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Financial Determinants of Corporate Tax Avoidance: The Moderating Role of Firm Size in Indonesian Listed Companies

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Abstract:
This study aims to examine the effect of financial performance, represented by profitability, liquidity, and sales growth, on tax avoidance with firm size as a moderating variable in consumer goods manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. Tax avoidance is measured using the Effective Tax Rate (ETR), while profitability is proxied by Return on Assets (ROA), liquidity by Current Ratio (CR), sales growth by Sales Growth (SG), and firm size by the natural logarithm of total assets. This study employed a quantitative research approach using secondary data obtained from the companies' annual financial reports. The research sample consisted of 48 companies with 192 firm-year observations. After data transformation and outlier treatment to satisfy the normality assumption, 165 observations were analyzed using panel data regression and Moderated Regression Analysis (MRA) with EViews 13. The results indicate that profitability and liquidity do not significantly affect tax avoicance. Meanwhile, sales growth has a positive and significant effect on tax avoidance. Furthermore, firm size is unable to moderate the relationship between profitability and tax avoidance or between liquidity and tax avoidance. However, firm size is proven to moderate the relationship between sales growth and tax avoidance. The findings are expected to contribute to the development of tax accounting literature and provide useful insights for companies, investors, and regulators in understanding the determinants of corporate tax avoidance.

Keywords: Tax Avoidance; Profitability; Liquidity; Sales Growth; Firm Size; Stakeholder Theory

BACKGROUND

Tax revenue is one of the main sources of government funding for economic development and public services. However, companies generally perceive taxes as costs that reduce corporate earnings, creating different interests between governments and companies. This condition encourages companies to implement tax planning strategies, including tax avoidance. Tax avoidance refers to corporate efforts to reduce tax liabilities by utilizing opportunities within applicable tax regulations without directly violating the law (Hanlon & Heitzman, 2010). Although considered legal, excessive tax avoidance may negatively affect stakeholder perceptions because companies are expected to contribute to society through tax payments.

Stakeholder theory explains that companies are responsible not only to shareholders but also to governments, investors, employees, and society (Freeman, 1984). Therefore, corporate tax decisions must consider financial objectives as well as stakeholder expectations regarding responsible business practices.

Several financial characteristics may influence corporate tax avoidance behavior. Profitability reflects the company's ability to generate earnings, while liquidity represents its ability to fulfill short-term obligations. Companies with strong financial conditions may have different incentives in managing tax obligations. Sales growth is another factor that may influence tax avoidance. Companies experiencing increasing sales generally face higher revenue and potential tax obligations. Consequently, management may seek tax efficiency strategies to maintain profitability. Firm size may also influence tax avoidance behavior. Large companies usually receive greater attention from regulators, investors, and society. Therefore, company size may strengthen stakeholder monitoring and reduce aggressive tax practices.

Previous studies regarding profitability, liquidity, and sales growth as determinants of tax avoidance have produced inconsistent findings. This study addresses this research gap by examining these factors simultaneously and including firm size as a moderating variable.

THEORETICAL FRAMEWORK

Supporting Theories

Stakeholder Theory, introduced by Freeman (1984), explains that companies are responsible not only to shareholders but also to all stakeholders who are affected by corporate activities, including governments, creditors, investors, employees, customers, and society. Long-term corporate sustainability depends on the firm's ability to balance these diverse stakeholder interests.

Within the taxation context, governments represent one of the most important stakeholders because tax revenue constitutes a primary source of national development financing. Consequently, corporate tax policies should not merely pursue profit maximization but also reflect corporate responsibility toward society. Firms engaging in aggressive tax avoidance may increase short-term profits but simultaneously expose themselves to reputational risks, regulatory sanctions, and declining stakeholder trust.

Accordingly, Stakeholder Theory suggests that companies with stronger financial performance are expected to maintain an appropriate balance between maximizing shareholder wealth and fulfilling tax obligations. Nevertheless, managerial decisions regarding tax planning may vary depending on organizational characteristics, including firm size.

