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Research Article

The Effect of Deffered Taxes, Tax Ratio and Board Financial Education on the Financial Statements of Indonesian Stock Exchange: Role of Regional Disparity Knowledge

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Abstract
The Effect of Deffered Taxes, Tax Ratio and Board Financial Education on the financial statements of Indonesian Stock Exchange: Role of regional disparity knowledge. This study uses secondary data using quantitative methods, there are 46 banks listed on the IDX and with predetermined criteria with a period of one year in 2019. In analyzing data, the technique used is multiple regressions; the data is processed using the SPSS 20 application by setting a significance level of 0.05 for hypothesis testing. Partially and simultaneously deferred tax assets and Tax ratio showed no impact on the performance and not the company's financial statements. Additionally, the regional disparities between the east and west part of Indonesia also found to be influential for the financial performance of the companies registered on IDX.

Keywords
Deferred Tax, Ratio Tax, Financial Statements, Regional Disparity Knowledge

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Introduction

PRELIMINARY In 2019, several companies were delisted from the IDX. One of the delisting companies that attracted attention was PT Sigmagold Inti Perkasa Tbk (TMPI). TMPI has been on the exchange for 24 years. IDX issued TMPI from the stock exchange because it had not paid the listing fee and there was a going concern problem with the company. When examined further, TMPI has a problem in the form of reduced income accompanied by a significantly increased tax burden and tax penalties, causing losses (Altounjy, 2020). From this case, it can be concluded that controlling the company's financial reports and managing the taxation aspects are inevitable.

Control is a management activity in the form of supervision and correction of performance or results of work (Ball et al., 2003). The financial aspect is the main focus of control because it describes the purpose of running a business, namely profit or profit. In order to meet these objectives, it is necessary to have financial statements.

Financial statements are one of the most sought-after information by potential investors as a benchmark for consideration in making decisions to invest in the capital market. Therefore, companies that go public must really show good performance. Financial ratios are one of the benchmarks in the level of good or bad performance of a company (Bello & John-Langba, 2020).

Likewise, the taxation aspect also needs to be taken into account in the context of making decisions regarding the company's achievements or failures in generating profits. How big is the company's obligation to the state because it is related to the tax burden that must be taken into account for every financial decision making so that it affects the company's profitability in the future (Choy, 2014).

Additionally, the regional disparity also plays a vital role in indicating and determining the performance of the organizations. As indicated by the Evgenievna (2015) the east and west Indonesia is not equally developed rather there are some disparities. For instance, the government has increased the investment and electricity distribution in the west Indonesia which may account for rapid and more development as compared to west Indonesia. Hence, the study has considered the role of the regional disparity to examine the financial performance of the companies.

Several researchers have conducted research to determine whether there is an effect between deferred tax assets and tax ratios on financial performance as measured by financial ratios, including Hanlon & Heitzman (2010) stated that deferred tax provides a better assessment of management policy because deferred tax generally provides flexibility which is more limited than the accounting rules. Therefore, through deferred tax, the quality of earnings generated from the financial statements will be better. Meanwhile, (Heffron & Sheehan, 2020; Hussain et al., 2019; Inec & Akpinar, 2020; Karvankova et al., 2020) stated that deferred tax assets can affect the company's performance. This happens because the size of the assets can affect the company's financial performance. On the other hand, the tax ratio has an impact on the company's financial performance because the negative position obtained in this study indicates that an increase in the tax ratio can reduce the company's financial performance.

Theory Study

Financial Performance

The definition of performance (performance) according to Kayaalp et al., (2020) is "The level of achievement or real results achieved, which is sometimes used to obtain a positive result". ''Performance is also defined as the success of personnel in realizing strategic goals in four perspectives: finance, customer, process, as well as learning and growth'' (Khlif et al., 2020). From this understanding, it can be explained that the company's achievement is a management decision to achieve certain goals effectively and efficiently. In order to obtain an overview of the development of the company's performance, it is necessary to interpret or analyze the financial data of the company concerned and the financial data will be reflected in the financial statements.

