THE EFFECT OF TAX AVOIDANCE, MANAGERIAL OWNERSHIP, PROFIT MANAGEMENT ON COMPANY VALUE

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Abstract

Research Objectives :
Management can practice earnings management by carrying out tax avoidance to increase profits and the value of the company whose shares it owns. Investors as owners of capital must pay attention to the financial performance of a company in increasing funds in its investment, because earnings management can be carried out by managerial parties through tax avoidance so that the company's performance looks good and attracts investors to buy it. The purpose of this study was to determine the effect of tax avoidance, managerial ownership, earnings management on firm value in case studies of manufacturing companies in the food & beverage sub-sector on the Indonesia Stock Exchange.

Research Method :
This research was conducted through a quantitative approach using secondary data obtained from the Indonesian stock exchange. The data used in this research is the financial data of 12 companies for 3 years. Data analysis techniques in the form of descriptive statistics, Panel Data Model Selection, classic assumption test, Panel Data Analysis, determinant coefficient and hypothesis testing

Research Finding :
The results showed that tax avoidance had a significant negative effect on firm value, managerial ownership had no effect on firm value and earnings management had no effect on firm value. Meanwhile, the simultaneous results of tax avoidance, managerial ownership, and earnings management have a significant effect on firm value variables.

Keywords: Tax Avoidance, Managerial Ownership, Earnings Management, Firm Value

1.Introduction

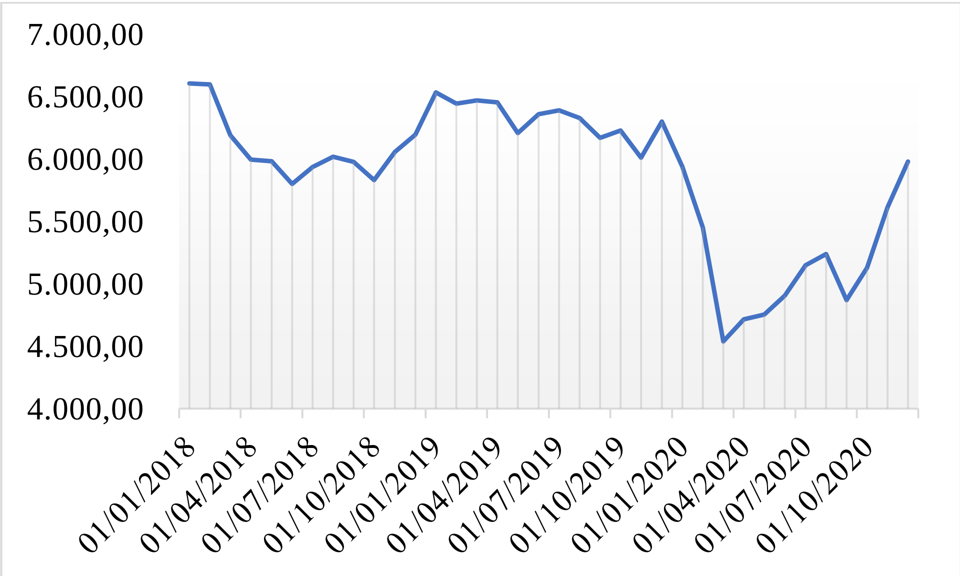
Firm value is very important because high company value will be followed by high company valueprosperityshareholders. Initially the company was founded with the aim of maximizing the wealth of company owners or shareholders, the company's goals can be achieved by increasing the value of the company(Utami, 2015). The value of a company is reflected by the company's financial performance, a company with good performance shows that the company has good value in the eyes of investors and will attract investors to invest in companies managed by managers. The motivation to seek funding is one of the main driving factors for companies to improve company value, because with fresh funds, companies are free to expand their business and will generate maximum profits for the company and usually make the company continue to survive. There are several examples of what companies can do to maximize firm value, one of which is earnings management, tax avoidance and also managerial ownership(Ramadhiani & Dewi, 2021).

