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FACTORS AFFECTING THE COMPANY'S VALUE WITH TAX AVOIDANCE AS INTERVENING VARIABLE

ФАКТОРИ, ЩО ВПЛИВАЮТЬ НА ВАРТІСТЬ КОМПАНІЇ З УХИЛЕННЯМ ВІД СПЛАТИ ПОДАТКІВ ЯК ПРОМІЖНОЮ ЗМІННОЮ

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Increased profits will increase taxes paid but a decrease in profits will also reduce the value of the company, this is what underlies this research. This study aims to analyze the influencing factors, namely Profitability, Leverage and Firm Size on Company Value with tax avoidance as an Intervening variable. The sampling method for this study was purposive sampling method with a sample of 29 consumer goods industry companies for the 2018–2021 period. The consumer goods industry is the industry that has survived the most and experienced the lowest share price decline correction during the covid pandemic. The research method used is the structural equation model partial least square approach using path analysis techniques. This research is expected to provide understanding to readers and other researchers regarding the factors that influence company value and tax avoidance. The research is also expected to help investors and management of consumer goods industry companies to make decisions regarding the sustainability of tax avoidance and company value. The results showed that profitability and leverage affect tax avoidance, firm size has no effect on tax avoidance, profitability and leverage affect company value, firm size has no effect on company value. The results of path analysis show that tax avoidance is not able to mediate the effect of profitability, leverage, firm size, on company value.

Keywords: managerial ownership, company size, capital structure, company value, profitability.

Зростання прибутку збільшує сплачувані податки, але зменшення прибутку також зменшує вартість компанії, і саме це лежить в основі цього дослідження. Метою цього дослідження є аналіз впливу факторів, а саме: прибутковості, фінансового важеля та розміру компанії на вартість компанії, а також ухилення від сплати податків як проміжної змінної. Для дослідження було використано метод цілеспрямованої вибірки з вибіркою з 29 компаній легкої промисловості за період 2018–2021 років. Індустрія споживчих товарів – це галузь, яка найбільше вижила та зазнала найменшої корекції падіння цін на акції під час пандемії ковіду. пандемії. У дослідженні використано метод часткового найменших квадратів структурних рівнянь із застосуванням методів аналізу шляхів. Очікується, що це дослідження дасть читачам та іншим дослідникам розуміння факторів, які впливають на вартість компаній та ухилення від сплати податків. Очікується, що дослідження також допоможе інвесторам та керівництву компаній легкої промисловості приймати рішення щодо доцільності ухилення від сплати податків та вартості компанії. Результати показали, що прибутковість і боргове навантаження впливають на ухилення від сплати податків, розмір компанії не впливає на ухилення від сплати податків, прибутковість і боргове навантаження впливають на вартість компанії, розмір компанії не впливає на вартість компанії. Результати аналізу шляхів показують, що ухилення від сплати податків не здатне опосередковувати вплив прибутковості, боргового навантаження, розміру фірми на вартість компанії.

Ключові слова: управлінська власність, розмір компанії, структура капіталу, вартість компанії, прибутковість.

The problem statement. Companies target profits for the survival of the company and the prosperity of shareholders. However, the greater the profit earned, the greater the tax that will be paid. If tax avoidance measures are taken, it will reduce the amount of tax paid and reduce the profit earned as well. The lower the profit, the lower the company's financial performance so that the public's assessment of the company's value can worsen. Company Value is a unit of performance or the ability of a company's good profit-making resources to be considered as a means of investors; Widagdo et al – [1]. PBV is the share price compared to the company value. The higher the PBV, the higher the company value. However, the more overvalued the value of the Company [2].

The consumer goods industry is the strongest industry during pandemics and post-pandemic coronaviruses. Based on data from the Indonesia Stock Exchange, the performance of industrial stock corrections is minimal compared to other industries, namely 19.17% [3]. In October 2021, this industry experienced a revival as indicated by a number of rising consumer goods industry stock price indices. For example, Unilever Indonesia (UNVR) went up +6.49%, or Rp 5.250/share, Mayora Indah (MYOR) + 4,31% Rp 2.420/share, Gudang Salam (GGRM) +3,76% Rp 34.525/share, etc [4].