The financial report is the final result of a recording of the company's operating activities which is a summary of financial transactions that occurred during the financial year concerned. Financial statements are also a very important tool in obtaining information about the financial position and results that have been achieved by a company during a certain period. So the financial statements provide an overview of the financial condition of a company.

According to (Koller et al., 2010) the purpose of the company's financial performance assessment is:

1. To find out the liquidity
2. To find out the solvency
3. Knowing the level of profitability

Financial Statements

Financial statement analysis is the process of applying analytical methods and techniques to financial statements and other data / information to study the connections and tendencies or trends to determine the financial position and results of operations as well as the development of the company concerned which is very useful in the decision-making process (Manzon, 2002).

Definition

Financial statements are a source of information that comes from the accounting process that is useful for making decisions in the economic field for those who use them (Mnisi & Ramoroka, 2020)

Information that can be obtained from financial reports includes (Nwaorgu et al., 2019)

1. Provide information about a company's balance sheet (assets, liabilities, and capital);

2. Provide information about changes in net assets (assets minus liabilities) in a company as a result of business activities, namely earning a profit;

3. Provide information on estimating the profit potential of a company;

4. Provide other important information, such as information on financing and investment activities;

5. Disclose related and relevant information regarding financial reports for report users.

Financial Ratios

One way to measure profit or profit can be through financial ratios. Financial ratios are a tool that provides insights into basic conditions (Nwaorgu et al., 2019). These basic conditions can show the financial strengths and weaknesses of a business (Mnisi & Ramoroka, 2020).
There are 5 groups in financial ratios, namely (Mnisi & Ramoroka, 2020):
Profitability Ratios Profitability ratios provide signs regarding the success rate in achieving business goals, namely making a profit.
1. Efficiency ratio. The purpose of the efficiency ratio is to assess the effectiveness of the resources used.
2. Liquidity ratio Liquidity ratio is very important for continuity because it provides information on resources that can be used immediately to pay short-term obligations
3. Financial gearing ratio This ratio focuses on the relationship between the contribution of funding used by the business either from the owner or from the loan.
4. Investment Ratios Investment ratios focus on assessing the rate of return and performance of stocks from the perspective of the shareholder.
For investors, the smooth running and ability of the company to generate profits is important. The financial ratios used in measuring profit are called profitability ratios. There are several ratios included in the profitability ratio, one of which is Return on Equity (ROE). This ratio is useful for

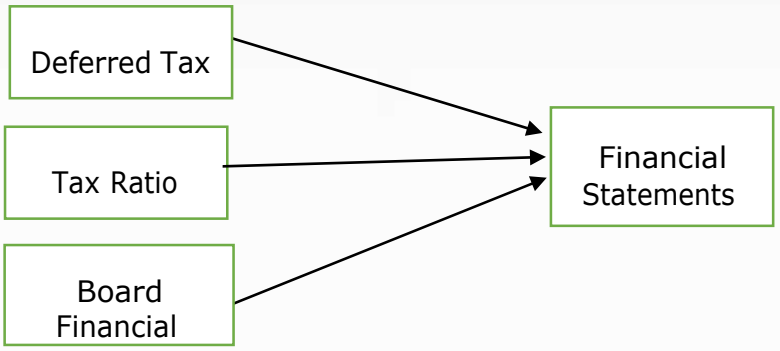
knowing how much the percentage of actual return on investment is made by shareholders. Return on equity is generated from the division between net income and total equity.

Deferred Tax

Deferred tax assets are expected future benefits from withholding taxes that have been recorded as an expense in the financial statements but have not been deducted for income tax purposes. Deferred tax is classified into two categories. Deferred tax assets are the expected benefits in the future from tax deductions that have been recognized as an expense in the income statement but have not been deducted for income tax purposes. Meanwhile, deferred tax liability is an estimate of future taxable income that has been recognized in the income statement but has not been taxed. The recognition of deferred tax raises deferred tax expenses or deferred tax benefits that can increase or decrease net income (Nwaorgu et al., 2019).