taxesavoidance is one method of tax planning withhow to reduce taxes legally, tax avoidance practices usually take advantagefinancial performance of a company. According to research conducted by(Esther & Hutabarat, 2020)shows that the existence of tax avoidance practices in the company will reduce the value of the company in the eyes of investors, this is because the company does not publish its financial reports correctly regarding the company's performance. This was refuted by research conducted by(Silvia & John, 2022)And(Apsari & Setiawan, 2018)where the results of the research conducted show that tax avoidance affects firm value. This is due to the presence of ptax avoidance practices will further maximize the company in generating profits. The practice of tax planning is usually carried out by companies to benefit managers who have share ownership in the company, known as managerial ownership.

Managerial ownership is one of the corporate governance practices that helps control agency problems, by increasingshare ownership by managers, it is hoped that managers will act in accordance with the wishes of the principal because managers will be motivated to improve work and can reduce earnings management practices. Managerial ownership can reduce earnings management practices because management is considered a sophisticated investor who can monitor management, the impact of which will reduce the motivation of managers to manage earnings. Managers may influence results by manipulating numbers, intervening in accounting earnings and using judgments in financial reporting and transactions to change financial statements to mislead stakeholders about the firm's underlying financial performance or to influence contractual outcomes that depend on reported accounting numbers.

Earnings management is the ability to increase or decrease reported earningsloss as desired, which means that earnings management is an attempt made by the managerial side by maximizing profits as well as minimizing profits, including tools that influence profits according to the wishes of the managerial party. So that it can be said that earnings management is an act of manipulation with the limits stated in accounting principles carried out by managerial parties. Research conducted by(Riswandi & Yuniarti, 2020)shows that earnings management is one way to increase firm value. Earnings management practices, the company will present financial reports as well as possible so that the value of the company can increase. This action is carried out intentionally by increasing or decreasing the values contained in the published financial reports for external users of the company in order to benefit the company. There are various factors that can influence earnings management, such as Initial Public Offering (IPO), political motivation, bonus purposes, corporate action, taxation motivation, the importance of providing information to investors. The company or the manager will try to increase the profit earned by the company, because the increased profit will reflect the value of the company.

A go public company is a company that sells shares or issues bonds with the intention of obtaining additional capital that is used to develop and maintain the businesscompany survival. Stakeholders always want a company's performance to be good because it will increase the company's performance and the value of the shares it owns. Investors as owners of capital must pay attention to the financial performance of a company in increasing funds in its investment, because earnings management can be carried out by managerial parties through tax avoidance so that the company's performance looks good and attracts investors to buy it. In 2020, that year the impact of the Covid-19 pandemic occurred in Indonesia, where in that year the business world was increasingly depressed due to the pandemic. The existence of the pandemic has had a serious impact on the business world where this can be seen in the Jakarta Composite Index (IHSG), where this impact can be seen in the following graph:



Picture1Composite Stock Price Index 2020

Source :www.financeyahoo.com

The picture can be seen that in 2020 the Composite Stock Price Index (IHSG) fell where in that year there was a Covid 19 pandemic where there was an economic slowdown that occurred. Whereas it is known that the economy in Indonesia grew minus -2.07%(BPS, 2021).

The negative economic movement due to the Covid-19 pandemic has made it possible for shareholders who serve as commissioners in the company to try to improve their company's performance through tax avoidance and earnings management so that the shares they own increase in price. In this research, researchers focus on companies engaged in the food and beverage sector in companies engaged in the food and beverage sector.Researchers chose food and beverage companies as research objects, namely food and beverage companies that have better prospects in the future compared to other companies. The food and beverage industry sector is indeed the most attractive, because every human being needs to eat and drink to survive, so that the sector will continue to develop according to human needs.

