e-ISSN: 2985-4415
DOI: 10.57254/irma.v1i2.27

International Research of Multidisciplinary Analysis
IRMA JOURNAL
Vol. 1, No. 2, February 2023 hal. 121-240
Journal Page is available at http://irma.nindikayla.com/index.php/home

THE EFFECT OF PROFITABILITY, *LEVERAGE,* COMPANY SIZE, AND SALES GROWTH ON *TAX AVOIDANCE* OF RETAIL COMPANIES LISTED ON THE IDX

Indri Kurnia Putri[1]
[1]Institut Teknologi dan Bisnis Ahmad Dahlan, Indonesia
Email: Indrikptr@gmail.com

Abstract

This study aims to determine the effect of perofitability, leverage, company size, and sales growth on tax avoidance of retail companies listed on the IDX in 2016-2020. The analytical method used in this study is quantitative analysis method. The tool used is factor analysis using the Eviews9 tool with panel data regression models. 8 companies met the sampling criteria. The results of this study show that profitability has no effect while leverage, company size and sales growth affect tax avoidance. There is a significant influence between variables simultaneously with F-Statistic 16.58448. The R-Squared coefficient of determination is 0.799841 or 79% of the dependent variable, this shows that the variable is unable to explain the variation of the variable and other factors outside regression influence the remaining 21%.

Keywords: *Tax Avoidance*, Profitability, *Leverage*, Company Size and Sales Growth

INTRODUCTION

A growing economy can be seen from the development of a country's economic activity where goods or services are made for the community as an effort to provide long-term prosperity for the community. However, since 2020 economic growth has been hampered since the Covid-19 in Indonesia in mid-March 2020, people's life patterns have significantly changed, especially in the economic sector, some people feel changes in consumer behavior.

Several companies felt a decline in sales, including retail companies, the most significant decrease in demand was obtained from the retail business sector that markets commodities outside daily needs. With the decline in sales, the contribution to government tax revenue decreased dramatically due to the income of companies affected by Covid-19. The following is a table of tax targets and stamps for 2016-2020

The Indonesian government is increasingly active in optimizing taxation to present many opportunities owned by the state as a source of income. Various factors cause companies or entities to feel a lack of income. The Ministry of Finance gave an example of tax revenue during 2019 has reached Rp. 1,322.1 trillion, this figure is still at 84.4% which is the target of the 2019 State Budget (APBN). 1,577.6 trillion. Finance Minister Sri Mulyani Indrawati revealed, although tax revenue this year increased by 1.43% compared to 2018, the latter was only Rp. 1,313.3 trillion.

The facts on the ground are that there are still companies that have not fulfilled their appropriate tax obligations, the possibility of companies that commit tax evasion and tax avoidance. Tax evasion is an offense in taxation to carry out the idea of tax evasion committed by taxpayers in shrinking the amount of tax that needs to be paid,

e-ISSN: 2985-4415
DOI: 10.57254/irma.v1i2.27

even most taxpayers do not pay taxes at all, while tax evasion is an act that violates taxation by seeking or using opportunities in tax provisions in a country.

By doing tax avoidance, it becomes an obstacle in the tax collection process which leads to a decrease in state treasury revenue. Tax avoidance is a legal act (reducing tax payments without violating tax regulations). As long as based on the provisions of the applicable law, tax avoidance is legally permissible, but on the other hand tax avoidance is also not expected because it is considered to provide national income losses, because most of the purpose of tax avoidance for companies is to be used to pay corporate tax but by companies transferred to pay debt tax (Dharma dana Ardiana 2016). The government has issued provisions in overcoming the emergence of tax avoidance activities stipulated in article 18 paragraph 1 of the Income Tax Law and PMK No.169 / PMK.03 / 2015 concerning determining the relative amount of debt and company funds in the need for calculating income tax.

Several factors can lead to the possibility of tax avoidance, including sales growth and profitability. Sales growth has a fundamental impact on the company, because the company's sales must be supported by wealth or assets. If sales increase, assets must also increase. Companies can precisely maximize their resources by examining year-to-year sales in working capital management. Growth that increases sales often makes the company more profitable, so companies often avoid taxation. Profitability is a description of a company's financial performance that benefits through asset management called Return On Assets (ROA), and is expected to impact tax avoidance. Return On Assets is one of the indicators that shows the company's financial performance, the high ROA ratio indicates that the company's profits are high, so it has the opportunity to reduce its tax burden obligations.

