

## Transparency as Moderating Tax Avoidance, Profitability, and Leverage on Firm Value



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**ABSTRACT:** Firm value can affect the assessment or perception of investors towards the company, because the value of the company reflects the performance of a company. This study was conducted to examine the effect of tax avoidance on firm value, profitability on firm value, leverage on firm value, transparency can moderate tax avoidance on firm value, transparency can moderate profitability on firm value, and transparency can moderate leverage on firm value. The research population is manufacturing companies in the consumption industry sector listed on the Indonesia Stock Exchange (IDX) for the period 2016 to 2019. Sampling in this study was conducted using purposive sampling method. The analysis technique uses multiple linear regression models, moderation using Moderated Regression Analysis (MRA). The results of this study indicate that tax avoidance, profitability and leverage have a positive influence on firm value. Transparency can moderate tax avoidance and leverage on firm value. However, on the other hand, the research results show that transparency cannot moderate profitability to firm value.

**KEYWORDS:** Transparency, Tax Avoidance, Profitability, Leverage, Firm Value

### PREFACE

The purpose of establishing a company is to maximize profits in order to maximize the prosperity of stakeholders, especially shareholders. This goal can be achieved if the company can increase the value of the company. The value of the company is the price that prospective buyers are willing to pay if the company is sold, the higher the value of the company, the greater the prosperity that will be received by the owner of the company (Husnan and Pudjiastuti, 2012: 6). Therefore, the value of the company can affect the assessment or perception of investors towards the company, because the value of the company reflects the performance of a company. So that the condition of high firm value will be an attraction for investors, where conditions like this can increase the value of the company's shares.

Stakeholders hold an important role in the continuity of the company because those who run the company are not only the management, but all stakeholders. One indicator of the fulfillment of the interests of stakeholders is the value of the company which can reflect the level of welfare of stakeholders. One of the measuring tools in calculating firm value is Tobin's Q. Tobin's Q is calculated by comparing the ratio of the stock market value to the book value of the company's equity.

Based on the signal theory, a stable and increasing firm value has an impact on shareholders to maintain their capital and provides a signal for potential investors to invest in the company. To attract investor confidence, management seeks to increase the value of the company, one way is by minimizing the payment of the company's tax burden through tax avoidance (Ampriyanti & Lely, 2016).

Meanwhile, according to agency theory, companies and tax authorities have different interests where the company has an interest in optimizing the company's tax burden savings because management has the view that the net profit earned by the company will decrease due to tax payments, while the tax authority has an interest in optimizing the revenue. taxes because taxes are the main source of state revenue (Ampriyanti & Lely, 2016). Agency theory states that the delegation of authority by the principal to the agent will require the agent to provide the best possible performance in order to improve the company's performance. Therefore, the management strives to manage the company's finances properly and efficiently. One of the efficiency measures taken is to minimize the tax burden, which is considered to reduce the company's economic capacity. This can be used as motivation by management to avoid tax in order to minimize the company's burden.

On the other hand, it is suspected that profitability can also affect firm value. Profitability is the ability of a company to earn a profit. According to Kasmir (2010), the profitability ratio can be measured using the Return on Assets (ROA). ROA is a profitability

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ratio used to measure the company's ability to earn profits by using total assets. So the higher the level of profitability, the higher the effectiveness of the company in using company assets to generate profits and increase company value.

In addition, leverage is also suspected to affect firm value. According to Horne, et al (1997) leverage is the use of sources of funds that have a fixed burden, in the hope that it will provide additional profits that are greater than fixed costs, so that shareholder profits increase. Leverage is the use of debt by the company to carry out the company's operational activities. Leverage which is a debt ratio or often also known as the solvency ratio is a ratio that can show the ability of a company to meet all financial obligations of the company if the company is liquidated (Agnes, 2004). Leverage can also be a tool that is widely used by companies to increase their capital in order to increase profits (Singapurwoko, 2011). Increases and decreases in debt levels have an influence on market valuation (Nor, 2012). Large excess debt will have a negative impact on firm value (Ogolmagai, 2013).

The trade-off theory predicts that in seeking the relationship between capital structure and firm value there is an optimal level of leverage. Therefore the company will always try to adjust the level of leverage in an optimal direction. So, the company's leverage level continues to move from time to time towards a target to be achieved to increase the value of the company.

