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The Effect of Liquidity, Profitability, Leverage, and Firm Size on Tax Avoidance in Consumer Non-Cyclicals Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

Tax avoidance is one of the important issues in taxation because it has the potential to reduce state revenue, while taxes are the main source of funding for national development. The purpose of this study is to identify and analyze the effect of liquidity, profitability, leverage, and company size partially on tax avoidance in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange for the 2021–2025 period. This study used a quantitative approach with associative research type. The research population consisted of consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange, while the sample was determined by using purposive sampling based on certain criteria. The data was secondary data obtained from the companies' annual financial statements. Data analysis was conducted by using multiple linear regression analysis with the SPSS Statistics version 27 after fulfilling the classical assumption tests. The results showed that liquidity, profitability, and leverage had a negative and significant effect on tax avoidance, while company size had a positive and significant effect on tax avoidance. These findings indicated that financial conditions and company characteristics influence a company's tendency to engage in tax avoidance. This research is expected to contribute to the development of literature in the field of tax accounting and be a reference for companies and stakeholders in formulating more effective tax policies.

1. Introduction

The Taxes constitute a vital source of state revenue for financing national development. For companies, however, taxes represent an obligation that directly affects after-tax profits. This divergence of interests encourages companies to manage their tax obligations efficiently, although such strategies must remain within the boundaries of applicable tax regulations (Directorate General of Taxes, 2024; Mardiasmo, 2023). From an agency perspective, conflicts of interest between shareholders and management may also influence corporate decisions, including decisions concerning the management of tax obligations (Hanlon & Heitzman, 2010; Jensen & Meckling, 1976).

Tax avoidance is commonly assessed using the Effective Tax Rate (ETR), calculated as tax expense divided by profit before tax. A lower ETR is generally associated with a lower effective tax burden and may indicate a higher tendency toward tax avoidance. Nevertheless, ETR can also be influenced by other factors and does not independently establish the existence of tax avoidance (Awaliah et al., 2022; Drake et al., 2020; Hanlon & Heitzman, 2010; Wulandari et al., 2023). Therefore, the interpretation of empirical findings must distinguish the direction of the relationship with ETR from the direction of tax avoidance itself.

Several financial characteristics may be associated with corporate tax management decisions. Liquidity reflects a company's ability to meet short-term obligations, profitability indicates its capacity to generate earnings, leverage represents the use of debt in financing business activities, and firm size is commonly measured using total assets (Hery, 2021; Kasmir, 2021). These characteristics may influence a company's financial capacity, financial obligations, and decisions regarding its tax burden.

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Previous studies have investigated the relationships between financial characteristics and tax avoidance across various business sectors, including manufacturing, mining, and consumer non-cyclicals companies. Relevant studies include those conducted by Mentari and Wi (2019), Thoha and Wati (2021), Rahmawati et al. (2021), Fadhila and Andayani (2022), Puspita and Wulandari (2023), and Tjahyadi (2024). However, differences in research periods, industrial characteristics, and variable measurement approaches provide a basis for further empirical examination of these relationships.

The research gap addressed in this study concerns the need to examine liquidity, profitability, leverage, and firm size simultaneously within the Consumer Non-Cyclicals sector during the 2021–2025 period. Although previous studies have investigated similar variables, differences in sectoral contexts and observation periods provide an opportunity to examine whether these financial characteristics are significantly associated with tax avoidance in the selected research context.

Based on this background, the research problem concerns whether liquidity, profitability, leverage, and firm size individually influence tax avoidance among Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange during 2021–2025. Accordingly, this study aims to analyze the partial effects of liquidity, profitability, leverage, and firm size on tax avoidance.

Theoretically, this study contributes to the tax accounting literature by providing empirical evidence concerning the relationship between corporate financial characteristics and tax avoidance, particularly through the agency perspective. Practically, the findings are expected to provide insights for companies in managing tax obligations in accordance with applicable regulations and for stakeholders in evaluating corporate financial conditions and tax-related decisions. The novelty of this study lies in its examination of four financial characteristics within the Consumer Non-Cyclicals sector over the 2021–2025 observation period.

2. Literature Review

2.1. Conceptual and Theoretical Foundations

2.1.1. Agency Theory

Agency theory explains the relationship between principals, who delegate authority, and agents, who are responsible for managing organizational activities. Differences in interests between shareholders and management may create conflicts concerning corporate decisions, including financial management and tax obligations (Jensen & Meckling, 1976). In the context of taxation, management may pursue strategies to manage the company's tax burden while maintaining profitability and financial performance. These decisions provide a theoretical basis for examining the relationship between corporate financial characteristics and tax avoidance (Hanlon & Heitzman, 2010).