Corporate financing policies can also show signs of tax avoidance, one is the levera ge policy, which is an increase in debt companies use to fund company operations. An increase in debt will make the company pay interest expenses. The interest expense arising from the debt will be deducted from the company's net profit, making tax deductions and achieving high profits.

On the other hand, tax avoidance can be influenced by the size of the company, the size of the company shows the stability and capability of the company in carrying out economic activities. The size of the company marked by ownership of its assets, the company in funding its operations will be even greater, to avoid a significant tax burden, the company will likely use debt to fund it so that the company has indirectly avoided taxes. The general purpose of the study is to show whether Profitability, Leverage, Company Size and Sales Growth will affect Tax Avoidance in Retail companies listed on the IDX in 2016-2020.

LITERATURE REVIEW

Profitability

According to Kasmir (2019), return on assets is an instrument in measuring net profit obtained from the company's size using wealth. The high value of ROA, the company's profit becomes high, making a company's wealth management better. The high ROA makes the profits obtained by the company also great. So that the measurement of profitability in research is carried out with the use of ROA.

Leverage

According to cashmir (2019) DER is a scale used in calculating debt and equity. This scale is determined by comparison to all debt, from lancanr debt to all equity, so

e-ISSN: 2985-4415
DOI: 10.57254/irma.v1i2.27

the leverage assessment in the study is carried out using the Debt-to-Equity Ratio (DER).

Company Size

According to Cahyono (2016), Company Size is a ratio or value that can determine a company into large or small classifications according to the number of assets or wealth. The natural log of total assets shows the company's size, because the assessment of the company's size has a significant degree of stabilization compared to other proxies and related periods.

Sales Growth

Sugiyono (2016: 39) explained thatdependent variables are the cause because there are independent variables. Bound variables are said to be output, criteria and consequences variables. As for the mention in Indonesian is said to be a dependent variable.

Tax Avoidance

Hasibuan (2019) revealed that the company's size becomes a ratio which is distinguished from the size of the company from several forms, namely total assets, long size, sales and market capitalization and so on. The magnitude of these things shows that the bigger the company is

METHODS

a. Research Design

This study uses quantitative methods to understand the influence of independent variables on dependent variables as influenced objects. So, the research will describe the relationship between variables that give influence or independent variables and variables that are given influence or dependent variables which are then determined by the conclusion.

b. Variables and Indicators

The object of research is several retail companies listed on the Indonesia Stock Exchange for the 2016-2020 period. Overall, retail companies listed on the IDX have met the research requirements.

c. Data Collection

The type of data applied to the research conducted is secondary data. The secondary data in this study is the annual financial statements of retail companies listed on the IDX, a sample of this study from 2016-2020. Meanwhile, the information association is carried out by collecting information contained in the IDX, where data is collected from the official IDX website or website, namely www.idx.co.id.

d. Data Analysis

Sugiyono (2017) defines quantitative methods into study techniques based on the positivist philosophy used to conduct this research, namely quantitative or statistical. Data analysis techniques in research conducted using statistical calculations, namely using Eviews (Econometric Views) version 9.

a) Regression Model Estimation Method

1. Common Effect Method

According to Widarjono (2017), the expected effects model is a panel data model technique that is very simple because it is limited to a combination of

 e-ISSN: 2985-4415
DOI: 10.57254/irma.v1i2.27

time series and cross-sectional data. This method looks at time or individual dimensions, so it is estimated that company data is the same each time. Here is the form of the standard effect method equation:

$$Yit = \alpha + \beta_1 X_1 it + \beta_2 X_2 it + \beta_3 X_3 it + \beta_4 X_4 it + eit \ldots\ldots\ldots\ldots$$

Sumber. Widarjono (2017)

2. Fixed Effect Method

According to Widarjono (2017), the Fixed Effect method estimates panel data using dummy variables in multiplyingby intercept differences.

$$Yit = \alpha + \beta_1 X_1 it + \beta_2 X_2 it + \beta_3 X_3 it + \beta_4 X_4 it + \beta_5 D_1 i + \beta_6 D_1 i + eit \ldots\ldots$$