The results of several previous studies have inconsistent research results related to the effect of tax avoidance, profitability and leverage on firm value, including:

- 1) Tax avoidance has a positive effect on firm value (Nadia, H and Taufiq, 2015)
- 2) Tax avoidance has a positive effect on firm value (Sarasati and Lely, 2019)
- 3) Tax avoidance has a negative effect on firm value (Tarihoran, 2016)
- 4) Profitability has a positive effect on firm value (Irfandi and Sedana, 2015)
- 5) Profitability has a positive effect on firm value (Leonardus, 2017)
- 6) Profitability has a negative effect on firm value (Meivinia, 2018)
- 7) Leverage has a positive effect on firm value (Rosidi and Lisa, 2018)
- 8) Leverage has a positive effect on firm value (Angga and Wiksuana, 2016)
- 9) Leverage has a negative effect on firm value (Indah and Abundanti, 2014)

Because there were inconsistent results from previous studies, the researcher added one more variable, namely transparency as a moderating variable. According to Jogiyanto (2007) the moderating variable was identified from previous studies which concluded that a causal relationship resulted in conflict, both conflicting in significance and conflict in direction. If the results of previous studies conflict or conflict, there may be other variables that moderate the previous causal relationship. The transparency variable is included as a moderating variable which is thought to strengthen or weaken the effect of tax avoidance, profitability and leverage variables on firm value.

The researcher chose consumption industry sector companies listed on the Indonesia Stock Exchange (IDX) in 2016 as the object of research. The data obtained is the latest company data so that the conclusions drawn will be representative, precise and actual. The reason for choosing a company engaged in manufacturing companies in the consumer goods industry sector is because companies engaged in this field are quite attractive to investors because it has been proven through the resilience of the manufacturing sector, especially supported by the consumer sector which grew 28%. This increase is the second highest increase out of ten existing sectors. The performance of the consumer sector is also higher than the other two sectors, namely the various industrial sectors and the basic chemical industry which are also part of the manufacturing index to invest their own funds (<http://www.kemenperin.go.id>). In addition, indirectly, the consumer goods industry sector can represent the level of public consumption. In addition, the consumption industry sector during the current pandemic is the sector that experienced the least decline, namely -19.17% compared to other sectors. (<https://marketbusiness.com>).

Based on the description above, there are inconsistent research results about the effect of tax avoidance, profitability and leverage on firm value, so the researcher adds a moderating variable, namely transparency. The analysis used is moderating regression analysis, because the researcher wants to test and explain the effect of the independent variable on the dependent variable with the moderating variable. So the title of this research is "Transparency as a Moderator of Tax Avoidance, Profitability, and Leverage on Firm Value". Case studies in the consumption industry sector listed on the IDX in 2016 to 2019.

## LITERATURE REVIEW

### Firm Values

The main goal of the company is to maximize profits or wealth, especially for its shareholders, manifested in the form of efforts to increase or maximize the market value of the company's share price. This goal is an outline, because in practice it is always influenced by decisions in the field of education finance (Tika, 2012). Firm value is an investor's perception of the company, which is often associated with stock prices. The value of the company, which is formed through stock market indicators, is strongly influenced by investment opportunities. Investment spending gives a positive signal from investment to managers about the

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company's growth in the future, thereby increasing stock prices as an indicator of company value. High stock prices make the value of the company also high (Brealey et al, 2007: 46).

### **Tax Avoidance**

Tax avoidance or resistance to taxes is an obstacle that occurs in tax collection, resulting in reduced state treasury revenues. Tax Avoidance is always defined as a legal activity, Bambang (2009) in Fadhillah (2009). Tax avoidance is a way to avoid paying taxes legally by taxpayers by reducing the amount of tax payable without paying taxes violating tax regulations or in other terms looking for regulatory weaknesses (Hutagaol, 2007) in Singly and I Made (2015). Usually the company carries out legal strategies or methods in accordance with the applicable laws and regulations, but it is done by utilizing ambiguous things in the law so that in this case the taxpayer takes advantage of the gaps caused by ambiguity in the law. taxation law (Suandy: 2008) in Fadhillah (2009).

