggunakan uji asumsi klasik dan metode analisis regresi linier berganda. Alat analisis yang digunakan adalah SPSS versi 26. Hasil penelitian menunjukkan bahwa biaya utang, intensitas persediaan, dan profitabilitas secara simultan tidak berpengaruh signifikan terhadap penghindaran pajak. Sedangkan biaya utang secara parsial signifikan terhadap penghindaran pajak dengan nilai signifikansi sebesar 0,015 sedangkan intensitas persediaan dan profitabilitas secara parsial tidak signifikan terhadap penghindaran pajak pada perusahaan barang konsumsi non-siklus yang terdaftar di Bursa Efek Indonesia tahun 2021-2022.*

***Keywords**: Biaya Utang, Intensitas Persediaan, Profitabilitas, Penghindaran Pajak*

1. INTRODUCTION

Non-cyclicals consumer goods industries is defined as the industries that produce or distribute anti-cyclicals or primary products and services that are generally sold to consumers. Common characteristics of these companies are short shelf-life because of high consumer demand, perishable products, frequently purchased, rapidly consumed, priced low, and sold in large quantities. Thus, they have a high sales turnover, high inventory turnover, and low profit margins which impact on the gross profit and the annual reporting period's profit consequently (Sundström and Lidholm, 2020).

Like the other type of business, non-cyclicals consumer goods companies apply strategy to minimize their tax burdern in order to maintain high profit. OnlinePajak (2022) stated that the main goal for the corporations in conducting tax planning is the aim for tax avoidance. Tax Avoidance is defined as the strategy and techniques conducted by taxpayers to obtain less tax payment through a legal manner and in accordance with the taxation law.

A common tool used in tax avoidance strategy conducted by a company is financial leverage. Financial leverage is conducted by a company through investing in funds or obtaining sources of funds accompanied by fixed burdens/costs that must be borne by the company, usually through debt financing.

The feature of high turnover in both sales and inventory potentially result in tax avoidance for non-cyclicals consumer goods companies. High inventory turnover is often associated with faster and higher efficiency in rotating inventory during a period (Munawir, 2007). Thus, a high inventory turnover indicates that the company is having strong sales or efficiency in turning its inventory into sales while a low inventory turnover might indicate that the company is facing weak sales or overstocking (Fernando, 2023). One of the challenges faced by non-cyclicals consumer goods would be short shelf-life. Thus, the inventory overstocking might also result in a buildup of inventory which causes the risk of goods being damaged, incurred higher costs, and result in the potential of the companies to avoid taxes (Nugraha, 2020).

Therefore, with the background of study as explained above, this research is conducted with the title of **"The Impact of Cost of Debt, Inventory Intensity, and Profitability toward Tax Avoidance of Non-Cyclicals Consumer Goods Companies Listed on The Indonesia Stock Exchange"**.

2. LITERATURE REVIEW

2.1 Agency Theory

Agency theory is a branch of game theory that studies the contract design used to motivate rational agents to act on behalf of the principal when the agent has conflicting interest with the stated interest of the principal (Jensen and Meckling, 1976). In the relationship between government (as tax collector) and company (as taxpayer), the agency problem exists.

Undang-undang Republik Indonesia Nomor 16 Tahun 2000 regulated that the Indonesian tax system is self-assessment (jdih.kemenkeu.go.id, 2000). Under this assessment system, company' management is the first party to prepare the annual tax return. Having this responsibility on hand, while also acting as an agent, they might tend to minimize the tax payments to maximize company their profits.

On the other hand, the government and tax authority are the principal that aim to maximize the tax revenues as much as according to the taxation regulations set. The turn for government in self-assessment system is to run tax examination upon the submitted tax return by the company.

2.2 Cost of Debt

To support its operation sustainability and growth, companies acknowledge the importance of capital structure management. Capital structure is the mix of debt and equity used by the company to finance a series of operational activities and to achieve financial flexibility (Myers, 2021).

A company that takes on debt financing is required to pay back the principal number of borrowings lent along with the interest expense. The interest expense is paid to fulfil the creditor's expected yield rate when providing funds to a company (Fabozzi, 2007).

This study measured cost of debt by dividing the interest expense with total average of interest-bearing liabilities, both short-term and long-term debt (Pitman and Fortin, 2004).

