

## The Effect of Profitability, Retention Policy, and Tax Planning, on Firm Value with Financing Policy as A Moderating Variable

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### ABSTRACT

This research aims to explain and examine the effect of profitability, retention policy, and tax planning on firm value with financing policy serving as a moderating variable. The study's population and sample comprise companies categorized under LQ45 on the Indonesia Stock Exchange, during the timeframe spanning from 2015 to 2022. The research employs purpose sampling for sample selection and will utilize the methods of Moderated Regression Analysis. This research reveal that profitability and retention policy exert a positive and substantial influence, whereas tax planning does not affect the firm's value significantly. Additionally, the financing policy does not moderate or weaken the influence of profitability, retention policy, and tax planning on firm value.

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## **INTRODUCTION**

Enhancing the well-being of shareholders is one of the objectives in establishing a company. To achieve this goal, it can be pursued by optimizing the firm (company) value. Maximizing a firm's value holds considerable importance, as it implies the optimization of the company's primary goals (Ayem & Tia, 2019).

The value of a company can fundamentally be assessed from various perspectives, with one such perspective being the company's stock price (Setiawan et al., 2019). It is essential for a company to enhance its stock price, encouraging shareholders to choose to opt for capital investment in the company. Additionally, according to Sudana (2011), the stability and long-term growth of a company's stock price mirror its value, with a direct correlation between a higher stock price and increased firm value. A high stock price can indicate the ability to provide or improve shareholder welfare, sending a favorable message to potential investors for capital investment (Suwardika & Mustanda, 2017).

Moreover, the firm's value can be enhanced by reducing information asymmetry through providing credible financial information to external parties, thereby mitigating uncertainty regarding the future potential for the company's expansion and progress. As per Jogiyanto (2010), announcements containing disclosed information act as signals influencing investors in their investment decisions. Once the information is made public, market participants analyze and interpret it initially as either positive (good) or negative (bad) news. These signals ultimately influence the stock price of a company and, consequently, impact the firm's value.

To determine or measure a firm's value, various methods or ratios are commonly utilized, these include like Price to Book Value (PBV), Price Earning Ratio (PER), and Tobin's Q. Regarding Price to Book Value (PBV), the determination of the firm's value involves evaluating the stock price relative to the book value per share. An elevated Price to Book Value signifies a considerable degree of prosperity for shareholders, with shareholder well-being being the primary objective of the company (Pratama & Wiksuana, 2016). Firms experiencing significant growth rates typically exhibit a elevated Price Earning Ratio, which signifies the market's valuation of a company's stock book value by comparing the stock price per share (determined in the capital market) with earnings per share. A high Price Earning Ratio signifies the market's expectation of future earnings growth. On the flip side, enterprises exhibiting slow growth rates generally display a diminished Price Earning Ratio (Fatima & Wahyudin, 2015). Tobin's Q signifies promising growth prospects for a company when its value surpasses 1. This is attributed to the increased market value of a company's assets relative to the book value, leading to a greater willingness on the part of investors to make additional commitments to acquire the company (Jantana, 2011). These three types of ratios were selected for use in the study to determine the firm's value.

Several factors influence the value of a company, and these factors can either decrease or increase the firm's value. To identify the most impactful

factors on a firm's value, numerous studies related to corporate value have been conducted. Previous research in Indonesia on firm value has explored various factors such as Leverage (Rinnaya et al., 2016; Purnamasari & Baskara, 2019), Debt To Equity Ratio (Murni et al., 2019), Debt To Asset Ratio (Pamungkas & Maryati, 2017), Corporate Social Responsibility (Apriyani & Sutjahyani, 2018), Intellectual Capital (Ardianto & Rivandi, 2018; Pamungkas & Maryati, 2017), Cash On Hand (Toly et al., 2019), Stock Price (Yuliana, 2020), Profitability (Afifah, 2020; Aryani, 2018; Al'akbar & Sumasari, 2015), Company Size (Suntari, 2020; Afifah, 2020; Ariyani, 2018), Capital Adequacy Ratio (Murni et al., 2019), Independent Board of Commissioners (Ardianto & Rivandi, 2018), Enterprise Risk Management (Pamungkas & Maryati, 2017; Agustina & Baroroh, 2016; Sayilir & Farhan, 2016), Corporate Governance (Toly et al., 2019), Board of Directors (Ardianto & Rivandi, 2018), Free Cash Flow (Yuliana, 2020; Susilo et al., 2018; Feriani & Amanah, 2017), Investment Opportunity Set (Anggraeni et al., 2018; Susilo et al., 2018), Economic Value Added (Purnamasari & Baskara, 2019), Islamic Social Reporting (Setiawan et al., 2019), Investments (Yuliani et al., 2013; Rinnaya et al., 2016), Dividends (Ayem & Tia, 2019; Mutmainnah et al., 2019), Retention Ratio (Yemi & Seriki, 2018; Dahmash et al., 2023), and Tax Planning (Wahab & Holland, 2012; Desai & Hines, 2002).