Research on the effect of tax avoidance on firm value has been done before, some of the previous research was research conducted by(Silvia & John, 2022)And(Apsari & Setiawan, 2018)where the results of the research conducted show that tax avoidance has an effect on firm value, another study showing different results was carried out by(Fahmi & Prayoga, 2018)And(Riswandi & Yuniarti, 2020)which states that tax avoidance has no effect on firm value. Research on the effect of managerial ownership on firm value has been done before, some of the previous research was research conducted by(Silvia & John, 2022)And(Private Br & Effendi, 2019)where the results of the research conducted show that managerial ownership has an effect on firm value, another study showing different results was carried out by(Royani et al., 2021)which states that managerial ownership has no effect on firm value. Research on the effect of earnings management on firm value has been done before, some of the previous research was research conducted by(Riswandi & Yuniarti, 2020)where the results of the research conducted show that earnings management has an effect on firm value, another study showing different results was carried out by(Fahmi & Prayoga, 2018)which states that earnings management has no effect on firm value. Based on the results of research that has been carried out by several previous studies, it is known that there are still inconsistencies in the results of research regarding the effect of tax avoidance, managerial ownership, and earnings management on firm value. so that researchers conduct research by raising the influence of tax avoidance, managerial ownership, and earnings management on firm value.

1.1 Statement of Problem

1. How Tax Avoidance Effects on Firm Value in Food and Beverage companies
2. How Does Managerial Ownership Influence Against Firm Value in Food and Beverage companies
3. How does Profit Management Influence Company Value in Food and Beverage companies
4. What is the Effect of Tax Avoidance, Managerial Ownership and Profit Management on Firm Value in Food and Beverage Companies

1.2 Research Objectives

1. To analyze how the influence of Tax Avoidance on Firm Value in Food and Beverage companies
2. To analyze how Managerial Ownership influences Firm Value in Food and Beverage companies
3. To analyze how the influence of Profit Management on Firm Value in Food and Beverage companies
4. To analyze how the effect of Tax Avoidance, Managerial Ownership and Profit Management on Firm Value in Food and Beverage companies

method

This research was conducted through a quantitative approach using secondary data obtained from the Indonesian Stock Exchange. The data used in this research is the financial data of 12 companies for 3 years. The data analysis technique uses panel data regression analysis which takes into account the value of the time period and cross-section. The hypothesis test is carried out using the panel data linear regression test through SPSS Version 23.

Results and Discussion

Panel data model selection is done by selecting a model with the Common Effect and Fixed Effect Model (FEM) approaches, the model approach is selected from the magnitude of the influence of the independent variables on the dependent variable which can be seen from the magnitude of R Square. The results of the approach using each model are as follows:

Table 1 Panel Data Model Selection

Information	R Square	Durbin-Watson	F Sig.
Common Effects	0.415	2,204	0.001
Fixed Effects Model 1	0.637	2.151	0.022
Fixed Effects Model 2	0.425	2,239	0.004

Source: Data Processed 2022.

Based on testing the model using the common effect and fix effect approaches, the results are as shown in table 4.6 above. From the above results it is known that the largest R square is the approach method using the fixed effect model 1. So with this value further testing is carried out on the prerequisite test or the classical assumption test.

Classic assumption test

Normality test

Table 2 Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residuals
N		36
Normal Parameters, b	Means	.0000000
	std. Deviation	.88783148
Most Extreme Differences	absolute	.132
	Positive	.132
	Negative	-.095
Kolmogorov-Smirnov Z		.792
asymp. Sig. (2-tailed)		.557

a. Test distribution is Normal.

Calculation of Asymp Sig. (2-tailed) indicates that the test value is 0.557 and the value is greater than the standard significance tested, which is 0.05. The results of these calculations show that the data is normally distributed and the regression model is feasible to use because it meets the assumption of normality.

Autocorrelation Test

Table 3 Autocorrelation Test

	Unstandardized Residuals
Value test	-.09610
Cases < Test Value	18
Cases >= Test Value	18
Total Cases	36
Number of Runs	16
Z	-.845
asymp. Sig. (2-tailed)	.398

a. Median

Asymp value. Sig. (2-tailed) of 0.398, or greater than > 0.05, it can be concluded that in the distribution of the data used in the regression model there are no autocorrelation symptoms or problems.

