

UDC 332

## THE EFFECT OF TAX AVOIDANCE, PROFITABILITY AND LEVERAGE ON FIRM VALUE WITH DIVIDEND POLICY AS A MODERATING VARIABLE

**Widani Made Astrela, Wiagustini Ni Luh Putu**

Faculty of Economics and Business, University of Udayana, Bali, Indonesia

\*E-mail: [astrelawidani21@gmail.com](mailto:astrelawidani21@gmail.com)

### ABSTRACT

Firm value is the investor's perception of the company's success in managing its resources at the end of the current year, which is reflected in the company's stock price. The dividend policy is expected to increase the company's stock price. This study aims to provide empirical evidence of the effect of tax avoidance, profitability, and leverage on firm value with dividend policy as a moderating variable. The population of this study was all consumer goods sector companies listed on the Indonesia Stock Exchange for the period 2017 – 2021. The sampling technique used was purposive, and 95 observations were obtained. This study uses the Statistical Product and Service Solution (SPSS) program with Moderated Regression Analysis (MRA) to analyze the moderating effect of dividend policy on the samples tested. The analysis results prove that tax avoidance has no effect on firm value, while profitability and leverage positively affect firm value. Furthermore, dividend policy can moderate tax avoidance on firm value but cannot moderate profitability and leverage on firm value. This research is expected to enrich empirical evidence in the field of financial management regarding the relationship between tax avoidance, profitability, leverage and dividend policy with firm value. Company management can consider dividend policy in implementing tax avoidance.

### KEY WORDS

Firm value, tax avoidance, profitability, leverage, dividend policy.

Firm value is the investor's perception of the company's success rate in managing its resources at the end of the current year, which is reflected in the company's stock price. The higher the share price, the higher the firm value; conversely, the lower the share price, the lower the firm value or the company's performance is not good. Investors and potential investors need firm value to make investment decisions, and this is an important indicator used by the market to assess the company as a whole (Nurmadi & Novietta, 2022).

Increasing firm value is a long-term goal that the company must achieve by maximizing profits to maximize the prosperity of stakeholders, especially shareholders. Company goals can be achieved if the company can increase firm value. The higher the firm value, the greater the prosperity that the company owner will receive. Firm value reflects a company's performance so that it can affect investors' assessment or perception of the company. High firm value will attract investors, and conditions like this can increase the value of the company's shares (Linantis et al., 2021).

The Covid-19 (Corona Virus Disease - 2019) pandemic has reduced company performance worldwide. Almost all countries worldwide have closed borders and issued crowd restriction policies since the disease was declared a pandemic. The Covid 19 pandemic has caused a worldwide crisis. Not only a health crisis but also a social, economic crisis, not least in the financial sector.

Figure 1 shows that the Covid-19 pandemic that has entered Indonesia since March 2020 has had an impact on the capital market in Indonesia which has caused a significant decline in the composite stock price sector, so this means that it has an impact on all industrial sectors on the Indonesia Stock Exchange (IDX) including the Consumer Goods sector. Companies in the Consumer Goods Sector are categorized as stocks that can survive and are almost unaffected by macroeconomic conditions and political situations. This condition is because companies have products that are always needed by consumers and

have a broad market. In reality, the share price of the Consumer Goods Sector has increased and decreased from 2017 to 2021. These fluctuations are not in line with the view of the Consumer Goods Sector's ability to withstand economic conditions.

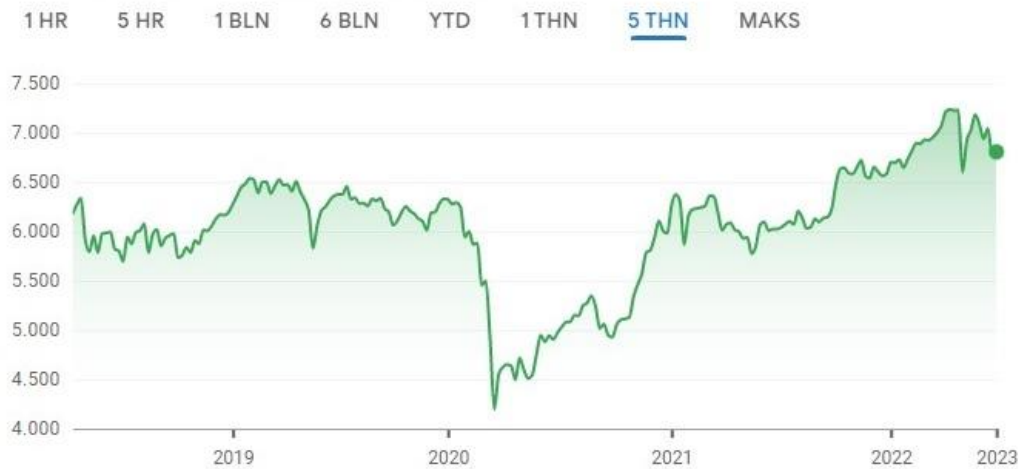


Figure 1 – Composite Stock Price Index (Source: Google Finance)

