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THE EFFECT OF INSTITUTIONAL OWNERSHIP ON COMPANY VALUE WITH TAX AVOIDANCE AS A MEDIATION VARIABLE

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Abstract:
Firm value is crucial for a company because it reflects investor perceptions of the company's performance and prospects, which ultimately impacts share prices and shareholder wealth. Shares owned by institutions can control and minimize agency costs, thereby preventing tax evasion. This study aims to analyze the effect of institutional ownership on firm value, with tax avoidance as a mediating variable. A quantitative approach was specifically used in this research. This quantitative approach was used in this research because the data used are numerical and will be analyzed statistically. This study uses secondary data in the form of documentation, which is obtained and collected indirectly. The study population was food manufacturing companies listed on the Indonesia Stock Exchange for the 2021-2023 period. Purposive sampling was used to obtain 138 samples. This study utilized secondary data from financial statements. The results showed that institutional ownership had a significant negative effect on firm value, but had no significant effect on tax avoidance. The Sobel test showed that tax avoidance did not mediate the effect of institutional ownership on firm value.

Keywords: Institutional Ownership, Tax Avoidance, Firm Value

INTRODUCTION

The uncertain global economic climate has intensified competition in the business world. All local and international companies are competing to maintain their operations, primarily by increasing their corporate value. Corporate value has now become a benchmark for the public and external stakeholders in assessing a company's performance. Essentially, the goal of a business is to maximize profits for the benefit of shareholders and owners. Therefore, companies are flocking to pursue the entity's goal of growing corporate value. According to Didin (2020), investors can use corporate value to determine a company's performance and prospects.

In November 2023, corporate value creation was a key topic of discussion at the 4th Indonesia Human Capital Summit (IHCS), organized by the Indonesia Human Capital Forum (FHCI). This demonstrates the importance of corporate value to the entity or company itself.

According to Sinai (2022), corporate value is crucial for a company because it reflects investor perceptions of the company's performance and prospects, which ultimately impacts stock prices and shareholder wealth. High corporate value demonstrates market confidence in the company's success in generating profits and managing risk, thus enabling the company to gain easy access to capital and foster positive relationships with stakeholders.

However, agency conflicts pose a potential threat to entities seeking to increase their corporate value due to the differing goals and interests of management and investors in increasing corporate value. Agency competition can lead to a decline in corporate value due to agency costs.

Considering the importance of company value and the complex process of increasing it, researchers have identified numerous factors and aspects that may impact company value. Examples include managerial ownership, profitability, company size, institutional ownership, and

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many more. Among these numerous factors, institutional ownership has drawn researchers' interest in exploring the extent to which institutional ownership can influence company value. One option to minimize agency costs is to increase institutional ownership. The greater the share ownership by institutional investors, the stronger the control and oversight mechanisms by external parties, which can minimize agency costs and positively impact company value.

Based on existing theory, the relationship between institutional ownership and company value can be explained using agency theory. This theory is used to explain an entity's goal of increasing its value and providing wealth to investors by increasing the percentage of institutional ownership. Institutional ownership is seen as an efficient control mechanism for all outcomes concluded by managers (Heykal et al., 2024). Companies with a high proportion of institutional investors demonstrate the capability to monitor management. This means that a high level of institutional ownership in a company will impact the efficiency of its asset utilization, and institutional ownership plays a role in preventing unnecessary expenses.

Furthermore, inconsistencies in previous research on the impact of institutional ownership on firm value, such as those conducted by Hidayah (2022) and Hikmatuz (2018), have concluded that institutional ownership influences firm value. However, studies initiated by Ermanda (2022) and Nurkhin (2017) concluded that institutional ownership has no significant impact on firm value. Institutional ownership control is a form of external control against opportunistic management behavior that can disrupt firm value growth. Based on the findings of previous researchers, the discrepancies found in these studies remain controversial, prompting further research.

This research aims to address the contradictory results of some similar studies conducted to date. This study aims to address the differences in findings from previous studies. This is done by incorporating different variables, namely internal variables that can impact firm value (Suggyono, 2014). This study uses tax avoidance as a mediating variable. Tax Avoidance was chosen as a mediating variable because research updates, driven by the rapidly evolving complexity of tax regulations in various countries, have encouraged companies to seek ways to optimize their tax structures. Tax avoidance is a common tactic used by companies to minimize their tax expenses legitimately. The role of tax avoidance as a mediating variable provides a deeper understanding of how institutional ownership impacts firm value through tax management.