Tax Avoidance

Tax avoidance refers to legal strategies undertaken by corporations to minimize tax liabilities by utilizing provisions, exemptions, deductions, and loopholes permitted under tax regulations. Unlike tax evasion, which violates tax laws, tax avoidance remains legally acceptable despite often being viewed as ethically controversial. The present study measures tax avoidance using the **Effective Tax Rate (ETR)** because it directly reflects the proportion of income tax expense relative to pre-tax accounting income.

$$ETR = \frac{Income\ Tax\ Expense}{Profit\ Before\ Tax}$$

A lower ETR generally indicates a higher degree of tax avoidance, implying that firms successfully reduce their effective tax burden through tax planning activities. ETR is selected because it is widely adopted in international taxation research and provides consistent measurements across publicly listed companies.

Profitability

Profitability represents a firm's capability to generate earnings from available resources. It reflects managerial efficiency in utilizing assets to produce income and is commonly considered one of the most important indicators of corporate financial performance. This study employs **Return on Assets (ROA)** as the profitability proxy.

$$ROA = \frac{Net\ Income}{Total\ Assets}$$

Higher profitability generally increases taxable income, thereby increasing corporate tax obligations. Consequently, highly profitable firms may possess stronger incentives to implement tax planning strategies in order to reduce tax payments. However, an alternative perspective argues that profitable firms tend to maintain higher levels of tax compliance because they possess greater financial capacity, stronger governance, and higher public visibility. These conflicting arguments explain why previous empirical studies have produced inconsistent findings regarding the profitability–tax avoidance relationship.

Liquidity

Liquidity refers to a firm's ability to fulfill short-term financial obligations using current assets. Strong liquidity reflects healthy cash flow management and indicates that firms possess sufficient resources to settle operational liabilities, including tax obligations. Liquidity is measured using the **Current Ratio (CR)**.

$$CR = \frac{Current\ Assets}{Current\ Liabilities}$$

Companies with high liquidity are generally expected to pay taxes more comfortably because they experience fewer cash flow constraints. Conversely, some studies argue that firms possessing abundant liquid resources may allocate greater resources toward sophisticated tax planning activities, thereby reducing effective tax payments. Accordingly, the relationship between liquidity and tax avoidance remains empirically inconclusive.

Sales Growth

Sales growth reflects annual increases in corporate revenue and indicates expansion of business operations. Sales Growth is calculated as:

$$SG = \frac{Sales_t - Sales_{t-1}}{Sales_{t-1}}$$

Companies experiencing rapid sales growth generally generate higher operating profits, resulting in larger taxable income. Therefore, management may become increasingly motivated to conduct tax planning activities to reduce tax expenses. Nevertheless, rapidly growing companies may also seek to maintain corporate reputation and investor confidence by complying more closely with tax regulations. Consequently, previous empirical evidence concerning sales growth remains inconsistent.

Firm Size

Firm size reflects the scale of corporate operations and available economic resources. Larger firms generally possess greater financial resources, more sophisticated management systems, and more comprehensive tax planning capabilities. Firm size is measured using the natural logarithm of total assets.

$$SIZE = \ln(Total\ Assets)$$

From one perspective, large firms possess greater opportunities to optimize tax planning because they employ professional tax consultants and maintain more complex business structures. Conversely, larger firms also receive greater public attention and closer regulatory supervision, encouraging them to maintain higher levels of tax compliance to preserve corporate legitimacy. Therefore, firm size may strengthen or weaken the relationship between financial performance and tax avoidance.

Previous Studies

Empirical evidence regarding determinants of tax avoidance remains inconsistent.

Several studies report that profitability positively influences tax avoidance because firms generating larger profits face greater tax burdens and therefore possess stronger incentives to reduce tax expenses. Other studies demonstrate the opposite relationship, arguing that profitable firms tend to exhibit stronger governance and higher tax compliance.