Among the various factors mentioned, research on the relationship between profitability, retention policy, tax planning, and financing policy has been extensively conducted to date. However, there are differences in the results of these studies. Discrepancies in research outcomes can arise due to variations in the ratios used to determine firm value. Additionally, the choice of indicators for identifying or measuring independent variables can also impact research results, leading to differences among researchers. Nevertheless, it is hoped that by optimizing profitability and retention policy while reducing tax planning, the firm's value can be maximized. Furthermore, it is expected that financing policy can enhance or strengthen the relationship between profitability, retention policy, and tax planning, ultimately leading to an improvement in the well-being of stakeholders.

One of the previously mentioned financial elements that can impact a firm's value is profitability, which serves as a metric for evaluating a company's performance. Improved financial performance directly correlates with an enhanced firm value. A robust firm value, in turn, captures the attention of numerous investors and encourages them to invest their capital in the company (Sucuahi & Cambarihan, 2016). Profitability essentially reflects a company's capacity to generate profits within a given timeframe. If a company lacks the ability to generate profit effectively, investors may hesitate to invest, leading to a lack of confidence that can cause a decline in stock prices and, consequently, a decrease in the firm's value. There are variations in research findings regarding the relationship between profitability and firm value. According to Kusendri (2022), Afifah (2020), Aryani (2018), Nisa (2017), Erawati & Ramadhani (2021), Al'akbar & Sumasari (2015), Wijaya & Sedana (2015), Ayu & Suarjaya (2017), Mustanda & Pramana (2016), and Nurhayati & Medyawati (2012), Chen & Chen (2011), Sucuahi & Cambarihan (2016), Hidayat (2019), Ayem & Ragil (2016), and

Arfianti & Anggraini (2023), firm value is positively and significantly influenced by profitability. In contrast, according to Oktaryani et al. (2017) and Pratama & Wiksuana (2018), firm value is negatively and significantly affected by profitability, and research by Sondakh (2019) and Sari & Sudjarni (2015) suggests that profitability does not have a significant impact on firm value.

The policy regarding retention, commonly known as the retention ratio, is a ratio that indicates the level of profits not distributed to shareholders. This ratio is the opposite of the dividend policy implemented by a company, and it can indirectly impact the firm's value. Managers need to determine whether the profits generated in a specific period will be fully distributed or if only a portion will be allocated as dividends, while the remaining amount is retained as the company's retained earnings (Sartono, 2010). When a company retains dividends, it can send a positive signal to investors that the company intends to invest in the upcoming period. Similarly, an increase in dividends paid can present a positive indication to investors regarding the firm's value. However, there are discrepancies in the findings of previous research. Yemi & Seriki (2018) assert that the retention policy (retention ratio) positively influences firm value, while Dahmash et al. (2023) argue that the retention policy has a negative impact on firm value. Additionally, studies by Safira & Dillak (2021) & Berampu (2019) suggest that the retention policy negatively and significantly affects stock prices, whereas Misir & Huq (2007) and AlTroudi & Milhem (2013) state that the retention policy has a positive and significant impact on stock prices. Furthermore, Qodary & Tambung (2021) and Khan (2012) state that the retention policy does not affect stock prices. The relationship between stock prices and firm value is close because indicators like PBV and Tobin's Q utilize stock prices for measurement.