This research is an extension of previous research conducted by Hidayah (2022). The previous research explained that the independent variables, namely Institutional Ownership and Leverage, have a significant positive effect on Firm Value, with Tax Avoidance not playing a significant role as a mediating variable. This research has novelty in the year of observation and the research sector. The observation period of the Indonesian stock market used by the previous researcher was from 2016 to 2020, while the observation period of this research is from 2021 to 2023. The object of the previous research used reference data from Food and Beverage Sub-Sector Manufacturing Companies that have gone public on the Indonesian Stock Exchange. Meanwhile, this survey focuses on Food and Goods Sub-Sector Manufacturing Companies listed on the Indonesia Stock Exchange (IDX).

Agency Theory: Theoretically, the relationship between institutional ownership and company value can be explained using agency theory. This agency theory is used to outline a company's vision of providing wealth and prosperity to investors by increasing company value and increasing institutional ownership. Institutional ownership is considered an effective way to control every decision made by managers. The effectiveness of control exercised by these institutions will better ensure investor welfare because institutional ownership plays a crucial role as a monitoring agent through the investment value circulating in the capital market.

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Agency Theory is closely related to tax avoidance practices because it describes the relationship between stakeholders (principals) and company management (agents). Agents perform specific tasks aimed at the interests of the principal, while the principal has an obligation to provide rewards to the agent. This theory also explains the occurrence of information asymmetry caused by management acting as agents with abundant information while the principal has little. This condition can lead to opportunistic behavior by management to prioritize their own welfare (Sutrisno & Riduwan, 2022). With these opportunistic actions, management is very likely to engage in tax avoidance practices (Hsieh, T.-S., Menkveld, A. J., & Wang, 2018).

The Influence of Institutional Ownership on Firm Value: Institutional investors play a crucial role in corporate management, and there is clear evidence of the impact of institutional ownership on firm value. This evidence shows that institutional investor share ownership has a positive influence on firm value.

Hikmatuz Zahro (2018) concluded that institutional ownership has a positive effect on company value. Similarly, research conducted by Atika Nur Hidayah, Dwi Perwitasari Wiryaningtyas, and Ida Subaida (2022) demonstrated that institutional ownership has a significant positive effect on company value.

Institutional ownership encourages optimal oversight of management performance, leading to more careful decision-making. The greater the institutional ownership, the more efficient the company's asset utilization and the more effective the institution's oversight of the company.

The Effect of Institutional Ownership on Tax Avoidance: The greater the ownership of an institution, the greater the voting rights and motivation of the relevant institution to oversee asset and financial management within the company. Consequently, the company receives greater incentives to comply with applicable tax regulations.

Research conducted by Alya and Yuniarwati (2021) concluded that institutional ownership does not have a significant effect on tax avoidance. Furthermore, research conducted by Wijaya & Rahayu (2021) concluded that institutional ownership has a significant negative effect on tax avoidance.

Institutional ownership plays a role in decision-making, directly motivating management to comply with all government-imposed tax regulations. Thus, entities will avoid tax avoidance behavior that violates applicable tax regulations in the country..

The Effect of Institutional Ownership on Firm Value Through Mediating Variables: Significant institutional ownership can influence a firm's tax policy and, consequently, its value by reducing the tax burden. Large institutions and institutional shareholders often have long-term interests in a firm. They can influence corporate policy, including tax policy. They may encourage firms to optimize their tax structures to reduce their tax burden.

If an entity successfully implements tax avoidance effectively, the firm can reduce the amount of tax it must pay. This can certainly increase the firm's net profit and, consequently, its value.

