

The Effect Of Tax Avoidance And Corporate Governance On Company Value (Empire Study On Manufacturing Companies In The Consumer Goods Industry Sector Listed On The Indonesia Stock Exchange (Idx) 2015-2018 Period)

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ABSTRACT

This research is based on the fact that an investor who wants to invest in their shares sees the value of the company. This study aims to examine: 1) The effect of tax avoidance on firm value, 2) The effect of corporate governance on firm value. This type of research is quantitative research. The population of this research is manufacturing companies in the consumer goods industry which are listed on the Indonesia Stock Exchange (BEI) for the 2015-2018 period. The sampling technique in this study was purposive sampling. The data of this study used financial report data and annual reports obtained by 34 companies with a research period of 4 years and 37 outlier data so that the total sample size was 99 research data. The type of data used is secondary data obtained from www.idx.co.id and www.sahamok.com. The analytical test used is multiple linear regression analysis with the statistical analysis test method using the SPSS version 26 software program. The results showed that: 1) Tax avoidance has a positive effect on firm value. 2) Corporate governance with indicators: The Board of Directors has a negative effect on firm value, the proportion of the Independent Commissioner has no negative effect on company value and the Audit Committee has a positive effect on firm value.

Keywords : Tax Avoidance, Corporate Governance, Company Value.

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Introduction

Manufacturing industry companies in Indonesia can survive in the global market in a very tough competition. In maintaining the survival of the company, the company must have a prominent advantage over other companies. In carrying out a strategy to achieve excellence, the company must face many obstacles. The more shares invested, the more company value can be increased, namely by issuing shares (Aryanto and Setyorini, 2019).

Firm value is the basic goal of every company to increase the growth rate of a company, for an investor who wants to invest in the form of shares, they look at the value of the company (Dinah and Darsono, 2017).

Taxes are the main driver of national development in Indonesia. There is a difference of interest between the company as a taxpayer and the government as a tax collector. Tax avoidance is an activity that can cause problems with tax obligations, both activities that are permitted by taxes or special activities that can reduce taxes. In addition, tax avoidance can provide an advantage for the company, tax avoidance can also have a negative impact on the company. So that it can be caused that tax avoidance shows a personal interest on the part of the manager by carrying out profit manipulation which causes wrong information for investors and will increase the value of the company or not. This is because the company is given a bad rating by investors (Dinah and Darsono, 2017).

The emergence of an agency problem conflict, namely a conflict of interest between shareholders and managers, management will face to face to maximize the value of the company, so that other parties are only concerned with personal needs. For an investor who is willing to provide capital to the company so as to give an unfavorable assessment of the company, if the company does tax avoidance, namely by withdrawing funds that have been placed in the company (Eka P and Muid, 2017).

Research conducted by Dinah and Darsono (2017) regarding Good Corporate Governance or good governance by looking at the implementation that occurs in Indonesia. The obstacle that occurs is the development of management that is not good and requires a new application, namely the implementation of Good Corporate Governance in a company. The results of this study indicate that the implementation of Good Corporate Governance in Indonesia is still very ineffective, this is due to the fact that companies in Indonesia have not all carried out corporate culture, the most important of which is corporate governance. These companies can provide knowledge that companies in Indonesia have not been managed properly and have not implemented good governance.

According to Kurnia (2017) states that the role of the company's board of directors is classified as a supplier, namely to carry out the company's operational activities provided by investors. The more the number of directors in the company, it can be said that the company will have an organizational structure that is more efficient and effective in carrying out its activities. This is because the more the number of directors, the more balanced the organizational structure will be. If each department chaired by the board of directors will have specific and measurable tasks so that by carrying out their duties they will be more focused which has an impact on achieving company goals.

According to Dewanti and Djajadikerta (2018), independent commissioners are parties who do not have a membership relationship with the company. With the existence of an independent commissioner, investors themselves will be protected their interests, so as to increase the value of the company and increase investor confidence to invest. Independent commissioner to mediate if there is a dispute from within between the board of commissioners or the board of directors.

