

The Influence of Audit Quality, Managerial Ownership, Institutional Ownership, and BOPO on Tax Avoidance in Non-Cyclical Consumer Sector Companies Listed on the Indonesia Stock Exchange

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Abstract

This study aims to obtain empirical evidence regarding the impact of audit quality, managerial ownership, institutional ownership, and the BOPO ratio on tax avoidance among non-cyclical consumer sector companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period, resulting in a dataset of 36 observations; the data were analyzed using IBM SPSS Statistics version 29. The results indicate that audit quality, managerial ownership, institutional ownership, and the BOPO ratio have a positive and significant effect on tax avoidance. These findings confirm that audit quality, managerial ownership, institutional ownership, and the BOPO ratio are factors that drive tax avoidance practices.

Keywords: audit quality, managerial ownership, institutional ownership, BOPO, tax avoidance.

INTRODUCTION

Taxes are one of the main sources of state revenue used to support development financing. In Indonesia, the implementation of the Self Assessment System grants taxpayers the authority to calculate, pay, and report their tax obligations independently. This condition provides companies with the opportunity to manage their tax burden through various strategies, one of which is tax avoidance. Although carried out by exploiting loopholes in tax regulations and not directly violating the law, these practices can reduce the state's tax revenue. On the other hand, companies have an interest in maximizing after-tax profits, which can create a conflict of interest between the company and the government.

The phenomenon of tax avoidance is also found in non-cyclical consumer sector companies. PT Bentoel Internasional Investama, for example, uses a loan structure

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through related companies abroad, which impacts the reduction of tax obligations (source: <https://insight.kontan.co.id/news/bentoel-didera-rugi-menahun-hingga-tudingan-memanfaatkan-celah-pajak-dan-cukai>). In addition, PT Coca-Cola Indonesia once faced a tax correction related to the allocation of advertising expenses, which resulted in a lower taxable income (source: <https://money.kompas.com/read/2014/06/13/1135319/Coca-Cola.Diduga.Akali.Setoran.Pajak>). This phenomenon shows that tax management can be related to company policies and mechanisms for overseeing management.

In the perspective of agency theory, the difference in interests between the owner (principal) and management (agent) can lead to agency conflicts. Corporate governance mechanisms are needed to reduce these conflicts, including through audit quality, managerial ownership, and institutional ownership. Audit quality can strengthen oversight of financial reports and tax policies, managerial ownership can align management interests with shareholders, while institutional ownership can enhance oversight of management actions. In addition, the operational conditions of the company can also influence tax policies, one of which is through BOPO that reflects the efficiency of managing operational costs against revenue.

Better audit quality is expected to strengthen oversight and reduce the tendency of companies to engage in tax avoidance. Mira and Purnamasari (2020) found that audit quality has a negative and significant effect on tax avoidance. Thus, the first hypothesis is formulated as follows:

H1: Audit quality has a negative effect on tax avoidance.

Managerial ownership can align the interests of management with shareholders through the alignment effect. The greater the share ownership by management, the stronger the managers' commitment to the sustainability and value of the company, so management tends to consider the risks of tax avoidance practices. Prastiyanti and Mahardhika (2022) as well as Suriana and Sari (2022) show a negative relationship between managerial ownership and tax avoidance. Based on this, the second hypothesis is:

H2: Managerial ownership has a negative effect on tax avoidance.

Institutional ownership is one of the monitoring mechanisms in corporate governance. Although institutional investors have greater monitoring capabilities, the interest in achieving optimal profits can drive influence over management policies, including tax policies. Nasution and Gani (2025) show that an increase in institutional ownership is related to an increase in tax avoidance. Therefore, the third hypothesis is formulated as follows:

H3: Institutional ownership has a positive effect on tax avoidance.



In addition to corporate governance mechanisms, the operational conditions of the company can also be related to tax avoidance. BOPO describes the ratio of operational expenses to operational income. The higher the BOPO, the greater the operational burden borne by the company, which can encourage efforts to reduce tax burdens to maintain post-tax profits. Aditya and Suparyati (2025) show that BOPO affects tax avoidance. Based on that framework, the fourth hypothesis is:

H4: BOPO has a positive effect on tax avoidance.