Table 1 – Share Price Development of Consumer Goods Sector 2017-2021

Year	Share Price
2017	2.329
2018	2.857
2019	2.653
2020	2.041
2021	1.827

Source: <http://www.investing.com> (2022).

Based on Table 1, it can be seen that the stock price of the Consumer Goods sector experienced a significant increase in 2018, but in 2019 it experienced a decline in stock prices. A significant decline occurred in 2020 due to the Covid-19 pandemic, and the Consumer Goods sector experienced a decline again in 2021. The increase and decrease in stock prices show that there is a phenomenon of inconsistent stock price movements so far.

Based on signalling theory, stable and increasing firm value impacts shareholders to maintain their capital and provides a positive signal for potential investors to invest in the company. Investor confidence can be increased if management tries to increase firm value (Minh Ha et al., 2021).

In increasing their value, companies focus on maximizing various financial objectives, such as increasing sales or minimizing costs incurred to increase company profits. One of the costs that management focuses on is tax costs, where tax costs are costs that cannot be avoided and are a concern for the government. So that management makes efforts to minimize tax burden payments without violating government regulations, namely through tax avoidance (Linantis et al., 2021).

In agency theory, shareholders only sometimes want management to do tax avoidance because it can cause costs to be incurred that can reduce the value of company profits which can affect the dividends to be distributed. In contrast to management, tax avoidance is one of the alternatives that management can use to increase company profits if management can manage finances better and more efficiently at a minor tax cost paid by implementing tax avoidance.

Tax avoidance can reduce the amount of money that must be paid to the government to provide more cash for companies and investors, which means the company's profit position is also increasing (Irawan & Turwanto, 2020). High profits can provide a positive

signal to investors and improve company performance. The increase in profits due to tax avoidance efforts impacts increasing the company's value, which is the view of investors. Previous research that supports that tax avoidance increases firm value is research by Razali et al. (2018), which also states that tax avoidance (ETR) has a significant positive relationship with firm value on the Malaysian stock exchange.

Another view states that tax avoidance is risky and can cause the company to bear a more significant burden in the future through sanctions, penalties, and other payments, as well as agency costs that cause a decrease in company profits. Tax risk is also an essential consideration for investors in making investments. Investors also consider tax avoidance practices as manipulation of financial data, which can make information asymmetry and cause agency problems that will impact a company's value. This is supported by the research of Minh Ha et al. (2021), which shows negative results by concluding that tax avoidance has a negative effect on firm value in HOSE Vietnam.

Research by Markonah et al. (2020) states that profitability is one of the main factors affecting firm value. Company performance can be assessed from the level of increase in company profits projected through profitability ratios. The company's internal parties can use profitability to set targets, budget, coordinate, and evaluate the company's operational results and the basis for decision-making. Companies with better profitability can increase the value of the company in the eyes of investors because a good level of profitability is an attraction for investors to invest in the company (Cordiaz, 2021).

Supporting research is Nurmadi & Novietta (2022), which state that profitability significantly affects the value of LQ-45 sector companies. In contrast, Juwinta et al.'s research (2021) reveals that profitability has no significant effect on the value of pharmaceutical sub-sector companies because company policies tend to hold profits rather than distribute them to shareholders when profits increase. Profitability, which is said to be the main factor affecting firm value, still has inconsistent results in previous studies.

Companies supporting their operational performance, which aims to maximize company profits, can use third-party funds other than capital, namely, debt. The use of debt as additional capital has a role in firm value because, in addition to increasing sales growth, interest costs on debt can reduce the company's fiscal profit, which is the basis for taxation. The use of debt is certainly one of the company's concerns because excessive debt can later pose a great risk if the company is unable to pay it off.

Leverage is a ratio used to measure the extent to which the company's assets are financed by debt. This means how much debt burden the company bears compared to the assets owned by the company. Leverage will provide benefits for investors if the benefits obtained are more significant than the fixed costs that the company must incur. On the other hand, leverage can also increase risk if the benefits obtained are lower than the fixed costs incurred (Markonah et al., 2020). The more fixed-cost debt a company uses, the greater the risk and expected return.

