

## The Effect of Profitability, Company Value, and Environmental Social and Governance (Esg) on Tax Avoidance (Empirical Study on Infrastructure Companies on the Indonesia Stock Exchange in 2016-2022)

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### ABSTRACT

The objective of this study is to examine the impact of profitability, firm value, and ESG factors on Tax Avoidance. The present study undertakes an analysis of the financial reports of infrastructure sector firms that are publicly listed on the Indonesia Stock Exchange (BEI) over the timeframe spanning from 2016 to 2022. The study utilized a sample of 61 infrastructure sector firms that were listed on the Indonesia Stock Exchange between 2016 and 2022. The selection of these companies was done using purposive sampling methods. The data employed in this study consists of secondary data, namely financial records obtained from each firm included in the research sample. The initial independent variable in this study is profitability (X1), followed by firm value (X2) as the second independent variable. The third independent variable is Environmental Social and Governance (ESG), and the dependent variable is Tax Avoidance (Y). The research methodology employed in this work was the panel data regression approach. Application of Eviews 12 Student Version Lite software for the analysis of study findings. The research findings indicate that the Random Effect Model (REM) is the most optimal model. The findings of this study indicate that Tax Avoidance is influenced by profitability, firm value, and Environmental Social and Governance (ESG) factors concurrently.

## INTRODUCTION

Taxes are the legal responsibilities and entitlements of every person in their capacity as a citizen. Yet, taxes are commonly seen as a mandatory payment that necessitates individuals to relinquish a portion of their wealth to the government. Consequently, taxpayers endeavor to minimize their tax liability in the most economically efficient manner. This perspective is grounded on the recognition of the crucial role that taxes play in a nation, since they significantly contribute to the state revenue that is allocated towards the well-being of its citizens. Hence, several corporate entities are inclined to engage in business practices aimed at minimizing taxes, whether through lawful or unlawful means, to attain the profit objectives established by the organization (Basuki, T. A. 2021). (Irawati et al., 2020)

Taxes are a source of state-owned state revenue, but for tax companies it is a threat that will reduce net profits. However, in practice, many businesses are involved in this practice, namely tax avoidance efforts as an effort to reduce their debt burden. This can be detrimental to a country and have an impact on decreasing national revenue from the tax sector. Tax Avoidance refers to the act of making transactions with the aim of obtaining benefits, profits, or entering taxes in a way mandated by tax laws (Wijaya, 2014)

One of the prominent phenomena in tax practice is tax avoidance, which is an effort by business actors to reduce the amount of tax that must be paid without violating the law. according to Pohan (2013) Tax avoidance or what is often referred to as (Putri & Nurdin, 2023 ) *Tax Avoidance* is a type of legal and ethical effort or way to avoid pajak. ini is the reason why tax avoidance does not contradict tax law because it is mandatory Taxes take advantage of loopholes or gray areas contained in the provisions of the Tax Law.

The problem of problems around tax avoidance is quite interesting to study because many things are easy to adjust both in terms of procedures and laws and regulations. Management tends to take advantage of tax provisions that have loopholes in the boundaries of the legal corridor by practicing tax avoidance. This certainly has risks that can harm the business world, and may even reduce the company's image in the public domain. In addition, although tax avoidance is allowed, this practice also has certain adverse effects. Such as tax avoidance can reduce government revenue, which can have an impact on decreasing funding for public services and infrastructure. Tax avoidance can also cause injustice in the tax system, where large and multinational companies can more easily avoid taxes than small and medium-sized companies. (Ijlal Alfarizi , 2018 )

Numerous instances of Tax Evasion have been exposed in various corporations in Indonesia, including PT Bentoel Internasional Investama Tbk (RMBA). This case took place in 2019 and included a tobacco corporation controlled by British American Tobacco (BAT) engaging in tax evasion in Indonesia through PT Bentoel Internasional Investama Tbk (RMBA). Specifically, BAT illegally transferred a portion of its income out of Indonesia using two methods. Firstly, an inter-company loan was obtained between 2013 and 2015 from Rothmans Far East BV, a linked firm in the Netherlands. The purpose of

this financing was to repay bank obligations and buy machinery and equipment. Secondly, by remitting payments to the United Kingdom for royalties, fees, and services rendered. The financial losses incurred by Bentoel, which were far more than they would have been if profits had not been transferred, may ultimately be compensated for by taxes on future earnings (Kontan, 2019). Additional examples are included in the table below.

**Table 1.1 Tax Avoidance Cases**

Name Company	Information	Source
PT Bentoel International Investama, 2019	Tax avoidance	<a href="https://nasional.kontan.co.id/news/taxjustice-laporkan-bentoel-lakukanpenghindaran-pajak-indonesia-rugi-rp14-juta">https://nasional.kontan.co.id/news/taxjustice-laporkan-bentoel-lakukanpenghindaran-pajak-indonesia-rugi-rp14-juta</a>
PT Adaro Energy Tbk, 2019	<i>transfer pricing</i>	<a href="https://www.cnbcindonesia.com/market/20190708190803-17-83487/soal-pajak-adaro-sri-mulyani-selama-ini-sudah-transparan">https://www.cnbcindonesia.com/market/20190708190803-17-83487/soal-pajak-adaro-sri-mulyani-selama-ini-sudah-transparan</a>