Although several studies have examined the relationship between audit quality, managerial ownership, institutional ownership, and BOPO on tax avoidance, previous research results still show inconsistencies. The differences in findings have created a research gap that encourages further investigation into non-cyclical consumer sector companies listed on the Indonesia Stock Exchange. Therefore, this study aims to analyze the influence of audit quality, managerial ownership, institutional ownership, and BOPO on tax avoidance, as well as to provide empirical evidence regarding the relationship between corporate governance mechanisms and the operational conditions of the company with tax avoidance practices.

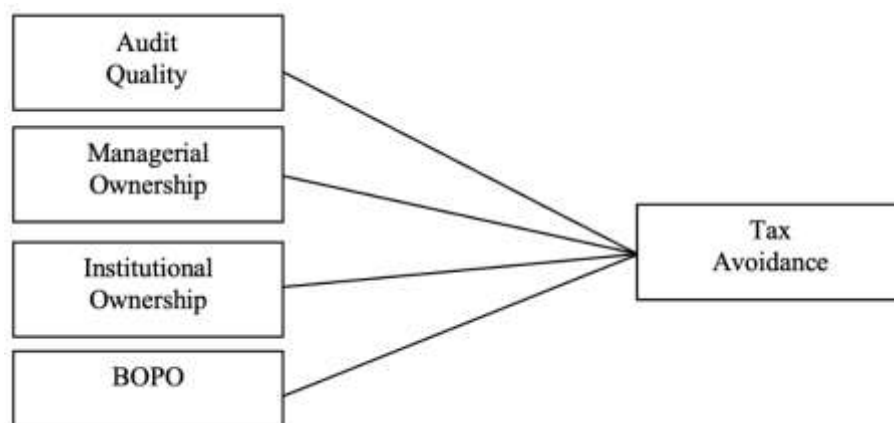


Figure 1: Research Framework

METHOD

This research uses a quantitative approach with a descriptive method to analyze the influence of audit quality, managerial ownership, institutional ownership, and BOPO on tax avoidance. The data used are secondary data in the form of financial statements of non-cyclical consumer sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2022–2024. The data were obtained from audited financial statements published through the IDX and processed using IBM SPSS Statistics 29.

The research population consists of 131 companies. The sample was selected using the purposive sampling method based on criteria that include the availability of consecutive financial statements during the observation period, the presentation of financial statements as of December 31, no acquisitions, mergers, delistings, or suspensions, the availability of all research variable data, and the use of the Indonesian rupiah. Based on these criteria, 116 companies or 348 observations were obtained, and after eliminating outliers, 36 observations were selected as the final sample.

The dependent variable of the study is tax avoidance, proxied by the Effective Tax Rate (ETR), which is the income tax burden divided by pre-tax profit. The independent variables consist of audit quality measured by a dummy variable (1 for Big Four Public Accounting Firms and 0 for non-Big Four), managerial ownership measured by the proportion of management shares to total outstanding shares, institutional ownership measured by the proportion of institutional shares to total outstanding shares, and BOPO calculated from operational expenses divided by operational income.

Table 1: Operationalization of Research Variables

No	Variable	Size	Skala
1	Tax Avoidance	$ETR = \frac{\text{Income tax}}{\text{Income before tax}}$	Ratio
2	Audit Quality	Dummy variable given to auditors in The Big Four KAP = 1, auditors not in The Big Four KAP = 0	Nominal
3	Managerial Ownership	$MO = \frac{\text{Managerial ownership}}{\text{Outstanding Shares}}$	Ratio
4	Institutional Ownership	$IO = \frac{\text{Institutional ownership}}{\text{Outstanding Shares}}$	Ratio
5	BOPO	$BOPO = \frac{\text{Operating expenses}}{\text{Operating Income}}$	Ratio

RESULTS AND DISCUSSIONS

Results

Descriptive statistics of the research show that audit quality has a minimum value of 0 and a maximum of 1, with an average value of 0.42 and a standard deviation of 0.500. Managerial ownership has a minimum value of 0.00000, a maximum of 0.84807, an average of 0.1228567, and a standard deviation of 0.24413640. Institutional ownership has a minimum value of 0.00000, a maximum of 0.99559, an average of 0.7120233, and a standard deviation of 0.26119483. Next, BOPO has a minimum value

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of 0.07972, a maximum of 4.84942, an average of 1.8015219, and a standard deviation of 1.15086715. The tax avoidance variable, proxied by ETR, has a minimum value of 0.19012, a maximum of 0.24535, an average of 0.2162378, and a standard deviation of 0.01348777.

