The Influence of Enterprise Risk Management, Slack Resources and Tax Avoidance on Firm Value (Empirical Study of Primary Consumer Sector Companies Listed on the Indonesian Stock Exchange 2020-2022)

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This study aims to investigate the impact of enterprise risk management, slack resources, and tax avoidance on the valuation of primary consumer sector companies listed on the Indonesia Stock Exchange during the period from 2020 to 2022. The research employs a quantitative approach with purposive sampling method, utilizing a sample size of 132 companies. Data analysis includes descriptive statistics and multiple linear regression analysis conducted applying Eviews version 12 software. The findings suggest that enterprise risk management has a statistically significant negative influence on firm value, whereas slack resources and tax avoidance do not significantly affect firm value.

ABSTRACT

REFERENCES

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INTRODUCTION

Economic development and competitive industrialization lead to intense competition between companies in the industrial market. This competition forces companies to evolve and improve performance to achieve their goals. This includes a focus on profit maximization, but the ultimate goal is to maximize firm value and improve the welfare and prosperity of its owners and shareholders. Firm value is described as a view of the firm's future, often reflected in the firm's performance, and can influence investors' decisions and perceptions (Rahmi & Wijaya, 2022).

In order for a company to thrive in the long term, it is crucial for it to effectively utilize its financial and non-financial resources to increase shareholder value. In order to achieve success, companies focus on maximizing shareholder value, as this leads to an increase in shareholder wealth, which is the company's primary objective. Currently, all companies aim to increase their firm value, which is evident in the stock price, maximize company value and this is reflected in the stock price. A high value for a company also means a high level of prosperity for its shareholders (Sulhan & Pratomo, 2020).

Changes in the classification of stock indices on the Indonesia Stock Exchange are also a novelty in the capital market grouping of companies. This grouping can reflect the performance conditions of the company per sector, such as the IDXNONCYC index (IDX non cyclicals) which is the object of this research. Additionally, this sector comprises primary companies producing essential goods demanded by the public. However, the ratio data from the phenomenon still indicates a discrepancy compared to current conditions and the theoretical expectations. Therefore, the use of updated objects in the latest Indonesia Stock Exchange classification, both additions and sector groupings, is intended to facilitate the identification of performance according to groups or types of companies or issuers in the market. Where the renewal of the primary consumer goods sector classification is appropriate and in accordance with market influences, conditions and actual circumstances, it can later be seen from the results of research with this latest object (Permata & Ediwarman, 2023).

In 2020 and 2021, the primary consumer goods sector has a negative share price index percentage, which is -11.86% and -16.04%. This illustrates that the market situation in the primary consumer goods sector is sluggish. This means that the share price in the sector is low. This indicates that the sector's stock price is currently at a low level. The phenomenon of a low stock index in the consumer cyclicalas sector is one of the things that can be associated with a company value (Bunayah & Hariani, 2023). In addition, some companies in the primary consumer sector listed on the Indonesia Stock Exchange are vulnerable to fluctuations in stock prices and some companies' stock prices tend to decline. Investor's views on a company, known as firm value, is frequently connected to stock prices. When the share price is elevated, the company's worth is also raised. The decline in company value causes a decrease in investor confidence which resulting in a decrease in the company’s image and reputation (Solikhin et al., 2022).
Based on empirical studies, it has been determined that there are multiple factors that influence the value of a company. This study is a duplication of previous research concerning the factors that impact a company's value. Previous researchers have explored studies concerning the value of companies in the primary consumer sector. However, there are differences in the independent variables selected in this study to determine whether these factors affect firm value. The selected factors are enterprise risk management, slack resources and tax avoidance.

Previous studies have yielded varying results with respect to the factors that can impact a company's value. This provides a reference for researchers to conduct further research, so it is hoped that researchers will provide better research information related to variables that may impact the worth of a company. In addition, should also offer additional value that sets it apart from other companies. Based on the aforementioned background, the researchers aim to delve deeper into the effects of enterprise risk management, Slack Resources, and Tax Avoidance on Company Value within the consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange. This study specifically focuses on the period spanning three years from 2020 to 2022.

