Quest Journals
Journal of Research in Business and Management
Volume 12 ~ Issue 5 (2024) pp: 260-271
ISSN(Online):2347-3002
www.questjournals.org

Research Paper

The Effect Of Profitability, Financial Distress, Firm Size On Tax Avoidance With Moderation By Institutional Ownership

Siti Tika Sari[1], Supriatiningsih[2*], Lady Karlinah[3], Tomi Riyadi[4], Ahmad Syauqi[5]
[123]Universitas Teknologi Muhammadiyah Jakarta, [*]Corresponding Author
[3]Universitas Matana, Tangerang Banten
[45]Universitas Pamulang

ABSTRACT
The purpose of this research is to examine how institutional ownership, in combination with profitability, financial difficulty and firm size, influences tax evasion. Twenty companies provided samples that were successfully obtained and satisfied the criteria. The research was carried out over a five-year period, from 2018 to 2022, resulting in a total of 100 samples being evaluated. Purpose sampling is employed in the sample selection process, and secondary data from the Indonesia Stock Exchange (IDX) is the source of the data. Multiple linear regression analysis is used in the data analysis process. The findings demonstrate that tax evasion is unaffected by profitability. Tax evasion is negatively impacted by financial distress. Tax evasion is positively impacted by firm size. Tax evasion can be more strongly impacted by profitability when there is institutional ownership. Ownership by institutions cannot

Keywords: *Financial distress, Firm Size, Institutional Ownership, Profitability, Tax Avoidance*
JEL Classification: G32, G02, M1, G34, Z1

R**eceived 14 May, 2024; **R**evised 23 May, 2024; **A**ccepted 25 May, 2024 © The author(s) 2024. **P**ublished with open access at **www.questjournals.org

I. INTRODUCTION

The largest source of revenue in Indonesia is taxes. The state budget to finance public expenditure will be affected by the amount of tax received. Therefore, fulfilling corporate tax obligations or taxpayers is very important. However, the condition of taxpayers, especially corporate taxpayers, is contrary to the goal of optimizing government tax revenue. Because the cost of taxes paid has no direct benefit to the company, company management strives to reduce the tax burden to a minimum to increase their net profit after taxes are paid (Sonia and Suparmun 2019). This is due to the desire of the government and companies for high tax revenues. As taxpayers, companies utilize tax planning to reduce their tax burden. Tax planning is illegal and contrary to applicable tax regulations, tax evasion, while tax planning is legal and safe for taxpayers because it does not conflict with tax regulations, called tax avoidance.

The purpose of tax avoidance, according to Supriatiningsih et al. (2023) and Sinaga and Malau (2021), is to profit by exploiting or avoiding taxes that are a part of the Indonesian tax system. This includes persistent tax offenses committed by corporations, which are essentially tax crimes involving the taxpayer's or entity's nonpayment of the appropriate tax. In an effort to pay as little tax as possible, taxpayers usually utilize their wealth to hire tax law experts. Companies that evade taxes often shift their holdings to foreign subsidiaries so they can avoid paying taxes that are due. Tax reduction is frequently achieved by utilizing legal loopholes that don't seem to be against the law.

Prominent case studies can shed light on how tax evasion methods are carried out by utilizing legal loopholes. Here are a few instances of such cases: Amazon in Luxembourg (2017): Amazon came under fire for allegedly receiving unfair tax advantages by exploiting a tax deal with the Luxembourg government. The European Union demands that Amazon increase its taxes. Multinational Tax Arrangements (2022): Through intricate transfer pricing techniques, numerous nations and tax authorities continue to pursue the implementation of multinational tax arrangements, which entail profit shifting and tax evasion. Worldwide tax authorities typically discover cases similar to this one.

Table 1. Show Tax Revenues for 2018-2022

In Trillion Rupiahs

Year	2018	2019	2020	2021	2022
Target	1.424,0	1.557,6	1.404,5	1.229,6	2.266,2
Realization	1.315,9	1.546,1	1.285,2	1.547,8	2.626,4
Achievement	92,4%	84,4%	91,5%	107,15%	115,9%

Source: www.kemenkeu.co.id, 2023

Table 1 shows variations in Indonesia's tax revenues from 2018 to 2022, with the highest achievement in 2022 exceeding the target by 115.9%. However, tax realization sometimes does not reach the target, such as in 2019 with a percentage of 84.4%. Decreased taxpayer compliance is said to be the cause. Some companies avoid paying taxes. Since changes to the tax system in 1983, the government estimates that tax revenues will continue to increase as an important source of income to assist government operations and infrastructure development. The government understands how important it is to ensure tax compliance to fulfill obligations and mitigate the impact of tax avoidance practices, which can reduce the performance of the tax system. The government is very concerned about fulfilling its obligations towards taxes, which is one of the country's largest revenues (Sadjiarto et al., 2020).

The food and beverage subsector, which is part of the consumer goods subsector, makes a significant contribution to the country's economic growth through tax revenues, which are part of this contribution (Ministry of Industry, 2019). Apart from that, the food and beverage subsector is one of the mainstay industries that contributes greatly to national economic growth.

But the overall tax revenue trend is increasing. Tax revenues grew by 20.4% in 2021, returning to pre-pandemic conditions, and growing positively until May 2023, driven by economic growth in the first quarter of 2023. Although several sectors experienced a slowdown compared to the previous year, tax revenues remained positive growth. In 2023, the government hopes to achieve the tax revenue target of IDR 1718 trillion. In addition, the government continues to strive to increase tax revenues by expanding the tax base and tightening supervision of taxpayers. Based on kemenkeu.go.id, 2023 Profitability is the reason people avoid taxes, according to Magdalena (2019). Profitability is an agent's strategy in agency to increase company profits by using Return on Assets (ROA) (Koming & Praditasari, 2017).

