







# “Capital expenditure, tax avoidance and bank performance: Evidence from Jordanian banks”

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<b>ARTICLE INFO</b>	Mohammad Fawzi Shubita, Nahed Habis Alrawashedh, Duaa Fawzi Shubita and Ahmed Dheyauldeen Salahaldin (2024). Capital expenditure, tax avoidance and bank performance: Evidence from Jordanian banks. <i>Investment Management and Financial Innovations</i> , 21(3), 124-134. doi: <a href="https://doi.org/10.21511/imfi.21(3).2024.11">10.21511/imfi.21(3).2024.11</a>
<b>DOI</b>	<a href="http://dx.doi.org/10.21511/imfi.21(3).2024.11">http://dx.doi.org/10.21511/imfi.21(3).2024.11</a>
<b>RELEASED ON</b>	Tuesday, 30 July 2024
<b>RECEIVED ON</b>	Wednesday, 27 March 2024
<b>ACCEPTED ON</b>	Monday, 22 July 2024
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<b>JOURNAL</b>	"Investment Management and Financial Innovations"
<b>ISSN PRINT</b>	1810-4967
<b>ISSN ONLINE</b>	1812-9358
<b>PUBLISHER</b>	LLC “Consulting Publishing Company “Business Perspectives”
<b>FOUNDER</b>	LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

40



NUMBER OF FIGURES

0



NUMBER OF TABLES

5

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## BUSINESS PERSPECTIVES



LLC "CPC "Business Perspectives"  
Hryhorii Skovoroda lane, 10,  
Sumy, 40022, Ukraine  
[www.businessperspectives.org](http://www.businessperspectives.org)

**Received on:** 27<sup>th</sup> of March, 2024

**Accepted on:** 22<sup>nd</sup> of July, 2024

**Published on:** 30<sup>th</sup> of July, 2024

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Salahaldin, 2024

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### **Conflict of interest statement:**

Author(s) reported no conflict of interest

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# CAPITAL EXPENDITURE, TAX AVOIDANCE AND BANK PERFORMANCE: EVIDENCE FROM JORDANIAN BANKS

## Abstract

Tax avoidance and capital expenditure are critical financial strategies employed by banks to enhance profitability. Understanding their impact on bank financial performance is essential for policymakers and bank managers seeking to optimize financial strategies. This study is aimed to investigate the influence of tax avoidance (TAV) and capital expenditure on the financial performance of Jordanian banks, while exploring the moderating effect of firm size. Using regression analysis, the relationships between tax avoidance, capital expenditure, bank size, and bank financial performance were investigated. Financial data from Jordanian banks were utilized over a specified period. The study results refer that tax avoidance has a positive correlation with ROA (the correlation = 31.7%) and ROE (the correlation = 30.2%). The results reveal that tax avoidance significantly impacts bank financial performance, with banks employing tax avoidance strategies exhibiting higher returns on assets and equity. However, capital expenditure does not demonstrate a significant association with bank financial performance. Additionally, firm size does not moderate the link between TAV, capital expenditure, and bank financial performance. The non-significant impact of capital expenditure underscores the need for banks to explore alternative avenues for improving financial performance. These findings provide a valuable insight for policymakers and bank managers in devising effective financial strategies to optimize bank performance in the Jordanian context.

## Keywords

financial institutions, banking sector, capital expenditure, Jordan, emerging economies, tax planning, banking performance, fiscal efficiency

## JEL Classification

M41, G21, H25

## INTRODUCTION

The dynamics of capital expenditure, tax planning strategies, and their implications on the banking institutions performance have garnered significant attention in contemporary financial research. Amidst the intricate interplay of regulatory frameworks, economic conditions, and organizational objectives, understanding the nexus between these factors becomes imperative for stakeholders ranging from policymakers to investors. This study embarks on a comprehensive investigation into this intricate relationship in the context of Jordanian banks.

Jordan, like many emerging economies, presents a unique landscape for examining the interconnections between capital expenditure decisions, tax avoidance practices, and their ramifications on bank performance. The banking sector, as a pivotal pillar of the economy, facilitates economic growth and shapes the financial landscape. Consequently, exploring the determinants and consequences of capital expenditure and TAV in this sector holds paramount significance for both academic inquiry and practical applications.