2.3 Inventory Intensity

The Non-Cyclicals Consumer Goods companies are characterized by having relatively low selling prices, high selling quantity, and lower sales margin due to its short storage life. The industry shared various characteristics as the Fast-Moving Consumer Goods (FMCG) companies such as having high turnover in both sales and inventory (Bhagat, 2012). To ensure the sustainability of the production, non-cyclicals consumer goods companies must ensure that they have adequate raw materials and complementary goods through a good inventory management.

The greater inventory intensity means higher burden on inventory, resulting in a reduction in profit and a tax burden that must be paid (Yulianty et al., 2021). The reduction of business profits can be achieved by removing extra costs from inventory and classifying them as expenses in the period in which they are incurred. This lowers taxable revenue and the corporation income tax burden (Anindyka et al., 2018). In addition, numerous other possible factors such as inventory methods, timing of deductions, and transfer pricing also contributed to the potential tax avoidance practices.

Applied inventory methods contributed to calculation of cost of goods sold. Consequently, the different methods will result in different taxable income and tax payable. Thus, companies who wish to conduct tax avoidance might use the inventory methods as one of their strategies to do so. The timing of deductions in inventory affects the tax avoidance through incurring costs related to storing and managing the inventories. The costs incurred are reduced when there is a decrease in the inventory levels. Thus, companies can use the deductions timing through deducting expenses in one tax year rather than spreading them over multiple years, which consequently resulted in lower taxable income for the current year

This study uses the proxy of inventory portion to total assets to measure the inventory intensity.

2.4 Profitability

Profitability becomes one of the essential pieces of information in decision-making. The profitability ratio shows the company's effectiveness in gaining profit or profit in the operational activities carried out by the company. One of the profitability ratio measurements is the return on assets ratio (Anggriantari & Purwantini, 2020). This ratio is obtained by dividing earnings before tax with total assets.

Return on assets ratio highlights that with high profitability ratio, company has succeeded in managing the company's operations effectively and efficiently in accordance with shareholder expectations. The profitability obtained by the company should also have an impact on tax payments to the government. Apart from that, a company that makes a profit show that the company can pay taxes in accordance with regulations so that the company should have a low tendency to avoid taxes. Therefore, the higher the level of profitability, the higher the company's tendency to comply with tax regulations (Rifai and Atiningsih, 2019).

2.5 Tax Avoidance

Tax avoidance is an effort to reduce the tax burden by not violating tax laws, but rather exploit and utilize the weaknesses in tax laws and regulations (Merkusiwati et al., 2016). Although tax avoidance is not prohibited, but it has a negative assessment and shows non-compliant behavior. The main reason behind a company's decision in conducting tax avoidance is to minimize the amount of tax burden in order to maintain higher amount of net profit. Consequently, it would result in lower tax collection and reduced the state cash receipts.

The tax avoidance variable is measured using the effective tax rate. Hariyanto and Utomo (2018), stated that the Effective Tax Rate (ETR) is a way to figure out tax rate on a company. It is calculated or valued based on the company's financial details. ETR shows all tax burdens that must be borne by the company including final taxes, tax liabilities, or deferred tax benefits. Andriani and Sinabutar (2020) also added that ETR includes accrued taxes for financial reporting purposes.

The ETR has an inverse relationship with tax avoidance. When a company pays higher tax expense and using the ETR variable, the amount of tax avoidance is measured. A company is suspected to do tax avoidance when it has lower ETR, while a company that have higher ETR indicates higher income tax expense incurred compared with their Earnings Before Income Tax.

2.6 Research Model

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

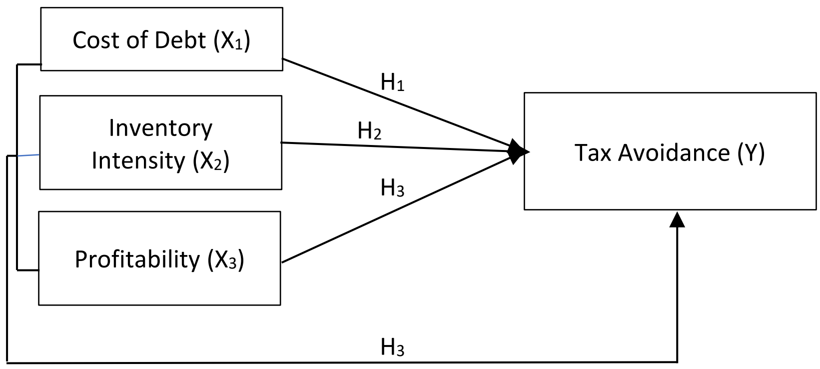


Figure 1 Research Model

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

H_1: Cost of debt has a significant impact on tax avoidance on non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange partially.