Similarly, previous findings regarding liquidity remain inconclusive. While some researchers conclude that liquid firms have greater flexibility to conduct tax planning, others argue that financially healthy firms experience less pressure to avoid taxes.

Studies examining sales growth also produce mixed evidence. Some researchers report that growing firms engage in more aggressive tax planning because expanding operations increase taxable income. Others find insignificant relationships, suggesting that revenue growth alone does not necessarily determine tax avoidance behavior.

Regarding firm size, previous studies likewise provide inconsistent conclusions. Some researchers demonstrate that firm size strengthens the influence of financial performance on tax avoidance because larger firms possess superior tax planning capabilities. In contrast, others find no moderating effect due to stronger regulatory oversight imposed on large corporations. These inconsistent findings indicate that further empirical investigation remains

necessary, particularly within Indonesia's consumer goods manufacturing sector during the post-pandemic period.

Hypothesis Development

Higher profitability increases corporate earnings and taxable income, encouraging firms to conduct tax planning activities in order to reduce tax expenses. Therefore:
H1: Profitability affects tax avoidance.

Corporate liquidity reflects the firm's ability to meet short-term obligations, including taxes. Firms with different liquidity conditions may adopt different tax planning strategies.
H2: Liquidity affects tax avoidance.

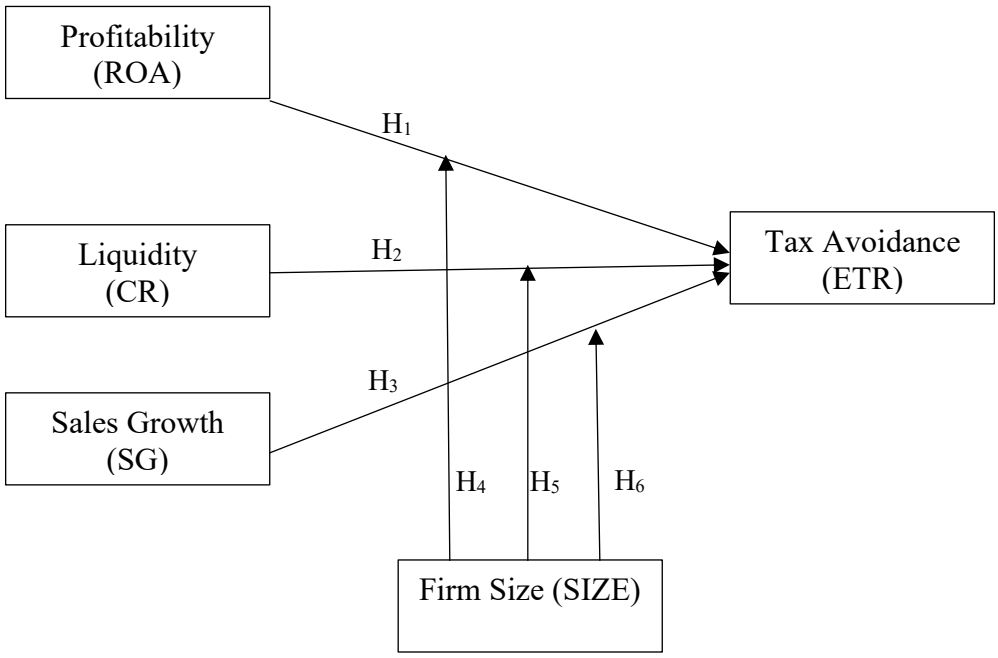
Sales growth increases business activity and taxable income, potentially encouraging management to reduce tax burdens through tax planning.
H3: Sales growth affects tax avoidance.

Firm size may strengthen or weaken the relationship between profitability and tax avoidance because larger firms possess greater resources for tax planning while simultaneously facing stronger public scrutiny.
H4: Firm size moderates the relationship between profitability and tax avoidance.