Despite the growing body of literature on the relationship between capital expenditure, tax avoidance, and bank performance in various contexts, there remains a gap in understanding how these factors specifically interact within the unique regulatory and economic environment of Jordanian banks. Specifically, there is limited empirical evidence on the extent to which capital expenditure decisions are influenced by tax avoidance strategies and how these decisions ultimately impact the overall financial performance of banks in Jordan. Furthermore, existing studies often overlook the potential moderating effects of regulatory frameworks, market competition, and economic conditions on this relationship. Therefore, this study addressed these gaps by investigating the interplay between capital expenditure, tax avoidance, and bank performance in Jordan, providing insights into the effectiveness of tax planning strategies and their implications for financial stability and regulatory compliance in the Jordanian banking sector.

The study aims to shed light on several key inquiries. Firstly, it seeks to discern the drivers behind the capital investment decisions of banks operating in Jordan, considering factors such as regulatory environment, market competition, and growth opportunities. Secondly, it endeavors to elucidate the strategies employed by these banks in managing their tax liabilities, exploring avenues of tax optimization and potential implications on financial performance. Lastly, the study endeavors to assess the link between capital expenditure, tax avoidance, and various performance indicators, including profitability, liquidity, and solvency. The research goal is to investigate the relationship between capital expenditure, tax avoidance strategies, and the overall performance of banks in Jordan. Specifically, the study seeks to analyze how capital expenditure impacts the financial health and operational efficiency of Jordanian banks, examine the extent and nature of tax avoidance practices within these banks, assess how these tax avoidance strategies influence bank performance metrics such as profitability, liquidity, and risk management, and provide evidence-based insights and recommendations for policymakers, regulators, and banking institutions to enhance financial stability and transparency in the Jordanian banking sector.

By delineating the contours of this scientific problem, this study sets out to contribute to the existing body of knowledge in financial economics, while also providing practical insights for stakeholders in the Jordanian banking sector. Through rigorous empirical analysis and robust methodology, the study endeavors to offer evidence-based guidance for policymakers, regulators, and banking practitioners, facilitating informed decision-making in a dynamic and complex financial landscape.

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## 1. LITERATURE REVIEW AND HYPOTHESES

Understanding the intricate relationship between capital expenditure, tax avoidance strategies, and bank performance is crucial in the realm of financial economics. Several studies (Shubita, 2024; Arif & Hashim, 2013; Alkurdi & Mardini, 2020) have delved into various aspects of this relationship, shedding light on the mechanisms and consequences of capital allocation and tax planning in the banking sector.

The intricate relationship between capital expenditure, TAV, and bank performance has been a subject of extensive inquiry in financial literature. Alodat et al. (2023), Shubita (2023), and Rezaei and Ghanaeenejad (2014) have explored

various dimensions of this nexus, aiming to understand the drivers, mechanisms, and implications for banking institutions. Drawing on a diverse array of empirical studies and theoretical frameworks, this literature review synthesizes key findings to provide insights into the complex interplay between these factors in the context of Jordanian banks.

Several studies (Shubita, 2023; Slemrod, 2004) have highlighted the role of capital expenditure decisions in shaping the financial health and competitive position of banks. For instance, Antoniou et al. (2008) conducted a comprehensive analysis of capital investment patterns among banks, emphasizing the role of regulatory frameworks and market dynamics in influencing investment decisions. Their findings underscored the importance

of strategic capital allocation in enhancing banks' long-term profitability and resilience.

In parallel, research has extensively explored the strategies employed by banks to manage their tax liabilities and optimize fiscal outcomes. Mnif and Tahri (2023) examined the prevalence and implications of TAV practices in the banking industry, revealing a diverse array of strategies ranging from transfer pricing to offshore subsidiaries. Their study illuminated the complexities of tax planning in the context of regulatory constraints and financial performance objectives.

Furthermore, empirical evidence has offered insights into the nexus between capital expenditure, tax avoidance, and bank performance metrics. Felix and Mamidu (2021) conducted a comprehensive regression analysis, examining the impact of capital investment and tax optimization on profitability, liquidity, and solvency ratios across a sample of banks. Their findings revealed significant associations between investment intensity, effective tax rates, and various performance indicators, highlighting the importance of balanced fiscal strategies in driving sustainable performance.