Research Hypothesis

Based on the existing problems and concepts, the hypothesis is:



H1: There is an influence between the variables of deferred tax assets on the performance of financial statements.
H2: There is an influence between the tax ratio variables on the performance of financial statements.
H3: There is an influence between the board financial educations on the performance of financial statements.

Research Methods

This research is a causal research (causal relationship). Causal explanatory research is research that studies how a variable can provide changes to other variables (cause and effect) (Cooper & Schindler, 2014). Data collection methods used are archival data. This study uses secondary data using quantitative methods, there are 46 banks listed on the IDX and with predetermined criteria with a period of one year in 2019. For the data collection, there some of the companies were who did not had the data publically published reports. Therefore, the research had selected all those companies which were associated in the east and west regions in Indonesia to increase the response rate of study. The researchers has visited in those companies who had not publically declared their reports. There were three companies who had not declared their reports due to their internal reasons but we had taken those companies by collecting their reports manually from companies. In analyzing data, the technique used is multiple regression, the data is processed using the SPSS 20 application by setting a significance level of 0.05 for hypothesis testing

Descriptive statistics

Deferred Tax Descriptive Statistics

Deferred tax is the anticipated amount of payable tax that may arise now or in the future as a result of income tax debt whose recognition is postponed. Description of Deferred Tax Variables

can be seen from the results of data processing shown in the following table:

Table 1.1
Deferred Tax

Var	N	Min	Max	Mean	Std. Dev
Deferred Tax	30	-460,062	58,632	-61,19807	132,886721

Based on the results of data processing, it is known that from 30 banking companies as samples, the lowest Deferred Tax value was -460.062 (BBMD), the highest is 58.632 (BBTN), with an average value of -61.198 and a standard deviation of 132.886721

Descriptive Statistics of Tax Ratios

The tax ratio is a comparison between the ratio of taxable income to book income, where an explanation of the tax ratio is found in the notes on a company's financial statements. Description of the Tax Ratio Variable can be seen from the results of data processing shown in the following table:

Table 1.2
Tax Ratios

Var	N	Min	Max	Mean	Std. Dev
Tax Ratio	30	7,872	162,002	78,62130	26,297096

Based on the results of data processing, it is known that from 30 banking companies as samples, the lowest Tax Ratio value is 7.872 (PNBN), the highest is 162.002 (BBKP), with an average value of 78.621 and a standard deviation of 26.297096.

Descriptive Statistics of board financial education

The board financial education had shown the Professional qualifications in finance-related disciplines FMZ=Firm Size (Olarewaju & Olayiwola, 2019; Razali et al., 2018; Spiceland et al., 2018; Winters et al., 2004). Description of board education Variable can be seen from the results of data processing shown in the following table:

Table 1.3
Tax Ratios

Var	N	Min	Max	Mean	Std. Dev
Tax Ratio	30	7	19	8.49	9.90

Descriptive Statistics of Return On Equity

Return On Equity is generated from the division between net income and total equity. The description of the ROE variable can be seen from the data processing results shown in the following table:

Tabel 1.3
ROE

Var	N	Min	Max	Mean	Std. Dev
ROE	30	0,050	31,200	7,82733	7,449681

Based on the results of data processing, it is known that from 30 sample banking companies, the lowest ROE value is 0.05 (BKSW), the highest is 31.2 (BTPS), with an average value of 7.827 and a standard deviation of 7.49861.

Classic Assumption Test

Normality Test

Table 2.1
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		30
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	7,37944804
Most Extreme Differences	Absolute	,134
	Positive	,127
	Negative	-,134
Test Statistic		,134
Asymp. Sig. (2-tailed)		,178[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

The results shown the significance of the residual regression value is 0.178. This value is greater than 0.05, so it can be categorized that the data in the regression model has data that is normally distributed.