Firm size may influence how liquidity affects tax avoidance by altering managerial flexibility in tax planning.
H5: Firm size moderates the relationship between liquidity and tax avoidance.

The effect of sales growth on tax avoidance may vary depending on firm size because larger firms experience different operational complexity and regulatory pressure.
H6: Firm size moderates the relationship between sales growth and tax avoidance.

Conceptual Framework



METHOD

Research Design

This study employs a quantitative research approach using secondary data collected from annual reports and audited financial statements of consumer goods manufacturing companies listed on the Indonesia Stock Exchange (IDX). The observation period covers four fiscal years from 2021 to 2024. A quantitative approach is considered appropriate because the study aims to empirically examine the causal relationships between financial performance and tax avoidance while evaluating the moderating role of firm size. The research population consists of all consumer goods manufacturing companies listed on the IDX during the observation period. The sample was determined using purposive sampling to ensure that only firms meeting predetermined criteria were included.

Sample Selection

The sample selection process followed several screening criteria:

Table 1. Sample Selection Procedure

Criteria	Number of Firms
Consumer goods manufacturing companies listed on IDX	111
Companies that were not listed consecutively on the Indonesia Stock Exchange during the 2021–2024 period	(6)
Companies that did not publish complete annual financial reports during the 2021–2024 period	(29)
Companies that did not have complete data related to the research variables	(9)
Companies that experienced losses during the research period	(17)
Companies that used currencies other than Indonesian Rupiah	(2)
Final Sample	**48**

The final sample consisted of **48 companies**, producing **192 firm-year observations** over four years. To satisfy the normality assumption, logarithmic transformation and outlier treatment were performed, resulting in **165 observations** used in the final analysis.

Data Collection

This study uses secondary data obtained through documentation techniques. Financial statements and annual reports were collected from the official Indonesia Stock Exchange website (https://www.idx.co.id) and each company's official website. All financial information was cross-checked to ensure consistency and data accuracy before statistical analysis.

Variable Measurement

Table 2. Operational Definition of Variables

Variable	Proxy	Measurement
Tax Avoidance	Effective Tax Rate (ETR)	Income Tax Expense ÷ Profit Before Tax
Profitability	Return on Assets (ROA)	Net Income ÷ Total Assets
Liquidity	Current Ratio (CR)	Current Assets ÷ Current Liabilities
Sales Growth	SG	(Sales_t − Sales_t−1) ÷ Sales_t−1
Firm Size	SIZE	ln(Total Assets)

Tax avoidance is proxied by the Effective Tax Rate (ETR). Lower ETR values indicate a greater tendency toward tax avoidance because the effective tax burden becomes relatively smaller compared to accounting income.

Data Analysis

The statistical analysis was conducted using **EViews 13**.

The analytical procedures consisted of:

1. Descriptive statistics.
2. Panel data regression model selection.
3. Classical assumption tests.
4. Hypothesis testing.
5. Moderated Regression Analysis (MRA).

Panel Data Model Selection

Three alternative estimation models were considered:

- Common Effect Model (CEM)
- Fixed Effect Model (FEM)
- Random Effect Model (REM)

The most appropriate model was selected through the following sequence:

- Chow Test
- Hausman Test
- Lagrange Multiplier Test

The selected model was then used for hypothesis testing.

Classical Assumption Tests

To ensure the validity of the regression model, several diagnostic tests were conducted.

Normality Test

The Jarque–Bera test was employed to examine whether residuals followed a normal distribution. Since the initial data did not satisfy the normality assumption, logarithmic transformation and outlier treatment were performed before the final estimation.

Multicollinearity Test

Multicollinearity was evaluated using the correlation matrix. Correlation coefficients below **0.80** indicate that multicollinearity is not a serious concern.

Heteroskedasticity Test

The Glejser test was applied to determine whether the variance of residuals remained constant across observations.

