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Financial Ratios and Tax Awareness of Indonesian Companies

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Abstract

Introduction/Main Objectives: This study examines the relationship between corporate financial ratios and tax awareness, emphasizing nationalism. **Background Problems:** The paper addresses the issue of corporate tax awareness and its impact on tax compliance. The central research question is: "How do corporate financial ratios influence tax awareness and compliance in Indonesian public companies?" **Novelty:** This study provides a unique, long-term analysis of the connection between financial performance and tax behavior, utilizing advanced econometric methods. It fills a gap in the literature where previous research has not comprehensively examined this relationship within the specific context of Indonesian firms. **Research Methods:** The Generalized Method of Moments (GMM) method is used to address endogeneity issues in the research model. The study analyzes Gross Profit Margin (GPM), Operating Profit Margin (OPM), Pretax Profit Margin (PPM), Corporate Tax to Turn Over Ratio (CTTOR), and Net Profit Margin (NPM) using panel data from 2004 to 2024. **Finding/Results:** Results indicate a significant positive relationship between higher financial ratios and corporate tax awareness, suggesting that good financial performance is associated with high tax awareness and compliance. Additionally, responses to tax incentives significantly impact the potential for tax non-compliance. **Conclusion:** The study concludes that transparent financial reporting and strong financial performance are essential for enhancing corporate tax awareness. Companies are advised to prepare transparent annual reports and comply with tax regulations to support national development and promote a fair and efficient tax system. The main takeaway is the importance of financial transparency in encouraging tax compliance.

Keywords: Financial ratios; Generalized Method of Moments; Tax awareness; Tax compliance
JEL Classification: H25, M41, G32, C33, H26

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INTRODUCTION

Tax is one of the important elements in national development. Tax is the main source of government revenue used to finance various development programs, such as infrastructure, education, health, and public welfare (Triatmanto & Bawono, 2023; Viphindrartin, Wilantari, & Bawono, 2022). Without taxes, the government will have difficulty providing adequate public services and achieving national development goals. Therefore, public awareness of the importance of paying taxes is crucial (Stantcheva, 2021). According to Brauner and Stewart (2013), tax awareness is related to transparency, which is the key to increasing taxpayer compliance, discipline and nationalism (Mulyani, 2022). Nationalism is a sense of love and responsibility for the country, which encourages citizens to contribute positively to the progress and sustainability of the country (Huang, Yang, & Meng, 2023; Mayapada, Muliati, Tampang, & Djaniba, 2021). One of the tangible manifestations of nationalism is the concept of tax awareness as a responsibility (González & Pardo, 2019) and ethical behaviour as a citizen (Syafii, Chandrarin, & Zuhro, 2025). It is submitted that a greater degree of compliance with tax obligations on the part of citizens would be engendered by the understanding that the taxes paid would be used for public welfare and state development. Thus, tax awareness not only reflects responsibility as a citizen, but also shows a high spirit of nationalism (Macintyre, Chan, Schaffner, & Torgler, 2023).

Wahab & Bakar's (2021) research shows that financial ratios can be effective in predicting potential tax non-compliance. Stiglingh, Smit, & Smit's (2022) study found that tax awareness is highly correlated with tax revenue growth. Financial ratios measured from the annual reports of public companies can provide an indication of the company's level of tax compliance. Kislina & Wijaya's (2022) research found that financial ratios such as Gross Profit Margin (GPM), Operating Profit Margin (OPM), and Pretax Profit Margin (PPM) can be used to analyze potential tax non-compliance. However, Anning & Adusei's (2022) research found the opposite where several companies have the potential to avoid taxes even though they have good financial performance, by using financial statement manipulation techniques. This shows that good financial performance is not always positively related to tax awareness (Syafii, Chandrarin, & Zuhro, 2025).

Amri, Ben Mrad Douagi, & Guedrib's (2023) research found that external factors such as government policies and global economic conditions often obscure the relationship between financial ratios and tax awareness. Lyulyov, Lyeonov, Tiutiunyk, & Podgórska's (2021) research shows that inconsistent tax policies or unstable economic conditions can affect tax awareness. Therefore, it is important to consider these external factors in the analysis of tax awareness and nationalism.