Source: Processed 2024

The subsequent instance took place in 2019 and was conducted by PT Adaro Energy Tbk. There is suspicion that this coal business is engaging in tax avoidance by use of a transfer pricing system. *Transfer pricing* itself is a method of determining the price of transactions between companies in a business group. In Adaro's case, it is alleged that the company set a very low selling price of coal to its subsidiary in Singapore. Adaro has successfully decreased its tax obligations in Indonesia, resulting in a yearly reduction in revenue for the Indonesian government of around US\$ 14 million, therefore enabling its allocation towards public welfare (CNBC, 2019). Based on this phenomenon, it can cause the government to feel a loss because it has lost tax revenue that should have been received. Hence, it is imperative for the government to amend the legislation and eliminate legal gaps that enable tax avoidance, enhance the clarity of tax reporting, and reinforce oversight through audits and enforcement of penalties to deter firms from engaging in tax cheating. Several variables influence the practice of tax evasion by corporations, such as profitability, corporate value, and ESG principles.

The first factor is *profitability*, *Profitability* is a tool used to evaluate a company's performance in allocating resources to achieve maximum profit efficiency. Businesses with high (Ijlal Alfarizi et al., n.d. ) *profitability* typically have more resources available to carry out tax practices. Subagiastra et al., (2017) revealed that *profitability* is one of the measurement methods used to disseminate company performance, so that *profitability* is certainly related to tax avoidance practices.

Profitability is the measure of how efficiently a company's management allocates resources and executes plans to get desired outcomes. Profitability may be assessed using many metrics such as Return on Assets, Return on Equity, Profitability, and other relevant variables (Sartono, 2012:113). Return on assets

(ROA) is a metric that impacts the financial success of a corporation. Improved Return on Assets (ROA) directly correlates with enhanced firm success. Companies with lower profit margins are more prone to engage in tax evasion because they have the capacity to effectively control their revenue and operating expenditures. In addition, studies indicate that Return on Assets (ROA) has a substantial influence on tax evasion. Reference: Kurniasih and Sari, 2013.

The second determinant is the company's valuation, Furthermore, apart from profitability, the valuation of the firm can also impact tax evasion strategies. Organisations characterised by high corporate values often have a favourable image and garner respect from stakeholders. This, in turn, facilitates the implementation of tax avoidance strategies as they possess greater bargaining power to engage in negotiations with tax authorities. The tax evasion behavior of business owners is impacted by several factors, including the valuation of the firm. According to investors, the high value of a company's shares is directly proportional to the value of the company itself. This shows that in order to get a high company value, certain companies are required to get profits that continue to increase as well, which means that the taxes charged on the company will also be high. With a high tax burden, there is a possibility that companies will practice tax avoidance. (Putri & Nurdin, 2023 )

The third factor is *ESG (environmental, social, governance)*, As mentioned earlier, currently the value of a company is not only measured based on financial factors, but non-financial factors are also a concern for investors in assessing a company and as a decision in investing. Non-financial factors used in measuring the value of a company in this study use Environmental Social Governance (*ESG*). Companies that disclose *ESG* are companies that are responsible in terms of their environment, social, and corporate governance. Therefore, companies that disclose *ESG* are seen to be able to manage the company well and can increase the value of their company.

Previous research on factors affecting *tax avoidance* has been studied previously. The research conducted by Pingkan Anggraini and Ickhsanto Wahyudi (2022) indicates that environmental, social, and governance (*ESG*) factors have a detrimental impact on tax avoidance. This finding contradicts the research conducted by Lei Ruan & Heng Liu (2021), which concluded that *ESG* factors do indeed influence tax avoidance. Research by Zaitul (2021) indicates that *ESG* disclosure has a detrimental impact on firm value. This contradicts the findings of a study conducted by Wardoyo et al. (2022), which demonstrate that the publication of a sustainability report has a substantial and favorable influence on the valuation of a corporation.

Several previous studies on profitability in *tax avoidance* have been conducted. The study done by Irawati et al. (2020) demonstrates that profitability has a moderating impact on tax evasion. Congruent with the findings of a study conducted by Sari and Kinasih in 2021, it is evident that profitability has a substantial impact on tax evasion. Divergent findings were reported by Puspitasari et al. (2021), indicating that profitability did not exert a substantial impact on tax evasion.

The research conducted by Wijayanti (2021) and Silaban (2020) established that tax evasion exerts a favorable impact on the valuation of firms. Furthermore, Novarianto et al. (2019) and Wella & Hartanti (2022) have concluded that tax evasion does not exert a substantial adverse impact on the valuation of firms. Hence, the act of tax avoidance does not have a direct impact on the valuation of the firm, and conversely.

In conclusion, the aforementioned factors provide contradictory results, suggesting that there are ambiguous findings about the impact of these variables on tax evasion. Consequently, scholars are motivated to reassess these factors in relation to tax evasion.

This study focused on the selection of infrastructure firms. The inclusion of infrastructure businesses on the Indonesia Stock Exchange is based on their strategic importance in the progress and advancement of a nation. Their activities often involve large projects involving public funds, so supervision of their tax practices is becoming increasingly important. The infrastructure sector often involves complex tax schemes, such as tax incentives, the elimination of certain taxes, or special tax treatment. This opens up opportunities for companies to practice avoidance.