H_2: Inventory intensity has a significant impact on tax avoidance on non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange partially.

H_3: Profitability has a significant impact on tax avoidance on non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange partially.

H_4: Cost of debt, inventory intensity, and profitability have a significant impact on tax avoidance non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange simultaneously.

3. RESEARCH METHODOLOGY

3.1 Research Design

This study is designed as a descriptive quantitative research, which is according to (Creswell & Creswell, 2018), defined as a method used to assess objective theories by exploring the connections among variables. These variables are commonly measurable through instruments, allowing the researcher to do analysis upon numerical data using statistical methods. The purpose of using the quantitative research approach is to analyses the correlation between dependent and independent variables.

3.2 Population and Sample

(Sugiyono, 2018) defined population as the generalized objects or subjects based on its qualities and characteristics determined by researcher. This research focuses on the population of firms in the non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange (IDX).

The following are the criteria of the research samples:

1. The non-cyclicals consumer goods companies listed on the IDX from 2021 to 2022.
2. Generated profit
3. Have interest-bearing liabilities.

3.3 Data Collection and Analysis Method

In this research, the data is collected and used is the secondary data, which is obtained from articles, publications, reports, and other documents. The data used in this research are the annual reports published by non-cyclicals consumer good companies listed on the IDX for year 2021-2022. The reports are obtained from the Indonesia Stock Exchange and related websites that provide data on public financial statements (www.idx.co.id).

3.4 Operational Variable Definition and Variable Measurement

The study examines the relationship between tax avoidance (Y) as the dependent variable and two independent factors, namely transfer pricing (X1) and management compensation (X2).

Tabel 1 Operational Variable

Variable	Definition	Indicator	Scale
Tax Avoidance (Y)	Tax avoidance measures how taxpayer reduce its tax payment by using a legal way in accordance to the tax regulation.	$ETR_{Current} = \frac{Tax\ Expense}{EBT}$	Ratio
Cost of Debt (X_1)	Cost of debt measures the interest expenses incurred from existence of interest-bearing liabilities.	$Cost\ of\ Debt = \frac{Interest\ Expenses}{Average\ Interest - bearing\ Liabilities}$	Ratio
Inventory Intensity (X_2)	Inventory intensity measures the inventory portion out of total assets.	$Inventory\ Intensity = \frac{Total\ Inventory}{Total\ Assets}$	Ratio
Profitability (X_3)	Return on Asset (ROA) measures how much earnings before tax generated from the total assets.	$Profitability = \frac{Earning\ before\ Tax}{Total\ Assets}$	Ratio

Source: Prepared by Writer (2025)

4. RESULT

4.1 Sample Size Determination

The sample criteria are as follow:

Table 2 Determination of Sample

No.	Criteria	Total
1	Non-cyclical consumer goods sector companies listed in Indonesia Stock Exchange for year 2021-2022	52
2	Suffer loss either in 2021 or 2022	(11)
3.	Did not have interest-bearing liabilities in 2021 and 2022	(12)
	Total companies that meet the criteria	29
	Research years	2
	Total research samples	58

4.2 Descriptive Statistics

The results of descriptive statistics tests are as follows:

Table 3 Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Cost of Debt	58	0.000498	0.326127	0.084833	0.064838
Inventory Intensity	58	0.01421	0.537923	0.166086	0.130026
ROA (Profitability)	58	0.00553	0.253975	0.108704	0.052537
Effective Tax Rate	58	0.17155	0.290339	0.212688	0.0193267
Valid N (listwise)	58				

Source: Data Processing from SPSS 26 (2025)

Based on Table 3 above, the minimum value of Cost of Debt that was 0.000498 by PP London Sumatra Indonesia Tbk (LSIP) in 2021. Meanwhile, the maximum value of Cost of Debt was 0.32612 by Budi Starch & Sweetener Tbk. (BUDI) in 2021. The 58 samples have the mean Cost of Debt of 0.0848 and a standard deviation of 0.0648.