THEORETICAL REVIEW

*Grand Theory*

**Signal Theory**

Signal theory suggests that the financial reports provided by companies can send a signal to investors that may impact the value of their stocks. When management provides information to the market, it usually causes the market to react, acting as an indication of a specific event that could impact the company. (Sudarno, 2022).

**Stakeholder Theory**

The concept of stakeholder theory involves a set of guidelines and actions that focus on stakeholders, ethical values, adherence to laws, consideration for society and the environment, and the dedication of businesses to supporting sustainable development. This theory suggests that companies should not only focus on generating profits for themselves but also consider providing advantages to their stakeholders (Kholis, 2020).

**Agency Theory**

Agency theory forms the foundation for the contractual connection between shareholders/owners and management/managers. Based on this theory, the dynamic between owners and managers can be inherently challenging to establish due to conflicting interests. The principal and the agent come to an agreement for the agent to perform various tasks on behalf of the shareholders (Suryani & Herianti, 2021).
**Operational Theory**

**Firm Value**

Investors' perception of a company's success, usually reflected in its stock price, affects its valuation. An increase in the company's share price indicates an increase in its overall value (Hery, 2017). When something is of value, it is wanted because it is seen as beneficial or enjoyable, making it easier for the recipient to achieve their goals connected to that value. The concept of firm value is based on a market value ratio that reflects the market conditions (Ningrum, 2022).

**Entreprise Risk Management**

COSO 2004 outlines enterprise risk management as a collaborative process among the company's board of directors, management, and other stakeholders. This process is aimed at establishing a strategic approach to identifying potential events that may impact the company, addressing and mitigating risks, and ensuring the company's success. Enterprise risk management components are needed to achieve company goals both operationally, strategically, financial reporting and compliance (Syafitri et al., 2023).

**Slack Resources**

Slack resources are resource slack that comes from the difference between the amount of resources and the amount that must be used. The company will be involved in social activities if the company is profitable in good financial condition and has slack resources. Sufficient and fulfilled financial resources in a company are characterized by the existence of slack resources so that the company will easily invest in programs that will be carried out without any sacrifices made by the company (Hanan & Setiawan, 2023).

**Tax Avoidance**

Tax avoidance deals with the arrangement of an event in such a way as to minimize the tax burden with regard to whether or not there are tax consequences. Basically, tax avoidance affect on firm value because there is a takeover of the potential wealth given to shareholders. Providing this benefit can later increase company loyalty so that it can be indicated that the firm value will increase (Nugraha & Setiawan, 2019).

**Research Hypothesis**

**The Influence of Enterprise Risk Management on Firm Value**

If a company successfully incorporates enterprise risk management into various aspects of its operations such as strategic management, strategic planning, and financial decision-making, it can reap significant benefits. The more effectively a company implements enterprise risk management, the less impact various risks will have on its ability to achieve business goals and increase overall company value (Faisal et al., 2021). The research results of Phan et al. (2020), Wahyuni & Oktavia (2020), Faisal et al. (2021), Listiani & Ariyanto (2021), Utami et al. (2021), Suardi & Werastuti (2022) dan (Syafitri et al., 2023) prove that disclosure of enterprise risk management influence firm value.
H₁: “Enterprise Risk Management influences Firm Value”

*The Influence of Slack Resources on Firm Value*

Slack resources can provide flexibility to experiment, take risks, and be more active in improving the quality of the company. Slack resources are the availability of company resources that are too much than needed. Unused resources are managed and used by the company in the right direction and purpose so as to bring benefits to the company, one of which is a good company image in the eyes of investors (Widhyastuti et al., 2022). The results of research conducted by Yusuf et al. (2017), Andayani et al. (2022), Sulhan & Pratomo (2020), Tabassam & Khan (2021) dan Alshorman et al., (2022) reveal that slack resources influence firm value.