With the existence of an audit committee assigned by the board of commissioners to oversee the running of the company, both financially, operationally, and governance. For the benefit of shareholders, the existence of an audit committee expects management to carry out company activities in accordance with company goals. This interest protection guarantee must be an attraction for an investor to invest, so that it can increase the value of the company accordingly (Dewanti and Djajadikerta, 2018). Hypothesis: H0 : There is no effect of tax avoidance on firm value. : There is an effect of tax avoidance on firm value. H0 : There is no influence of corporate governance on firm value. : There is an effect of corporate governance on firm value.

Research Method

This research is a quantitative study and this type of research uses descriptive analysis used from empirical studies on manufacturing companies in the consumer goods industrial sector during 2015-2018. The research variable is something in the form of any variable that is determined by the researcher to be studied so as to obtain information about it, then draw conclusions (Sugiyono, 2017:38). The following variables are explained operationally so that the data can be measured clearly and accurately:

Table 1. Definition of Operational Variables

Variable	Variable Definition	Indicator	Sub Indicator	Measurement Scale
Tax Avoidance (X1)	Tax avoidance are obstacles that occur in tax collection which can result in reduced cash receipts country.	Tax Avoidance Practices	Tax Expense from Profit Before Tax	Ratio
Corporate Governance (X2)	The Board of Directors is a management system that allows the role of members of the board of directors in the implementation of Good Corporate Governance.	Board of Directors	Number of Board of Directors	Ratio
	The proportion of the Independent Board of Commissioners is a balance between the members of the board of commissioners and the controlling shareholder and can affect their ability to act independently in the interests of the	Proportion of Independent Commissioners	Number of Independent Commissioners from Number of Commissioners	Ratio

	company.			
	The Audit Committee is the party tasked with assisting the board of commissioners in improving the quality of financial reports and the effectiveness of internal and external audits.	Audit Committee	Number of Audit Committee Members	Ratio

Source: Variable Operational Definition.

Population is the area of all objects or subjects that have certain characteristics and qualities determined by the researcher to be studied and then drawn conclusions (Sugiyonoo, 1999). The population in this study are manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) for the 2015-2018 period as many as 58 companies and 34 companies that meet the criteria of this study.

The sample in this study used purposive sampling technique. Purposive sampling technique is a sampling technique that is carried out based on the characteristics established for the population determined by the research objective or problem (Tanjung and Devi, 2013: 117). Sampling in accordance with the criteria needed in research with special considerations so that it is worthy of being a sample.

Table 2. Sample Selection Process

No	Criteria	Amount
1	Manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2015-2018 period	58
2	Manufacturing companies in the consumer goods industry that do not publish a complete annual report for the period ending December 31 during the 2015-2018 period	(18)
3	Financial statements that did not generate profits for the 2015-2018 period	(6)
	Number of samples during the period of 4 years of observation	136

Outliers	(37)
Data used and processed	99

Source: Processed data.

Based on the table above, it can be seen that the number of manufacturing companies in the consumer goods industrial sector that became the research sample amounted to 34 companies. The total sample during the study was 136 samples from 4 years of observation, after outliers were made to 99 samples. The sample was chosen because it met the criteria set out in this study.

This type of research data uses secondary data, namely research data obtained through intermediary media or indirectly in the form of books, notes, existing evidence, or archives, both published and unpublished in general. The data is obtained from the annual reports of manufacturing companies in the consumer goods industry which are listed on the Indonesia Stock Exchange (IDX).

The data sources used in this research are the annual reports and financial statements of all manufacturing companies in the consumer goods industry that have been selected according to regulations and listed on the Indonesia Stock Exchange (IDX).

Methods of data analysis in testing the research sample data, the authors conducted several analyzes, namely descriptive statistical analysis, classical assumption test, and hypothesis testing. This research uses multiple linear regression analysis method. Data analysis was carried out using the SPSS version 26 program.