The phenomenon of Company Value occurs in a number of Consumer Goods industries in Indonesia. (1) The decline in Hanjaya Mandala Sampoerna's net profit of 8.58 trillion rupiah resulted in a high PBV of 5.48 times which is higher than the sector average PBV of 2.48 times [5]. (2) The decrease in Unilever Indonesia's net profit of 7.16 trillion rupiah resulted in a high PBV of 47.91 times which is higher than the sector average PBV of 3.12 times [5]. (3) The increase in Net Income resulted in a low PBV of Indofood Sukses Makmur at 1.2 times and its subsidiary Indofood ICBP Sukses Makmur at 2.96 times [5].

Table 1

ROA, ROE, Firm Size and Value PT Campina Ice Cream Industry Tbk (CAMP)

Years	Prof	Lev	Firm Size	Company Value
2018	0.06	0.12	27.64	2.30
2019	0.07	0.12	27.69	2.35
2020	0.04	0.12	27.71	1.85
2021	0.09	0.11	27.77	1.67

Table 2

ROA. ROE. Firm Size and Company Value GGRM

Years	Prof	Lev	Firm Size	Company Value
2018	0.11	0.35	31.87	3.57
2019	0.14	0.35	32.00	2.00
2020	0.10	0.25	31.99	1.35
2021	0.06	0.34	32.13	0.99

Source: www.idx.co.id (Author Compilation) [6]

Based on Table 2, Campina's increased profitability has an impact on reducing the company's value in 2020–2021. Campina's decreasing leverage has the impact of reducing the company's value in 2021. The increased Firm Size has an impact on reducing the company's value in 2019–2021.

Based on Table 2, the increasing profitability of Gudang Garam reduced the company's value in 2018–2019. Gudang Garam's decreased leverage had the impact of reducing the company's value in 2019–2020. The increased Gudang Garam firm size decreased the company's value in 2018–2019 and 2020–2021.

Based on a collection of phenomena and tables, it can be seen that the decrease or increase in financial performance is not proportional to the value of the Company (PBV). The higher the profitability, the higher the value of the company because investors will be interested in investing in the company [7]. The higher the leverage, the higher the risk of debt default, thereby reducing the company's value [8]. The larger the size of the company, the higher the value of the company [9]. However, the consumer goods industry experiences phenomena that are not consistent with previous research, so researchers are interested in conducting research on factors that affect company value. Furthermore, there are differences in previous research on the effect of tax avoidance on company value, namely Mayke Kristika Antony Princess et al (2018) and Maulida Aulia Rezki et al (2020). This is rationale for selecting tax avoidance as an intervening variable for this research.

The formulation of this research problem is (1) Do Profitability, Leverage and Firm Size affect the Company's Value? (2) Do Profitability, Leverage and Firm Size affect Tax Avoidance? (3) Do Profitability, Leverage and Firm Size through Tax Avoidance affect the Company's Value?. The results of this research are expected to provide benefits for various parties in making management decisions, investment decisions, and research development for future researchers.

Theoretical framework. The research uses agency theory and signaling theory as grand theories. The researchers also added theories related to profitability, leverage, firm size, tax avoidance and Company Value. The agency theory is a theory that states the relationship between the owner (principal) and the worker (agent) for the execution of work and decision-making; William H. Meckling & Michael C. Jensen – [7]. An agent who knows more information can manipulate information for the sake of its own interests than a principal, thus losing investor trust. This conflict of interest is known as agency problem or information asymmetry [10].

Signaling theory is a theory that explains how company information is regarded as a signal that is able to explain the company's future prospects so as to help investors in making investment decisions; Jensen & Meckling – [11]. Management signals are considered as material for assessing the advantages or disadvantages of company performance. Signalling theory plays a role in explaining the inequality of information and notification of corporate dividend policies (Pangestuti et al. 2022).

Company Value is the reputation that a business has built up over time as a result of public trust; Brigham & Houston – [8]. Company value is measured through the price book value (PBV); the higher the PBV. the more it increases the stock price which is able to increase the value of the company [13]. An example is the use of accounting methods to defer current profits for future periods in order to reduce the tax burden [14] .