Multicollinearity Test

Table 4 Autocorrelation Test
Coefficientsa

Model		Collinearity Statistics	
		tolerance	VIF
1	Tax Avoidance	.410	2,437
	Managerial ownership	.431	2,319
	Profit management	.535	1868
	dum_CAMP	.452	2,214
	dum_CLEO	.528	1894
	dum_GOOD	.504	1984
	dum_HOKI	.535	1869
	dum_INDF	.422	2,372
	dum_MYOR	.410	2,442
	dum_SKBM	.453	2,206
	dum_SKLT	.540	1,851
	dum_STTP	.514	1947
	dum_TBLA	.406	2,461
	dum_ULTJ	.372	2,686

a. Dependent Variable: Company Value

The results of the sample data regression show a Tolerance value of more than 0.1 and a VIF value of less than 10, it can be concluded that there is no multicollinearity.

Heteroscedasticity Test

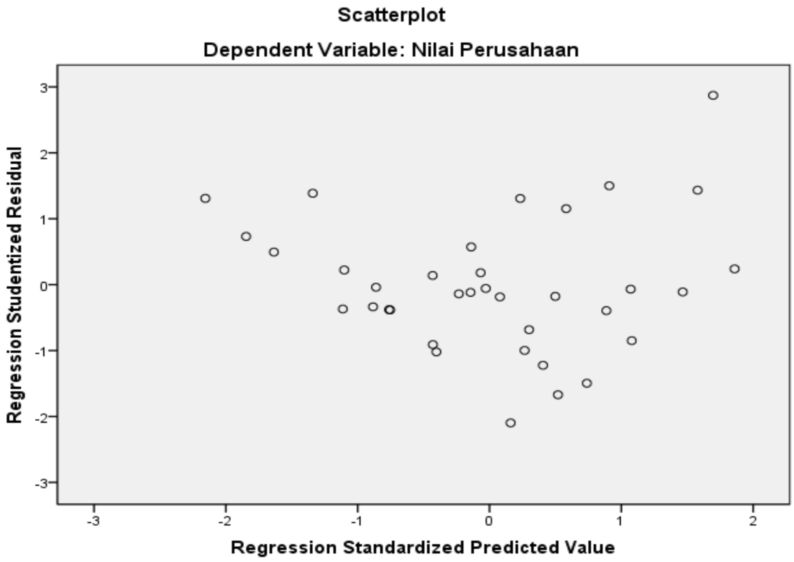


Figure 2 Heteroscedasticity Test

The dots spread randomly and do not form a particular pattern in their distribution. This shows that there is no indication of heteroscedasticity in the tested model, so this assumption is fulfilled

Panel Data Regression Analysis

Table 5 Autocorrelation Test
Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Betas		
1 (Constant)	3,838	.885		4,335	.000
Tax Avoidance	-4,112	1,650	-.511	-2,492	.021
Managerial ownership	2,814	1,546	.364	1821	083
Profit management	-3,543	5006	-.127	-.708	.487
dum_CAMP	.878	1,029	.167	.854	.403
dum_CLEO	.283	.951	054	.298	.769
dum_GOOD	.455	.974	087	.467	.645
dum_HOKI	-1,034	.945	-.197	-1,094	.286
dum_INDF	-.332	1,064	-.063	-.312	.758
dum_MYOR	-.672	1080	-.128	-.622	.541
dum_SKBM	-.489	1,026	-.093	-.476	.639
dum_SKLT	1,242	.940	.236	1,321	.201
dum_STTP	.273	.964	052	.283	.780
dum_TBLA	-.477	1,084	-.091	-.440	.664
dum_ULTJ	-1,392	1.133	-.265	-1,229	.233

a. Dependent Variable: Company Value

The equation of the panel data regression analysis is as follows: PBV = 3.838-4,112 Tax Avoidance + 2,814 Managerial Ownership - 3,543 Profit Management + e. Equalitythe results of the linear regression calculation above, it can be concluded as follows:

