The Influence of Profitability, Liquidity and Tax Avoidance on Firm Value (Case Study in Stock Exchange Mining Sector Companies Indonesia Period 2019 - 2021)

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ABSTRACT

This study examines and analyses the effect of Profitability, Liquidity, and Tax Avoidance on the Firm Value of Mining Sector Companies listed on the Indonesia Stock Exchange in 2019-2021.The research methodology used is a quantitative descriptive method. In this study, the population used is all mining listed on the Indonesia Stock Exchange from 2019 to 2021 with a total of 28 companies. Sampling Using the purposive sampling method, namely the technique of determining the sample with certain considerations and *obtaining as many as* 72 research samples from 24 companies.The results of the research analysis examines and analyse show that profitability has a t_{count} (3.003) > t_{table} (1.995) with a significant level of 0.004 <0.05 so it can be concluded that profitability has a positive and significant effect on firm value. Liquidity has a value of -t_{count} (-2.023) < -t_{table} (1.995) with a significant level of 0.047 <0.05 so it can be concluded that Liquidity has a negative and significant effect on Firm Value. Tax Avoidance has a value of -t_{count} (-0.327) > -t_{table} (-1.995) with a significant level of 0.745 > 0.05 so that it can be concluded that Tax Avoidance has a negative and not significant effect on firm Value. Profitability, Liquidity, and Tax Avoidance have a value of F_{count} (4.435) < F_{table} (3.13) with a significance of 0.007 > 0.05 so it can be concluded that simultaneously the variables Profitability, Liquidity and Tax Avoidance have a positive and significant effect on Firm Value.
Keywords: Profitability, Liquidity, Tax Avoidance, Firm Value

INTRODUCTION

Today's business world has developed rapidly in both large and small scalenes. Along with the progress of increasingly advanced technology, various kinds of companies are required to be able to keep up with current developments. Registering a company on the Indonesia Stock Exchange or capital market can increase competition between companies. The capital market in Indonesia has also become an investment institution that has an important role in increasing Indonesia's economic growth. Community involvement can also affect a company's income, buying shares in certain companies offered in the capital market will add capital to the company's source of income. In the last few years, the investment trend has been so strong that it has attracted a large number of people to become investors. Currently, there are many investors who come from among young people.

The financial statements themselves must contain data about the company's performance in the form of statements of assets, debt, capital, expenses, and income obtained, including company profits or revenues(Kurniawan, 2021). Profitability is an important metric for potential investors because it indicates whether a company has a bright future or not. Profitability is a key factor in determining the value of a company(Indrawan dan Sutekno, 2019). Liquidity has an impact on how well a financial organization functions and is linked to a company's share price(Saputri dan Giovanni, 2021). The management of the mining industry is still not transparent or clear, resulting in the potential for less-than-ideal and inadequate state tax revenue. The lack of open mining management to the public is one example of the lack of openness in mining industry companies (Murhandi dan Miretta, 2022). The negative impact on the value of the company can result from tax avoidance practices, if managerial parties are given the opportunity to profit from them by manipulating profits or allocating resources in an inappropriate or opaque manner (Hengky dan Muamardi, 2021).

The following phenomenon data used in this study can be seen in the table:

Table 1. Phenomenon Data

Company Name	Year	Profitability	Liquidity	Tax Avoidance	Firm Value
PT. Adaro Energy Indonesia Tbk	2019	0,05695	0,03531	0,01461	0,113
	2020	0,09692	0,05989	0,03074	0,158
	2021	0,06971	**0,11484**	**0,05158**	0,100
PT. Bumi Resources Tbk.	2019	0,11785	0,06136	0,28023	0,255
	2020	0,04470	0,01389	0,02716	0,096
	2021	0,04514	0,03245	0,00876	0,074
PT. Golden Energy Mines Tbk.	2019	0,10114	0,05330	0,04041	0,100
	2020	0,09266	**0,10310**	**0,05193**	**0,164**
	2021	0,04008	0,03081	**0,05927**	**0,175**