Irawati et al.'s study. (2020), Riskatari & Jati (2020), and Ainniyya et al. (2021) found that profitability has a negative impact on tax avoidance practices. Irawati et al. (2020) found that businesses with higher Return on Assets (ROA) tend to comply more with their tax obligations. In addition, research by Stomo & Djaddang (2017) found that businesses with higher ROA have a higher tendency to

According to Veganzones & Severin (2020), financial issues under stress have become a major concern in recent years. A financial crisis occurs when a company's finances decline to the point that it is on the verge of bankruptcy or closure. Levi & Imron (2020) state that companies can face financial pressure when they face difficulties in meeting their obligations, such as liquidity and solvency problems. In addition, operational losses that last for several years and a decline in profitability and sales levels can be a sign of a financial crisis (Ginting, 2018).

Hertias (2015) states that management has the ability to improve business conditions so that the risk of bankruptcy can be reduced. According to agency theory, management should use early warning models to reduce potential financial problems that could lead to financial stress. Financial statement analysis is another way to discover financial problems. Evaluating a company's financial health and position can be accomplished through financial ratio analysis, which computes and compares data from financial reports. This analysis was first used to predict bankruptcy by Altman (1968). Financial ratio analysis can be used to assess the health of a business before bankruptcy for one to five years.

The next factor that can affect the occurrence of tax avoidance, namely company size (Firm Size) is used as a support to strengthen or weaken the existence of independent variables on the dependent. Based on previous research that company size can be used as a moderating variable. Company size is considered to affect how the company fulfills its tax obligations as a taxpayer (Triyanti et al., 2020). Researcher Purwanti (2021) considers company size as a measure measured by total assets, total sales, share value, and other elements. Total assets are positively correlated with tax expenditure. If companies want to use legal loopholes to avoid taxes, they will pay taxes at a small cost. In the research of Triyanti et al. (2020), Muda et a (2020) regarding company size has a positive effect on tax avoidance. Meanwhile, research by Sonia and Suparmun (2019) shows that company size has no effect on tax avoidance.

The concept of institutional ownership refers to the number of shares held by institutional entities or institutions in a company, which can indicate strong external supervision and control. A larger number of shares indicates tighter third-party control over the company. As a result, more institutional ownership means more oversight and control over the business. As a result, the business sector has a greater likelihood of meeting their tax obligations, which may lead to an increase in the amount of tax payable. A study conducted by Nugroho and Firmansyah (2017) found that tax avoidance practices are influenced by institutional ownership. In other words, the likelihood of tax avoidance decreases with greater institutional ownership. This may be because no other institutions own shares, which could influence and support management's actions.

As a result, this research investigates how the relationship between profitability, financial distress, firm size, and tax avoidance practices can be influenced by the level of institutional ownership in the company. As a result, high levels of institutional ownership often correlate with low levels of tax avoidance practices. As a result, this research may incorporate new or additional information into existing knowledge.

Therefore, the focus of this research is how

Therefore, this focus of this research is how "profitability, financial distress, firm size affect tax avoidance, considering moderation by the level of institutional ownership in the company." This study could provide real benefits for tax policy and business. Practitioners and policy makers can use these findings to create more efficient tax strategies. This study aims to expand our knowledge about tax avoidance. This will help the academic literature and strengthen the conceptual framework in this field.

II. LITERATURE REVIEW

Agency theory

When management sought to maximize corporate value by avoiding tax avoidance in financial statement manipulation, the principal opposes it. Agency theory, or agency, describes how agent and business owners interact. Supriatiningsih, (2023) asserts that the principal appoints agents to carry out tasks pertaining to the principal's objectives. Giving agents permission to make decisions is one instance of this work.

Profitability

In other words, profitability shows the extent to which a company can achieve and maintain profits in its operations. To calculate profitability with ROA, the following formula is used (Herbaya Ompusunggu, 2021).

$$\text{Return on Assets} = \frac{\text{Nett Profit}}{\text{Total Assets}}$$

Financial distress

Financial distress is when an organization cannot fulfill its obligations, both in the short and long term. If this situation is not handled well, the company could experience bankruptcy or have to be liquidated (Irfani, 2020).

Z = 1,2Z1+1,4Z2+3,3Z3+0,6Z4+1 Z5Z1

Firm Size

Corporate policies will affect the possibilities for future cash flow for inverstors and regulators. They will also affect the amount of tax revenue they collect and the degree to which they are able to safequard society at large. Large companies usually have more opportunities to obtain equity and debt capital loans than small companies (Hermawan, 2019). The organization establishes the following regulations:

$Size = Ln\ (total\ asset\ )$

Tax avoidance

Tax avoidance is an attempt to reduce or eliminate tax obligations that should be paid by the company, but is done legally and in accordance with applicable laws. According to Noviyani and Muid (2019), Effective Tax Rate (ETR) is one of the most common methods for calculating the level of tax avoidance.

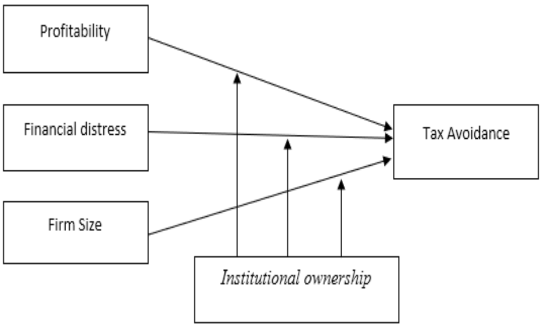
Institutional ownership

Institutional ownership is the share of financial institutions out of all outstanding shares (Rianto 2019). With institutional ownership, professionals can monitor investment developments and increase management control and reduce the risk of fraud.

$$\frac{Number\ of\ Institutional\ shares}{Number\ of\ shares\ outstanding} \text{ x } 100\%$$

By detailing the background of the problem and explaining the theoretical concepts that have been described, the framework of this research can be formulated as follows:

Figure 1. Theoretical Framework



Source: Researcher, 2024

Relationship between Profitability and Tax Avoidance

Profitability can be measured by utilizing sales levels to show a company's profits (Magdelena, 2019). As explained by Luh and Puspita (2017), profitability can be measured using Return on Assets (ROA), which shows how well the company's financial performance is. Wedha and Sastri (2017) stated that company profits are greater if the ROA value is higher. As a result, the tax burden that must be paid is also greater. Studies such as those conducted by Irawati et al. (2020), Riskatari & Jati (2020), and Cristanti et al. (2017) found that company profitability has a negative impact on tax avoidance practices. The results show that when company profits increase, the tendency to avoid taxes becomes lower. This is because companies are considered capable of paying their tax obligations.
H1: Profitability negatively effects tax avoidance

Relationship between financial distress and tax avoidance

Until recently, bankruptcies and bond defaults were the two main components of the financial crisis. To increase business potential in situations like this, management tends to use tax avoidance methods (Richardson et al., 2014; Richardson et al., 2015; Feizi et al., 2016). Businesses facing financial stress may consider tax planning (Habib et al., 2018). According to Edward et al. (2016), tax avoidance strategies, especially cash tax savings, encourage companies to generate internal funding. This can provide context behind the increasingly aggressive tax actions taken by companies. According to Dinda Yuliatan et al. (2021), businesses experiencing financial problems have a significant impact on tax avoidance practices.
H2: Financial distress has a positive effect on tax avoidance
Relationship between firm size and tax avoidance
According to Sulaeman (2021) and Aulia and Mahpudin (2020), the size of a company is directly correlated with the availability of its resources. As a result, companies try to maximize their profits. The company will maximize its performance to generate the most profit, including avoiding taxes. In addition, the size of a company also shows how much assets the company has. Therefore, larger companies tend to raise more money by working systemically, making better tax planning to achieve greater tax savings, and committing tax violations legally. In the end, larger companies will also earn greater profits. This is in line with Violentine's theory (2022). In practice, the size of a business will be proportional to the number of transactions it conducts. The industry has the legal ability to utilize tax avoidance opportunities behind business transactions. In addition, large companies operating worldwide choose to avoid higher taxes than companies operating domestically. This is due to the fact that they can generate profits for their companies in other countries, where those countries levy lower taxes than their domestic tax burden. However, small companies find it difficult to avoid higher taxes than large companies. Business size affects tax avoidance. Any company that has more assets will have a larger size, so an increase in company size will result in greater tax avoidance (Asih and Darmawati, 2022).
H3: Tax evasion is positively impacted by firm size.
Institutional ownership relationship can weaken profitability against tax Avoidance
Institutional ownership, which has been proven to improve company performance, has the ability to strengthen the relationship between profitability and tax avoidance practices. This phenomenon arises because the higher the institutional ownership, the company tends to have a stronger motivation to increase profits, with the aim of improving the welfare of stakeholders. This motivation encourages companies to systematically design tax avoidance strategies to reduce the tax burden that must be paid. This finding has the support of the results of

Putri and Putra's (2017) research, which states that institutional ownership has a role in strengthening the effect of profitability on tax avoidance practices.
H4: When it comes to tax evasion, institutional ownership can mitigate the impact of profitability.
Institutional Ownership Relationships Can Increase Financial Pressure on Tax Avoidance

The influence of institutional ownership on tax avoidance methods varies. An increase in the value of institutional holdings can cause financial distress, which can lead to a decrease in tax avoidance practices. With institutional ownership comes more scrutiny of management, more corporate performance, and more efforts to prevent broader tax avoidance. As a result, companies are more likely to focus on improving their financial health and maintaining their cash flow. To maintain a company's financial performance, good governance is essential; Otherwise, the company's financial performance can decline and even lead to financial distress. In such circumstances, companies are considered too risky to avoid tax because it can hamper the company's funding activities. The results of this research are in line with Anugerah & Herianti (2022) who state that institutional ownership reduces financial distress and weakens it.
H5: Institutional ownership can influence financial distress on tax avoidance

Institutional ownership relationship can strengthen firm size against tax avoidance
The results showed that the relationship between company size and tax evasion practices can be influenced by the role of institutional ownership. Therefore, it is hypothesized that the effect of company size on tax avoidance is reduced by institutional ownership (Fiandri et al., 2017). Institutional shareholders, such as financial institutions and pension funds, have a long-term interest in business operations and have the ability to encourage companies to be more transparent and comply with tax regulations. In addition, company size can have an impact on available resources and operational complexity. As a result, companies can be influenced in terms of their ability to implement complex tax strategies (Amaliah et al., 2021). In the presence of active institutional shareholders, the relationship between firm size and tax avoidance may change. As a result, institutional ownership is critical to understanding how firm size affects tax avoidance (Dhypalonika, 2018).
H6: Institutional Ownership can moderate the effect of firm size on tax avoidance

III. METHODS

This investigation used a quantitative methodology. This method uses statistics to measure study variables and carry out statistical operations in order to test theories. Twenty manufacturing firms that were listed between 2018 and 2022 on the Indonesia Stock Exchange were the subject of this study. The research was conducted for 5 years, from 2018 to 2022. The number of samples analyzed was 100. Data collection is done through documentation studies, which is an approach that does not conduct direct research but relies on existing data in documents. The Indonesia Stock Exchange (www.idx.co.id) is the best place to find all the information. The classical assumption test, hypothesis testing, F test (simultaneous), and T test (partial) were used to check the results of this study.

IV. RESULT AND DISCUSSION

Descriptive statistical

Tabel 1. Statistik deskriptif

	TA	ROA	FINDIS	SIZE
Mean	2.228381	2.804733	8631.315	12.31863
Median	0.239131	0.071504	5504.197	12.22929
Maximum	188.5019	122.4407	40910.68	14.25372
Minimum	0.000195	0.001210	1053.700	10.12373
Std Dev.	18.82890	17.03334	8453.202	0.768885
Observations	100	100	100	100

Source: Output Eviews 25, 2023

It is known that the smallest profitability value is 0.00 and the maximum value is 122.44 based on table 2 descriptive statistics. Profitability has a mean of 2.80 and a standard deviation of 17.03. Finance Distress has a minimum value of 10.70 and a maximum value of 40.68. Finance Distress has an average (mean) of 86.31 and a standard deviation of 84.20. The lowest and maximum values of Firm Size are 10.12 and 14.25, respectively. The standard deviation is 0.76 and the mean is 12.31 for firm size. The value of tax evasion (Y) ranges from 0.00 at the minimum to 18.50 at the greatest. The mean (average) of tax evasion is 2.22, and the standard deviation is 18.82.