The minimum value of 0.0142 for Inventory Intensity was recorded by Cisadane Sawit Raya Tbk. (CSRA) in 2021. While the maximum Inventory Intensity value was 0.5379 by Gudang Garam Tbk. (GGRM). The 58 companies have the total mean of Inventory Intensity of 0.166 while standard deviation is 0.12825.

Profitability (X3) of 58 observational data shows a minimum value of 0.0055, namely the profitability at 2022 by Malindo Feedmill Tbk. (MAIN) and a maximum value of 0.393139 which occurred in 2021 by Unilever Indonesia Tbk. (UNVR). Meanwhile, this variable presents a mean value of 0.11879 and the standard deviation of 0.07987.

Effective Tax Rate (Y) of the 58 sample companies shows a minimum value of 0.171, namely the effective tax rate in 2022 by Charoen Pokphand Indonesia Tbk (CPIN) and a maximum value of 0.29 occurred by in 2021 by Astra Agro Lestari Tbk (AALI). Meanwhile, this variable presents a mean value of 0.212 and the standard deviation of 0.019.

4.3 Classical Assumption Test

4.3.1 Normality Test

Normality test is done by Kolmogorov-Smirnov test which result is as below:

Table 4 Result of Normality Test Using Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
N	58

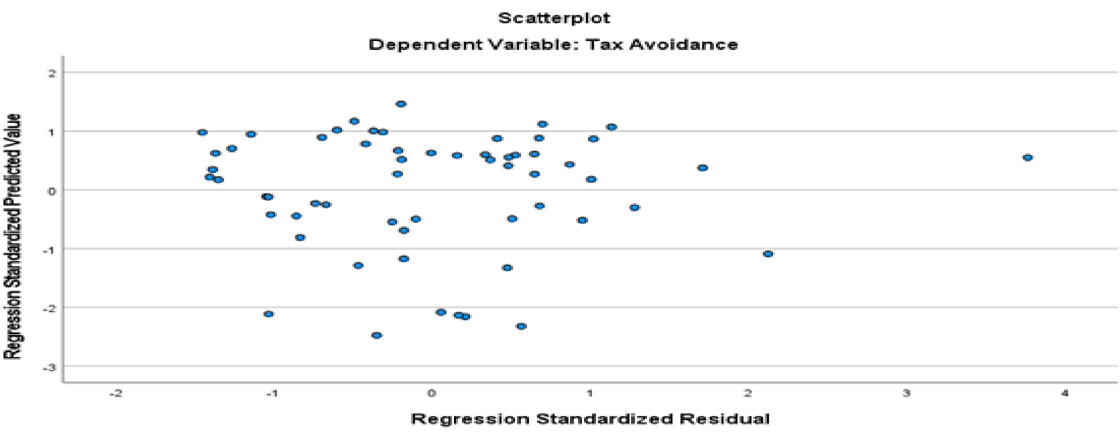
Normal Parameters[a,b]	Mean	0.212688489784735
	Std. Deviation	0.0193267956325216
Most Extreme Differences	Absolute	0.0815957912481464
	Positive	0.0734003477880322
	Negative	(0.0815957912481)
Test Statistic		0.08159
Asymp. Sig. (2-tailed)[c]		.200c,d
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: Data Processing from SPSS 26 (2025)

Based on the Kolmogorov Smirnov test shown in Table 4, the Asymp Sig (2-tailed) is 0.200 which is greater than the level significance of 0.05. As a result, the Kolmogorov Smirnov test shows that the data in a normally distributed regression model and passed the statistical analysis.

4.3.2 Heteroscedasticity Test

The presence of heteroscedasticity in a regression model can be tested by the scatterplot graph of the standardized predicted value dependent variable (ZPRED) and standardized residual value (ZRES) is used. The following is the result:



Source: Data Processing from SPSS 26 (2025)

Figure 2 Result of Heteroscedasticity Test using Scatterplot

Figure 2 above provides a comprehensive review of the outcomes for the heteroscedasticity test of cost of debt, inventory intensity, and profitability variables and indicates no heterogeneity relationships between them.

