Independent Commissioners moderate the effect of Tax Risk and Agency Costs on Firm Value

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Article Info	Abstract
	This study aims to analyze and obtain empirical evidence of the effect of tax risk and agency costs on firm value with independent commissioners as moderators. This research is quantitative research with descriptive methods, the data used is secondary data. The data analysis method used is panel data regression processed using Eviews version 12. The population used in this study is a non-cyclical consumer sector company listed on the Indonesia Stock Exchange in 2017-2021, totaling 98 companies. The sample selection in this study used purposive sampling technique. The sample obtained was 33 companies with a research year of 5 years, the total research data obtained was 165. *.*

INTRODUCTION

The purpose of establishing a company is to maximize the wealth of company owners or shareholders. Company goals can be achieved by increasing the value of the company which will later be linked to the company's share price. If the higher the share price, the higher the company value and vice versa. Firm value is the investor's perception of the manager's success rate in managing entrusted company resources which is often associated with stock prices (Sugeng, 2017).

PT Diamond Food Indonesia Tbk (DMND) targets this year's revenue to grow by double digits (year-on-year), which will be supported by the readiness of capital expenditure (capex) reaching Rp 350 billion. "Our main target in 2022 is

to achieve double-digit revenue growth compared to the previous year," said DMND Director Philip Min Lih Chen during the Public Expose in Jakarta, Wednesday (5/10).

Risk is an adverse event and arises due to uncertainty. Tax risk is the probability that tax results differ from those expected as a result of failure in tax planning decisions (Abduh et al., 2014) cited from (Neuman, et al, 2013). In this study, the proxy used to measure tax risk is the standard deviation of the company's annual ETR from t-5 to t as used by (Drake et al., 2019). In this study, the higher the standard deviation of ETR, the higher the company's tax risk.

Agency costs are costs incurred to ensure that clients act in the best interests of clients. This agency cost is due to a conflict of interest between managers and shareholders which can lead to additional costs, namely free cash flow. Managers want to take advantage of free cash flow by investing these funds in projects that can generate profits, because this can increase the incentives they receive.

According to FCGI, the Board of Commissioners is a core part of corporate governance that is tasked with ensuring the implementation of the strategy implemented by the company, overseeing management in managing the company, and requiring accountability. The Board of Commissioners is the mechanism that controls and directs the company's senior executives. The task of independent commissioners is to act as a counterweight in decisions with members of the board of commissioners coming from outside the company. Independent commissioners function to be a balance in decision making, namely having members of the board of commissioners who come from outside the company (Kusumaningtyas, 2015).

From the background description above, in this way the researcher formulates the research hypothesis as follows:

H_1 : Tax Risk and Agency Cost simultaneously affect Firm Value. .

H_2 : Tax Risk Tax affects Firm Value.

H_3 : Agency Costs affect Firm Value.

H_4 : Independent Commissioners moderate the effect of Tax Risk on Firm Value.

H_5 : Independent Commissioners moderate the effect of Agency Costs on Firm

Value.

METHODS

The type of research used in this research is qualitative research with descriptive methods. The type of secondary data data used in this study is the annual financial statements of consumer non-cyclicals companies listed on the Indonesia Stock Exchange (IDX) in 2017-2021. The population in this study were 98 companies. There are 33 company samples. The sampling technique used in this study uses purposive sampling which is used in determining the sample with consideration of certain criteria. In this study there are independent and dependent variables. The independent variables in question are tax risk and agency costs, firm value as the dependent variable and independent commissioners as moderating variables.

The definition of operational variable is as follows:

1. Firm Value (Y)

   Firm value is the price that prospective buyers are willing to pay if the company is sold (Listihayana & Astuti, 2020). Firm value is an effort to maximize company goals by increasing shareholder wealth.

2. Tax Risk (X1)

   Tax risk is the probability that tax results differ from those expected as a result of failure in tax planning decisions (Abduh et al., 2014) cited from (Neuman, et al, 2013).

3. Agency Cost (X2)

   (Djumahir, 2014)Defining agency cost is the cost incurred to ensure managers to act in the interests of shareholders.

4. Independent Commissioner (Z)

   According to FCGI, the Board of Commissioners is a core part of corporate governance that is tasked with ensuring the implementation of strategies implemented by the company, overseeing management in managing the company, and requiring accountability.

