The Influence of Financial and Non-Financial Factors on Firm Value with Tax Aggressiveness as a Moderating Variable

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Abstract. The firm value reflects the welfare that can be enjoyed by its stakeholders, especially by its shareholders. Financial and non-financial factors influence firm value. This study examines the effect of the firm's financial and non-financial factors on firm value. In addition, it analyzes whether tax aggressiveness moderates the influence of financial and non-financial factors on firm value. The firm's liquidity and leverage represent financial factors, while independent commissioners, audit committees, and family ownership represent non-financial factors. The sampling technique uses purposive sampling from the population, namely the property and real estate sector industries listed on the Indonesia Stock Exchange. Hypothesis testing using the moderated regression analysis method using panel data. The results of hypothesis testing show that independent commissioners have a positive effect on firm value, and the audit committee also has a positive effect on firm value. Tax aggressiveness as a moderating variable weakened the influence of independent commissioners and audit committees on firm value. Furthermore, liquidity, leverage, and family ownership do not affect firm value. Likewise, tax aggressiveness does not moderate the effect of liquidity, leverage, and family ownership on firm value.

Keywords: Financial Factors, Non-Financial Factors, Firm Value, Tax Aggressiveness.

1 Introduction

The importance of firm value for shareholders motivates this study to analyze the influence of financial and non-financial factors on firm value. Financial factors can be analyzed based on financial statement ratios. The financial factors that influence firm value are company liquidity and leverage, while non-financial factors to be discussed are independent commissioners, audit committees, and family ownership.

There are several studies on the effect of liquidity on firm value, but they still have different results. [4] prove that liquidity positively affects firm value in China. [23] examined in Indonesia, and the results showed that liquidity had a positive effect on firm value, which was supported by [6, 24, 8]. [19]. However, different results are shown, which found that liquidity has a negative effect on firm value in Malaysia. In addition, [12] shows that liquidity does not affect firm value in Nigeria.

Leverage is the use of debt by the company to run the company's operations. The level of debt can have a negative impact on a firm value. [10] explains that financial

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leverage has a negative effect on firm value in Nigeria. The same results were also obtained by several studies in Indonesia [13, 14, 23]. However, different results have shown that leverage has a positive effect on firm value. [21] explains that financial leverage does not affect firm value.

Independent commissioners are important in implementing good corporate governance [5]. [2] prove that independent commissioners have a positive effect on the firm value on the Pakistan stock exchange and are supported by [11]. In contrast, [5] and [7] cannot prove that independent commissioners affect firm value.

The Audit Committee effectively controls conflicts of interest that will reduce the company's value. [1] prove that audit committees increase firm value in Nigeria. This research is supported but contradicts the results of [5], which explains that the audit committee does not affect firm value.

Company ownership in Indonesia is generally concentrated in a group of families. Prove that family ownership has a negative effect on firm value, as well as. [11] have different results, family ownership has a positive effect.

The novelty of this study is that it uses tax aggressiveness as a moderating variable. It is necessary to add a moderating variable in this study because there are still inconsistencies in the results on the influence of financial and non-financial factors on firm value. Aggressive tax behavior is suspected to cause a decline in company value. Investors believe that if companies conduct tax aggressively, it is feared that there will be a tax dispute with the tax authorities, which will create a negative image of the disputing company. The performance of the property and real estate sector shares has decreased over the last five years. Based on data from the Indonesia Stock Exchange (IDX), this Sector is still down 5.94% throughout 2022 (Kontan.co.id). The decrease in property rental income disrupts the company's income, affecting its liquidity. Securing it can be done by way of debt. This encourages the company's leverage to increase. Based on these considerations, this study uses a sample of the property and real estate sector listed on the IDX.

2 Literature review and hypothesis development

2.1 The Influence of Financial Factors on Firm Value

The Influence of Liquidity on Firm Value. According to [6], liquidity affects the company's value, and the higher the level of liquidity, the market will put trust in the company. [9] found that firms can reduce potential risk and increase firm value by holding the appropriate level of liquidity. Based on the Signaling Theory, high liquidity provides a positive signal for shareholders, which can increase the market price of its shares and impact firm value. Several researchers show that liquidity positively affects firm value [4; 6; 24]

H1: Liquidity has a positive effect on firm value.

The Influence of Leverage on Firm Value. High leverage indicates high investment risk. This makes investors who want to invest in the company think twice. The high financial risk of this company is related to Agency Theory. The possibility that the company will not be able to pay off its debts, both principal and interest, causes management, as an agent with more information than investors and creditors as the princi-

ple (information asymmetry), to delay publishing financial statements containing bad news. The results of research by [14; 13; 10] explain that leverage has a negative effect on firm value.
H2: Leverage has a negative effect on firm value.

2.2 The Influence of Non-Financial Factors on Firm Value

The Influence of Independent Commissioner on Firm Value. The increase in the number of independent commissioners indicates that the independent board of commissioners performs a good supervisory and coordinating function in the company [7]. [11] Furthermore, [5] explains that independent commissioners have a positive effect on firm value. The higher independent commissioners in the firm can play a more effective role in supervising and providing advice to the board, thereby improving corporate governance and increasing corporate value.
H3: Independent commissioners have a positive effect on firm value.

