THE MODERATION EFFECT OF GOOD CORPORATE GOVERNANCE AND TAX PLANNING MEDIATION ON GO PUBLIC FIRM VALUE IN INDONESIA'S MANUFACTURING SECTOR

Ratih Juwita[a], Iman Murtono Soenhadji[b], Sahala SP Panjaitan [c]
[a,b,c]Faculty of Economics, University of Gunadarma, Indonesia
e.mail: juwitaratih9@gmail.com

ABSTRACT. The research was conducted to analyze the moderation effect of Good Corporate Governance and tax planning mediation on go public firm value in Indonesia's manufacturing sector. The research also used the data of 161 go public companies incorporated in the manufacturing industries on the Indonesia Stock Exchange (BEI). We tested the hypothesis by using SEM with the Wrap-PLS software. The analysis found that the mediating effects of tax planning and moderation of Good Corporate Governance Shouldbe able to increase the firm value of go public manufacturing companies in Indonesia.Good Corporate Governance builds trust and positive perceptions of shareholders on company performance which, in turn, the trust and positive perceptions of shareholders should increase the firm value.

KEYWORDS: Firm value, Good Corporate Governance, Go Public, Manufacture, Tax Planning

Article Received: 10 August 2020, Revised: 25 October 2020, Accepted: 18 November 2020

1.Introduction

Firm value is the investor's perception of firm value, which is reflected in the stock price. Firm value should indicate the level of prosperity of shareholders because the higher firm value, then the higher the return received by shareholders through dividends and capital gains. Firm value should be achieved and maximized by company management(Brigham and Daves, 2013). One of the efforts that can be made by company management to achieve and maximize firm value is through dividend policy. Dividends are part of the net income generated by the company for a certain period. Battacharya (1979) explained that the announcement of dividend distribution by the management should work as positive information for investors about the company performance.

Residual of Dividend Theory states that the amount of dividend policy is determined after the company allocates the net profit it earns to finance profitable investments. Margaretha & Asmariani (2009) stated that determining the proportion of dividends and retained earnings causes a conflict of interest between management and investors. On the one hand, investors pursue a high dividend distribution, on the other hand, management pursues to expand the company from its investment opportunities.

Additional external capital for the company comes from creditors and investors. External capital that comes from creditors can increase the efficiency of using the capital structure, because the use of debt can reduce the use of own capital to finance company operations. In addition, debt costs can reduce tax burdens so as to increase company value(Brigham, 2014). The Political Cost Hypothesis (Scott 2003) explained that the company will engineer the amount of profit so that the amount of tax is minimal but still within the frame of taxation regulations. This finding is reinforced by Desai and Dharmapala (2006), who stated that the company's tax planning provides benefits for investors and is able to fulfill the opportunistic nature of managers. KUP Law No. 28 of 2007 article 12 paragraph 1 stipulates that the tax collection system in Indonesia adopts a self-assessment system. The self assessment system distributes authority to taxpayers to calculate, determine, and report the amount of tax owed by themselves.This system should provide an opportunity for companies as corporate taxpayers to carry out tax planning practices.Tax planning practices carried out by taxes should certainly reduce the tax revenue in Indonesia (Halim, et al, 2014: 7).

The achievement of the development on manufacturing tax revenue in 2019 was 1.80%, much lower than the tax revenue in 2018, which broke the 10.90% of the figure. This situation has been influenced by the domestic aspects as well as macroeconomic conditions. The domestic aspects that affect this situation should include voluntary compliance on taxation in Indonesia, low tax compliance, tax refunds and the number of fiscal relaxation provided by the government in an effort to boost investments.The research conducted by Friese, Link and Mayer (2006) found that corporate tax planning was influenced by the Corporate Governance. Isgiyata and Tristiarini (2005) found that 75% of investors were willing to distribute high incentives to industries willingly practicingany Good Corporate Governance. Good Corporate Governance reflects its commitment and responsibility to all elements participating in the company's business activities.

This research refers to the one conducted by Friese, Link and Mayer (2006)explaining that the tax planning strategy carried out by companies was influenced by corporate governance. Good Corporate Governance can align the interests of managers and shareholders. This strategy can be used as a strategic proposal for the manufacturing industry in realizing its concern. This research is compared with other research conducted by Farar and Selwyn (1967), Black and Scholes (1974), Akbar and Stark (2003), Faridah and Zulin N (2012), Zhang (2013), Rahmat (2020) focusing on the use of indicators in measuring dividend policy variables by using the Dividend Payout Ratio along with the Retention Ratio approach and the Investment Opportunity Set.

Based on the information of ASEAN Capital Market Forum (2019), we can see any of issuers in Indonesia that have implemented Good Corporate Governance estimated at 2%. The research conducted by Djatmiko (2004) indicates that the low number of issuers practicing good corporate governance in Indonesia is due to the ineffective internal control system, weak law enforcement, and shared ownership structure. Based on the Copy of Financial Services Authority Regulation No. 21 / POJK. 04/ 2015 article 2, the government requires every company to open publicly in order to practice industrial governance.The manufacturing industry on the Indonesia Stock Exchange is part of an open industrial entity, so the issuers have an obligation to implement the industrial governance. The manufacturing industry is the leading sector of the economy in Indonesia. In 2019, the development of Gross Domestic Product in Indonesia was dominated by the processing industryaccounted for 19.79%. The proportion of Gross Domestic Product contributed by the manufacturing industry also went through the labor absorption. The labor absorption by the manufacturing industry increased from 18.25% in 2018 to 18.25% in 2019.

The main theme of this research is the role of tax planning and the company's commitment to governance and social responsibility as a manifestation of the sustainable development of the manufacturing industry in an effort to increase the corporate value. The urgency of this research is to examine empirically the company policy in increasing firm value by using indicators, measurements, analysis tools and research units that are different from the previous research. Referring to Positive Accounting Theory (Watts and Zimmerman, 1978), companies should have the knowledge, understanding and ability to predict and determine appropriate accounting policies to face the conditions in the future.