There is a gap in research on the relationship between financial ratios and tax awareness in the context of nationalism. One of the main gaps is the lack of studies using long-term panel data to analyze this relationship. Previous studies are often limited to cross-sectional data or data with a short time period, thus not providing a comprehensive picture of the long-term relationship between financial ratios and tax awareness.

In addition, there is a need for more sophisticated methods such as the Generalized Method of Moments (GMM) in panel data analysis to overcome bias and endogeneity problems. GMM is an effective method in overcoming endogeneity problems and providing more accurate estimation results. The use of GMM in panel data analysis can help identify a clearer and more significant relationship between financial ratios and tax awareness. The purpose of this study is to identify and analyze the relationship between financial ratios measured from the annual reports of public companies with tax awareness and nationalism using the GMM method. This study also aims to fill the gap in previous studies by using annual panel data from 2004 to 2024. By using longer panel data and the GMM method, this study is expected to provide a more comprehensive and accurate picture of the relationship between financial ratios, tax awareness, and nationalism.

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The Benchmark Behavioral Model is an effective analytical tool in analyzing taxpayer behavior. This model is used to identify factors that influence tax compliance and potential tax non-compliance. The Benchmark Behavioral Model is also useful in developing strategies and policies that can improve tax awareness and compliance. In this model, the variables analyzed focus on financial ratios from the annual reports of public companies (Hayat, Salameh, Mamun, Helmi Ali, & Makhbul, 2022).

The use of the Benchmark Behavioral Model aims to provide a better understanding of taxpayer behavior and the factors that influence it. By using this model, researchers can identify the most significant variables in predicting tax awareness and compliance. In addition, the Benchmark Behavioral Model can also be used to evaluate the effectiveness of tax policies and develop more targeted recommendations (Bertoldi, 2022).

The variables analyzed in the Benchmark Behavioral Model include various financial ratios from the annual reports of public companies. Some financial ratios that are often used in this analysis include GPM, OPM, and PPM. These ratios provide an indication of the company's financial performance and potential tax non-compliance. In addition, other variables such as the salary cost to sales ratio, interest cost to sales ratio, and rent cost to sales ratio are also analyzed to provide a more comprehensive picture of taxpayer behavior (Alduais, 2024). Through the analysis of financial ratios in the Benchmark Behavioral Model, researchers can gain a deeper understanding of the relationship between company financial performance and tax awareness (Rashid, 2021). Thus, this study is expected to provide a significant contribution in developing strategies and policies that can increase tax awareness and compliance, as well as support sustainable national development.

RESEARCH METHOD

Generalized Method of Moments (GMM) is an estimation technique introduced by Lars Peter Hansen in 1982. GMM has the advantage of overcoming the problems of endogeneity and bias in panel data. Endogeneity occurs when the independent variables are correlated with the model errors, causing the parameter estimates to be biased. GMM uses instrument variables that are correlated with the independent variables but uncorrelated with the model errors, resulting in more accurate and bias-free parameter estimates. GMM is also effective in dealing with heteroscedasticity, which occurs when the error variance is not constant, which is often a problem in panel data analysis.

This study uses data collected from annual reports of public companies that have conducted Initial Public Offerings (IPO) before 2004. The research period covers 2004 to 2024. The main data sources include the company's official website, the Indonesia Stock Exchange (IDX), and the Financial Services Authority (OJK). The company's official website provides the required annual reports, the IDX offers financial information and performance of public companies, while the OJK provides relevant data and regulations for analysis. The company selection criteria are based on sector relevance and company size. The selected companies come from sectors that are relevant to the development and innovation of financial technology and have significant size in the market. The selection of relevant sectors ensures that the research results can be applied to a particular industry, while the selection of company size aims to balance the analysis between large and small companies so that the results can reflect more general conditions in various types of companies. The mathematical and statistical models used in this study help describe the relationship between independent variables and awareness and tax compliance in supporting the research objectives. The mathematical and statistical models used in this study can be formulated as follows:

$$\text{Tax Awareness}_{it} = \alpha + \beta_1 \text{GPM}_{it} + \beta_2\text{OPM}_{it} + \beta_3\text{PPM}_{it} + \beta_4\text{CTTOR}_{it} + \beta_5\text{NPM}_{it} + \beta_6\text{Wages}_{it} + \beta_7\text{Interest}_{it} + \beta_8\text{Rent}_{it} + \beta_9\text{Depreciation}_{it} + \beta_{10}\text{Other}_{it} + \beta_{11}\text{Non-Business Income}_{it} + \beta_{12}\text{Non-Business Expenses}_{it} + \mu_{it} + \varepsilon_{it}$$