### **Profitability**

Profitability according to Brigham and Daves (2010) is the end result of a number of policies and decisions made by the company. According to Chen (2004), profitability is the company's ability to generate profits and measure the level of operational efficiency and efficiency in using its working capital. Measurement of profitability can use several indicators such as operating profit, net profit, rate of return on investment / assets, and the rate of return on equity of the owner of the capital or company. Without profit, it will be very difficult for companies to attract capital from outside. The company's ability to generate profits in its operations is the main focus in evaluating the company's performance. As an indicator of the company's ability to fulfill obligations to the owners of capital, the company's profit is also an element in determining the value of the company. Effectiveness is assessed by relating net income defined in various ratios to assets, such as profitability ratios.

### **Leverage**

Leverage is the use of assets and sources of funds by companies that have fixed costs with the aim of increasing the potential profits of shareholders. That is, the greater the leverage indicates the greater the investment risk. Companies with low leverage ratios have less leverage risk. The high leverage ratio indicates that the company is not solvable, meaning that its total debt is greater than its total assets (Ernawati & Widyawati, 2015). Leverage ratio describes the relationship between the company's debt to assets and capital. This ratio can see how far the company is financed by debt or other parties outside the company's capabilities described by capital (equity) (Tarihoran, 2016).

### **Transparency**

Corporate transparency is defined as information disclosure, both in the decision-making process and in disclosing material and relevant information about the company (Tarihoran, 2016). According to regulations in the Indonesian capital market, what is meant by material and relevant information is information that can affect the rise and fall of stock prices (Ilmiani & Sutrisno, 2014).

### **Hypothesis**

- 1) Tax Avoidance has a positive effect on firm value.
- 2) Profitability has a positive effect on firm value.
- 3) Leverage has a positive effect on firm value.
- 4) Transparency can moderate tax avoidance on firm value.
- 5) The effect of Transparency can moderate Leverage on Company Value.
- 6) Transparency can moderate leverage on firm value.

## **RESEARCH METHODS**

### **Research design**

The type of research used is quantitative research. This study uses explanatory research methods (explanatory research). Explanatory research has the aim of testing a theory or hypothesis in order to strengthen or reject the theory or hypothesis from the existing results.

### **Population and Research Sample**

The population of this research is manufacturing companies in the consumption industry sector which are listed on the Indonesia Stock Exchange (IDX) for the period 2016 to 2019. The sampling of this research was carried out using the purposive sampling method, which is a sampling technique from the population based on certain criteria. The criteria in question are:

- 1) Companies that publish annual financial reports from 2016 to 2019 in a row.

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- 2) Companies that present financial statements in Rupiah.
- 3) Companies that do not experience loss before income tax during 2016 to 2019 respectively.
- 4) Companies that provide complete data regarding the variables to be examined in the company's financial statements for 2016 to 2019 respectively.

### Variable Operational Definition

#### Tax Avoidance

The first independent variable of this study is tax avoidance, which is one of the legal tax avoidance efforts by reducing the amount of tax payable by looking for regulatory weaknesses that are usually often done by companies. Measurement of tax avoidance in this study is calculated using the Effective Tax Rate (ETR) formula. The Effective Tax Rate (ETR) is used as a measurement because it is considered to reflect a fixed difference between the difference between book profit and fiscal profit (Sandy and Lukviarman, 2015). Effective Tax Rate is calculated by dividing the company's total tax burden with profit before income tax.

#### Profitability

The second independent variable of this study is profitability. One way to measure profitability is Return on Assets (ROA). According to Toto Prihadi (2008), ROA aims to measure the company's ability to utilize assets to earn profits and to measure total returns for all creditors and shareholders as providers of funding sources.

#### Leverage

Variabel independen ketiga dari penelitian ini adalah leverage. Salah satu untuk mengukur leverage dengan Debt to Equity Ratio (DER). Menurut Horne dan Wachowicz (2005 : 200), Debt to Equity Ratio adalah rasio utang dengan ekuitas menunjukkan sejauh mana pendanaan dari utang digunakan jika dibandingkan dengan pendanaan ekuitas. Rasio pendanaan yang diukur dengan indikator Debt to Equity Ratio (DER) mencerminkan kemampuan perusahaan dalam memenuhi seluruh kewajibannya yang ditunjukkan oleh beberapa bagian modal sendiri yang digunakan untuk membayar hutang.