H₂: “Slack Resources influences Firm Value”

*The Influence of Tax Avoidance on Firm Value*

Tax avoidance is not a violation of tax laws and cannot be considered ethically inappropriate as part of a taxpayer’s efforts to minimize his tax burden in a legally permissible manner (Wanami & Merkusiwati, 2019). Tax avoidance is considered to have more benefits than the risks that may be obtained when sniffed by the tax authorities (Nugrahanto & Gramatika, 2022). The findings from the study carried out by Wanami & Merkusiwati (2019), Nugraha & Setiawan (2019), Arfiansyah (2020), Khuong et al., (2020) serta Nugrahanto & Gramatika (2022) also support that tax avoidance influence firm value.

H₃: “Tax Avoidance influences Firm Value”

**Figure 1. Conceptual Framework**

**METHODOLOGY**

The study utilizes secondary data extracted from the annual and financial reports of primary consumer sector companies listed on the Indonesian stock exchange between 2020 and 2022. Purposive sampling was employed, selecting companies operating within the primary consumer sector that consistently provided comprehensive annual and financial reports throughout the 2020-2022 timeframe, (2) Primary consumer sector companies that have positive pre-tax profits and (3) Primary consumer sector companies that have a Cash ETR value <1 and are positive so as not to trigger model
estimation problems. Based on the criteria set previously, 132 research data (44 companies) were obtained.

**Operational Definition of Variables**

**Firm Value**

This study detects firm value using the Tobins'Q ratio. A high Tobins'Q value states that the growth of a company is good, while if the value is low then the growth of a company can be considered bad. The equation for calculating Tobin's Q is as shown below (Ningrum, 2022):

\[
Tobins'Q = \frac{MVE + DEBT}{Total\ Asset}
\]

**Entreprise Risk Management**

ERM measurement in this study uses dummy variables, namely for issuers that implement ERM, they get a score / value of 1 on each ERM disclosure component totaling 108 items, while a value of 0 is given to issuers that do not implement ERM (Rahmi & Wijaya, 2022).

\[
ERMDI = \frac{\sum i j Ditem}{\sum i j Aitem}
\]

**Slack Resources**

Slack resources are the availability of company resources that are too much than needed. This variable is proxied by using the value of the company's cash and cash equivalents (Sudarma et al., 2023).

\[
Slack\ resources = \ln\ cash\ and\ cash\ equivalents
\]

**Tax Avoidance**

Tax Avoidance proxied by Cash ETR shows that companies doing tax avoidance have a smaller effective tax rate (Zulfiara & Ismanto, 2019). The following is the formula for tax avoidance used in this study (Septiawan et al., 2021)

\[
Cash\ ETR = \frac{\text{Cash Tax Paid}}{\text{Pre Tax Income}}
\]

**RESULTS**

**Descriptive Statistical Analysis**

<table>
<thead>
<tr>
<th>Tabel 1. Descriptive Statistical Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>Median</td>
</tr>
<tr>
<td>Maxsimum</td>
</tr>
<tr>
<td>Minimum</td>
</tr>
<tr>
<td>Std. Dev.</td>
</tr>
<tr>
<td>Observations</td>
</tr>
</tbody>
</table>
Source: Data processed with Eviews (2024)

Table 1 displays the findings of a descriptive statistical analysis, indicating that a total of 132 data observations were utilized in this study. The Tobins'Q ratio indicates that on average, the firm value is 1.977142, with a standard deviation of 1.938136. The highest recorded value is 14.41466, while the lowest is 0.517527. On average, enterprise risk management stands at 0.536827, with a standard deviation of 0.052409. On average, slack resources stands at 26.94563, with a standard deviation 2.00832.Its maximum value is 31.01467, and its minimum is 18.30015. Tax avoidance ranges from 0.314815 to 0.629630, averaging 0.242099, with a standard deviation of 0.135967.

