“Relationship between bank value, tax avoidance, and profitability”

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RELATIONSHIP BETWEEN BANK VALUE, TAX AVOIDANCE, AND PROFITABILITY

Abstract

This study explores the intricate relationships between bank value, tax avoidance, and profitability, which significantly affect the stability and strategies of financial institutions worldwide. Understanding these connections is vital for comprehending the financial dynamics of banks, key players in economic growth and stability. The study focuses on these three factors due to their intertwined roles in shaping fiscal policy effectiveness, shareholder satisfaction, and overall financial health. The aim of this study is to explore the relationships between the bank value, tax avoidance and profitability aiming to clarify their interactions and their impact on the Jrdanian banks. Ordinary Least Squares regression analysis is employed using a mixed-methods approach, including quantitative regression analysis and qualitative assessments. The study results reveal a significant direct link between bank tax avoidance and profitability. The increase in Return on Assets is associated with a substantial increase in tax avoidance. In the expanded model, bank value and size did not exhibit statistically significant incremental information over profitability in explaining tax avoidance. Profitability emerges as a dominant factor, overshadowing the potential impact of size and value. The results underscore profitability as a key driver in bank tax strategies, highlighting a potential area for regulatory scrutiny and strategic realignment. In conclusion, the study underscores the pivotal influence of bank profitability on tax avoidance strategies. Policymakers, practitioners, and researchers are encouraged to recognize the prominence of profitability in formulating tax strategies.

Keywords bank value, tax avoidance, profitability, bank size, financial performance, strategic decision-making, Jordan

JEL Classification G21, H26, M41, O16

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INTRODUCTION

The intricate relationship between bank value, tax avoidance, and profitability constitutes a pivotal area of inquiry within the realm of financial research. As central institutions in economic systems, banks play a critical role in facilitating financial transactions, allocating capital, and influencing economic stability. Understanding the factors that influence banks' value, tax-related decisions, and financial performance is paramount for both academic discourse and practical implications within the banking sector.

The relevance of this research topic is underscored by the pivotal role banks play in the economic fabric of societies. Banks are the cornerstone of financial systems, facilitating economic growth, capital allocation, and wealth creation. In this context, the value of a bank is not merely a numerical representation but a reflection of its intrinsic worth, resilience, and capacity to generate sustainable returns. Simultaneously, tax avoidance strategies employed by banks have become an integral aspect of their financial management, with profound implications for both regulatory bodies and stakeholders.

The formulation of the scientific problem at the heart of this study is driven by the need to bridge existing gaps in the understanding of the intricate relationships between bank value, tax avoidance, and profitability. The complexities inherent in these variables demand a nuanced examination that goes beyond surface-level correlations. The scientific problem is framed within the context of identifying the causal links, feedback loops, and moderating factors that define the intricate dance between bank value, tax avoidance strategies, and the bottom line.

As financial markets continue to evolve and regulatory landscapes undergo transformations, this study's implications extend beyond academic curiosity. The findings are poised to inform policy decisions, guide regulatory frameworks, and offer strategic insights to banking practitioners, especially in an era where transparency and accountability are paramount.

1. LITERATURE REVIEW AND HYPOTHESES

The exploration of the link between bank value, profitability, and tax avoidance has captivated the attention of scholars, policymakers, and industry practitioners, reflecting the financial sector's dynamic and multifaceted nature (Bui et al., 2020). Reviewing the previous literature reveals a mosaic of perspectives, theories, and empirical results that collectively contribute to our intricate triad.

The concept of bank value has been a focal point in financial research. Scholars such as Berger and Bouwman (2013) and Demirguç-Kunt and Huizinga (1999) have delved into the determinants of bank value, emphasizing factors such as asset quality, capital adequacy, macroeconomic conditions, and management efficiency. Understanding how these components contribute to a bank's intrinsic value lays the groundwork for comprehending the broader context within which the interplay between tax avoidance and profitability unfolds.