Regression estimation model analysis

Tabel 2. Random effect model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-7.350.599	3.351.638	-0.219314	0.8269
ROA	-0.013335	0.119399	-0.111682	0.9113
FINDIS	-0.000170	0.000238	-4.715.015	0.0063
SIZE	0.899975	0.696352	7.333.775	0.0093
Effects Specification			S.D.	Rho
Cross-section random			2.638.818	0.0186
Idiosyncratic random			1.916.310	0.9814
Weighted Statistics				
R-squared	0.507126	Mean dependent var		2.129.708
Adjusted R-squared	0.423901	S.D. dependent var		1.867.020
S.E. of regression	8.089.200	Sum squared resid		34263.15
F-statistic	9.229.680	Durbin-Watson stat		2.557.641
Prob(F-statistic)	0.000021			
Unweighted Statistics				
R-squared	0.007796	Mean dependent var		2.228.381
Sum squared resid	34824.58	Durbin-Watson stat		2.516.407

Source: Output Eviews 25, 2023

Table 3. Summary of Regression Model Selection

No	Selection Test Type	Model Comparison	Selected Model
1	Chow	Fixed Effect Vs Common Effect	Commont Effect
2	Hausman	Fixed Effect VS Random Effect	Random Effect
3	Lagrange Multiplier	Common Effect VS Random Effect	Random Effect

Source: Data Processed, 2023

Based on the table above, the selected model is Random Effect, therefore the next analysis is based on the Random Effect model as presented in table 3.

Hypothesis testing
The t-test

Table 4. T-test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-7.350.599	3.351.638	-0.219314	0.8269
ROA	-0.013335	0.119399	-0.111682	0.9113
FINDIS	-0.000170	0.000238	-4.715.015	0.0063
SIZE	0.899975	0.696352	7.333.775	0.0093

Source: Data Processed, 2023

Based on the presentation of Table 4.above with the t_{table} value obtained of 1.992 (df = 78), the results of data processing using Eviews, as follows:

Profitability (X_1)

The t_{hitung} value is -0.111 and the t_{table} is 1.992. Because $t_{hitung} < t_{tabel}$ and a significant value of 0.91> 0.05, Ha_1 is rejected and $H0_1$ is accepted, meaning that there is no significant effect between profitability on tax avoidance.

Finance Distress (X_2)

The t_{count} value is -4.715 and the t_{table} is 1.992. Because $t_{count}>t_{table}$ and a significant value of 0.00 <0.05, Ha_2 is accepted and $H0_1$ is rejected, meaning that there is a significant influence between Finance Distress on tax avoidance.

Firm Size (X_3)

The $_{tcount}$ value is 7.333 and the t_{table} is 1.992. Because $t_{count}>t_{table}$ and a significant value of 0.00 <0.05, Ha_3 is accepted and $H0_1$ is rejected, meaning that there is a significant influence between Firm Size on tax avoidance.

Simultaneous significant test (F Test)

Table 5. F Weighted Statistics test

R-squared	0.507126	Mean dependent var	2.129.708
Adjusted R-squared	0.423901	S.D. dependent var	1.867.020
S.E. of regression	8.089.200	Sum squared resid	34263.15
F-statistic	9.229.680	Durbin-Watson stat	2.557.641
Prob(F-statistic)	0.000021		

Source: Eviews output, data processed by researchers, 2023

Based on the data from table 5 above, the results of the simultaneous significant test that F_{hitung} is 9,229 and a significant level of 0.000 <0.05, the regression model is declared feasible, meaning that Profitability, Finance Distress, Firm Size, are able to explain the tax avoidance variable.

Determination Test (R^2)

Table 6. Test Results Coefficient of Determination (R^2)

R-squared	0.507126	Mean dependent var	2.129.708
Adjusted R-squared	0.423901	S.D. dependent var	1.867.020
S.E. of regression	8.089.200	Sum squared resid	34263.15
F-statistic	9.229.680	Durbin-Watson stat	2.557.641
Prob(F-statistic)	0.000021		

Source: Eviews output, data processed by researchers, 2023

As can be seen from the data in Table 6 above, the R Square value is 0.507. This demonstrates that all independent variables—profitability, financial distress, and firm size—have a 50.7% impact on the dependent variable, tax avoidance, with other variables not included in the study accounting for the remaining 49 .3%.

.

Moderated regression analysis (MRA)

Tabel 7. Uji moderation test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.862.602	0.666282	5.797.247	0.0000
ROA*IO	0.007930	0.002699	2.938.117	0.0044
FINDIS*IO	4.21E-06	3.85E-06	1.094.777	0.2770
SIZE*IO	0.315694	0.128262	2.461.311	0.0161

Source: Eviews output, data processed by researchers, 2023

Based on the results of the moderation test, it can be concluded that the relationship between institutional ownership and profitability can moderate the impact of profitability on tax avoidance. The t statistical value of 2.938> 1.992 and the significant value of 0.00 <0.05 indicate that institutional ownership can strengthen the relationship between profitability and tax avoidance, supporting the acceptance of this hypothesis.

Looking at the t statistical value of -1.094 <1.992 and a significant value of 0.277>0.05, it can be concluded that this hypothesis is rejected. Based on the moderation test above, it can be said that the institutional ownership relationship can moderate the effect of Finance Distress on tax avoidance. This proves that institutional ownership cannot weaken / strengthen the relationship between Finance Distress and tax avoidance.

The institutional ownership relationship can strengthen the relationship between Firm Size and tax avoidance by looking at the t statistic value of 2.461> 1.992 and a significant value of 0.01 <0.05, which supports the hypothesis that institutional ownership can moderate the effect of Firm Size on tax avoidance. This conclusion is supported by the moderation test above.