## LITERATURE REVIEW

### **Profitability Ratio**

In his book titled "Financial Management," Hanafi (2016) defines the profitability ratio as a metric that quantifies a company's capacity to produce profits (profitability) given a specific amount of sales, assets, and share capital.

According to Wahyudiono (2014, 81) in his book titled "Easy to Read Financial Statements," the Profitability Ratio is a metric used to assess the effectiveness of a company's asset use.

In his book titled "Analysis of Financial Statements," Kasmir (2015, 196) defines the profitability ratio as a measure used to evaluate a company's capacity to generate and maintain profitability.

Based on the aforementioned definitions of profitability ratios, it can be inferred that profitability ratios are financial metrics employed to assess the degree of profit of a firm.

### **Return on assets**

Return on assets (ROA) is the ratio of net profit to total assets, which quantifies the rate of return on a firm's assets. It is calculated by dividing the net profit by the total assets inside the organization. The following is the formula to calculate (Brigham & Houston, 2019) the Return on assets (ROA) that has been put forward by: (Brigham & Houston, 2019)

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

The average *Return on assets (ROA)* in the industry is 9.0%, if the *return on assets (ROA)* results are obtained below the industry average, the company will use more debt and interest costs will be higher which causes the net profit to be relatively lower. (Brigham & Houston, 2019)

## Company Values

According to (Brigham & Ehrhardt, 2015) Corporate value is the value that a company has for all its stakeholders, including shareholders, creditors, employees, customers, and suppliers. The following is the formula to calculate the value of a company that has been put forward by (Brigham & Ehrhardt, 2015) namely:

$$\text{Price Book Value (PBV)} = \frac{\text{Closing Price}}{\text{Book Value per share}}$$

## Environmental Social Governance (ESG)

The Company's investing processes adhere to the ESG (Environmental Social Governance) standard, which encompasses three key ideas or criteria: Environmental, Social, and Governance. In order to sustain its existence in the current free market period, the Company must have an effective strategy to consistently enhance its value and therefore avoid commercial rivalry. Amidst the fast growth of company, every business action must not only aim to enhance the Company's profits, but also consider the consequences that will result from the Company's operational operations. It is not unusual for the operations of a corporation to contribute negatively to the environment.

This paper assesses the ESG (Environmental, Social and Governance) practices of publicly traded firms nationwide by using ESG score data received from Bloomberg. This assessment will provide companies a score ranging from 0.1 to 100, depending on their degree of transparency in revealing ESG data to Bloomberg. This metric evaluates the extent to which the Company publicly discloses ESG data, but it does not indicate the Company's success at each specific measured data point. In order to maintain equity in the evaluation, Bloomberg adjusts the score based on the specific attributes of various sectors. This ensures that each firm is evaluated solely on pertinent ESG data that is applicable to its designated sector of activity. The measurement of ESG is determined by the following equation:

## Indeks ESG = Bloomberg ESG Score

Source (Adhi & Cahyonowati, 2023)

## Tax Avoidance

Tax avoidance attempts refer to deliberate actions that impede the collection of taxes, resulting in the depletion of the public treasury. Tax avoidance is the deliberate effort to decrease and minimize tax obligations. The primary objective of taxpayers is to minimize their tax payments. Consequently, there exists a propensity among taxpayers to disregard tax rules and regulations, with the aim of resisting tax collection. Control battles may be categorized into two distinct forms: passive resistance and aggressive resistance. Passive resistance refers to the presence of barriers that hinder the process of collecting taxes and is strongly linked to the transformation of economic systems. This is in contrast to active resistance, which involves direct efforts and activities towards the

government (specifically the tax office). Tax avoidance activities are frequently linked to tax planning, which is the collusive use of lawful methods to decrease or eliminate tax obligations. Fiscal planning refers to the capacity of taxpayers, acting as organisers of financial operations, to minimise their tax liability (Prabawati & Rachman, 2022).

### Thinking Framework

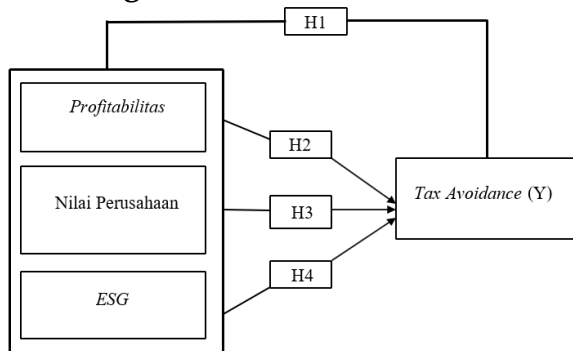


Figure 2.1 Thinking Framework

Source: Data processed by the author, 2024.

### Hypothesis Development

A hypothesis is a statement about something that is temporarily considered to be true, besides that a hypothesis can be interpreted as a statement to be researched and also for a provisional answer to a problem (Sugiyono, 2018), Based on the formulation of the problem and achieving the purpose of the research, it can be answered and explained by a writing hypothesis as follows:

#### *The Simultaneous Effect of Profitability, Corporate Value and ESG on Tax Avoidance*

Collectively, profitability, company value, and total ESG factors exert an impact on tax avoidance. The study findings indicate that both Profitability and Company Value, as independent variables measured by Coal and Putri (2021), have a statistically significant beneficial impact on Tax Avoidance. Therefore, Tax Avoidance is the primary factor considered when evaluating the liquidity ratio, which is determined by comparing current assets with current obligations to cover the whole cash value of the assets. Within this study, the researcher selected the factors of Profitability, Company Value, and ESG in Tax Avoidance as outlined by Brigham and Houston (2019). Considering the conversation, it is possible to develop a hypothesis.