In addition, other method of testing the heteroscedasticity is required. Thus, Glesjer test is applied. The result is as below:

Table 5 Result of Glesjer Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.014	0.006		2.539	0.014
	Cost of Debt	(0.0056)	0.027	(0.0288)	(0.206)	0.837
	Inventory Intensity	0.0016	0.013	0.017	0.121	0.904
	Profitability	(0.008)	0.034	(0.035)	(0.247)	0.805
a. Dependent Variable: Abs_RES						

Source: Data Processing from SPSS 26 (2025)

Based on the Table 5, the significant values for each variable, namely cost of debt (0.837), inventory intensity (0.904), and profitability (0.805). This result indicates that the data successfully passed the threshold of 0.05. Thus, they passed the requirements of the heteroscedasticity test.

4.3.3 Multicollinearity Test

This test is conducted to determine whether there is significant inter-correlation and inter-association between the independent variables within this research. A good regression model does not have any multicollinearity found between the independent variables.

The following is the result:

Table 6 Result of Multicollinearity Test

Coefficients[a]			
		Collinearity Statistics	
Model		Tolerance	VIF
1	Cost of Debt	0.943	1.060
	Inventory Intensity	0.971	1.029
	Profitability	0.947	1.056
a. Dependent Variable: Tax Avoidance			

Source: Data Processing from SPSS 26 (2025)

Based on Table 6, each independent variables shows the tolerance value less higher than 0.1 and VIF value lower than 10. These results passed the criteria of multicollinearity requirement. Thus, it can be concluded that there is no occurrence of multicollinearity in the regression model.

4.3.4 Autocorrelation Test

Good data must be free of autocorrelation, which can be testeed by the Durbin-Watson (DW) test. The result of the Durbin-Watson test is as follows:

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	.377[a]	.114	.064	.018	2.035
a. Predictors: (Constant), ROA (Profitability), Inventory Intensity, Cost of Debt					
b. Dependent Variable: Tax Avoidance					

Source: Data Processing from SPSS 26 (2025)

Based on Table 7, the value of Durbin-Watson is 2.035. With the significance level l (α) of 0.05 or 5%, total samples (n) are 58 and total number of independent variable (k) are 3. Referring to Durbin-Watson table, it obtained the value of lower bound (dL) is 1.469, the value of upper bound (dU) is 1.68. The result of Durbin-Watson test shows that the Durbin-Watson value falls on the du $\leq$d $\leq$ 4-dU (1.469 $\leq$ 2.035 $\leq$ 2.32). This results indicates that the data is free of autocorrelation.

4.4 Multiple Linear Regression Analysis

A regression model is applied to assist the interpretation of how the independent variables work to affect the dependent variable, partially and simultaneously.

The result of multiple linear regression is as follows:

Table 9 Multiple Linear Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	.219	.008		27.597	.000
	Cost of Debt	-.099	.039	-.331	-2.512	.015
	Inventory Intensity	.005	.019	.036	.275	.784
	Profitability	.013	.048	.035	.265	.792

a. Dependent Variable: Tax Avoidance

Source: Data Processing from SPSS 26 (2025)

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

$$Y = 0.219 - 0.099X_1 + 0.005X_2 + 0.013X_3 + \varepsilon$$

The followings are the explanation of the regression model above:

1. The constant value is 0.219, indicating that when cost of debt, inventory intensity and profitability are equal to zero, the resulting tax avoidance value is 0.219.
2. The coefficient of cost of debt (β1) is - 0.099, which means that tax avoidance decrease by 0.023 of each additional unit of cost of debt.
3. The coefficient of inventory intensity (β2) is 0.005, which means tax avoidance increase by 0.784 of each additional unit of inventory intensity.
4. The coefficient of profitability (β3) is 0.013, which means tax avoidance increase by 0.013 of each additional unit of profitability.

4.5 Partial Hypothesis Test (t-test)

To test whether each independent variable (partially) significantly influences the dependent variable, a t-test is conducted to observe the significant value and the coefficient of regression from the output.