Tax avoidance strategies within the banking sector have garnered significant attention, with studies exploring the motives, mechanisms, and consequences of such practices. Desai and Dharmapala (2006) and Hanlon (2005) have examined the drivers of tax avoidance in institutions, highlighting the role of regulatory environments, corporate governance structures, and the pursuit of competitive advantages. These works underscore the need to unravel the intricate web of tax-related decisions made by banks and their implications for financial performance. In Jordan, Shubita (2024) explores how these factors interact within the business context. By analyzing data from various firms, the study aims to uncover any patterns or relationships between profitability, sales growth, and the extent of tax avoidance strategies employed by companies. This study's findings provide insights into how sales growth influences firms' approaches to tax management and subsequently affects their profitability. This study contributes to the understanding of the complex dynamics between sales expansion, financial performance, and tax planning strategies, offering valuable implications for corporate decision-making and financial management practices.

Existing research has highlighted the intricate relationship between tax avoidance and profitability. While tax planning can enhance a firm's financial performance (Desai & Dharmapala, 2009), the literature also acknowledges the potential risks and ethical considerations associated with aggressive tax strategies. The challenge lies in discerning the fine line between legitimate tax planning and strategies that may compromise a bank's long-term profitability and sustainability.

The link between tax-related activities and a bank's profitability is a nuanced terrain. Existing literature, exemplified by studies such as DeAngelo and Masulis (1980) and Dyreng et al. (2008), has explored the impact of tax-related factors on the financial performance of banks. Profitability metrics are often employed to gauge the effectiveness of TAV strategies and their ultimate influence on a bank's bottom line. Chen et al. (2014) investigate the link between TAV activities and company value in the context of Chinese corporations. Utilizing data from Chinese firms, the study examines how TAV practices impact firm value, measured by market indicators such as

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stock prices and market capitalization. Through empirical analysis, the authors find evidence suggesting that tax avoidance has a direct impact on the company value in the Chinese market. The results imply that investors perceive tax avoidance strategies as value-enhancing for firms, possibly due to increased cash flows or improved financial performance. The findings contribute to the understanding of the consequences of tax avoidance behaviors on firm value within the Chinese business environment, offering insights for policymakers and stakeholders interested in corporate governance and financial markets.

The regulatory context significantly shapes the landscape within which banks operate. Laeven and Levine (2009) and Barth et al. (2013) emphasize the impact of regulatory frameworks on bank value, tax planning, and profitability. Understanding the evolving nature of financial regulations is crucial for contextualizing the relationships under scrutiny and gauging how regulatory changes may influence the dynamics between bank value, tax avoidance, and profitability. The regulatory environment and economic conditions play a pivotal role in shaping the landscape within which banks operate. Rachmawati et al. (2019) emphasize the importance of understanding the regulatory context in assessing the impact of tax avoidance on bank value and profitability. The literature underscores the need to consider macroeconomic factors and regulatory frameworks as integral components when examining the intricate relationships under investigation.

Given the interconnectedness of financial markets, cross-country studies provide a broader perspective. Blouin et al. (2014) and Gupta and Newberry (1997) offer insights into how cultural, institutional, and economic differences shape the relationship between bank value, tax avoidance strategies, and profitability across diverse global contexts.

Armstrong et al. (2015) scrutinize how different facets of corporate governance, such as board autonomy, CEO remuneration structures, and ownership concentration, impact the likelihood and degree of tax avoidance activities carried out by firms. Employing a thorough dataset and advanced econometric methodologies, the authors furnish empirical evidence indicating that specific governance attributes, particularly CEO compensation arrangements and board independence, significantly influence a company's inclination towards employing tax avoidance tactics. These findings underscore the significance of corporate governance mechanisms in shaping firms' tax strategies and contribute to the ongoing discourse on governance's role in addressing agency conflicts and fostering corporate transparency and accountability.

Methodological considerations in prior research are diverse, ranging from quantitative analyses of financial statements to qualitative assessments of tax planning motives. Key studies, such as Mills (1998) and Blouin et al. (2014), showcase the various approaches employed in examining tax avoidance in corporate settings. However, methodological gaps persist, particularly in the context of banks, necessitating a rigorous and context-specific approach in the present study.

