

The Influence of Financial Performance, Independent Commissioners, and Tax Avoidance on Company Value

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ABSTRACT

This research aims to determine the influence of financial performance, independent commissioners and tax avoidance on company value. This research was conducted in the property and real estate sector listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period. The population in this study amounted to 92 companies. The sample was selected using a purposive sampling technique which selected companies using several criteria, so that the total sample obtained was 13 companies. The method used to analyze the influence of independent variables on the dependent in this research is panel data regression analysis using Eviews 9 software. The results of this research show that financial performance, independent commissioners, and tax avoidance together influence company value, financial performance has a significant influence to company value, independent commissioners do not have a significant effect on company value, tax avoidance does not have a significant effect on company value.

1. INTRODUCTION

In general, a company is a legal entity established by a group of individuals to engage in commercial or industrial activities, providing goods or services to the public, and seeking profits. With the goal of maximizing profit, companies design strategies to compete in line with the evolving times. The value of a company is reflected in the stock prices paid by investors (Wahyudin, 2020), indicating trust and the company's performance. In the property and real estate sector, intense competition occurs, especially during the COVID-19 pandemic, leading to a decline in the company's value in recent years. Stock performance of PT. Pakuwon Jati Tbk (PWON) and PT. Bumi Serpong Damai Tbk (BSDE) year to date (ytd) shows an increase of 8.84% for PWON, with a 3-month correction of -2.91%. Meanwhile, BSDE has weakened throughout the year, reaching -4.95%. This phenomenon is supported by data from the Indonesia Stock Exchange (BEI) in the property and real estate sector in Indonesia.

The table below shows the company values in the property and real estate sector, as seen in Table 1.1:

Table 1 Company Values in the Property and Real Estate Sector, 2019-2022

No	Sector	Company Values (%)			
		2019	2020	2021	2022
1	<i>Property dan Real Estate</i>	2,46	1,84	1,47	1,51

Source: www.idx.co.id

Based on the above table, the average growth of company values in the property and real estate sector listed on the Indonesia Stock Exchange is evident. There was a 25.2% decrease in 2020, followed by a further 20.1% decrease in 2021. However, there is a slight increase of 4% in 2022. Factors such as financial performance (Lesmana & Iskandar, 2020), the presence of independent commissioners affecting the decision-making capabilities of the board of commissioners, and tax avoidance practices influence the company's value. Tax avoidance, defined as the effort to minimize or eliminate tax burdens within legal boundaries (Tambahan et al., 2021), has shown inconsistent results in previous research. Good management and company strategies, including tax avoidance compliant with the law, can positively impact the company's value. In this context, further research is conducted in the property and real estate sector listed on the Indonesia Stock Exchange, considering these factors. Thus, the

researcher is interested in conducting the study with the title "The Influence of Financial Performance, Independent Commissioners, and Tax Avoidance on Company Value."

1. THEORETICAL FRAMEWORK

2.1 Agency Theory

Agency Theory was first introduced by Jensen and Meckling in 1976, suggesting that the agency relationship is a cooperative contract between the principal and the agent. In this relationship, the principal directs another individual (the agent) to manage their organization, granting the agent authority to make decisions that will best serve the principal's welfare. Nuansari & Ratri (2022) define agency as the office of an agent or a company related to business activities. It can also be formulated as the capacity and ability of the agent as the source of their actions. The theory arises due to the relationship between the agent and the principal. Nursita (2021).

2.2 Signaling Theory

Signaling theory involves actions taken by management to provide indications to investors about the prospects or benefits the company may gain. Spence introduced Signaling Theory in his research titled "Job Market Signaling." Spence (1973) asserts that signals provide relevant information, and the sender (information owner) attempts to provide usable information to the recipient. Yuniarti & Syarifudin (2020) note that signaling theory involves signals that investors need to consider when deciding whether to invest in a company's stocks. These signals help investors anticipate the expected returns. Nursita (2021).

2.3 Company Value

Company value reflects how management carries out its responsibilities entrusted by shareholders in managing the company's operations. Minda Utami et al. (2023) state that market value is often referred to as company value because it represents the price a buyer must pay if the company is sold. The stock market price also reflects the value of the assets owned by the company in reality. Company value is shaped by indicators influenced by investment opportunities. Elizabeth (2022).

2.4 Financial Performance

Financial performance analysis, as designed by Putra et al. (2021), is a study to assess how well a company has implemented its principles. Fadli et al. (2020) state that a company's performance involves sacrifices from various business processes, drawing resources from both human and financial aspects. It is also the optimal use of every resource employed by the company to achieve profit or the company's vision and mission.

