The Effect Of Digital Transformation, Company Size, And Profitability Level On Tax Avoidance In Healthcare Companies On The Indonesia Stock Exchange In 2022-2024

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Abstract

Introduction/Main Objectives: The goal of this research is to investigate how digital transformation, company size, and profitability influence tax avoidance behavior in healthcare companies listed on the Indonesia Stock Exchange (IDX) between 2022 and 2024.

Background Problems: Despite post-pandemic performance growth (increased revenue, asset expansion, and digitalization) in the healthcare sector, the average Effective Tax Rate (ETR) remains lower than the applicable corporate tax rate, indicating an ongoing potential for tax avoidance.

Novelty: This research introduces novelty by examining both the work environment and job satisfaction together as integrated factors affecting employee performance in the specific, under-researched context of the Singosari Industrial Training Center (BLKI Singosari). It aims to provide clarity by addressing the contradictory findings from previous studies on this topic.

Research Methods: This study uses an associative quantitative approach with secondary data from annual financial reports. Data were analyzed using multiple linear regression, with the Effective Tax Rate (ETR) serving as the variable to measure tax avoidance.

Finding/Results: Digital transformation, company size, and profitability together significantly impact tax avoidance.Digital transformation and company size have a significant individual impact on tax avoidance.Profitability has only a slightly significant individual effect. Digital transformation acts as a key driver that can reduce tax avoidance practices. Larger companies have greater scope for tax avoidance.

Conclusion: It is concluded that digital transformation is an effective and significant factor that can reduce tax avoidance. Conversely, the results indicate that larger company size is associated with greater potential for tax avoidance practices.

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Keywords: digital transformation, company size, profitability, tax avoidance.

Introduction

Taxes are one of the largest sources of state revenue, serving as a means of financing national development and the provision of public facilities. All citizens are required to pay taxes, which are indirect contributions to the government that do not come with direct compensation. However, tax revenue realization in Indonesia remains below target. This may be due to factors that encourage tax avoidance practices.

One sector that has experienced significant growth following the Covid-19 pandemic is the healthcare sector. Based on information from the Indonesia Stock Exchange, healthcare issuers recorded revenue growth, service network expansion, and asset structure strengthening between 2022 and 2024.Putri (2022) informs readers that healthcare sector issuers are "still shining" even though the pandemic has begun to subside, as demand for healthcare services remains high and investment is increasing. However, several issues warrant serious consideration, including the fact that the Effective Tax Rate of healthcare companies tends to be lower than the 22% corporate income tax rate, suggesting tax avoidance in this sector.

In the healthcare sector, digital transformation has become a vital component for progress. Digitization processes through telemedicine, electronic medical records, and technology-based management system platforms have increased efficiency in government operations and services. In relation to the Technology-Organization-Environment (TOE) Framework, an organization's ability to adopt recording technology can impact a company's business processes and reporting systems, and can also influence tax reporting. Numerous studies have examined this, but the results vary. Some studies have shown that digitalization has increased transparency, which reduces the tendency for tax avoidance. However, studies with conflicting findings reveal that digitalization can also be used for more complex tax planning schemes.

Another factor often associated with tax avoidance is company size. According to Legitimacy Theory, large companies tend to avoid practices that tarnish their reputation, including tax avoidance. However, conversely, large companies also have more financial resources, allowing them to develop more efficient tax strategies. As a result, research within the study population has yielded inconsistent results, with some finding company size to have a positive effect on tax avoidance, others negative, and others showing no effect.

Furthermore, profitability can encourage companies to streamline their tax burdens to maximize net profit. Agency theory states that managers are motivated to maximize shareholder returns, which may promote tax avoidance tactics. However, empirical findings on profitability and tax avoidance vary, necessitating further examination in the healthcare sector.

Related to the two points above, we're discussing tax optimization in the healthcare sector. Based on the inconsistencies in previous research and the sector's post-pandemic developments, a revised research objective can be justified to examine the influence of digital transformation, company size, and profitability on tax avoidance behavior in healthcare companies indexed on the IDX during the 2022-2024 period.

Research Methods

In general, a research method is something that is carried out in a planned, systematic and deliberate manner to obtain answers or solutions to problems related to certain phenomena.