Literature Review

The research conducted by Bhattacharya (1979) indicates that high dividend distribution to investors reflects the high firm value. Dividend distribution shows about the company's financial condition in the future. The Bird In The Hand Theory according to Brigham and Huston (2006) assumes that dividends have a definite value compared to the capital gains. Karina's research (2006) indicates that the solvency condition affects the company's dividend policy.Any differences in tax rates on returns received by shareholders in the form of dividends and capital gains cause investors to prefer the capital gains. Tax Preference Theory according to Litzenberger and Ramaswamy (1979) indicates that investors want companies to withhold after-tax profits allocated for cash dividends and use them to finance investments.

The reason for this consideration is because cash dividends tend to be subject to a higher tax rate than capital gains. Research by Gitman (2000) describes the clientele effect. His research found tha,t for a certain group of investors, they prefer stocks over dividend policy because it is considered more profitable for them. The efforts made by companies in realizing good corporate governance are influenced by the proportion of the Board of Directors in the company (Irawan and Farahmita, 2012). Myer (2001) revealed about Trade-off Theory, stating that the capital structure is influenced by taxes, agency costs, financial distress, debt policy and the act of aligning asymmetric information. Debt efficiency occurs when tax savings reach a maximum point against the cost of financial distress. The agency approach is used as a company step in suppressing agency problems. Putra (2009) explained that the optimal capital structure can be changed in proportion and source to increase firm value.

The Jensen and Meckling agency theory (1976) basically stated that opportunism occurs between agent and principal, which should lead into conflict. Watts and Zimmerman (1978) explained that conflicts of interest occur in the interaction of managers, shareholders with the government regarding taxes and subsidies. While, Hadianto (2011) explained that the allocation of debt policies affects the emergence of conflicts of interest. The size of agency cost is reflected in the utilization of company assets using the administrative expense rate approach (Zheng 2013).Agency costs are considered to be the costs arising from efforts to maximize firm value (Riantani & Faizal, 2012). Agency costs should be minimized by announcing dividend policies. Giriati (2015), and Al Shabibi and Ramesh (2011) explained that the implementation of Good Corporate Governance should be conducted by aligning the interests of shareholders and management, so that companies should reduce agency costs. Chen (2014) found that the effect of tax avoidance by companies should increase the agency cost.

Beaver (1968) explained Positive Accounting Theory as the ability of accounting to explain and predict any accounting policies as an effort to develop accounting in the future. Companies need to carry out tax planning that is balanced with the implementation of good governance, so as to minimize agency problems and increase the firm value. Spence (1973) and Simarmata (2014) explained that dividend announcements, shared price increases, and debt policies are positive signals for investors on the company's financial condition.This research framework develops the Positive Accounting Theory conducted by Watt and Zimmerman (1978) that describethe hypothesis in positive accounting formulated into three categories, namely the Bonus Plan Hypothesis, The Debt Covenant Hypothesis and the Political Cost of Hypothesis. We are developing a proposed new perspective by creating a complex model involving intervening variables, namely tax planning and moderating, that is Good Corporate Governance. Then we add any goodwill indicators in measuring firm value, tax avoidance using the CASH_ETR approach and using the Corporate Social Responsibility Index with the disclosure of Global Reporting Initiatives (See Figure 1).

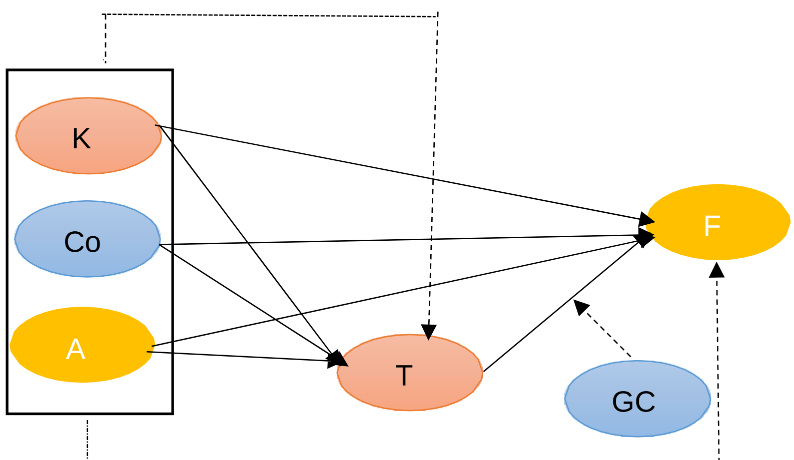


Figure 1 Research Model

In Figure 1 describes that dividend policy has a positive impact on firm value. This hypothesis refers to Bird in the Hand Theory. The capital cost and agency cost have negative impacts on firm value. This hypothesis refers to the Agency Theory. The hypothesis (H1) of this study is that dividend policy through tax planning increases firm value with the moderation of the variable Good Corporate Governance.The hypothesis (H2) of this research is that the cost of capital through tax planning increases firm value moderated by the variable Good Corporate Governance. The hypothesis (H3) of this research is that agency cost through tax planning increases firm value moderated by the variable Good Corporate Governance (H4). This research is a dividend policy, cost of capital (Cost of Capital), agency cost through tax planning to increase firm value moderated by the variable Good Corporate Governance.

1. HypothesisDevelopment

The relationship between dividend policy and tax planning and its impact on firm value is moderated by the variability of Good Corporate Governance.