#### Firm Value

The dependent variable in this study is the value of the company and is measured using Tobin's Q. Tobin's Q includes all elements of debt and the company's share capital, not only ordinary shares and not only company equity, but all company assets. So the greater the value of Tobin's Q indicates that the company has good growth prospects. This happens because the greater the willingness of investors to spend more sacrifices to own the company.

#### Transparency

The principle of transparency requires openness and in carrying out the decision-making process and transparency in the disclosure of company information. In realizing transparency, companies must provide sufficient, accurate, and timely information to various interested parties. In addition, the company is also expected to be able to publish financial information and other material information accurately and in a timely manner so that investors can easily access important company information when needed (Ilmiani & Sutrisno, 2014).

#### Data Analysis Technique

The data analysis technique in this study uses multiple linear regression models, moderation using Moderated Regression Analysis (MRA) or interaction test. To conduct an analysis using the regression model, it is necessary to test the quality of the data using descriptive statistics and classical assumptions.

## RESULTS AND DISCUSSION

### Partial Regression Test Results

Partial significant test (t test) or individual is used to test whether an independent variable has an effect or not on the dependent variable. The results of the partial regression test are presented in Table 1.

**Table 1. Partial Regression Test Results**

Variable	Hypothesis	Beta Coefficient	Sig.	Desc.	Keputusan
Konstanta		24.104.409,96	0,000		
Tax Avoidance	+	317.927.542,7	0,000	Sig. < 0,05	H <sub>1</sub> accepted
Profitability	+	8.073.872,074	0,007	Sig. < 0,05	H <sub>2</sub> accepted

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Leverage	+	4.921.764,125	0,007	Sig. < 0,05	H <sub>3</sub> accepted
TA_Trans	+	392.007.802,1	0,000	Sig. < 0,05	H <sub>4</sub> accepted
Prof_Trans	-	-9.474.585,325	0,003	Sig. < 0,05	H <sub>5</sub> accepted
Lev_Trans	+	3.817.563,189	0,019	Sig. < 0,05	H <sub>6</sub> accepted

Source: Secondary data processed in 2021

The results of the partial regression test in table 4.7, resulted in the regression model in this study as follows:

$$\text{Tobins'Q} = 24.104.409,96 + 317.927.542,7 \text{ ETR} + 8.073.872,074 \text{ ROA} + 4.921.764,125 \text{ DER} + 392.007.802,1 \text{ ETR} * n - 9.474.585,325 \text{ ROA} * n + 3.817.563,189 \text{ DER} * n$$

From the regression model, it can be seen that:

1. The constant value of 24,104,409.96 indicates that if all independent and moderating variables are 0, then the value of Tobins'Q is 24,104,409.96.
2. The tax avoidance variable has a positive coefficient value of 317.927.542.7 which indicates that if tax avoidance increases by 1 unit, then the firm value variable will increase by 317.927.542.7 units assuming independent variables and other moderating conditions are constant. The significance value is less than 0.05 and the beta coefficient is positive, indicating that hypothesis 1, namely tax avoidance, has a positive effect on firm value.
3. The profitability variable has a positive coefficient value of 8,073,872,074 which indicates that if profitability increases by 1 unit, the firm value variable will increase by 8,073,872,074 units assuming the independent variables and other moderating variables are held constant. A significance value of less than 0.05 indicates that hypothesis 1 is accepted that tax avoidance has a positive effect on firm value. The significance value is less than 0.05 and the beta coefficient is positive, indicating that hypothesis 2, namely profitability, has a positive effect on firm value.
4. The leverage variable has a positive coefficient value of 4,921,764,125 which indicates that if leverage increases by 1 unit, the firm value variable will increase by 4,921,764,125 units assuming avoidance with transparency increases by 1 unit, then the variable firm value is the independent and moderating variable. others are in constant condition. The significance value is less than 0.05 and the beta coefficient is positive, indicating that hypothesis 3, namely leverage, has a positive effect on firm value.
5. The moderating variable of tax avoidance with transparency has a positive coefficient value of 392,007,802.1 which indicates that tax moderation will increase by 392,007,802.1 units assuming independent variables and other moderating conditions are constant. A significance value of less than 0.05 and a positive beta coefficient indicates that hypothesis 4, namely corporate transparency, has a positive effect on the relationship between tax avoidance and firm value.
6. The moderating variable of profitability with transparency has a negative coefficient value of 9,474,585,325 which indicates that if moderating profitability with transparency increases by 1 unit, then the variable value of the company will decrease by 9,474,585,325 units assuming the independent variables and other moderating variables are held constant. A significance value of less than 0.05 and a negative beta coefficient indicates that hypothesis 5, namely transparency, has a negative effect on the relationship between profitability and firm value.
7. The moderating leverage variable with transparency has a positive coefficient value of 3,817,563,189 which indicates if the moderating leverage with transparency increases by 1 unit, the firm value variable will increase by 3,817,563,189 units assuming the independent variables and other moderating variables are held constant. The significance value is less than 0.05 and the beta coefficient is positive, indicating that hypothesis 6, namely transparency, has a positive effect on the relationship between leverage and firm value.