Tax planning is one of the strategies employed by management to reduce the amount of taxes paid by the company. This is done by controlling every transaction with tax consequences, aiming to efficiently manage the amount of taxes transferred to the government (Yuliem, 2018). When calculating and paying taxes, companies typically make efforts to minimize the tax burden to enhance net profit after taxes, which ultimately impacts the firm's value. The outcomes of numerous studies vary concerning the association between tax planning and firm value. Yani & Hari (2022), Iqbal & Putra (2018), and Dwanata & Tarmizi (2017) state that tax planning significantly influences firm value, while Yuliem (2018) and Ayem & Irmawati (2019) assert that tax planning has no impact on firm value. Anggraini (2023) and Wahab & Holland (2012) state that there is an adverse correlation between tax planning and firm value, whereas Desai & Hines (2002) state that if tax planning maximizes shareholder value, then its relationship is positive.

Furthermore, financing policy is also crucial in determining a firm's value. Financing policy involves decisions on how a company seeks funds to finance investments and the composition of funding sources. Company funding sources can be obtained either internally, such as retained earnings, or externally through debt or equity issuance. Funding from debt issuance also has negative effects, as failure to pay interest or principal on agreed-upon dates with

creditors can lead to bankruptcy proceedings. On the other hand, not paying dividends to shareholders does not pose a bankruptcy threat to the company. Research on the impact of financing decisions on firm value has been conducted extensively, but there is still inconsistency in research findings. Wendy (2023) and Yuliani et al. (2013) contend that financing decisions do not exert a substantial impact on firm value, while Miraningrum & Kusendri (2022), Bahrin et al. (2020), Sari (2016), Gustiandika et al. (2014), Rinnaya et al. (2016), and Sartini & Purbawangsa (2014) assert that financing decisions positively and significantly influence firm value. Conversely, other studies conducted by Sari & Wahidahwati (2018) and Murni et al. (2019) state that financing decisions negatively and significantly impact firm value.

Based on the above description, the diversity in previous research results indicates a research gap regarding the impact of profitability, retention policy, tax planning, and financing policy on firm value. Therefore, the researcher is interested in conducting a study on the relationship between profitability, retention policy, and tax planning on firm value, with financing policy as a moderating variable. Financing policy is selected as the moderating variable to understand its enhancement or strengthening effect on each variable of profitability, retention policy, and tax planning on firm value.

## **THEORETICAL REVIEW**

### **Signaling Theory**

Signaling theory, initially proposed by Spence (1973), elucidates that the sender or information owner provides a signal or indication in the form of information reflecting the conditions of a company, which proves beneficial for the recipient, typically an investor. Signaling theory delves into the motivation of a company to share information with external parties, driven by the presence of information asymmetry between management and external entities. This motivation stems from the need to address the asymmetry, leading companies to disclose information they possess, be it financial or non-financial, with the aim of mitigating such informational disparities.

By reducing information asymmetry, the value of a company can be enhanced. A method employed by companies is to signal external parties. This signaling entails furnishing trustworthy financial information to reduce uncertainty concerning the company's prospective growth possibilities. As per Jogiyanto (2010), information disclosed through announcements serves as a signal that influences investors in their investment decisions.

The Signaling theory is a consequence of information asymmetry. The connection between the signaling theory and this research indicates that financial policies, retention (dividend) policies, tax planning, and profitability outlined in financial reports are often considered signals for investors to assess the company's performance, potentially influencing the company's stock prices.

### **Firm Value**

The value of a company is the amount a prospective buyer is prepared to pay in the event of a sale, as mentioned by Prasetyorini (2013). Rizqia et al.

(2013) similarly express that a firm's value is indicative of the business entity's capability to generate future profits, as manifested in its market value. Consequently, it can be inferred that a firm's value represents an asset capable of yielding profits through its operations, evident in the stock price, and contributes to the company's increased value upon potential future sale.

The importance of a company's value is evident in its direct contribution to the increased well-being of shareholders. A surge in stock prices correlates with an upswing in the company's value. The wealth and prosperity of both shareholders and the company are mirrored in the market value of stocks, providing insights into financing decisions, investments, and asset management preferences (Hermuningsih, 2012).