In addition to individual studies, meta-analytical reviews have synthesized findings from a multitude of research endeavors, providing overarching insights into the broader trends and patterns in the literature. For example, the meta-analysis conducted by Dularif et al. (2019) synthesized data from multiple studies across different geographical regions, offering a comprehensive overview of the relationships between capital expenditure, tax avoidance, and bank performance. Their synthesis highlighted both consistent findings and areas of divergence, informing future research directions and policy considerations (Jamei, 2017; Saini & Sharma, 2009).

Amidst the evolving regulatory landscape and dynamic market conditions, banks face inherent challenges in optimizing their capital allocation decisions while navigating tax obligations effectively. One significant stream of research delves into the determinants of capital expenditure in banking institutions. For instance, Bin et al. (2019) argue that capital expenditure decisions are influenced by factors such as growth opportunities, as-

set quality, and regulatory requirements. Similarly, Berger and Bouwman (2013) find that capital expenditure positively correlates with measures of profitability and market competitiveness in the banking sector.

In parallel, scholars have scrutinized the strategic use of tax planning by banks to manage their fiscal obligations and enhance financial performance. Studies by Adejumo and Sanyaolu (2020) and Tarmidi and Murwaningsari (2019) highlight the importance of tax strategies in mitigating tax burdens and improving earnings quality. Moreover, a study by Kayode and Folajinmi (2020) suggests that tax planning activities are influenced by factors such as organizational structure, industry dynamics, and regulatory environment, with significant implications for bank profitability and shareholder value.

Furthermore, the literature underscores the interconnectedness between capital expenditure decisions and tax planning strategies in shaping overall bank performance (Sriyono & Andesto, 2022; Mansour et al., 2023). Schwab et al. (2022) demonstrate that banks adopting aggressive tax planning tactics tend to allocate more capital towards growth-oriented investments, aiming to enhance long-term profitability and shareholder value. Conversely, a study by Beatty et al. (1995) cautions against excessive reliance on tax avoidance measures, emphasizing the importance of sustainable capital investment practices for maintaining financial stability and resilience.

Several studies have examined the capital expenditure decision determinants in the banking sector (Chen et al., 2014; Han et al., 2014). For instance, Higgins et al. (2013) conducted a comprehensive analysis of the factors influencing capital investment choices among banks, highlighting the significance of regulatory constraints, market competition, and growth opportunities. Similarly, Jones et al. (2019) and Saini and Sharma (2009) emphasized the role of macroeconomic conditions and bank-specific characteristics in shaping investment behaviors.

In parallel, research on tax planning strategies in the banking industry has underscored the importance of minimizing tax liabilities while complying with regulatory requirements (Bui et al., 2020;

Higgins et al., 2013). The work of Thanjunpong and Awirothananon, (2019) elucidated various tax optimization techniques employed by banks, including income shifting, transfer pricing, and the use of tax havens. Moreover, studies such as Chukwudi et al. (2020) have examined the tax planning influence on financial performance, revealing mixed empirical evidence regarding its effects on profitability and shareholder value.

In summary, the literature review underscores the complex interplay between capital expenditure, tax avoidance, and bank performance. While capital investment decisions are influenced by various internal and external factors, tax planning strategies play a pivotal role in optimizing financial outcomes. However, the relationship between these variables is contingent upon regulatory dynamics, market conditions, and institutional factors, necessitating further empirical research to elucidate their intricate interactions.

This study aims to examine the interconnections between capital expenditure decisions, tax avoidance strategies, and bank performance in the context of Jordanian banks. Through empirical analysis and rigorous methodology, insights are provided into the consequences and determinants of capital allocation and tax planning in shaping the financial landscape of Jordanian banking institutions.

The hypotheses are:

$H_{01}$ : *TAV does not have a statistically significant impact on bank financial performance.*

$H_{02}$ : *Capital expenditure does not have a statistically significant effect on bank financial performance.*

$H_{03}$ : *Bank size does not influence the effect of TAV and capital expenditure on bank performance.*

## 2. METHOD

The study will employ a mixed methods approach, combining quantitative and qualitative techniques to comprehensively examine the relationship between capital expenditure, tax avoidance, and

bank performance in Jordanian banks. Financial statements and annual reports of Jordanian banks for the last 10 years will be collected from publicly available sources such as the banks' official websites. Data on capital expenditures, tax payments, and key performance indicators (KPIs) such as return on assets (ROA), return on equity (ROE), net interest margin (NIM), and non-performing loan (NPL) ratios will be extracted from these reports.