Research that supports that leverage has a good influence on firm value is conducted by Markonah et al. (2020), which state that leverage positively affects firm value. In contrast to Al-Slehat's research (2020) which states that leverage has a negative effect on firm value.

Investors assess the value of a company they will invest in by looking at the company's dividend policy. Dividend policy is an important factor affecting firm value because the higher the dividends distributed, the higher the firm value. Research that supports this is Bakri (2020) which reveals that dividends have a positive relationship with Tobin's Q proxy of firm value on the Malaysian Exchange.

Dividend policy is the company's decision to distribute profits to shareholders. Most investors make dividends a reference in investing because investors prefer returns in the form of dividends. So dividend policy has an important role in increasing firm value and is expected to strengthen the influence of factors in increasing firm value.

Companies that decide to distribute profits obtained due to the application of tax avoidance and the utilization of debt value (leverage) to investors can increase firm value because a company's share price experiences growth due to dividend payments. Dividend policy can also strengthen the relationship between profitability and firm value in such a way

that when the announcement of dividend payments is made at a high level of corporate profitability, it will increase firm value (Kanta et al., 2021). Supporting research is research by Apsari & Setiawan (2018), which states that dividend policy can moderate tax avoidance on firm value, and Fajaria & Isnalita's research (2018), which states that dividend policy can moderate leverage on firm value. Different research results, namely in Oktariyani & Mannan's research (2018), have different statements on dividend policy. The study stated that profitability does not affect firm value when moderated by dividend policy. Wardani et al.'s research (2022) also states that dividend policy cannot moderate tax avoidance on firm value, and research by Setyawan & Rahmawati (2020) states that dividend policy cannot moderate leverage with firm value.

This dividend policy is also strengthened by the regulation of Law No.11 of 2020 concerning Job Creation, which states that corporate taxpayers with any share ownership receive domestic dividends and are not subject to income tax, while domestic Individual Taxpayers (WP) are subject to 10 per cent Final Income Tax. Individual taxpayers may not be subject to income tax if the dividends are invested domestically within a specific time. Income tax exemption can positively signal companies to improve their dividend policy further.

The fluctuating share price of companies in the consumer goods sector needs to be considered more deeply because it reflects the value of the company. The consumer goods sector is a company with products that consumers need at all times and a broad market, so the company will be able to distribute dividends under any conditions. The company's focus on cost factors, namely the application of tax avoidance, then profitability factors from the asset side and leverage from the debt side are factors that affect firm value. Based on previous data and empirical studies, interesting phenomena and research gaps remain to be further investigated. Researchers are interested in examining the effect of tax avoidance, profitability, and leverage on firm value with dividend policy as a moderating variable in companies listed in the consumer goods sector for 2017 - 2021.

Based on the description above, the hypotheses that can be formulated in this study are as follows:

- H1: Tax Avoidance has a negative effect on Firm Value;
- H2: Profitability has a positive effect on Firm Value;
- H3: Leverage has an effect on Firm Value;
- H4: Dividend Policy can weaken the relationship between Tax Avoidance and Firm Value;
- H5: Dividend Policy is able to strengthen the relationship between Profitability and Firm Value;
- H6: Dividend Policy is able to strengthen the relationship between Leverage and Firm Value.

## **METHODS OF RESEARCH**

This research was conducted on companies classified in the consumer goods sector listed on the Indonesia Stock Exchange (IDX) for the period 2017-2021, and the data was obtained by downloading it from the site [www.idx.co.id](http://www.idx.co.id). The research uses quantitative descriptive methods. The dependent variable in this study is firm value. The independent variables in this study are tax avoidance, profitability, and leverage. The moderating variable in this study is dividend policy.

The population is all companies classified in the consumer goods sector listed on the IDX for 2017-2021. The total population in this study was 54 companies. The sample in this study was based on a nonprobability sampling approach. The criteria used in selecting samples for this study are companies in the consumer goods sector that publish financial reports and distribute dividends consecutively during the 2017-2021 period.

Based on these criteria, the sample determination process is 19 companies.

