

Implementation Of Good Corporate Governance And Tax Planning On Company Value

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ABSTRACT: : The objective of this study to identify Good Corporate Governance and Tax Planning on Firm Value using secondary data taken from the annual financial statements of companies listed on IDX during the 2017-2020 period. The method in this study is purposive sampling, which consists of 11 companies that have been selected for sample. Independent variables in this study are managerial ownership, institutional ownership, independent board of commissioners, audit committee, tax planning. Dependent variable use in this study is firm value. The data analysis method used multiple linear regression using SPSS 25 software with a significant level of 0.05. The results of this study indicate that managerial ownership and institutional ownership have a positive effect on firm value, the board of commissioners has a negative effect on firm value, audit committees and tax planning have no effect on firm value.

Keywords: Managerial ownership, institutional ownership, independent board of commissioners, audit committee, tax planning, firm value.

INTRODUCTION

The rapid competition of companies that occurs in the current era of globalization makes companies compete as much as possible to achieve the goal of increasing company value. The more open economy of a country will certainly provide opportunities for companies to develop business by creating new innovations in the product and service sectors. The company is trying very hard to achieve the expected goals as desired.

In improving company performance by predetermined objectives, Good Corporate Governance must be strictly implemented. Where with the implementation of Good Corporate Governance can increase investor confidence in the company, that the company has good value. However, the company's value can decrease because it is influenced by external factors, such as monetary conditions, namely the entry of the

Covid-19 virus which has worsened the performance of companies listed on the Indonesia Stock Exchange (IDX).

As the news published on Katadata.co.id states that the Central Statistics Agency (BPS) recorded 82.85% of entrepreneurs experienced a decrease in income due to the Covid-19 pandemic, experienced an increase in income of 2.55% and experienced income stability of 14.60%. "Companies in the accommodation and food and beverage sector are most affected by the Covid-19 pandemic. This sector has experienced a very significant decline in income," said BPS Head Suhariyanto.

In the survey conducted above, there are bad signals that can affect the decline in company income and improper implementation of Good Corporate Governance in the company so that it can impact the profit earned. The company's profit has decreased, which can affect the company's value, so the decision made by

the company takes steps to reduce the number of employees of the company that has been surveyed. By reducing employees, it is hoped that the company can stabilize the company's profits. Companies that choose to cut the number of employees amid the pandemic come mostly from the food and beverage sector. Which can be said that there is a management performance error in it.

Yuono & Widyawati (2016) explain that good or bad management performance is measured by the profit income it earns by generating profits, the company can maintain the continuity of all company activities in the future. Therefore, good management performance can increase company value and become a reflection that can affect investors' perceptions of the company. Several factors influence the increase in firm value, one of which is by implementing Good Corporate Governance and tax planning. Zalkifli (2016) stated that the importance of Good Corporate Governance can be seen from one of the objectives in establishing a company, namely to improve the owner's welfare and to protect the rights of shareholders/investors which will aim to maximize shareholder wealth through increasing company value.

This study's proxy for Good Corporate Governance uses managerial ownership, institutional ownership, independent board of commissioners, and audit committee. Yuono & Widyawati (2016) explain that tax planning indirectly involves all parties. To monitor the company whether it is in accordance with the applicable Good Corporate Governance regulatory standards.

Wibowo (2016) explains that managerial ownership is a situation where managers own company shares or in other words, managers are also shareholders. And

institutional ownership is ownership of company shares owned by institutions or other institutions. Continuation of the implementation of Good Corporate Governance with the proxy of the Board of Commissioners.