In synthesizing these diverse strands of literature, it becomes evident that the link between bank value, tax avoidance, and profitability is intricate and multifaceted. The existing body of knowledge underscores the need for a comprehensive and nuanced approach to unraveling the causal links, moderating factors, and feedback loops that define this triad (Shubita, 2023). Subsequent sections of this study build upon this foundation, employing rigorous methodologies and empirical analyses to contribute new insights to this complex and evolving discourse.

Ultimately, this study seeks to provide insights that can inform businesses, policymakers, and academics about tax behavior in light of profitability, with a particular focus on the Jordanian context. The hypotheses are as follows:

H_{01}: *Bank profitability does not have a statistically significant effect on tax avoidance.*

H_{02}: *Bank value does not have incremental information over profitability in explaining tax avoidance.*

H_{03}: *Bank size does not influence the bank profitability and value impact on tax avoidance.*

2. METHODS

The Jordanian banks will represent the study sample. (13) banks financial data covering the study period from 2010 to 2021 will be tested using the study models.

The study models are:

$$TAV_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 Size + \varepsilon_{it}, \quad (1)$$

$$TAV_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 Value + \beta_3 Size_{it} + \varepsilon_{it}, \quad (2)$$

where *Size* – total assets normal logarithm; *ROA* – return on assets; *TAV* – tax avoidance (tax expense over income before tax); *Value* – firm value which equals normal log. for the market capitalization (share closing price multiplied by a number of shares), β_0-β_3 – coefficients; and *i* – bank.

Several regression models are frequently employed in data analysis and statistics. The selection of a specific model hinges on factors such as the data's nature, the research question, and the assumptions inherent in the model. Evaluating model fit, interpreting coefficients, and conducting diagnostics are crucial steps to guarantee that the chosen regression model precisely captures the relationship between variables and yields dependable predictions or inferences. Table 1 shows the study variables.

Table 1. Variables of the study

Variable	Type
TAV	Dependent
Bank Value	Moderator
ROA	Independent
Size	Control

3. RESULTS

The descriptive statistics presented in Table 2 include the mean, standard deviation (Std.), kurtosis, and skewness for four primary variables in the dataset: Return on Assets, Tax Avoidance, Bank Value, and Bank Size.

The mean TAV value is 0.6894, indicating that, on average, the banks in the dataset engage in tax avoidance. Standard Deviation (Std.): The relatively low standard deviation of 0.109 suggests that the degree of variability in TAV across the dataset is relatively moderate. A negative skewness of –0.633 indicates a slight leftward skew, implying that the distribution is somewhat skewed towards higher levels of tax avoidance, while the kurtosis value of 15.752 indicates a leptokurtic distribution, suggesting that the distribution has heavy tails and is more peaked than a normal distribution.

The mean size is 9.3744, reflecting the average size of the banks in the dataset, with a standard deviation of 0.404; there is a moderate degree of variability in the size of the companies, but a positive skewness of 1.050 indicates a rightward skew, suggesting that the distribution of company sizes is skewed towards larger values. The kurtosis value of 1.133 suggests a distribution with slightly heavier tails than a normal distribution.

The mean ROA is 0.0108, indicating the average return on assets for the banks in the dataset. The standard deviation of 0.0053 suggests a relatively low variability in ROA across the dataset. A slightly negative skewness of –0.136 indicates a minor leftward skew in the distribution of ROA, while the kurtosis value of –0.479 suggests a distribution with lighter tails than a normal distribution.

Lastly, the mean for the (Value) variable is 8.4508, representing the average value of the companies in the dataset with a standard deviation of 0.4753. There is a moderate level of variability in the value of the companies. A positive skewness of 1.275 indicates a rightward skew, suggesting that the distribution of company values is skewed towards higher values. The kurtosis value of 0.804 suggests a distribution with tails slightly heavier than a normal distribution.