2.5 Independent Commissioners

Independent commissioners are a part of the board of commissioners who have no affiliation with shareholders, board members, and other commissioners. Their role is to control or provide advice for the company's interests. Ilham & NR (2020). According to the Financial Services Authority Regulation No. 33/POJK.04/2014 on the directors and commissioners of issuers or public companies, independent commissioners are individuals from outside the issuer or public company who qualify as independent commissioners. The number of independent commissioners must be at least 30% of the total board of commissioners. Wahyudin (2020).

2.6 Tax Avoidance

Tax avoidance is a legal act used to reduce or minimize tax burdens by exploiting gaps in tax laws. Suropto (2021). The company's goal is to generate profit, and one way to achieve this is by minimizing tax burdens. Tax avoidance is part of tax management, a means to fulfill tax obligations correctly while minimizing the amount to be paid.

2. RESEARCH METHODOLOGY

The research methodology is crucial to providing a clear and detailed framework for the study. According to Rusdi (2022), the research focuses on companies in the property and real estate sector

listed on the Indonesia Stock Exchange from 2018 to 2022. The study employs quantitative data, emphasizing information processed through statistical methods. Secondary data sources are utilized, and the sampling method adopted is purposive sampling, selecting samples based on specific criteria to test predefined hypotheses. This research serves as a means of testing theories that demonstrate relationships between various variables, emphasizing developmental concepts.

3. RESULTS AND DISCUSSION

The population for this study comprises property and real estate companies listed on the Indonesia Stock Exchange from 2018 to 2022. Thirteen companies were selected as samples using purposive sampling out of the total 92 companies in the property and real estate sector on the Indonesia Stock Exchange (BEI). The research focuses on examining the impact of financial performance, independent commissioners, and tax avoidance on the value of these companies.

4.1. Research Findings

Tabel 2 Statistik Deskriptif

Date: 01/22/24
Time: 22:59
Sample: 2018 2022

	X1	X2	X3	Y
Mean	0.031937	0.446323	0.036709	2.039689
Median	0.027000	0.400000	0.009400	1.843200
Maximum	0.123800	0.750000	0.273500	5.484200
Minimum	0.000100	0.250000	0.000100	0.000600
Std. Dev.	0.027511	0.115071	0.062138	1.374798
Skewness	1.249998	0.764396	2.274716	0.572690
Kurtosis	4.455928	3.018910	7.201311	2.853512
Jarque-Bera	22.66796	6.330893	103.8601	3.611167
Probability	0.000012	0.042195	0.000000	0.164379
Sum	2.075900	29.01100	2.386100	132.5798
Sum Sq. Dev.	0.048438	0.847446	0.247112	120.9644
Observations	65	65	65	65

Source: Output Eviews 9 (Data processed by the compiler)

The descriptive statistics analysis provides insights into the key variables of the study, considering 65 data points. Company Value (Dependent Variable) Mean: 2.039689, Standard Deviation: 1.374798. The average company value is 2.04, with a standard deviation of 1.37. This indicates a moderate level of variability in company values. Financial Performance, Mean: 0.031937, Standard Deviation: 0.027511. The financial performance variable has a mean of 0.032, with a standard deviation of 0.028. The small standard deviation suggests a relatively consistent distribution

of data points around the mean. Independent Commissioners, Mean: 0.446323, Standard Deviation: 0.115071, Median: 0.400000. For independent commissioners, the mean is 0.446, and the standard deviation is 0.115. The median, which is 0.4, indicates that the majority of data points are clustered around this value, suggesting a central tendency. Tax Avoidance, Mean: 0.036709, Standard Deviation: 0.115071, Median: 0.009400. In the case of tax avoidance, the mean is 0.037, with a larger standard deviation of 0.115. The higher standard deviation implies greater variability in the data points. The median is 0.0094, indicating a potential skewness in the distribution.

4.2. Regression Model Panel Data Estimation

Tabel 3 Test Chow

Redundant Fixed Effects Tests

Equation: Untitled
 Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	13.474834	(12,49)	0.0000
Cross-section Chi-square	94.809364	12	0.0000

Source: Output Eviews 9 (Data processed by the compiler)

The Cross-Section Chisquare probability value is 0.0000, indicating that the Fixed Effect Model (FEM) is more suitable than the Common Effect Model (CEM).