Multicollinearity Test

Table 2.2
Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	**VIF**
1	(Constant)		
	Deffered tax	1,000	1,000
	Board financial education	1.0000	1.0000
	Tax ratio	1,000	1,000

a. Dependent Variable: ROE

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	**Std. Error**	**Beta**		
1	(Constant)	7,943	2,439		3,256	,003
	Deffered tax	,016	,006	,462	2,720	,011
	Tax Ratio	-,016	,029	-,092	-,544	,591

a. Dependent Variable: AbsRes

The results showed no high relationship between the independent variables so that the regression model has fulfilled the Multicollinearity assumption.

Heterokedastistas Test

Table 2.3
Heterokedastisitas Test

These results indicate that the regression model still has heteroscedasticity problems.

Autocorrelation Test

Table 2.4
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,137[a]	,019	-,054	7,647879	1,947

a. Predictors: (Constant), Tax Rasio , Diferred tax asset
b. Dependent Variable: ROE

The value of DU with independent variable (K) = 2 and sample (n) = 30 and α = 5% is 1.567. Because the Durbin Watson (DW) value of 1.947 is in the DU <DW <2 range. No autocorrelation in the regression model.

Multiple Regression Test

Regression Model Equations

Based on the results of model testing, the values of the constants and regression coefficients

Table 3.1
Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error
1	(Constant)	10,809	4,512
	Pajak Tangguhan	,003	,011
	Rasio Pajak	-,036	,054

a. Dependent Variable: ROE

Multiple linear regression equation is as follows:
$Y = 10{,}809 + 0{,}003_{X1} - 0{,}036_{X2}$

Simultaneous Hypothesis

Simultaneous hypothesis testing aims to test whether there is a significant impact of Deferred Tax Variables and Tax Ratio on ROE together (simultaneously).
F table value with df 1 = 2; df 2 = 27; and = 0.05 is 3.354 while the value of Fcount based on the results of processing using SPSS software version 24.

Table 3.2
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30,203	2	15,102	,258	,774[b]
	Residual	1579,231	27	58,490		
	Total	1609,435	29			

a. Dependent Variable: ROE
b. Predictors: (Constant), Tax Ratio, Deferred tax

The results of the simultaneous hypothesis test shown in table 4.9 show that the value of F_{count} with $df_2 = 2$ and df2 = 27 is = 0.258 with a significance of 0.774. Testing by comparing sig = 0.774 > α = 0.05, then H0 is accepted, as well as testing by comparing the value of $F_{count} = 0.258 < F_{tabel} = 3.354$, also accepts H0

The results shown, it can be concluded that together the Deferred Tax variables and Tax Ratio have no significant effect on ROE

Partial Hypothesis

Table 3.3
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10,809	4,512		2,396	,024
	Pajak Tangguhan	,003	,011	,053	,280	,781
	Rasio Pajak	-,036	,054	-,126	-,659	,515

a. Dependent Variable: ROE

Based on the results of the partial hypothesis test shown in table 4.10 above, it can be interpreted as follows:

1. The influence of Deferred Tax Variables on ROE has a value of t_{Count} = 0.280 with a significance of 0.781. Because the value of t_{Count} is smaller than t_{Table} (0.280> 2.052), then H_1 is rejected and H_0 is accepted, meaning that there is an insignificant effect of the Deferred Tax Variable on ROE.

2. The effect of the Tax Ratio Variable on ROE has a t_{Count} = -0.659 with a significance of 0.515. Because the value of t count is smaller than t_{Table} (-0.659 <2.052), then H_1 is rejected and H_0 is accepted, meaning that there is an insignificant effect of the Tax Ratio Variable on ROE.