H1 = Profitability, Corporate Values and ESG Affects Variables Tax Avoidance.

#### *The Effect of Profitability on Tax Avoidance*

Profitability is a metric used to quantify the net income generated from sales. It is determined by dividing the net income by the sales. Profitability, often known as net profitability, is frequently determined by dividing net income by sales, as stated by Brigham and Houston (2019).

The findings of the study indicate that profitability does not have a statistically significant impact on the current ratio, specifically in relation to tax

avoidance (Muhammad, 2022). These findings suggest that there is no correlation between profit margin (profitability) and a rise in the current ratio (tax avoidance). Drawing on the findings of the study and the formulated conjectures, it is possible to formulate the first hypothesis.

H2 = *Profitability affect Tax Avoidance.*

### **The Effect of Corporate Value on Tax Avoidance**

The valuation of a corporation is determined by the market value of its equity. Equity of a corporation is the ownership rights held by shareholders over the assets of the organization, after subtracting any corporate liabilities. (Brigham & Houston, 2019 )

According to pnelitian (Adams, C. E., & Jeavons, P. (2016) They conducted a restudy and found that companies with high corporate value may use Tax Avoidance practices to avoid taxes and increase profits, thereby increasing the value of their companies. Based on the results of the research and the conjectures made, a second hypothesis can be made.

H3 = *The company's value affects Tax Avoidance.*

### **The Effect of ESG on Tax Avoidance**

ESG stands for Environmental, Social, and Governance. ESG is a standard for assessing companies based on non-financial considerations related to the company's impact on the environment, society, and corporate governance. (World Economic Forum, 2021).

According to the results of the study (Dyrenge, S., et al. (2010) found that Norway companies with high ESG scores may have wider access to tax benefits, thus encouraging them to do Tax Avoidance. This indicates that *Environmental Social Governance (ESG)* affects the current ratio (*Tax Avoidance*). Based on the results of the research and the conjectures made, a third hypothesis can be made.

H4 = *ESG affect Tax Avoidance.*

## **RESEARCH METHODOLOGY**

### **Type of Research**

The research methodology employed in this study is quantitative research. Quantitative research is delineated as research grounded in the positivist philosophy, employed as a scientific approach due to its adherence to scientific principles such as concreteness, objectivity, measurability, rationality, and systematicity. It involves collecting data using research instruments and conducting quantitative/statistical data analysis to test established hypotheses. This work employs the level of associative explanatory analysis to elucidate the impact of independent variables on dependent variables, either partially or simultaneously. Associative research is a method of formulating a research problem that investigates the relationship between two or more variables. (Sugiyono, 2019)

### **Population and Sample**

A total of 61 infrastructure sector firms listed on the Indonesia Stock Exchange from 2016 to 2022 constitute the population for this study. The

sampling approach in this study was conducted using non-probability sampling methods.

### Data Collection Techniques

A documentation study is the approach employed by the researcher to acquire secondary data. This involves gathering secondary data in the form of notes, financial records, and other relevant information pertaining to the research. These data are gained indirectly through intermediate media recorded by other parties. Data for this study was collected via internet sources, specifically the official website of the Indonesia Stock Exchange at [www.idx.co.id](http://www.idx.co.id) and the websites of individual companies.

### Data Analysis Techniques

The subsequent phase of this research process involves the deployment of data analysis procedures. This research presents a systematic approach to data analysis, which consists of multiple stages: (1) Descriptive Analysis, (2) Estimation Method Analysis, (3) Estimation Method Selection Analysis, (4) Data Prerequisite Analysis, (5) Research Model Analysis, and (6) Hypothesis Analysis.

## RESULTS AND DISCUSSION

### Normality Test Results

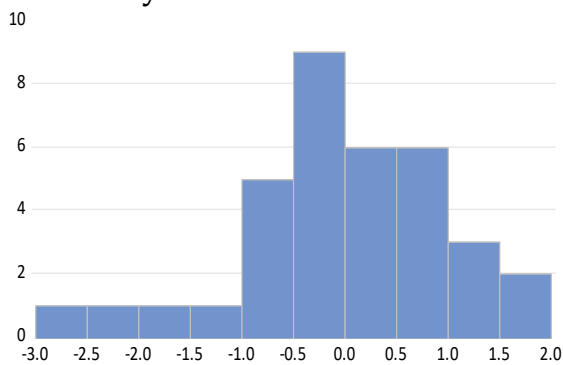


Figure 4.1 Histogram Curve Results

Source: Data processed by the author, 2024.

Based on the results of the Histogram Curve image, it can be seen that the histogram bar curve graph has a similar shape to a normal curve (shaped like a bell), that is, a curve that does not deviate to the right or deviate to the left (the right side and the left side are the same width). This means that the model is normally distributed.

