ABSTRACT

The consumer cyclicals sector is known for its sensitivity to economic cycles, making firm profitability in this sector highly dependent on the effectiveness of asset management and financing decisions. This study aims to analyze and empirically examine the effect of company tax planning proxied by capital intensity, inventory intensity, and leverage, and good corporate governance (GCG) proxied by audit committee meeting frequency and the proportion of independent commissioners, on financial performance as measured by Return on Assets (ROA). The research is further motivated by inconsistent findings in prior literature and the limited number of studies that jointly examine company tax planning and GCG within Indonesia's consumer cyclicals sector.

The population comprises all consumer cyclicals companies listed on the Indonesia Stock Exchange (IDX) during 2019–2024. Using a purposive sampling method, 147 firms were selected, yielding 660 firm-year observations (unbalanced panel). Secondary data from financial statements and annual reports were analyzed using panel data regression with a Fixed Effect Model (FEM) approach, corrected with White Diagonal standard errors, processed in EViews 13. Firm size, firm age, firm growth, and auditor type were included as control variables.

The results show that capital intensity and leverage each have a significant negative effect on financial performance, while inventory intensity, audit committee, and independent commissioners show no significant effect. Among the control variables, only firm growth has a significant positive effect. These findings suggest that financing structure decisions and capital intensity play a more dominant role than governance oversight mechanisms in shaping the financial performance of consumer cyclicals firms during 2019–2024. Theoretically, the results reinforce the relevance of tax shield theory in explaining the effect of debt on firm earnings, while also indicating that GCG mechanisms proxied by the audit committee and independent commissioners do not fully account for variation in financial performance within this research context. These findings are expected to inform management and investors in evaluating financing strategies and governance practices within the consumer cyclicals sector.

Keywords: company tax planning, good corporate governance, return on assets, consumer cyclicals.