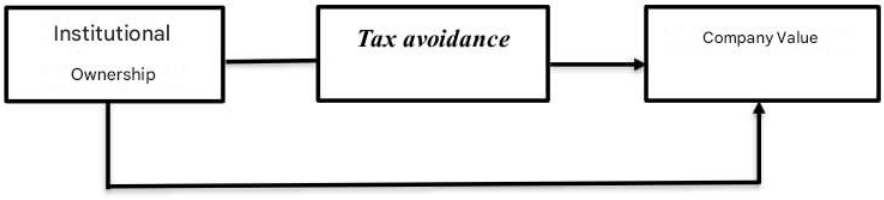

Figure 1. Research Framework

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The Effect of Institutional Ownership on Firm Value with Tax Avoidance as a Mediating Variable

- H1: Institutional Ownership has a positive effect on Firm Value
- H2: Institutional Ownership has a negative effect on Tax Avoidance
- H3: Institutional Ownership has a positive effect on Firm Value through Tax Avoidance as a Mediating Variable.

METHODS

A quantitative approach was specifically used in this research. This quantitative approach was used in this research because the data used are numerical and will be analyzed statistically. This study uses secondary data in the form of documentation, which is obtained and collected indirectly.

The population of this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX). The sample for this study is Manufacturing Companies in the Food and Goods Sub-Sector listed on the Indonesia Stock Exchange (IDX). The sample was determined using a purposive sampling method. The sampling criteria were: (1) Manufacturing Companies in the Food and Goods Sub-Sector that have complete financial data for the 2021-2023 period. (2) Presenting financial information in Rupiah. (3) Manufacturing Companies in the Food and Goods Sub-Sector that did not experience losses during the 2021-2023 period.

RESULT AND DISCUSSION

Descriptive Statistical Analysis. Descriptive statistical testing aims to obtain a depiction of data by determining values such as minimum, maximum, mean, median, and standard deviation. The descriptive statistical testing in this study yielded the following results:

Table 1. Descriptive Statistical Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Institutional Ownership	138	.40	1.00	.7464	.13729
Company Values	138	.05	17.58	2.5016	2.78900
Tax Avoidance	138	.00	2.45	.2481	.22129
Valid N (listwise)	138				

Source: SPSS 26 Output Data, (2025)

Institutional Ownership, Based on the results of the descriptive statistical test in Table 4.2, it can be concluded that institutional ownership (X) in the 105 sample companies shows a minimum value of 0.40 and a maximum value of 1.00, with an average or mean value of 0.74 and a standard deviation of 0.13.

Company Value, Based on the results of the descriptive statistical test in Table 4.2, it can be concluded that Company Value (Y) in the 138 sample companies shows a minimum value of 0.5 and a maximum value of 17.58, with an average or mean value of 2.50 and a standard deviation of 2.78.

Tax Avoidance, Based on the results of the descriptive statistical test in Table 4.2, it can be concluded that Tax Avoidance (Z) in the 138 sample companies shows a minimum value of 0.00 and a maximum value of 2.45, with an average or mean value of 0.25 and a standard deviation of 0.13. Deviation 0.22

Normality Test. The normality test aims to determine whether the residual variables in the regression model are normally distributed. A regression model will be considered more effective if

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the data distribution is normal. The statistical test used is the Kolmogorov-Smirnov (K-S) test to assess the normality of the research variables. The results of the normality test are presented in the following table:

Table 2. Kolmogorov-Smirnov Test Results
Model I: Institutional Ownership on Tax Avoidance

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		138
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.05080027
Most Extreme Differences	Absolute	.069
	Positive	.069
	Negative	-.065
Test Statistic		.069
Asymp. Sig. (2-tailed)		.100[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: SPSS 26 Output Data, (2025)

Based on the Kolmogorov-Smirnov normality test on the regression residuals, a significance value of 0.100 (> 0.05) was obtained. This indicates that the residuals from the regression model between Leader-Institutional Ownership (as an independent variable) and Tax Avoidance (as a mediator variable) are normally distributed, so the assumption of residual normality is met.

Table 3. Kolmogorov-Smirnov Test Results
Model II: Institutional Ownership and Tax Avoidance on Firm Value

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		138
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.13827860
Most Extreme Differences	Absolute	.057
	Positive	.037
	Negative	-.057
Test Statistic		.057
Asymp. Sig. (2-tailed)		.200[c]

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

Source: SPSS 26 Output Data, (2025)

Based on the results of the Kolmogorov-Smirnov normality test on the regression residuals, a significance value of 0.200 (>0.05) was obtained. This indicates that the residuals from the regression model involving Institutional Ownership and Tax Avoidance on Firm Value are normally distributed, thus meeting the assumption of residual normality.