2.1.2. Tax Avoidance

Tax avoidance refers to corporate efforts to reduce tax obligations through tax management strategies within the applicable regulatory framework. One commonly used measurement is the Effective Tax Rate (ETR), calculated by dividing tax expense by profit before tax. A lower ETR generally indicates a lower effective tax burden and is commonly associated with a higher level of tax avoidance. Nevertheless, ETR must be interpreted carefully because other factors may also influence its value (Awaliah et al., 2022; Drake et al., 2020; Hanlon & Heitzman, 2010; Wulandari et al., 2023).

2.1.3. Liquidity

Liquidity represents a company's ability to meet its short-term financial obligations. In this study, liquidity is measured using the Current Ratio (CR), calculated by dividing current assets by current liabilities. Liquidity provides an indication of the company's capacity to fulfill its short-term obligations and may be associated with decisions concerning financial and tax management (Kasmir, 2021).

2.1.4. Profitability

Profitability reflects a company's ability to generate earnings from the resources it controls. This study measures profitability using Return on Assets (ROA), calculated by dividing net income by total assets. Profitability represents an important financial characteristic because it reflects the company's earnings-generating capacity and is relevant to the assessment of its tax burden (Hery, 2021).

2.1.5. Leverage

Leverage describes the extent to which a company uses debt to finance its operations and

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assets. This study measures leverage using the Debt-to-Equity Ratio (DER), calculated by dividing total debt by total equity. Debt financing may influence taxable income because interest expenses can affect the amount of profit subject to taxation (Kasmir, 2021).

2.1.6. Firm Size

Firm size represents the scale of a company's operations and resources. In this study, firm size is measured using the natural logarithm of total assets. Total assets provide an indication of the company's economic scale and financial resources, which may be associated with its tax management practices (Hery, 2021).

2.2. Review of Empirical Studies

Previous empirical research has examined the relationship between liquidity, profitability, leverage, firm size, and tax avoidance across different industrial contexts.

Mentari and Wi (2019) examined the effects of liquidity, leverage, profitability, and firm size on tax avoidance in food and beverage manufacturing companies listed on the Indonesia Stock Exchange. Thoha and Wati (2021) investigated the effects of leverage, liquidity, firm size, and profitability on tax avoidance in mining companies. Similarly, Rahmawati et al. (2021) examined profitability, leverage, firm size, capital intensity, and company age as determinants of tax avoidance.

Fadhila and Andayani (2022) investigated the relationship between financial distress, profitability, leverage, and tax avoidance. Puspita and Wulandari (2023) examined the effects of audit committees, audit quality, firm size, and profitability on tax avoidance. Furthermore, Tjahyadi (2024) investigated profitability, capital intensity, leverage, and sales growth in relation to tax avoidance among Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange.

In addition to studies examining corporate financial characteristics, research by Awaliah et al. (2022) discussed corporate tax avoidance trends in Indonesia through ETR analysis. Drake et al. (2020) examined whether declining effective tax rates indicate tax avoidance, highlighting the importance of interpreting ETR measurements carefully. Hanlon and Heitzman (2010) also provided a comprehensive discussion of tax research, including the measurement and interpretation of corporate tax avoidance.

These studies provide the empirical foundation for examining the relationship between corporate financial characteristics and tax avoidance. However, variations in research settings, observation periods, and measurement approaches indicate the importance of further examination within specific industrial sectors.

2.3. Identification of the Research Gap

Based on the theoretical foundations and previous empirical studies, the research gap arises from differences in industrial contexts, observation periods, and combinations of variables examined in earlier research. Previous studies have investigated liquidity, profitability, leverage, and firm size in manufacturing, mining, and other corporate sectors (Mentari & Wi, 2019; Thoha & Wati, 2021; Rahmawati et al., 2021; Fadhila & Andayani, 2022; Puspita & Wulandari, 2023).

Although Tjahyadi (2024) also examined tax avoidance in the Consumer Non-Cyclicals sector, differences in the research variables and observation periods provide an opportunity for further investigation.

Therefore, this study addresses the need for additional empirical evidence regarding the partial relationships of liquidity, profitability, leverage, and firm size with tax avoidance among Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange during 2021–2025.

2.4. Development of the Conceptual Framework

This study examines four independent variables: liquidity, profitability, leverage, and firm size. Tax avoidance, measured using the Effective Tax Rate (ETR), serves as the dependent variable.