The signaling theory explains that dividend policy is considered to be positive information signal received by investors on company performance. Soetjipto (1997) explained that the high dividend distribution to investors should reflectthe high firm value. The Bird In The Hand Theory (Brigham & Huston, 2006)assumed that dividends have a definite value compared to the capital gains. Furthermore, Karina's research (2006) found that the solvency condition determines the company's dividend policy. The difference in dividend and capital gains tax rates causes investors to prefer the capital gains. Tax Preference Theory. Gitman (2000) described the clientele effect, in that, a certain group of shareholders should prefer shares on dividend policy because it is more profitable for them. Hence, any competence in realizing good corporate governance will be higher in line with the increasing proportion of the Board of Directors in the company (Irawan and Farahmita (2012).

H1. This research shows that dividend policy has a positive effect on tax planning and has a positive impact on firm value moderated by the variability of Good Corporate Governance.

The relationship between the Cost of Capital with tax planning and its impact on firm value is moderated by the variability of Good Corporate Governance

Myer (2001) reveals the Trade-off Theory. The Trade-off Theory explains that the company steps to optimize its capital structure by taking into account of any taxes, agency costs, financial distress, debt policy, and actions to align asymmetric information. The debt efficiency occurs when tax savings reach a maximum point against the cost of financial distress. Agency approach is the company's strategy in suppressing agency problems. Putra (2009) explained that the optimal capital structure can be changed in proportion and source in order to increase firm value. Brigham and Houston (2009) stated that the higher the proportion of debt, the higher the share price will be, but at a certain point the increase in debt will reduce the firm value. This because the benefits obtained from the use of debt are smaller than the costs incurred.

H2. The Cost of Capital has a positive effect on tax planning and has a positive impact on firm value moderated by the variability of Good Corporate Governance.

The relationship between agency cost and tax planning and its impact on firm value is moderated by the variable Good Corporate Governance

The Jensen and Meckling’s Agency Theory (1976)basically stated that opportunism between agent and principal should lead into conflicts. Watts and Zimmerman (1978) explained that the conflicts of interest that occured in the interactions of managers, shareholders and the government concern taxes and subsidies. While, Hadianto (2011) stated that the allocation of debt policies affectthe emergence of conflicts of interest. The magnitude of agency cost is reflected in the use of company assets at an administrative expense rate (Zheng 2013). Agency costs appear as costs to maximize firm value (Riantani & Faizal, 2012). Agency costs can be minimized with dividend policy announcements. Al Shabibi and Ramesh (2011) explained that the implementation of Good Corporate Governance by aligning the interests of shareholders and company management should reduce agency costs. Chen (2014) found that the effect of tax avoidance by companies should increase the agency costs. Furthermore, as Aryani (2011) explained, corporate governance which is reflected in government, institutional and foreign ownership has an impact on the agency costs.

H3. The agency cost has a positive effect on tax planning and has a positive impact on firm value moderated by the variability of Good Corporate Governance.

The relationship between dividend policy, Cost of Capital, agency cost with tax planning and its impact on firm value is moderated by the variability of Good Corporate Governance

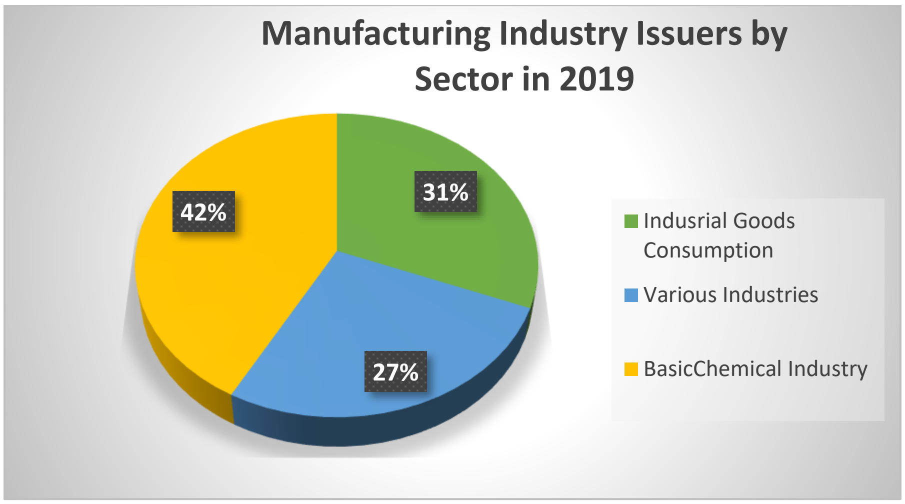
Beaver (1968) explained that Positive Accounting Theory should be used to disclose the ability to explain and predict accounting policies in future accounting development. Companies that implement any tax planning should be balanced with the implementation of good governance in order to minimize the agency problems and increase firm value. Spence (1973) and Simarmata (2014), on signaling theory, explained that dividend announcements on share price increases as well as the debt policies are the positive signals for investors on the company's financial condition.

H4. Dividend policy, Cost of Capital, the agency cost should have a positive effect on tax planning and have a positive impact on firm value moderated by the variability of Good Corporate Governance.

2. RESEARCH METHODE

Population and Sample

The population in this research includes manufacturing companies that are listed on the Indonesia Stock Exchange. The selection of manufacturing companies as the research subjects is because manufacturing is the leading sector of the Indonesian economy. Large numbers of Financial performance data, stock prices, financial sustainability are collected by using the annual report published by the Indonesia Stock Exchange in the 2019 period. The sampling method used in this research is the probability sampling. The number of samples in this research is 161 manufacturing companies, which are members of the basic chemical, various industries, and the food and beverage sectors. The analysis used in this research is by using SEM with WrapPLS software.