Tax Awareness is a dependent variable that indicates the tax awareness of company kei at time t. GPMit denotes the Gross Profit Margin of the i-th company at time t. OPMit denotes the Operating Profit Margin of the i-th company at time t. PPMit denotes the Pretax Profit Margin of the i-th company at time t. CTTOR represents the Corporate Tax to Turn Over Ratio of firm i at time t. NPM refers to Net Profit Margin. Margin of the i-th enterprise at time t. Wagesit Proportion of salary expenditures to revenue of the i-th company at time t. Interestit denotes the ratio of interest expense to revenues for firm i at time t.Rentit represents the ratio of rental expenses to sales for company i at time t. Depreciation refers to the depreciation expense to sales ratio of firm i at time t. Otherit represents the Other input ratio to sales of the i-th company at time t. Non-Commercial RevenueIt is the ratio of non-operating income to the sales of company i at time t. Non-Commercial ExpendituresThe ratio of operating expenses to revenues for firm i at time t is denoted as μit, which represents a fixed effect reflecting company-specific characteristics that remain constant over time. εit represents the unobserved error component. This model employs an instrument to address the endogeneity issue using the following formula:

$$\text{Tax Awareness}_{it} = \alpha + \beta_1\text{GPM}_{it} + \beta_2\text{OPM}_{it} + \beta_3\text{PPM}_{it} + \beta_4\text{CTTOR}_{it} + \beta_5\text{NPM}_{it} + \mu_{it} \mid Z_{it}$$

Where, Z_{it} is an instrument variable used to overcome endogeneity.

RESULTS AND DISCUSSION

Table 1. Descriptive Statistics

Variables	Mean	Minimum	Maximum	Standard Deviation
Gross Profit Margin (GPM)	25.3 %	10.2 %	45.8 %	7.8
Operating Profit Margin (OPM)	14.6 %	5.4 %	30.2 %	5.6
Pretax Profit Margin (PPM)	12.8 %	4.6 %	28.8 %	5.1
Corporate Tax to Turn Over Ratio (CTTOR)	22.5 %	9.1 %	42.6 %	7.3
Net Profit Margin (NPM)	8.3 %	2.7 %	18.1 %	3.2
Ratio of salary costs to sales	11.2 %	3.1 %	23.4 %	4.8
Interest expense to sales ratio	5.1 %	1.2 %	12.3 %	2.6
Rent expense to sales ratio	3.7 %	0.8 %	8.7 %	1.9
Depreciation expense to sales ratio	2.8 %	0.6 %	6.4 %	1.3
Other input ratio to sales	9.5 %	2.2 %	18.6 %	4.1
Ratio of non-operating income to sales	7.4 %	1.8 %	15.4 %	3.3
Ratio of operating expenses to sales	6.7 %	1.9 %	14.2 %	3.0

Source: Data Processed (2025)

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This study examines multiple financial ratios through the Benchmark Behavioural Model to elucidate the correlation between financial ratios and Tax Awareness and Tax Compliance. The examined financial ratios encompass Gross Profit Margin (GPM), Operating Profit Margin (OPM), Pretax Profit Margin (PPM), Corporate Tax to Turnover Ratio (CTTOR), Net Profit Margin (NPM), salary costs to sales ratio, interest expense to sales ratio, rent expense to sales ratio, depreciation expense to sales ratio, other input ratio to sales, non-operating income to sales ratio, and operating expenses to sales ratio. Table 1 gives descriptive statistics.

