ABSTRACT

The practice of tax avoidance causes effects like two different blades. For companies, lower tax payments are an advantage, so that the profits obtained are maximized, while for the State reduced tax revenues can slow down the wheels of the State's economy. Worsening economic performance can have an impact on decreasing business profits which are a source of financing, which can lead to financial constraints that prevent companies from investing and expanding their business. The aim of this research is to find empirical evidence whether financial constraints in the banking sector influence their tax avoidance. As well as to analyze whether problem loans and financial distress are factors that influence financial constraints on tax avoidance.

The population in this study was 47 banking companies listed on the IDX during 2019-2023. The sample in this study was 44 companies with 220 observations. The sample determination technique uses purposive sampling. The analysis tool uses multiple regression analysis.

The research results show that financial constraints, non-performing loans, and financial distress have no effect on tax avoidance, the impact of financial constraints on tax avoidance cannot increase along with increasing non-performing loans. And the impact of financial constraints on tax avoidance is higher during financial distress.

Keywords : Financial Constraints, Non-Performing Loans, Financial Distress, Tax Avoidance.