Autocorrelation Test

Autocorrelation was examined using the Durbin–Watson statistic. A Durbin–Watson value close to two indicates that the regression model is free from serial correlation.

Regression Model

The baseline regression model is formulated as follows:

$$ETR_{it} = \alpha + \beta_1 ROA_{it} + \beta_2 CR_{it} + \beta_3 SG_{it} + \varepsilon_{it}$$

where:

- **ETR** = Tax Avoidance
- **ROA** = Profitability
- **CR** = Liquidity
- **SG** = Sales Growth
- **α** = Constant
- **β** = Regression Coefficient
- **ε** = Error Term

Moderated Regression Analysis (MRA)

To examine the moderating role of firm size, interaction terms were incorporated into the regression model:

$$\begin{aligned} ETR_{it} = \quad & \alpha + \beta_1 ROA_{it} + \beta_2 CR_{it} + \beta_3 SG_{it} + \beta_4 SIZE_{it} \\ & + \beta_5 (ROA \times SIZE) \\ & + \beta_6 (CR \times SIZE) \\ & + \beta_7 (SG \times SIZE) + \varepsilon_{it} \end{aligned}$$

The interaction coefficients indicate whether firm size strengthens or weakens the relationships between profitability, liquidity, sales growth, and tax avoidance.

Hypothesis Testing

Hypotheses were evaluated using:

- **Coefficient of Determination (Adjusted R^2)** to assess the explanatory power of the model.
- **F-test** to determine the joint significance of the independent variables.
- **t-test** to examine the partial effect of each independent variable.
- **Moderating effect analysis** through the significance of interaction terms.

A significance level of **5% ($\alpha = 0.05$)** was adopted. Hypotheses were accepted when the probability value was below 0.05.

RESULT

Descriptive Statistics

Descriptive statistics provide an overview of the distribution of the variables used in this study after data transformation and outlier treatment. A total of 165 firm-year observations were included in the final analysis.

Table 3. Descriptive Statistics

Variable	Obs	Mean	Median	Maximum	Minimum	Std. Dev.
ETR	165	0.223080	0.219830	0.311076	0.128951	0.030835
ROA	165	0.306047	0.297386	0.576145	0.055873	0.101736
CR	165	0.890861	0.703194	2.594919	0.001122	0.583174
SG	165	-0.377487	-0.401591	0.573111	-1.775799	0.252645
SIZE	165	29.20336	29.33253	32.93787	25.55665	1.797237

Source: Processed by the Author using EViews 13 (2026).

The descriptive statistics indicate variation in financial performance and tax avoidance among the sampled firms. The dispersion of profitability, liquidity, and sales growth suggests that companies exhibited different financial conditions during the post-pandemic recovery period. Likewise, the Effective Tax Rate (ETR) varied across firms, indicating differences in corporate tax management practices.

Panel Data Model Selection

To determine the most appropriate regression model, three specification tests were performed.

Chow Test

Table 4. Chow Test

Test	Probability	Decision
Cross-section F	0.0000	Fixed Effect Model

The Chow test indicates that the Fixed Effect Model is preferred over the Common Effect Model because the probability value is below the 5% significance level.

Hausman Test

Table 5. Hausman Test

Test	Probability	Decision
Chi-Square	0.1810	Random Effect Model

The Hausman test indicates that the Random Effect Model is preferred over the Fixed Effect Model because the probability value is higher than the 5% significance level.

Lagrange Multiplier Test

Table 6. Lagrange Multiplier

Test	Probability	Decision
Cross-section	0.0000	Random Effect Model

The Lagrange Multiplier test confirms that the Random Effect Model is more appropriate than the Common Effect Model because the probability value is below 5% significance level. Therefore, the Random Effect Model was employed for hypothesis testing.

Classical Assumption Tests

Normality Test

The initial regression residuals were not normally distributed. Consequently, logarithmic transformation and outlier treatment were conducted. After these procedures, the Jarque–Bera probability exceeded 0.05, indicating that the residuals followed a normal distribution and the regression analysis could proceed.