Source: data processed, 2023

Based on the table above, it can be seen that PT. Adaro Energy Indonesia in 2020 has a profitability value of 0.09692, while in 2021 its profitability value is 0.06971. Meanwhile, the 2021 liquidity value is 0.11484 and the 2021 tax avoidance value is 0.05158. Profitability at PT. Adaro Energy Indonesia in 2021 has decreased but the value of liquidity and the value of tax avoidance has increased. PT. Golden Energy Mines in 2020 has a profitability value of 0.09266, while in 2021 its profitability value is 0.04008. Meanwhile, the liquidity value in 2020 is 0.10310, the 2020 tax avoidance value is 0.05193, and in 2021, it is 0.05927. The firm value in 2020 is 0.164 and in 2021 it is 0.175. Profitability at PT. Golden Energy Mines in 2020 has decreased but the value of liquidity, the value of tax avoidance and the value of the company have increased. Profitability at PT. Golden Energy Mines in 2021 has decreased but the value of tax avoidance and company value has increased.

This research will focus on research objects taken from mining companies in Indonesia that are listed on the Indonesia Stock Exchange. Researchers choose mining companies because they are considered to be able to reflect the reaction of the capital market as a whole. The researcher's reason for choosing a mining company as a company to be studied is because mining companies have a high level of competition compared to other companies so mining companies are required to have better performance and be superior in competing with other mining companies, therefore The more intense business competition in the mining sector, the more interesting it is to study. Thus, the title of the thesis that will be used as research is: "The Influence of Profitability, Liquidity, and Tax Avoidance on Firm Value (Case Study of Indonesian Stock Exchange Mining Sector Companies 2019-2021)."

Literature Review

Signalling theory, namely the actions taken by management will provide guidance to investors on how they assess the company's prospects(Marina, dkk. 2017). The signalling model assumes that funding decisions are basically designed to convey the confidence of managers regarding the future prospects of the firm(Yahya, 2020). Signal theory is related to company value, if the company fails or cannot convey a good signal regarding company value, the company value will experience a discrepancy with its position, meaning that the company value can be above or below the actual value.

Profitability

Profitability is a ratio to assess the company's ability to make a profit. Profitability can provide a measure of the effectiveness of managing a company. This is indicated by the profits generated from sales and investment income (Asah dan Tyas, 2020). Profitability is the ratio used to measure the effectiveness of company management as indicated by the amount of profit generated from sales and investment (Perwira dan Bagus, 2018). ROA (Return On Assets) is a ratio that shows the result (return) on the total assets used in the company. ROA shows the company's ability to generate net income from the company's total assets by comparing net income to the company's total assets.

Liquidity

Liquidity is the company's ability to meet its short-term obligations. Another meaning is the ability of a person or company to fulfil obligations or debts that must be paid immediately with its current assets. Liquidity is also defined as the costs borne by investors if they want to sell their securities quickly where a low ratio indicates a high liquidity ratio, while a high ratio indicates an excess of current assets which will have an adverse effect on company profitability (Septiana, 2019). A financial institution should be evaluated on the basis of its liquidity ratio, which indicates the company's ability to meet immediate obligations (Sulindawati, dkk. 2017). Liquidity is one of the ratios used to measure a company's ability to meet its short-term finances in the form of short-term debt.

Tax

Taxes are obligations imposed on taxpayers who must be remitted to the state according to conditions without obtaining returns from the state and the results are to finance universal expenses in order to achieve common goals (Adinugraha, 2021). Taxes are a source of state revenue that is used to carry out development for all Indonesian people (Budi, dkk. 2021). Thus, taxes are levies or contributions made by the government to the public based on the law, the proceeds of which will be used to finance government expenditures in its work program activities.