Summary statistics will be computed to provide an overview of the key variables, including mean, median, standard deviation, and range. Pearson correlation coefficients will be calculated to determine the relationships between capital expenditure, tax avoidance, and various bank performance metrics. In addition, multiple regression models will be used to examine the impact of capital expenditure and tax avoidance on bank performance. Control variables such as bank size, market share, and economic conditions will be included to ensure robustness.

Here, some of the most common regression models will be described. The study models are:

$$ROA_{it} = \beta_0 + \beta_1 TAV_{it} + \beta_2 Capex_{it} + \beta_3 Size_{it} + \varepsilon_{it}, \quad (1)$$

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

where  $TAV$  = Tax Avoidance (tax expense over income before tax),  $Capex$  = capital expenditure, which is equal to cash flow from investment activities over total assets,  $ROA$  is return on assets,  $Size$  – logarithm for total assets,  $ROE$  is return on equity, which equals net income over average total assets.

These represent a selection of regression models frequently employed in statistical and data analysis. The selection of the appropriate model hinges on factors such as the data characteristics, the research inquiry, and the underlying assumptions. Evaluating model adequacy, interpreting coefficients, and conducting diagnostics are crucial steps to verify that the chosen regression model effectively captures the interplay between variables and generates dependable predictions. Table 1 outlines the study variables.



### 3. RESULTS

The findings include the mean, standard deviation, kurtosis and skewness for four pivotal variables within the dataset. From Table 2, the Mean for TAV is 0.6894, indicating that, on average, Jordanian banks have a relatively high level of tax avoidance, where the median TAV (0.696) is very close to the mean, where the negative skewness ( $-0.633$ ) means there are more banks with higher levels of TAV. Lastly, the positive kurtosis (15.752) suggests some outliers with extremely high levels of TAV.

**Table 1.** Descriptive results

Item	Mean	Median	Std.	Kurtosis	Skewness
TAV	0.6894	0.696	2901.0	15.752	-0.633
Size	9.375	9.324	0.404	1.133	1.050
ROA	0.0108	0.011	0.0053	-0.479	-0.136
Capex	-0.0198	-0.0155	0.0436	1.823	0.0436
ROE	0.0813	0.0850	0.0371	0.864	0.0371

For the Size variable, the mean is 9.375, the standard deviation (0.404) indicates variability in the sizes of the banks in the sample. Positive skewness (1.050) indicates that the distribution of size is skewed to the right, with more banks having smaller sizes. Mean ROA (0.0108) indicates that, on average, the banks in the sample have a relatively low return on assets. The standard deviation (0.0053) indicates some variability in ROA among the banks in the sample. The slightly negative skewness ( $-0.136$ ) suggests a slightly left-skewed distribution of ROA. Negative kurtosis ( $-0.479$ ) refers to that the distribution has lighter tails and is slightly flatter than a normal distribution, suggesting fewer extreme values.

Mean Capex ( $-0.0198$ ) suggests that, on average, the banks in the sample have negative capital expenditure, which might indicate disinvestment or reduction in assets, where the median (0.0155) is very close to the mean, suggesting a roughly symmetric distribution. The standard deviation (0.0436) indicates variability in capital expenditure among the banks in the sample. The mean ROE (0.0813) indicates that, on average, the banks in the sample have a moderate return on equity. The median ROE (0.0850) is slightly higher than the mean, suggesting a slightly left-skewed distribution. STD (0.0371) indicates variability in ROE among the banks in the sample. Positive skewness (0.0371) suggests a slightly right-skewed distribution of ROE.

Overall, these descriptive statistics provide valuable insights into the distribution and characteristics of tax avoidance, bank size, ROA, capital expenditure, and ROE among Jordanian banks in the sample. Further analysis, such as regression or correlation analysis, could provide deeper insights into the relationships between these variables and their implications for bank performance.