Tax avoidance is an act of reducing tax liabilities by utilizing loopholes in tax laws; Jacob – [15]. Taxes for the government are income while taxes for companies are a burden, this triggers company management to avoid taxes [16]. Tax avoidance decisions are contrary to shareholder interests while reflecting managers' personal interests and separation of control; Dyreng. at. [17].

Profitability is a ratio that measures an issuer's ability to generate profits; Kasmir – [8]. Profitability ratio within a certain period of time shows the development of the company's ups and downs within a certain period of time and the causes; [18]. Profitability shows the ratio of profit to sales [19]. Profitability measures the company's profit level as an indicator of its growth, success and control [20].

Leverage is a ratio that shows how much financing through debt and the risk of default on debt; Brigham dan Ehrhardt – [2]. The greater the amount of leverage, the greater the company's interest expense, thereby reducing the amount of profit before tax and payment of the company's tax burden; Adelina – [15].

According to Act No. 28 of 2008. the size of the company is divided into four categories of enterprises: micro. small. medium. and large enterprises [21]. The larger the total assets. the more the company is in the maturity stage. which is the stage of the company showing good prospects for the long term; Kurniasih dan Sari – [22]. Large companies have resources and technology that are able to manage assets optimally in improving company performance [23].

Hypothesis. Based on previous research statement and grand theory, hypothesis can be explained as follow as:

Investors will be interested in investing in companies that are able to increase profitability [24]. In accordance with Signaling Theory, high profitability shows good prospects for corporate profits which will provide investors with the prospect of a high return on investment as a positive signal. Investors will respond positively to these signals by being interested and trusting in investing funds in the company so as to increase the company's value in the public view.

H1: Profitability has an influence on Company's Value

A reasonable and controlled level of leverage gives a positive signal to investors regarding the company's financial condition [25]. In accordance with signaling theory, the risk of uncollectible principal and debt interest on high leverage also makes the high risk of investment returns a negative signal for investors. Investors will be less trusting or not interested in investing funds in the company so that the company's value will decrease in the public view.

H2: Leverage has an influence on Company's Value

Large companies tend to have high Company Value [9]. In accordance with Signaling Theory, the freedom of large company management in using the high total assets it has for the continuity of the company encourages large companies to have good prospects and profits to be a positive signal. Investors will respond positively to these signals by being interested and trusting to invest funds in the company so as to increase the company's value in the public view.

H3: Firm Size has an influence on Company's Value

Companies do not want high tax payments on profits so they do tax avoidance [26]. In accordance with agency theory, company management (agents) will certainly prioritize the company's profits obtained over tax obligations on company profits. Agent will reduce profits on the increase in profitability that occurs by taking tax avoidance actions to the government, even though the decreased profits are detrimental to the interests and prosperity of company owners and the state.

H4: Profitability has an influence on Tax Avoidance

The use of debt can be a means of tax savings [15]. In accordance with agency theory, after the delegation of authority from the owner, the determination of high leverage by company management (agent) to maintain cash availability triggers high interest costs so as to reduce the company's taxable profit, which also reduces the tax burden that must be paid by the company. The decreased tax burden due to interest costs reduces the need for agent to take tax avoidance actions.

H5: Leverage has an influence on Tax Avoidance

Large companies are able to utilize their resources in influencing the tax burden optimally; Stickney & McGee (1982) – [27]. In accordance with agency theory, company management (agents) who are more aware of the company's condition and prioritize the benefits obtained by the company will utilize the complexity of large company transactions as a loophole for tax avoidance by competent company management.

H6: Firm Size has an influence on Tax Avoidance

Company management conducts tax avoidance to reduce profits but this is contrary to the interests of the owner [28]. In accordance with agency theory, management puts the interests of its company first by taking information manipulation actions, namely tax avoidance to maintain profits not deducted from high tax burdens. However, this is contrary to the interests of shareholders who expect a return on investment from high after-tax profits. In accordance with Signaling Theory, information disclosed by company management after tax avoidance actions sends a negative signal to investors. Tax avoidance actions generate doubts about full and accurate information disclosure. Investors respond negatively by being less interested or distrustful of investing in financial information that is less thorough and accurate, thus reducing the value of the company in the public's view.