**Model Selection Test**

*Chow Test*

The Chow test aims to determine the optimal fixed effect or common effect model to utilize. To select the optimal model, the following hypothesis is employed (Nani, 2022):

\[ H_0 : \text{"Common Effect Model (CEM)"} \]

\[ H_1 : \text{"Fixed Effect Model (FEM)"} \]

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>Chi-Sq. d.f</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>3.601509</td>
<td>3</td>
<td>0.3078</td>
</tr>
</tbody>
</table>

Source: Data processed with Eviews (2024)

The results in table 2 indicate that the Cross-section F probability value from the chow test is less than 0.05, with a value of 0.0000. Therefore, the null hypothesis H0 is rejected, and the alternative hypothesis H1 is accepted, suggesting that the fixed effect model (FEM) is the chosen model in this Chow test.

*Hausman Test*

The Hausman test was conducted to ascertain the superior model between the fixed effect model and the random effect model. The following hypothesis is utilized to determine the optimal model (Nani, 2022):

\[ H_0 : \text{"Random Effect Model (REM)"} \]

\[ H_1 : \text{"Fixed Effect Model (FEM)"} \]

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>Chi-Sq. d.f</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>3.601509</td>
<td>3</td>
<td>0.3078</td>
</tr>
</tbody>
</table>

Source: Data processed with Eviews (2024)
The Hausman test results in table 3 indicate that the probability value of the random cross-section is 0.3078, which is greater than 0.05. Therefore, the random effect model (REM) is chosen in the Hausman test as $H_0$ is accepted and $H_1$ is rejected.

**Lagrange Multiplier Test**

The optimal model between the random effect model and the fixed effect model was identified using the Lagrange multiplier test. To choose the optimal model, the following supposition is applied (Nani, 2022):

$H_0$ : “Common Effect Model (CEM)”

$H_1$ : “Random Effect Model (REM)”

<table>
<thead>
<tr>
<th>Test Hypothesis</th>
<th>Cross-section</th>
<th>Time</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breusch-Pagan</td>
<td>102.1660</td>
<td>1.185096</td>
<td>103.3511</td>
</tr>
<tr>
<td></td>
<td>(0.0000)</td>
<td>(0.2763)</td>
<td>(0.0000)</td>
</tr>
</tbody>
</table>

Source: Data processed with Eviews (2024)

The lagrange multiplier test findings in Table 4 indicate that $0.0000 < 0.05$ is the breusch-pagan probability value. The random effect model (REM) is the model selected for this lagrange multiplier test, and $H_0$ is thus rejected while $H_1$ is accepted.

**Classic assumption test**

**Multicollinearity Test**

To assess whether the regression model detects correlations among the independent variables, the multicollinearity test is employed. Assuming that there is no issue with multicollinearity if the partial correlation value is less than or equal to 0.90 (Ghozali & Ratmono, 2017).

<table>
<thead>
<tr>
<th>X1</th>
<th>X2</th>
<th>X3</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>1.000000</td>
<td>0.280396</td>
</tr>
<tr>
<td>X2</td>
<td>0.280396</td>
<td>1.000000</td>
</tr>
<tr>
<td>X3</td>
<td>-0.293281</td>
<td>-0.126370</td>
</tr>
</tbody>
</table>

Source: Data processed with Eviews (2024)

The multicolonierity test results in table 5 by looking at the correlation coefficient of enterprise risk management (X1) and slack resources (X2) of $0.280396 < 0.90$. The correlation value of enterprise risk management (X1) and tax avoidance (X3) is $-0.293281 < 0.90$. The correlation between slack resources (X2) and tax avoidance (X3) is $0.280396 < 0.90$. So, all correlation values between these independent variables have a value smaller than 0.90, which means there is no multicollinearity problem.
**Heteroscedasticity Test**

The purpose of the heteroscedasticity test is to determine if, similar to regression, there is variance inequality between the residuals of different observations. Using the Breusch-Pagan Godfrey test, heteroscedasticity in this study was examined. A significance value of more than 0.05 indicates the absence of a heteroscedasticity issue (Ghozali & Ratmono, 2017).