V. DISCUSSION

The impact of profitability on tax avoidance

The results prove the first hypothesis of the study, namely that profitability does not affect tax avoidance. Instead, the results show that companies with higher Return on Asset (ROA) have a greater impact on tax avoidance methods. Previous studies by Irawati et al. (2020), Riskatari & Jati (2020), and Ainniyya et al. (2021) also show that profitability affects tax avoidance. Tax avoidance is not impacted by profitability. This is due to the fact that businesses, regardless of profitability, must weigh the advantages and disadvantages of tax avoidance before making a decision (Napitupulu et al., 2020). This is because companies have to pay taxes that can enhance their reputation in order to comply with tax requirements. Furthermore, because they track their income and tax payments more regularly, businesses with high profits are also less likely to violate the law, according to research by Fauzan et al. (2019).

The impact of financial distress on tax avoidance

The results support the second hypothesis of the study, which states that financial stress has a negative impact on tax avoidance. These results indicate that the level of financial stress of each company can affect tax avoidance methods. According to Meilia and Adnan (2017), companies that experience more frequent financial crises have an impact on tax avoidance. In addition, Riantami and Triyanto (2018) and Hartoto (2018) support these results by stating that the financial crisis has a negative impact on tax avoidance efforts, and high levels of financial distress will reduce handling efforts. Agency theory states that early warning models are very important for management in the decision-making process to reduce the possibility of financial problems that can lead to an unstable financial state. Analysis of the financial statements of business actors, which is carried out through financial ratio analysis, can help find financial problems, assess the company's financial position, and measure its health level. According to Rohmadini et al. (2018),

The impact of firm size on tax avoidance

The third hypothesis in this study demonstrates that Firm Size has a beneficial effect on tax evasion, which is supported by the test findings conducted by the researchers and leads to the acceptance of the test results. This implies that tax evasion will be impacted by the company's Firm Size level, whether it is larger or lower. The findings of this investigation support those of Triyanti et al. (2020) and Muda et al. (2020) about the potential tax benefits of larger businesses. When compared to organizations with less assets, those with more assets will be more capable and reliable at producing profits. Large businesses typically possess and rely upon substantial resources, including human personnel with a wealth of taxes knowledge. Large corporations thus frequently engage in tax avoidance because they have access to and support from human resources specialists in tax planning to minimize the tax burden.

The effect of institutional ownership can moderate the effect of profitability on tax avoidance

Based on statistical investigation, the impact of profitability on tax evasion is not mitigated by the institutional ownership variable. Instead, the findings show that institutional ownership actually strengthens the effect of profitability on tax avoidance practices. Thus, the fourth hypothesis which states that institutional ownership moderates the relationship between profitability and tax avoidance can be accepted. Putranti and Setiawan's research (2015) found that institutional shareholders have a tendency to avoid tax avoidance practices so as not to pose a risk to their company's reputation. A company with high institutional ownership can reduce internal conflicts and provide better oversight of management performance. Because investors have ownership in the company, management is forced to implement efficient tax policies to maximize profits. The high profit desired by investors can be seen from the company's profitability value. Strong control from institutional owners can reduce internal management behavior that tends to commit financial fraud, such as tax avoidance.

The effect of institutional ownership can moderate the effect of financial distress on tax avoidance

Statistical analysis shows that institutional ownership variables cannot reduce the impact of financial distress on tax avoidance strategies. In addition, these variables did not strengthen or weaken the relationship between financial distress and tax avoidance. Therefore, the fifth hypothesis discussed in this study is unacceptable. Close scrutiny of management performance by institutional ownership can benefit company performance, improve responsiveness to difficult financial circumstances, and prevent tax violations. High institutional leadership increases investor confidence, reduces the likelihood of internal conflicts, and creates a strong control system. Therefore, when businesses face financial difficulties, they are more likely to concentrate on financial recovery and protecting cash flow rather than engaging in tax avoidance practices. This result is in line with the idea of good corporate governance, which says that poor governance can worsen a company's financial performance and potentially cause financial distress. Therefore, companies are considered too risky to avoid taxes when they experience financial difficulties.

The Effect of institutional ownership can moderate the effect of firm size on tax avoidance

According to the results of statistical data processing, institutional ownership variables have the capacity to moderate firm size on tax prevention, while institutional ownership variables also have the capacity to increase the effect of firm size on tax prevention. Therefore, the research findings are in line with the hypotheses made. Hypothesis 6 is recognized. The results of this study are in line with previous research (Lestari et al, 2023) that company size can be influenced by institutional ownership. No matter how ownership is organized within a company, company size is always associated with a greater proportion of institutional ownership. The more institutional ownership that exists in an organization can have a positive impact on the relationship between organizational size and tax avoidance, because the larger the company will have more control to manage the costs resulting from the volume of transactions it carries out. Because of this efficiency, institutional ownership in large companies will encourage them to use tax avoidance schemes to reduce the corporate tax burden.

VI. Conclusion

Based on the findings of experiments and discussions on the moderating impacts of institutional ownership, firm size, profitability, and financial distress on tax evasion in manufacturing companies listed on the Indonesia Stock Exchange. Thus, this study's conclusion on the impact of profitability on tax evasion can be made. Because of the company's strong profitability, management performance is also typically high, which may have an impact on tax evasion. Tax evasion has not increased as a result of this profitability.

Finance Distress's effects on tax evasion Both high and modest levels of financial distress may have an adverse impact on tax evasion. This implies that tax evasion may rise as a result of financial distress. Firm Size's Effects on Tax Avoidance Because of the company's large firm size, managerial performance typically reflects this as well, which may have an impact on tax evasion. The amount of tax evasion has not increased with this firm size.

It is possible to mitigate the impact of profitability on tax evasion through institutional ownership. Institutional ownership is powerless to mitigate Finance Distress's impact on tax evasion. Establishment ownership may amplify the impact of firm size on tax evasion.