Series: Standardized Residuals	
Sample 2016 2022	
Observations 35	
Mean	-5.87e-16
Median	-0.005242
Maximum	1.871426
Minimum	-2.859503
Std. Dev.	1.009549
Skewness	-0.657282
Kurtosis	3.662323
Jarque-Bera	3.159847
Probability	0.205991

**Figure 4.2 Jarque-Bera Test Results**

Source: Data processed by the author, 2024.

Based on the results The chi squares value (Jarque-Bera) calculated as 3.159847 is less than the chi squares value (Jarque-Bera) of the table of 9.48728. Alternatively, the probability value of Jarque-Bera calculated is 0.205991, which is greater than the significance level of 0.05 determined by the author. Consequently, the chi squares value (Jarque-Bera) calculated as 0.205991 is less than the chi squares value (Jarque-Bera) table of 9.48728 or the probability value of Jarque-Bera calculated as 0.205991 is greater than the significance level of 0.05 that has been established by the author as the standard level of error. This implies that the residual model has a normal distribution.

**Multicollinearity Test Results**

	<i>Profitability (X1)</i>	<i>Company Values (X2)</i>	<i>ESG (X3)</i>
<i>Profitability (X1)</i>	1.000000	0.543941	-0.020272
<i>Company Values (X2)</i>	0.543941	1.000000	-0.128760
<i>ESG (X3)</i>	-0.020272	-0.128760	1.000000

Source: Data processed by the author, 2024.

Based on these results, it was found that the *Variance Inflation Factor (VIF)* value of each independent variable ( $X_1$ ,  $X_2$ , and  $X_3$ ) was less than 10, which was 1.000000 for each independent variable ( $1.000000 < 10$ ), and the value of the correlation coefficient for each independent variable was less than 0.8, which was  $-0.128760 X_1$ ,  $0.543941 X_2$ , and  $-0.020272 X_3$  in each of the independent variables ( $-0.128760 < 0.8$ ), ( $0.543941 < 0.8$ ), and ( $-0.020272 < 0.8$ ). This means that the model does not occur *multicollinearity*.

**Heteroscedasticity Test Results**

Heteroskedasticity Test: Glejser  
 Null hypothesis: Homoskedasticity

F-statistic	0.708373	Prob. F(3,31)	0.5543
Obs*R-squared	2.245401	Prob. Chi-Square(3)	0.5231
Scaled explained SS	2.136387	Prob. Chi-Square(3)	0.5446

Source: Data processed by the author, 2024.

Based on these results, it was found that the *Glacier Test* value in the *Heteroscedasticity* test had a *Prob value. Chi-Square(3) Obs\*R-squared* of 0.5231 is greater than the significance level of 0.05 that has been determined by the author as the standard significance level of error ( $0.5231 > 0.05$ ). This means that the model does not experience *heteroscedasticity*.

### Autocorrelation Test Results

R-squared	0.255870	Mean dependent var	-2.323501
Adjusted R-squared	0.183858	S.D. dependent var	1.170316
S.E. of regression	1.057270	Akaike info criterion	3.056469
Sum squared resid	34.65245	Schwarz criterion	3.234223
Log likelihood	-49.48820	Hannan-Quinn criter.	3.117829
F-statistic	3.553134	Durbin-Watson stat	1.966569
Prob(F-statistic)	0.025511		

**Source:** Data processed by the author, 2024.

Based on these results, it was found that the *Durbin Watson* (DW) value in the *Autocorrelation test* can be seen that the DW value of 1.966569 is between -2 to +2, meaning that there is no autocorrelation in this study.

### Multiple Regression Model Test Results

Dependent Variable: LNY  
Method: Panel Least Squares  
Date: 07/04/24 Time: 12:51  
Sample: 2016 2022  
Periods included: 7  
Cross-sections included: 5  
Total panel (balanced) observations: 35

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.062702	2.468104	-1.646082	0.1098
LN <sub>X1</sub>	-0.273741	0.140473	-1.948711	0.0604
LN <sub>X2</sub>	0.792570	0.243834	3.250456	0.0028
LN <sub>X3</sub>	0.448578	0.664461	0.675100	0.5046

R-squared	0.255870	Mean dependent var	-2.323501
Adjusted R-squared	0.183858	S.D. dependent var	1.170316
S.E. of regression	1.057270	Akaike info criterion	3.056469
Sum squared resid	34.65245	Schwarz criterion	3.234223
Log likelihood	-49.48820	Hannan-Quinn criter.	3.117829
F-statistic	3.553134	Durbin-Watson stat	1.966569
Prob(F-statistic)	0.025511		

**Source:** Data processed by the author, 2024.

$$Y = (-) 4.062702 + (-) 0.273741 + 0.792570 + 0.448578 + \epsilon$$

Based on this equation, it can be seen that the relationship between the results of multiple linear regression between the variables of *Profitability*, *Company Value*, *ESG* and *Tax Avoidance*. The relationship can be explained as follows:

1. In the absence of any rise in the independent variables (*Profitability*, *Company Value*, and *ESG*), the *Tax Avoidance*-bound variable is defined as a constant value of - 4.062702. The presence of regression coefficients of - 0.273741, 0.792570, and 0.448578 indicates that the inclusion of one score or communication value will result in an increase in scores -0.273741, 0.792570, and 0.448578, respectively.
2. The regression coefficient for the *Profitability Value* is -0.273741, indicating that for every 1 unit rise in *Profitability*, there will be a corresponding increase of -0.273741 in the *Fiscal Avoidance* variable. The regression coefficient of *Profitability* is insignificant to *Tax Avoidance*, based on the results of this study, the regression coefficient value for the *Profitability* variable is obtained - 0.273741 with a significance value of 0.0604, this value is greater than 0.05 from the standard significance level of error which has been determined by

- the author ( $0.0604 > 0.05$ ), thus the Profitability variable does not have a significant influence or can be said to have no influence on Tax Avoidance.
3. A regression coefficient of 0.792570 for the Company Value suggests that for every 1 unit rise in the Company Value, there will be a corresponding increase of 0.792570 in the Tax Avoidance variable. Based on the findings of this study, the regression coefficient for the Corporate Value variable is 0.792570 with a significance value of 0.0028. This value is below the defined standard significance level of error of 0.05 established by the author ( $0.0028 < 0.05$ ). Therefore, it can be concluded that the Company Value variable has a significant influence on Tax Avoidance.
  4. The ESG metric has a regression coefficient of 0.448578, signifying that a one-unit increase in Total Asset Turnover would result in a 0.448578 unit rise in the Tax Avoidance statistic. The study findings indicate that the regression coefficient for Total Asset Turn Over is not statistically significant in relation to Tax Avoidance. Specifically, the regression coefficient for the ESG variable is 0.448578 with a significance value of 0.5046. This value exceeds the determined standard significance level of error of 0.05, so indicating that the ESG variable does not have a significant influence on Tax Avoidance.

### Results of Partial Hypothesis Testing (t-Test)

Dependent Variable: LNY  
 Method: Panel Least Squares  
 Date: 07/04/24 Time: 12:51  
 Sample: 2016 2022  
 Periods included: 7  
 Cross-sections included: 5  
 Total panel (balanced) observations: 35

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.062702	2.468104	-1.646082	0.1098
LN1	-0.273741	0.140473	-1.948711	0.0604
LN2	0.792570	0.243834	3.250456	0.0028
LN3	0.448578	0.664461	0.675100	0.5046
R-squared	0.255870	Mean dependent var	-2.323501	
Adjusted R-squared	0.183858	S.D. dependent var	1.170316	
S.E. of regression	1.057270	Akaike info criterion	3.056469	
Sum squared resid	34.65245	Schwarz criterion	3.234223	
Log likelihood	-49.48820	Hannan-Quinn criter.	3.117829	
F-statistic	3.553134	Durbin-Watson stat	1.966569	
Prob(F-statistic)	0.025511			

**Source:** Data processed by the author, 2024.

The t-table result is derived from the Percentage Point Table of Distribution t (attached) using 35 degrees of freedom and a percentage value (Pr) of 0.05 or 0.025. The t-table yields a value of 2.03011. The partial test (t-test) yielded a t-statistic value, denoted as t, of -1,948,711 for the Profitability variable (X1). The table t-value was 2.03011, and the probability value of significance was 0.0604. The standard significance level of error applied was 5% or 0.05, as previously established by the author. Given this information, it can be inferred that if the value of t is less than the critical value of ttable ( $t_{count} < t_{table}$  or  $-t_{count} < t_{table}$ ), then the value of -1.948.711 is less than 2.03011 ( $-1.948.711 < 2.03011$ ). Additionally, if the probability value of sig. exceeds the standard significance level of error of 0.05, then the value of 0.0604 is greater than 0.05 ( $0.0604 > 0.05$ ). According to the results of the t-test (partial), it can be inferred

that the Profitability variable (X1) does not have a significant impact on the Tax Avoidance (Y) bound variable, as the null hypothesis (H0) is accepted and the alternative hypothesis (Ha) is rejected. This conclusion partially supports the first hypothesis.

The partial test results (t-test) revealed that the t-statistic value, also known as t<sub>calculated</sub>, estimated from the Company Value variable (X2) was 3.250456. The table t-value was 2.03011, and the probability value of significance was 0.0000. The standard significance level of error was set at 5% or 0.05 by the author. These results indicate that if the value of t is greater than the critical value of t<sub>table</sub> or -t<sub>count</sub> is greater than the critical value of t<sub>table</sub> (t<sub>count</sub> > t<sub>table</sub> or -t<sub>count</sub> > t<sub>table</sub>), then the value of 3.250456 is greater than 2.03011 (3.250456 > 2.03011). Additionally, if the probability value of sig. is less than the standard significance level of error 0.05, then the value of 0.0028 is less than 0.05 (0.0028 > 0.05). The results of the t-test (partial) suggest that the assumed null hypothesis (H0) is rejected and the alternative hypothesis (Ha) is accepted. Therefore, it can be concluded that the Company Value variable (X2) has a significant impact on the Tax Avoidance (Y) bound variable, partially supporting the second hypothesis.