Liquidity is represented by the Current Ratio (CR), profitability by Return on Assets (ROA), leverage by the Debt-to-Equity Ratio (DER), and firm size by the natural logarithm of total assets. These variables are examined individually to determine their relationships with the dependent variable.

The conceptual framework is structured as follows:

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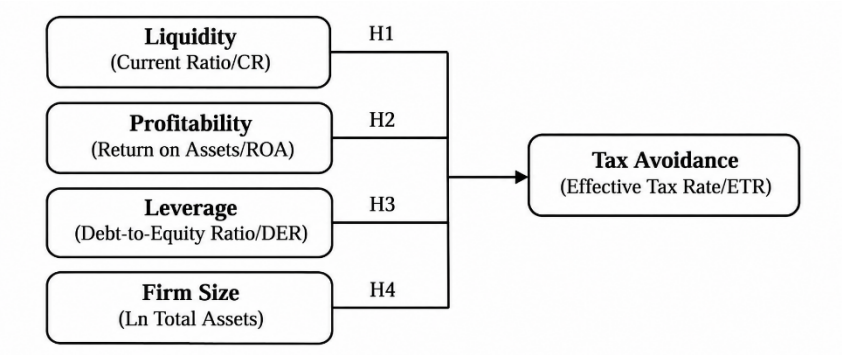


Fig. 1. Conceptual Framework of the Study
Source: Developed based on the research variables.

2.5. Hypotheses Development

Based on the research objectives, conceptual framework, and previous empirical studies, the following hypotheses are formulated:

H1: Liquidity has a significant effect on tax avoidance.

H2: Profitability has a significant effect on tax avoidance.

H3: Leverage has a significant effect on tax avoidance.

H4: Firm size has a significant effect on tax avoidance.

These hypotheses are examined through partial regression testing. Because the dependent variable is measured using ETR, the interpretation of the coefficient directions must consider the inverse relationship between ETR and the commonly understood direction of tax avoidance.

3. Research Methods

3.1. Research Design

This study employs a quantitative approach with an associative research design. The design is used to examine the relationships between liquidity, profitability, leverage, and firm size as independent variables and tax avoidance as the dependent variable. The research approach follows the quantitative research framework described by Sugiyono (2023).

3.2. Research Context and Setting

The research focuses on companies in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange (IDX). The observation period covers 2021–2025. This sector was selected to examine the relationship between corporate financial characteristics and tax avoidance within a specific industrial context.

3.3. Population and Sample / Research Participants

The research population consists of 130 Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange during the 2021–2025 period. The sample was determined using purposive sampling based on the following criteria: companies listed before the observation period, companies that published complete annual financial statements, and companies that did not incur losses during the observation period (Sugiyono, 2023).

Based on these criteria, 47 companies were selected, producing 235 initial firm-year observations. Following data transformation and outlier handling, 207 observations were retained for the regression model.

Table 1. Research Sample Selection Criteria

Criteria	Number (n)
Consumer Non-Cyclicals companies listed on the IDX	130
Excluded: IPO (48), incomplete reports (4), losses (31)	(83)
Final sample companies	**47**
Initial observations (47 companies × 5 years)	235
Observations in the model after transformation and outlier handling	207

Source: Research data, processed by the authors.

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3.4. Data Sources and Data Collection

This study uses secondary data obtained from the annual financial statements of the sampled companies. The data were collected from annual reports available on the official Indonesia Stock Exchange website and the respective companies' official websites. The financial statements provided the information required to calculate the research variables.

3.5. Measurement of Variables and Research Instruments

The study consists of one dependent variable and four independent variables. The operational definitions and measurements are presented below.

Table 2. The Operational Definitions and Measurements

Variable	Measurement	Formula
Tax Avoidance (ETR)	Effective Tax Rate	Tax Expense / Profit Before Tax
Liquidity (CR)	Current Ratio	Current Assets / Current Liabilities
Profitability (ROA)	Return on Assets	Net Income / Total Assets
Leverage (DER)	Debt-to-Equity Ratio	Total Debt / Total Equity
Firm Size	Natural logarithm of total assets	Ln (Total Assets)

Source: Research operationalization based on the financial statements and conceptual definitions of the variables.

The dependent variable is tax avoidance, proxied by the Effective Tax Rate (ETR). The independent variables consist of liquidity, measured using the Current Ratio (CR); profitability, measured using Return on Assets (ROA); leverage, measured using the Debt-to-Equity Ratio (DER); and firm size, measured using the natural logarithm of total assets.