Source: idx.co.id, 2019

Figure 2. Manufacturing Industry Issuers in 2019

Measurement of Variables

Research variables are attributes of the research object defined by the researcher in helping to draw conclusions(Sugiyono, 2012). The latent variables used in this research were developed based on the research gap and supporting theory into six variables and twenty indicators. The indicators used in measuring the latent variables of dividend policy consist of three indicators, namely, Dividend Payout Ratio, Investments Opportunity Set and solvency.The indicator used to explain the latent variable Cost of Capital consists of the cost of own capital, cost of debt and Earning Per Share. The indicators used to explain the agency cost latent variables consist of SGA, the size of the Board of Commissioners, the Independent Commissioner, and the debt policy. The indicators used in measuring tax planning latent variables consist of Earning Before Interest and Tax (EBIT), Earning After Tax (EAT), and tax avoidance. The indicators used to explain the latent variables of Good Corporate Governance consist of the Board of Directors, the Corporate Social Responsibility Index (ICSR), listing age, and attendance of the audit committee meeting. Firm Value indicators consist of stock price, goodwill, and total debt.

The firm value indicators used in this research are goodwill, stock price, and total debt. Firm value is the perception of investors on the company's stock price which is influenced by the level of income, costs, company funding originated from company debt to external parties. Goodwill is a type of intangible asset that describes the company's ability to create firm/corporate value (Zhang, 2013). The proxy for goodwill in this research uses the Price to Book Value Ratio (PBV). The higher the PBV, the more value the company will have. The closing price of shares is the price that occurs at the end of trading on the stock exchange. If there is a market transaction at the end of the exchange, the closing price can be the market price.

The tax planning strategy according to Chairil Anwar (2013) is the way for company to reduce any tax costs based on the provisions of tax regulations. Tax planning is measured by indicators of tax avoidance, Earning Before Interest and Tax, Earning After Tax. Tax planning practices should take the form of tax avoidance, namely, through tax efficiency through non-tax object transactions. Tax avoidance is measured by the Cash Effective Tax Rate, with the aim of accommodating the cash allocated to pay taxes in the current year(Rusydi, 2014). Net income (EAT) is the profit a company that generates after interest and taxes. Meanwhile, EBIT is the operational profit before the tax.

Dividend policy is a corporate strategy by allocating net income after the corporate taxes. The net profit obtained by the companies in running its business should be allocated as retained earnings and dividends (Basyori, 2008). Retained earnings are part or all of the profits that the companies do not distribute to shareholders in the form of dividends, but are used as investment returns for the company. Dividend Payout Ratio (DPR) is the company's policy on the companies' net income to be given to the investors. Investors who are interested in short-term investments demand a high DPR, while investors who invest their funds in long-term investments demand a low DPR. Retention Ratio can be used to measure DPR. Retention Ratio is a comparison of the proportion of retained earnings to the net income. The DPR is the result of reducing number 1 with the Retention Ratio. Number 1 is the amount of 100% net profit.

Karina (2006) explained that the solvency ratio is an important factor that affects dividend policy for companies. Companies with less favorable solvency ratios will not pay dividendsbecause the existing funds are used to improve their capital structure. The solvency ratio describes the relative portions of equity and debt used to finance company assets.The solvency proxy in this research uses the Debt to Equity Ratio or stated as (DER). DER is obtained by comparing the total liabilities with the companies' equity. The smaller the ratio, the better the companies' condition because the capital to guarantee current debt is still sufficient (large). The lowest limit of this ratio is 100% or 1: 1. Companies tend to pay dividends after financing investments that are considered profitable with profits earned. Gaver's research (1993) indicates that IOS (Investment Opportunity Set) is an option for various investment opportunities in the future with a fairly high rate of return, so as to be able to increase firm value with that option.

Based on the research conducted by Riantani and Faizal (2012), agency costs are costs incurred by shareholders who are used to encourage managers to maximize share prices and avoid actions that should be considered selfish. Agency cost arises as a result of a conflict of interest between an agent and a principal because both of them have any opportunistic goals (Rozeff,1982). Then, Easterbook's research (1984) indicates that independent auditors serve as mediators in agency problems. Hadianto (2011) also mentioned the factors that affect agency costs (agency cost), namely, the debt policy and the size of the Board of Commissioners.Debt policy is considered to be a monitoring mechanism for managers' actions taken in company management. The number of members of the Board of Commissioners is directly proportional to the ease of controlling the CEO and monitoring should be more effective. The composition of the Board of Commissioners consists of Independent Commissioners and non-independent Commissioners in a company (Nasution and Setiawan, 2007). Then, based on the research conducted by Crutchley & Hansen (1976), debt-financed funding should reduce the use of the company capital so as to reduce conflicts between the agent and the principal.

Brigham and Houston (2009) emphasized that the higher the proportion of debt, the higher the share price, but at a certain point, the increase in debt should reduce the firm value because the benefits obtained from the use of debt are smaller than the costs incurred. Agency cost is reflected in asset utilization and administrative magnitude (Zheng 2013). The company prospects are shown by the transparency expressed by auditors (Brigham & Houston 2006). Referring to the Decree of the Board of Directors of the Jakarta Stock Exchange Number Kep-305 / BEJ / 07-2004 regarding on Rule Number I-A about listing of go public companies on the Indonesia Stock Exchange, companies that have been listed for longer time on the Indonesia Stock Exchange will make disclosures from time to time so that their corporate image will improve (Yularto & Chairiri 2003).

The Board of Directors manages the company and helps carry out the company's strategy, thus helps the company realize healthy corporate management (Nindyta & Murtedjo, 2014). In carrying out its duties and responsibilities as an Audit Committee, through OJK Regulation No. 5 / POJK.04 / 2015, the Audit Committee holds regular meetings at least 1 (one) time in 3 (three) months (article 13) and Audit Committee meetings can be held if attended by more than 1/2 (one half) members. Referring to RI Law No. 40 of 2007, apart from being required to report good governance, companies are also responsible for the social environment of Corporate Social Responsibility (CSR), as the company's commitment to realizing sustainable development. The GRI indicator as a global standard of social responsibility includes economic, environmental and social disclosure as the basis for sustainability, which is divided into 36 disclosures. The measurement of the CSR index in this research refers to the research of Marpaung (2009) which used the disclosure index to find out how vast the company's CSR disclosure was.