### Simultaneous Regression Test

The coefficient of determination indicates a proportion of the variance that can be explained by the regression equation to the total variance. Simultaneous regression test results are explained through the value of R square in table 2.

Table 2. Simultaneous Test Results

R	R square	Adjusted R Square
0,846	0,715	0,699

Source: Secondary data processed in 2021

Simultaneous regression test results show the R square value of 0.715 or 71.5%. This value indicates that the magnitude of the firm value variable is influenced by the independent variable in this study of 71.5% and the remaining 28.5% is influenced by other variables outside the research variable.

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### Moderation Regression Analysis Results

#### Interaction Test

The interaction test is a test where the regression equation contains an interaction element (multiplication of two or more dependent variables). The results of the interaction test of this study are presented in table 4.9.

#### The Effect of Tax Avoidance on Company Value

The results of the test of the effect of tax avoidance on firm value are presented in table

**Table 3. Interaction Test Results of the Effect of Tax Avoidance on Firm Value**

Variable	Beta Coefficient	Sig.	R Square
Tax Avoidance	47.833.577,66	0,00	0,44

**Source:** Secondary data processed in 2021

The results of the test of the effect of tax avoidance on firm value show that the beta coefficient is positive with a significant value of 0.00. This shows that tax avoidance has a significant positive effect on firm value so that hypothesis 1 is accepted. The R square value of 0.44 indicates that tax avoidance is able to explain the variable value of the company by 44% and the remaining 56% is explained by other variables.

#### The Effect of Profitability on Firm Value

The results of the test of the effect of profitability on firm value are presented in table 4.

**Table 4. Result of Interaction Test Result of Profitability Effect on Firm Value**

Variable	Beta Coefficient	Sig.	R Square
Profitability	2.403.523,55	0,00	0,13

**Source:** Secondary data processed in 2021

The results of the test of the effect of profitability on firm value show that the beta coefficient is positive with a significant value of 0.00. This shows that profitability has a significant positive effect on firm value so that hypothesis 2 is accepted. R square value of 0.13 indicates that profitability is able to explain the variable firm value by 13% and the remaining 87% is explained by other variables.

#### The Effect of Leverage on Company Value

The results of the test of the effect of leverage on firm value are presented in table 5.

**Table 5. Interaction Test Results of Leverage Effect on Firm Value**

Variable	Beta Coefficient	Sig.	R Square
Leverage	2.094.704,76	0,00	0,11

**Source:** Secondary data processed in 2021

The results of the leverage effect test on firm value show that the beta coefficient is positive with a significant value of 0.00. This shows that leverage has a positive and significant effect on firm value so that hypothesis 3 is accepted. R square value of 0.11 indicates that leverage is able to explain the variable firm value by 11% and the remaining 89% is explained by other variables.

#### The Effect of Transparency Can Moderate Tax Avoidance on Firm value

The results of the test of the effect of tax avoidance on firm value moderated by transparency are presented in table 6.