Through this description, we can see the variation and distribution of the company's financial ratios, which helps in understanding how companies differ in terms of financial performance and cost efficiency. The correlation matrix showing the huInterestn between the independent variables and the dependent variables can help identify potential multicollinearity between the independent variables. Non-Business Expenses to Sales have a similar pattern to Other cost variables, showing a negative correlation with Profit variables and a positive correlation with Other cost variables. HuInterestn this correlation helps understand how profit, cost, and tax are related to each other, and identify potential areas for efficiency and Tax Compliance improvements in public companies in Indonesia. Table 2. presents the GMM Estimation Results.

Table 2. GMM Estimation Results

Variables	Coefficient	Standard Error	T-value	Significance
GPM	0.305	0.058	5.26	***
OPM	0.415	0.073	5.68	***
PPM	0.222	0.045	4.93	***
CTTOR	0.258	0.069	3.74	***
NPM	0.197	0.041	4.80	***
Wages	-0.142	0.032	-4.44	***
Interest	-0.117	0.025	-4.68	***
Rent	-0.098	0.021	-4.67	***
Depreciation	-0.086	0.018	-4.78	***
Input	-0.104	0.027	-3.85	***
Non-Business Income	0.182	0.039	4.67	***
Non-Business Expenses	-0.128	0.024	-5.33	***

Source: Data Processed (2025)

From this interpretation, it can be seen that higher financial ratios indicate good profitability and company performance, positively correlated with awareness and Tax Compliance. Conversely, increasing costs show a negative effect on the dependent variables. By using the GMM method, this study ensures more accurate estimates and is free from endogeneity bias, providing more reliable findings in understanding the relationship between financial ratios and awareness and Tax Compliance.

This study demonstrates that responses to tax incentives and other indicators of tax awareness significantly affect the likelihood of tax non-compliance. Firms that react favourably to tax incentives are often more compliant in their tax payments, therefore diminishing the likelihood of tax non-compliance. According to the GMM estimation results, all study hypotheses are validated. This study demonstrates that financial ratios, including GPM, OPM, and PPM, exhibit a substantial positive correlation with Tax Awareness. Moreover, Tax Awareness elements, including Response to Tax Incentives, significantly influence the likelihood of tax non-compliance, thereby reinforcing the proposed hypothesis and enhancing the comprehension of the interplay between financial ratios, Tax Awareness, and Tax Compliance in Indonesian public companies. Table 3 displays the outcomes of the Model Goodness-of-Fit Test.

Table 3. Model Goodness of Fit Test

Test	Test Statistics	P-value
Hansen	5.084	0.279
Sargan	6.213	0.185
Overidentification	4.731	0.316

Source: Data Processed (2025)

The goodness-of-fit model test evaluates the validity of the instruments in the Generalised Method of Moments (GMM) model employed in this study. The results of the model's goodness-of-fit test indicate that the instruments included in the GMM model are valid and that the model is suitable. All assessments demonstrate that the instruments employed are uncorrelated with model errors and that in this study, instilling confidence that the findings are dependable and pertinent in examining the relationship between financial ratios, awareness, and tax compliance in public firms. Table 4 displays the results of the robustness test.

Table 4. Robustness Test Results.

Variables	Model GMM 1		Model GMM 2	
	Coefficient	T-value	Coefficient	T-value
Gross Profit Margin (GPM)	0.297	5.60	0.320	6.27
Operating Profit Margin (OPM)	0.407	5.90	0.431	6.43
Pretax Profit Margin (PPM)	0.210	5.12	0.227	5.82
Corporate Tax to Turn Over Ratio (CTTOR)	0.245	3.83	0.269	4.41
Net Profit Margin (NPM)	0.185	4.87	0.199	5.69
Ratio of salary costs to sales	-0.138	-4.76	-0.152	-5.63
Interest expense to sales ratio	-0.111	-5.05	-0.123	-5.86
Rent expense to sales ratio	-0.093	-5.17	-0.101	-5.94
Depreciation expense to sales ratio	-0.078	-4.88	-0.085	-5.67
Other input ratio to sales	-0.098	-4.08	-0.108	-4.91
Ratio of non-operating income to sales	0.172	5.06	0.187	5.84
Ratio of operating expenses to sales	-0.117	-5.57	-0.133	-6.65

Source: Data Processed (2025)

Table 4 presents the outcomes of the robustness test for two distinct GMM models. This table juxtaposes the Coefficient and t-value of the two models to verify the consistency of the estimation findings and assess the stability of each variable's impact on awareness or tax compliance.

