

The Effect Of Organizational Capital And Institutional Ownership On Tax Avoidance In Indonesian Mining Companies

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Keywords:

*Institutional ownership;
organizational capital; tax
avoidance*

Abstract

This study aims to examine the influence of organizational capital and institutional ownership on tax avoidance in mining companies. Tax avoidance is one of the causes of Indonesia's low tax ratio, including in the ASEAN region. Mining companies are an industrial sector that is also relevant to tax avoidance activities because they generally involve large investments. The research method used is quantitative with SPSS analysis tools. The study period is from 2022 to 2024, and the sample was selected using purposive sampling. The number of observations is 36. The results show that organizational capital and institutional ownership influence tax avoidance, with the dominant variable being institutional ownership. An interesting phenomenon observed is: institutional ownership behaves unusually, supporting tax avoidance activities. This behavior is indicated to be caused by policies aimed at clean energy. The use of coal in the future will be limited. Most mining companies in Indonesia are coal mines.

INTRODUCTION

Company management consistently strives to maintain the company's economic viability. These capabilities include the ability to generate profits and effectively manage resources. Taxes constitute a cost to the company. Tax avoidance is one way to maintain a company's economic viability by legally minimizing the tax burden. Legality means not violating regulations, but rather exploiting existing legal loopholes.

Indonesia's tax ratio in 2023 was 10.31% and in 2024 it was 10.07%. This ratio is considered low, even within the ASEAN region. According to the IMF, a good tax ratio is at least 15%. This figure indicates a country's ability to meet its needs independently (IKPI, 2025). One cause of Indonesia's low tax ratio is high tax avoidance (Fitriya, 2025). Companies engage in aggressive tax avoidance.

The mining sector in Indonesia has several characteristics that make tax avoidance relevant, including large capital investments, complex land ownership, and permitting. Furthermore, this sector is heavily influenced by fluctuations in global commodity prices, changes in environmental policies, and digital-based reporting systems like SIMBARA. New policies, such as increased royalties for coal and minerals, have increased financial pressure on mining companies and created new challenges in the form of potential increased tax avoidance as a strategy to maintain profitability (The Jakarta Post, 2025).

Mining companies listed on the Indonesian stock exchange are dominated by coal mining companies. This situation can influence the characteristics of mining companies in general. It is known that global clean energy policies can impact coal demand in the long term.

Investors include both individuals and institutions. Institutional ownership is a crucial aspect related to tax avoidance practices because it effectively monitors management, reducing aggressive tax avoidance practices and focusing on long-term company development (Sadeva et al., 2020); (Pangestu et al., 2024).

Organizational capital plays a crucial role for a company. It reflects a company's specific capabilities in managing economic resources, including efforts to increase efficiency. Organizational capital describes a company's systems and processes. These capabilities include tax practices. It is natural that the higher a company's organizational capital, the more aggressive its tax avoidance practices will be (Paskasheila & Putri, 2025); (Asnaashari et al., 2024).

This study also addresses a research gap. Paskasheila & Putri (2025) and Asnaashari et al. (2024) explain that organizational capital influences tax avoidance, while Fahri & Fahria (2023) prove no effect.

METHODS

This research uses quantitative methods. The data obtained in numerical form is then analyzed using statistical analysis techniques. The data analysis technique used aims to test the causal relationship between the independent and dependent variables. The collected data will be processed and analyzed using the Statistical Package for Social Sciences (SPSS) software. The population in this study is mining companies listed on the Indonesia Stock Exchange (IDX) in 2022-2024. The sampling technique used in this study is purposive sampling.

Table 1. Variable Measurement

No	Variable	Formula
1	<i>Tax Avoidance</i>	$ETR = \frac{\text{Income Tax Expense}}{\text{Earnings Before Tax}}$
2	<i>Organizational Capital</i>	$OC = \frac{\text{Selling and General Administrative Expenses}}{\text{Total Assets}}$
3	Institutional Ownership	$IO = \frac{\text{Number of Shares Owned by Institutions}}{\text{Number of Shares Outstanding}}$

Table 2. Number of Samples Based on Criteria

No.	Criteria	Quantity
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1. Mining companies listed on the Indonesia Stock Exchange for the 2022-2024 period.	46
2. Mining companies that did not publish annual financial reports for the 2022-2024 period.	(2)
3. Mining companies using foreign currencies.	(21)
4. Mining companies that experienced losses during the 2022-2024 period..	(9)
5. Companies that changed sectors during the 2022-2024 period..	(1)
Sample Size	12
Number of Observations: 12 x 3	36

Data Processed Using SPSS (2025)

RESULTS AND DISCUSSION

RESULTS

Descriptive Statistics

Tabel 3. Descriptive Statistics

	N	Min	Maks	Mean	Std. Deviation
Organizational Capital	36	.02	.37	.0922	.09770
Institutional Ownership	36	.50	.98	.6881	.14278
ETR	36	.01	.61	.2004	.11404
Valid N (listwise)	36				

Data Processed Using SPSS (2025)

Table 3 shows the following: The average organizational capital of 0.0922 in mining companies is considered low because it falls below the threshold. A low organizational capital value indicates a relatively low cost of capital for the organization. This indicates that the company uses few resources to develop internal systems, processes, and knowledge.

The average institutional ownership in mining companies, at 0.6881, is considered high because it is greater than 50%. High institutional ownership can indicate that external oversight functions of institutions over management are functioning optimally.

An ETR value of 20% indicates a low ETR or high tax avoidance. This indicates that companies tend to implement aggressive tax avoidance strategies by exploiting various loopholes or specific policies.