**Table 6 . Interaction Test Results The Effect of Transparency Can Moderate Tax Avoidance on Company Value**

Variable	Beta Coefficient	Sig.	R Square
Tax Avoidance	327.587.461,69	0,00	0,62
Transparency	31.490.187,68	0,00	
TA_TRANS	40.7591.595,52	0,00	

**Source:** Secondary data processed in 2021

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The results of the test of the effect of tax avoidance on firm value moderated by transparency show a significant value of the interaction variable between tax avoidance and transparency of 0.00. This means that transparency moderates the relationship between tax avoidance and firm value. In addition, the R square value of 0.62 which is higher than the R square value before the interaction of variables, namely 0.44 (see table 4.7) indicates that transparency strengthens the relationship between tax avoidance and firm value. This also means that hypothesis 4 is accepted.

### The Effect of Transparency Can Moderate Profitability on Firm Value

The results of the test of the effect of profitability on firm value moderated by transparency are presented in table 7.

**Table 7. Interaction Test Results The Effect of Transparency Can Moderate Profitability on Firm Value**

Variable	Beta Coefficient	Sig.	R Square
Profitability	872.269,32	0,01	0,10
Transparency	737.811,49	0,01	
PROF_TRANS	11.656.336,48	0,00	

Source: Secondary data processed in 2021

The results of the test of the effect of profitability on firm value moderated by transparency showed a significant value of 0.00. This means that transparency moderates the relationship between profitability and firm value. In addition, the value of R square of 0.10 which is lower than the value of R square before the interaction of variables, namely 0.13 (see table 4.8) indicates that transparency weakens the relationship between profitability and firm value. This also means that hypothesis 5 is accepted.

### The Effect of Transparency Can Moderate Leverage on Firm value

The results of the test of the effect of leverage on firm value moderated by transparency are presented in table 8.

**Table 8. Interaction Test Results The Effect of Transparency Can Moderate Leverage on Company Value**

Variable	Beta Coefficient	Sig.	R Square
Leverage	4.204.543,60	0,03	0,18
Transparency	1.160.053,84	0,08	
LEV_TRANS	6.886.965,49	0,01	

Source: Secondary data processed in 2021

The results of the test of the effect of leverage on firm value moderated by transparency showed a significant value of 0.01. This means that transparency moderates the relationship between leverage and firm value. In addition, the value of R square of 0.18 which is greater than the value of R square before the interaction of variables, namely 0.11 (see table 4.9) indicates that transparency strengthens the relationship between leverage and firm value. This also means that hypothesis 6 is accepted.

## Absolute Difference Value Test

### The Effect of Transparency Can Moderate Tax Avoidance on Company Value

The results of the test of the effect of tax avoidance on firm value moderated by transparency are presented in table 9.

**Table 9. Test Results Absolute Difference Value The Effect of Transparency Can Moderate Tax Avoidance on Company Value**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-582.900,16	354.239,22		-1,645	0,10
Zscore: Tax Avoidance	3.756.847,88	222.317,07	0,864	16,899	0,00
Zscore: Transparency	2.928.516,38	303.722,64	0,673	9,642	0,00
ABS_ZTA_ZTRANS	3.798.202,25	335.417,15	0,840	11,324	0,00

Source: Secondary data processed in 2021

The results of the absolute difference value test show a tax avoidance significance value of 0.00 and the beta coefficient

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value is positive. This means that tax avoidance has a significant positive effect on firm value so that hypothesis 1 is accepted. In addition, the significance value of the absolute difference between tax avoidance and transparency is 0.00, which indicates that transparency is a variable that moderates the relationship between tax avoidance and firm value, so hypothesis 4 is accepted.

### The Effect of Transparency Can Moderate Profitability on Firm Value

The results of the test of the effect of profitability on firm value moderated by transparency are presented in table 10.

**Table 10. Test Results Absolute Difference Value The Effect of Transparency Can Moderate Profitability on Firm Value**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.159.702,24	765.141,980		4,130	0,00
Zscore: Profitability	1.580.704,04	395.266,051	0,363	3,999	0,00
1 Zscore: Transparency	445.947,95	480.272,132	0,103	,0929	0,02
ABS_ZPROF_ZT RANS	- 426.432,39	636.056,248	-0,076	-,0670	0,05

Source: Secondary data processed in 2021

The results of the absolute difference value test show a profitability significance value of 0.00 and the beta coefficient value is positive. This means that profitability has a significant positive effect on firm value so that hypothesis 2 is accepted. In addition, the significance value of the absolute difference between profitability and transparency is 0.05 (actually 0.048) which indicates that transparency is a variable that moderates the relationship between profitability and firm value so that hypothesis 5 is accepted.