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Multicollinearity Test. The multicollinearity test aims to determine whether the independent variables in the regression model are correlated. The regression is considered effective if the independent variables show no correlation. Multicollinearity testing can be identified by examining the tolerance value and the VIF (Variance Inflation Factor) table. If the VIF value is less than 10.00 and the tolerance value is greater than 0.10, the regression model is considered free of multicollinearity. The results of the multicollinearity test are as follows:

Table 4. Multicollinearity Test Results
Model I: Institutional Ownership on Tax Avoidance

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Institutional Ownership	1.000	1.000
Dependent Variable: Tax Avoidance			

Source: SPSS 26 Output Data, (2025)

Based on the data processing results in Table 4.5, the tolerance value is 1.000 > 0.10 and the VIF value is 1.000 < 10.00. Therefore, it can be concluded that there are no symptoms of multicollinearity among the independent variables in equation model I.

Table 5. Multicollinearity Test Results
Model II: Institutional Ownership and Tax Avoidance on Firm Value

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Institutional Ownership	1.000	1.000
	Tax Avoidance	1.000	1.000
a. Dependent Variable: transform Company Value			

Source: SPSS 26 Output Data, (2025)

Based on the data processing results in Table 4.6, the tolerance value is 1.000 > 0.10 and the VIF value is 1.000 < 10.00. Therefore, it can be concluded that there are no symptoms of multicollinearity among the independent variables in equation model II.

Heteroscedasticity Test. In testing the regression model for inequality of variances between residuals from different observations, the heteroscedasticity test is used to determine whether there is inequality of variance from one observation to another. Detecting the presence or absence of heteroscedasticity can be done using the Glejser Test, which is a technique for regressing the absolute residuals against the independent variables. If the significance value is greater than 0.05, the regression model is considered free from heteroscedasticity. The following are the results of the heteroscedasticity test.

Table 6. Heteroscedasticity Test Results
Model I: Institutional Ownership on Tax Avoidance

Coefficients[a]

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Model		Unstandardized Coefficients		Standardized Coefficients	t	sig.
		B	Std. Error	Beta		
1	(Constant)	.035	.006		6.226	.000
	Institutional Ownership	.006	.006	.080	.931	.354

a. Dependent Variable: Abs_Res1

Source: SPSS 26 Output Data, (2025)

Based on the test results in Table 4.7 using the Glejser test, it can be seen that the significance. Value for the Institutional Ownership variable is 0.354 > 0.05. Therefore, there is no heteroscedasticity in the regression equation of model I.

Table 7. Heteroscedasticity Test Results
Model II: Institutional Ownership and Tax Avoidance on Firm Value

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	sig.
		B	Std. Error	Beta		
1	(Constant)	.171	.036		4.749	.000
	Institutional Ownership	-.006	.017	-.030	-.356	.722
	Tax Avoidance	-.247	.141	-.149	-1.750	.082

a. Dependent Variable: Abs_Res2

Source: SPSS 26 Output Data, (2025)

Based on the test results in Table 4.8 using the Glejser test, it can be seen that the significance. Value for the Institutional Ownership variable is 0.722 > 0.05, and the sig. Value for the Tax Avoidance variable is 0.082 > 0.05. Therefore, there is no heteroscedasticity in the regression equation of Model II.

Autocorrelation Test Results. The autocorrelation test is used to determine whether there is a correlation between the error confounding factor in period t and the error confounding factor in period t-1 in a regression model. A good regression model is free from autocorrelation. To detect symptoms of autocorrelation, a Runs Test can be performed, as indicated by the asymp.sig. (2-tailed) result. A sig. value > 0.05 indicates no autocorrelation. The following are the results of the autocorrelation test:

Table 8. Autocorrelation Test Results
Model I: Institutional Ownership and Tax Avoidance

Runs Test	
	Unstandardized Residual
Test Value[a]	-.00154
Cases < Test Value	69
Cases >= Test Value	69
Total Cases	138
Number of Runs	72
Z	.342
Asymp. Sig. (2-tailed)	.733

a. Median

Source: SPSS 26 Output Data, (2025)

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Based on the data processing results in Table 4.9, the Asymp. Sig. (2-tailed) value is 0.733 > 0.05. Therefore, the data does not show any autocorrelation.