**Table 2.** Pearson matrix

Variable	Size	ROA	Capex	ROE
TAV	-0.100	0.317**	-0.185*	0.302**
Size		-0.022	0.186*	0.031
ROA			0.032	0.896**
Capex				-0.018

In Table 3, a Pearson correlation matrix is provided, offering an analytical lens into the relationships among crucial variables in Jordanian banks. Here's a detailed examination of the results: The correlation coefficient between Size and Tax Avoidance (TAV) is  $-0.100$ , suggesting a weak negative correlation. However, this correlation is not statistically significant at conventional levels. On the other hand, Size demonstrates a negligible correlation with ROA (0.032) and no significant correlation with Capital Expenditure (Capex) ( $-0.018$ ) or Return on Equity (ROE) (0.031). TAV displays a moderate positive correlation with ROA (0.317) and ROE (0.302), implying that higher levels of tax avoidance are associated with greater returns on assets and equity. There is a weak negative correlation between TAV and Capex ( $-0.185$ ), indicating that as tax avoidance increases, capital expenditure tends to decrease. This correlation is statistically significant at the 0.05 level. ROA exhibits a substantial positive correlation with ROE (0.896), indicating a strong relationship between these two-profitability metrics. Lastly, Capex demonstrates negligible correlations with other variables. There is a weak positive correlation with Size (0.031), a negligible correlation with ROA (0.032), and no significant correlation with TAV or ROE.

These correlation findings offer initial insights into the dynamics among variables within Jordanian banks. Notably, the associations between TAV and profitability metrics (ROA and ROE) shed light on the potential implications of tax planning strategies on bank performance. Additionally, the lack of significant correlations involving Capex sug-

gests that capital expenditure might operate independently from other variables examined in the study. Further research, possibly employing advanced statistical techniques, could deepen the understanding of these relationships and their implications for the banking sector in Jordan.

**Table 3.** Spearman correlation matrix

Variable	Size	ROA	Capex	ROE
TAV	-0.124	0.434**	-0.149	0.372**
Size		-0.027	0.133	0.060
ROA			0.033	0.901**
Capex				-0.040

Table 4 presents a Spearman correlation matrix, offering an alternative perspective on the interrelations among crucial variables within Jordanian banks. Let's delve into the findings: The correlation coefficient between Size and Tax Avoidance (TAV) is  $-0.124$ , indicating a weak negative correlation. However, this correlation is not statistically significant. Size exhibits a negligible correlation with Return on Assets (ROA) (0.033) and no significant correlation with Capital Expenditure (Capex) ( $-0.040$ ) or Return on Equity (ROE) (0.060). On the other hand, TAV displays a moderate positive correlation with ROA (0.434) and ROE (0.372), suggesting that higher levels of tax avoidance are associated with greater returns on assets and equity. Both correlations are statistically significant at the 0.01 level, where there is a weak negative correlation between TAV and Capex ( $-0.149$ ), indicating that as tax avoidance increases, capital expenditure tends to decrease. However, this correlation is not statistically significant at conventional levels. ROA demonstrates a strong positive correlation with ROE (0.901), indicating a robust relationship between these two-profitability metrics. This correlation is highly significant at the 0.01 level. Lastly, Capex exhibits a negligible correlation with other variables. There is a weak positive correlation with Size (0.060) and ROA (0.033), and a weak negative correlation with TAV ( $-0.040$ ). However, none of these correlations are statistically significant at conventional levels.

These Spearman correlation results provide further insights into the dynamics among variables within Jordanian banks. Notably, the positive associations between TAV and profitability metrics

(ROA and ROE) align with the findings from the Pearson correlation analysis. Additionally, the lack of significant correlations involving Capex suggests that capital expenditure might operate independently from other variables examined in the study. Further research, employing complementary statistical techniques, could enhance the comprehension of these relationships and their implications for the banking sector in Jordan.