H7: Tax Avoidance has an influence on Company Value

Companies with high profits will have a high tax burden so they decide to do tax avoidance [16]. In accordance with agency theory, management will prioritize the interest to reduce tax payments on profits for the increase in profitability that occurs so that tax avoidance is carried out to reduce taxable income and the tax burden paid is reduced. In accordance with Signaling Theory, tax avoidance actions cause financial information submitted by management to show a decrease in profits which can give a negative signal regarding the prospect of a decrease in investment returns. Investors will respond negatively by not being interested in investing, thereby reducing the value of the company in the public's view.

H8: Profitability has an influence on Company Value through Tax Avoidance

A high level of leverage triggers a high interest expense [29]. In accordance with agency theory, management (agents) obtain delegation of authority and decision making, so they will usually set high leverage in order to maintain cash availability but incur high interest costs that reduce pre-tax profits and trigger companies to reduce tax avoidance. In accordance with Signaling Theory, the determination of high leverage that can reduce tax avoidance is information that can be considered as a negative signal to investors. Determining high leverage can reduce profits without tax avoidance but creates an increased risk of uncollectible principal and interest on debt which also increases the risk of investor investment returns. Investors will respond negatively by not trusting or not interested in investing funds in the company, thus reducing the value of the company in the public's view.

H9: Leverage has influence on Company Value through Tax Avoidance

Company size is one of the important potentials to attract and convince investors to invest [30]. In accordance with agency theory, management that obtains delegated authority from the owner will utilize the resources of tax experts and loopholes in complex large-size company transactions for tax avoidance. In accordance with signaling theory, large size companies that have expert resources and complex transactions are able to increase the implementation of tax avoidance which provides a positive signal to investors. Large size companies that are able to increase their tax avoidance indicate that they have adequate utilization of resources and complex transactions related to the survival of the company. Investors will respond positively by being interested and believing in investing funds in the company so as to increase the value of the company in the public's view.

H10: Firm Size has influence on Company Value through Tax Avoidance

Methodology. This research took samples using purposive sampling technique, namely sampling based on certain criteria [31]. The number of samples obtained was 29 observations per year or 116 observations for the 2018–2021 period.

PLS-SEM is a structural equation model that can test the complexity of the relationship or predictive influence between variables through determination coefficients (R-square). In PLS analysis, SEM consists of two models. First, the analysis of the outer model in PLS is carried out to measure the validity and reliability of research data. Second, the analysis of the inner model was performed to test the variables hypothesized in this research. The internal model analysis is done by observing the value of R-Squares for dependent variables, i.e., the influence of independent variables on the dependent variables, whether their influence is substantive or their prediction is relevant.

In this research, path analysis techniques were used through the Smart PLS version 3.0 data processing application. The 5% sig t-statistics value used is 1.66. If the t-statistics value> 1.66 and p value is <0.05then the hypothesis is accepted [32].

Results. Descriptive Statistics, observation data are described as follows:

The results of the Convergence validity – outer loading test showed that outer loading values > 0.70. so this results can state that convergence validity with the category "very valid" for further analysis.

The results of the Convergence Validity Test – construct reliability and validity showed that AVE values > 0.50 of 1.000. So, this results can state

Table 3

Operational Definition of Research Variables

Variabel	Formula	Measure Scale
Profitability (X1)	$\text{Profitability} = \frac{\text{Profit After Tax}}{\text{Total Asset}}$	Ratio
Leverage (X2)	$\text{DAR} = \frac{\text{Total Debt}}{\text{Total Asset}}$	Ratio
Firm Size (X3)	$\mathit{Firm\ Size} = \ln(\mathit{Total\ Assets})$	Ratio
Tax Avoidance (Z)	$\text{Cash ETR} = \frac{\text{Cash Paid for Taxes}}{\text{Profit Before Tax}}$	Ratio
Company Value (Y)	$\text{Price to Book Value} = \frac{\text{Stock Price}}{\text{Book Value of Stock}}$	Ratio