Table 2. Descriptive statistics

Item	Mean	Median	Standard Deviation	Skewness	Kurtosis
TAV	0.6894	0.696	0.109	–0.633	15.752
Size	9.3744	9.324	0.404	1.050	1.133
ROA	0.0108	0.011	0.0053	–0.136	–0.479
Value	8.4508	8.310	0.4753	1.275	0.804

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In summary, the descriptive results provide a comprehensive overview of the central tendencies, variabilities, and shapes of the distributions for the key variables in the dataset. These findings lay the groundwork for more in-depth analyses and interpretations in the subsequent stages of the research.

Table 3. Pearson matrix

Variable	TAV	ROA	Value
Size	–0.100	–0.022	0.925**
TAV	–	0.317**	0.007
ROA	–	–	0.208**

Note: ** significant for 0.01 level.

The correlation coefficient between TAV and Size is –0.100. This negative correlation suggests a weak inverse relationship between TAV and company size. As the size of the companies increases, there is a slight tendency for tax avoidance to decrease. However, the correlation is relatively weak, indicating that other factors may also influence the relationship.

The correlation coefficient between TAV and ROA is 0.317. This positive correlation signifies a moderate positive relationship between TAV and ROA. As tax avoidance increases, there is a tendency for ROA to also increase. This correlation may suggest that companies engaging in tax avoidance are, on average, experiencing higher returns on their assets. On the other hand, the correlation between *Size* and *Value* is 0.925. This positive correlation implies a robust direct link between the size and value of the companies. Larger companies tend to have higher values. This correlation is expected as larger companies often have greater market capitalization and assets, contributing to their higher overall value.

The correlation coefficient between TAV and Value is 0.007. This near-zero correlation suggests a very weak link between tax avoidance and the value of the banks. *TAV* does not appear to be significantly associated with the overall value of the companies in the dataset. The correlation coefficient between *ROA* and *Size* is –0.022. This close-to-zero correlation indicates a very weak relationship between ROA and the size of the companies. The size of the companies does not appear to substantially impact their return on assets. The correlation coefficient between *ROA* and *Value* is 0.208. This positive correlation suggests a moderate positive relationship between return on assets and the value of the companies. As the return on assets increases, there is a tendency for the companies' overall value to increase.

In summary, the Pearson correlation results provide valuable insights into the associations among the key variables. The strengths and directions of these correlations offer a foundation for further exploration and analysis, guiding researchers in understanding the complex interplay between tax avoidance, return on assets, size, and value in the context of the research.

Table 4. Spearman correlation matrix

Variable	TAV	ROA	Value
Size	–0.124	–0.027	0.843**
TAV	–	0.434**	0.067
ROA	–	–	0.343**

Note: ** significant for 0.01 level.

Table 4 presents the Spearman correlation matrix, offering insights into the non-linear relationships among the study variables. The Spearman correlation is a non-parametric measure of the association that assesses monotonic relationships between variables. Let's discuss the results.

The Spearman correlation coefficient between *TAV* and *Size* is –0.124. This negative correlation suggests a weak inverse monotonic relationship between *TAV* and the size of the banks. As the size of the banks increases, there is a slight tendency for tax avoidance to decrease. The significance level of 0.01 indicates that this relationship is statistically significant. This positive correlation between *TAV* and *ROA* implies a moderate positive monotonic relationship between tax avoidance and return on assets. As tax avoidance increases, there is a tendency for ROA to also increase.

The Spearman correlation coefficient between *Size* and *Value* is 0.843. This strong positive correlation suggests a robust positive monotonic link between the size and value of the companies. Larger companies tend to have higher values. The correlation coefficient between *TAV* and *Value* is 0.067. This positive correlation suggests a very weak positive monotonic relationship between tax avoidance

and the value of the companies. *TAV* does not appear to be significantly linked with the overall value of the companies.

The correlation between *ROA* and *Size* is –0.027. This close-to-zero correlation indicates a very weak monotonic relationship between *ROA* and the size of the companies. The size of the companies does not appear to substantially impact their return on assets. The significance level is not mentioned, so whether this correlation is statistically significant is unclear. The correlation between *ROA* and *Value* is 0.343. This positive correlation suggests a moderate positive monotonic relationship between return on assets and the value of the companies. As the return on assets increases, there is a tendency for the companies' overall value to increase. The significance level of 0.01 indicates that this correlation is statistically significant.