The capital costs are costs incurred to obtain the company's capital structure. According to the research conducted by Adler Haymans Manurung (2004), a capital structure financed by using debt will increase firm value. The company's capital structure is said to be optimal if the company's capital structure is able to increase firm value. This should be achieved when the debt ratio is smaller than Earning Per Share, so that the cost of capital is measured by using indicators of cost of debt, cost of capital, and Earning Per Share.

3. RESULTS

Testing of Data Quality

A variable is said to be reliable if it has a Cronbach Alpha Coefficients value above 0.60 or close to 1. Reliability test results with WrapPLS 5.0 software is as follows:

Table 1. Reliability Test

Variable	Composite reliability coefficients	Conbach’s alpha coefficients
Dividend Policy	0,812	0,766
Cost of Capital	0,853	0,801
Agency Cost	0,884	0,827
Tax Planning	0,920	0,855
Firm Value	0,889	0,829
Good Corporate Governance	0,875	0,811
GCG*TP	0,877	0,813

The validity test instrument was the construct validity test, both convergent and discriminant validity. Convergent validity was evaluated by using a loading factor value of > 0.05 and the Average Variane Extracted (AVE) exceeds 0.05. Discriminant validity was obtained by comparing the AVE root constructs higher than the latent correlation. It could be seen from the cross loading value (Solihin & Ratmono, 2013). The value of each cross loading is above 0.05 and the p value is below 0.0001. This shows that the convergent validity test is fulfilled.

Table 2. Average Variane Extracted(AVE)

KD	CoC	AC	TP	GCG	FV	GCG* TP
0,517	0,617	0,559	0,643	0,529	0,597	0,586

The discriminant validity test is fulfilled.
With the fulfillment of the convergent validity test and discriminant validity in this research, then it fulfills the validity test.

Results and Discussion

Hypothesis 1 states that dividend policy through tax planning will increase firm value moderated by the variable Good Corporate Governance. H1 is accepted, as shown in Table 3. The subtotal of the path load formed from the hypothesis 1 model should be increased from 0.3633 to 0.3881.

Table 3.
Hypothesis Test Results of Dividend Policy on Tax Planning with Moderation of Good Corporate Governance and its Impact on Firm Value

Impact	Path Load Formed		Path Load Formed		Sub Total	Sub Total
Indirect	KD-->TP	TP--->FV	KD --> TP	TP*GCG--->FV	(KD-->TP-->FV)	(KD-->TP*GCG-->FV)
	0,31	0,43	0,31	0,51	0,1333	0,1581
Direct	KD-->FV		KD --> FV			
	0,23		0,23		0,23	
Total					0,3633	0,3881

Hypothesis 2 states that the cost of capital through tax planning should increase firm value with the moderation of the Good Corporate Governance variable. H2 is rejected, as shown in Table 4. The sub-total pathcharge formed from hypothesis 2 modelis should be decreased from (0.4601) to (0.4657).

Table 4.
Results of Hypothesis Test of Capital Cost on Tax Planning with Moderation of Good Corporate Governance and its Impact on Firm Value

Impact	Path Load Formed		Path Load Formed		Sub Total	Sub Total
Indirect	CoC --> TP	TP--->FV	CoC --> TP	TP*GCG--->FV	(CoC-->TP-->FV)	(CoC-->TP*GCG-->FV)
	-0.07	0.43	-0.07	0.51	-0.0301	-0.0357
Direct	CoC --> FV		CoC --> FV			
	-0.43		-0.43		-0.43	
Total					-0.4601	-0.4657

Hypothesis 3 states that agency cost through tax planning increases firm value with the moderation of the variable of Good Corporate Governance. H3 is accepted, as shown in Table 5. The subtotal path load formed from Hypothesis 3 is increasing from 0.3448 to 0.3736.

Table 5.
Agency Cost Hypothesis Test Results on Tax Planning with Moderation of Good Corporate Governance and its Impact on Firm Value

		Load Formed		Load Formed			
H3	Indirect	AC-->TP	TP--->FV	AC --> TP	TP_GCG--->FV	(AC-->TP-->FV)	(AC-->TP*GCG-->FV)
		0,36	0,43	0,36	0,51	0,1546	0,1836
	Direct	AC-->FV		AC --> FV			
		0,19		0,19		0,19	
	Total					0,3448	0,3736

Hypothesis 4 states that dividend policy, capital costs, and agency cost through tax planning should increase firm value moderated by the variable of Good Corporate Governance. H4 is accepted, as shown in Table 5. The squared multiple correlations are increasing from 0.522 to 0.650 and later on strengthening to 0.712.

Table 6.
Hypothesis Test Results on Dividend Policy, Cost of Capital, and Agency Cost on Tax Planning with Moderation of Good Corporate Governance and its Impact on Firm Value

Squared Multiple Correlations			
Estimate			
	KD, CoC, AC--> FV	KD, CoC, AC--> TP-->FV	KD, CoC, AC--> TP*GCG-->FV
VF	0,522	0,650	0,712

4. DISCUSSION

Hypothesis 1 shows that dividend policy through tax planning moderated by Good Corporate Governance increases firm value. Our findings reinforce the positive accounting theory of Watts and Zimmerman (1986), stating that companies will provide material incentives from the profits earned, through tax efficiency. Based on the Tax Preference Theory, Litzenberger and Ramaswamy (1979)stated that investors are willing that the companies are eager to retain profit after tax allocated for dividends in the form of cash. Profit after tax should be usedto finance any investments. The reason for this consideration is because cash dividends tend to be taxed higher than the capital gains. Gitman (2000) described the clientele effect for certain shareholders because it is considered to be more profitable for them. Proportion of the Board of Directors as a company effort is to achieve the corporate governance (Irawan & Farahmita, 2012).