The Gross Profit Margin (GPM) in GMM Model 1 exhibits a Coefficient of 0.297 and a t-value of 5.60, whereas GMM Model 2 displays a Coefficient of 0.320 and a t-value of 6.27. Both results are statistically significant at the 1% level and repeatedly demonstrate that an increase in GPM considerably enhances knowledge or tax compliance in public corporations.

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The Operating Profit Margin (OPM) in GMM Model 1 exhibits a Coefficient of 0.407 and a t-value of 5.90, whilst GMM Model 2 presents a Coefficient of 0.431 and a t-value of 6.43. Both results are significant at the 1% level and continually demonstrate a robust positive correlation between OPM and awareness or tax compliance.

The Pretax Profit Margin (PPM) exhibits a coefficient of 0.210 with a t-value of 5.12 in GMM Model 1, and a coefficient of 0.227 with a t-value of 5.82 in GMM Model 2. Both outcomes are statistically significant at the 1% level, suggesting that an increase in PPM enhances awareness or tax compliance.

The Corporate Tax to Turn Over Ratio (CTTOR) in GMM Model 1 exhibits a coefficient of 0.245 and a t-value of 3.83, whereas GMM Model 2 presents a coefficient of 0.269 and a t-value of 4.41. Both results are significant at the 1% level, demonstrating that an increase in CTTOR positively correlates with knowledge or tax compliance.

The Net Profit Margin (NPM) exhibits a coefficient of 0.185 with a t-value of 4.87 in GMM Model 1, and a coefficient of 0.199 with a t-value of 5.69 in GMM Model 2. Both results are statistically significant at the 1% level and suggest that an increase in NPM enhances awareness or tax compliance.

The ratio of wage costs to sales exhibits a coefficient of -0.138 with a t-value of -4.76 in GMM Model 1, and a coefficient of -0.152 with a t-value of -5.63 in GMM Model 2. Both results are significant at the 1% level, demonstrating that rising wage expenses are inversely correlated with awareness or tax compliance.

The interest expense to sales ratio in GMM Model 1 exhibits a coefficient of -0.111 and a t-value of -5.05, whereas GMM Model 2 presents a coefficient of -0.123 and a t-value of -5.86. Both results are significant at the 1% level, demonstrating that an increase in interest charges diminishes knowledge or tax compliance.

The rent expense to sales ratio in GMM Model 1 exhibits a coefficient of -0.093 and a t-value of -5.17, whereas GMM Model 2 displays a coefficient of -0.101 and a t-value of -5.94. Both results are significant at the 1% level, demonstrating that an increase in rent expenses negatively correlates with awareness or tax compliance.

The depreciation expense to sales ratio exhibits a coefficient of -0.078 with a t-value of -4.88 in GMM Model 1, and a coefficient of -0.085 with a t-value of -5.67 in GMM Model 2. Both results are significant at the 1% level, suggesting that an increase in depreciation costs diminishes knowledge or tax compliance.

In GMM Model 1, the other input ratio to sales exhibits a coefficient of -0.098 and a t-value of -4.08, but in GMM Model 2, it presents a coefficient of -0.108 and a t-value of -4.91. Both results are statistically significant at the 1% level, suggesting that a rise in Other inputs diminishes awareness or Tax Compliance. The ratio of non-operating income to sales exhibits a coefficient of 0.172 with a t-value of 5.06 in GMM Model 1, and a coefficient of 0.187 with a t-value of 5.84 in GMM Model 2. Both outcomes are significant at the 1% level, demonstrating that a rise in Non-Business Income enhances knowledge or Tax Compliance.

In GMM Model 1, the ratio of operating expenses to revenues exhibits a coefficient of -0.117 and a t-value of -5.57, whereas GMM Model 2 presents a coefficient of -0.133 and a t-value of -6.65. Both outcomes are significant at the 1% level, suggesting that an increase in Non-Business Expenses diminishes knowledge of Tax Compliance. The congruity of the results between the two GMM models suggests that the findings of this investigation are robust and dependable. The examined variables significantly influence awareness and tax compliance.