Firm Value

Firm value is the price potential buyers are willing to pay if the company is sold. High corporate value is the desire of the company owner because high value indicates high shareholder prosperity. The wealth of shareholders and companies is represented by the stock market price which is a reflection of investment, financing and asset management decisions (Franita, 2018). Firm value is a collective assessment related to share prices, the measurement of which can be done by looking at the development of stock prices on the stock exchange. If the stock price increases, the company value increases. Increasing the value of the company is an achievement that is in accordance with the wishes of the owner because by increasing the value of the company, the welfare of the owner will also increase (Indrarini, 2019).
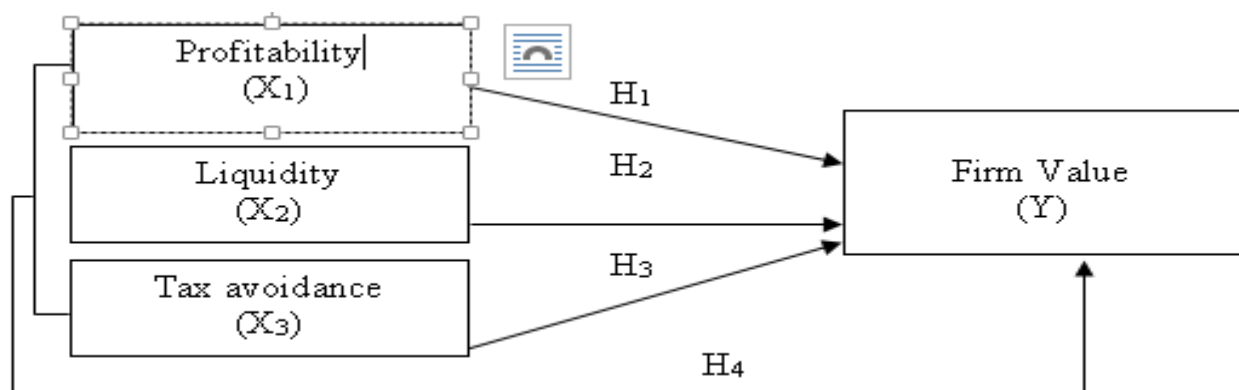

Figure 1. Research Conceptual Framework

Hypothesis

H1: Profitability affects company value in mining sector companies on the Indonesia Stock Exchange for the period 2019 - 2021.

H2: Liquidity affects company value in mining sector companies on the Indonesia Stock Exchange for the period 2019 - 2021.

H3: Tax avoidance affects company value in mining sector companies on the Indonesia Stock Exchange for the period 2019 - 2021.

H4: Profitability, liquidity, and tax avoidance affect company value in mining sector companies on the Indonesia Stock Exchange for the period 2019 - 2021.

METHOD

The research was conducted at the Indonesian Stock Exchange. The companies selected are mining sector companies. In this study, the population used is all mining listed on the Indonesia Stock Exchange from 2019 to 2021, totalling 28 companies. Sampling Using purposive sampling methods with criteria. Data Analysis Techniques using descriptive statistics. Then calcic assumption tests are carried out which include normality tests, multicollinearity tests, and heteroscedasticity tests. This study uses multiple linear regression analysis techniques.. In addition, this study will also be carried out hypothesis testing. Hypothesis testing is intended to determine whether or not there is a significant influence between the independent variable and the dependent variable. Hypothesis testing in this study consists of 3, namely the Coefficient of Determination test (R^2), statistical test t, and statistical test F.

RESEARCH RESULTS AND DISCUSSION

Data Quality Testing

Results of Descriptive Statistics

Descriptive statistics used as a testing method related to the presentation and collection of data or test results. The research variable data studied included the amount of data (n), the minimum value (min), the maximum value (max), the average value (mean), and the standard deviation. The results of the descriptive statistical test are as follows:

Table 2. Descriptive Statistics Result

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	72	-.2968	1.6994	.083138	.2241314
CR	72	.1680	10.0743	2.335222	2.0310267
ETR	72	.0007	30.0642	.831118	3.5255899
PBV	72	.3924	10.9510	2.134886	1.9328660
Valid N (listwise)	72				

Source: Data Processed with SPSS

Classical Assumption Testing
Multicollinearity Test

The Multicollinearity Test aims to determine whether the regression model found a correlation between independent variables and independent variables. Multicollinearity test can be done by looking at the value of VIF (Variance Inflation Factor) and Tolerance.