The secondary data used in this study are tax expense data, profit before and after tax,

ROA, DER and DPR ratios contained in the annual reports of consumer goods sector companies published on the IDX for the 2017-2021 period. The data collection method used in this research is the non-participant observation method. The data analysis technique used in this research is Moderated Regression Analysis (MRA) using the Statistical Product and Service Solution (SPSS) programme. MRA is a special application in multiple linear regression analysis where the regression equation contains an element of interaction (multiplication of two or more independent variables) with the following equation formula:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_1.X_4 + \beta_6 X_2.X_4 + \beta_7 X_3.X_4 + \epsilon \dots\dots\dots(1)$$

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_1.X_4 + \beta_6 X_2.X_4 + \beta_7 X_3.X_4 + \epsilon \dots\dots\dots(2)$$

Where:

- Y: Firm value;
- $\alpha$ : Constanta;
- $\beta$ : Regression Coefficient;
- X1: Tax Avoidance;
- X2: Profitability;
- X3: Leverage;
- X4: Dividend Policy;
- X1.X4: Interaction between tax avoidance and dividend policy;
- X2.X4: Interaction between profitability and dividend policy;
- X3.X4: Interaction between leverage and dividend policy;
- $\epsilon$ : Standard error.

## RESULTS AND DISCUSSION

Based on the data that has been collected, the results of descriptive analysis of firm value, tax avoidance, profitability, leverage and dividend policy variables in consumer goods sector companies on the IDX for the 2017-2021 period, which is summarized in Table 2.

Table 2 – Descriptive Statistics

Variables	Number of Samples	Minimum Value	Maximum Value	Average Value	Standard Deviation
Firm value (Y)	95	0,73	20,49	3,58	4,04
Tax Avoidance (X <sub>1</sub> )	95	0,03	0,72	0,25	0,08
Profitability (X <sub>2</sub> )	95	0,00	0,58	0,13	0,11
Leverage (X <sub>3</sub> )	95	0,09	3,16	0,79	0,62
Dividend Policy (X <sub>4</sub> )	95	0,00	33,75	1,04	3,51

Source: Data processed, 2023.

Based on Table 2, the number of observations (N) in this study amounted to 95. The minimum score indicates the lowest value of the data, while the maximum score in the table indicates the highest value of the data. The mean value is used to measure the average value of the data, and the standard deviation indicates the standard deviation.

Firm Value (Y) has the lowest (minimum) value of 0.73, which is owned by PT Budi Starch & Sweetener Tbk., while the highest (maximum) value is 20.49, owned by Unilever Indonesia Tbk. The average value of companies in the consumer goods sector in 2017-2021 is 3.58, with a standard deviation value of 4.04. The standard deviation value is greater than the average, indicating a varied distribution of data.

Tax Avoidance (X<sub>1</sub>) has the lowest (minimum) value of 0.03, which is owned by PT Budi Starch & Sweetener Tbk., while the highest (maximum) value is 0.72, owned by Kimia Farma Tbk. The average value of tax avoidance for companies in the consumer goods sector is 0.25, with a standard deviation value of 0.08. The standard deviation value is smaller than the average, indicating a slight variation in data distribution or a small gap between the minimum and maximum values.

Profitability (X<sub>2</sub>) has the lowest (minimum) value of 0.00 which is owned by Kimia Farma Tbk., while the highest (maximum) value is 0.58 owned by Multi Bintang Indonesia

Tbk. The average profitability value in consumer goods sector companies is 0.13, with a standard deviation value of 0.11. The standard deviation value is smaller than the average, indicating a slight variation in data distribution or a small gap between the minimum and maximum values.

Leverage (X3) has the lowest (minimum) value of 0.09 which is owned by PT Industri Jamu and Farmasi Sido Muncul Tbk., while the highest (maximum) value is 3.16 owned by Unilever Indonesia Tbk. The average leverage value in consumer goods sector companies is 0.79, with a standard deviation of 0.62. The standard deviation value is smaller than the average, indicating a slight variation in data distribution or a small gap between the minimum and maximum values.

Dividend Policy (X4) has the lowest (minimum) value of 0.00 which is owned by Multi Bintang Indonesia Tbk., while the highest (maximum) value is 33.75 owned by Merck Tbk. The average value of the dividend policy in the consumer goods sector is 1.04, with a standard deviation value of 3.51. The standard deviation value is greater than the average, indicating a varied distribution of data.

Table 3 – Normality Test Results

No	equation	Exact Sig. (2-tailed)
1	$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$	0,135
2	$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_1.X_4 + \beta_6 X_2.X_4 + \beta_7 X_3.X_4 + \epsilon$	0,088

Source: Processed data, 2023.

Table 3 above shows that the coefficient value of Exact Sig. (2-tailed) is greater than 0.05. These results indicate that the first and second equation regression models are normally distributed.