The difference in tax rates on dividends and capital gains with the proportion of 0.1% for capital gains and 10% for dividends is an important consideration for investors and companies in allocating their net income. The company's decision to distribute dividends is also inseparable from the management's desire to allocate funds to profitable investments. The manufacturing industry based on the Prompt Manufacturing Index (PMI) in 2019 is at the level of 52.65%. This figure explains the position of manufacturing at the expansion level. Issuers that are members of the manufacturing industry use their net income for expansion purposes with the aim of saving taxes and increasing working capital for business expansion purposes. This is evidenced by the increase in the middle class industry for food and beverage and the tobacco industry which grows by 5,898 industrial units with the proportions of the three being 55.16% and 52.73%, respectively. In addition, the expansion of the manufacturing industry can also be seen in the increase in the index of increasing finished goods inventories reaching 53.29% and labor absorption at the expansion level of 51.22%. Actual manufacturing tax revenue decreased by 1.8% compared to 2018 amounting to IDR 365.39 trillion. The decline in tax revenue in the manufacturing sector is supported by fiscal incentives provided by the government, such as accelerated amortization (tax allowance), 10% of Value-added Tax dividends to foreign taxpayers, compensation for losses and acceleration of tax refunds. The number of taxpayers who received a tax allowance reaches 131 taxpayers.

Hypothesis 2 shows that the cost of capital through tax planning moderated by Good Corporate Governance increases the firm value. Our findings reinforce Putra's (2009) indicating that the capital structure is optimized by increasing the proportion of debt (financial leverage) rather than equity. Brigham and Houston (2009) also stated that the higher the proportion of the debt, the higher the share price, but at a certain point the increase in debt will reduce the firm value because the benefits obtained from using debt are smaller than the costs it incurs. Working capital is a very important source of funds for companies. The survival of the company is very dependent on the size of the working capital that is owned. The condition of Indonesia's economic growth in 2019 was stagnant at the level of 5%. This condition caused a manufacturing trade balance deficit to reach USD 23 billion. According to a research conducted by McKinsey (2012) to prevent Middle Income Trap conditions, the contribution of manufacturing must reach 40%. The government has implemented various policies to boost manufacturing growth in terms of working capital. Minister of Finance Regulation (PMK) No. 110 of 2018 is one form of government policy in encouraging working capital for the manufacturing industry. The regulation concerns the tax rate policy for foreign goods consumptions.

The government raised the income tax rate (Bahasa: PPh) article 22 based on 1,147 consumer goods. The goal is to maintain the growth of the domestic manufacturing industry by increasing sales. The government hopes that the manufacturing industry should be able to increase its working capital so that it can guarantee company debt. The BPJS program has been offered to 217 million recipients. The government helps increase working capital for the pharmaceutical industry by improving health services and sales of medical devices. According to data from the Ministry of Industry, the resulting output for various kinds of policies states the accumulated increase in Domestic Investment (PMDN) and Foreign Investment (PMA) by 4%. Of the total manufacturing investment value of IDR 222.3 trillion.

Hypothesis 3 shows that agency cost through tax planning moderated by Good Corporate Governance should increases firm value. Our findings reinforce Januarti's (2004) indicating positively serving as a means of presenting and communicating financial accounting information to users. Al Shabibi and Ramesh (2011) explained that the implementation of Good Corporate Governance by aligning the interests of shareholders and company management reduce agency costs. Chen (2014) found that the effect of tax avoidance increases with agency cost. Aryani (2011) stated that any corporate governance that is reflected in government, institutional and foreign ownership has an impact on agency costs. Watts and Zimmerman (1978) explained that the conflict of interest between managers and the government is related to the transfer of wealth owned by companies to society through tax, subsidy and other regulations and policies. Hadianto (2011) stated that debt policies and their use affect the emergence of conflicts of interest. The magnitude of agency cost is reflected in the use of company assets at an administrative expense rate (Zheng 2013) resulting the agency costs as costs in maximizing firm value (Riantani & Faizal, 2012). Agency costs can be minimized by announcing any dividend policies. Giriati (2015) and Chen (2014)found that the effect of tax avoidance increased altogether with agency cost.

PMI-BI data indicated that manufacturing expansion in 2019 was supported by production volume (53.42%), order volume (53.27%), and finished goods inventory volume (56.56%). Production volume expansion from 2018 to 2019 decreased by 22%. Lower demand for manufactured goods has resulted in manufacturing industry sales growing by only 1.1%. The weakening of manufacturing performance results in accompanying agency problems. From the tax side, the decline in manufacturing tax revenue was recorded at IDR 215.58 trillion, thus experiencing a contraction of -4.8% (y-o-y). From the investor's point of view, the decline in manufacturing performance results in lower returns they earn.

Hypothesis 4 consists of dividend policy, cost of capital, agency cost through tax planning moderated by Good Corporate Governance to increasefirm value. Our findings reinforce the research of Watt and Zimmerman (1986) stating that companies need to carry out tax planning that is balanced with the implementation of good governance so as to minimize the possibility of agency problems and increase firm value. In accordance with the signaling theory (Spence 1973), dividend announcements, stock price increases, and debt policies are positive signals that investors pick up on company performance. The increasing movement of stock prices is a signal of increasing company value. Supervision and management functions need to be carried out by the company starting from mapping business needs, planning, managing and monitoring sustainability. Good Corporate Governance is inseparable from good information technology governance. Good Corporate Governance will provide added value for shareholders in a sustainable manner for a long term. Based on the data from the Global Reporting Initiative (GRI) in 2019, public trust in the disclosure of financial information was at the level of 51%. This assessment is in line with the commitment of the Financial Services Authority in providing support for sustainable finance.