The result of partial testing can be seen as follows:

Table 10 Result of Partial t-test

Coefficients[a]						
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	.219	.008		27.597	.000
	Cost of Debt	-.099	.039	-.331	-2.152	.015
	Inventory Intensity	.005	.019	.036	.275	.784
	Profitability	.013	.048	.035	.265	.792

a. Dependent Variable: Tax Avoidance

Source: Data Processing from SPSS 26 (2025)

Based on Table 10, the result of the partial significant test is explained as follows:

1. The cost of debt variable (X_1) showed the t-count of the regression model is (2.152) with significance of 0.015. T-count (-2.152) is smaller than the T-table (-2.002) and the significance value (0.015) is lower than 0.05. This indicates that toward tax avoidance, cost of debt has significant impact in non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange (IDX).

Thus, first hypothesis (H_1) stating that cost of debt partially has significant impact on tax avoidance in non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange (IDX) is accepted.

2. The inventory intensity variable (X_2) shows T-count of 0.275 with significance of 0.784. T-count (0.275) is smaller than the T-table (2.002) and the significance value (0.784) is larger than 0.05. This indicates that toward tax avoidance, inventory intensity has insignificant impact in non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange (IDX).
   Thus, the second hypothesis (H_2) stating that inventory intensity partially has significant impact on tax avoidance in non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange (IDX) is rejected.
3. The profitability variable (X_3) shows t-count of 0.265 with significance of 0.063. T-count (0.265) is smaller than the T-table (2.002) and the significance value (0.063) is greater than 0.05. This indicates that toward tax avoidance, profitability has insignificant impact on tax avoidance.
   Thus, the third hypothesis (H_3) stating that profitability partially has significant impact on tax avoidance in non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange (IDX) is rejected.

4.6 Simultaneous Hypothesis Test (f-test)

To test whether the whole independent variables, simultaneously have significant influence toward the dependent variable, a f-test is conducted by observing the significant value and f-value from the output.

The following is the result of f-Test analysis:

Table 11 Simultaneous Significant Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.222	4	.055	2.305	.087[b]
	Residual	.626	54	.012		
	Total	.847	58			
a. Dependent Variable: Tax Avoidance						
b. Predictors: (Constant), ROA (Profitability), Inventory Intensity, Cost of Debt						

Source: Data Processing from SPSS 26 (2025)

Table 11 shows the results of the simultaneous hypothesis testing (F-test). At a significance level of 0.087, the F-count (2.305) is below the F-table (3.17). The significance value is 0.087 which is larger than 0.05 ($0.087 > 0.05$). This indicates that fourth hypothesis formulated (H_4) stating that cost of debt, inventory intensity and profitability simultaneously have significant impact on Tax Avoidance is rejected.

4.7 Coefficient of Determination Test

The coefficient of determination defines how effective the model explains the dependent variable's variance. The coefficient of determination has the range of $0 \leq R2 \leq 1$. The result of the coefficient of determination is as follows:

Table 12 Coefficient of Determination Test

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.377[a]	.114	.064	.0189
a. Predictors: (Constant), ROA (Profitability), Inventory Intensity, Cost of Debt				
b. Dependent Variable: Tax Avoidance				

Source: Data Processing from SPSS 26 (2025)

Based on Table 12, the value of the Adjusted R2 is 0.064, indicating that independent variables contribute to 6.4% influence on tax avoidance, while the other unobserved variables contribute to 93.6% of the influence on tax avoidance.

4.8 Discussion

4.8.1 The Influence of Cost of Debt Towards Tax Avoidance

Some of the possible reasons behind the significant impact between cost of debt and tax avoidance is related to the responsibility if the corporations to maintain good profit in order to provide dividend payment to their investors as well as the need for the corporations to maintain their growth and development sustainability through business expansion, capital expenditures, or strategic initiatives.

From the data collected, the writer finds that the 29 non-cyclicals consumer good companies have taken 18.9% - 54.2% bank loan in proportion toward total liabilities. Some notable examples are PT Gudang Garam Tbk (GGRM) that has 35% of bank loan in proportion of their liabilities and PT Victoria Care Indonesia Tbk. (VICI) that has 54.2% of bank loan in proportion of their liabilities. This aligns with what finansial.kontan.co.id (2022) and hsbc.co.id (2017) had pointed out on how manufacturing and consumption industry are perceived as one of the attractive and potential sectors for bank loan funding.