VII. Suggestions

The researcher makes the following recommendations for further research, taking into account the limitations and research findings: management, acting as the company's representative, should protect the company's reputation by avoiding tax avoidance practices as much as possible, since even legal ones will have a negative impact on the business. Additional researchers should enhance the number of samples and perform study on companies other than manufacturing companies listed on the Indonesia Stock Exchange, as well as indicator factors of profitability, finance distress, firm size, and other financial ratio variables.

VIII. Limitations

This study has limitations that can be taken into consideration for subsequent researchers in order to get good results. The limitations in this study are as follows: the independent variables in this study only focus on Profitability, Finance Distress, Firm Size. Researchers do not consider other factors that have the ability to reduce the increase in tax avoidance. This study utilizes secondary data downloaded through the site www.idx.co.id so that the results of this study are not accurate enough in conveying information about the variables that are made into research, this is due to the limited time and costs that researchers have in conducting research.

REFERENCE

[1]. Achmad Badjuri, J. A. (2021). Peran Corporate Social Responsibility Sebagai Pemoderasi Dalam Mprediksi Profitabilitas Dan Ukuran Perusahaan Terhadap Agresivitas Pajak Di Indonesia: Kajian Teori Legitimasi. JBE Vol. 28, (1): 1 - 19, 2021, 28, 1-19.
[2]. Arianandini, P. W., & Ramantha, I. W. (2018). Pengaruh profitabilitas, leverage, dan kepemilikan institusional pada tax avoidance. E-Jurnal Akuntansi Universitas Udayana, 22(3), 2088-2116.
[3]. Aristyatama, H. A., & Bandiyono, A. (2021). Transfer Pricing Aggressiveness, Income Smoothing, and Managerial Ability to Avoid Taxation. Jurnal Ilmiah Akuntansi dan Bisnis, 16(2), 279-297.
[4]. Ayuningtyas, N. P. W., & Sujana, I. K. (2018). Pengaruh proporsi komisaris independen, leverage, sales growth, dan profitabilitas pada tax avoidance. E-Jurnal Akuntansi Universitas Udayana, 25(3), 1884-1912.
[5]. Astuti, R. (2021). Pengaruh Kepemilikan Manajerial Dan Kepemilikan Institusional Terhadap Kinerja Keuangan Perusahaan (Studi Kasus pada Perusahaan Manufaktur Sub Sektor Food & Beverage yang Terdaftar di Bursa Efek Indonesia Periode Tahun 2017-2019) (Doctoral dissertation, Sekolah Tinggi Ilmu Ekonomi Indonesia).
[6]. Amalia, F. A. (2019). Pengungkapan Corporate Social Responsibility (CSR) Dan Penghindaran Pajka: Kepemilikan Institusional Sebagai Variabel Moderasi. Jurnal Akuntansi & Ekonomi FE. UN PGRI Kediri Vol.4 No.2, Maret 2019, 21
[7]. Dewi, N. K., & Nurhayati, N. (2021). Pengaruh Rasio Profitabilitas dan Rasio Leverage terhadap Penghindaran Pajak. Prosiding Akuntansi, 6(2), 740-743.
[8]. Deanna Puspita, M. F. (2020). Faktor-Faktor Yang Mempengaruhi Penghindaran Pajak Pada Perusahaan Manufaktur Di Bursa Efek Indonesia. Jurnal Bisnis dan Akuntansi, Vol. 18 No. 4, 2020, 18, 38-46.
[9]. Espi Noviyani, D. M. (2019). Pengaruh Return On Assets, Leverage, Ukuran Perusahaan, Intensitas Aset Tetap, Dan Kepemilikan Institusional Terhadap Penghndaran Pajak. Diponegoro Journal Of Accounting Volume 8, Nomor 3, Tahun 2019, 8, 1-11.
[10]. Ghozali, Imam. 2018. Aplikasi Analisis Multivariate dengan Program IBM SPSS 25. Badan Penerbit Universitas Diponegoro: Semaran
[11]. Gultom, M. L., Purba, D. P., Zepria, & Sinaga, R. (2019). Pengaruh Current Ratio (Rasio Lancar), Return on Equity Dan Total Asset Turn Over (Tato) Terhadap Harga Saham Pada Sector Consumer Goods Industry Di Bursa Efek Indonesia. Jurnal Global Manajemen, 8, 35–44.
[12]. Hidayatul Awalina Maulidah, D. P. (2019). Pengaruh Corporate Social Responsibility, Intensitas Modal, dan Persaingan Terhadap Agresivitas Pajak Perusahaan. Jurnal Akuntansi Unesa, 8 (1), 1-9.
[13]. Haryono, S. A., Fitriany, & Fatima, E. (2017). Pengaruh Struktur Modal dan Struktur Kepemilikan
[14]. Hanum, Z., & Muda, I. (2020). Effect of Tax Planning on Profit Management in Registered Food and Beverage Sub Sector Manufacturing Companies On the Indonesia Stock Exchange. Junior Scientific Researcher, 6(1), 48-57.
[15]. Hermaya Ompusunggu, S. E., Ak, M., & Wage, M. S. (2021). Manajemen Keuangan. CV Batam Publisher.
[16]. Irawati, W., Akbar, Z., Wulandari, R., & Barli, H. (2020). Analisis Profitabilitas, Leverage, Pertumbuhan Penjualan Dan Kepemilikan Keluarga Terhadap Penghindaran Pajak. JAK (Jurnal Akuntansi) Kajian Ilmiah Akuntansi, 7(2), 190-199.
[17]. Icha Sendina Dillareta, E. W. (2021). Pengaruh Corporate Social Responbility (CSR) Terhadap Tax Avoidance. Prive, 4 (1), 84-94.
[18]. I Made Sujendra, N. M. (2019). The Effect of Corporate Social Responsibility Disclosure, Family Ownership, and Good Corporate Governance in Tax Avoidance. Research Journal of Finance and Accounting Vol.10, No.6, 2019, 10, 44-49.
[19]. Indah Novriyantia, W. W. (2020). Faktor-Faktor yang Mempengaruhi Penghindaran Pajak. Journal of Applied Accounting and Taxation Vol. 5, No. 1, March 2020, 5, 24-35.
[20]. Indriati Siti Pratiwi, C. D. (2017). The Role of Corporate Political Connections in the Relation of CSR and Tax Avoidance: Evidence from Indonesia. Review of Integrative Business and Economics Research, Vol. 6, Supplementary Issue 1, 6, 345-358.
[21]. Januari, D. M. D., & Suardikha, I. M. S. (2019). Pengaruh Corporate Social Responsibility, Sales Growth, dan Profitabilitas Terhadap Tax Avoidance. E-Jurnal Akuntansi, 27(3), 1653. https://doi.org/10.24843/eja.2019.v27.i03.p0
[22]. Kementerian Perdagangan. (n.d.). kemendag.go.id. Retrieved Juni 23, 2019, from Kementerian Perdagangan Republik Indonesia: http://www.kemendag.go.id/id/economic-profile/10-main-and-potential-commodities/10-main-commodities
[23]. Aviantara, R. (2023). Scoring the financial distress and the financial statement fraud of Garuda Indonesia with «DDCC» as the financial solutions. Journal of Modelling in Management, 18(1), 1–16. https://doi.org/10.1108/JM2-01-2020-0017
[24]. Budiharjo, R., Supriatiningsih, & Irawan, A. (2020). The Influence Of Institutional Ownership , Managerial Ownership , Leverage And Firm Sizes On Integrity Of Financial Statements The Influence Of Institutional Ownership , Managerial Ownership , Leverage And Firm Sizes On Integrity Of Financial Statements. Quest Journals Journal of Software Engineering and Simulation, 6(3884), 30–37.
[25]. Mekling, J. &. (1976). Journal of Financial Economic 3. Human Relations, 72(10), 1671–1696. https://doi.org/10.1177/0018726718812602