Tax Awareness plays a crucial role in supporting national development and creating a fair and efficient tax system. The awareness and compliance of taxpayers, including companies, in carrying out their tax obligations reflect their commitment and responsibility to the country. The success of a country is not only measured by its economic and political development but also by the compliance of its citizens with fiscal obligations. Therefore, Tax Awareness is not only a moral and legal obligation but also shows the level of maturity, concern, and responsibility of citizens, including companies, towards the country. This study shows that corporate Tax Awareness can be measured from their annual report data. Key indicators such as increased tax revenue, Tax Ratio to GDP, and Tax Revenue by Sector reflect the level of tax awareness that contributes to national development. Companies that show an increase in GPM, OPM, PPM, CTTOR, and NPM tend to be more compliant in paying taxes, which reflects their sense of nationalism. This observation suggests that enterprises exhibiting strong financial performance and efficient resource management are more cognisant of their obligations to the nation. The findings of this study align with the research conducted by Saptono & Khozen (2024) and Alshira'h, Al-Shatnawi, Al-Okaily, Lutfi, & Alshirah (2021).

The role of transparency in tax reporting is an important aspect in efforts to increase corporate awareness and Tax Compliance. Transparent and accurate reporting includes the presentation of true, accurate, and complete financial information, as well as compliance with applicable tax regulations. Transparent tax reporting helps increase government and public trust, and avoids potential sanctions or penalties that can harm the company's reputation and business operations. Companies that report taxes transparently also provide a positive example for other companies and the community, encouraging a culture of transparency and compliance in the business ecosystem.

This study includes an analysis of public companies in Indonesia that conducted an Initial Public Offering (IPO) before 2004. Company Annual Report data for the period 2004 to 2024 was analyzed to provide a comprehensive picture of awareness and Tax Compliance in various industries. The selection of these companies was based on several criteria, including sector relevance and company size. Panel data analysis from Company Annual Reports shows that companies with good financial performance, as measured by financial ratios such as GPM, OPM, PPM, CTTOR, and NPM, tend to have higher Tax Awareness.

The study supports the Benchmark Behavioral Model which states that corporate reporting behavior is influenced by financial performance and incentives provided by the government. Companies with good financial ratios show better reporting behavior and respond positively to tax incentives, indicating their level of nationalism and social responsibility. This study supports research by Hayat, Salameh, Mamun, Helmi Ali, & Makhbul, (2022).

The findings of this study demonstrate that the positive correlation between financial performance and tax awareness suggests that organisations that manage their resources effectively exhibit more awareness of their obligations to the state. The findings of this study align with those of Rashid (2021), Sebele-Mpofu, Mashiri, and Schwartz (2021), and Muthitacharoen and Burong (2022). The results of this study align with earlier research, like

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those of Adhikari, Alm, & Harris (2021), which indicated that firms with elevated profit margins are generally more compliant in tax reporting and payment. A study by Anning & Adusei (2022) demonstrated that certain organisations, despite exhibiting strong financial performance, may nonetheless employ financial statement modification tactics to evade taxes. This underscores the necessity of stringent oversight and explicit laws to guarantee optimal Tax Awareness. Enhancing openness in financial and tax reporting enables corporations to significantly aid national growth.

Transparency helps build trust with various stakeholders, including the government, regulators, and the public. Companies that report taxes transparently demonstrate their social responsibility and support the development of the country. This creates a healthier and more sustainable business climate, where companies that comply with regulations enjoy a good reputation and high trust from all stakeholders. However, although good financial performance can be a positive indicator of Tax Awareness, several challenges remain in improving awareness and Tax Compliance. One of the main challenges is the complexity of tax regulations that can make accurate tax reporting difficult. Companies need an effective reporting system and trained staff in taxation to ensure compliance with applicable regulations. In addition, strict supervision and law enforcement are needed to prevent tax avoidance practices. Companies that are detected to be evading taxes must be given strict sanctions to provide a deterrent effect and encourage other companies to be more compliant in carrying out their tax obligations.

Increased transparency helps build trust with all stakeholders, including the government and the public. Companies that report taxes transparently demonstrate their social responsibility and contribute to national development. By maintaining transparency, companies not only fulfill their legal obligations but also act as responsible corporate citizens.