Table 3. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ROA	.999	1.001
	CR	.993	1.007
	ETR	.992	1.008

Source: Data Processed with SPSS

Based on Table 3 it can be seen that the Tolerance value of the independent variable of 0.999 is greater than 0.1, while the VIF value of the independent variable of 1.001 is smaller than 10, then the data is declared

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free from Multicollinearity.

Normality Test

The Normality Test is carried out to determine whether the data used in this study has been distributed normally or not. The basis for decision making is if the significance value is greater than 0.05 then the data is normally distributed. Conversely, if the significance is less than 0.05, then the residual value is not normally distributed.

Table 4. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		72
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.37054659
Most Extreme	Absolute	.099
Differences	Positive	.099
	Negative	-.062
Kolmogorov-Smirnov Z		.840
Asymp. Sig. (2-tailed)		.480

a. Test distribution is Normal.

b. Calculated from data.

Source: Data Processed with SPSS

Based on Table 4, we can see the results of the Normality Test using One-Sample Kolmogrov-Smirnov and obtained the value of Asymp.Sig. (2-tailed) variables of Profitability (X1), Liquidity (X2) and Tax Avoidance (X3) on Firm Value (Y) of 0.480 greater than 0.05 then the data of this study are normally distributed.

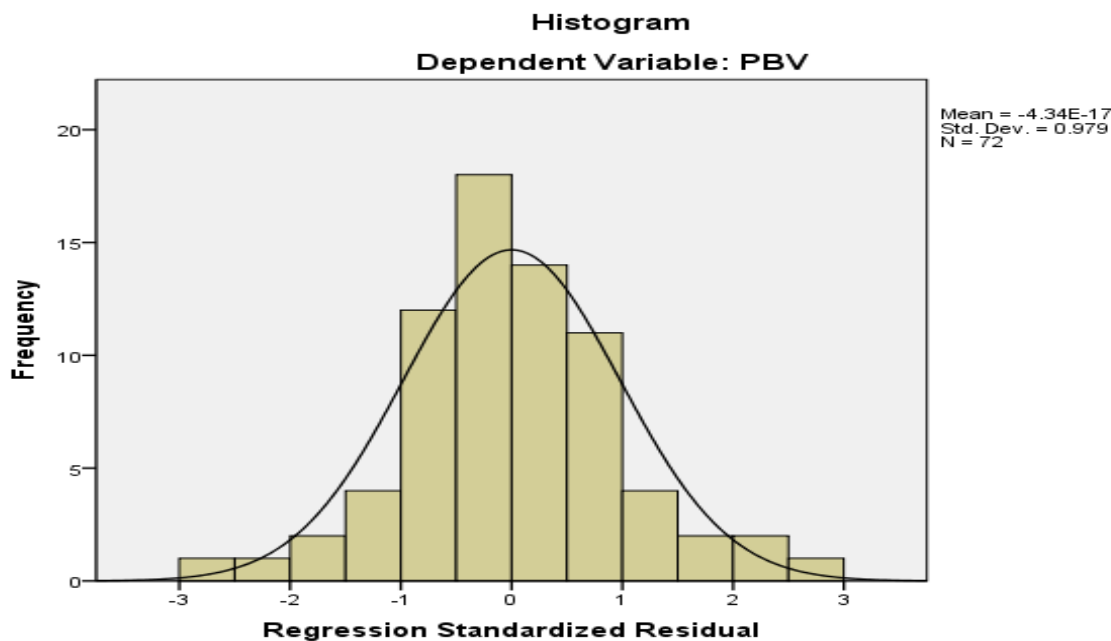Next, normality testing with the Histogram graph in Figure 2 will be shown.