### The Effect of Transparency Can Moderate Leverage on Firm value

The results of the test of the effect of leverage on firm value moderated by transparency are presented in table 11.

**Table 11. Test Results Absolute Difference Value The Effect of Transparency Can Moderate Leverage on Company Value**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.884.509,50	683479,647		2,757	0,01
1 Zscore: Leverage	1.363.556,92	383245,958	0,314	3,558	0,00
Zscore: Transparency	1.375.554,10	444536,083	0,316	3,094	0,00
ABS_ZLEV_ZTRANS	716.351,14	510610,653	0,153	1,403	0,02

Source: Secondary data processed in 2021

The results of the absolute difference value test show that the leverage significance value is 0.00 and the beta coefficient value is positive. This means that profitability has a significant positive effect on firm value so that hypothesis 3 is accepted. In addition, the significance value of the result of the absolute difference between leverage and transparency is 0.02, which indicates that transparency is a variable that moderates the relationship between profitability and firm value so that hypothesis 6 is accepted.

### Residual Test

#### The Effect of Transparency Can Moderate Tax Avoidance on Company Value

The results of the residual test of the effect of tax avoidance on firm value moderated by transparency are presented in table 12.



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**Table 12. Residual Test Results The Effect of Transparency Can Moderate Tax Avoidance on Company Value**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0,099	0,011		9,453	0,00
Firm Value	-3,170E-09	0,000	-0,136	-1,540	0,01

Source: Secondary data processed in 2021

Based on the results of the residual test, it can be seen that the significant value is 0.01 and the coefficient value is negative. This shows that the firm value variable affects the absolute value of the residual so that it can be concluded that transparency moderates the relationship between tax avoidance and firm value.

### The Effect of Transparency Can Moderate Profitability on Firm Value

The results of the residual test of the effect of profitability on firm value moderated by transparency are presented in table 13.

**Table 13**

**Residual Test Results The Effect of Transparency Can Moderate Profitability on Firm Value**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0,100	0,010		9,753	0,00
Firm Value	-2,024E-09	0,000	-0,089	-1,006	0,03

Source: Secondary data processed in 2021

Based on the results of the residual test, it can be seen that the significant value is 0.03 and the coefficient value is negative. This shows that the firm value variable affects the absolute value of the residual so that it can be concluded that transparency moderates the relationship between profitability and firm value.

### The Effect of Transparency Can Moderate Leverage on Company Value

The results of the residual test of the effect of profitability on firm value moderated by transparency are presented in table 14.

**Table 14. Residual Test Results The Effect of Transparency Can Moderate Leverage on Firm Value**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0,095	0,010		9,185	0,00
Firm Value	3,203E-10	0,000	0,014	0,159	0,04

Source: Secondary data processed in 2021

Based on the results of the residual test, it can be seen that the significant value is 0.04 and the coefficient value is negative. This shows that the firm value variable affects the absolute value of the residual so that it can be concluded that transparency moderates the relationship between leverage and firm value.

## DISCUSSION

### The Effect of Tax Avoidance on Company Value

Based on the results of the hypothesis test above, the first hypothesis is accepted, namely, tax avoidance has a positive effect on the company. This shows that the higher the tax avoidance by the company will increase the value of the company. If the tax costs incurred by small companies will automatically increase the company's profit which gives a signal to investors to invest so that it will increase the value of the company. Of course, the results of this hypothesis support the signal theory that an increase in firm value will provide a positive signal for investors.

The results of this study support previous research conducted by Sarasasti and Lely (2019) that tax avoidance has a positive effect on firm value. This is also in line with research conducted by Nadia and Taufiq (2015). This result is not in line with research conducted by Tarihoran (2016) that tax avoidance has a negative effect on firm value. The presence or absence of tax avoidance in the company is suspected not to influence the decision of investors to invest.