Table 4 – Multicollinearity Test Results

No	Equation	Variable	Colinearity Diagnostic	
			Tolerance	VIF
1	$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$	X <sub>1</sub>	0,979	1,021
		X <sub>2</sub>	0,987	1,013
		X <sub>3</sub>	0,981	1,019

Source: Processed data, 2023.

Table 4 shows a tolerance value of more than ten percent (10%) and a VIF value of less than 10. These results indicate that the regression model does not contain symptoms of multicollinearity.

Table 5 – Autocorrelation Test Results

No	Equation	Durbin-Watson
1	$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$	1,880
2	$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_1.X_4 + \beta_6 X_2.X_4 + \beta_7 X_3.X_4 + \epsilon$	1,836

Source: Processed data, 2023.

Based on the results of the autocorrelation test in Table 5 above, the first equation model has a Durbin-Watson value of 1.880. It is known that the number of samples (N) is 95 and the number of independent variables (k) is 3, so the  $dL = 1.6015$  and  $dU = 1.7316$  are obtained and the  $4-dU = 2.2684$  is also obtained. So that the criterion  $dU < dW < 4-dU$  can be formulated, namely  $(1.7316 < 1.880 < 2.2684)$ . The second equation model has a Durbin-Watson value of 1.836. It is known that the number of samples (N) is 95 and the number of independent variables (k) is 7, so the  $dL = 1.5117$  and  $dU = 1.8266$  are obtained and the  $4-dU = 2.1734$  is also obtained. So that the criterion  $dU < dW < 4-dU$  can be formulated, namely  $(1.5117 < 1.836 < 2.1734)$ . This shows that the regression model of the first and second equations does not contain autocorrelation symptoms.

Table 6 – Heteroscedasticity Test Results

No	Equation	Variable	Sig.
1	$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$	X <sub>1</sub>	0,853
		X <sub>2</sub>	0,106
		X <sub>3</sub>	0,747
2	$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_1.X_4 + \beta_6 X_2.X_4 + \beta_7 X_3.X_4 + \epsilon$	X <sub>1</sub>	0,728
		X <sub>2</sub>	0,512
		X <sub>3</sub>	0,571
		X <sub>4</sub>	0,126
		X <sub>1</sub> X <sub>4</sub>	0,365
		X <sub>2</sub> X <sub>4</sub>	0,062
		X <sub>3</sub> X <sub>4</sub>	0,417

Source: Processed data, 2023.

Based on the results of the heteroscedasticity test in Table 6 above, it can be seen that the significance value of each independent variable in the first and second equation regression models is greater than 0.05. These results indicate that the first and second equation regression models do not contain symptoms of heteroscedasticity.

Table 7 – Multiple Linear Regression Analysis Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3,584	0,153		23,463	0,000
Tax Avoidance (X <sub>1</sub> )	0,118	0,155	0,029	0,762	0,448
Profitability (X <sub>2</sub> )	3,487	0,155	0,862	22,564	0,000
Leverage (X <sub>3</sub> )	1,310	0,155	0,324	8,454	0,000
R Square	0,870				
Adjusted R Square	0,864				
F	150,874				
F Sig.	0,000				

Source: Processed data, 2023.

Based on Table 7, the regression equation is obtained as follows:

$$Y = 3,584 + 0,118X_1 + 3,487X_2 + 1,310X_3$$

The equation shows that the constant value is 3.584. This value means that if tax avoidance, profitability and leverage are zero, resulting in a value of firm value (Tobins Q) of 3.584 per cent. The tax avoidance coefficient value of 0.118 indicates that if tax avoidance increases by one per cent, the firm value will increase by 0.118 per cent, assuming other factors are constant. The coefficient value on profitability is 3.487, which means that if profitability increases by one per cent, the firm value will increase by 3.487 per cent, assuming other factors are constant. The leverage coefficient is 1.310, where this value means that if leverage increases by one per cent, the firm value will increase by 1.310 per cent, assuming other factors are constant.

The coefficient of determination (Adjusted R Square) is 0.864. This value means that 86.4 per cent (86.4%) of the variance of firm value is influenced by tax avoidance, profitability, and leverage, while 13.6 per cent (13.6%) is influenced by other factors outside the research model. The results of the F-test calculations show a significance of less than 0.05, namely  $0.000 \leq 0.050$ . This means that the model is said to be able to predict observations because it is in accordance with the data used.