5. CONCLUSIONS AND LIMITATIONS

Referring to the results of data analysis, testing hypothesis, and also on discussion, we found that, first, dividend policy through tax planning increases firm value moderated by Good Corporate Governance. These results indicate that stock returns in the form of dividends and the company's good image are attractive for investors in choosing public entities that are feasible for them to invest. Issuers carry out tax planning as a form of cost efficiency in increasing the company's net profit.This finding is in accordance with the Signaling Theory and Hypothesis Bonus Plan from Positive Accounting Theory regarding the company's strategy in increasing company value which is built through investor trust by providing positive signals in the form of corporate financial information. Second, the cost of capital through tax planning reduces firm value by moderating the corporate value of Good Corporate Governance.

These results indicate that the efficiency of the cost of capital can be done by selecting and using the capital structure effectively, so that the benefits of capital are higher than the proportion of the cost of capital borne by the company. The efficiency of funding the capital structure from creditors and investors is achieved through tax savings and tight external supervision. This finding is consistent with the Trade off Theory which states that in determining the optimal capital structure, a company involves a tax factor by adjusting asymmetric information as a form of benefit from the use of debt. Third, agency cost through tax planning increases firm value by themoderation of Good Corpororate Governance. These results indicate that tax planning and transparency align the interests of stakeholders, shareholders and stakeholders that should be done to reduce agency cost.

This finding supports agency theory which states that all individuals will prioritize their own interests. The principles of Good Corporate Governance are able to align interests and suppress information asymmetry between agents and principals. Agent contribution is very important for the company through its investment so that investor appreciation should be a priority for the principal. Fourth, dividend policy, cost of capital, agency cost through tax planning increase + firm value moderated by Good Corporate Governance. This finding is in accordance with Positive Accounting Theory, which confirms that the company's efforts to achieve increased earnings can refer to the use of accounting methods. Commitment to Good Corporate Governance and realizing Financial Sustainability become part of a company effort to achieve a going concern through increasing firm value. This research has limitations in the short span of the research itself and does not involve any macro variables as determinant variables that affect the firm value.

Ratih Juwita, is aSenior Lecturer in the Department of Accounting, Faculty of Economics at Gunadarma University, Jakarta, Indonesia. Ratih Juwita, SE., MM received her Magister Management in 2008 from the Gunadarma University, Jakarta. Her research areas include macroeconomic, tax and organization performance. For correspondence, she can be contacted at at: juwitaratih9@gmail.com.

Iman Murtono Soenhadji, received his Ph.D. in Management from the University of Economics Prague, Czech Republic in 1999. He is currently a Senior Lecturer in the Department of Management Faculty of Economics at Gunadarma University, Jakarta. He is a member of the Indonesia Economic Society (ISEI), and Indonesia Lecturer Association (ADI). His research interests include investment, marketing, operations research, and business statistic. For correspondence, he can be contacted at his email: iman.soenhadji@gmail.com.

Sahala SP Panjaitan is a Professor of Economics,

Gunadarma University, received his MSc in 1979 from University of London And a PhD in 1986 from University of Kentucy, International project Management. His research interest inclode Asymmetric Information and Economic Optimization.

REFERENCES

Akbar, S., & Stark, A. W. 2003. *Deflators, Net Shareholder Cash Flows, Dividends, Capital Contributions and Estimated Models of Corporate Valuation*. Journal of Business Finance and Accounting, 30(9 & 10), 1211–1233

Al Shabibi, Badar Khalid dan Ramesh 2011. *An Empirical Study on The Determinants of Dividend Policy in The UK.* Journal Finance Economics. Issue 80.

An, H., & Zhang, T. 2013. Stock Price Synchronicity, Crash Risk, and Institutional Investors. Journal of Corporate Finance, 21(1), pp 1- 15. https://doi.org/10.1016/j.jcorpfin.2013.01.001.

Anuarti, Indira. 2004. Pendekatan dan Kritik Teori Akuntansi Positif. *Jurnal Akuntansi dan Auditing* (JAA).Volume 1 (Nomor 1). pp. 83-94. ISSN 1412-6699.

Aryani, Dwi Septa. 2011. Manajemen Laba pada Perusahaan Manufaktur di Bursa Efek Indonesia. Jurnal Ekonomi dan Informasi Akuntansi, Vol.1 No.2, Mei 2011.

Baker, H. Kent and Powell, Gary 2005. *Understanding Financial Management: A Practical Guide*. Blackwell Publishing, Oxford.

Beaver, William H. 1968. *The Information Content of Annual Earning Releases: A Trading Volume Approach.*Supplement to journal of Accounting Research, hal 67-92

Bhattacharya, S. 1979. Imperfect Information, Dividend Policy, and the Bird in the Hand Fallacy, Bell Journal of Economics.Vol. 10. [spring]: 259-270.

Black, dan Scholes. 1974. *The Effects of Dividend Yield and Dividend Policy on Common Stock Prices and Returns*, Journal of Financial Economics, 31, hal. 36–41.

Brigham, Eugene F and Joel F. Houston. 2009. *Fundamentals of Financial Management*. 12th Edition. Mason: South-Westtern Cengage Learning.

________, 2014. Fundamentals of Financial Management, 14th Edition. Mason: South-Western Cengange Learning

Chairil Anwar Pohan. 2013. *Manajemen Perpajakan Strategi Perencanaan dan Bisnis*.PT Gramedia Pustaka Utama. Jakarta

Chen, Y. 2008. Corporate Goverannce and Cash Holdings: Listed New Economy versus Old Economy Firms, Corporate Governance, Vol. 16 No.5, pp. 430-442

Crutchley dan Hansen. 1989. A Test of Agency Theory of Managerial Ownership Corporate Leverage and Corporate Dividends. Financial Mangement, Vol. 18, No. 4, pp 36-46.

Desai, M.A. & Dharmapala, D. (2006). Corporate tax avoidance and high-powered incentives. Journal of Financial Economics. Vol. 3 No.11, hal 145-179.