Source: Smart PLS Processed Result

Table 4

Descriptive Statistics

Variabel Name	N	Minimum	Maximum	Mean	Std. Deviation
Company Value	116	0.295	56.792	4.279	7.183
Tax Avoidance	116	0.015	2.924	0.317	0.355
Profitability	116	0.002	0.447	0.113	0.088
Leverage	116	0.108	0.793	0.359	0.156
Firm Size	116	25.955	32.820	29.087	1.540

Source: www.idx.co.id (Author Calculation) that convergent validity of a “valid” or “suitable” model for further analysis.

The results of the discriminatory validity – cross-loading test showed that cross-loading values > 0.70. which is 1.000. This results can state that to be valid to meet the good validity of discrimination.

The results of the Discriminatory validity – Fornell Larcker criterion test showed that higher square AVE root values than the collapsing between variables of 1.000, so it can be determined that these variables have been valid.

The results of the construction reliability test showed that Cronbach Alpha and Composite Reliability values > 0.70 which is 1.000, so that these variables have met the reliability tests by having a good level of reliability.

The R-Square test results show the R Square Adjusted Tax Avoidance (Z) in the weak category, Tax Avoidance can be explained by Prof, Lev and Size by 3.4%. The R Square Adjusted of Company Value (Y2) in the moderate category, Company Value can be explained by Prof, Lev, Size and Tax by 57.9% .

Profitability has a significant positive impact on the Company's Value. H1 is accepted. In accordance with signaling theory and previous research [30; 1: 33], good profitability (ROA) shows that managers and shareholders are able to work together to create effective asset management strategies in generating company profits so that this good profitability (ROA) certainly provides a positive signal to investors on the condition of the company, the company has profit prospects and the prospect of high investment returns to investors in the future so that the value of the company in the view of the public and investors is increasing. However, contradicts with other previous research [34; 13]

Leverage has a significant positive impact on the Company's Value. H2 is accepted. In accordance with signaling theory and previous reseacrh [1], high leverage indicates the company's ability to fulfill its obligations and adequacy to finance its operations with funds plus debt can be a positive signal that the company has the best performance prospects in operations aimed at generating profits and the highest returns. Therefore, the more leverage increases, the more it increases the value of the company. However, contradicts with other previous research [35].

Firm Size does not have a significant influence on the Company's Value. H3 is rejected. In accordance with previous research [35] [9], large companies that have good capital and assets if their management is ineffective, the prospect of profit is low and the return on investment is low. Conversely, small companies that have low capital and assets but if they are able to manage them effectively, the prospects for profit and return on investment are also high. So that investors or the public cannot determine the value of the company from the size of the company but must go through other factors such as asset management, capital turnover, performance, operations, and so on. However, contradicts with other previous research [30; 36; 37].

Profitability has a significant negative impact on Tax Avoidance. H4 was accepted in a different impact. In accordance with agency theory and previous research [29; 26; 5], agents (management) who prioritize the interests of

Table 5

Path Coefficients Test

	Influence	Original Sample	T Statistics	P Values	Results	Influence Results
H1	Prof (X1) -> Value (Y)	0.647	9.025	0.000	Accepted	Positive
H2	Lev (X2) -> Value (Y)	0.400	6.261	0.000	Accepted	Positive
H3	Size (X3) -> Value (Y)	-0.034	0.996	0.320	Rejected	No Influence
H4	Prof (X1) -> Tax (Z)	-0.181	2.919	0.004	Accepted	Negative
H5	Lev (X2) -> Tax (Z)	0.152	2.352	0.019	Accepted	Positive
H6	Size (X3) -> Tax (Z)	-0.086	1.078	0.282	Rejected	No Influence
H7	Tax (Z) -> Value (Y)	0.003	0.131	0.896	Rejected	No Influence
H8	Prof -> Tax -> Value	-0.001	0.110	0.913	Rejected	No Influence
H9	Lev -> Tax -> Value	0.001	0.110	0.913	Rejected	No Influence
H10	Size -> Tax -> Value	0.000	0.111	0.912	Rejected	No Influence

Source: www.idx.co.id (Author Compilation) the principal against profit for the sake of high returns will reduce the tax avoidance actions that need to be taken. However, contradicts with other previous research [38; 39].