<table>
<thead>
<tr>
<th>Tabel 6. Heteroscedasticity Test Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-statistic</td>
</tr>
<tr>
<td>Obs*R-squared</td>
</tr>
<tr>
<td>Scaled explained SS</td>
</tr>
</tbody>
</table>

Source: Data processed with Eviews (2024)

The chi-square probability value associated with the Obs * R-squared statistic is 0.2765, which is greater than 0.05. This indicates that there is no heteroscedasticity issue, based on the results of the heteroscedasticity test conducted earlier.

**Autocorrelation Test**

The purpose of the autocorrelation test is to ascertain whether there exists a correlation between residual errors in the current period (t) and those in the previous period (t-1) within a linear regression model. Autocorrelation in this study is assessed using the Durbin-Watson statistic (Ghozali & Ratmono, 2017).

<table>
<thead>
<tr>
<th>Tabel 7. Autocorrelation Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Durbin-Watson stat</td>
</tr>
</tbody>
</table>

Source: Data processed with Eviews (2024)

The findings of the Durbin-Watson test, with a DW value of 1.964013 and k = 3, n = 132, indicate that based on a significance level of 5%, the critical values from the DW table are dL = 1.6696 and dU = 1.7624. The values of 4 minus the upper limit (4 - dU) are 2.2376, and for the lower limit (4 - dL) are 2.3304. Considering these values, the decision criteria suggest that for a valid regression model, the DW value should satisfy the condition 1.7624 < DW < 2.2376. Thus, it can be concluded that this regression model does not exhibit autocorrelation issues.

**Panel Data Regression Analysis**

The random effect model is the chosen regression model, as demonstrated by testing using the chow, hausman, and lagrange multiplier tests (REM). Consequently, the following is the panel data regression equation that was created using the random effect model (REM):

\[ Y = 5.815737 - 6.911029X_1 + 0.004602X_2 - 1.043296X_3 \]
Based on this equation, it can be explained that:

1. “The constant of 5.815737 shows that if all independent variables (X), namely enterprise risk management, slack resources and tax avoidance are considered equal to zero, then the value of the dependent variable (Y), namely firm value, is 5.815737.”

2. “The coefficient for Enterprise Risk Management (X1) is -6.911029, indicating a negative value. Assuming all other independent variables remain unchanged, this suggests that a one-unit increase in enterprise risk management will lead to a decrease of -6.911029 in the company’s value (Y).”

3. “The coefficient for Slack Resources (X2) is 0.004602, indicating a positive value. Assuming all other independent variables remain constant, this implies that a one-unit increase in slack resources will result in a 0.004602 increase in the company’s value (Y).”

4. “The coefficient of Tax Avoidance (X3) is -1.043296. This value is negative, meaning that, under the assumption that all other independent variables remain constant, a one-unit increase in tax evasion will result in a 1.043296 reduction in the company’s value (Y).”

**Hypothesis testing**

Hypothesis testing consists of a t test (partial test) with estimates for panel data linear regression using the random effect model (REM).

**T test**

Assuming all other independent variables remain unchanged, the t-test, also referred to as the partial test, assesses the extent to which one independent variable affects the dependent variable. A significance value (sig) below 0.05 suggests that the independent variable influences the dependent variable. Conversely, if the significance value exceeds 0.05, the independent variable has no significant impact on the dependent variable (Napitupulu et al., 2021).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>5.815737</td>
<td>2.340840</td>
<td>2.484466</td>
<td>0.0143</td>
</tr>
<tr>
<td>X_1</td>
<td>-6.911029</td>
<td>3.230343</td>
<td>-2.139410</td>
<td>0.0343</td>
</tr>
<tr>
<td>X_2</td>
<td>0.004602</td>
<td>0.081578</td>
<td>0.056415</td>
<td>0.9551</td>
</tr>
<tr>
<td>X_3</td>
<td>-1.043296</td>
<td>0.572760</td>
<td>-1.821525</td>
<td>0.0709</td>
</tr>
</tbody>
</table>

Source: Data processed with Eviews (2024)

Based on the results of the tests that have been carried out, the values obtained are:

1. Enterprise Risk Management (X1) to company value (Y)
“The t-test results based on the table above obtained a probability value of 0.0343 <0.05 with a t-count value of 2.139410 while the t-table value is 1.97852 (t-count > t-table). Therefore, it can be concluded that enterprise risk management affects firm value.”