Farrar, D., dan L. Selwyn. (1967). Taxes, Corporate Financial Policy dan Return to Investors. Vol. 20 (4): 444-454

Faridah, Zulin Nur. 2012. Kebijakan Deviden, Hutang Investasi, dan Pengaruhnya Terhadap Nilai Perusahaan pada Perusahaan Manufaktur.Journal of Business and Banking. Vol. 2, No. 1:47-60. ISSN: 2088-7841.

Friese, A., S. Link, dan S. Mayer. (2006). *Taxation and Corporate Governance*. Working Paper

Gaver, Jeniffer J., dan Kenneth M. Gaver, 1993: *Additional Evidence on the Association between the Investment Opportunity Set and Corporate Financing, Dividen, and Compensation Policies*. Journal of Accounting & Economics, 16: 125-160

Gitman (2000).

Hadi, Nor. 2011. Corporate Social Responsibility. Graha Ilmu. Yogyakarta.

idx.co.id, 2019. Annual Report in 2019.

Irawan, H. P. dan A. Farahmita. 2012. *Pengaruh kompensasi manajemen dan corporate governance terhadap manajemen pajak perusahaan.Paper Dipresentasikan pada Simposium Nasional Akuntansi XV*. Banjarmasin.

Isgiyarta, J. dan Tristiarini, N. 2005. *Pengaruh penerapan Corporate Governance terhadap Reaksi Return Saham pada saan Pengumuman Laporan Keuangan 2003*. Tesis dipublikasikan. Program Studi Magister Sains Akuntansi Universitas Diponegoro, Semarang.

Jensen, M.C. and W.H. Meckling. 1976. Theory of the firm: Managerial Behavior, Agency Costs and Ownership Structure Journal of Financial Economics. Vol. 3 pp 305-360.

Jogiyanto, 2014. *Teori Portofolio dan Analisis Investasi*. Edisi ke 10. BPFE. Yogyakarta.

Litzenberger, R.H., dan K. Ramaswamy, 1979, The Effect of Personal Taxes and Dividends on Capital Asset Prices: Theory and Empirical Evidence. Journal of Financial Economics Vol. 7. pp 163-195.

Nasution, Marihot dan Doddy Setiawan. 2007. *Pengaruh Corporate Governance Terhadap Manajemen Laba di Industri Perbankan Indonesia.*SNA X. Makassar.

Nindyta, Dea Shashi dan Murtedjo. 2014. Pengaruh ukuran perusahaan, profitabilitas, ukuran kantor akuntan publik, dan komite audit terhadap audit delay pada perusahaan manufaktur di BEI periode 2009-2012. Universitas Bina Nusantara. Jakarta.

Margaretha, F., & Asmariani, A. 2009. Faktor-Faktor Agency Theory yang Mempengaruhi Hutang. Media Riset Bisnis dan Manajemen, Vol, 9, No.1, April 2009, hal. 1-20.

Myers, S. C&N.S Majluf. 1984. Corporate Financing & Invesment Decision When Firm Have Information That Investor Do Not Have. Journal of Financial Economics. Vol. 13. pp 187-221.

Peraturan Menteri Keuangan (PMK) No. 110 tahun 2018 tentang Perubahan atas Peraturan Menteri Keuangan Nomor 24/PMK.010/2017 tentang Pungutan PPh Pasal 22.

Riantani, Suskim, dan *Faizal*, Achmad. 2012. Analisis Dividend Payout Ratio, Management Ownership, Institutional Ownership dan Agency Cost Serta Pengaruhnya terhadap Harga Saham (Studi pada Industri perkebunan yang Listing di BEI)

Rozeff, Michael S. 1982. Growth, Beta & Agency Cost as Determinant of Dividend Payout Ratios. Journal of Financial Research. Vol. 5 No. 3, pp 249-249.

Rusydi, M. K., & Martani, D. 2014. Pengaruh Struktur Kepemilikan Terhadap Aggressive Tax Avoidance. Simposium Nasional Akuntansi XVII. Lombok.

Salinan Peraturan Otoritas Jasa Keuangan Nomor 21 / POJK.04/ 2015 tentang Penerapan Pedoman Perusahaan Terbuka.

Spence, Michael. 1973. Job Market Signaling. The Quarterly Journal of Economics, Vol. 87, No. 3. (Aug., 1973), pp. 355-374.

Sugiyono, 2012. Memahami Penelitian Kulitatif. Alfabeta. Bandung.

Sundjaja Ridwan S. dan Inge Barlian. 2003. Manajemen Keuangan 1, Edisi kelima. Literata Lintas Media, Jakarta.

Spence, Michael. 1973. Job Market Signaling. The Quarterly Journal of Economics, Vol. 87, No. 3. pp. 355-374.

Undang - Undang KUP No. 28 tahun 2007 tentang Ketentuan Umum dan Tata Cara Perpajakan di Indonesia (KUP).

Wahab Abdul, N.S., & Holland, K.2012. Tax Plaanning, Corporate Governance and Equity Value. British Acconting Review. 44(2), pp 111 – 124. https://doi.org/10/1016/j.bar.2012.03.005.

Watts, R. L. and Zimmerman, J. L.1978. Towards a Positive Theory of the Determination of Accounting Standards. Accounting Review, 53(1). pp.112-133.

Yularto, Pramudoyu Anton & Chariri, Anis. 2003. Analisis Perbandingan Luas Pengungkapan Sukarela dalam Laporan Tahunan Perusahaan yang Terdaftar di Bursa Efek Jakarta Sebelum Krisis dan Pada Periode Krisis. Jurnal Maksi, 2 (1), 19-32.

Yudiana, I. G., & Yadnyana, I. K. (2016). Pengaruh Kepemilikan Manajerial, Leverage, Investment Opportunity Set dan Profitabilitas pada Kebijakan Dividen Perusahaan Manufaktur. E-Jurnal Akutansi Universitas Udayana. Hal. 112-141.