Sumber. Wirdarjono (2017)

3. Random Effect Method

According to Widarjono (2017) The method used in the Random Effect estimates that each company has differences in intercepts, where the intercepts are random or stochastic variables. This model is helpful if the individuals (entities) used are sampled by being randomly determined and representative of the population. This method considers interference likely related during cross section and time series. The Random Effect method can be precisely manipulated using the Generalized Least Squares (GLS) method. Here is the equation of the Random Effect model:

$$Yit = \alpha + \beta_1 X_1 it + \beta_2 X_2 it + \beta_3 X_3 it + \beta_4 X_4 it + Vit$$

Sumber. Widarjono (2017)

b) Panel Data Regression Model

1. F-Test (Chow Test)

The experiment was carried out by comparing the ommon effects model with the fixed effects model to understand the appropriate model used.

2. Hausman Test

According to Widarjono (2017), Hausman Test testing is carried out in comparison / selection of the best model between fixed effects models and random effects models to be used.

3. Lagrange Multiplier Test

According to Widarjono (2017), the lagrange multiplier test (LM Test) aims to determine between OLS without Dummy or Random Effect variables.

c) Classical Assumption Test

The classical assumption test in the research was divided into normality, multicollinearity, autocorrelation, and heteroscedasticity tests. Classical assumption testing includes statistical requirements that must be completed to ensure that the regression equation obtained is correct and unbiased. A good regression model is when the data is usually distributed and free from classical assumption problems such as multicollinearity, autocorrelation, and heteroscedasticity.

d) Panel Data Regression Equation

In the research conducted using panel data regression equations, the

e-ISSN: 2985-4415
DOI: 10.57254/irma.v1i2.27

panel data model approach by combining time series and cross sectional data.

$$Yit = \alpha + \beta 1X1it + \beta 2X2it + \beta 3X3it + \beta 4X4it + eit \ldots\ldots\ldots\ldots$$

Sumber. Widarjono (2013)

e) Coefficient of Determination Test

Ghozali (2018) explained that the coefficient of determination (R2) is implemented in assessing the extent of the model's capability to explain the form of dependent variables. A small R2 value indicates the ability of each independent variable to clarify that the dependent variable has limitations. The R2 value is about 0 to 1. A value close to 1 indicates that each independent variable provides almost all the data needed to estimate the shape of the dependent variable. Here is the formula to calculate it as follows:

$$R^2 = \frac{SSR}{SS\ Total} \ldots\ldots\ldots\ldots\ldots\ldots$$

RESULTS AND DISCUSSION

a. Regression Model Estimation Method

1. CommonEffect Methods

This data processing model does not focus on time formats or individual dimensions, so the character of company data for each time period is estimated to be the same.

Dependent Variable: ETR
Method: Panel Least Squares
Date: 08/14/21 Time: 14:52
Sample: 2015 2020
Periods included: 6
Cross-sections included: 7
Total panel (unbalanced) observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.176287	0.203968	-0.864287	0.3933
ROA	-0.848645	0.331516	-2.559895	0.0149
DER	-0.005709	0.015057	-0.379183	0.7068
UP	0.029933	0.013316	2.247925	0.0310
GROWTH	0.133769	0.089423	1.495909	0.1436

R-squared	0.353182	Mean dependent var	0.245165
Adjusted R-squared	0.279260	S.D. dependent var	0.083492
S.E. of regression	0.070882	Akaike info criterion	-2.339139
Sum squared resid	0.175848	Schwarz criterion	-2.128029
Log likelihood	51.78277	Hannan-Quinn criter.	-2.262808
F-statistic	4.777758	Durbin-Watson stat	1.042009
Prob(F-statistic)	0.003506		

Sumber. Eviews

e-ISSN: 2985-4415
DOI: 10.57254/irma.v1i2.27

2. Fixed Effect Method

Understanding this method is based on differences in intercept to the company, but the intercept is the same every time. In addition, this model assumes that the regression coefficient (slope) is constant concerning the firm and with time.