Results

Descriptive Statistical Analysis

In this study, descriptive statistics present the minimum value, maximum value, average value, and standard deviation of the independent variable and the dependent variable. The following are the results of descriptive statistical analysis of tax avoidance and corporate governance, namely the board of directors, the proportion of independent commissioners, and the audit committee on firm value:

Table 3. Research Descriptive Statistics

	N	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
<i>PPJ</i>	99	,42	1,03	,6657	,07824
<i>DDK</i>	99	-,35	,78	,1955	,15845
<i>PDKI</i>	99	,20	,64	,4351	,07422
<i>KA</i>	99	-,04	,26	,1301	,04804
<i>NP</i>	99	,00	2,34	,9495	,38430
<i>Valid N (listwise)</i>	99				

Source: Secondary data that is processed

Based on the table above, obtained as many as 99 observational data from 4 research periods, namely 2015-2018 with a total sample of 34 companies. The table shows the independent variables of tax avoidance and corporate governance (board of directors, proportion of independent board of commissioners, and audit committee) and the dependent variable is firm value.

The results of descriptive statistical analysis on the tax avoidance variable (PPJ) with a minimum value of 0.42, a maximum value of 1.03, an average value of 0.6657, and a standard deviation of 0.07824. The board of directors (DDK) variable has a minimum value of -0.35, a maximum value of 0.78, an average value of 0.1955, and a standard deviation of 0.15845. In the variable proportion of independent commissioners (PDKI) with a minimum value of 0.20, a maximum value of 0.64, an

average value of 0.4351, and a standard deviation of 0.07422. On the audit committee variable (KA) with a minimum value of -0.04, a maximum value of 0.26, an average value of 0.1301, and a standard deviation of 0.04804. While the variable firm value (NP) with a minimum value of 0.00, a maximum value of 2.34, an average value of 0.9495, and a standard deviation of 0.38430. So, all variables that have a mean value greater than the standard deviation value. This shows that the quality of the data is quite good, and the standard error of each variable is small.

Classic assumption test

Normality test

According to Ghozali (2011) the normality test aims to test whether in the regression model, the confounding variables or residuals are normally distributed. And to test whether the regression model of the independent variable and the dependent variable has a normal distribution, close to normal, or abnormal. In this study using the one sample Kolmogorov-Smirnov test, the variables that have an asymt. Sig below the significant level of 0.05 then the variable has a normal distribution and vice versa. The following are the results of the one sample Kolmogorov-Smirnov test in the following table:

Table 4. Normality Test

		<i>Unstandardize Residual</i>
N		99
Nomal Parameters ^{a,b}	Mean	,0103
	Std. Deviation	,52583
Most Extreme Differences	Absolut	,073
	Positive	,058
	Negative	-,073
Test Statistic		,073
Asimpy. Sig. (2-tailed)		.200 ^{c,d}
a. Test distribution is Normal.		

Source: processed secondary data

Based on the table above, it shows that the significant value of Asymp. Sig. (2-tailed) of 0.200 is greater than the significant value of 0.05. In accordance with the decision making in the Kolmogorov-Smirnov normality test, it can be concluded that the data are normally distributed. So that the requirements in the normality test in the regression model have been met.

To give confidence that this data is perfectly normally distributed, we will present the Normality Probability Plot (P-Plot) test which is used to view graphs and histograms. Data that is normally distributed will be detected from the point distribution of the diagonal line of the graph. A variable is said to be normal if it is seen from the data points that spread around the diagonal line, and the spread of the data points is in line or in the same direction following the diagonal line (Saputro, 2018).

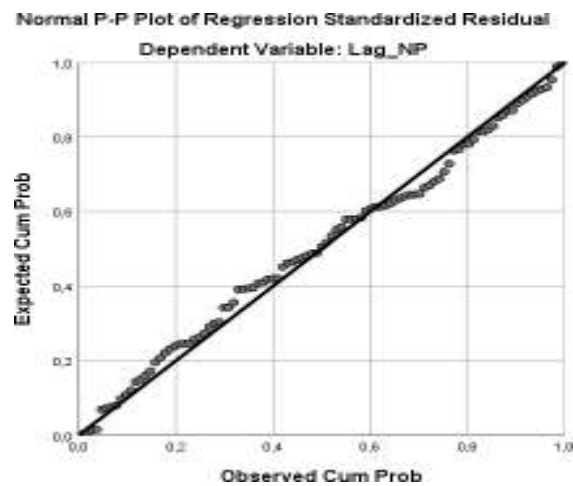


Figure 1. Normality Test of P-Plot . Normal Graph
Source: Processed secondary data.