a) The constant is 3,838 which means if variableTax Avoidance, Managerial Ownership and Profit Managementconstant value, then the value of the PBV variable is 3,838.
b) The Tax Avoidance regression coefficient (X1) is -4.112 indicating that if the variable *Tax Avoidance*(X1) an increase of 1 will decrease the Firm Value (PBV) of -4.112 and vice versa.
c) The regression coefficient of Managerial Ownership (X2) is 2.184, meaning that if Managerial Ownership (X2) increases by 1 it will increase firm value (PBV) by 2.184 and vice versa.
d) The regression coefficient of Earnings Management (X3) is -3,543, meaning that if Earnings Management (X3) increases by 1 it will reduce the company's value by 3,543 and vice versa.

Hypothesis test
Simultaneous F Test

Table 6 Simultaneous F Test
ANOVA b

Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	48,441	14	3,460	2,634	.022a
	residual	27,589	21	1,314		
	Total	76,030	35			

a. Predictors: (Constant), dum_ULTJ, Earnings Management, dum_GOOD, dum_HOKI, dum_CLEO, dum_SKLT, dum_SKBM, dum_CAMP, dum_STTP, dum_INDF, dum_MYOR, Tax Avoidance, Managerial Ownership, dum_TBLA
b. Dependent Variable: Company Value

It is known that the Fcount value is 2.634 and a significance value of 0.022 is smaller than 0.05. This mattermeansthat Ho is rejected and Ha is accepted, so it can be concluded that the variable Tax Avoidance, Managerial Ownership, Earnings Management and the dependent variable is Firm Value (PBV).

Partial t test

Based on table 5 above, it can be concluded that the results of partial analysis or per-variable analysis can be summarized as follows:

1. tcount results*Tax Avoidance*(X1) of-2,492. While the significance value of tcount variable*Tax Avoidance*(X1) is 0.21, meaning <0.05. Based on these results, H0 is rejected and H1 is accepted, which means*Tax Avoidance*(X1) has an effect on Firm Value (PBV) (Y).
2. tcount resultsManagerial ownership(X2) of1821While the significance value of tcount variableManagerial ownership(X2) is 0,083, meaning > 0.05. Based on these results, H0 is accepted and H2 is rejected, meaningManagerial ownership(X2) has no significant effect on Firm Value (PBV) (Y).

3. tcount resultsProfit management(X3) of-.708While the significance value of tcount variableProfit management(X3) is 0.487, meaning > 0.05. Based on these results, H0 is accepted and H3 is rejected, meaningProfit management(X3) has no significant effect on Firm Value (PBV) (Y)

Analysis of the Coefficient of Determination

Table 7 Test of the Coefficient of Determination

Summary models

Model	R	R Square	Adjusted R Square	std. Error of the Estimate
0 1	.798a	.637	.395	1.14619

a. Predictors: (Constant), dum_ULTJ, Earnings Management, dum_GOOD, dum_HOKI, dum_CLEO, dum_SKLT, dum_SKBM, dum_CAMP, dum_STTP, dum_INDF, dum_MYOR, Tax Avoidance, Managerial Ownership, dum_TBLA

From the table above it can be seen that the coefficient of determination (Adjust R Square) obtained is 0.637. This shows that the variables Tax Avoidance, Managerial Ownership, Profit Management can explain what percentage of the influence of these variables on Firm Value (PBV). The influence shown by the three variables is 63.7%.

Discussion

Effect of Tax Avoidance (X1) on Firm Value (PBV)

Based on the results of statistical tests with multiple linear analysis on the t test, the results of tcount Tax Avoidance (X1) are equal to-2,492. While the significance value of the tcount variable Tax Avoidance (X1) is 0.021, meaning <0.05. Based on these results, H0 is rejected and H1 is accepted, which means Tax Avoidance (X1) has a significant effect on Firm Value (Y).

The results of the study show that tax avoidance has a significant negative effect on firm value. This indicates that the higher the tax avoidance carried out by the company, the value of the company will decrease.This is in line with agency theory, where if the manager of the company wants to carry out tax avoidance based on monitoring from institutions, it can increase the value of the company, but the financial statements reported by the company will mislead investors because they do not describe the actual condition of the company. In this way, there will be information asymmetry between the agent and the principal. So that investors are less interested or believe in investing their capital which encourages the emergence of agency problem companies on both sides.