Leverage has a significant positive effect on Tax Avoidance. H5 is accepted in a different impact. In accordance with agency theory and previous research [29; 40], management that gets the delegation of authority from the owner tends to determine the use of leverage or financing through high debt rather than cash for company operations as a means of tax avoidance. The determination of high leverage by management triggers high interest costs which can be utilized as a deductible expense so that the tax burden can be reduced. However, contradicts with other previous research [38; 41].

Firm Size does not have a significant influence on Tax Avoidance. H6 is rejected. In accordance with previous research avoidance [38; 22; 42], Large and small companies can both potentially engage in tax avoidance if the company has an accountant or workforce that is an expert in the rules and proper ways of reducing taxes or for tax planning. Large companies and small companies that want to maintain a good name will also not do tax avoidance. Company size is not the main factor, but rather factors of profit, finance, company interests, and so on that can affect tax avoidance. However, contradicts with other previous research [15; 39; 43].

Tax Avoidance does not have a significant impact on the Company's Value. H7 is rejected. Tax avoidance only aims to reduce tax payments. However, the company's profits divided for principals or shareholders will be in accordance with the existing ownership portion. In addition, tax avoidance is an act of reducing tax obligations that meet statutory regulations so that the reduction in profit levels is still reasonable. Tax avoidance will not affect the public or investors' view of the company's performance. The results of this research are consistent with researchs that stated tax avoidance has no effect on the value of a company [16; 44; 45]. However, contradicts with other previous research [46; 47].

Tax Avoidance is unable to mediate the influence of profitability on the Company's Value. H8 is rejected. In accordance with Agency Theory [7] supported by expert opinion [48], management who wants to maintain the interests of a good image of its performance is more likely to maintain profits and avoid the risk of return through not doing tax avoidance for a decrease in profit. Although, whether or not tax avoidance measures are taken, the value of the company can still increase or decrease. In accordance with Signaling Theory [49] supported by expert opinion [48; 7], the development of the company's operational and financial performance over time is able to provide signal informations how company has a good or bad value based on its profit prospects or profitability.

Tax Avoidance is unable to mediate the influence of Leverage on the Company's Value. H9 is rejected. In accordance with Agency Theory [7] and expert opinion [50], Companies with low or high leverage do not need to engage in tax avoidance. Leverage that is set high by management authority indicates that the company is able to fulfill its repayment obligations or wants additional investment funds. Conversely, a low leverage indicates the adequacy of the company's operational and investment funds. Although, whether or not tax avoidance measures are taken, the value of the company can still increase or decrease. In accordance with signaling theory [49] and expert opinion [50], the determination of high or low leverage on the capital structure is able to provide signal informations how a company has good or bad value.

Tax Avoidance is unable to mediate the influence of Firm Size on the Company's Value. H10 is rejected. In accordance with Agency Theory [7] and previous research [48], Owners of large or small companies prefer not to do tax avoidance to maintain a good image of their company. In addition, owners of large companies or small companies hire tax experts for tax planning rather than tax avoidance. Although, whether or not tax avoidance measures are taken, the value of the company can still increase or decrease. In accordance with Signaling Theory [49] and previous research [48], the size of the company's size on dividend policy is able to provide signal informations how a company has good or bad value.

Conclusions. From the results that have been presented, scientific contribution of the research can be concluded that in the Consumer Goods Industry listed on the Indonesia Stock Exchange for the period 2018–2021 that Profitability and Leverage have a significant positive effect on Firm Value. Firm Size has no significant effect on Firm Value Profitability has a significant negative effect on Tax Avoidance. Leverage has a significant positive effect on Tax Avoidance. Firm Size has no significant effect on Tax Avoidance. Tax Avoidance has no significant effect on Firm Value. Tax Avoidance is not able to mediate the effect of Profitability, Leverage and Firm Size on Firm Value.

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