Considering that the sample companies collected for the research are from the publicly listed non-cyclicals consumer good companies listed on the Indonesia Stock Exchange, companies have the motivation to raise fund through equity funding which in return, the public companies tend to distribute dividends. Thus, in competitive landscape and environment, non-cyclicals consumer good companies try to appear to be more attractive, prospective, and reliable to attract investors. Meanwhile, the motivation of investors to invest in a company is to obtain a stable stream of dividends as their return on investment. A notable example is how the PT H.M. Sampoerna Tbk. (HMSP) conducted affiliate transactions with their parent company, Philip Morris Products S.A. (PMPSA), specifically the Philip Morris Finance S.A. (PM Finance) through a non-binding revolving loan facility (Soenarso, 2022).

Lastly, cnbcindonesia.com (2023) also showed how the non-cyclicals consumer good companies are highly supported by consumption and population growth. Therefore, it marks the potentiality of non-cyclicals consumer good companies to expand which further increases their tendency to taking debt funding to accelerate their growth and prospective goals. Thus, the non-cyclicals consumer good industry tends to expand through bank loans rather than own funds or rights issues which tend to be unpopular with shareholders and have the potential for dilution of certain shareholders. The result aligns with the previous research conducted by Dini (2019) which showed significant impact of cost of debt toward tax avoidance.

4.8.2 The Influence of Inventory Intensity Towards Tax Avoidance

Some of the possible reasons behind the insignificant impact of inventory intensity toward tax avoidance are the characteristics of the non-cyclical's consumer good companies, seasonality, brand reputation, as well as regulatory compliance. The tax avoidance strategy through inventory intensity might not be a suitable choice for the non-cyclicals consumer good industry due to the short shelf life and rapid consumer preferences changes. As a result, non-cyclicals consumer goods companies often strive to maintain lower inventory intensity to minimize the risk of product obsolescence as well as good amount of inventory availability to face the dynamic peak demand changes during the celebratory events. So non-cyclicals consumer good companies must maintain efficiency by keeping inventory levels low while trying to serve consumer demand through implementing good supply chain management (SCM) such as collaborative initiatives and Vendor-Managed-Inventory to get good visibility of demand at the retailer level (Kurniawan, 2021).

As an example, PT Mayora Indah Tbk. (MYOR) has set strategies to overcome its revenue target in the midst of uncertainty through focusing on the potential of seasonality such as Christmas, Chinese New Year, etc. The strategies set include providing massive discounts, promos, and offers in order to increase their finished goods turnover. Other strategy includes promoting innovative packaging or marketing strategies to attract customers (Rhamadanty, 2023). This is further proved through the data collected from MYOR which showed their inventory intensity amount of 0.1523 in 2021 and 0.173 in 2022. To conclude, to meet their targeted revenue goals, non-cyclicals consumer goods took advantage on seasonality and trends which might be the potential reason behind the lower inventory intensity in the end of year.

Considering that the sample selected for this research is focusing on Year 2021 and 2022, there are imposition of government regulatory regarding the restrictions on the transport of goods during the Christmas and New Year as well as joint-holiday for Christmas and New Year. Due to this condition, companies might slow-down their production due to the less availability of labor and logistic (dephub.go.id, 2022).

In summary, the t-test results indicate that inventory intensity does not significantly impact tax avoidance of non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange. This aligns with the research conducted by Putri and Lautania (2016).

4.8.3 The Influence of Profitability Towards Tax Avoidance

Some of the possible reasons behind the insignificant impact of profitability toward tax avoidance are considering that the sample companies collected for the research are from the publicly listed non-cyclicals consumer good companies on the Indonesia Stock Exchange, companies have the motivation to raise fund through equity funding which in return, the public companies tend to distribute dividends. Thus, in competitive landscape and environment, non-cyclicals consumer good companies try to appear to be more attractive, prospective, and reliable to attract investors. One of the ways is through showing potential growth, strategic expansion, and ability to generate stable return and income for their investors as measured by the profitability.

Aligned with the previous point, IDX-listed companies will strive to maintain a positive brand image, reputation, and corporate governance to gain trust from their investors and maintain stable stock prices. Thus, there is lower tendency for the non-cyclicals consumer goods to conduct aggressive tax avoidance and tax evasion practices to avoid negative news, rumors, and scandals that might affect their funding, volatile stock prices, and operation sustainability.