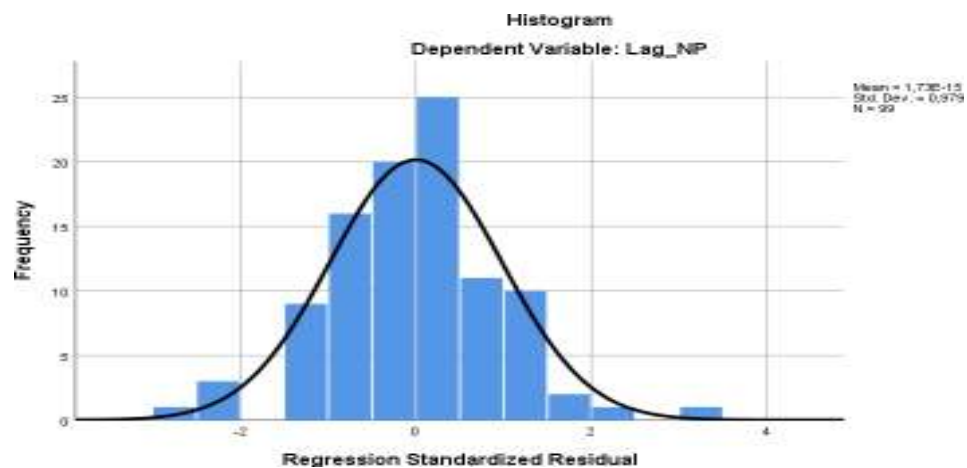


Figure 2. Histogram Normality Test
Source: Processed secondary data

Based on the normal p-plot image, it shows that the data points spread not far from the diagonal line and the points follow the current pattern of the diagonal line. Thus, the data used in this research model is normally distributed based on the normal probability p-plot graph test. While the histogram image above shows that the curved distribution pattern forms an inverted bell and the highest line on the curved line is parallel to 0 and the number of periods next to 0 is equal or balanced. This shows that the data is normally distributed in line with the normal probability p-plot test results.

Multicoloniality Test

According to Ghozali (2011) the multicollinearity test aims to test whether in the regression model found between independent variables. A good regression model should not find a correlation between the independent variables. And to test whether in the regression model there is a correlation between independent or independent variables and whether there is multicollinearity in this study. It can be seen from the tolerance value and Variance Inflation Factor (VIF) of each independent variable. If the tolerance value is > 0.10 and the VIF value is < 10.00 , it can be concluded that it is free from multicollinearity or there is no multicollinearity. The following is a multicollinearity test in the following table:

Table 5. Multicollinearity Test

Variabel	Collinearity Statistics	
	Tolerance	VIF
PPJ	,987	1,013
DDK	,916	1,092
PDKI	,935	1,070
NP	,970	1,031

Source: Processed secondary data

Based on the table above, it shows that of all the independent variables the tolerance value is more than 0.10 and the VIF value is less than 10.00, meaning that the regression model between the independent variables being tested is not proven to have multicollinearity or is free from multicollinearity.