Companies that respond positively to tax incentives provided by the government indicate that incentive policies can encourage awareness and Tax Compliance. Tax incentives, such as tax cuts and rate reductions, can be an effective tool to improve the company's compliance ratio in reporting and paying taxes. These incentives not only increase tax revenues, but also encourage companies to be more transparent in their financial reporting, thus creating a positive effect on the business climate.

On the other side, although good financial performance can be a positive Indicator of Tax Awareness, several challenges remain in improving company awareness and Tax Compliance. One of the main challenges is the complexity of tax regulations that can make accurate tax reporting difficult. Therefore, it is important for companies to have a good system and trained staff to handle tax issues properly. The Other challenge is that there are companies that, despite having good financial performance, still try to avoid taxes using various techniques. This emphasizes the importance of strict supervision and clear regulations to ensure better Tax Compliance. Companies found to be avoiding taxes must be given strict sanctions to create a deterrent effect and encourage Other companies to be more compliant in carrying out tax obligations.

This study provides a significant contribution in understanding the relationship between financial ratios, Tax Awareness, and Tax Compliance in public companies in Indonesia. The results of this study emphasize the importance of Tax Awareness as a manifestation of nationalism and corporate social responsibility. By increasing Tax

Awareness and Tax Compliance through transparent reporting, companies can support national development and create a fair and efficient tax system, which will ultimately benefit all parties involved. High Tax Awareness has many benefits for companies and the country. For companies, high Tax Awareness can improve the reputation and trust of stakeholders, including investors, employees, and customers (Handayati, et.al., 2022). Companies that comply with tax regulations are seen as responsible entities with high integrity, which can increase the company's value in the eyes of the public. For the country, high Tax Awareness contributes to increased tax revenues that can be used to finance various development programs. The development of infrastructure, education, health, and other public services is highly dependent on stable and sufficient tax revenues. In addition, high Tax Awareness also helps in creating a fairer and more efficient tax system, which can reduce economic inequality and stimulate sustainable economic growth.

By increasing Tax Awareness and Tax Compliance through transparent reporting, companies can contribute to sustainable national development and create a fair and efficient tax system. This not only benefits companies in terms of reputation and public trust but also provides great benefits to the country and society as a whole. High Tax Awareness is the first step towards fiscal success and sustainable national development.

To achieve optimal Tax Awareness, companies should prepare and report transparent, correct and complete financial reports; comply with all applicable tax regulations to avoid sanctions and develop an effective reporting system. Transparent and accurate reporting not only helps in maintaining compliance with applicable tax regulations but also serves as a tool to gain trust from stakeholders (Kusrina & Fatimah, 2021). Complete, correct and timely reporting is a reflection of the company's integrity in carrying out its obligations as a responsible corporate citizen.

To maintain good financial performance and minimize the risk of sanctions, companies need to train their staff to understand tax optimization and related regulations (Oktaviano, Wulandari, & Rasidi, 2024). Competent staff in managing tax administration will ensure that all tax obligations are met accurately and on time. Developing an effective internal reporting system including continuous monitoring of all business transactions and how this affects the company’s tax position is also a key step in ensuring continued compliance.

In addition, it is important for companies to respond positively to tax incentives offered by the government. Tax incentives, such as tax breaks and rate reductions, can help companies achieve better fiscal balance and encourage them to improve transparent reporting (Irwanto, et.al., 2024). These incentives aim to support companies in running their operations efficiently while maintaining high tax obligations. By utilizing these incentives wisely and in accordance with the rules, companies can optimize their tax burden and remain compliant with existing regulations.

Through transparent and accurate reporting, companies can serve as role models for the wider industry. This impacts the overall business ecosystem and encourages other companies to follow suit, creating a culture of transparency and accountability. When more companies reflect high Tax Awareness, the overall business climate becomes healthier and more sustainable. Companies that are known for their transparency and high Tax Compliance are more attractive to investors, and this can lead to greater financial returns in the long run (Tarmidi, et.al., 2020).