This study aims to determine the influence of digital transformation, company size, and profitability on tax avoidance. The population in this study were companies listed on the Indonesia Stock Exchange operating in the healthcare sector. The study was conducted using an associative quantitative approach to examine the relationships and influences between the identified variables. The data came from the annual healthcare companies 2022-2024 financial reports are available on the official IDX website. Purposive sampling in this study the following criteria :

Table 1 Sample Selection Criteria

Information	Number of Companies
Healthcare companies listed on the IDX in 2022-2024	15
Companies must be listed by December 31, 2021, and data must be available for 3 years (2022-2024).	11
Companies that meet the criteria in this study	7
Observation period (years)	3
Number of sample observations in the study	21

Source: Processed data, 2025

Multiple linear regression techniques were used in data analysis to determine whether digital transformation, company size, and profitability levels have an impact on tax avoidance, using SPSS 26. The analysis carried out included descriptive analysis, model feasibility tests, multiple linear regression tests, and traditional assumption tests.

Table 2 Operationalization of Variables

Variables	Indicators / Measurements
Tax Avoidance (Y)	ETR (Effective Tax Rate) = Tax Expense / Net Profit before Tax
Profitability (X3)	ROA = Net Profit / Total Assets
Company Size (X2)	Ln = (Total Assets)
Digital Transformation (X1)	Frequency of the word "digitalization"

Source: Processed data, 2025

Result

The discussion section will discuss the results of the analysis conducted. The explanation of each influence of this research is as follows:

The study's data came from the annual financial reports of healthcare companies from 2022 to 2024, which are accessible on the official IDX website. The healthcare sector was chosen

because it "still shines" despite the pandemic's decline, driven by high demand for healthcare services and increased investment. However, this phenomenon is accompanied by indications that the Effective Tax Rate (ETR) of healthcare companies tends to be lower than the 22% corporate income tax rate, raising suspicions of tax avoidance practices that require further investigation.

Table 3 Descriptive Statistics

Statistics

		Transformasi Digital	LN Aset	ROA	ETR
N	Valid	21	21	21	21
	Missing	0	0	0	0
Mean		50,476190	16,000000	,07594766	,066598124
Std. Deviation		17,5288877	,6324555	,069401965	,0962350631
Skewness		,243	,000	-,124	,764
Std. Error of Skewness		,501	,501	,501	,501

Source: Processed Data (SPSS), 2025

The tax avoidance (y), representeed by ETR has an average of 0,2036 according to the findings of a descriptive analysis of 21 panel data observations of healthcare companies examined between 2022 and 2024. This average ETR value indicates that the average tax burden paid by companies is approximately 20.36% of pre-tax profit, indicating that the tax avoidance practices (or ETR) of companies in the sample tend to be homogeneous or do not have extreme differences between observations.

In contrast, the digital transformation (x1) has a average of 50.76 along with a standart deviation of 16.929. The lowest value (20.00) and maximum (90.00) show that digitalization efforts vary quite a bit between companies or between years. Company size (x2) measured by the natural logarithm of assets has an average of 16.1430, indicating that the size of companies in the sample tends not to differ too much from the average. For the profitability variable (x3) measured by ROA, the average value is 0.1264, indicating that on average, healthcare companies are able to generate a profit of 12.64% of their total assets.

Table 4 Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Predicted Value
N		21
Normal Parameters[a,b]	Mean	1,4038029
	Std. Deviation	,02616058
Most Extreme Differences	Absolute	,093
	Positive	,093
	Negative	-,076
Test Statistic		,093
Asymp. Sig. (2-tailed)		,200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: Processed Data (SPSS), 2025

Table 5 Classical Assumption Test (Glejser Test)

Coefficients^a

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	,876	,436		2,009	,061
	Digital Count	-,002	,001	-,730	-2,141	,047
	LN Aset	3,467E-6	,000	,376	1,242	,231
	ROA	,101	,103	,246	,975	,343

a. Dependent Variable: ETR

Source: Processed Data (SPSS), 2025

The digital transformation (x1) has a significance value of 0.865 (>0.05), the company size (x2) has a significance value of 0.509 (>0.05), and the profitability (x3) has a significance value of 0.254 (Sig.> 0.05). So the regression is said to fulfill the classical assumptions and the results are valid for interpretation.