Heteroscedasticity Test

According to Ghozali (2011) the heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another observation. In this study, it can be seen from the level of significance and the presence or absence of heteroscedasticity to increase confidence. Heteroscedasticity test in this study also used the Scatterplot test. The following is the heteroscedasticity test in the following table:

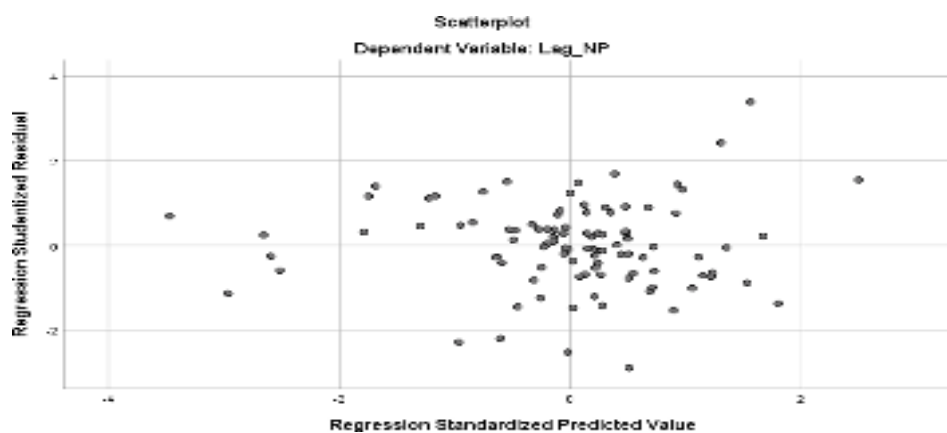


Figure 3. Heteroscedasticity Test with Scatterplot
 Source: Processed secondary data

Based on the picture above, it shows that the scatterplot display diagram of the data distribution spreads close to the number 0 and spreads above and below the number 0 on the Y axis and does not form a certain pattern, it can be concluded that the regression model is free from heteroscedasticity or there is no heteroscedasticity. To increase confidence in the presence or absence of heteroscedasticity, the researchers also added a regression model, the following are the results:

Table 6. Heteroscedasticity Test

	Unstandarlized		Standardized	T	Sig.
	Coefisients		Coefisients		
	B	Std. Error	Beta		
1 (constat)	4,802	27,517		,175	,862
PPJ	29,335	32,588	,100	,900	,371
DDK	-3,120	16,679	-,022	-,187	,852
PDKI	51,001	34,444	,167	1,481	,143
KA	-84,769	58,163	-,167	-	,149
				1,457	

Source: Processed secondary data

Based on the table above, if the significant value of the parameter coefficient is more than 0.05, then there is no heteroscedasticity and vice versa. The results above show that the PPJ, DDK, PDKI, and KA variables have a significant value of more than 0.05, it can be concluded that the regression model does not have heteroscedasticity.

Autocorrelation

According to Ghazali (2011) the autocorrelation test aims to test whether in the regression model there is a correlation between the confounding error in period t and the confounding error in the t-1 period (previous). And aims to find out whether there is autocorrelation and a good regression model, that is, there is no autocorrelation. Regression analysis in order to be free from the problem of autocorrelation test using the Cochrane-orecut method by transforming the data of the independent variable and dependent variable using the lag formula (t-1) to overcome this problem. The statistical test used is the Durbin Watson method. The following is an autocorrelation test using the Durbin Watson method (d) in the following table:

Table 7. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,430 ^a	,185	,150	,35424	2,079

Source: Processed secondary data

Based on the table above, it shows that the Durbin Watson test results are 2.079, the dU value is 1.7575, the (4-dU) value is 2.2425, the dL value is 1.5897 and the (4-dL) value is 2.4103. From these results, we compare them with a significant level of 5%, the number of samples is 99 (n = 99) and the number of independent variables is 4 (k = 4). It is concluded that the test results show that there is no autocorrelation so that the value of d is included in the $dU < d < (4-dU)$ criteria of $1.7575 < 2.079 < 2.2425$.