Tabel 4 Test Hausman

Correlated Random Effects - Hausman Test

Equation: Untitled
 Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.818496	3	0.8450

Source: Output Eviews 9 (Data processed by the compiler)

Cross-section random probability value is 0.8450, suggesting that the Random Effect Model (REM) is more appropriate than the Fixed Effect Model (FEM).

Tabel 5 Test Lagrange Multiplier

Lagrange Multiplier Tests for Random Effects

Null hypotheses: No effects

Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	61.64097 (0.0000)	1.317855 (0.2510)	62.95883 (0.0000)

Source: Output Eviews 9 (Data processed by the compiler)

The Cross-section Breusch-Pagan probability value is 0.0000, supporting the conclusion that the Random Effect Model (REM) is more suitable than the Common Effect Model (CEM).

Conclusion of Model Selection

Based on the paired testing of the three panel data regression models, the chosen model for estimating the regression for panel data is the Random Effect Model (REM).

**Tabel 6
 Summary of Model Selection Results**

No.	Metode	Pengujian	Hasil
1	Uji Chow	<i>Common Effect vs Fixed Effect</i>	<i>Fixed Effect</i>
2	Uji Hausman	<i>Fixed Effect vs Random Effect</i>	<i>Random Effect</i>
3	Uji Lagrange Multiplier	<i>Common Effect vs Random Effect</i>	<i>Random Effect</i>

Source: Output Eviews 9 (Data processed by the compiler)

Based on the conducted tests, the Random Effect Model (REM) is deemed more suitable for estimating the panel data regression. This model will be used for hypothesis testing and panel data equations.

3.3 Results of Panel Data Regression Analysis

The analysis of panel data regression aims to determine the direction of the relationship between independent and dependent variables.

Tabel 7 Results of Panel Data Regression Analysis

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 01/22/24 Time: 22:21
Sample: 2018 2022
Periods included: 5
Cross-sections included: 13
Total panel (balanced) observations: 65
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.372534	0.775588	3.059013	0.0033
X1	-11.04364	5.406008	-2.042845	0.0454
X2	-0.268894	1.322024	-0.203396	0.8395
X3	3.810179	2.223532	1.713571	0.0917

Effects Specification		S.D.	Rho
Cross-section random		1.322272	0.7659
Idiosyncratic random		0.730967	0.2341

Weighted Statistics			
R-squared	0.137844	Mean dependent var	0.489524
Adjusted R-squared	0.095443	S.D. dependent var	0.754696
S.E. of regression	0.717778	Sum squared resid	31.42749
F-statistic	3.250954	Durbin-Watson stat	1.995631
Prob(F-statistic)	0.027735		

Unweighted Statistics			
R-squared	0.036655	Mean dependent var	2.039689
Sum squared resid	116.5304	Durbin-Watson stat	0.538208

1. The regression equation derived is:

$$Y = 2.372534 - 11.04364 (X1) - 0.268894 (X2) + 3.810179 (X3)$$

The constant value (C) of 2.372534 indicates the values when independent variables are 2. Financial Performance (X1) has a significant negative effect on Company Value. Independent Commissioners (X2) do not have a significant effect on Company Value. Tax Avoidance (X3) has a positive but not significant effect on Company Value.

Hypothesis Testing:

Simultaneous Test (F-Test): With an F-statistic value of 3.250954 and a Prob(F-statistic) value of 0.027735 < 0.05, it can be concluded that simultaneously, independent variables (Financial Performance, Independent Commissioners, and Tax Avoidance) affect the dependent variable (Company Value).

Partial Test (t-Test):

Financial Performance has a significant negative effect on Company Value. Independent Commissioners do not have a significant effect on Company Value. Tax Avoidance does not have a significant effect on Company Value.

Coefficient of Determination Test

indicate that the Adjusted R-squared value is 0.095443, suggesting a relatively weak correlation. This signifies that the percentage of the independent variables' influence, including Financial

Performance, Independent Commissioners, and Tax Avoidance, collectively impacting Company Value is 9.54%. The remaining 90.46% is influenced by other unexamined variables.

4. Conclusion

Based on the analysis conducted in this study regarding the impact of Financial Performance, Independent Commissioners, and Tax Avoidance on the property and real estate sector listed on the Indonesia Stock Exchange (BEI) for the period 2018-2022, the following conclusions can be drawn: Financial Performance has a significant negative impact on company value. The presence of Independent Commissioners is not proven to have a significant impact on company value. Tax Avoidance does not have a significant impact on company value.

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