Various metrics used to assess firm value encompass the Price Earning Ratio (PER), Tobin's Q, and Price to Book Value Ratio (PBV). In this research, Tobin's Q is employed as a proxy for firm value because it is a representative ratio for assessing the creation of firm value. Tobin's Q captures the correlation between a company's market value and its intrinsic value, serving as an indicator to assess whether a company's stocks are perceived as affordable (undervalued) or expensive (overvalued) (Hayes, 2021). The ideal Tobin's Q value is 1.0, indicating that the market accurately values the company (market value of assets equals book value of assets). When Tobin's Q < 1, a company may be considered cheap (undervalued) because its book value is higher than its market value. This can attract specific parties to buy the company, and vice versa

### **Profitability**

Profitability refers to a company's capacity to generate income or profit. The profit earned by a company comes from its sales and investments. In signaling theory, it is explained that company management signals to investors by distributing dividends, indicating the success of the company in obtaining profits. Beside that, Profitability is a critical aspect that receives significant attention as it stands as one of the decisive factors contributing to a company's survival (Bamatraf et al. 2020)

In this research, profitability is proxied by Return on Asset (ROA). A higher ROA signifies increased productivity and efficiency, leading to greater profit generation and overall improved profitability for the company. Elevated profitability functions as a positive indicator for investors, signaling the company's favorable status and acting as an incentive for them to invest in the company's shares (Alfina & Sufiyati, 2020).

### **Retention Policy**

The retention policy or retention ratio is a metric that reveals the portion of profits withheld from distribution to shareholders in the form of dividends (Prayogo et al., 2023). As per Brigham & Houston (2006), the retention ratio represents the share of net income reinvested in the company and is computed as 1 (one) minus the dividend payout ratio. In essence, this ratio stands in contrast to the dividend payout ratio, which quantifies the percentage of profits disbursed to shareholders as dividends. Since profits are not distributed, they increase retained earnings and positively influence capital growth. In essence, a

higher retention ratio is advantageous for the company as it strengthens internal financing. However, for investors, it may be detrimental due to the lack of dividends received.

### **Tax Planning**

Tax planning is the process of organizing a company in such a way that it takes advantage of various possible avenues within the framework of tax regulations (loopholes) to minimize the amount of taxes paid by the company (Herawati & Diah, 2016). In this study, tax planning is measured using the Effective Tax Rate (ETR) formula (Iqbal & Putra, 2018), which involves dividing the overall income tax expense by the pre-tax income..

### **Financing Policy**

Funding decisions involve determining how a company secures funds to finance investments and determining the composition of its funding sources. Companies can obtain funding from both external and internal sources. External funding sources include debt or equity issuance, while internal funding comes from retained earnings. Optimal combinations of funding decisions are crucial and necessary as they are expected to enhance the firm's value. Deciding on funding sources is not a straightforward matter. Several factors influence a company's decision on funding sources, ranging from taxation aspects to the potential for bankruptcy.

Funding decisions in this research are observed through the Debt to Equity Ratio (DER). A higher DER indicates that the company has more debt. At a certain level, this debt positively impacts the company by facilitating investment capital. However, when the debt becomes excessive, the risk of default becomes very high, leading to a decrease in investor confidence and a subsequent decline in the firm's value.

### **Hypothesis Development**

Based on the elaboration above, the research hypotheses in this paper are as follows:

H1: Profitability has a positive and significant effect on firm value.

H2: Retention policy has a positive and significant effect on firm value.

H3: Tax planning has a negative and significant effect on firm value.

H4: Financing policy moderates or strengthens the influence of profitability on firm value.

H5: Financing policy moderates or strengthens the influence of retention policy on firm value.

H6: Financing policy moderates or strengthens the influence of tax planning on firm value.

### **METHODOLOGY**

This research adopts a quantitative method. The focus of this research is on analyzing the influence of profitability, retention policy, tax planning, and financing decisions on firm value. The study analyzes numerical data obtained from secondary sources in the form of annual reports.

This study utilizes purposive sampling as the chosen sampling technique. The purposive sampling method involves selecting data predetermined by the researcher based on considerations and criteria. The sample in this study comprises publicly listed companies (go public) registered with the Indonesia Stock Exchange (BEI) falling under the LQ45 category for the data period 2015–2022. The selection of the LQ45 category or index is made because companies listed in the top 45 of this list demonstrate good financial performance and growth prospects, and their stocks are among the most liquid on the Indonesia Stock Exchange. From the 62 companies that were part of the LQ45 category during the 2020–2023 period, 30 samples were chosen, representing companies in the LQ45 category for the 2023 period and at least one period between 2020–2022, meeting the data variable criteria for the study. This results in a total of 240 company-years. However, for hypothesis testing, only one year of data was selected, namely the average value of data for the period 2015–2022 for each.