The results of this study are not in line with Ester's research (2020) which states that tax avoidance has a significant effect on firm value.

Effect of Managerial Ownership (X2) on Firm Value (Y)

Based on the results of tcount Managerial Ownership (X2) of1821Meanwhile, the significance value of the t-count variable of Managerial Ownership (X2) is 0,083, meaning > 0.05. Based on these results, H0 is accepted and H2 is rejected, meaning that Managerial Ownership (X2) has no effect on Firm Value (Y).

Managerial Ownership Structure is a capital structure owned by a company where the capital comes from shares sold to the company's board of directors or those owned by the directors. This study shows that the managerial ownership structure has no effect on firm value. This can be explained because the share ownership owned by management is not much, and does not exceed 20% so that the voice of shareholders owned by management is less dominant in making corporate strategy. making managerial ownership has no effect on firm value.

The results of this study are in line with research conducted by Marlina (2019) showing that Managerial Ownership has a positive and significant influence on Company Value.

Effect of Profit Management (X3) on Firm Value (Y)

Based on the results of tcount Profit Management (X3) of -0,708While the significance value of the t-count variable Profit Management (X3) is 0.487, meaning > 0.05. Based on these results, H0 is accepted and H3 is rejected, meaning that Earnings Management (X3) has no significant effect on Firm Value (PBV) (Y).

The results of the study show that earnings management has a non-significant positive effect on firm value. This indicates that the higher the earnings management carried out by the company, the company's value will decrease. This indicates that the higher the earnings management carried out by company managers, the lower the company's value. The manager's actions in carrying out earnings management practices can increase company risk and agency costs which will have an impact on investors' decisions, because they do not reflect the actual condition of the company.

This research is not in line with the research conducted by Riswandi (2020) where the results of the research show that earnings management has a significant positive effect on firm value, while the results of the research conducted by the researchers obtained a significance value of the earnings management variable of 0.640 > 0.05, which means that the Profit Management variable is not significant impact on Company Value.

Effect of Tax Avoidance (X1), Managerial Ownership (X2), and Profit Management (X3) on Firm Value (Y) simultaneously

Based on the results of statistical tests that have been carried out on the variables Tax Avoidance (X1), Managerial Ownership (X2), and Profit Management (X3) on Firm Value (Y) in the sample companies in the food and beverage sub-sector, the calculated value of Fcount is2,634with a significance value of 0.022 less than 0.05, the hypothesis states that the variables Tax Avoidance (X1), Managerial Ownership (X2), and Profit Management (X3) simultaneously have a significant effect on Firm Value (Y).

Conclusion

Partial results*tax avoidance*significant negative effect on firm value. The tax avoidance policy will reduce the value of the company because of the manipulative practices carried out by the manager, which will have an impact on decreasing the value of the company or investor confidence. Managerial ownership does not affect the value of the company, this can be explained because the share ownership owned by management is not much, and does not exceed 20% so that the voice of shareholders owned by management is less dominant in making corporate strategy, this makes managerial ownership have no effect to company value. Earnings management does not have a significant effect on firm value because the higher earnings management practices carried out by the company will have an impact on decreasing the value of the company, this is because the agency will arbitrarily make changes in the financial statements, so that the financial statements do not reflect the real situation in company and that can reduce investor confidence through a decrease in company value. Simultaneously tax avoidance, managerial ownership and earnings management have a significant effect on firm value variables. so that the financial statements do not reflect the real situation in the company and that can reduce investor confidence through a decrease in company value. Simultaneously tax avoidance, managerial ownership and earnings management have a significant effect on firm value variables. so that the financial statements do not reflect the real situation in the company and that can reduce investor confidence through a decrease in company value. Simultaneously tax avoidance, managerial ownership and earnings management have a significant effect on firm value variables.

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