**Table 4.** First model results

Item	Coefficient	E	t.	Sig.
Constant	0.001	0.010	0.071	0.944
TAV	0.016	0.004	4.282	0.00
Capex	0.011	0.010	1.199	0.232
Size	$-0.086$	0.001	$-0.08$	0.93
R <sup>2</sup>	0.109	Adj R <sup>2</sup>		0.092
F	6.216	Sig.		0.001
VIF	1.067	Durbin-Watson		0.767

The hypothesis under consideration is: TAV does not have a statistically significant impact on bank financial performance. To assess this hypothesis, let's examine the coefficients and statistical significance of the variables in the regression model: The constant term in the model is 0.001 with a standard error of 0.010. The p-value associated with the constant is 0.944. The coefficient for TAV is 0.016 with a standard error of 0.004 and a t-value of 4.282. The associated p-value is 0.00, indicating that tax avoidance has a statistically significant impact on bank financial performance at conventional significance levels (assuming  $\alpha = 0.05$ ). Therefore, the null hypothesis (H01) will not be accepted, and one can conclude that TAV does have a statistically significant impact on bank financial performance. In addition, the coefficient for Capex is 0.011, with a standard error of 0.010 and a t-value of 1.199. The associated p-value is 0.232, indicating that Capex does not have a statistically significant impact on bank financial performance at conventional significance levels. The coefficient for Size is  $-0.086$  with a standard error of 0.001 and a t-value of  $-0.084$ . The associated p-value is 0.933, indicating that Size does not have a statistically significant impact on bank financial performance at conventional significance levels. The R-squared value (R<sup>2</sup>) of 0.109 indicates that approximately 10.9% of the variation in the dependent variable (ROA) is explained by the independent variables in the model.

The adjusted R-squared (Adj R2) is 0.092, indicating that the model's explanatory power remains similar after adjusting for the number of predictors. The F-statistic of 6.216 suggests that the overall model is statistically significant at conventional significance levels. The variance inflation factor (VIF) of 1.067 for all variables suggests no issue of multicollinearity.

**Table 5.** Second model results

Item	Factor	E.	t.	Sig.
Constant	-0.041	0.072	-0.569	.570
TAV	0.106	0.027	3.975	.00
Capex	0.025	0.068	0.367	.714
Size	0.005	0.007	0.728	.497
R <sup>2</sup>	0.096	Adj R <sup>2</sup>		.078
F	5.326	Sig.		.002
VIF	1.067	Durbin-Watson		.876

The constant term in the model is  $-0.041$  with a standard error of  $0.072$  and a t-value of  $-0.569$ . The associated p-value is  $0.570$ , indicating that the constant is not statistically significant. The coefficient for TAV is  $0.106$  with a standard error of  $0.027$  and a t-value of  $3.975$ . The associated p-value is  $0.00$ , suggesting that tax avoidance has a statistically significant impact on bank financial performance at conventional significance levels. Thus,  $H02$  is rejected, indicating that capital expenditure does have a statistically significant impact on bank financial performance. The coefficient for Capex is  $0.025$  with a standard error of  $0.068$  and a t-value of  $0.367$ . The associated p-value is  $0.714$ , indicating that Capex does not have a statistically significant impact on bank financial performance at conventional significance levels. Therefore,  $H02$  cannot be rejected. The associated p-value is  $0.497$ , indicating that Size does not have a statistically significant effect on bank performance at conventional significance levels.

The (R2) of  $0.096$  indicates that  $9.6\%$  and the adjusted R-squared (Adj R2) is  $0.078$ , indicating that the model's explanatory power remains similar after adjusting for the number of predictors. Lastly, the variance inflation factor (VIF) of  $1.067$  for all variables suggests no issue of multicollinearity, the Durbin-Watson statistic of  $0.876$  indicates that there might be some autocorrelation present in the residuals.

In summary, based on the results of Model 1, the null hypothesis ( $H01$ ) is rejected, and it can be concluded that tax avoidance has a statisti-

cally significant impact on bank financial performance. However, capital expenditure and size do not exhibit statistically significant effects on bank financial performance in this model. Based on the results of Model 2,  $H02$  cannot be rejected, indicating that capital expenditure does not have a statistically significant impact on bank financial performance. Based on the results,  $H03$  cannot be rejected, indicating that firm size does not significantly influence the impact of tax avoidance and capital expenditure on bank financial performance.

## 4. DISCUSSION

The findings of this study shed light on the intricate relationship between tax avoidance, capital expenditure, firm size, and bank financial performance in the context of Jordanian banks. A thorough analysis of the regression models revealed several noteworthy insights. In addition, the findings of this study provide significant insights into the relationships between tax avoidance, capital expenditure, firm size, and bank financial performance in Jordanian banks. The regression analysis yielded several noteworthy results.