The variables utilized in this research include profitability, retention policy, and tax planning as independent variables, firm value as the dependent variable, and financing decisions as a moderating variable. In this research, Tobin’s Q ratio is utilized as a proxy for firm value. Regarding the independent variables, Return on Asset (ROE) is employed as a proxy for profitability, the retention policy is gauged through the retention ratio (RR), and tax planning is assessed using the Effective Tax Rate (ETR), derived by subtracting 1 from the Dividend Payout Ratio (DPR). Additionally, financing decisions are evaluated using the Debt to Equity Ratio (DER) formula, which compares total debt to total equity.

## RESEARCH RESULTS AND DISCUSSION

The research utilizes the multiple linear regression analysis as the chosen analytical method, namely profitability (ROA), retention policy (RR), and tax planning (ETR) on the independent variable, firm value (Tobin’s Q). Additionally, this study also conducts moderated regression analysis (MRA) using the SPSS software to examine the moderating effect of financing policy (DER) on the dependent variables.

### Descriptive Analysis Results

Table 1 Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
ROA	30	19.90	.79	20.69	7.6370	5.54119	30.705
RR	30	86.94	13.06	100.00	56.3967	25.21543	635.818
ETR	30	42.48	10.77	53.25	26.8307	9.79220	95.887
DER	30	12.90	.17	13.07	1.9693	2.77266	7.688
Tobins Q	30	4.56	.83	5.39	1.8540	1.11802	1.250
Valid N (listwise)	30						

Source: Processed Statistical Data (2023)



Based on the above results, which consist of 30 samples representing the average values of data from 30 companies for the period 2015-2022, the findings can be explained as follows:

1. Profitability (ROA) ranges from a minimum of 0.79 to a maximum of 20.69, with an average value of 7.6370 and a standard deviation of 5.54119. This indicates that the tendency of profitability values or data deviates by 5.4119 from the average profitability data owned by the companies.
2. The retention policy (RR) ranges from a minimum of 13.06 to a maximum of 100, with an average value of 56.3967 and a standard deviation of 25.21543. This means that the tendency of retention policy values or data deviates by 25.21543 from the average retention policy data owned by the companies.
3. The tax planning (ETR) ranges from a minimum of 10.77 to a maximum of 53.25, with an average value of 26.8307 and a standard deviation of 9.79220. This indicates that the tendency of tax planning values or data deviates by 9.79220 from the average tax planning data owned by the companies.
4. The financing policy (DER) spans from a minimum of 0.17 to a maximum of 13.07, with an average value of 1.9693 and a standard deviation of 2.77266. This means that the tendency of financing policy values or data deviates by 2.77266 from the average financing policy data owned by the companies.
5. The firm value (Tobin's Q) spans from a minimum of 0.83 to a maximum of 5.39, with an average value of 1.8540 and a standard deviation of 1.11802. This indicates that the tendency of firm value values or data deviates by 1.11802 from the average firm value data owned by the companies.

### Classic Assumption Test Results

The outcomes of the Kolmogorov-Smirnov normality test indicate that the Asymp Sig (2-tailed) value exceeds 0.05, suggesting that the data conforms to a normal distribution.

Table 2. Normality Test  
**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		30
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.80117021
Most Extreme Differences	Absolute	.078
	Positive	.078
	Negative	-.078
Test Statistic		.078
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

Source: Processed Statistical Data (2023)

Based on the Multicollinearity Test, the tolerance values for profitability, retention policy, and tax planning are 0.507, 0.372, and 0.401, respectively,

where the tolerance values for all three variables are greater than 0.10. Meanwhile, the VIF values for profitability, retention policy, and tax planning are 1.974, 2.685, and 2.491, respectively, where the VIF values for all three variables are less than 10.00. From this, it can be inferred that there is no indication of multicollinearity in the regression model.