Dependent Variable: ETR
Method: Panel Least Squares
Date: 08/14/21 Time: 14:53
Sample: 2015 2020
Periods included: 6
Cross-sections included: 7
Total panel (unbalanced) observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.570000	0.188137	3.029713	0.0051
ROA	-0.004263	0.287918	-0.014807	0.9883
DER	0.066157	0.015335	4.314213	0.0002
UP	-0.026807	0.011998	-2.234274	0.0333
GROWTH	-0.160866	0.065035	-2.473516	0.0195

Effects Specification

3.

Cross-section fixed (dummy variables)

R-squared	0.851164	Mean dependent var	0.245165
Adjusted R-squared	0.799841	S.D. dependent var	0.083492
S.E. of regression	0.037354	Akaike info criterion	-3.508356
Sum squared resid	0.040464	Schwarz criterion	-3.043914
Log likelihood	81.16712	Hannan-Quinn criter.	-3.340429
F-statistic	16.58448	Durbin-Watson stat	1.889087
Prob(F-statistic)	0.000000		

Sumber. Eviews 9

3. Random Effect Method

The method used in the random effect assumes that each companyhas different values. The difference in value is a stochastic or random variable. This model has a use if the individuals (entities) obtained as a sample are determined randomly and have a representative population. This method also estimates if erro will likely correlate during cross section and time series.

e-ISSN: 2985-4415
DOI: 10.57254/irma.v1i2.27

Dependent Variable: ETR

Method: Panel EGLS (Cross-section random effects)

Date: 08/14/21 Time: 14:54

Sample: 2015 2020

Periods included: 6

Cross-sections included: 7

Total panel (unbalanced) observations: 40

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.409149	0.170423	2.400787	0.0218
ROA	-0.169020	0.268386	-0.629766	0.5329
DER	0.050375	0.013740	3.666194	0.0008
UP	-0.014730	0.010948	-1.345521	0.1871
GROWTH	-0.106468	0.061896	-1.720109	0.0942

Effects Specification

	S.D.	Rho
Cross-section random	0.051315	0.6536
Idiosyncratic random	0.037354	0.3464

Weighted Statistics

R-squared	0.430226	Mean dependent var	0.070830
Adjusted R-squared	0.365109	S.D. dependent var	0.052739
S.E. of regression	0.042403	Sum squared resid	0.062931
F-statistic	6.606974	Durbin-Watson stat	1.334286
Prob(F-statistic)	0.000453		

Unweighted Statistics

R-squared	-0.035722	Mean dependent var	0.245165
Sum squared resid	0.281578	Durbin-Watson stat	0.298206

b.

Panel Data Regression Model

Panel data regression is divided into 3 methods: CEM, FEM and REM common effect model and fixed effect model in panel data regression using

e-ISSN: 2985-4415
DOI: 10.57254/irma.v1i2.27

the ordinary least squared (OLS) method in estimating the model. Based on the model test above, the fixed effect model is more effective for this study.

Uji Chow	0,0000	FEM
Uji Hausman	0,0069	FEM
Uji Lagrange Multiplier	0,0012	REM

c. KLasik Assumption Test
   1. Multicollinearity Test
      Based on the test above, it shows that the Centred VIF value of each variable shows <10, so it can be said that there is no multicollinearity problem in the prediction model.
   2. Heteroscedasticity Test
      Based on the results of the heteroscedasticity test showing the value of P-Value Obs * R-Squared 0.6425 > 0.05, the following values can state if H1 is accepted, which means that the data is homogeneous in this study.

d. Panel Data Regression Equation
   1. Constant (a)
      The constant value obtained is 0.570000, this shows that if the independent variable is 0, then the ETRit is 0.570000
   2. Variable Coefficient of Profitability (ROA)
      The variable value of profitability is -0.004263, this indicates that if every increase in profitability 1 will decrease ETRit 0.004263
   3. Leverge Variable Coefficient (DER)
      The variable leverage value is 0.0066157, this shows that every increase in leverage of 1 meal will increase ETRit 0.0066157
   4. Variable Coefficient of Company Size (UP)
      The variable value of company size is -0.026807 this states that every company size 1 will then decrease the ETRit by 0.026807
   5. Variable Coefficient of Sales Growth (GROWTH)
      The variable value of sales growth is -0.160866, this shows that if every company size 1 will decrease ETRit 0.160866

e. Coefficient of Determination Test

Based on the value obtained that the Adjusted R-Squared (R) value is 0.799841, this value explains that the percentage of independent variability can affect the dependent variability by 79%. Other factors outside the research variables influenced the remaining 21%