This study has met the classical assumptions of normality, multicollinearity, heteroscedasticity, and autocorrelation. The following section presents the results and discusses them.

Multiple Linear Regression Test

Table 4. Multiple Linear Regression Test Results

		Coefficients ^a		
		Beta	T	Sig
1	(Constant)		6.988	.000
	Organizational Capital	.381	2.605	.014
	Institutional Ownership	-.689	-4.705	.000
R ² adjusted		0,372		
F-test		0,000		

a. Dependent Variable: ETR
 Data Processed Using SPSS (2025)

Table 4 shows that the independent variables, namely organizational capital and institutional ownership, contribute 37.2% to explaining tax avoidance. The remaining 62.8% is accounted for by other variables not examined in this study.

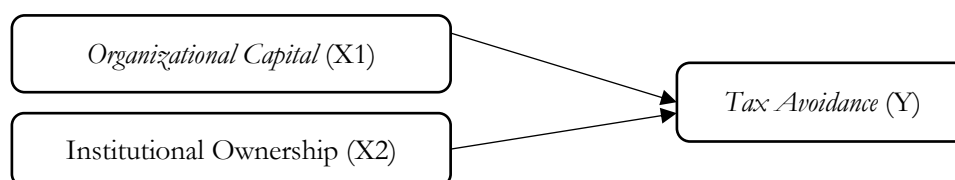


Figure 1. Research Framework

Based on Table 4, the significance F test is 0.000. This indicates that the regression model developed in this study is suitable for use. Table 4 shows that organizational capital influences tax avoidance with a significance value of 0.014. Institutional ownership influences tax avoidance with a significance value of 0.000.

The direction of the influence of organizational capital on the ETR is positive. Positive indicates that higher organizational capital means a higher ETR or lower tax avoidance. The direction of the influence of institutional ownership on ETR is negative. Negative indicates that higher institutional ownership means a lower ETR or more aggressive tax avoidance. Institutional ownership has the largest influence (-0.689) compared to organizational capital (0.381).

DISCUSSION

The Influence of Organizational Capital on Tax Avoidance

Organizational capital has a positive effect on ETR, meaning that the higher the organizational capital, the greater the tax compliance. This study shows that when a company has strong organizational capital, management can utilize information, technology, and internal knowledge to understand complex tax regulations (Jusman & Lestari, 2023). A better

understanding of these regulations makes companies more likely to avoid risky and non-compliant tax strategies. Therefore, strong organizational capital not only enhances management's ability to manage internal information and processes but also guides management toward tax compliance practices, resulting in lower tax avoidance rates.

Companies with strong organizational capital generally create a corporate atmosphere that encourages continuous learning and internal knowledge development. This effort fosters the habit of recording and storing important information in a structured manner. This well-organized and integrated knowledge then becomes a strategic foundation that helps the company plan and execute future business activities (Paskasheila & Putri, 2025). This facilitates a company's understanding of tax regulations, thereby preventing tax avoidance.

These findings also demonstrate that companies demonstrate their capabilities, managerial quality, and effective corporate governance to external parties. Companies with strong organizational capabilities tend to send positive signals to investors and stakeholders by demonstrating compliance with regulations, including taxation. These findings align with several previous studies, such as those by Rossa & Husadha (2023), which showed that organizational capital influences tax avoidance.

Table 3 demonstrates that the company's organizational capital is low. However, this condition can create a positive corporate culture and strengthen intellectual performance. A positive corporate culture and strong intellectual performance can prevent opportunistic behavior, namely actions that prioritize personal interests (Arieftiara et al., 2025).

The Effect of Institutional Ownership on Tax Avoidance

Institutional ownership negatively influences the ETR, meaning the greater the proportion of institutional ownership, the lower the ETR or the more aggressive the implementation of tax avoidance. This may occur because managers are pressured to engage in tax avoidance to meet institutional shareholders' expectations of optimizing welfare. Pressure can arise because institutional investors demand cost efficiency and increased profits, which encourages management to choose strategies to reduce tax burdens (Susan & Faizal, 2023).

This suggests that institutional ownership in mining companies operates differently than traditional institutional ownership, providing management oversight. High institutional ownership increases their influence over company activities, with particular attention to tax burdens (Mongkor & Sitinjak, 2025); (Sudirman & Marsudi, 2025).

This phenomenon of differing institutional ownership attitudes in mining companies may arise, among other reasons, because the majority of mining companies in Indonesia are coal mines.

Diversification policies toward clean energy are increasingly being implemented. Global demand for coal will decrease (Rahmah, 2025). This situation forces investors in mining companies, particularly coal companies, to focus more on short-term strategies. The results of this study align with research by Sudirman & Marsudi (2025), which shows that institutional ownership influences tax avoidance.

Of the two variables, organizational capital and institutional ownership, institutional ownership has the greatest influence. These findings indicate that in this study, institutional ownership plays a more dominant role in influencing tax avoidance activities. It could even be argued that the presence of institutional ownership can leverage a company's human resource potential to encourage tax avoidance..

CONCLUSION

Organizational capital and institutional ownership influence tax avoidance in mining companies in Indonesia. Organizational capital has a negative effect, while institutional ownership has a positive effect. Institutional ownership has a dominant influence.

Institutional ownership generally provides better oversight of the company and a focus on long-term strategies. As the time horizon for profit becomes shorter due to diversification policies into clean energy, institutional ownership behavior may shift.

The government needs to pay closer attention to shifts in institutional investor behavior regarding tax avoidance. Tax avoidance activities must be continuously monitored to prevent disruption to state revenues

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