Figure 2. Normality Histogram Result
Source: Data Processed with SPSS

Based on Figure 2, it can be seen that the line is bell-shaped, neither deviating left nor right. This indicates that the data is normally distributed and satisfies the normality assumption.

Then, normality testing will be shown with the P-Plot graph in Figure 3.
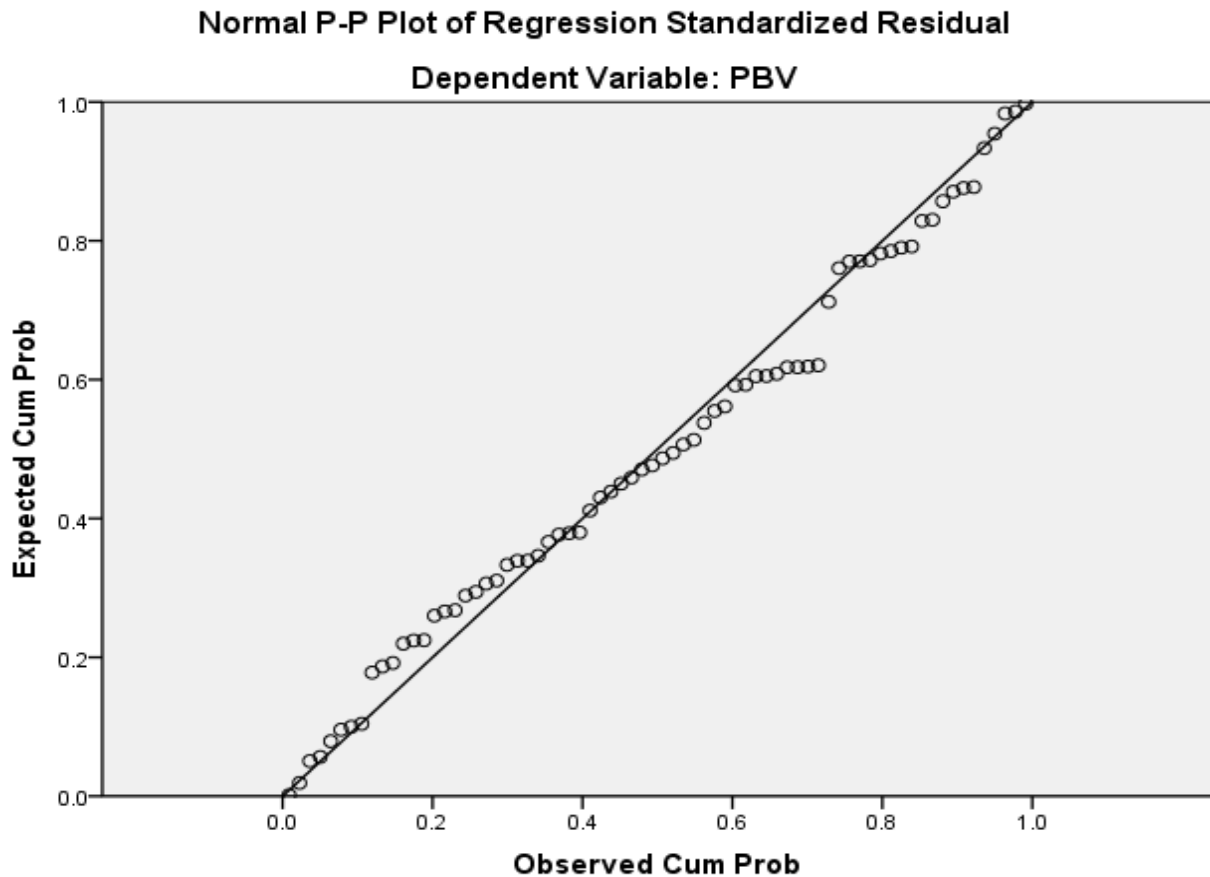