CONCLUSION AND CONCLUSION SUGGESTIONS

a. This study concludes that profitability does not affect tax avoidance. The panel data regression test results show that the profitability variable does not affect tax avoidance.
b. The conclusion in this study if Leverage affects ETR.
c. This study concludes that the company's size (UP) affects tax avoidance.
d. Sales Growth in this study concludes that sales growth affects tax avoidance.
e. Simultaneously, each variability affects tax avoidance

SUGGESTION

a. For retail companies listed on the IDX, companies are expected to continue to pay taxes and comply with tax rates applicable to the welfare of the state and nation in the event of tax avoidance.

e-ISSN: 2985-4415
DOI: 10.57254/irma.v1i2.27

b. For future studies, it is recommended to increase the research cycle and add other independent variables to better understand retail companies' tax avoidance behavior. Not only can it consider the retail companies that researchers follow, but it also instructs manufacturing or service companies to avoid taxes.

REFERENCES

Hanafi, Mamduh M dan Abdul Halim (2016). *Analisis Laporan Keuangan*. Edisi Kelima, Yogyakarta: UPP STIM YKPN

Handayani, R. (2018). *Jurnal Akuntansi Maranatha Pengaruh Return on Assets (ROA), Leverage, dan Ukuran Perusahaan Terhadap Tax Avoidance Pada Perusahaan Perbankan yang Listing Di BEI Periode Tahun 2012-2015*, 10 (Januari), 72-84.

Hasibuan, (2019). Manajemen Sumber DAya Manusia. Edisi Revisi, Jakarta: PT Bumi Askara.

Kasmir. (2015). *Analisis Laporan Keuangan*. Edisi Satu. Jakarta: PT RajaGrafindo Persada.

Kasmir. (2019). *Analisis Laporan Keuangan*. Edisi Empty. Jakarta: PT RajaGrafindo Persada.

Mahdiana, M dan Amin, M (2020). *Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, dan Sales Growth Terhadap Tax Avoidance*, Jurnal Akuntansi Trisakti, 7 (Januari), 127.

Putri, V dan Putra, B (2017). *Pengaruh Leverage, Profitability, Ukuran Perusahaan dan Proporsi Kepemilikan Institusional Terhadap Tax Avoidance*, 19 (Januari), 1.

Saputra, M dan Asyik, N (2017). *Pengaruh Profitabilitas, Leverage, dan Corporate Governance Terhadap Tax Avoidance.* Jurnal Akuntansi Univeritas Negri Padang, 6 (Agustus), 1-19.

Stawati, V. (2020). Jurnal Program Studi Akuntansi PENGARUH PROFITABILITAS , LEVERAGE DAN UKURAN. *JURNAL AKUNTANSI DAN BISNIS Jurnal Program Studi Akuntansi*, *6*(November), 147–157. https://doi.org/10.31289/jab.v6i2.3472

Sugiyono (2016). Metoode Penelitian Kuantitatif, Kualitatif dan R&D. Bandung : IKAPI

Sugiyono (2017). Metode Penelitian Kuantitatif, Kualitatif dan R&D. Bandung : Alfabeta.

Surjaweni (2017). Analisis Laporan Keuangan, Teori, Aplikasi Dan Hasil Penelitian : Pustaka Baru Press.

Widarjono, Agus (2017). Ekonometrika. Edisi Kelima.

httSps://www.liputan6.com/bisnis/read/4150039/penerimaan-pajak-2019-hanya-capai-844-persendari-target (Diakses pada Tanggal 11 Maret 2020 Pukul 11:38)

https://finance.detik.com/properti/d-4711426/sri-mulyani-sorot-pertumbuhan-industri-properti-yangmentok-di-35 (Diakses pada Tanggal 9 Februari 2020 Pukul 15:00)

https://www.idx.co.id/

https://britama.com/index.php/2012/05/sejarah-dan-profil-singkat-amrt/

https://pintarsaham.id/profil-perusahaan-erajaya-swasembada-tbk/ 11.59

https://www.merdeka.com/hero-supermarket/profil/