DATA ANALYSIS METHOD

In this study, it was processed using Eviews 12.

RESULTS AND DISCUSSION

Descriptive Analysis

1. The PBV variable has a mean value of 4.331162, a median of 1.829073, a maximum of 82.44443 found in Unilever Indonesia Tbk in 2017, a minimum of 0.294540 found in Wismilak Inti Makmur Tbk in 2018 and a standard deviation of 9.520886.

2. The TR variable has a mean value of 0.269143, a median of 0.144223, a maximum of 5.047055 contained in Smart Tbk in 2017, a minimum of 0.035765 contained in Multi Bintang Indonesia Tbk in 2020 and a standard deviation of 0.519824.

3. The BA variable has a mean value of 1.398462, a median of 1.206186, a maximum of 4.463489 contained in Tigaraksa Satria Tbk in 2019, a minimum of 0.276720 contained in Sawit Sumbermas Sarana Tbk in 2019 and a standard deviation of 0.846472.

4. The KI_TR variable has a mean value of 0.108514, a median of 0.051837, a maximum of 2.523527 in Smart Tbk in 2017, a minimum of 0.013537 in Hanjaya Mandala Sampoerna Tbk in 2018 and a standard deviation of 0.231466.

5. The KI_BA variable has a mean value of 0.591042, a median of 0.470843, a maximum of 2.231744 found in Tigaraksa Satria Tbk in 2019, a minimum of 0.110527 found in Sawit Sumbermas Sarana Tbk in 2018 and a standard deviation of 0.437766.

Classic Assumption Test

Normality Test

From the test results on GLS Weights using cross-section weight and on the coef covariance method using white cross-section (period cluster) square above, it can be seen that the probability value is 0.583169 which means that the distribution is normal.

Multicollinearity Test

The results obtained from the multicollinearity test with log data transformation on X1 and X2 show the correlation value between independent variables (TR, BA, KI_TR and KI_BA) <0.90. Thus, it can be concluded that there is no multicollinearity problem between the independent variables in the regression model

Heteroscedasticity Test

Based on the variable data, the probability value of the independent variable is more than the significant level of 0.05, so H0 is rejected. So it can be concluded that in this study there is no heteroscedasticity.

Autocorrelation Test

In this study, the durbin watson (DW) value is 1.634597 (-2<1.634597<2), it can be concluded that there is no autocorrelation in this study because the durbin watson (DW) count is located between -2 and 2.

Panel Data Regression Analysis and MRA

The estimation model obtained from the Fixed Effect Model can be written as follows:

PBV=1.725039+0.037052TR+1.930216BA+(-0.029483TR_KI)+(-0.141215BA_KI)+e

Based on the panel data regression equation above, the relationship between the independent variables, namely tax avoidance and tax risk on the dependent variable, namely firm value with the moderating variable, namely independent commissioners, can be interpreted as follows:

1. It is known that the constant value of 1.725039 indicates that if the independent variable, namely Tax Risk (TR) and Agency Cost (BA) is 0 (zero) or nonexistent (constant), the dependent variable, namely Firm Value (PBV) will be 1.725039.

2. The coefficient value of the Tax Risk (TR) variable of 0.037052 has a positive value, which means that every time there is an increase of I point of Tax Risk (TR), there will be an increase in Company Value (PBV) of 0.037052 assuming other independent variables are constant.

3. The coefficient value of the Agency Cost (BA) variable is 1.930216 which has a positive value, which means that every 1 point increase in Agency Cost (BA), there will be an increase in Firm Value (PBV) of 1.930216 assuming other independent variables are constant.

4. The coefficient value of the Tax Risk variable with Independent Commissioners as moderating (KI_TR) is -0.181709 which has a negative value, which means that every 1 point decrease in Tax Risk with Independent Commissioners as moderating (KI_TR), there will be a decrease in Company Value (PBV) of -0.029483 with the assumption that the independent variables with other moderating variables are constant.

5. The coefficient value of the Agency Cost variable with the Independent Commissioner as a moderator (KI_BA) is -0.141215 which has a negative value, which means that every time there is a 1 point decrease in Agency Cost with the Independent Commissioner as a moderator (KI_BA), there will be a decrease in Company Value (PBV) of -0.141215 assuming that the independent variables with other moderating variables are constant.