The relatively high average value of institutional ownership indicates that share ownership by institutions is quite dominant in the sample companies. Conversely, the relatively low average value of managerial ownership shows significant variation among the samples. Meanwhile, the smaller standard deviation of tax avoidance compared to its average value indicates that the ETR value in the sample companies is relatively homogeneous.

Table 2: Descriptive Statistics Results

	Descriptive Statistics				Std. Deviation
	N	Minimum	Maximum	Mean	
Audit Quality	36	0	1	.42	.500
Managerial Ownership	36	.00000	.84807	.1228567	.24413640
Institutional Ownership	36	.00000	.99559	.7120233	.26119483
BOPO	36	.07972	4.84942	1.8015219	1.15086715
Tax Avoidance	36	.19012	.24535	.2162378	.01348777
Valid N (listwise)	36				

The results of the initial normality test on 348 observations showed an Asymp. Sig. value of <0.001, indicating that the residuals do not meet the normality assumption. Next, outlier identification and elimination were performed using Casewise Diagnostics. After elimination, the number of observations became 36, and the Kolmogorov-Smirnov test results showed an Asymp. Sig. value of 0.200, greater than 0.05. Thus, the residuals in the regression model are stated to be normally distributed.

Table 3: Results of the Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		36
Normal Parameters ^{a,b}	Mean	-.0009864
	Std. Deviation	.00715255
Most Extreme Differences	Absolute	.067
	Positive	.053
	Negative	-.067
Coefficients ^a		
Collinearity Statistics		
Model	Tolerance	VIF
1 Audit Quality	.644	1.552
Managerial Ownership	.134	7.461
Institutional Ownership	.114	8.779
BOPO	.964	1.037

The multicollinearity test results indicate that all independent variables have tolerance values greater than 0.10 and VIF values less than 10. The tolerance values for the respective variables are 0.644 for audit quality, 0.134 for managerial ownership, 0.114 for institutional ownership, and 0.964 for BOPO, while the VIF values are 1.552, 7.461, 8.779, and 1.037, respectively. Thus, the regression model shows no signs of multicollinearity.

Table 4: Multicollinearity Test Results

		Coefficients ^a		t	Sig.
Model		Unstandardized Coefficients B	Std. Error		
1	(Constant)	.013	.007	2.047	.049
	Audit Quality	.003	.002	.355	.086
	Managerial Ownership	-.015	.008	-.809	.075
	Institutional Ownership	-.012	.008	-.724	.138
	BOPO	.000	.001	.107	.517

The heteroscedasticity test also indicates that all independent variables have significance values above 0.05: 0.086 for audit quality, 0.075 for managerial ownership, 0.138 for institutional ownership, and 0.517 for BOPO. Therefore, the regression model does not suffer from heteroscedasticity issues.

Table 5: Heteroskedasticity Test Results

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.872 ^a	.761	.730	.00701132	2.201

Furthermore, the Durbin-Watson value of 2.201 falls between the DU value of 1.7245 and the 4-DU value of 2.2755; consequently, the model shows no evidence of autocorrelation.

Table 6: Autocorrelation Test Results

Coefficients^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	.176	.011		16.396 <.001
	Audit Quality	.022	.003	.811	7.408 <.001
	Managerial Ownership	.058	.013	1.055	4.395 <.001
	Institutional Ownership	.028	.013	.534	2.050 .049
	BOPO	.002	.001	.186	2.082 .046

Table 7: Results of Multiple Linear Regression Analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.872 ^a	.761	.730	.00701132

Based on the multiple linear regression analysis, the following equation was obtained:

$$ETR = 0.176 + 0.022AQ + 0.058MO + 0.028IO + 0.002BOPO + \varepsilon$$

The regression coefficient for audit quality is 0.022, managerial ownership is 0.058, institutional ownership is 0.028, and BOPO is 0.002. All coefficients indicate a positive relationship with ETR. Results of Multiple Linear Regression Analysis: The test results show that all independent variables have a significant effect on tax avoidance. However, the direction of the influence of audit quality and managerial ownership differs from the direction of the proposed hypothesis. Therefore, H1 and H2 are rejected, while H3 and H4 are accepted.