Table 9. Autocorrelation Test Results
Model II: Institutional Ownership and Tax Avoidance on Firm Value

Runs Test	
	Unstandardized Residual
Test Value[s]	.00649
Cases < Test Value	69
Cases >= Test Value	69
Total Cases	138
Number of Runs	66
Z	-.684
Asymp. Sig. (2-tailed)	.494
a. Median	

Source: SPSS 26 Output Data, (2025)

Based on the data processing results in Table 4.10, the Asymp. Sig. (2-tailed) value was 0.494 > 0.05. Therefore, the data does not show any autocorrelation.

Multiple Linear Regression Analysis. A multiple linear regression model was used to determine the significance of the regression coefficients and to demonstrate the influence of the independent and dependent variables. The results of the multiple linear regression test are as follows:

Table 10. Multiple Linear Regression Test Results
Model I: Institutional Ownership on Tax Avoidance

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	.233	.009		26.189	.000
	Institutional Ownership	-.002	.010	-.017	-.202	.840
a. Dependent Variable: Tax Avoidance						

Source: SPSS 26 Output Data, (2025)

Table 10 shows the results of the regression model I calculations, namely the influence of the Institutional Ownership variable on Tax Avoidance. Therefore, the following results can be formulated and concluded:

CETR = α + β1KI + e
CETR = 0,233 + -0,002 + e

1. The constant (α) of 0.233 indicates that the Tax Avoidance variable has a value of 0.233 if the Institutional Ownership variable remains constant at zero.
2. The coefficient value of the Institutional Ownership variable (X) is -0.002, which means that every 1-unit increase will result in a decrease in Tax Avoidance (Z) of -0.002. Conversely, if there is a decrease in the value of Institutional Ownership by 1 unit, the Tax Avoidance variable will increase by 0.002.

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Table 11. Multiple Linear Regression Test Results
Model II: Institutional Ownership and Tax Avoidance on Firm Value

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	sig.
		B	Std. Error	Beta		
1	(Constant)	1.731	.060		29.019	.000
	Institutional Ownership	-2.179	.027	-.983	-79.391	.000
	Tax Avoidance	1.902	.234	.101	8.121	.000

a. Dependent Variable: Company Value

Source: SPSS 26 Output Data, (2025)

Table 11 shows the calculation results of regression model II, namely the influence of the variables Institutional Ownership and Tax Avoidance on Firm Value. Therefore, the following conclusions can be formulated and summarized:

Regression Model II Formula:

PBV = α + β1 KI + β2 CETR + e

PBV = 1,731 + -2,179 + 1,902 + e

1. The constant (α) of 1.731 indicates that the Firm Value variable is 1.731 if the Institutional Ownership and Tax Avoidance variables remain constant at zero.
2. The coefficient value of the Institutional Ownership variable (X) is -2.1719, meaning that every 1-unit increase in X will result in a decrease in Firm Value (Y) of -2.1719. Conversely, a 1-unit decrease in Institutional Ownership will increase Firm Value (Y) of -2.1719.
3. The coefficient value of the Tax Avoidance variable (Z) is 1.902, meaning that every 1-unit increase in X will increase the Firm Value (Y) by 1.902. Conversely, a 1-unit decrease in Tax Avoidance will result in a decrease in Firm Value (Y) of 1.902.

Coefficient of Determination (R2) Test

Table 12. Results of the Coefficient of Determination (R2) Test
Model I: Institutional Ownership on Tax Avoidance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.017[a]	.000	-.007	.05099

a. Predictors: (Constant), Institutional Ownership

Source: SPSS 26 Output Data, (2025)

Based on the R2 test results in Table 4.13, the adjusted R2 value is 0.00, indicating that 0% of the Tax Avoidance variable can be explained by the Institutional Ownership variable, with the remaining 100% influenced by other variables. Therefore, in this study, the independent variable does not affect the dependent variable.

Table 13. Results of the Coefficient of Determination (R2) Test
Model II: The Effect of Institutional Ownership and Tax Avoidance on Firm Value

Model Summary

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Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.990a	.979	.979	.13930

a. Predictors: (Constant), Tax Avoidance, Institutional Ownership

Source: SPSS 26 Output Data, (2025)

Based on the R2 test results in Table 4.14, the adjusted R2 value is 0.979, indicating that 97.9% of the Company Value variable can be explained by the Ownership and Institutional variables, with the remaining 2.1% influenced by other variables. Therefore, in this study, the independent variable has a 97.9% influence on the dependent variable.