Based on Table 8, the regression equation can be arranged as follows.

$$Y = 3,519 + 0,277X_1 + 3,198X_2 + 1,209X_3 + 0,105X_4 - 0,525X_1X_4 + 0,241X_2X_4 + 0,238X_3X_4$$

The equation shows a constant value of 3.519. This value means that if tax avoidance, profitability, leverage, dividend policy, the interaction between tax avoidance and dividend

policy, the interaction between profitability and dividend policy and the interaction between leverage and dividend policy is zero, then the firm value is 3.519 units.

Table 8 – Moderated Regression Analysis Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3,519	0,416		8,466	0,000
Tax Avoidance (X <sub>1</sub> )	0,277	0,172	0,069	1,613	0,110
Profitability (X <sub>2</sub> )	3,198	0,281	0,791	11,386	0,000
Leverage (X <sub>3</sub> )	1,209	0,231	0,299	5,244	0,000
Dividend Policy (X <sub>4</sub> )	0,105	0,482	0,026	0,217	0,829
Tax Avoidance* Dividend Policy (X <sub>1</sub> X <sub>4</sub> )	-0,525	0,255	-0,153	-2,060	0,042
Profitability* Dividend Policy (X <sub>2</sub> X <sub>4</sub> )	-0,241	0,388	-0,075	-0,621	0,536
Leverage* Dividend Policy (X <sub>3</sub> X <sub>4</sub> )	-0,238	0,317	-0,060	-0,750	0,455
R Square	0,877				
Adjusted R Square	0,867				
F	88,475				
F Sig	0,000				

Source: Processed data, 2023.

The interaction coefficient between tax avoidance and dividend policy shows a value of -0.525. This value means that if the interaction between tax avoidance and dividend policy increases by one per cent, then the company's value will decrease by 0.525 per cent, assuming other factors are cash. The interaction coefficient between profitability and dividend policy shows a value of -0.241. This value means that if the interaction between profitability and dividend policy increases by one per cent, then the company's value will decrease by 0.241 per cent, assuming other factors are constant. Furthermore, the interaction coefficient between leverage and dividend policy shows a value of -0.238, which means that if the interaction between leverage and dividend policy increases by one per cent, then the company's value will decrease by 0.238 per cent, assuming other factors are constant.

The coefficient of determination is seen through the value of the adjusted R square. The coefficient of determination (Adjusted R Square) of 0.867 means that 86.7 per cent (86.7%) of the variance of firm value is influenced by tax avoidance, profitability, leverage and dividend policy, while 13.3 per cent (13.3%) is influenced by other factors outside the research model. The adjusted R square in the MRA test shows an increase from the adjusted R square in the multiple linear regression analysis test. This means that before there were interaction variables, the value of the adjusted R square (0.864) was lower and after there were interaction variables, the value of the adjusted R square (0.867) increased. The results of the F-test calculations show a significance of less than 0.05 ( $0.000 \leq 0.05$ ). This means that the model is said to be able to predict observations because it is in accordance with the data used.

The results of the analysis show that tax avoidance has no effect on firm value. This result means that the level of tax avoidance does not affect the company's value. Tax avoidance is still considered reasonable because it still complies with tax regulations, so that investors or investors do not pay attention to tax avoidance by companies. However, investors pay more attention to future profits. The fairness of the implementation of tax avoidance is considered not to reduce investors' interest in investing in the company. The results of this study strengthen the results of research conducted by Minh Ha et al. (2021), Pertiwi & Prihandini (2021), Wardani et al. (2022), and Ayem & Maryanti (2022), which state that tax avoidance has no effect on firm value. The agency theory states that shareholders only sometimes want management to carry out tax avoidance because there are costs that must be incurred. So, implementing tax avoidance is less of a special concern for shareholders.

The results of the analysis show that profitability has a positive effect on firm value. This result means that the higher the profitability proxied by ROA, the higher the firm value proxied by Tobins Q. High profitability will indicate the company has good financial



performance. This can increase the demand for shares due to the increased confidence level of investors and potential investors. The results of this study strengthen research conducted by Nurmadi & Novietta (2022), Kanta et al. (2021), Cordiaz (2021), Oktaryani (2018), Setyawan & Rahmawati (2020) and Sholatika & Triyono (2022) which state that profitability has a positive effect on firm value. This study supports the signalling theory, which explains shareholders' perspective regarding opportunities to increase firm value, where profitability is one of the most important information for shareholders. The higher the profitability ratio, the better the company's performance because the returns obtained are greater. The existence of a greater return will attract investors to invest in the company, so it has an impact on increasing stock prices due to increased demand for these stock prices.