Multiple Linear Regression Analysis

The equations of multiple linear regression analysis based on the data transformation used are: NP =

Table 8. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	PPJ	1,819	,383		4,744	,000
	DDK	-1,254	,460	-,255	-	,008
	PDKI	-,590	,236	-,243	-	,014
	KA	-,343	,499	-,066	-,687	,494
	NP	1,764	,756	,221	2,332	,022

Source: Processed secondary data

Based on the table above, the results of the analysis in this study can be made multiple linear regression equations as follows: $NP = 1.819 + -1.254 PPJ + -0.590 DDK + -0.343 PDKI + 1.764 KA + e$. 1) The results of the regression equation constant value () of 1.819 means that if tax avoidance, corporate governance (board of directors, proportion of independent commissioners, and audit committees) are considered constant (value 0), then the level of firm value is 1.819. 2) The coefficient of the tax avoidance variable (PPJ) is -1.254, meaning that if the other independent variables are fixed and the tax avoidance variable has increased by 1%, the firm value (NP) level variable will decrease by -1.254. 3) The Corporate Governance variable has the following indicators: The coefficient of the variable for the Board of Directors (DDK) is -0.590, meaning that if the other independent variables are fixed and the variable for the Board of Directors (DDK) has increased by 1%, then the variable level of Firm Value (NP) will decrease by -0.590. The coefficient of the Independent Commissioner's Proportion (PDKI) variable coefficient is - 0.343, meaning that if the other independent variables are fixed and the Independent Commissioner's Proportion variable (PDKI) has increased by 1%, then the Firm Value (NP) level variable will decrease by -0.343. The coefficient of the Audit Committee (KA) variable is 1.764, meaning that if the other independent variables remain and the Audit Committee (KA) variable increases by 1%, then the Firm Value (NP) level variable will increase by 1.764.

Hypothesis testing

Coefficient of Determination Test (R^2)

The coefficient of determination (R^2) test can be used to measure the ability to explain the dependent variable. Adjusted R Square value is close to 1, meaning that there is a strong relationship between the independent variable and the dependent variable. How to see the coefficient of determination test on the Adjusted R Square value. The following is a test of the coefficient of determination (R^2) in the following table:

Table 9. Coefficient of Determination Test (R^2)

Model	R	Adjusted R Square	Std. Error of the Estimate
1	,430 ^a	,185	,35424

Source: Processed secondary data

Based on the results of the R^2 test, it shows that the adjusted R^2 value of 0.150 means that the dependent variable, namely the value of the company is influenced by the independent variables, namely tax avoidance, the board of commissioners, the proportion of the independent board of commissioners,

and the audit committee by 15.0%, while 85.0% is influenced by other variables outside this research model.

F Statistic Test (F Test)

The F test can be used whether the regression model in this study is appropriate or not. Is there an effect of one of the independent variables on the dependent variable. How to see the significance of the F test from a significant value <0.05 then the regression model is feasible to use in this study. The following is the F test in the following table:

Table 10. F . Statistical Test

Model		<i>Sum of Squares</i>	<i>Df</i>	<i>Mean Square</i>	F	Sig.
1	<i>Regression</i>	2,678	4	,669	5,335	,001 b
	<i>Residual</i>	11,796	9	,125		
	Total	14,473	9		8	

Source: Processed secondary data

Based on the table above, it shows that the F test results are 5.335 with a significant level of 0.001. These results have a significant level less than 0.05, so it can be concluded that the hypothesis is accepted, which states that there is a simultaneous significant effect between PPJ (tax avoidance), DDK (board of directors), PDKI (proportion of independent commissioners), and KA (committee of independent commissioners). audit) to NP (firm value). This means that the regression model used in this study is feasible.

T Statistic Test (T Test)

T test can be used to determine the effect of each independent variable on the dependent variable which is determined at the 95% confidence level and 5% significant level. The purpose of this study was to obtain empirical evidence on the effect of tax avoidance and corporate governance (board of directors, proportion of independent commissioners, and audit committees) on firm value. The results of the T statistical test using the multiple linear regression model in the table are as follows:

Table 11. T . Statistical Test

Model		<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	t	Sig.
		B	<i>Std. Error</i>	Beta		
1	<i>PPJ</i>	1,819	,383		4,744	,000
	<i>DDK</i>	-1,254	,460	-,255	-	,008
					2,723	
	<i>PDKI</i>	-,590	,236	-,243	-	,014
					2,501	
	<i>KA</i>	-,343	,499	-,066	-,687	,494
	<i>NP</i>	1,764	,756	,221	2,332	,022