Table 3. Multicollinearity Test

Model		Collinearity Statistics	VIF
		Tolerance	
1	(Constant)		
	ROA	0.507	1.974
	RR	0.401	2.491
	ETR	0.372	2.685

a. Dependent Variable: Tobins Q

Source: Processed Statistical Data (2023)

The heteroskedasticity test results indicate that the data points in the plot are scattered widely and randomly without forming a pattern. Therefore, based on this research, it can be concluded that there is no evidence of heteroskedasticity issues in the regression model.

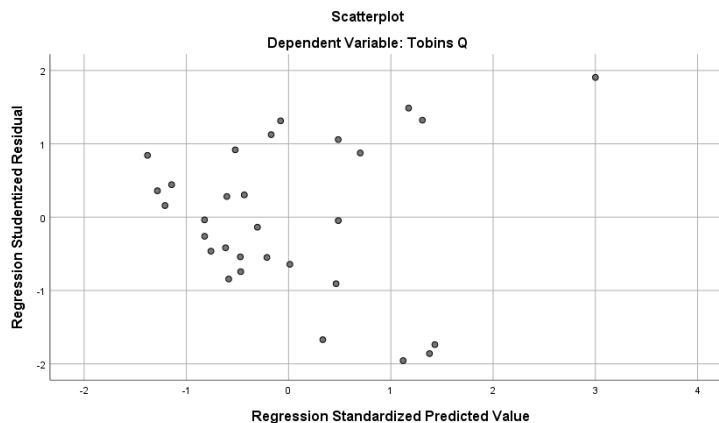


Figure 1. Heteroscedasticity test  
Source: Processed Statistical Data (2023)

The results of the Autocorrelation Test show a Durbin-Watson (DW) statistic of 1.253, which falls between -2 and +2 and is within the range of dL and dU values based on the Durbin-Watson table. Therefore, it is concluded that the regression equation in this study is free from autocorrelation.

Table 4. Autocorrelation Test

Uji DurbinWatson	N	Tabel Durbin Watson
1.253	30	dL 1.1426; dU 1.7386

Source: Processed Statistical Data (2023)

### Hypothesis Test Result

To examine the influence of profitability, retention policy, and tax planning on the independent variable of firm value and to test the moderating effect of the financing policy variable in supporting the influence of profitability, retention policy, and tax planning on firm value, Moderated Regression Analysis was employed. The results of the MRA calculations are as follows:

Table 5. Results of Moderated Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.123	1.250		-.898	.378
	ROA	.164	.042	.813	3.873	.001
	RR	.026	.010	.583	2.474	.021
	ETR	-.007	.028	-.065	-.267	.792
	ROA *DER	.067	.063	.274	1.075	.293
	RR *DER	-.003	.004	-.522	-.634	.532
	ETR *DER	.006	.014	.393	.441	.663

Source: Processed Statistical Data (2023)

Based on the calculation results using moderated linear regression analysis, the obtained equation is as follows:

$$Y = -1.123 + 0.164X_1 + 0.026X_2 - 0.007X_3 + 0.067X_1*Z - 0.003X_2*Z + 0.006X_3*Z$$

The explanation for the results of the regression equation is as follows:

1. The constant value of -1.123 indicates that if the independent variable is considered constant, the obtained firm value (Tobin's Q) is -1.123.
2. The coefficient value of profitability (ROA) at 0.164 indicates that each increase in profitability by 1 will increase the firm value by 0.164.
3. The coefficient value of retention policy (RR) at 0.026 indicates that each change in the retention policy will decrease the firm value by 0.026.
4. The coefficient value of tax planning (ETR) at -0.007 indicates that each change in tax planning will decrease the firm value by -0.007.
5. In moderation model 1 (ROA\*DER), the coefficient of 0.067 means that the dividend policy variable provides a moderation value for the influence of profitability on firm value by 0.067.
6. In moderation model 3 (RR\*DER), the coefficient of -0.003 means that the dividend policy variable provides a moderation value for the influence of retention policy on firm value by -0.003.

7. In moderation model 2 (ETR\*DER), the coefficient of 0.006 means that the dividend policy variable provides a moderation value for the influence of tax planning on firm value by 0.006.