## **Transparency as Moderating Tax Avoidance, Profitability, and Leverage on Firm Value**

### **The Effect of Profitability on Firm Value**

The results of the second hypothesis test in this study were accepted, namely profitability had a positive effect on firm value. So it can be concluded that the higher the profitability of a company can increase the value of the company. This is in accordance with the theory put forward by Brigham and Houston (2001) which suggests that profitability as measured by a high ROA reflects a good company position so that the company's stock price has a high value as well.

The results of this study are in line with research conducted by Irfandi, et al (2015) and Leonardus, et al (2017) that profitability has a positive effect on firm value. This is because companies that experience an increase in profits reflect that the company has a good performance, giving rise to positive sentiment from investors and can make the company's stock price increase. However, the results of this study contradict the research conducted by Meivinia (2018) that profitability has a negative effect on firm value. This research was conducted in the mining sector 2012-2016. These few years were tough years for mining companies and were accompanied by rising interest rates, so investors tended to choose time deposits over stocks.

### **The Effect of Leverage on Company Value**

Based on statistical calculations, the third hypothesis in this study is accepted, namely leverage has a positive effect on firm value. In other words, leverage can increase firm value when leverage is high and vice versa leverage can reduce firm value when leverage is low. This shows that if the company's leverage is high, it will give an indication of a better company prospect. The company gets increased profits so that the value of the company also increases.

The results of this study support research conducted by Angga and Wiksuana (2016) and Rosidi (2018) that leverage has a significant positive effect on firm value. Companies with high leverage ratios are considered as companies that have the ability to control financial risk well. This study does not support the research of Indah and Abundanti (2014) which states that leverage has a negative effect on firm value. High debt results in the probability of bankruptcy because the company is unable to pay.

### **The Effect of Transparency Can Moderate Profitability on Firm Value**

Based on statistical calculations through SPSS the fifth hypothesis in this study was accepted. Transparency cannot moderate profitability to firm value. This means that transparency weakens the relationship between profitability and firm value. Disclosure of transparent financial information can hinder the achievement of the company's profit targets.

The results of this study are in line with research conducted by Magdalena (2019) and Septyaningrum (2020) that transparency cannot moderate the effect of profitability on firm value.

### **The Effect of Transparency Can Moderate Leverage on Company Value**

Based on the results of hypothesis testing, it is known that the results of testing the sixth hypothesis are accepted. That transparency can moderate leverage on firm value. This happens because the leverage relationship has a positive effect on firm value, strengthened by transparency. Companies that present financial reports with high transparency can show quality financial reports. Investors are more confident in companies that are transparent in presenting financial statements.

The results of this study support previous research conducted by Tarihoran (2016) and Ilmiani & Sutrisno (2014) that corporate transparency is able to moderate the effect of leverage on firm value. The results of this study differ from the research of Septyaningrum (2020) that transparency does not strengthen the relationship between leverage and firm value. Companies that have high debt tend to have low transparency to cover the actual condition of the company. This can reduce the level of stakeholder trust.

## **CONCLUSIONS AND SUGGESTIONS**

### **Conclusion**

Based on the data analysis in this study, it can be concluded that tax avoidance, profitability and leverage have a positive influence on firm value in manufacturing companies in the consumer goods industry sector listed on the IDX in 2016 to 2019. This shows that the higher tax avoidance is, profitability and leverage by the company will increase the value of the company.

In addition, transparency can moderate tax avoidance and leverage on firm value. But on the other hand, the results of the study show that transparency cannot moderate profitability to firm value. Corporate transparency is able to moderate the effect of tax avoidance on firm value. With a high level of transparency, investor confidence will also increase. Leverage relationship has a positive effect on firm value strengthened by transparency. Companies that present financial reports with high transparency can show quality financial reports. Investors are more confident in companies that are transparent in presenting financial statements.

### **Suggestion**

Based on these conclusions, several suggestions for further research are put forward, including:

1. Further research can use other proxies to measure firm value more accurately, for example Price Earning Ratio (PER) based on

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net profit value that reflects the company's performance.

2. Measurement of company transparency is adjusted to voluntary disclosure items with more recent regulations.
3. Further research should present the results of the moderating variable test simultaneously on the independent variables used.
4. Further research is expected to conduct research in other sectors so that they can explore research.

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