2. Slack Resources (X2) to company value (Y)

“The t-test yielded a t-count value of 0.056415 with a corresponding probability value of 0.9551, which is greater than 0.05. Comparatively, the t-table value is 1.97852 (t-count < t-table). Therefore, it can be concluded that there is no significant relationship between slack resources and firm value based on these findings.”

3. Tax Avoidance (X3) on company value (Y)

“Based on the preceding table, the t test results yielded a probability value of 0.0709>0.05 and a t-count value of 1.821525; the t-table value, on the other hand, is 1.97852 (t-count < t-table). Thus, it may be said that tax evasion has no bearing on business value.”

DISCUSSION

The Influence of Enterprise Risk Management on Firm Value

The test results for the enterprise risk management variable show that the t-count value of 2.139410 exceeds the t-table value of 1.97852 (t-count > t-table). Moreover, with a significance value of 0.0343, which is lower than 0.05, the findings indicate that enterprise risk management significantly impacts business value. Consequently, the first hypothesis (H1) is supported, confirming that the enterprise risk management variable influences business value.

Signal theory underscores the importance of business information in influencing investment decisions made by external parties. If the information provided is positive (good news), investors will react very positively, otherwise if the information provided is negative (bad news), investors will react negatively. The findings indicated that the more enterprise risk management information that was disclosed, the lower the value of the company. This is because investors interpreted the company’s disclosure of enterprise risk management as bad news because the financial statements' disclosure of risk-related information was not fully followed by details about the company's plans to anticipate or mitigate these risks (Cristofel & Kurniaawati, 2021).

The aims of reporting enterprise risk management is to increase transparency regarding risk. The high disclosure of enterprise risk management should indicate the higher the business risk experienced by the company, this can cause a decrease in demand for the company's shares (Putri & Makaryanawati, 2022). When investors get unexpected risk information
disclosed by the company, investors will hesitate to invest because risk is closely related to losses if it cannot be properly mitigated (Anggreni et al., 2021).

This study contradicts the findings of research conducted by Faisal et al. (2021), Listiani & Ariyanto (2021), Suardi & Werastuti (2022), Astuti et al. (2022) which proves that enterprise risk management disclosure increases the worth of the company. However, this research aligns with studies conducted by Arifah & Wirajaya (2018), Cristofel & Kurniawati (2021), Anggreni et al. (2021), Sari & Witjaksono (2021), Putri & Makaryanawati (2022) and Ticoalu & Agoes (2023) show a negative influence between enterprise risk management on firm value.

**The Influence of Slack Resources on Firm Value**

The Natural Logarithm of Cash and Cash Equivalents test results for the slack resources variable indicate that the t-count value of 0.056415 is less than the t-table value of 1.97852 (t-count < t-table). Furthermore, 0.9551’s significance value is higher than 0.05. Therefore, the second hypothesis (H2) is dismissed, indicating that the slack resources variable does not influence firm value.

An increase in firm value is expected to occur if the company has slack resources because the more the company has more resources, the company can utilize these slack resources more optimally. This means that companies that have slack resources are expected to increase firm value because these slack resources when maximized can be used to make policies that can affect firm value. However, it turns out that in reality investors in making investment decisions are more focused on considering other financial aspects than slack resources (Widhyastuti et al., 2022).

These results contradict stakeholder theory which states that the existence of abundant cash can encourage companies to meet stakeholder needs through various activities so as to increase firm value. However, in reality, stakeholders, especially investors, have not seen financial slack or abundant cash as a company quality that can enhance value (Sudarma et al., 2023). Companies with high levels of slack often invest in high-risk and dubious projects that can jeopardize the company’s financial performance (Rukmana et al., 2020).