For regression analysis, the model uses LN_ETR as the dependent variable, LN_CR, LN_ROA, and LN_DER as transformed independent variables, while firm size is expressed as the natural logarithm of total assets.

3.6. Data Analysis Techniques

The data were analyzed using multiple linear regression with IBM SPSS Statistics version 27. The analytical procedures included descriptive statistical analysis, classical assumption testing, coefficient of determination analysis, and partial t-tests. The significance level was set at 5% (Ghozali, 2021).

The initial dataset consisted of 235 observations. Following data transformation and outlier handling, 207 observations were included in the regression analysis.

3.7. Validity, Reliability, and Trustworthiness

The study uses secondary financial statement data rather than primary survey instruments. Consequently, instrument validity and reliability tests commonly applied to questionnaire-based research are not applicable to this research design.

The study reports the use of classical assumption tests before conducting multiple linear regression. However, the specific test statistics and detailed outcomes of individual classical assumption tests are not presented in the available research results.

3.8. Ethical Considerations

The study relies on secondary data obtained from publicly available annual financial statements published through the Indonesia Stock Exchange and company websites. The research does not involve direct participation by human respondents. Specific information regarding formal ethical approval or an institutional ethics review is not reported in the original study.

3.9. Research Procedure

The research was conducted through several stages. First, the population of Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange was identified. Second, purposive sampling criteria were applied to determine the research sample. Third, annual financial statements for the 2021–2025 period were collected. Fourth, the financial data were used to calculate the research variables. Finally, the data were transformed and processed using IBM SPSS Statistics version 27 to conduct descriptive statistical analysis, classical assumption testing, and multiple linear regression analysis.

3.10. Methodological Limitations

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This study is limited to Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange during 2021–2025. The sample selection criteria excluded companies with losses, companies listed during the observation period, and companies with incomplete financial reports. Furthermore, the regression analysis used 207 observations after data transformation and outlier handling. These methodological characteristics should be considered when interpreting the research findings and their applicability to other sectors or periods.

4. Results and Discussion

4.1. Research Results

4.1.1. Sample Description and Descriptive Statistics

The research sample consisted of 47 Consumer Non-Cyclicals companies observed over five years, resulting in 235 initial firm-year observations. Descriptive statistics were calculated using these 235 observations.

The descriptive statistics indicate that the mean ETR was 0.2342, the mean Current Ratio was 2.6531, the mean ROA was 0.0933, the mean DER was 0.9131, and the mean natural logarithm of total assets was 29.4432.

Table 3. Descriptive Statistics of Research Variables

Variable	Minimum–Maximum	Mean	Standard Deviation
CR	0.09–14.31	2.6531	2.41602
ROA	0.00–0.34	0.0933	0.06692
DER	−2.20–8.95	0.9131	1.18986
Ln Assets	25.56–33.02	29.4432	1.60619
ETR	0.01–0.85	0.2342	0.08951

Source: SPSS output, 2026. N = 235; CR = Current Ratio; ROA = Return on Assets; DER = Debt-to-Equity Ratio.

4.1.2. Data Quality and Preliminary Analysis

The initial dataset contained 235 firm-year observations. Following data transformation and outlier handling, 207 observations were retained for the multiple linear regression analysis.

The research methodology indicates that classical assumption tests were conducted before regression analysis. However, the detailed numerical results of individual classical assumption tests are not reported in the available research findings.

4.1.3. Main Analytical Results

Multiple linear regression analysis was conducted to examine the partial relationships between liquidity, profitability, leverage, firm size, and tax avoidance. The dependent variable was LN_ETR, while the independent variables consisted of LN_CR, LN_ROA, LN_DER, and firm size.

The regression results indicate that liquidity, profitability, and leverage have negative coefficients, whereas firm size has a positive coefficient in relation to LN_ETR.

Table 4. Multiple Linear Regression and Partial Test Results

Variable	Regression Coefficient (B)	Significance (Sig.)	Direction
LN_CR	−0.120	<0.001	Negative
LN_ROA	−0.031	0.016	Negative
LN_DER	−0.059	0.001	Negative
Company Size	0.018	0.005	Positive

Source: SPSS output, 2026; n = 207.

The coefficient of determination indicates an R^2 value of 0.192 and an Adjusted R^2 value of 0.176. Therefore, the independent variables included in the model explain 17.6% of the variation in the dependent variable, while the remaining variation is attributable to factors outside the model.