In summary, the Spearman correlation results offer insights into the monotonic relationships among the variables, accounting for non-linear associations. The significance levels provide confidence in the statistical reliability of the observed correlations, aiding researchers in drawing meaningful conclusions about the relationships between tax avoidance, return on assets, size, and value in the research context.

Table 5. Regression model results

Variable	Factor	E.	t-statistics	Significant
Constant	0.855	0.195	4.394	0.00
Return on Assets	6.527	1.579	4.132	0.00
Size	–0.025	0.021	–1.222	0.224
R^2	0.109	Adjusted R^2		0.098
F- statistics	9.403	Sig.		0.00
VIF	1.001	D-W		1.80

Table 6. Regression model results – 2

Variable	Factor	E.	t-statistics	Significant
Constant	0.998	0.227	4.400	0.00
Return on Assets	5.078	1.974	2.527	0.011
Value	0.070	0.058	1.221	0.224
Size	–0.102	0.066	–1.540	0.126
R^2	0.118	Adjusted R^2		0.101
F- statistics	6.785	Significant		0.00
VIF	1.568	D-W		1.826

The findings outlined in Table 5 concern hypothesis testing regarding the influence of bank profitability on *TAV*. The constant term denotes the intercept when all independent variables are set to zero, standing at 0.855 in this context. Its statistically significant t-value of 4.394 (Sig. 0.00) indicates a notable deviation from zero. The coefficient for Return on Assets (ROA) is 6.527, with a significant t-value of 4.132 (Sig. 0.00), suggesting ROA significantly impacts TAV. Specifically, a one-unit increase in ROA corresponds to a 6.527-unit rise in tax avoidance. The Size coefficient registers at –0.025. However, with a t-value of –1.222 and a non-significant p-value (Sig. 0.224), Size fails to exhibit a statistically significant impact on tax avoidance within this model. The R-squared value is 0.109, indicating that about 10.9% of the variability in tax avoidance can be explained by the model's variables. On the other hand, the adjusted R-squared, which adjusts for the number of predictors, is 0.098, offering a more cautious estimate of the model's explanatory ability. The F-statistic assesses the overall significance of the model, with a significant p-value (Sig. 0.00) indicating that the model, taken as a whole, is statistically significant.

Regarding Diagnostic Tests, the VIF of 1.001 for all variables suggests the absence of multicollinearity issues in the model. VIF values close to 1 signify low multicollinearity. Additionally, the Durbin-Watson value around 2 indicates that there is no significant autocorrelation. Here, the value of 1.80 indicates a relatively low likelihood of autocorrelation.

The findings detailed in Table 6 pertain to hypothesis testing regarding the influence of bank value and size on tax avoidance, with consideration given to bank profitability (ROA) as a contributing factor. Let's delve into the discoveries and the outcomes of the hypothesis testing. The constant term, indicating the intercept when all independent variables are at zero, stands at 0.998. Its t-value of 4.400 (Sig. 0.00) signifies statistical significance, implying that the intercept significantly differs from zero. The coefficient for Return on Assets (ROA) is 5.078. With a t-value of 2.527 (Sig. 0.011), it suggests that ROA exerts a notable influence on tax avoidance. Precisely, a one-unit increase in ROA correlates with a 5.078-unit rise in tax avoidance. The coefficient for the Value variable is 0.070. Nonetheless, its t-value of 1.221 and the non-significant p-value (Sig. 0.224) indicate that Value does not yield a statistically significant additional impact on tax avoidance beyond ROA. Conversely, the coefficient for Size is –0.102. Although the t-value

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registers at –1.540, the p-value (Sig. 0.126) suggests that Size lacks a statistically significant effect on tax avoidance within this model.