Multicollinearity Test

Table 7. Correlation Matrix

	X1	X2	X3
X1	1.000000	0.272157	0.168618
X2		1.000000	-0.148672
X3			1.000000

The correlation coefficients among the independent variables remained below 0.80, indicating the absence of serious multicollinearity.

Heteroskedasticity Test

The Glejser test demonstrates probability values greater than 0.05 for all independent variables. Therefore, heteroskedasticity is not present in the regression model.

Autocorrelation Test

The Durbin–Watson statistic falls within the acceptable range, indicating that the regression residuals are free from serial correlation.

Overall, the classical assumption tests confirm that the selected panel regression model satisfies the required statistical assumptions.

Panel Regression Results

Table 8. Panel Regression Estimation

Variable	Coefficient	t-Statistic	Probability	Decision
Constant	*0.220986*	*1.505576*		
ROA	*0.329282*	*0.614942*	>0.05	Not Significant
CR	*0.092898*	*0.884286*	>0.05	Not Significant
SG	*0.460891*	*3.070572*	<0.05	Significant

Dependent Variable: Effective Tax Rate (ETR).

The regression results reveal that profitability and liquidity do not have statistically significant effects on tax avoidance, suggesting that these financial indicators alone do not adequately explain differences in corporate tax management among the sampled firms. In contrast, sales growth has a statistically significant positive effect on tax avoidance, indicating that firms with higher sales growth tend to exhibit greater tax avoidance behavior.

Moderated Regression Analysis (MRA)

To evaluate the moderating role of firm size, interaction variables were included in the regression model.

Table 8. Moderated Regression Analysis

Interaction Variable	Coefficient	Probability	Result
ROA × SIZE	*-0.013404*	>0.05	Not Moderated
CR × SIZE	*-0.003630*	>0.05	Not Moderated
SG × SIZE	*-0.016292*	<0.05	Moderated

The MRA results indicate that firm size significantly moderates the relationship between sales growth and tax avoidance. However, firm size does not moderate the relationships between profitability and tax avoidance or between liquidity and tax avoidance.

Hypothesis Testing

Table 9. Summary of Hypothesis Testing

Hypothesis	**Statement**	**Result**
H1	Profitability affects tax avoidance	**Rejected**
H2	Liquidity affects tax avoidance	**Rejected**
H3	Sales growth affects tax avoidance	**Accepted**
H4	Firm size moderates profitability–tax avoidance	**Rejected**
H5	Firm size moderates liquidity–tax avoidance	**Rejected**
H6	Firm size moderates sales growth–tax avoidance	**Accepted**

Interpretation of Findings

The empirical evidence suggests that sales growth is the primary financial performance indicator influencing tax avoidance among consumer goods manufacturing firms during 2021–2024. On the other hand, profitability and liquidity do not exhibit statistically significant relationships with tax avoidance, implying that profit increase and cash availability alone are insufficient to explain firms' tax management behavior.

Regarding the moderating variable, firm size only strengthens or weakens the relationship between sales growth and tax avoidance, whereas its interaction with profitability and liquidity is statistically insignificant. This finding suggests that operational scale becomes more relevant when firms experience changes in sales performance rather than differences in profitability or liquidity.

DISCUSSION

The empirical findings indicate that sales growth has a significant positive effect on tax avoidance, while profitability and liquidity do not show significant effects. Furthermore, firm size only moderates the relationship between sales growth and tax avoidance, with a negative moderating effect. These findings suggest that corporate characteristics influence tax avoidance behavior differently, depending on the strategic conditions and organizational scale of the company.