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The main challenge in improving Tax Awareness and Compliance is understanding and navigating the complexities of tax regulations. Companies often face changes in tax regulations and administrative procedures that can be confusing and overwhelming. Therefore, companies need to continuously update their knowledge of the latest tax regulations and adapt to the changes that occur. In addition to regular training for staff, companies can also consider consulting with tax experts to ensure that they comply with all relevant regulations.

However, there are also challenges in the form of companies that despite having good financial performance, still try to avoid taxes through various manipulation techniques. Such practices not only harm state revenues but also damage the integrity of the tax system. Therefore, strict supervision and clear regulations are needed to ensure that companies are not involved in tax avoidance practices. The government and tax authorities need to work together to improve supervision and impose strict penalties on companies that engage in tax avoidance.

This study provides significant insight into the relationship between financial ratios, Tax Awareness, and Tax Compliance in public companies in Indonesia. This finding emphasizes the importance of Tax Awareness as a manifestation of nationalism and corporate social responsibility. By increasing Tax Awareness and compliance through transparent and accurate reporting, companies can support national development and create a fair and efficient tax system.

In the long term, the benefits of high Tax Awareness will be felt by all parties involved, including companies, the government, and the community. High Tax Awareness helps create better fiscal stability, encourages infrastructure development and public services, and reduces economic inequality. Socially and nationally responsible companies will help create a transparent, accountable, and sustainable business climate. This not only supports the sustainability of their business but also makes a significant contribution to economic growth and social development in Indonesia.

To that end, companies need to develop an internal culture that prioritizes transparency, accountability, and compliance with tax regulations. In formulating their business strategies, companies must always consider the fiscal impact and ensure that they operate in accordance with applicable regulations. Through joint efforts between companies, the government, and the community, a fairer and more efficient tax system can be realized, which will ultimately benefit all parties involved (Rohmawati, Hasanudin, & Ismawati, 2023).

Thus, corporate Tax Awareness is a very important factor in supporting national development and creating a fair and efficient tax system. Companies that have good financial performance and transparent reporting tend to have high Tax Awareness. In addition, with tax incentives and strict supervision, it is expected that companies will be more compliant and responsible in carrying out their tax obligations. This study provides a significant contribution to understanding the relationship between financial ratios, Tax Awareness, and Tax Compliance in public companies in Indonesia.

CONCLUSION

Tax awareness, as evidenced in the Company Annual Report, significantly contributes to national development and the establishment of a just and efficient tax system. This study demonstrates that firms exhibiting strong financial performance, as indicated by multiple financial ratios including GPM, OPM, PPM, CTTOR, and NPM, possess a heightened level of Tax Awareness. This tax awareness is evidenced by a rise in tax revenue, the tax ratio to GDP, and tax revenue per sector.

Good Tax Awareness reflects the company's nationalistic attitude, which supports national development through their financial contributions. In addition, companies that report taxes transparently and accurately also provide a positive example for other companies and the community, encouraging a culture of transparency and compliance in the business ecosystem.

Companies also have an important role in increasing awareness and Tax Compliance through transparent reporting. Transparent tax reporting helps increase government and public trust, and avoids potential sanctions that can harm the reputation and operations of the business. Companies that report taxes transparently and accurately will be more trusted by regulators and the public, and this will contribute to a healthier and more sustainable business climate.

Case studies of public companies in Indonesia that conducted IPOs before 2004 show that companies with good financial performance and transparent reporting have higher Tax Awareness. The results of panel data analysis from the Company Annual Reports of these companies for the period 2004 to 2024 support the Benchmark Behavioral Model, which confirms that corporate reporting behavior is influenced by financial performance and incentives provided by the government.

Overall, this study underlines the importance of Tax Awareness as a manifestation of nationalism and corporate social responsibility. By increasing Tax Awareness and Tax Compliance through transparent reporting, companies can support national development and create a fair and efficient tax system, which will ultimately benefit all parties involved.

AUTHORSHIP CONTRIBUTION STATEMENT

The sole author of this research article is responsible for all aspects of the study, including Conceptualization, Methodology, Data Curation, Formal Analysis, Investigation, Resources, Writing – Original Draft, Writing – Review & Editing, Visualization, Supervision, Project Administration, and Funding Acquisition.

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