The results of the analysis show that leverage has a positive effect on firm value. This result means that the higher the leverage proxied by DER, the higher the firm value proxied by Tobins Q. Leverage can provide benefits for investors when the profits earned are greater than the fixed costs that the company must incur. The results of this study are in accordance with the results of research by Markonah et al. (2020), Jihadi (2020), and Sholatika & Triyono (2022), which state that leverage has a positive effect on firm value. These results reflect that leverage can increase firm value when leverage is high, and conversely, leverage can reduce firm value when corporate leverage is low. This indicates that high leverage will indicate good company prospects, thereby triggering investors to increase demand for shares. Increased demand for shares will cause the company's value to increase. So these results confirm the signalling theory where the company's management decisions in using debt can be a signal for investors in assessing the company's prospects. Companies with good prospects will choose to use debt as alternative funding.

Table 9 – Types of Moderation

No	Test results	Types of Moderation
1	$\beta_4$ Not Significant $\beta_5/ \beta_6/\beta_7$ Significant	Pure Moderator
2	$\beta_4$ Significant $\beta_5/ \beta_6/\beta_7$ Significant	Quarsi Moderator
3	$\beta_4$ Significant $\beta_5/ \beta_6/\beta_7$ Significant	Predictor Moderator
4	$\beta_4$ not Significant $\beta_5/ \beta_6/\beta_7$ not Significant	Homologiser Moderator

Source: Utama (2016).

The direct effect of the moderating variable on dividend policy on firm value ( $\beta_4$ ) has a significance of 0.829 (not significant) with a coefficient value of 0.105, and the result of the interaction variable between tax avoidance and dividend policy on firm value ( $\beta_5$ ) has a significance of 0.042 (significant) with a regression coefficient value of -0.525. This means that dividend policy is a pure moderator because  $\beta_4$  is not significant and  $\beta_5$  is significant, so the fourth hypothesis (H4) is rejected. Pure moderation is a variable that moderates the relationship between the predictor variable and the dependent variable, where the pure moderating variable interacts with the predictor variable without becoming a predictor variable (Solimun, 2010, p. 33). The results of the analysis show that the coefficient of the direct effect of tax avoidance on firm value is positive but not significant, while the interaction coefficient of tax avoidance with dividend policy on firm value is negative, which means that dividend policy weakens the insignificant relationship of tax avoidance to firm value.

The direct effect of the dividend policy moderating variable on firm value ( $\beta_4$ ) has a significance of 0.829 (not significant) with a coefficient value of 0.105, and the result of the interaction variable between profitability and dividend policy on firm value ( $\beta_6$ ) has a significance of 0.536 (not significant) with a regression coefficient value of -0.241. This means that dividend policy is a potential moderator (homologize moderator) because  $\beta_4$  is not significant and  $\beta_6$  is not significant, so the fifth hypothesis (H5) is rejected. Potential moderation is a variable that has the potential to become a moderating variable that affects the strength of the relationship between the predictor variable and the dependent variable

(Solimun, 2010, p. 33). The results of the analysis show that the coefficient of the direct effect of profitability on firm value is positive while the coefficient of interaction between profitability and dividend policy on firm value is negative, which means that dividend policy weakens the positive effect of profitability on firm value.

The direct effect of the dividend policy moderating variable on firm value ( $\beta_4$ ) has a significance of 0.829 (not significant) with a coefficient value of 0.105, and the result of the interaction variable between leverage and dividend policy on firm value ( $\beta_7$ ) has a significance of 0.455 (not significant) with a regression coefficient value of -0.238. This means that dividend policy is a potential moderator (homologize moderator) because  $\beta_4$  is not significant and  $\beta_7$  is not significant, so the sixth hypothesis (H6) is rejected. Potential moderation is a variable that has the potential to become a moderating variable that affects the strength of the relationship between the predictor variable and the dependent variable (Solimun, 2010, p. 33). The results of the analysis show that the coefficient of the direct effect of leverage on firm value is positive while the interaction coefficient of leverage with dividend policy on firm value is negative, which means that dividend policy weakens the positive effect of leverage on firm value. The Effect of Dividend Policy as a Moderator of Profitability Relationships on Firm Value.

The results of the analysis of the direct effect of tax avoidance show that tax avoidance has no effect on firm value, while the coefficient of the interaction variable between tax avoidance and dividend policy on firm value is negative, so it can be concluded that dividend policy strengthens the negative relationship of tax avoidance to firm value. So that the dividend policy is able to moderate the effect of tax avoidance on firm value. These results indicate that dividend payments do not change investors' negative view of tax avoidance because investors consider the implementation of tax avoidance to have a high risk and can cause companies to bear a greater burden in the future. This study does not support the bird in hand theory because dividend policy cannot change investors' view of negative tax avoidance signals by management.