Source: Processed secondary data

Based on the table above, the results of the analysis in this study can be made multiple linear regression equations as follows: $NP = 1.819 + -1.254 PPJ + -0.590 DDK + -0.343 PDKI + 1.764 KA + e$. 1) Tax Avoidance Test Results : Based on the results of the analysis in table 4.9, it can be seen from the calculated value of PPJ (Tax Avoidance) of -2.723 with a significant value of 0.008. It can be concluded that tax avoidance has a negative and significant effect on firm value, because the significant level of the tax avoidance variable is below the significant value of 0.05. The coefficient value of -1.294 indicates that the higher the tax avoidance activities carried out by the company, the higher the value of the company because tax avoidance in the company is an effort made by management to reduce the tax burden, meaning that hypothesis 1 is accepted or the null hypothesis is rejected. 2) Good Corporate Governance Test Results : Based on the results of the analysis of table 4.9, it can be seen from the t-count value of DDK (Board of Directors) of -2.051 with a significant value of 0.014. It can be concluded that the board of directors has a negative and significant effect on firm value, because the significant level of the board of directors variable is below the significant value of 0.05. The coefficient value of -0.590 indicates that the more members of the company's board of directors it will increase the value of the company, meaning that hypothesis 2 is accepted or the null hypothesis is rejected.

Based on the results of the t-test in table 4.9, it can be seen from the t-count value of PDKI (Proportion of Independent Commissioners) of -0.687 with a significant value of 0.494. It can be concluded that the proportion of the board of commissioners has no effect on the value of the company, because the significant level of the variable is above the significant value of 0.05. The coefficient value of -0.343 indicates that the ability of the board of commissioners to make decisions is not objective, because the company has less independent commissioners and affects the company's stock price will have no impact on increasing the value of the company, meaning that hypothesis 3 is rejected or the null hypothesis is accepted.

Based on the results of the t-test in table 4.9, it can be seen from the t-count value of KA (Audit Committee) of 2.332 with a significant value of 0.022. It can be concluded that the audit committee has a positive and significant effect on firm value, because the significant level is below the significant value of 0.05. The coefficient value of 1.764 indicates that the number of members of the audit committee can increase supervision of financial reporting by managers, meaning that hypothesis 4 is accepted or the null hypothesis is rejected.

CONCLUSION

Based on the results of the research and discussion that has been done, the conclusions that can be drawn from this study are that tax avoidance has a negative and significant effect on firm value. This means that tax avoidance activities that occur within the company are not prohibited activities because tax avoidance procedures do not violate laws and regulations. The smaller the burden that must be paid by the company, the profit generated will increase. Corporate governance has indicators, namely the board of directors, the proportion of independent commissioners, and the audit committee. The board of directors has a negative and significant effect on firm value. This means that the role of the board of directors will protect the interests of shareholders so as to increase the value of the company. More and more members of the board of directors will increase supervision in the company's performance so that they will provide opinions in decision making. The proportion of independent commissioners has no effect on firm value. This means that in carrying out the supervisory function in supervising policies and activities carried out by the directors, it is not effective. The low proportion of independent commissioners means that the independent board of commissioners does not carry out the ineffective function of coordinating and supervising the company. The audit committee has a positive and significant effect on firm value. This means that an increase in the audit committee will increase the value of the company. In various opinions and thoughts in the background of expertise in the field of accounting and finance, the audit committee will prevent the occurrence of activities and policies that are detrimental to the company. With the number of members of the audit committee will improve the company's performance and decision making.

Based on the results of this study, there are several suggestions for improvement of further research, namely adding research samples by increasing the research time period. Add other variables to see the value of the company. Adding other variables in corporate governance such as managerial ownership, public ownership, and institutional ownership. Adding companies engaged in other fields, such as infrastructure, agriculture, mining, banking, and so on. To see if there are differences in test results at the level of firm value from several types of fields. Using other measurements for firm value variables such as Tobin's Q or stock returns.

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