Table 14. F-Test Results
Model I: Institutional Ownership on Tax Avoidance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	.041	.840[b]
	Residual	.354	136	.003		
	Total	.354	137			

a. Dependent Variable: Tax Avoidance
b. Predictors: (Constant), Institutional Ownership

Source: SPSS 26 Output Data, (2025)

Given:
F table : F (k; n-k)
: F (1; 138 – 1)
: F (1; 137)
Therefore, the F-table value for Df (n1): 1 and Df (n2): 136 is 3.911.

Based on the F-test results in Table 4.15, it can be concluded that the F-test yielded a calculated F-value of 0.041 < Ftable of 3.911, with a significance value of 0.840 > 0.05. This indicates that the regression model I is not feasible, as Ho is accepted and Ha is rejected. This means that the Institutional Ownership variable simultaneously has no significant effect on Tax Avoidance. This indicates that the proportion of institutional ownership in a company does not simultaneously influence the level of corporate tax avoidance practices.

Table 15. F-Test Results
Model II: Institutional Ownership and Tax Avoidance on Firm Value

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	124.055	2	62.027	3196.587	.000b
	Residual	2.620	135	.019		
	Total	126.674	137			

a. Dependent Variable: Tax Avoidance
b. Predictors: (Constant), Tax Avoidance, Institutional Ownership

Source: SPSS 26 Output Data, (2025)

Given:
F table: F (2; n-k)
: F (2; 138 – 2)

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: F (2; 136)

Therefore, the F-table value for Df (n1): 2 and Df (n2): 136 is 3.063.

Based on the F-test results in Table 4.16, it can be concluded that the calculated F-value is 3196.587 > Ftable of 3.063, with a significance value of 0.00 < 0.05. This indicates that regression model II is feasible, as Ha is accepted and Ho is rejected. This means that the variables Tax Avoidance and Institutional Ownership together have a significant effect on Firm Value. Thus, these two independent variables are able to explain variations in firm value changes convincingly and statistically relevant.

The results of the T-test aim to show whether an independent variable individually influences explaining variations in the independent variable, by looking at the level of significance. If the significance value is <0.05, then the hypothesis is accepted, but if the significance value is >0.05, then the hypothesis is rejected. The results of the T-test can be seen in the following table:

Table 16. T-Test Results
Model I: Institutional Ownership on Tax Avoidance

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	sig.
		B	Std. Error	Beta		
1	(Constant)	.233	.009		26.189	.000
	Institutional Ownership	-.002	.010	-.017	-.202	.840

a. Dependent Variable: Tax Avoidance

Sumber: Data Output SPSS 26, (2025)

It is known:

T table : t (α/2 ; n-k-1)
: t (0,025; 138 -1-1)
: t (0,025; 136)
: 1,977

Based on the T-test results in the table above, the Institutional Ownership variable has a calculated t-value of -0.202 with a t-table value of 1.977 and a significance level of 0.840. Since the calculated t-value < t-table and the significance value is greater than 0.05, it can be concluded that Institutional Ownership does not have a significant effect on Tax Avoidance.

Table 17. T-Test Results
Model II: Institutional Ownership and Tax Avoidance on Firm Value

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	sig.
		B	Std. Error	Beta		
1	(Constant)	1.731	.060		29.019	.000
	Institutional Ownership	-2.179	.027	-.983	-79.391	.000
	Tax Avoidance	1.902	.234	.101	8.121	.000

a. Dependent Variable: Company Value

Source: SPSS 26 Output Data, (2025)

It is known:

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T table : t (α/2 ; n-k-1)
: t (0,025; 138 -2-1)
: t (0,025; 135)
: 1,977

The t-test results show that the Institutional Ownership variable has a significant negative effect on Company Value, indicated by a calculated t value of -79.391 < t table 1.977 and a significance of 0.000 < 0.05. This means that the greater the institutional ownership, the company value tends to decrease. Meanwhile, the Tax Avoidance variable has a significant positive effect on Company Value, with a calculated t value of 8.121 > t table 1.977 and a significance of 0.000 < 0.05, which means that the higher the Tax Avoidance, the company value tends to increase.