The R-squared coefficient stands at 0.118, suggesting that the model's variables account for around 11.8% of the variance in tax avoidance. The adjusted R-squared, factoring in the predictors, is 0.101. The F-statistic assesses the model's overall significance, with a p-value of 0.00 indicating statistical significance for the model as a whole. For Diagnostic Tests, a VIF (Variance Inflation Factor) of 1.568 for all variables suggests that there is no severe multicollinearity in the model, while the Durbin-Watson statistic of 1.826 suggests a relatively low possibility of autocorrelation in the residuals.

Hypothesis *H1* states that bank profitability does not have a statistically significant impact on tax avoidance. However, based on the model results, the coefficient for ROA is statistically significant (Sig. 0.00), rejecting the null hypothesis for ROA. The coefficient for Size is not statistically significant (Sig. 0.224), suggesting that Size does not have a statistically significant impact on tax avoidance in this model.

In summary, the results indicate that bank profitability, as measured by Return on Assets (ROA), has a statistically significant impact on tax avoidance, while the Size variable does not exhibit a significant influence in this model. The overall model is statistically significant, providing evidence to support the relationship between bank profitability and tax avoidance.

For the second hypothesis, *H2*, the coefficient for Value is not statistically significant (Sig. 0.224), supporting the null hypothesis. Therefore, there is no evidence to suggest that bank value has incremental information over profitability in explaining tax avoidance in this model.

For the final hypothesis, *H3* (that bank size does not influence the impact of bank profitability and value on tax avoidance), the Size coefficient is found to be not statistically significant (Sig. 0.126), which aligns with the null hypothesis. This indicates that bank size does not exert a statistically significant effect on the correlation between bank profitability, value, and tax avoidance in this model.

In summary, the results indicate that while bank profitability (ROA) significantly impacts tax avoidance, bank value and size do not have statistically significant incremental effects in explaining tax avoidance in this model. The overall model is statistically significant, and diagnostic tests suggest the absence of severe multicollinearity and autocorrelation in the residuals.

4. DISCUSSION

The findings of this study, exploring the intricate relationships between bank value, tax avoidance, and profitability, provide nuanced insights into the complex dynamics within the banking sector. There are several studies that investigate the relationship between these variables: Cook et al. (2017), Dahmash (2015), Gavalas and Syriopoulos (2019), Drake et al. (2019), Dhaliwal et al. (2017), and Higgins et al. (2013). The findings from the regression models and correlation analyses shed light on the multifaceted interactions among these key variables, contributing to academic discourse and to the financial industry's practical implications.

The initial regression model investigated the impact of bank profitability, measured by ROA, on TAV. The findings revealed a significant direct link between ROA and tax avoidance, indicating that as banks experience higher profitability, they tend to engage in greater TAV practices. This result aligns with the literature emphasizing the strategic use of tax planning to enhance financial performance in the banking sector.

In the second model, which incorporated bank value and size alongside profitability, the findings suggested that bank value and size did not have incremental information over profitability in explaining tax avoidance. While ROA maintained its significance, bank value and size did not emerge as significant contributors. This highlights the prominence of profitability as a key driver of tax avoidance strategies within banks, overshadowing the potential impact of size and value.

Comparing the results of this study with the existing literature reveals both consistencies and divergences. The positive correlation between bank

profitability and tax avoidance aligns with studies such as Arif and Hashim (2013) and Ariffin (2013) emphasizing the financial motivation behind tax planning strategies in the corporate landscape. However, the lack of significant impact from bank size and value in the model of this study diverges from some prior research that suggested a more substantial role for these factors in shaping tax-related decisions. This incongruence underscores the importance of context-specific analyses and the unique dynamics of the banking sector.

The significant positive link between bank profitability and tax avoidance may be attributed to the financial incentives for banks to optimize their tax positions to bolster their bottom line, as Barth et al. (2013) and Blouin (2014) suggest. Profitable banks seeking to maximize shareholder value may strategically employ tax planning to minimize tax liabilities, thus contributing to the observed positive relationship.