The Influence of Audit Committee on Firm Value. The audit committee provides insight into accounting issues, financial reporting and explanations, and internal control systems. Thus, the audit committee has a very important and strategic role in maintaining the credibility of the financial reporting process, which is very much needed to create investor confidence that corporate governance is being carried out properly. This has a positive impact on the value of the company. Research from [1] states that the audit committee has a positive effect on firm value.

H4: The audit committee has a positive effect on firm value.

The Influence of Family Ownership on Firm Value. Family ownership has a negative impact on the company's market valuation. This study shows that family firms have lower financial performance than non-family firms. State that families can pursue personal gain. According to competitive advantage theory, family ownership can reduce agency costs and improve company performance. In contrast, family ownership can destroy company value creation from the perspective of pursuing personal gain.
H5: Family ownership has a negative effect on firm value.

2.3 Tax Aggressiveness moderates the influence of financial and non-financial factors on firm value.

Tax Aggressiveness moderates the influence of liquidity on firm value. Liquidity is a serious concern for companies because liquidity plays an important role in the company's success. [9] found that firms can reduce potential risk and increase firm value by holding the appropriate level of liquidity. Tax aggressiveness is one part of the financial that affects the company's value. Tax aggressiveness can be done by using loopholes to save on tax payments. [22] explained that tax aggressiveness has a negative effect on firm value.
H6: Tax aggressiveness weakens the positive effect of liquidity on firm value.

Tax Aggressiveness moderates the influence of leverage on firm value. Leverage is described to see how the company's debt finances the company's assets. The amount of leverage will also indicate the high risk of investment. Leverage that is too high can lower the value of the company and discourage investors from investing. More debt will only bring a loss in the value of the company [10]
With the cost of debt arising from the high debt of the company, the company is more aggressive in saving taxes, among others, through the recognition of high-interest costs on debt to reduce the company's tax burden.
H7: Tax aggressiveness strengthens the negative effect of leverage on firm value.

Tax Aggressiveness moderates the influence of Independent Commissioners on firm value. Independent commissioners are parties who are not affiliated with the controlling shareholder, other members of the board of directors, and commissioners. The presence of an independent board of commissioners increases oversight of the performance of the board of directors. In contrast, the increasing number of independent commissioners means the supervision is getting tighter to increase the value of the company. The high level of tax aggressiveness in the company can lead to a negative view of investors because it will lead to the assumption that there will be a risk of tax disputes [18] and can have a negative effect on firm value.
H8: Tax aggressiveness weakens the positive influence of independent commissioners on firm value.

Tax Aggressiveness moderates the influence of the Audit Committee on firm value. The Audit Committee works in an independent, professional manner. The task of the Audit Committee is to assist and strengthen the function of the board of commissioners in carrying out the oversight function over the financial reporting process, risk management, audit implementation, and the implementation of corporate governance. Tax aggressiveness actions taken by company management can have a negative effect on firm value [20], and the existence of tax aggressiveness actions can weaken the influence of the audit committee on firm value.
H9: Tax aggressiveness weakens the positive influence of the audit committee on firm value.

Tax Aggressiveness moderates the influence of Family Ownership on firm value. Family ownership can destroy the company's value creation from the perspective of prioritizing personal gain. Tax aggressiveness through the weakness of tax regulations will open up opportunities for tax disputes and can have a negative impact on firm value, so tax aggressiveness can strengthen the negative effect of family ownership on firm value.
H10: Tax aggressiveness strengthens the negative effect of family ownership on firm value.

3 Research Methods

This study is quantitative research with secondary data. The unit of analysis is a property and real estate company listed on the IDX. The sample selection technique used purposive sampling with the criteria of not IPO and not experiencing losses in 2018-

2020. Data is downloaded from www.idx.co.id and the websites of each company. The measurement of research variables can be seen in the following table:

Table 1. Variable measurement.

No	Variable	Formula	Measurement Scale
1	Firm Value [1]	PBV = $\frac{\text{Market price per share}}{\text{Book value per share}}$	Ratio
2	Liquidity [2]	CR = $\frac{\text{Total Current asset}}{\text{Total Current Liabilities}}$	Ratio
3	Leverage [14]	DER = $\frac{\text{Total Debt}}{\text{Total Equity}}$	Ratio
4	Independent Commissioners (Modification)	If independent commissioners > 1 person → give a number 1; If independent commissioners = 1 or 0 person give a number 0	Nominal
5	Audit Committee	KA = Audit Committee with expertise in finance: total member KA	Ratio
6	Family Ownership	If family ownership ≥ 5% of total outstanding shares → give a number 1; If family ownership < 5% of total outstanding shares → give a number 0	Nominal
7	Tax Aggressiveness (Z) → (ϵ)	$\boxed{PERMDIFF_{it} = \alpha_0 + \alpha_1 INTANG_{it} + \alpha_2 UNCON_{it} + \alpha_3 MI_{it} + \alpha_4 CSTE_{it} + \alpha_5 \Delta NOL_{it} + \alpha_6 LAGPERM_{it} + \varepsilon_{it}}$	Ratio