Furthermore, the factor that can affect company value is tax planning. According to Fransisca Tessya (2021) tax planning is a legal tax avoidance that individuals and corporate entities can do to minimize the obligation to pay taxes. This is a way to avoid taxes which certainly does not violate the rules that the government has made regarding taxpayer regulations in the country of Indonesia.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Managerial Ownership (X1)

Tambalean et al (2018) argue that managerial ownership is a situation where management has shares in the company. So it can be interpreted that shareholders, as well as management, can decide company decisions. A manager's dual role is as a shareholder and manager in the company (Mentari & Idayati, 2021). Managerial ownership is implemented with the aim of monitoring the behavior of managers in managing the company. Managerial ownership can be measured by comparing the percentage of shares owned (Sugiarto, 2011). The instrument used as a measurement of this variable is as follows:

Managerial Ownership = (number of shares owned by management) / (Number of outstanding shares)

$$\text{Managerial Ownership} = \frac{\text{number of shares owned by management}}{\text{Number of outstanding shares}}$$

Ownership institutional (X2)

Institutional ownership is share ownership by institutional parties whose ownership is by other companies or institutions (Sriwahyuni, 2016). The existence of institutional ownership can encourage more effective supervision, because institutions are considered as parties who have the ability to evaluate company performance (Franita, 2016). Institutional ownership can be formulated as follows (Sugiarto, 2011):

$$\text{Institutional ownership} = \frac{\text{Institutional Ownership}}{\text{Number of outstanding shares}}$$

Board of Commissioners Independent (X3)

The independent board of commissioners according to Wardhani et al (2021) are parties who act as governance organs that function as operational supervision according to company goals. Independent commissioners are organs that oversee the running of a company so as not to cause agency conflicts between the principal and the agent. An effective board of commissioners can improve management performance standards in the company which has a positive impact on firm value. In calculating the board of commissioners according to Pohan & Dwimulyani (2017) using the ratio of the number of independent commissioners to the total board of commissioners owned by the company. The formula instrument of the independent board of commissioners put forward by Sugiarto is as follows (2011):

$$\text{Independent board of commissioners} = \frac{\text{Independent Board of Commissioners}}{\text{Total Board of Commissioners}}$$

Audit Committee (X4)

The audit committee is an internal auditor formed by the board of commissioners to process a financial report in the company, with high integrity without taking sides with anyone. In this case, the audit committee is tasked with monitoring and evaluating the planning and implementation of the company's internal control. The audit committee is measured by a dummy variable where the value 1 for companies that have an audit committee of more than 3 people and a value 0 for companies that have an audit committee of less than 3 people (Rahmawati, 2016). The formula instrument of the audit committee is (Sugiarto, 2011):

$$\text{Committee} = \text{Total Audit Committee}$$

Tax Planning (X5)

Tax Planning according to Tarihoran (2017) is a process of controlling actions to avoid paying unwanted taxes. Which is often referred to as tax planning which is a legal action which basically reduces tax debt to the state. Tax planning is measured by the following indicators (Mardiasmo, 2018):

$$\text{Effective Tax Rate (ETR)} = \frac{\text{Tax Burden}}{\text{Profit before tax}}$$

Dependent Variable (Y)

The dependent variable (Y), in this study, is the company value using the Price to Book Value (PBV) measurement.

Company value according to Lestari (2017) is the price that prospective buyers are willing to pay if the company is sold. Company value can also be said to be investors' perceptions of the success rate of a company. In maximizing the value of the

company can be done by prospering all shareholders.

According to Putra, (2016) company value can also be used as an indicator to see whether or not a company is worthy of being an investment place. The instrument in measuring company value uses Price to Book Value, namely the following formula (Robert, 1997):

$$PBV = \frac{\text{Valueet Share Price}}{\text{Number of Outstanding Shares}}$$

RESEARCH METHODOLOGY

This study uses Quantitative methods, with secondary data derived from the annual financial statements (Annual Report) of manufacturing companies engaged in the food and beverage sector for the 2017-2020 period listed on the Indonesia Stock Exchange (IDX).

The population in this study consisted of 26 companies that had qualifications in accordance with those determined by the researcher based on the needs of this study.