Figure 3. Normality P-P Plot Graph Result
Source: Data Processed with SPSS

Based on figure 3 it is shown that the data (dots) spread around the diagonal line and follow the diagonal line. So from the figure, it is concluded that the residuals of the regression model are normally distributed

Heteroscedasticity Test

The heteroscedasticity test is used to determine whether or not there is a deviation from the classical assumption of heteroscedasticity, namely the presence of variance inequality from residuals for all observations in the regression model. The prerequisite that must be met in the regression model is the absence of symptoms of heteroscedasticity.
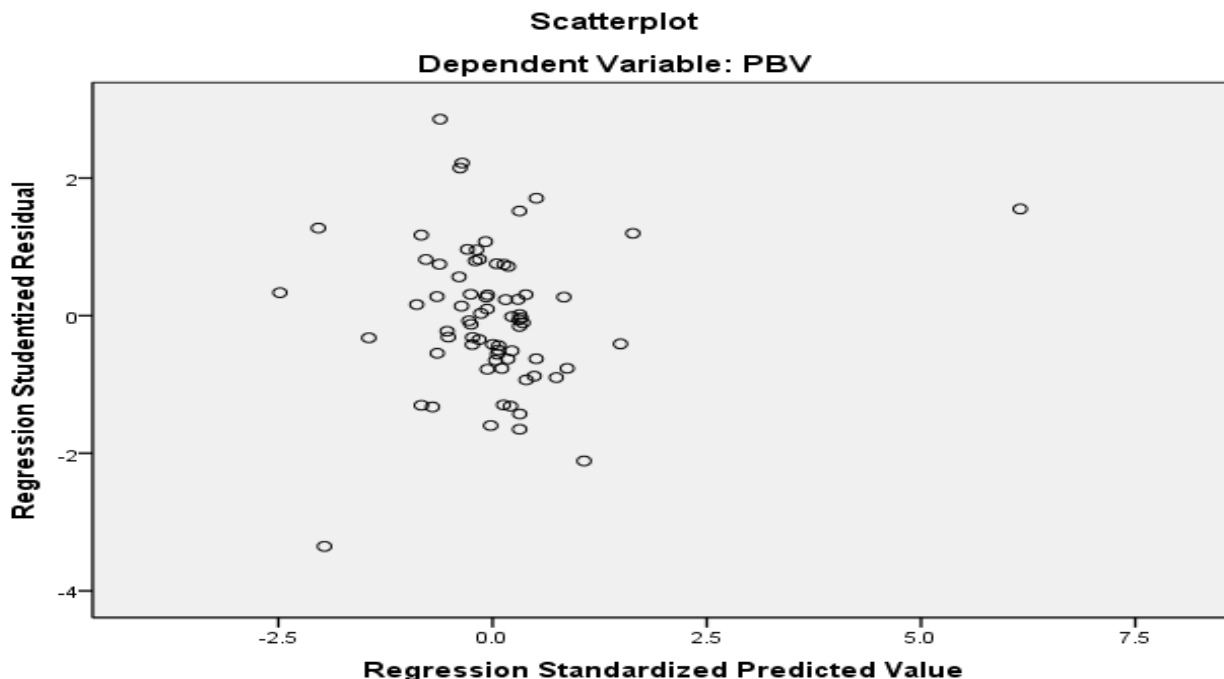
Figure 4. Heteroscedasticity Test Results
Source: Data Processed with SPSS

Based on the scatterplot graphic image above, it can be seen that the points spread randomly and are spread above and below the number 0 on the Y axis. It can be concluded that there is no heteroscedasticity.

Multiple Linear Regression Analysis Test

The results of multiple linear regression analysis tests on three independent variables, can be seen in Table 5 below.