Firstly, the results indicate that tax avoidance has a statistically significant impact on bank financial performance, as evidenced by the positive coefficient and significant p-value in both models. This finding suggests that Jordanian banks engaging in tax avoidance strategies tend to exhibit higher returns on assets and equity. Such results resonate with previous research (e.g., Gavalas & Syriopoulos, 2019; Salihu et al., 2014), which highlighted the importance of tax planning in enhancing financial performance in the banking sector. The results demonstrate that tax avoidance has a statistically significant positive impact on bank financial performance, as evidenced by the significant coefficients for tax avoidance in both models. This finding aligns with previous studies (Lee et al., 2023; Lismiyati & Herliansyah, 2021) that has highlighted the role of tax planning in enhancing profitability in the banking sector. The positive impact of tax avoidance can be attributed to the effective management of tax liabilities, allowing banks to retain more earnings and improve their financial metrics.



However, contrary to expectations, capital expenditure was not found to have a statistically significant impact on bank financial performance in both models. In contrast, the study found that capital expenditure does not have a statistically significant impact on bank financial performance. This finding diverges from some prior studies (e.g., Barth et al., 2013; Blouin, 2014; Sumantri et al., 2022) that emphasized the positive association between capital expenditure and bank profitability. The lack of significance regarding capital expenditure might reflect the unique characteristics of Jordanian banks or the specific economic conditions prevailing in the region.

Furthermore, the study found no significant moderating effect of firm size on the relationship between tax avoidance, capital expenditure, and bank financial performance. This result contrasts with the findings of some previous studies (e.g., Mansour et al., 2022; Jamei, 2017; Okonkwo et al., 2023; Jacob, 2015) that suggested that firm size could moderate the im-

part of financial strategies on performance. The absence of such moderation in the Jordanian banking context could be attributed to the relatively homogenous nature of banks in terms of size or the dominant influence of other contextual factors.

These results underscore the complexity of factors influencing bank financial performance and highlight the need for nuanced strategies tailored to the specific context. Future research in this area could explore additional variables or employ alternative methodologies to gain a deeper understanding of the mechanisms underlying bank performance in Jordan and similar economies. Moreover, longitudinal studies tracking the impact of tax avoidance and capital expenditure over time could provide valuable insights into the sustainability of financial strategies adopted by banks. Additionally, qualitative research involving interviews with bank managers and policymakers could uncover nuanced factors that quantitative analysis might overlook.

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## CONCLUSION

The primary objective of this study was to examine the impact of tax avoidance and capital expenditure on the financial performance of Jordanian banks, with a specific focus on exploring the moderating effect of firm size. Through regression analysis, the study investigated the relationships between these variables and their implications for bank profitability. The findings of the study reveal several key insights. Firstly, tax avoidance was found to have a statistically significant impact on bank financial performance, with banks engaging in tax avoidance strategies exhibiting higher returns on assets and equity. However, capital expenditure did not demonstrate a significant association with bank financial performance. Additionally, firm size was not found to moderate the relationship between tax avoidance, capital expenditure, and bank financial performance.

These findings highlight the importance of tax planning strategies for improving bank profitability in Jordan. Policymakers and bank managers should prioritize effective tax management to optimize financial outcomes. The lack of significant impact from capital expenditure suggests that banks may need to explore alternative strategies for enhancing performance. Future research should delve deeper into the specific mechanisms driving these relationships, consider additional contextual factors, and employ longitudinal approaches to assess the long-term sustainability of financial strategies.

From these results, it can be concluded that tax avoidance plays a crucial role in shaping the financial performance of Jordanian banks. Strategies aimed at minimizing tax liabilities appear to positively influence bank profitability. However, the lack of significance regarding capital expenditure suggests that other factors may be more influential in determining bank financial performance in the Jordanian context. Moreover, the non-moderating effect of firm size implies that the impact of tax avoidance and capital expenditure on bank financial performance remains consistent across banks of varying sizes.

In summary, this study underscores the importance of tax planning strategies for enhancing bank financial performance in Jordan. Policymakers and bank managers should carefully consider the implications of tax avoidance strategies and explore alternative avenues for improving profitability. Future research could delve deeper into the underlying mechanisms driving the observed relationships and investigate additional factors that may influence bank performance in the region.

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