The partial test results (t-test) revealed that the t-statistic value, also known as t<sub>calculated</sub>, for the ESG variable (X3) was 0.675100. The table t-value associated with this value was 2.03011. The probability value of significance was 0.5046, with a predetermined standard significance level of error of 5% or 0.05. Given this information, it can be inferred that if the value of t is less than the critical value of t<sub>table</sub> or -t<sub>count</sub> (t<sub>count</sub> < t<sub>table</sub> or -t<sub>count</sub> < t<sub>table</sub>), then the value of 0.675100 is less than 2.03011 (0.675100 < 2.03011). Additionally, if the probability value of sig. exceeds the standard significance level of error of 0.05, then the value of 0.5046 is greater than 0.05(0). Thus, the results of the t-test (partial) suggest that there is no significant impact since the null hypothesis (H0) is accepted and the alternative hypothesis (Ha) is rejected. Therefore, it can be concluded that the ESG variable (X3) does not have a significant influence on the Tax Avoidance (Y) bound variable, partially in response to the third hypothesis.

### Results of Simultaneous Hypothesis Testing (Test F)

Dependent Variable: LNY  
 Method: Panel Least Squares  
 Date: 07/04/24 Time: 12:51  
 Sample: 2016 2022  
 Periods included: 7  
 Cross-sections included: 5  
 Total panel (balanced) observations: 35

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.062702	2.468104	-1.646082	0.1098
LNX1	-0.273741	0.140473	-1.948711	0.0604
LNX2	0.792570	0.243834	3.250456	0.0028
LNX3	0.448578	0.664461	0.675100	0.5046
R-squared	0.255870	Mean dependent var	-2.323501	
Adjusted R-squared	0.183858	S.D. dependent var	1.170316	
S.E. of regression	1.057270	Akaike info criterion	3.056469	
Sum squared resid	34.65245	Schwarz criterion	3.234223	
Log likelihood	-49.48820	Hannan-Quinn criter.	3.117829	
F-statistic	3.553134	Durbin-Watson stat	1.966569	
Prob(F-statistic)	0.025511			

Source: Data processed by the author, 2024.

The calculation of  $F_{table}$  is derived from the Probability F Distribution Percentage Point Table 0.05 (attached) using 35 data points in the denominator (df denominator (N2)) and 3 free variables in the numerator (df (N1)). The F table value obtained is 2.87.

The F-statistic value, also known as  $F_{calculated}$ , obtained from the simultaneous analysis of the independent variables Profitability (X1), Company Value (X2), and ESG (X3) was 3.553134. The table F value was 2.87, and the probability value of significance was 0.025511. The standard significance level of error was selected as 5% or 0.05 by the author. The value of  $F_{is}$  greater than F of the table or  $-F_{is}$  greater than F of the table ( $F > F_{table}$  or  $-F_{is} > table$ ) indicates that the value of 3.553134 is greater than 2.87. Additionally, the probability value of sig. is less than the standard significance level of error 0.05, resulting in a value of 0.025511 less than 0.05. Therefore, the results of the F (simultaneous) or together test suggest that the independent variables Profitability (X1), Company Value (X2), and ESG (X3) collectively or individually have a significant impact on the variables related to Tax Avoidance (Y), thus rejecting the null hypothesis (H0) and accepting the alternative hypothesis (Ha).

### Results of Determination Coefficient Hypothesis Testing ( $r^2$ )

Dependent Variable: LNY  
 Method: Panel Least Squares  
 Date: 07/04/24 Time: 12:51  
 Sample: 2016 2022  
 Periods included: 7  
 Cross-sections included: 5  
 Total panel (balanced) observations: 35

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.062702	2.468104	-1.646082	0.1098
LNX1	-0.273741	0.140473	-1.948711	0.0604
LNX2	0.792570	0.243834	3.250456	0.0028
LNX3	0.448578	0.664461	0.675100	0.5046
R-squared	0.255870	Mean dependent var	-2.323501	
Adjusted R-squared	0.183858	S.D. dependent var	1.170316	
S.E. of regression	1.057270	Akaike info criterion	3.056469	
Sum squared resid	34.65245	Schwarz criterion	3.234223	
Log likelihood	-49.48820	Hannan-Quinn criter.	3.117829	
F-statistic	3.553134	Durbin-Watson stat	1.966569	
Prob(F-statistic)	0.025511			

**Source:** Data processed by the author, 2024.

According to logic, it can be seen that the better the model estimates in describing the data, the closer the value of  $r^2$  (Rifkhan, 2022) to the value of 1 (one), which is the level of perfect relationship between the independent variable and the bound variable, besides that between the *R-squared* value and the *Adjusted R Squared* value is only distinguished by the corrected value with the *standard error* that has been determined beforehand, and these two values can be used as an interpretation of the results. The larger the percentage towards a value of 100%, the greater the influence of the overall independent variable on the bound variable used in the study. (Rifkhan, 2023)

A Coefficient of Determination ( $r^2$ ) test yielded an R-squared value of 0.255870 and an Adjusted R-squared value of 0.183858 for the association between the independent variable and the bound variable in this study. The present analysis reveals a robust correlation between the independent variables of Profitability (X1), Company Value (X2), and ESG (X3) and the dependent variable of Tax Avoidance (Y). The robust correlation is demonstrated by the R-

squared score obtained using the method  $KD = r^2 \times 100\% = 0.2558702 \times 100\% = 6.54\%$ , and the Adjusted R-squared score obtained using the formula  $KD = r^2 \times 100\% = 0.183858 \times 100\% = 3.38\%$ . In this study, the independent variables Profitability (X1), Company Value (X2), and ESG (X3) account for 6.54% and 3.38% of the value of the Tax Avoidance (Y) bound variable, respectively. The remaining 93.46% and 96.62% are attributed to other variables that are either unexplained or not included in this analysis.