The sample in this study was determined using purposive sampling method and found the number of research objects, namely 11 companies.

RESULT AND DISCUSSION

Classical Assumption Test

Based on the results of the Kolmogorv-Smirnov Normality test, the value is 0.123 with a significant level of 0.200 which > 0.05 means that the residual value is normally distributed.

The multicollinearity test shows that the VIF value on all independent

variables used in this study has a VIF value < 10 and a tolerance value of not less than 0.10. meaning that there are no multicollinearity symptoms.

The results of the heteroscedasticity test when measured using a scatterplot are spread out and do not form a certain pattern.

Autocorrelation test based on Durbin Watson test obtained D-W value of 1.982. In accordance with the calculation of the decision table $D_u < DW < 4 - D_u$ ($1,777 < 1,982 < 2,223$), it can be concluded that there is no autocorrelation between variables, so that further tests can be carried out.

Multiple Linear Regression Test

Based on multiple linear regression analysis, it can be seen that the constant for the multiple linear regression equation in this study is -4.520 with a variable coefficient value of managerial ownership (X1) of 3.173, institutional ownership (X2) of 2.462, independent board of commissioners (X3) of -3.123, audit committee (X5) of -0.005 and tax planning (X6) of 2.050.

Hypothesis Test

In this study, the hypothesis test consists of 3, namely: simultaneous significant test (f test), individual parameter test (t test) and determination coefficient test (R²).

HYPOTHESIS DISCUSSION

Managerial ownership on firm value Signaling theory says that managerial ownership provides a

positive signal to investors. Based on the results of the hypothesis test, it is known that the t-test is 5,452 with a significant value of 0.020 with a beta value of 3.173 which shows an error rate smaller than 0.050.

The results of this study PT ICBP in 2017-2020 has a managerial ownership level of 0.66% with a company value of 4.12% in 2019 and in 2020 of 5.37% where the company value has increased in the study year. PT DLTA and PT SKLT have a managerial ownership value of 0.58% in 2017-2020, PT DLTA with a company value of 3.43% in 2019 and in 2020 it increased to 14.26% which shows that managerial ownership has a positive influence on firm value.

This means that the higher the proportion of managerial ownership, the higher the company value. This can happen because in accordance with the data that has been obtained that managerial ownership increases every year. This condition can state that the higher the managerial ownership can reflect that the decision of the share owner is very influential in company activities which can increase company value. This also still applies during the covid 19 pandemic. The managerial role really determines the level of business continuity with firm value as an indicator.

Institutional ownership on firm value

Based on the results of the hypothesis test, it is known that the t-test is 4,316 with a significant value of 0.018 with a beta value of 2.464, this shows that the error rate is smaller than 0.050.

This is supported by the agency theory of Jensen and Mackling (1976) which states that the role of institutional ownership is one of the determinants in minimizing conflicts between managers and shareholders. The existence of institutional investors is able to become a very effective monitoring mechanism in every decision made by managers, because institutional investors are involved in the strategy so that they do not easily believe in earnings manipulation. Institutional ownership is a reliable mechanism that can be used professionally to monitor investment developments, so that the level of control over management actions is very high and accurate. At the time of covid 19 investors were the main determinant in the continuity of a business, so the role of institutional ownership was very large in determining the amount of company value.

The results of this study PT MLBI in 2017-2020 has an institutional ownership level of 0.82% with a firm value of 27.6% in 2019 and increased to 28.5% in 2020 which shows that institutional ownership has a positive influence on firm value. PT DLTA has an institutional ownership value of 0.26% in 2017-2020 with a company value of 3.43% in 2019 and a company value of 5.26%, indicating that institutional ownership has a positive influence on firm value.

Independent Board of Commissioners on firm value

Based on the results of the hypothesis test, it is known that the t-test is -3,340 with a significant value of 0.005 with a beta value of -3.123, this

shows that the error rate is smaller than 0.05. This shows that the board of commissioner variable has a negative and significant effect on firm value.