The insignificant effect of profitability on tax avoidance indicates that higher profitability does not necessarily lead companies to engage in greater tax avoidance activities. This finding suggests that profitable companies may have stronger financial capacity to fulfill their tax obligations without relying on aggressive tax planning strategies. From the perspective of Stakeholder Theory, companies are expected to consider the interests of various stakeholders, including the government as a stakeholder that relies on tax revenue to support public services and economic development. Therefore, companies with higher profitability may prioritize maintaining legitimacy and stakeholder trust by complying with applicable tax regulations rather than pursuing excessive tax reduction strategies. This result implies that profitability alone is not a sufficient determinant of tax avoidance behavior.

The results also show that liquidity does not significantly influence tax avoidance. This finding indicates that the ability of companies to meet their short-term obligations does not directly determine their tendency to minimize tax payments. Although companies with higher liquidity generally have better financial flexibility, this condition does not necessarily encourage or discourage tax avoidance practices. One possible explanation is that tax decisions are more closely related to managerial tax planning strategies, corporate governance mechanisms, and regulatory considerations rather than solely the availability of liquid assets. Therefore, liquidity may represent a company's financial capability but does not necessarily reflect its tax management behavior.

In contrast, sales growth demonstrates a positive and significant effect on tax avoidance. This finding indicates that companies experiencing higher sales growth tend to engage in greater tax avoidance activities. Rapidly growing companies often face increased operational activities, expansion costs, and pressure to maintain profitability. As business activities increase, management may seek strategies to optimize cash flows and reduce tax expenses, including through tax planning activities. From the perspective of Stakeholder Theory, companies attempt to balance the interests of different stakeholders, including shareholders who expect higher returns and governments that expect tax compliance. The positive relationship between sales growth and tax avoidance suggests that companies with stronger growth incentives may prioritize financial efficiency to support expansion objectives, which can increase their tendency to reduce tax burdens.

Regarding the moderating role of firm size, the findings indicate that firm size does not moderate the relationship between profitability and tax avoidance or between liquidity and tax avoidance. This result suggests that the scale of a company does not strengthen or weaken the influence of profitability and liquidity on tax avoidance decisions. Large companies may have greater resources and more complex operations, but these characteristics do not necessarily change how profitability and liquidity affect tax-related decisions. This finding indicates that the relationship between financial characteristics and tax avoidance may depend more on managerial policies and corporate strategies rather than company size alone.

However, firm size significantly moderates the relationship between sales growth and tax avoidance. The negative interaction coefficient indicates that firm size weakens the positive relationship between sales growth and tax avoidance. This finding suggests that although companies with increasing sales growth tend to engage in higher tax avoidance, the effect becomes weaker among larger companies. A possible explanation is that large companies generally receive greater attention from regulators, investors, and the public, increasing the reputational and regulatory risks associated with aggressive tax avoidance practices. Consistent with Stakeholder Theory, larger firms face stronger pressure to maintain legitimacy and demonstrate responsible corporate behavior because they are accountable to a wider range of stakeholders. Consequently, large companies may be more cautious in implementing tax avoidance strategies despite experiencing significant sales growth.

Overall, the findings demonstrate that tax avoidance behavior is influenced by specific corporate characteristics rather than by financial conditions alone. Sales growth emerges as the primary factor associated with tax avoidance, while profitability and liquidity do not significantly determine tax avoidance decisions. Furthermore, the moderating role of firm size highlights that organizational scale can influence the extent to which growth-related factors affect tax behavior. These findings contribute to the tax avoidance literature by demonstrating that corporate growth strategies and stakeholder pressures interact in shaping managerial tax decisions. The results also emphasize the importance of considering contextual factors when examining corporate tax behavior, as the relationship between financial characteristics and tax avoidance is not always linear.

CONCLUSION

This study examines the effects of profitability, liquidity, and sales growth on tax avoidance and investigates the moderating role of firm size in these relationships. Using panel data from manufacturing companies listed on the Indonesia Stock Exchange during the 2021–2024 period, the findings reveal that corporate characteristics have different influences on tax avoidance behavior. The empirical results indicate that profitability and liquidity do not significantly affect tax avoidance, suggesting that these financial conditions alone are insufficient to explain corporate tax strategies. In contrast, sales growth has a positive and significant effect on tax avoidance, indicating that companies experiencing higher growth tend to implement greater tax planning strategies to maintain financial efficiency and support business expansion.