The non-significant impact of bank size and value on tax avoidance may be interpreted through the lens of the predominant influence of profitability (Hutchens & Rego, 2015; Inger, 2014; Jacob & Schütt, 2020; Jamei, 2017; Kim et al., 2011; Kovermann, 2018). It is plausible that the financial leverage provided by higher profitability eclipses the potential effects of size and value, emphasizing the central role of financial performance in driving tax-related decisions within banks.

The outcomes of this study open avenues for further research and exploration. Future studies could delve deeper into the specific mechanisms through which profitable banks engage in tax avoidance, considering the interplay of regulatory environments and market conditions. Additionally, exploring contextual factors influencing the impact of bank size and value on tax avoidance could provide a more comprehensive understanding of these dynamics.

Moreover, as the financial landscape evolves and regulatory frameworks adapt, continued research is essential to keep pace with emerging trends to extend the work for several studies such as Rezaei and Ghanaeenejad (2014), Saini and Sharma (2009), Salihu et al. (2014), Santana and Rezende (2016), and Slemrod (2004). Investigations into the implications of evolving tax policies and their impact on bank behavior can provide valuable insights for policymakers and financial practitioners navigating a dynamic and globally interconnected financial system. In conclusion, this study contributes to the evolving discourse on the relationships between bank value, tax avoidance, and profitability (Sumantri et al., 2022; Sriyono, & Andesto, 2022; Zimmerman, 1983). The results underscore the central role of bank profitability in driving tax-related decisions while also prompting further inquiries into the contextual nuances that shape these dynamics within the dynamic landscape of the banking sector.

CONCLUSION

The primary purpose of this study was to unravel the intricate links between bank value, TAV, and profitability, aiming to provide valuable insights for both academic understanding and practical implications within the financial sector. Through a comprehensive analysis, the study sought to discern the nuanced dynamics shaping the interactions among these pivotal variables.

The findings of this study underscore the significant impact of bank profitability, as measured by Return on Assets (ROA), on TAV strategies. The positive relationship between ROA and TAV highlights the financial motivations that drive banks to strategically engage in tax planning to optimize their fiscal positions. This result reinforces the notion that profitable banks, in their pursuit of enhancing shareholder value, leverage tax avoidance as a strategic tool.

In the expanded model, where bank value and size were incorporated alongside profitability, it became evident that the incremental information provided by bank value and size in explaining tax avoidance was not statistically significant. While ROA retained its significance, bank value and size did not emerge as influential factors in determining tax-related decisions within the banking sector.

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The conclusions drawn from these results emphasize the overarching influence of bank profitability in shaping tax avoidance practices. This underscores the importance of financial performance as a key driver of strategic decision-making within banks, overshadowing the potential impact of size and value. As banks navigate a complex and evolving financial landscape, the study suggests that a keen focus on profitability is crucial for understanding and anticipating tax-related behaviors.

In light of these conclusions, financial practitioners, policymakers, and researchers should recognize the centrality of bank profitability in the formulation of tax strategies. Policymakers can use these insights to tailor regulations that consider the financial motivations of banks, while practitioners may refine their strategic planning processes, placing a premium on optimizing profitability within legal and ethical boundaries.

As the financial landscape continues to evolve, future research should delve deeper into the mechanisms through which profitable banks engage in tax avoidance, considering the influence of regulatory frameworks and market conditions. Additionally, exploring the contextual factors that may influence the impact of bank size and value on tax avoidance remains an avenue for further investigation. This study serves as a stepping stone for ongoing inquiries into the nuanced relationships that define the behavior of banks in a dynamic and interconnected financial ecosystem.

AUTHOR CONTRIBUTIONS

Conceptualization: Mohammad Fawzi Shubita.
Data curation: Mohammad Fawzi Shubita.
Formal analysis: Mohammad Fawzi Shubita.
Funding acquisition: Mohammad Fawzi Shubita.
Investigation: Mohammad Fawzi Shubita.
Methodology: Mohammad Fawzi Shubita.
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Writing – original draft: Mohammad Fawzi Shubita.
Writing – reviewing & editing: Mohammad Fawzi Shubita.

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