4.1.4. Hypothesis Testing Results and Key Findings

The partial t-test results indicate that all four independent variables have statistically significant relationships with LN_ETR at the 5% significance level.

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Liquidity has a negative and significant coefficient (B = −0.120; p < 0.001). Profitability also has a negative and significant coefficient (B = −0.031; p = 0.016). Similarly, leverage demonstrates a negative and significant coefficient (B = −0.059; p = 0.001). In contrast, firm size has a positive and significant coefficient (B = 0.018; p = 0.005).

Accordingly, the four proposed hypotheses concerning the significant relationships between the independent variables and the dependent variable are supported by the partial regression results when the dependent variable is interpreted as LN_ETR.

4.1.5. Visual Presentation of Results

The empirical findings are presented in Tables 3-4. Table 3 presents the descriptive statistics of the research variables, and Table 4 reports the multiple linear regression coefficients and partial significance results.

These tables provide the numerical basis for evaluating the relationships between liquidity, profitability, leverage, firm size, and LN_ETR.

4.2. Research Discussion

4.2.1. Interpretation of Key Findings

a. The Relationship Between Liquidity and Tax Avoidance

The regression results demonstrate that liquidity has a negative and significant relationship with LN_ETR (B = −0.120; p < 0.001). This finding indicates that an increase in LN_CR is associated with a decrease in LN_ETR after controlling for the other variables in the model.

Since a lower ETR is generally associated with a lower effective tax burden and may indicate higher tax avoidance, the negative coefficient suggests an association with a higher tendency toward tax avoidance. Nevertheless, this interpretation must consider the limitations of ETR as a proxy and does not establish causality.

b. The Relationship Between Profitability and Tax Avoidance

Profitability has a negative and significant relationship with LN_ETR (B = −0.031; p = 0.016). This result indicates that an increase in LN_ROA is associated with a decrease in LN_ETR, holding the other variables constant.

Because ETR moves in the opposite direction to the commonly understood level of tax avoidance, the negative relationship with LN_ETR may indicate an association with a lower effective tax burden. However, the regression result should be interpreted as a statistical association rather than evidence of a causal relationship.

c. The Relationship Between Leverage and Tax Avoidance

Leverage demonstrates a negative and significant relationship with LN_ETR (B = −0.059; p = 0.001). This indicates that an increase in LN_DER is associated with a decrease in LN_ETR after controlling for the other independent variables.

Debt financing may influence taxable income through interest expenses. Accordingly, the relationship between leverage and ETR may be associated with the tax implications of corporate financing decisions. Nevertheless, the observed coefficient represents a statistical association within the regression model.

d. The Relationship Between Firm Size and Tax Avoidance

Firm size has a positive and significant relationship with LN_ETR (B = 0.018; p = 0.005). This finding indicates that larger firm size, as measured by the natural logarithm of total assets, is associated with an increase in LN_ETR.

Because a higher ETR generally indicates a higher effective tax burden, the positive coefficient may indicate an association with a lower tendency toward tax avoidance. However, this interpretation remains dependent on the ETR measurement and should not be interpreted as direct evidence of corporate tax avoidance behavior.

The model's Adjusted R^2 of 0.176 further indicates that the four independent variables explain 17.6% of the variation in LN_ETR. Thus, other factors not included in the research model may also be associated with variations in the effective tax rate.

4.2.2. Comparison with Previous Studies

The findings can be positioned within the previous literature examining corporate financial characteristics and tax avoidance. Studies by Mentari and Wi (2019) and Thoha and Wati (2021) investigated liquidity, leverage, profitability, and firm size in relation to tax avoidance in different industrial sectors. Rahmawati et al. (2021) also examined profitability, leverage, and firm size as determinants of tax avoidance.

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Furthermore, Fadhila and Andayani (2022) investigated profitability and leverage in relation to tax avoidance, while Puspita and Wulandari (2023) examined profitability and firm size alongside audit-related variables. Tjahyadi (2024) provided additional sectoral context by examining tax avoidance among Consumer Non-Cyclicals companies.

The present study extends this discussion by examining the four financial characteristics simultaneously within the Consumer Non-Cyclicals sector over the 2021–2025 period.

Regarding the interpretation of the dependent variable, the findings are also relevant to the discussion by Drake et al. (2020), who highlighted that declining effective tax rates should not automatically be interpreted as conclusive evidence of tax avoidance. Similarly, Hanlon and Heitzman (2010) emphasized the importance of measurement considerations in tax research. The results therefore require careful interpretation based on the direction of the ETR coefficients.