Table 5. Multiple Linear Regression Analysis Test Results

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.771	.266		2.891	.005		
	ROA	2.228	.742	.333	3.003	.004	.999	1.001
	CR	-.166	.082	-.225	-2.023	.047	.993	1.007
	ETR	-.015	.047	-.036	-.327	.745	.992	1.008

a. Dependent Variable: PBV
Source: Data Processed with SPSS

Based on Table 5 can be known the values: $\alpha = 0.771$, $\beta 1 = 2.228$, $\beta 2 = -0.166$, $\beta 3 = -0.015$. So that the multiple linear regression equation in this study is:

$$PBV = 0.771 + 0.228X_1 - 0.166X_2 - 0.015X_3 + e$$

Hypothesis Testing
Test Coefficient of Determination (R^2)

The coefficient of determination denoted by R^2 is used to measure how much influence Profitability (X1), Liquidity (X2) and Tax Avoidance (X3) on Firm Value (Y)

Table 6. Test Results of Coefficient of Determination (R2)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.405ᵃ	.164	.127	1.40045	1.975

a. Predictors: (Constant), ETR, ROA, CR

b. Dependent Variable: PBV

Source: Data Processed with SPSS

Based on Table 6 it can be seen that the Adjusted R Square number shows the coefficient of determination. The Adjusted R Square is 0.164. This means that 16.4% of changes in Firm Value (Y) are caused by Profitability (X1), Liquidity (X2) and Tax Avoidance (X3), while the remaining 83.6% are caused by factors other than changes in the variables of Profitability (X1), Liquidity (X2) and Tax Avoidance (X3),.

T-test

The t-test is performed to determine the significant effect of the independent variable dimension partially on the dependent variable.

Table 7. T-test Result

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.771	.266		2.891	.005		
	ROA	2.228	.742	.333	3.003	.004	.999	1.001
	CR	-.166	.082	-.225	-2.023	.047	.993	1.007
	ETR	-.015	.047	-.036	-.327	.745	.992	1.008

a. Dependent Variable: PBV

Source: Data Processed with SPSS

In the partial test results table above, it can be seen that: In Profitability (X1) it can be seen that the value of t_{count} (3.003) > t_{table} (1.995) with a significant level of 0.004 <0.05 so it can be concluded that partial Profitability has a positive and significant effect on Firm Value. In Liquidity (X2) it can be seen that the value of $-t_{count}$ (-2.023) < $-t_{table}$ (-1.995) with a significant level of 0.047 <0.05 so it can be concluded that partial Liquidity has a negative and significant effect on Firm Value.In Tax Avoidance (X3) it can be seen that the value of $-t_{count}$ (-0.327) > $-t_{table}$ (-1.995) with a significant level of 0.745 > 0.05 so it can be concluded that partial Tax Avoidance has a negative and insignificant effect on Firm Value.

Test F

The F test is performed to test the significant effect of the independent variable dimension simultaneously on the dependent variable.

Table 8. Test F Result

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.096	3	8.699	4.435	.007[a]
	Residual	133.366	68	1.961		
	Total	159.462	71			

a. Predictors: (Constant), ETR, ROA, CR

b. Dependent Variable: PBV

Source: Data Processed with SPSS

In the table above, the value of F_{count} (4.435) > F_{table} (3.13) with a significance of 0.007 > 0.05 so it is concluded that simultaneously the variables Profitability, Liquidity and Tax Avoidance simultaneously have an effect and are significant on Firm Value.

CONCLUSIONS

Based on the results of the above research, the researchers draw the following conclusions: Profitability has a positive and significant effect on Firm value in mining companies listed on the Indonesia Stock Exchange for the 2019-2021 period. Liquidity has a negative and significant effect on the Firm Value of mining companies listed on the Indonesia Stock Exchange for the 2019-2021 period. Tax Avoidance has a negative and insignificant effect on Firm Value of mining companies listed on the Indonesia Stock Exchange for the 2019-2021 period. Profitability, Liquidity, and Tax Avoidance have a significant effect on the Firm Value of mining companies listed on the Indonesia Stock Exchange for the 2019-2021 period.

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