Lastly, non-cyclicals consumer goods companies typically have a significant investment in assets like manufacturing facilities, distribution networks, and inventory. The ROA used in this research is used to measure how efficiently these assets are employed to generate profits. When many non-cyclicals consumer goods industries have relatively low profit margins, they can compensate for this with high sales volumes. Thus, the companies can maintain profitability despite the lower margins by efficiently using their assets. In summary, the profitability variable has insignificant impact toward tax avoidance which aligns with other studies by Sherly et al. (2022) and Dwiyanti & Jati (2019).

4.8.4 The Influence of Cost of Debt, Inventory Intensity, and Profitability Simulatenously toward Tax Avoidance

The last hypothesis analyzes the simultaneous impact of cost of debt, inventory intensity and profitability toward tax avoidance. The F-test findings indicate the insignificant impact of cost of debt, inventory intensity and profitability toward tax avoidance simultaneoulsy.

The findings indicate that while cost of debt has significant impact toward tax avoidance through the imposition of interest expense, the other variables such as inventory intensity and profitability proved to have insignificant impact. These are related with the nature of non-cyclical's consumer good companies such as seasonality, brand reputation, as well as regulatory compliance. These factors resulted in the dynamic shifting of inventory intensity, commonly lower inventory intensity by end of year. Thus, resulting in lower cost of goods sold and less likelihood for tax avoidance through inventory intensity.

The Profitability variable is also shown to have insignificant impact toward tax avoidance due to its high investment in fixed assets that are done to pursue operational sustainability and reach growth target. Thus, when non-cyclicals consumer good has low margin, they can compensate with their high sales volume by utilizing their assets effectively. Other than that, the non-cyclicals consumer goods industries are less likely to conduct tax avoidance practices to maintain a positive brand image, reputation, and corporate governance to gain trust from their investors and maintain stable stock prices.

Lastly, the non-cyclicals consumer goods industries invested in assets to generate production, future growth, and profits. This aligns with the measurement used, which is the ROA that measures how efficient the assets employed by the company can generate profits. Therefore, although non-cyclicals consumer goods industries have relatively low profit margins, they are able to compensate for this with high sales volumes. Thus, the investment of assets aligns with the purpose of tax planning.

The following table summarizes the result of hypothesis tests:

Table 13
Summary of Hypothesis Tests Results

No.	Hypothesis	t or f count	Sig	Result
H_1	Cost of debt has a significant impact on tax avoidance on non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange partially	(2.152)	0.015	Accepted
H_2	Inventory intensity has a significant impact on tax avoidance on non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange partially	.275	0.784	Rejected
H_3	Profitability has a significant impact on tax avoidance on non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange partially	.265	0.792	Rejected
H_4	Cost of debt, inventory intensity, and profitability have a significant impact on tax avoidance non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange simultaneously	2.305	0.087	Rejected

Source: Data Processing from SPSS 26 (2025)

5. CONCLUSION

Based on the hypothesis testing, the following conclusions can be drawn:

1. The first hypothesis (H_1), which explains that the cost of debt has a significant impact toward tax avoidance among non-cyclical consumer goods companies listed on the

Indonesia Stock Exchange from 2021 to 2022, has been accepted. Thus, the alternate hypothesis (H_0) has been rejected.

2. The second hypothesis (H_2), which explains that the inventory intensity has a significant impact toward tax avoidance among non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange from 2021 to 2022, has been rejected. Thus, the alternate hypothesis (H_0) has been accepted.
3. The third hypothesis (H_3), which explains that the profitability has a significant impact toward tax avoidance among non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange from 2021 to 2022, has been rejected. Thus, the alternate hypothesis (H_0) has been accepted.
4. The fourth hypothesis (H_4), which examines how cost of debt, inventory intensity, and profitability significantly impact toward tax avoidance among non-cyclicals consumer goods companies listed on the Indonesia Stock Exchange from 2021 to 2022 is rejected. Thus, the alternate hypothesis (H_0) has been accepted.
5. Coefficient of determination (R squared) of 6.4% indicates that only 6.4% of the dependent variables are impacted by the independent variables discussed in the study. Meanwhile, the other 93.6% are impacted by other independent variables not discussed in this research.

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