The more ownership of the independent board of commissioners, the more opinions the company will receive, so it will make it difficult for the company to determine whose opinion to use. The number of independent board members can cause many opinions that are difficult to coordinate and will experience difficulties in communicating between members and the independent board of commissioners is not optimal in carrying out the monitoring function, so this can give a negative signal to investors, this will trigger a decrease in stock interest in a company. The size or small proportion of the independent board of commissioners in a company is not a guarantee that the company's performance will be better and does not guarantee that it can increase company value.

The results of this study PT INDF in 2017-2020 has a board of commissioner value of 0.75% with a company value of 1.42% in 2017 and in 2018 of 1.31%. Furthermore, PT PSDN has a board of commissioner value of 1.00% in 2017-2020 with a company value of 4.89% in 2018, in 2019 it was 3.67%, which shows that the high level of the board of commissioners has a negative effect on firm value.

Audit Committee on firm value

Based on the results of the hypothesis test, it is known that the t-test is -0.016 with a significant value of 0.896 with a beta value of -0.005, this

shows that the error rate is greater than 0.05. This shows that the audit committee variable has no effect on firm value.

The results in this study PT AISA in 2017-2018 had an audit committee of 4 people with a company value of 1.15% and in 2019-2020 the audit committee decreased to 3 people with a company value of 3.26%. so that the number or number of audit committees has no effect on company value.

Maximizing the role of the audit committee in the object of this study is still lacking. So it is possible that the presence or absence of an audit committee cannot affect firm value. This is because the audit committee is carried out by the company's internal parties. So that their focus will be different, the audit committee will focus only on solving a problem with the company and not focusing on increasing company value.

In line with Wulandari (2011) opinion, the main function of the audit committee is to assess internal control, ensure the quality of financial reports, and improve audit effectiveness. This is also in line with the results of Rohmah's research (2019) which shows that the number of audit committees has no effect on increasing company value.

Tax planning on firm value

Based on the results of the hypothesis test, it is known that the t-test is 0.988 with a significant value of 0.325 with a beta value of 2.050, this shows that the error rate is greater than 0.05.

This shows that the tax planning variable has no effect on firm value.

Tax planning will signal to investors about company management who do tax planning. It can be interpreted that tax planning carried out by the company does not guarantee to increase company value. The high and low value of the company is not influenced by the high and low tax planning carried out by company management, with good tax planning activities it will appear that the company's tax payments are smaller than they should be. This will raise investor suspicion of the company and it will be considered not tax-compliant. So that the role of tax planning has no influence on firm value.

The results of this study PT PSDN in 2019 has a tax planning value of 6.93% and in 2020 it is 0.57% with a company value of 3.67% in 2019 and 4.56% in 2020. Furthermore, PT DLTA has a tax planning value of 2.55% in 2019 with a company value of 3.43% and in 2020 has a tax planning value of 0.25% with a company value of 14.26% which shows that the high and low level of tax planning has no effect on company value.

In line with Sari & Irawati's research (2022) which states that tax planning has no effect on firm value.

CONCLUSION

Based on the research that has been done, the following conclusions can be drawn. Managerial ownership, institutional ownership has a positive effect on the value of manufacturing

companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) in 2017-2020. This can be interpreted that the higher the managerial ownership, the better the supervision in the company which can increase the value of the company. In addition, the existence of institutional ownership in the company can increase the monitoring carried out by the company so that the company's performance can be more effective so that mistakes do not occur that can harm the company which can have an impact on increasing company value.

The board of commissioners has a negative effect on firm value in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020 because the large or small number of members of the board of commissioners does not guarantee that the performance in a company will be good. In addition, the audit committee and tax planning have no effect on firm value in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020. Committee members in the company only monitor financial reports so that the audit committee has no effect on increasing company value, and tax planning carried out by the company does not guarantee that the company can increase company value.

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