Table 8: Coefficient of Determination Test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.005	4	.001	24.631	<.001 ^b
	Residual	.002	31	.000		
	Total	.006	35			

The Adjusted R Square value of 0.730 indicates that the variables of audit quality, managerial ownership, institutional ownership, and BOPO together explain 73% of the variation in the dependent variable in the research model, while the remaining 27% is explained by factors outside the model.

Table 9: F-test Results

The F-test results show an F value of 24.631 with a significance of <0.001. Because the significance value is less than 0.05, audit quality, managerial ownership, institutional ownership, and BOPO simultaneously have a significant effect on the dependent variable.

DISCUSSION

1. The Influence of Audit Quality on Tax Avoidance

The research results show that audit quality has a positive and significant effect on tax avoidance, with a coefficient of 0.022 and significance <0.001. These results indicate that companies using the services of Big Four public accounting firms have a higher tendency for tax avoidance, thus H1 is rejected. This finding is in line with Tamara

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and Saragih (2021). In the perspective of agency theory, better audit quality results in more reliable financial information, thereby providing a basis for management to conduct tax planning and management in a more structured manner.

2. The Influence of Managerial Ownership on Tax Avoidance

Managerial ownership has a positive and significant effect on tax avoidance, with a coefficient of 0.058 and significance <0.001 , thus H2 is rejected. These results indicate that an increase in stock ownership by management is actually associated with an increase in tax avoidance. These findings are in line with Putri and Widilestariningtyas (2024) as well as Noorica and Asalam (2021). In the perspective of agency theory, stock ownership provides management with a greater economic interest in increasing post-tax profits, thereby encouraging management to choose tax management strategies that reduce the company's tax burden.

3. The Influence of Institutional Ownership on Tax Avoidance

Institutional ownership has a positive and significant effect on tax avoidance, with a coefficient of 0.028 and a significance level of 0.049, thus H3 is accepted. This result indicates that the greater the institutional ownership, the higher the tendency for the company to engage in tax avoidance. Institutional investors have greater access to information and monitoring capabilities, but their orientation toward optimal profits can influence tax policies aimed at increasing post-tax profits. These results are in line with Nasution and Gani (2025) and Murtina et al. (2020).

4. The Influence of BOPO on Tax Avoidance

BOPO has a positive and significant effect on tax avoidance, with a coefficient of 0.002 and a significance level of 0.046, thus H4 is accepted. This result indicates that the increase in BOPO, which reflects the rising operational burden relative to operational income, can encourage companies to engage in tax management to maintain post-tax profits. These findings are in line with Aditya and Suparyati (2025).

CONCLUSION

This study aims to analyze the influence of audit quality, managerial ownership, institutional ownership, and BOPO on tax avoidance in non-cyclical consumer sector companies listed on the Indonesia Stock Exchange during the period 2022–2024. Based on the results of testing 36 observations, it was concluded that audit quality has a positive and significant effect on tax avoidance. The results indicate that companies using the services of the Big Four public accounting firms have a higher tendency for tax avoidance.

Furthermore, managerial ownership has a positive and significant effect on tax avoidance. These findings indicate that an increase in the proportion of share ownership by management is associated with a higher tendency for the company to engage in tax avoidance. Institutional ownership also has a positive and significant effect on tax



avoidance, indicating that the greater the institutional ownership, the higher the tendency for tax avoidance in the sample companies. Meanwhile, BOPO has a positive and significant effect on tax avoidance, indicating that an increase in the ratio of operational costs to operational income is related to an increased tendency for companies to engage in tax management.

Overall, the research results indicate that the four independent variables, namely audit quality, managerial ownership, institutional ownership, and BOPO, have a positive and significant effect on tax avoidance. The simultaneous test results also show that these four variables collectively influence tax avoidance, with an Adjusted R-Square value of 0.730. This means that the research model is able to explain 73% of the variation in tax avoidance, while the remaining 27% is explained by factors outside the research model.

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