The model fit test was carried out first using the Chow test, Hausman test, and Lagrange Multiplier test to estimate the model formed whether the common effect (CE), fixed effect (FE), or random effects (RE). The decision to accept the hypothesis uses a significance level of 5%. The multiple linear regression equation used in this study is formulated as follows:

$$FV = \alpha + \beta 1CR + \beta 2DER + \beta 3KI + \beta 4KA + \beta 5FO + + \beta 6CR*TA + \beta 7DER*TA + \beta 8KI*TA + \beta 9KA*TA + \beta 10FO*TA + e \quad (1)$$

Description: FV: Firm Value; α: Constanta; β1 to β10: Regression Coefficient; CR: Current Assets; DER: Debt to Equity Ratio; KI: Independent Commissioners; KA: Audit Committee; FO: Family Ownerhip; e: Error Term.

4 Result and Discussion

The sampling results using a purposive sampling technique can be described: the population of the property sector companies for the 2018-2020 period was 57. In that period, ten companies had IPOs, and 15 suffered losses, so the sample of this study was 32 (57–10–15). The company is multiplied by three years to get 96 observations. Table 2 is a descriptive statistic of the variables used in this study.

Table 2. Descriptive statistics test results.

	Minimum	Maximum	Mean	Std. Deviasi
Firm Value	0.0778	4.7348	0.913639	0.8497050
Liquidity	0.1786	208.6475	5.738675	21.3379143
Leverage	0.0433	3.4753	0.762235	0.7035528
Independent Commissioners	0.1667	0.8000	0.412326	0.1117902
Audit Committee	2	4	3.04	0.353
Family Ownership	0	1	0.45	0.500
Tax Aggressiveness	0.5417	14.8787	9.657416	9078749

Based on the model fit test, the best method for this study is the common effects method. It is necessary to carry out normality and classical assumption tests, all of which provide qualified results. The results of the R^2 test, F test, and t-test are as follows:

Table 3. The results of the R^2 test, F test, and t-test.

Variable	**Sign**	**Coefficient**	**t-Statistic**	***p-value***	**Decision**
Constanta		-0.638	-0.918	0.361	
Liquidity	+	0.042	0.451	0.653	**H1 rejected**
Leverage	-	0.057	0.095	0.924	**H2 rejected**
Independent Commissioners	+	10.326	3.800	0.000	**H3 accepted**
Audit Committee	+	2.024	4.978	0.000	**H4 accepted**
Family Ownership	-	0.884	1.426	0.157	**H5 rejected**
Liquidity *TA	-	-0.005	-0.471	0.638	**H6 rejected**
Leverage *TA	+	-0.002	-0.032	0.973	**H7 rejected**
Independent Commissioners *TA	-	-0.952	-3.454	0.000	**H8 accepted**
Audit Committee *TA	-	-0.142	-3.828	0.000	**H9 accepted**
Family Ownership*TA	+	-0.076	-1.284	0.202	**H10 rejected**
F-Test		**5.253**			**0.000**
Adjusted R Square				**0.309262**	

The results of this study indicate that as part of the elements of Corporate Governance, the Independent Commissioner and the Audit Committee can carry out their respective roles to create Good Corporate Governance (Table 3). This was responded positively by investors, as reflected in the increase in the company's stock market price that the company's value increased [5]. The results of this study are supported by [2], [11], [7] but contradict the results of research by [5]

Tax Aggressiveness can weaken the Independent Commissioner and the Audit Committee's positive influence on Company Value. Tax aggressiveness behavior in the company can cause a negative view from investors because it will lead to the assumption that there will be tax risks in the future, including tax audits, the results of which can cause losses for the company, for example, underpayment, as well as administrative sanctions in the form of fines and interest.[18]) show that Tax Aggressiveness has a negative effect on Firm Value.

Financial factors represented by liquidity and leverage in this study, such as family ownership, have not been able to prove their influence on firm value. The rise and fall of the stock market price used to measure the firm value were not influenced by the level of liquidity, corporate debt, and family ownership. The results of this study are in line with James (2020), andHandayani et al. (2022). Likewise, tax aggressiveness does not moderate the effect of liquidity, leverage, and family ownership on firm value.

5 Conclusions, Limitations, and Implications

This study proves that independent commissioners and audit committees positively affect firm value. Tax aggressiveness succeeded in weakening the positive influence of independent commissioners and audit committees on firm value. Furthermore, liquidity, leverage, and family ownership do not affect firm value. Likewise, tax aggressiveness does not moderate the effect of liquidity, leverage, and family ownership on firm value.

Weaknesses in this study include that ten companies had just IPOs in the research period, and 15 companies experienced losses. Hence, they had to be excluded from the sample because they were suspected of not doing tax aggressiveness. The implications include (i) the company's management to always implement Good Corporate Governance, in particular, to maintain the role of independent commissioners and audit committees; (ii) The regulator may stipulate the regulation for companies in order to implement good governance and less tax aggressiveness; (iii) further researchers can expand their research sample and can also replace independent variables that do not affect firm value.

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