The Sobel test can be used to test hypotheses regarding mediation. Using the Sobel test, we can determine the strength of the mediating influence of the Financial Performance variable on Intellectual Capital and Firm Value. If the probability value is below 0.05, the results are considered significant and acceptable.

Table 18. Sobel Test Coefficient Results

	Model		Unstandardized Coefficients	
			B	**Std. Error**
MODEL I	1	(Constant)	.233	.009
		Institutional Ownership	-.002	.010
	a. Dependent Variable: *Tax Avoidance*			

	Model		Unstandardized Coefficients	
			B	**Std. Error**
MODEL II	1	(Constant)	1.731	.060
		Institutional Ownership	-2.179	.027
		Tax Avoidance	1.902	.234
	a. Dependent Variable: Company Value			

Based on the coefficient table above, we can see:

- a: Regression coefficient of X on Z = -0.002
- b: Regression coefficient of Z on Y = 1.902
- Sa: Std. error of variable X = 0.010
- Sb: Std. Error of variable Z = 0.234

From the Sobel test results calculated using online calculations, the following are the Sobel test results for this study:

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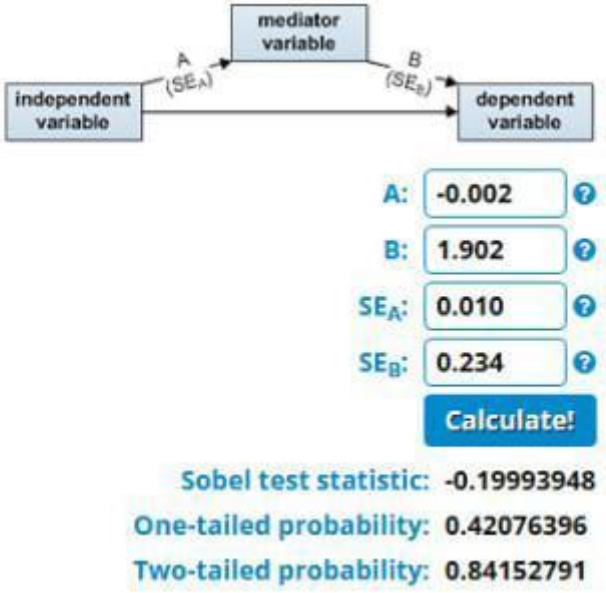

Source: https://www.danielsoper.com

Gambar 2. Sobel Test Results

The results of the Sobel test in Figure 4.1 show that the significance value of the two-tailed probability of the indirect effect of the variable of Institutional Ownership on Company Value through Tax Avoidance is 0.234 > 0.05. Therefore, it can be concluded that Tax Avoidance is unable to act as a mediator between Institutional Ownership and Company Value.

The Effect of Institutional Ownership on Firm Value. Based on hypothesis testing using regression analysis, institutional ownership has a significant negative effect on firm value, as evidenced by the negative regression coefficient of -2.179 and a sig. Value of 0.000, meeting the requirements of a sig. <0.05. A higher level of institutional ownership leads to a decrease in firm value.

These results indicate that high institutional ownership does not always lead to increased firm value. Institutional investors generally have a long-term orientation and focus on stable company performance and protecting their invested capital. Oversight by institutional investors can encourage management to be more cautious and avoid high-risk projects that could potentially generate significant returns. Consequently, the opportunity to aggressively increase market value may be limited. This explains why the relationship is found to be negative, even though close oversight is often assumed to be positive in theory.

These findings align with the Agency Theory proposed by Jensen and Meckling (1976), which states that the relationship between owners (principals) and managers (agents) is often influenced by oversight. Overly strict oversight can mitigate agency problems, but it also limits managers' ability to make speculative strategic decisions. Under certain circumstances, these limitations can lead companies to miss investment opportunities that could increase market value in the short term. Therefore, while the initial goal is to improve corporate governance, excessive oversight can be counterproductive to company value.

These research findings align with those of Utami & Wulandari (2017), who found that institutional ownership negatively impacts firm value, particularly in companies that prioritize conservative policies. This research underscores that institutional investors often prioritize

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investment security over rapid market value growth. These research findings are further supported by research conducted by Ahmad Nurkhin, Agus Wahyudin, Anisa Septiani Aenul Fajriah (2017), and Mutyyara Ermanda and Dwi Fitri Puspa (2022), which found a similar finding.