## **Research Discussion**

### **Discussion of the Results of Estimating the Influence of *Profitability* on *Tax Avoidance***

The study results indicate that the influence of Profitability on Tax Avoidance is not statistically significant based on the partial t-test results. The t-value of -1.948711 is smaller than the critical t-value of 2.03011 (-1.948711 < 2.03011). Additionally, the probability value of sig. 0.0604 exceeds the standard significance level of error of 0.05 (0.0604 > 0.05). The results align with the findings of the study, which indicate that it offers partial evidence (Muhammad, 2022) that Profitability does not exert a substantial impact on the present ratio (Tax Avoidance). These findings suggest that there is no correlation between profit margin (profitability) and a rise in the current ratio (tax avoidance).

### **Discussion of the Results of Estimating the Influence of *Corporate Value* on *Tax Avoidance***

The research findings on the impact of Corporate Value on Tax Avoidance are evident from the results of the t-test (partial). The t-value of 3.250456 exceeds the critical t-value of 2.03011 (3.250456 > 2.03011), indicating a potentially significant effect. Additionally, the probability value of 0.00028 is lower than the standard significance level of error of 0.05 (0.00028 < 0.05). The findings align with the study's results, which provided limited evidence (Coal & Putri, 2021) that Corporate Value has a notable favorable impact on Tax Avoidance.

### **Discussion of the Results of the Estimation of the Impact of *ESG* on *Tax Avoidance***

The research findings on the potential impact of ESG on Tax Avoidance indicate that, based on the partial t-test results, it is not theoretically significant. This is because the t-value of 0.675100 is smaller than the critical t-value of 2.03011 (0.675100 < 2.03011). Additionally, the probability value of sig. 0.5046 exceeds the standard significance level of error of 0.05 (0.5046 > 0.05). The data presented here contradict the findings of the research, which indicate that the Company's Value (Coal & Putri, 2021) has a somewhat significant impact on the current ratio (Tax Avoidance). The findings of this study suggest that the current ratio (Tax Avoidance) is not influenced by the overall turnover of assets (Company Value).

### **Discussion of the Results of Estimating the Influence of *Profitability*, *Company Value* and *ESG* Together (Simultaneously) on *Tax Avoidance***

The research conducted to estimate the combined impact of Profitability, Company Value, and ESG on Tax Avoidance can be observed through the results

of the F test. The F value of 3.553134 exceeds the critical F value of 2.87 ( $3.553134 > 2.87$ ), and the probability value of 0.025511 is lower than the standard significance level of error of 0.05 ( $0.025511 < 0.05$ ). These results align with the findings of the study, which elucidate that the three independent factors, namely Corporate Value and ESG, collectively exert a substantial impact on Tax Avoidance (Coal & Putri, 2021). Therefore, Tax Avoidance is the primary factor considered when evaluating the liquidity ratio, which is determined by comparing current assets with current obligations to cover the whole cash value of the assets. (Brigham and Houston, 2019)

## CONCLUSION

### Conclusion

Based on the conclusion, it is generally the main finding that answers the formulation of the problem/focus of the research. Conclusion can also be interpreted as a statement that is taken concisely from the overall results of the discussion or analysis. The conclusion in the study is a final part of the research that is useful to present something brief and describe the closing about the research. At the conclusion stage, include all the main points or all points that will be summarized easily in this conclusion so that it is easy for readers to read and remember. Based on the results of the research and discussion, the following conclusions can be drawn:

1. The results of the study of the effect of *Profitability* on *Tax Avoidance* can be seen that it has no significant effect because the  $t$ -value of -1.948711 is smaller than the  $t$ -table 2.03011 ( $-1.948711 < 2.03011$ ), while the probability value of sig. 0.0604 is greater than the standard *significance level of error* 0.05 ( $0.0649 > 0.05$ ).
2. The results of the study of the influence of Corporate Value on *Tax Avoidance* can be seen that it has a significant effect because the  $t$ -value of 3.250456 is greater than the  $t$ -table 2.03011 ( $3.250456 > 1.99444$ ), while the probability value of sig. 0.0028 is smaller than the standard *significance level of error* 0.05 ( $0.0028 < 0.05$ ).
3. The results of the study on the influence of *ESG* on *Tax Avoidance* can be seen that it has no significant effect because the  $t$ -value of 0.675100 is smaller than the  $t$ -table 2.03011 ( $0.675100 < 2.03011$ ), while the probability value of sig. 0.5046 is greater than the standard *significance level of error* 0.05 ( $0.5046 > 0.05$ ).
4. The results of the study from the influence of *Profitability*, *Company Value* and *ESG* together (simultaneously) on *Tax Avoidance* can be seen that it has a significant effect because the  $F$ -value of 3.553134 is greater than the  $F$ -table 2.87 ( $3.553134 > 2.87$ ), while the probability value of sig. 0.025511 is smaller than the standard *significance level of error* 0.05 ( $0.025511 < 0.05$ ).