Determination Coefficient

The results obtained from the coefficient of determination test with an adjusted R^2 value of 0.872001, meaning that 87% of variations in Firm Value can be influenced by Tax avoidance and Tax Risk with Independent Commissioners as moderators. While 13% can be influenced by other factors not examined in the study.

Test F

It can be seen that the significant value is 0.000000, the Fcount value is 32.03504 and Ftabel (df 1 = 5-1 = 4 and df 2 = 165-5 = 160) at a = 0.05 is 2.428164. So that Fcount is greater than Ftable (32.03504> 2.428164) then H0 is rejected and H1 is accepted (influential). So it can be concluded that the tax risk variable (X1) and agency costs (X2) together (simultaneously) have an effect on firm value (Y).

Test T

It is known that the Thitung value and the resulting significant value for each variable and the Ttable value obtained from (df = n-k = 165-5 = 160) at a = 0.05 (0.05: 2 = 0.025) is 1.974902. So it can be concluded that the results of

hypothesis testing on each independent variable are as follows:

1. The partial test results (t test) show that tax avoidance has a Thitung value of 0.186663 smaller than the Ttable of 1.974902 then (0.186663 < 1.974902). So it can be concluded that the tax risk variable has no effect on firm value. then the second hypothesis is rejected. The results of this study are in line with (Arfiansyah, 2021) showing that tax risk has no effect on firm value. This is because the level of tax avoidance carried out by companies in Indonesia is not aggressive and is more influenced by external factors. Thus, tax risk does not affect shareholder decisions.

2. The partial test results (t test) show that tax risk has a Thitung value of 2.913398 greater than the Ttable of 1.974902 then (2.913398> 1.974902). so it can be concluded that the agency cost variable has a positive influence on firm value. Then the third hypothesis is accepted.The results of this study are the same as the conflict of interest between management and shareholders can lead to conflict. Management often prioritizes personal interests that benefit the company but eat up shareholder profits. This conflict of interest creates additional costs to control management behavior during decision making that is detrimental to shareholders. These agency costs are incurred so that management acts in accordance with the objectives of shareholders. With the help of management incentives, the value of the company must be increased with good leadership. According to research (Adityamurti & Ghozali, 2017) states that agency costs have a significant effect on firm value.

3. The partial test results (t test) show that the Thitung value of 0.391517 is smaller than the Ttable of 1.974902 then (0.391517 < 1.974902). So it can be concluded that the independent commissioner variable does not moderate the effect of tax risk on firm value. Then the fourth hypothesis is rejected. The results of this study are not in line with (Arfiansyah, 2021) based on the research results from statistical testing, it can be seen that the coefficient value of the role of the composition of independent commissioners as moderating the relationship between tax risk and firm value is 8.4257. In addition, the probability of the t statistic of this variable is also smaller than 10%. Thus the H4 hypothesis is rejected. So that the hypothesis that the presence of independent commissioners will weaken the effect of tax risk on firm value is

not proven.

4. The partial test results (t test) show that the Thitung value of 0.457937 is smaller than the Ttable of 1.974902 then (0.457937 < 1.974902). So it can be concluded that the independent commissioner variable does not moderate the effect of agency costs on firm value. Then the fifth hypothesis is rejected.

5. The results of this study are not in line with In (Hadiprajitno, 2014) the results of research by Beasley and Salterio (2001), Kusnadi (2003), McKnight and Mira (2003), Henry (2004), Ghosh, et al. (2010) found that a larger board of commissioners reduces the occurrence of agency problems, so agency costs will decrease when the number of independent commissioners is higher.

CONCLUSION

Based on the results of research on the effect of tax risk and agency costs with independent commissioners as moderators in non-cyclical consumer sector companies listed on the Indonesia Stock Exchange (IDX) during 2017-2021. Data processing uses statistical tools in the form of the Eviews version 12 program by conducting panel data regression analysis, so the following conclusions can be drawn:

1. The variables of tax risk and agency costs simultaneously have an influence on firm value.

2. The tax risk variable has no influence on firm value.

3. The agency cost variable has a positive and significant effect on firm value.

4. The independent commissioner variable does not moderate tax risk on firm value.

5. The independent commissioner variable does not moderate agency costs on firm value.

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Ex Table :