Furthermore, this study finds that firm size does not moderate the relationship between profitability and tax avoidance or between liquidity and tax avoidance. However, firm size significantly moderates the relationship between sales growth and tax avoidance with a

negative direction. This finding indicates that larger companies tend to reduce the influence of sales growth on tax avoidance behavior, potentially due to greater regulatory monitoring, public attention, and stakeholder expectations. Therefore, company size plays an important role in determining how growth conditions influence corporate tax decisions.

RESEARCH IMPLICATIONS

Theoretical Implications

This study contributes to the tax avoidance literature by extending the application of Stakeholder Theory in explaining corporate tax behavior. The findings demonstrate that companies do not make tax-related decisions solely based on financial performance indicators but also consider external pressures and stakeholder expectations. The significant relationship between sales growth and tax avoidance suggests that companies may attempt to balance the interests of shareholders seeking efficiency and governments expecting tax compliance.

Moreover, the moderating role of firm size provides additional theoretical insights by showing that organizational characteristics can influence the strength of the relationship between corporate factors and tax avoidance. The finding that firm size weakens the effect of sales growth on tax avoidance highlights the importance of contextual factors in understanding corporate tax strategies. Thus, this study emphasizes that tax avoidance behavior is a complex phenomenon influenced by both internal financial conditions and external stakeholder pressures.

Practical Implications

The findings provide several practical implications for corporate managers, investors, and regulators. For corporate managers, the results suggest that companies, particularly those experiencing significant sales growth, should carefully evaluate tax planning strategies to ensure that efficiency objectives remain aligned with regulatory compliance and stakeholder expectations. Excessive tax avoidance practices may create reputational risks and reduce stakeholder trust, especially for larger companies that receive greater public scrutiny.

For investors and stakeholders, the findings indicate that sales growth and firm size should be considered when evaluating a company's tax behavior. Companies with strong growth opportunities may have greater incentives to engage in tax planning, while larger companies may demonstrate greater responsibility due to increased accountability. Therefore, stakeholders should consider broader corporate characteristics rather than relying solely on profitability or liquidity indicators when assessing tax-related risks.

For policymakers and tax authorities, this study highlights the importance of monitoring rapidly growing companies, as sales expansion may be associated with stronger incentives for tax avoidance. Regulatory policies and monitoring mechanisms should consider company growth patterns and organizational characteristics to improve tax compliance effectiveness.

LIMITATIONS

Several limitations should be acknowledged.

First, this study focuses only on consumer goods manufacturing companies listed on the Indonesia Stock Exchange during 2021–2024. Consequently, the findings cannot be generalized to other industries.

Second, tax avoidance is measured solely using the Effective Tax Rate (ETR). Future research may employ alternative proxies such as Cash ETR, Book-Tax Differences (BTD), Long-run Cash ETR, or GAAP ETR to provide more comprehensive evidence.

Third, the study examines only three financial performance indicators. Additional variables, including leverage, capital intensity, inventory intensity, corporate governance, political connections, executive characteristics, and ESG performance, may improve the explanatory power of future models.

Finally, this study uses quantitative secondary data. Future studies may complement quantitative findings through qualitative approaches such as interviews with tax practitioners or corporate financial executives.

SUGGESTIONS FOR FUTURE RESEARCH

Future research is encouraged to expand the observation period and include companies from different industrial sectors to enhance the generalizability of findings.

Researchers are also encouraged to investigate additional moderating variables such as corporate governance quality, institutional ownership, audit quality, or environmental, social, and governance (ESG) performance.

Furthermore, comparative studies involving ASEAN countries could provide broader insights into differences in tax avoidance practices under varying institutional environments.

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