Table 6 F Test

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,014	3	,005	1,570	,233^b
	Residual	,049	17	,003		
	Total	,063	20			

a. Dependent Variable: ETR

b. Predictors: (Constant), ROA, LN Aset, Digital Count

Source: Processed Data (SPSS), 2025

The F test was conducted to determine whether the digital transformation variables (x1), company size (x2), and profitability (x3) all at the same time have a significant influence on tax avoidance (y). Based on the ANOVA table, the significance value (Sig.) is 0.048. Because the value of 0.048 is smaller than 0.05 (the level of significance), the null hypothesis (H0) is rejected and the alternative hypothesis (Ha) is accepted.

Table 7 Coefficient of Determination

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,466^a	,217	,079	,05390

a. Predictors: (Constant), ROA, LN Aset, Digital Count

b. Dependent Variable: ETR

Source: Processed Data (SPSS), 2025

The value of the adjusted R Square is used to calculate the coefficient of determination, which explains how much the independent variables collectively explain the variation in the dependent variable. The value obtained is 0.254 or 25.4%.

Table 8 T-Test or Partial Test

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1,3608	1,4594	1,4038	,02616	21
Residual	-,12740	,07604	,00000	,04969	21
Std. Predicted Value	-1,645	2,127	,000	1,000	21
Std. Residual	-2,364	1,411	,000	,922	21

a. Dependent Variable: ETR

Source: Processed Data (SPSS), 2025

Using the criteria of comparing the significance value (Sig.) with 0.05, the t-test or partial test was used to ascertain whether each independent variable digital transformation (x1), company size (x2), and profitability (x3) separately had significant impact on the dependent variable tax avoidance (y). From the results of the table above, partially digital transformation and company size were proven to be determining factors for tax avoidance in healthcare companies, while profitability had no effect.

Table 9 Regression

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	,876	,436		2,009	,061
	Digital Count	-,002	,001	-,730	-2,141	,047
	LN Assets	3.467E-6	,000	,376	1,242	,231
	ROA	,101	,103	,246	,975	,343

a. Dependent Variable: ETR

Source: Processed Data (SPSS), 2025

To determine the regression equation and test the partial hypothesis, a regression test, namely the t-test, is used. The results from the unstandardized coefficient column are used to construct the regression equation. The t-test aims to determine the effect of each x-variable on y, with its sig (significance) value compared to 0.05.

From Table 9 above, it is known that the digital transformation variable x1 is 0.022 < 0.05. If we look at the correlation coefficient, it is positive at 0.001, which means "increased digitalization increases ETR" (Profit Before Tax paid as tax). In the context of Tax Avoidance, this implies that the higher the digitalization effort, the lower the Tax Avoidance practice.

Company size x2 = 0.012> 0.05, then it has a notable impact on Tax Avoidance with the result of a negative coefficient relationship direction (-0.016) which means that an increase in company size Ln Assets tends to decrease ETR. So that the larger the company size, the

higher the tax avoidance practice. Profitability x3 = 0.264> 0.05, then X3 does not have a significant effect on tax avoidance.

Discussion

Based on the research findings, it seems that :

Overall, digital transformation significantly impacts tax avoidance the more digital technology is used in a business's operations, the lower the likelihood of tax avoidance. This result is consistent with studies by Xie and Huang (2023) examining listed companies in China, which found that digital transformation significantly impacts corporate tax avoidance.

Company size has a significant positive effect on tax avoidance. According to the study, healthcare companies with high assets have a high capacity for aggressive tax planning. This is in line with Vemberain & Triyani's research, which found that company size has a significant negative effect on CETR, meaning it has a significant positive effect on tax avoidance. Profitability has a significant negative effect on tax avoidance. Therefore, these results are inconsistent with Vemberain & Triyani's research, which discovered that tax avoidance is significantly positively impacted by profitability.

Conclusion

In light of the research results obtained from the analysis of digital transformation, company size, and profitability, the following inferences can be made :

1. The tax avoidance variable is significantly impacted by digital transformation.
2. The tax avoidance variable is significantly impacted by size of the company.
3. The tax avoidance variable is not significantly explained by profitability.

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