The Effect of Institutional Ownership on Tax Avoidance. Based on hypothesis testing using regression analysis, institutional ownership has no significant effect on tax avoidance. This is evidenced by the negative regression coefficient of -0.002 and a sig. Value of 0.840, which does not meet the requirement of significance. <0.05. This effect is very weak and not statistically significant. The proportion of shares owned by institutional investors is not a determining factor in corporate tax avoidance practices.

The insignificant effect of institutional ownership on tax avoidance indicates that oversight by institutional investors does not directly influence corporate tax management policies. Tax avoidance practices are usually the result of decisions made by the finance department or top management, who consider tax efficiency strategies without relying on the share ownership structure. In many cases, companies with high institutional ownership still engage in tax avoidance to maximize net income, provided the practice does not violate the law or harm the company's reputation. In other words, oversight from institutional investors is not always a major obstacle or driver of tax avoidance policies.

According to Agency Theory, institutional investors act as a monitoring mechanism that can minimize opportunistic behavior by managers, including in tax decision-making. However, the results of this study indicate that this mechanism does not effectively influence tax avoidance practices. This can be explained through the perspective of the Political Cost Hypothesis (Watts & Zimmerman, 1986), which states that companies may continue to engage in tax avoidance to reduce their tax burden, regardless of ownership structure, as long as reputational risks can be managed. Thus, the effect of institutional ownership on tax avoidance is not always significant, especially when tax efficiency is considered important by management.

The results of this study are consistent with the findings of Alya & Yuniarwati (2021), who explained that institutional investors may focus on monitoring operational performance and governance, rather than directly on tax strategies. In this case, although.

While tax avoidance practices can impact company value, they are not automatically influenced by institutional shareholders. This finding is further supported by the findings of Atika Nur Hidayah, Dwi Perwitasari Wiryaningtyas, and Ida Subaida (2022), who stated that institutional investors do not always influence company policies related to tax avoidance. This may occur because decisions regarding tax avoidance tend to be technical and are often made by financial management, rather than dictated by the ownership structure.

The Effect of Institutional Ownership on Company Value through Tax Avoidance as an Intervening Variable. Based on the Sobel test results, a statistical value of -0.199 was obtained, well below the threshold of 1.96 for a 5% significance level. The resulting significance value of 0.840 (>0.05) indicates that tax avoidance is unable to mediate the relationship between institutional ownership and company value. This result indicates that while institutional ownership can directly influence company value, this influence does not occur through the indirect channel via tax avoidance. Thus, the hypothesis that tax avoidance acts as a mediator in the relationship between these two variables is rejected.

The insignificant mediation role of tax avoidance indicates that a company's tax avoidance policy does not depend on the size of institutional ownership in influencing firm value. This may be due to the fact that institutional investors are not always involved in specific operational decisions such as tax management strategies. Furthermore, a company's tax avoidance may not significantly

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impact market or investor perceptions, making it ineffective in strengthening the influence of institutional ownership on firm value.

According to agency theory, institutional investors are expected to act as monitors, guiding management to make decisions that benefit shareholders, including regarding tax strategies. However, the results of this study indicate that this mechanism is ineffective as a mediator. This finding is consistent with the research by Alya & Yuniarwati (2021) and Atika Nur Hidayah et al. (2022), which both showed that institutional ownership had no significant influence on tax avoidance. Therefore, it is understandable that this variable failed to act as a mediator.

CONCLUSION

Based on the analysis and discussion, this study yields the following conclusions:

1. Institutional ownership has a significant negative effect on firm value. This result indicates that a larger proportion of institutional ownership tends to decrease firm value. This indicates that strict oversight by institutional shareholders can limit management's ability to take strategic risks that could increase firm value in the short term.
2. Institutional ownership has no significant effect on tax avoidance. The size of institutional ownership is not a determining factor in tax avoidance practices. Internal management policies, financial condition, and applicable tax regulations are more likely to influence decisions regarding tax avoidance.
3. Tax avoidance does not mediate the relationship between institutional ownership and firm value. This indicates that the influence of institutional ownership on firm value occurs only directly, without going through tax avoidance mechanisms.

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