4.2.3. Theoretical Contributions

The findings provide empirical insights into the relationship between corporate financial characteristics and tax-related decisions within the agency theory perspective. The significant relationships identified in the regression model indicate that liquidity, profitability, leverage, and firm size are associated with variations in LN_ETR.

These findings contribute to the application of agency theory in tax accounting research by demonstrating the relevance of corporate financial characteristics when examining the management of tax obligations. However, the findings do not directly establish managerial intentions or causal mechanisms behind tax avoidance decisions.

4.2.4. Practical and Policy Implications

The findings provide several practical implications for companies and stakeholders. Companies should manage their liquidity, profitability, and financing structures while ensuring that tax obligations are fulfilled in accordance with applicable regulations. The relationship between leverage and ETR also highlights the importance of considering the tax implications of debt financing and interest expenses.

For investors and other stakeholders, financial indicators such as liquidity, profitability, leverage, and firm size may provide additional information when evaluating corporate financial conditions and tax-related outcomes. However, ETR should not be used as the sole indicator for determining whether a company engages in tax avoidance.

4.2.5. Integration with the Research Gap

This study addresses the identified research gap by providing empirical evidence on the partial relationships of liquidity, profitability, leverage, and firm size with LN_ETR among Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange during 2021–2025.

The simultaneous examination of these four financial characteristics within the selected sector provides additional evidence to the existing literature, particularly in relation to differences in industrial contexts, observation periods, and measurement approaches.

Furthermore, the study reinforces the importance of distinguishing the statistical direction of ETR coefficients from the conceptual direction of tax avoidance. This distinction is particularly relevant when interpreting the relationships between corporate financial characteristics and effective tax burdens.

4.2.6. Acknowledgement of Study Limitations

The interpretation of the findings is subject to several limitations. First, the study focuses exclusively on Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange during 2021–2025. Second, the regression analysis uses 207 observations following data transformation and outlier handling. Third, the explanatory power of the model is relatively limited, with an Adjusted R^2 of 0.176. Finally, ETR is a proxy for tax avoidance and cannot independently establish the existence or extent of tax avoidance practices.

These limitations should be considered when interpreting the empirical findings and applying them to other industrial sectors or research periods.

5. Conclusion

5.1. Summary of Key Findings

This study examines the partial relationships of liquidity, profitability, leverage, and firm size with tax avoidance among Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange during 2021–2025.

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The results demonstrate that liquidity, profitability, and leverage have significant negative relationships with LN_ETR, whereas firm size has a significant positive relationship with LN_ETR. The regression model produces an R^2 of 0.192 and an Adjusted R^2 of 0.176, indicating that the independent variables explain 17.6% of the variation in the dependent variable.

Because ETR generally moves in the opposite direction to tax avoidance, the coefficient directions must be interpreted in relation to the specific proxy used. The findings represent statistical associations and do not establish causal relationships.

5.2. Theoretical Contributions

The study contributes to tax accounting literature by providing empirical evidence concerning the relationships between corporate financial characteristics and LN_ETR within the Consumer Non-Cyclicals sector. The findings also provide support for examining corporate financial decisions through the agency theory perspective, particularly in relation to tax management and the financial characteristics of companies.

5.3. Practical and Policy Implications

Companies are expected to manage their financial conditions and tax obligations responsibly while complying with applicable tax regulations. Liquidity, profitability, leverage, and firm size should be considered as relevant financial characteristics when evaluating corporate financial and tax-related decisions.

For stakeholders, the findings provide additional information for assessing corporate financial conditions. However, ETR should be interpreted carefully and should not be treated as conclusive evidence of tax avoidance without considering other relevant factors.

5.4. Limitations of the Study

This study is limited to 47 Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange during the 2021–2025 period. The regression analysis uses 207 observations after data transformation and outlier handling. In addition, the Adjusted R^2 of 0.176 indicates that a substantial proportion of the variation in LN_ETR remains unexplained by the variables included in the model. The use of ETR as a proxy also limits the extent to which the findings can be interpreted as direct evidence of tax avoidance.

5.5. Directions for Future Research

Future research is encouraged to extend the observation period, include additional independent variables, and examine companies from other industrial sectors. Incorporating additional financial and non-financial characteristics may provide a broader explanation of the factors associated with effective tax rates and corporate tax avoidance. Future studies may also consider alternative tax avoidance measurements to strengthen the interpretation of empirical findings.

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