The results of the analysis of the direct effect of profitability show that profitability has an effect on firm value with a positive coefficient value, while the coefficient of the interaction variable between profitability and dividend policy on firm value is negative, so it can be concluded that dividend policy weakens the positive effect of profitability on firm value. This shows that the dividend policy does not moderate the effect of profitability on firm value. These results indicate that the level of profitability is able to provide a positive signal to investors regarding the company's value, but the dividend policy has not been able to strengthen investors' assessment of the company's shares when there is an increase in profitability. Information about dividends distributed is information that has no influence on the high or low value of the company. Profitability information can be a positive signal for investors, but not the dividend policy, which cannot strengthen the shareholder's view of high profitability.

The results of this study are in accordance with the concept of Modigliani and Miller (MM) that changes in stock prices after dividend payments are reactions of investors who only prefer dividends over retained earnings. According to MM, investors only see information content that the company's management is able to manage the company's existing assets so that it succeeds in making a profit. Investors do not see the size of the dividends paid but see information that causes stock prices to rise, so dividend policy cannot always strengthen or increase firm value (Astakoni et al., 2018). Supporting research is Astakoni et al. (2018), Setyawan & Rahmawati (2020), Sholatika & Triyono (2022) and Ayem & Maryanti (2022), which state that dividend policy is not able to moderate profitability on firm value. This is because investors' attention is more focused on company profits that reflect company performance than the size of the dividends paid.

The results of the analysis of the direct effect of leverage show that leverage has an effect on firm value with a positive coefficient value, while the coefficient of the interaction variable between leverage and dividend policy on firm value is negative, so it can be concluded that dividend policy weakens the positive influence of leverage on firm value. So the results of the analysis show that the dividend policy does not moderate the effect of

leverage on firm value. These results indicate that the use of debt to support increased operational activities will be able to increase company profits, but the dividend policy is not able to strengthen the view of shareholders regarding high leverage. This is because investors suspect that companies will distribute dividends in relatively small amounts because companies that have high leverage tend to prioritize paying long-term debt and interest expenses on their debts rather than paying dividends in large amounts.

This research is in line with the research of Setyawan & Rahmawati (2020) and Sholatika & Triyono (2022), which state that dividend policy is not able to moderate the leverage relationship with firm value. These results do not support the bird in hand theory, which states that the greater the dividends distributed by the company, the higher the market price of the company's shares, which results in an increase in firm value. This result further reflects that not all investors dare to take the big risks that will occur in companies invested with high corporate leverage, even though the company still distributes dividends.

## CONCLUSION

Tax avoidance has no effect on firm value. This shows that the level of tax avoidance carried out does not affect the stock price of companies listed in the consumer goods sector for the period 2017 – 2021. Profitability has a positive effect on firm value. This shows that the higher the profitability, the higher the firm value of companies listed in the consumer goods sector for the period 2017 – 2021. Leverage has a positive effect on firm value. This shows that the higher the leverage, the higher the firm value of companies listed in the consumer goods sector for the period 2017 – 2021. Dividend policy moderates the effect of tax avoidance on firm value. These results indicate that dividend policy strengthens the negative relationship between tax avoidance and firm value; this means that dividend policy is not able to change investors' negative views of the implementation of tax avoidance in companies listed in the consumer goods sector for the period 2017 – 2021. Dividend policy is not able to moderate profitability with firm value. These results indicate that dividend policy has not been able to strengthen investors' assessment of company shares when there has been an increase in profitability for companies listed in the consumer goods sector for the period 2017 – 2021. Dividend policy is not able to moderate leverage with firm value. These results indicate that dividend policy has not been able to strengthen investors' assessment of company shares when there is an increase in leverage for companies listed in the consumer goods sector for the period 2017 – 2021.

The results of this study are expected to be input for company management to increase profitability and choose the use of debt as funding with benefits obtained that are higher than the costs incurred so as to increase the performance and value of the company. In addition, as a material consideration for company management in implementing tax avoidance, investors' negative views on tax avoidance cannot be changed by the existence of a dividend policy. Future researchers are expected to be able to analyze other factors that affect firm value, such as investment opportunity set, intellectual capital, and business risk. Besides that, it is also expected to be able to use samples other than companies in the consumer goods sector.

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