[26]. Supriatiningsih, H. D. (2023). Peran Corporate Governance Terhadap Tax Avoidance pada Perusahaan di Indonesia. Widyakala Journal, 10(1), 20–28. https://doi.org/Volume 10, Issue 1, Mahttps://doi.org/10.36262/widyakala.v10i1.685
[27]. Kasmir. 2019. Analisis Laporan Keuangan. Edisi Pertama. Cetakan Keduabelas.
PT Raja Grafindo Persada. Jakarta
[28]. Lestari, H. T., & Ovami, D. C. (2020). Pengaruh Corporate Governance Terhadap Tax Avoidance Pada Perusahaan Asuransi di Indonesia. Journal of Trends Economics and Accounting Research, 1(1), 1-6.
[29]. Lusiana Claudia & Susi Dwi Mulyani (2020) Pengaruh strategi bisnis dan sales grwoth terhadap tax avoidance dengan capital intensity sebagai variabel pemoderasi, 3
[30]. Lidia Wahyuni, R. F. (2017, July). The Effect of Business Strategy, Leverage, Profitability and Sales Growth on Tax Avoidance. IMAR (Indonesian Management and Accounting Research), 16, 67-80.
[31]. Meckling, M. C. (1976). Theory Of The Firm: Managerial Behavior, Agency Costs And Ownership Structure. Journal of Financial Economics 3 (1976), 305-360.
[32]. Memen Kustiawan, Prawira, Ida Farida Adi, Hanifa Zulhaim &. Ikin Solikin. (2019). Tax
[33]. knowledge, Tax Morale, and Tax Compliance: Taxpayers' View. The International Journal of Business Management and Technology, 3(1).
[34]. Mahdiana, M. Q., & Amin, M. N. (2020). Pengaruh profitabilitas, leverage, ukuran perusahaan, dan sales growth terhadap tax avoidance. Jurnal Akuntansi Trisakti, 7(1), 127-138.
[35]. Margaretha, Farah., 2019., Manajemen Keuangan Investasi dan Sumber Dana Jangka Panjang, Grasindo, Jakarta.
[36]. Oktavia, R., & Hananto, H. (2018). Pengaruh Kepemilikan Keluarga, Kontrol Keluarga Pemilik, Dan Manajemen Keluarga Pemilik Terhadap Tindakan Pajak Agresif Pada Perusahaan Manufaktur Yang Terdaftar Di BEI Periode 2013-2015. Akuntansi dan Teknologi Informasi, 12(1).
[37]. Preston, T. D. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. The Academy of Management Review, 20 (1), 65-91.
[38]. Purwanto, Agus dan Idzni Irsalina Nur. 2017. Pengaruh ketertarikan Investor Asing dan Kepemilikan Institusional Terhadap Penghindaran Pajak Perusahaan. Jurnal Akuntansi, 6(1),v1-12. Universitas Dipenogoro. Semarang
[39]. Praditasari, N. K. A., & Setiawan, P. E. (2017). Pengaruh Good Corporate Governance, Ukuran Perusahaan, Leverage Dan Profitabilitas Pada Tax Avoidance. E-Jurnal Akuntansi Universitas Udayana, 19(2), 1229-1258.
[40]. Raymond E. Miles, C. C. (1978). Organizational Strategy, Structure, and Process. Academy of Management Review , 546-562.
[41]. Rezia Bayu Charisma, S. D. (2019). Pengaruh Struktur Kepemilikan Terhadap Tindakan Penghindaran Pajak Dengan Kualitas Audit Sebagai Variabel Moderating. Sosial dan Humaniora, 1-10.
[42]. Tuti Indirawati, S. D. (2019). Pengaruh Kepemilikan Keluarga Dan Leverage Terhadap Tax Avoidance Dengan Menggunakan Strategi Bisnis Sebagai Variabel Moderasi. Prosiding Seminar Nasional Pakar ke 2 Tahun 2019 Buku 2: Sosial dan Humaniora, 1-8.
[43]. Windy Maharani, A. J. (2019). Pengaruh Kepemilikan Keluarga Terhadap Tax Avoidance Dengan Kualitas Audit Sebagai Variabel Moderating. Diponegoro Journal Of Accounting Volume 8, Nomor 4, Tahun 2019, 8, 1-10.
[44]. Zeng, T. (2018). Relationship between corporate social responsibility and tax avoidance: international evidence. Social Responsibility Journal, 1-15.
[45]. Wirdaningsih et al.(2018). Pengaruh Kepemilikan Keluarga Terhadap Penghindaran Pajak Dengan Efektivitas Komisaris Independen dan Kualitas Audit Sebagai Pemoderasi. Volume 15(29).
[46]. Gaaya et al.(2017). Does Family Ownership Reduce Corporate Tax Avoidance? The Moderating Effect of Audit Quality. Volume 32(7)
[47]. Riantami v. L., &. T. (2018). Pengaruh proporsi komisaris independen, financial distress, intensitas aset tetap, dan pertumbuhan penjualan terhadap tax avoidance. Aksara public, 2(4), 23-35
[48]. Rob Gray, R. K. (1995). Corporate social and environmental reporting: A review of the literature and a longitudinal study of UK disclosure. Accounting, Auditing & Accountability Journal, 8 (2), 47-77.