Descriptive Statistical Analysis Results

	PBV	TR	BA	KI_TR	KI_BA
Mean	4.331162	0.269143	1.398462	0.108514	0.591042
Median	1.829073	0.144223	1.206186	0.051837	0.470843
Maximum	82.44443	5.047055	4.463489	2.523527	2.231744
Minimum	0.294540	0.035765	0.276720	0.013537	0.110527
Std. Dev.	9.520886	0.519824	0.846472	0.231466	0.437766
Skewness	5.474827	6.310167	0.987600	7.724989	1.441315
Kurtosis	37.45159	51.06270	3.523346	75.40460	4.615449
Jarque-Bera	8984.300	16976.41	28.70523	37682.76	75.06971
Probability	0.000000	0.000000	0.000001	0.000000	0.000000
Sum	714.6418	44.40864	230.7462	17.90488	97.52194
Sum Sq. Dev.	14866.15	44.31553	117.5083	8.786575	31.42886
Observations	165	165	165	165	165

Source: Data processed with Eviews version 12

Multicollinearity Test Results

	TR	BA	KI_TR	KI_BA
TR	1.000000	-0.272775	0.682477	-0.332277
BA	-0.272775	1.000000	-0.122530	0.839181
KI_TR	0.682477	-0.122530	1.000000	-0.098441
KI_BA	-0.332277	0.839181	-0.098441	1.000000

Source: Data processed with Eviews version 12

Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TR	-0.096154	0.057593	-1.669556	0.1048
BA	-0.028298	0.175999	-0.160784	0.8733
KI_TR	0.180122	0.121665	1.480479	0.1485
KI_BA	0.035655	0.148832	0.239563	0.8122
C	1.352348	0.206720	6.541927	0.0000

Source: Data processed with Eviews version 12

Results of Autocorrelation Test, Coefficient of Determination and F Test

| Root MSE	4.102512	R-squared	0.900098
Mean dependent var	18.90254	Adjusted R-squared	0.872001
S.D. dependent var	11.99988	S.E. of regression	4.657864
Sum squared resid	2777.049	F-statistic	32.03504
Durbin-Watson stat	1.634597	Prob(F-statistic)	0.000000

Source: Data processed with Eviews version 12

Results of Panel Data Linear Regression Test, MRA AND T-TEST

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TR	0.037052	0.198496	0.186663	0.8531
BA	1.930216	0.662531	2.913398	0.0065
KI_TR	-0.181709	0.464116	-0.391517	0.6980
KI_BA	-0.141215	0.308372	-0.457937	0.6501
C	1.725039	0.859181	2.007771	0.0532

Source: Data processed with Eviews version 12

Ex Picture :
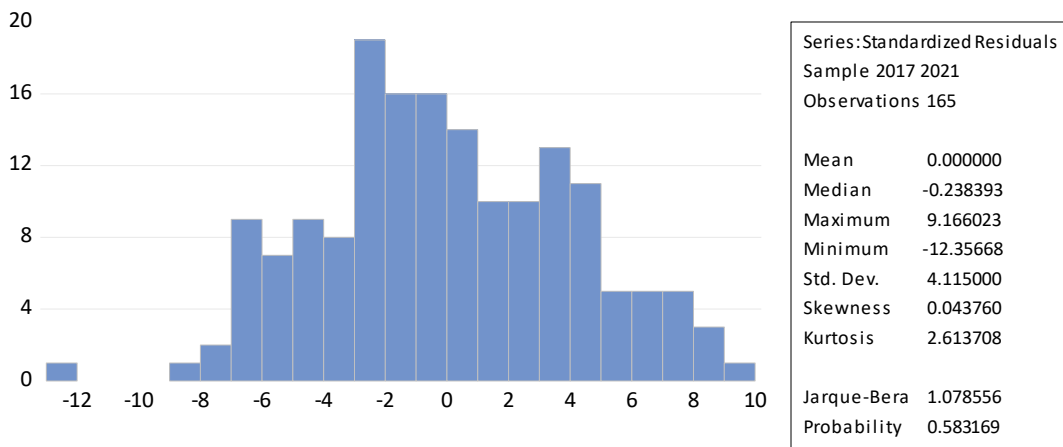
Normality Test Results

Source: Data processed with Eviews version 12