Table 6. Coefficient of Determination

Model Summary <sup>b</sup>							
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	Sig. F Change	Durbin-Watson
1	.697 <sup>a</sup>	0.486	0.353	0.89962	0.486	0.011	1.253
a. Predictors: (Constant), ROA, RR, ETR, ROA*DER, RR*DER, ETR*DER							
b. Dependent Variable: Tobins Q							

Source: Processed Statistical Data (2023)

Based on the Coefficient of Determination Test, the equation has an R value of 0.697, indicating a strong relationship between firm value and its three independent variables, as it approaches the definition of very strong with a value above 0.65. Meanwhile, the R-square value of 0.486 means that 48.6% of the variation in firm value (dependent) can be explained by the variables of profitability, retention policy, and tax planning (independent), while the remaining 51.4% could be explained by other variables not used in this study. Therefore, it can be concluded that the influence of profitability, retention policy, and tax planning on firm value falls into the strong criteria.

Based on Table 5, the hypothesis testing results can be stated as follows:

1. The t-test value for the profitability variable (ROA) is 3.873, which is greater than the critical t-table value of 2.05553, with a significance value of 0.001, which is below 0.05 ( $\alpha = 5\%$ ). This implies a positive and significant impact of the profitability variable on firm value (Tobin's Q) for companies categorized under LQ45 on the Indonesia Stock Exchange. Therefore, hypothesis H1 is confirmed.
2. The t-test value for the retention policy variable (RR) is 2.474, which is greater than the critical t-table value of 2.05553, with a significance value of 0.021, which is below 0.05 ( $\alpha = 5\%$ ). This implies a positive and significant impact of the retention policy variable on firm value (Tobin's Q) for companies categorized under LQ45 on the Indonesia Stock Exchange. Therefore, hypothesis H3 is confirmed.

3. The t-test value for the tax planning variable (ETR) is -0.267, which is less than the critical t-table value of 2.05553, with a significance value of 0.792, which is greater than 0.05 ( $\alpha = 5\%$ ). This indicates that the tax planning variable does not affect firm value (Tobin's Q) for companies categorized under LQ45 on the Indonesia Stock Exchange. Therefore, hypothesis H3 is rejected.
4. The significance value of the profitability variable (ROA) on firm value (Tobin's Q) with dividend policy moderation (DER) is 0.293, which is greater than 0.05 ( $\alpha = 5\%$ ). This indicates that the dividend policy variable does not moderate or weaken the influence of profitability on firm value. Therefore, hypothesis H4 is rejected.
5. The significance value of the retention policy variable (RR) on firm value (Tobin's Q) with dividend policy moderation (DER) is 0.532, which is greater than 0.05 ( $\alpha = 5\%$ ). This indicates that the dividend policy variable does not moderate or weaken the influence on firm value. Therefore, hypothesis H5 is rejected.
6. The significance value of the tax planning variable (ETR) on firm value (Tobin's Q) with dividend policy moderation (DER) is 0.663, which is greater than 0.05 ( $\alpha = 5\%$ ). This indicates that the dividend policy variable does not moderate or weaken the influence on firm value. Therefore, hypothesis H6 is rejected.

The results from hypothesis testing, with a significance level of 0.001 (which is less than 0.05), and a t-test value of 3.873 (greater than the t-table value), indicate that profitability, measured through Return on Assets (ROA), significantly and positively influences firm value (Tobin's Q) in companies within the LQ45 category listed on the Indonesia Stock Exchange. Companies exhibiting high ROA values are indicative of superior performance, signifying a larger return on the assets held by the company. The level of ROA is contingent on how effectively management handles the company's assets, serving as a reflection of operational efficiency. A higher ROA value signifies greater efficiency in the company, leading to enhanced profit-generating capabilities and, consequently, an augmentation in firm value. These findings align with research conducted by Arfianti & Anggraini (2023), Kusendri (2022), Afifah (2020), Aryani (2018), Nisa (2017), Erawati & Ramadhani (2021), Al'akbar & Sumasari (2015), Wijaya & Sedana (2015), Ayu & Suarjaya (2017), Mustanda & Pramana (2016), Sucuahi & Cambarihan (2016), Ayem & Ragil (2016), and Hidayat (2019). Each of them discovered that profitability exerts a positive and substantial influence on firm value. These results differ from the studies by Sondakh (2019) and Sari & Sudjarni (2015), which state that profitability does not affect firm value.