[49]. Rudi Harianto, 2020. Pengaruh strategi bisnis, kepemilikan institusional dan kebijakan utang terhadap penghindaran pajak. Vo.02, No.1, Februari 2020.
[50]. Riskatari, N. K. R., & Jati, I. K. (2020). Pengaruh Profitabilitas, Leverage dan Ukuran Perusahaan pada Tax Avoidance. E-Jurnal Akuntansi, 30(4), 886.
[51]. Satriana, G. C. (2017). Pengaruh likuiditas, petumbuhan penjualan, efisiensi modal kerja, dan leverage terhadap profitabilitas (studi kasus pada PT. Kereta Api Indonesia (Persero) Tahun 2008-2014) (Doctoral dissertation, Universitas Mercu Buana Yogyakarta).
[52]. Sinaga, R., & Malau, H. (2021). Pengaruh Capital Intensity dan Inventory Intensity Terhadap Penghindaran Pajak. Jurnal Ilmiah Mahasiswa Manajemen, Bisnis Dan Akuntansi (JIMMBA), 3(2), 311-322.
[53]. Sonia, S., & Suparmun, H. (2019, February). Factors influencing tax avoidance. In 5th Annual International Conference on Accounting Research (AICAR 2018) (pp. 238-243). Atlantis Press.
[54]. Sugiyono (2019). Metode Penelitian Kuantitatif, Kualitatif, dan R&D. Bandung: Alphabet.
[55]. Supriatiningsih, S., Ismail, T., Taqi, M., & Hanifah, I. (2023, September). The Effect of Commercial Governance on Tax Avoidance. In Proceedings of the International Conference on Sustainability in Technological, Environmental, Law, Management, Social and Economic Matters, ICOSTELM 2022, 4-5 November 2022, Bandar Lampung, Indonesia.
[56]. Supriatiningsih, S., & Darwis, H. (2023). Peran Corporate Governance Terhadap Tax Avoidance pada Perusahaan di Indonesia. Widyakala Journal: Journal of Pembangunan Jaya University, 10(1).
[57]. Sumiati, A., & Ainniyya, S. M. (2021, December). Effect of Profitability, Leverage, Size, Capital Intensity, and Inventory Intensity toward Tax Aggressiveness. In Journal of International Conference Proceedings (JICP) (Vol. 4, No. 3, pp. 245-255).
[58]. Susanti, E. (2018). Pengaruh Profitabilitas, Leverage, Sales Growth dan Ukuran Perusahaan terhadap Penghindaran Pajak (Studi Empiris pada Perusahaan Sektor Pertambangan dan Sektor Pertanian yang Listing di Bursa Efek Indonesia 2012-2017).
[59]. Sutomo, H., & Djaddang, S. (2017). Determinan Tax Avoidance Perusahaan Manufaktur di Indonesia. Jurnal Riset Akuntansi & Perpajakan (JRAP), 4(01), 32-46.
[60]. Triyanti, N. W., Titisari, K. H., & Dewi, R. R. (2020). Pengaruh Profitabilitas, Size, Leverage, Komite Audit, Komisaris Independen dan Umur Perusahaan terhadap Tax Avoidance. Jurnal Ilmiah Universitas Batanghari Jambi, 20(1), 113-120
[61]. Tuti Indirawati & Susi Dwimulyani (2019) Pengaruh kepemilikan keluarga dan leverage tehadap tax avoidance dengan menggunakan strategi bisnis sebagai variabel moderasi. ISSN : 2615-2584
[62]. Tutut Rina Apriani, S. P. (2018). Pengaruh Profitabilitas dan Pengungkapan Corporate Social Responsibilty Terhadap Penghindaran Pajak. Jurnal Ilmu dan Riset Akuntansi, 1-21.
[63]. Wirawan, I., & Sukartha, I. (2018). Pengaruh Kepemilikan Keluarga dan Ukuran Perusahaan pada Agresivitas Pajak dengan Corporate Governance Sebagai Variabel Pemoderasi. E-Jurnal Akuntansi Universitas Udayana, 23(1), 595-625.

[64]. Wardani, D. S. (2018). Pengaruh Strategi Bisnis dan Karakteristik Perusahaan Terhadap Penghindaran Pajak. Akuntansi Dewantara Vol.2 No.1 April 2018, 34.
[65]. Whardani, D. K., & Khoiriyah, D. (2018). Pengaruh Strategi Bisnis dan Karakteristik Perusahaan terhadap Penghindaran Pajak. JurnalAkuntansi Dewantara, Vol. 2, No. 1. Hal 25-36
[66]. Zoebar, M. K. Y., & Miftah, D. (2020). Pengaruh Corporate Social Responsibility, Capital Intensity Dan Kualitas Audit Terhadap Penghindaran Pajak. Jurnal Magister Akuntansi Trisakti, 7 (1), 25. https://doi.org/10.25105/jmat.v7i1.6315
[67]. Widianatasari, A., & Purwanti, E. Y. (2021). Pengaruh Kualitas Institusi, Government Size, Dan Foreign Direct Investment Terhadap Pertumbuhan Ekonomi (Doctoral dissertation, UNDIP: Fakultas Ekonomika dan Bisnis).