The findings of this investigation do not correspond with the findings of Yusuf et al. (2017), Andayani et al. (2022), Sulhan & Pratomo (2020), Tabassam & Khan (2021) and Alshorman et al., (2022) reveal that slack resources influence company value. The findings of this investigation corroborate the findings of research carried out by Rukmana et al. (2020), Shafina et al. (2021), Solikhin et al. (2022), Widhyastuti et al. (2022) dan Sudarma et al. (2023) indicate that the natural logarithm of cash and cash equivalents, used as a proxy for slack resources, does not affect company value.
The Influence of Tax Avoidance on Firm Value

The findings of this study regarding the tax avoidance variable, represented by Cash ETR (effective tax rate), which examines cash payments for corporate taxes divided by pre-tax profits, indicate that the t-value of 1.821525 is lower than the critical t-value of 1.97852 (t-value < critical t-value). Additionally, the significance level of 0.0709 exceeds 0.05. Therefore, it can be concluded that the tax avoidance variable does not affect firm value, leading to the rejection of the third hypothesis (H3).

This study reveals that tax avoidance does not influence firm value. This suggests that the extent of tax avoidance does not impact the fluctuations in firm value. Investors generally do not factor in corporate tax amounts when making investment decisions (Laksmi et al., 2023). They prioritize high profitability and returns, regardless of a company's tax avoidance practices. Consequently, management strategies focused on maximizing profits through tax avoidance do not affect firm value (Handoyo et al., 2021).

Managers take various actions to maximize company profits and company value. Managers can enhance shareholder value by optimizing the company's tax expenses. Tax planning strategies can effectively minimize tax liabilities (Yuliandana et al., 2021). However, investors typically favor investing in stable companies that offer more predictable and higher returns. Compared to tax avoidance, companies can increase profits by increasing turnover and saving other significant costs so as to create maximum profits, which will attract investors in making investments (Astuti & Rahman, 2022).

This study contradicts other studies that claim tax evasion affects a company's valuation, namely research conducted by Wanami & Merkusiwati (2019), Nugraha & Setiawan (2019), Arfiansyah (2020),, Khuong et al., (2020) serta Nugrahanto & Gramatika (2022) which shows that tax avoidance has a positive effect on company value. The results of this research are in line with research conducted by Akbari et al. (2019), Yuliandana et al. (2021), Tambahani et al. (2021), Handoyo et al. (2021), Astuti & Rahman (2022), Sa’diyah & Hariyono (2022), Nurasiah & Riswandari (2023) serta Laksmi et al. (2023) It claims that the value of a company is unaffected by tax avoidance.

CONCLUSIONS AND RECOMMENDATIONS

Based on the data analysis and discussion presented in the preceding chapter, It can be inferred that enterprise risk management significantly and partially negatively impacts the value of primary consumer sector companies listed on the Indonesia Stock Exchange from 2020 to 2022. The independent variables that influence this relationship are slack resources, tax avoidance, and
enterprise risk management. Tax evasion and slack resources, on the other hand, have little to no impact on firm value.

This study only looks at primary consumer sector companies, which are the only business sector covered by firms listed on the Indonesian Stock Exchange. It also only observes these companies for a three-year period (2020–2022). It is envisaged that future researchers would use all sectors listed on the Indonesia Stock Exchange, or they may add sectors to the sample of companies to be investigated. This is done in order to avoid narrowly limiting study findings and to make them more broadly applicable in the future.

FUTURE STUDY

Future researchers are expected to extend the research period. This study only tested 3 independent variables, which include enterprise risk management, slack resources and tax avoidance. There can still only be one measurement proxy employed for each of the independent variables in the study. It is expected that future studies will incorporate additional independent variables that could affect firm value. Furthermore, different metrics from those employed in this study are likely to be utilized in future research to explore the influence of independent variables on company value.

REFERENCES