The results of hypothesis testing for the retention policy variable show a significance value of 0.021, which is less than  $\alpha = 0.05$ , and the t-test value is greater than the t-table value of 2.05553. Therefore, the retention policy with the indicator 1-DPR has a positive and significant impact on firm value (Tobin's Q) in companies categorized under LQ45 on the Indonesia Stock Exchange. This implies that the company's policy of not distributing dividends entirely but rather using them for company development can send a positive signal to investors that the company intends to invest in the next period, potentially increasing the firm's value. By retaining earnings, it increases the amount of internal capital and strengthens internal financing, positively influencing capital growth. This research aligns with a study conducted by Yemi & Seriki (2018), stating that the retention ratio has a positive impact on firm value.

The results from hypothesis testing, with a significance value is 0.792, which is greater than  $\alpha = 0.05$ , and the t-test value is -0.267, which is smaller than the t-table value. Therefore, tax planning with the indicator of Effective Tax Rate (ETR) does not significantly affect firm value (Tobin's Q) for companies categorized under LQ45 on the Indonesia Stock Exchange. This implies that the tax planning carried out by companies with the ETR indicator does not guarantee or influence the firm's value significantly. It also suggests that investors, in considering their investment decisions, do not solely rely on information from financial statements, such as the effective tax rate, but also consider other factors. The research findings are consistent with studies conducted by Yuliem (2018) and Ayem and Irmawati (2019), concluding that tax planning does not significantly affect firm value. The lack of impact of the tax planning variable on firm value may be attributed to the wide range of ETR values, ranging from a minimum of 10.77% to a maximum of 53.25%. The corporate income tax rate for limited liability companies in Indonesia was only 25% for the years 2017-2019 and 22% for the years 2020-2022, with a reduction of 5% for the years 2017-2019 and 3% for the years 2020-2022 for publicly traded companies that meet the criteria. The significant difference between the highest ETR value and the applicable income tax rate is due to the nature of the sample used (companies categorized under LQ45 on the Indonesia Stock Exchange), some of which are mining companies. These mining companies may have a higher corporate income tax rate than regular companies because in their contractual agreements with the government for managing mining areas (contracts with terms ranging from 10 to 30 years), the income tax rate to be used is predetermined until the contract expires.

Several studies, such as those conducted by Wendy (2023) and Yuliani et al. (2013), have concluded that financing decisions do not significantly influence firm value. However, simultaneously, there are studies stating the opposite, as

conducted by Miraningrum & Kusendri (2022), Bahrin et al. (2020), Sari (2016), Gustiandika et al. (2014), Rinnaya et al. (2016), and Sartini & Purbawangsa (2014), indicating that financing decisions have a positive and significant impact on firm value. In this research, financing policy is used as a moderating variable to examine the ability of financing policy to moderate or strengthen the relationship between each dependent variable, namely profitability, retention policy, and tax planning, on firm value. The results from hypothesis testing, it is evident that financing policy cannot moderate the relationships between profitability, retention policy, and tax planning with firm value, using the PBV indicator. This is indicated by the significance values of all three tests being greater than 0.05, and the t-test values being smaller than the t-table values. The inability of financing policy to moderate the relationships between profitability, retention policy, and tax planning with firm value may be due to the relatively high Debt to Equity Ratio (DER) values (the indicator used for the financing policy variable), with an average value of 1.9693 (approaching 2). This implies that the sample companies have a debt-to-equity ratio of 2 to 1. The high DER values can suggest that the profitability of the sample companies relies on debt financing. The highest DER value in the sample is 13.07. The high average and maximum DER values in the study are attributed to some of the samples used (companies categorized under LQ45 on the Indonesia Stock Exchange) being banking companies.

## CONCLUSION

Based on the description of the data analysis results, the following conclusions can be drawn:

1. Profitability has a positive and significant effect on firm value.
2. Retention policy has a positive and significant effect on firm value.
3. Tax planning does not significantly influence firm value.
4. Financing policy does not moderate or weaken the impact of profitability on firm value.
5. Financing policy does not moderate or weaken the impact of retention policy on firm value.
6. Financing policy does not moderate or weaken the impact of tax planning on firm value.

## ADVANCED RESEARCH

Future research can take a larger number of samples and specialize in certain sectors. In addition, future research should also conduct tests in the form of time series. Future research also needs to pay attention to data in 2020-2022 because many companies were affected by the Covid-19 pandemic..

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