3. Goodness Of Fit Test

Table 3.4
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,137[a]	,019	-,054	7,647879	1,947

a. Predictors: (Constant), Rasio Pajak, Pajak Tangguhan
b. Dependent Variable: ROE

The results of data processing are shown in Table 4:11 shows the value of R or simultaneous correlation between deferred tax and tax ROE ratio amounted to 0,137. Based on the category of correlation coefficient values according to Guilford in Indrawati (2015, 188), these values are in the range < 0.20 or are in the very low correlation category
Furthermore, the R Square value of 0.019 shows that the Deferred Tax and Tax Ratio variables are able to explain changes in ROE of 1.9%, while the remaining 98.1% is the influence of other factors.

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To test the above hypothesis, two-sided testing criteria were used as follows: Significance Value ≤ Significance Level (α): Rejected Significance Value> Significance Level (α): Accepted the results of the effect of the Deferred Tax Variable on ROE, it has a tcount value of 0.280 < ttable 2.052, meaning that the effect of the Deferred Tax Variable on ROE is not significant. The results of this study support research from Nwaorgu, Abiahu, Tapang, & Lormbaga (2019) where deferred tax can have no effect on company performance. Deferred tax has characteristics that can increase or decrease net income (Purba, 2009). The cause of deferred tax is the temporary difference in recognition between commercial accounting and taxation laws. The most frequent temporary differences between accounting recognition and tax laws are depreciation and amortization (Wijayanti, 2016). In commercial accounting, the choice of depreciation method and the useful life of a fixed asset is determined by management in accordance with the estimated future usage patterns of the fixed assets. However, under the tax law, the depreciation method is limited to the straight-line method and the double-declining balance method. Meanwhile, the determination of the useful life is determined by certain categories where each category has a different useful life (broadly speaking, the asset category is divided into buildings and non-buildings, for buildings it is divided into permanent and non-permanent, while those for non-buildings are divided into 4 groups). These differences make depreciation expense in commercial accounting and tax law different throughout the useful life but overall the amount remains the same. This temporary difference causes deferred tax to have no effect on profit (Wijayanti, 2016). The results of this study contradict the research of Harmana & Suardana (2014) and Casanova & Nindito (2014).
To test the above hypothesis, the following two-tailed test criteria are used: Significance Value Significance Level (α): Rejected Significance Value > Significance Level (α): Accepted From the results, the influence of the Tax Ratio Variable on ROE has a value of -0.659 <ttable 2.052, meaning that the influence of the Tax Ratio Variable on ROE is insignificant. The calculation of the tax ratio in this study uses the tax to book ratio or the ratio of the ratio between taxable profit and accounting profit. According to Hanlon & Heitzman (2010), calculations like this can only capture some elements of tax planning. The element in question is a temporary difference in tax planning, so it is not appropriate to use between companies that have different interests in accounting profits. Along with tax benefits, deffered taxes, the board financial education had also a positive and significant relationship with the financial statements.

Conclusions and Suggestions

Conclusion

The discussion and testing of the data above, then it can be concluded as follows:

1. The results shown the value of Fcount = 0.258 <Ftable = 3.354, which means that simultaneously, deferred tax and tax ratio do not have a significant impact on Return On Equity.
2. The effect of the Deferred Tax Variable on ROE has a tcount value of 0.280 < ttable 2.052, meaning that the effect of the Deferred Tax Variable on ROE is not significant.
3. The Influence of the Tax Ratio Variable on ROE has a value of -0.659 <ttable 2.052, meaning that the influence of the Tax Ratio Variable on ROE is insignificant.
4. The R Square value of 0.019 indicates that the Deferred Tax and Tax Ratio variables are able to explain changes in ROE of 1.9%, while the remaining 98.1% is the influence of other factors not examined.

Suggestion

1. For further research, it is better to add research samples with a longer number of periods,
2. For further research, independent variables can be used that are different from the variables used in this study.
3. The next researcher is expected to add other independent variables in the research, such as liquidity, leverage, solvency and others to complement the tax variables.

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