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Optimizing the Implementation of Good Corporate Governance in Strengthening the Influence of Tax Planning and Investment Opportunity Set on Firm Value

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Abstract: The purpose of this study is to examine the optimization of good corporate governance on tax planning and investment opportunity set toward firm value. Tax planning (X1) and investment opportunity set (X2) are the independent variables in this study, while firm size (Y) are the dependent variables and good corporate governance (Z) are the moderation variables. The data used in this research is derived from companies listed in the LQ45 index, with a sample of 24 companies listed on the BEI from 2019-2023. Descriptive and verification analysis methods were used to determine the development and influence of variables both partially and simultaneously. The data was collected from financial statement, documents, books, and internet media. The results of the partial test using the t-test show that the tax planning (X1) variable has no significant effect on firm value (Y), while investment opportunity set significantly affects firm value (Y). Additionally, good corporate governance does not strengthen the effect of tax planning on firm value, while good corporate governance strengthens the effect of investment opportunity set on firm value. However, through the F-test, good corporate governance significantly strengthens the effect of both tax planning and investment opportunity set on firm value (Y) simultaneously.

Keywords: Tax Planning, Investment Opportunity Set, Firm Value, Good Corporate Governance.

INTRODUCTION

Business competition in the current era of globalization is becoming increasingly intense, forcing companies to continuously develop and adapt to the dynamic global market, which is constantly changing. Globalization presents significant challenges for corporate management to maintain competitiveness and ensure business sustainability. Therefore, companies are required to manage all aspects of their business, both financial and non-financial, efficiently and effectively. One of the primary objectives of a company is to achieve optimal profitability, which not only benefits the company's owners but also all related stakeholders, such as investors, employees, and society.

Corporate management must be able to manage efficiently to attract investor interest, which in turn can drive the company's capital growth. A company's success in increasing profitability and firm value is often used as a benchmark in evaluating whether the company has successfully managed its business. This is in line with the view expressed by (Rajab et al. 2022), which states that companies that can manage resources optimally and run productive operations are more likely to achieve prosperity and increase firm value.

Firm value can be influenced by various internal and external factors. Internal factors include good financial performance, optimal capital structure, product innovation, and effective leadership. Meanwhile, external factors, such as macroeconomic conditions, investment opportunities, and market perceptions of the company's prospects, also play a role in determining the firm's value. Therefore, companies must face the challenges of global competition while maintaining these factors in good condition. Several studies, such as those conducted by (Mardiyah & Setyadi,2020) and (Budianto & Mulyono, 2021), reveal that efficient tax planning, the application of good corporate governance, and investment opportunities have a significant impact on a company's financial performance and competitiveness in the market.

The importance of tax planning in this context cannot be overlooked. Companies often strive to minimize tax liabilities, as taxes are considered a burden that can reduce the profits earned. As revealed by (Wijaya & Sumatri 2022), in practice, good tax planning will help companies reduce tax liabilities, which in turn can increase the reported net income and enhance firm value. One instrument used to assess a company's tax planning is the effective tax rate (ETR).

Research by (Hendra & Erinos, 2020) and (Caitlin & Kezia, 2022) shows that the effective tax rate (ETR) can have a negative impact on firm value. However, there are also studies that indicate ETR can have a positive effect on firm value, as stated by Christianti et al. 2021) and (Permana, 2019).

In addition to tax planning, another factor influencing firm value is the IOS. According to (Wulanningsih & Agus, 2020), IOS represents the investment opportunities available to the company, reflected in the management of assets and earnings. Companies with a high IOS have the capacity to manage investments well, which can potentially increase profitability and attract investors. The concept of IOS is crucial in investment decision-making, as it allows investors to evaluate various investment alternatives based on factors such as risk, return, and liquidity. Studies conducted by (Sinuraya & Dillak, 2021) and (Kusmiyati & Hakim, 2020) show that IOS has a positive impact on firm value. However, some other studies, such as those conducted by (Nikmah & Amanah, 2019) and (Anggraini & Yan Nyale, 2022), show different results, indicating that IOS has a negative impact on firm value.

Besides these factors, the application of Good Corporate Governance (GCG) also plays a vital role in increasing firm value. GCG refers to a set of policies, practices, and procedures followed by a company to manage and oversee its activities. GCG aims to ensure that the company is run transparently, accountably, and in accordance with principles that benefit all stakeholders. The implementation of good GCG can increase stakeholder confidence, including investors, as they feel assured that the company is managed with good principles and professional governance. Research conducted by (Wardhani et al. 2021) and the Forum for Corporate Governance in Indonesia (FCGI, 2022) found that good GCG is directly related to the increase in firm value. Proper implementation of GCG can improve transparency and enhance the relationship between the company and its stakeholders, which will ultimately increase the company's value.

On the other hand, companies that do not implement GCG well may face various problems, ranging from a crisis of investor confidence to significant financial losses. Research by (Amanda & Atiningsih, 2019) and Permana, 2019) indicates that GCG can function as a moderating variable that connects tax planning and the Investment Opportunity Set (IOS) with

firm value. That is, with good GCG, companies can more effectively carry out tax planning and manage investments, which will, in turn, increase the overall firm value.

Companies listed in the LQ45 index in Indonesia serve as a relevant research object concerning various aspects, such as ETR, IOS, GCG, and firm value. The LQ45 index, compiled by BEI consists of 45 companies with high stock liquidity and significant market capitalization. These companies are often considered to represent the best business entities with professional management, making them a benchmark for both local and international investors.

Table 1. ETR, IOS, MVS and GCG

Years	ETR	IOS	MVS	GCG
2019	31,20%	130,96%	113,46%	68,96%
2020	16,58%	105,96%	109,53%	69,58%
2021	24,31%	127,42%	96,43%	70,21%
2022	25,24%	110,71%	94,54%	70,83%
2023	24,32%	104,37%	87,91%	70,63%

Source: Data Processed, 2024

Based on Table 1, the development of variables in companies listed on the LQ45 index during the 2019–2023 period shows fluctuations, with both decreases and increases occurring each year. According to data from the Indonesia Stock Exchange (BEI), in 2020 and 2021, the firm value decreased by 3.93%, primarily due to public panic surrounding the COVID-19 pandemic, which disrupted rational stock transactions and overlooked the companies' fundamental analysis (www.investing.id).

Indonesia's economy in 2020 also experienced a decline of 2.07%, resulting in decreased consumer spending and reduced company revenue, as seen in PT Astra International Tbk, which reported a 26% decline. PT Unilever Indonesia Tbk also experienced a 19.6% decrease in profits in 2021 (www.cnbcindonesia.com).

In 2022 and 2023, the companies' IOS value showed a decline due to global uncertainties, including inflation, rising interest rates, and the food and energy crises. Several large companies, such as PT Indofood CBP Sukses Makmur Tbk, PT Indofood Sukses Makmur Tbk, and PT GoTo Gojek Tokopedia Tbk, saw a decrease in their stock prices, which affected their IOS values (www.investasi.kontan.co.id).

Many Indonesian companies have not fully implemented the principles of Good Corporate Governance (GCG), as seen from cases of violations such as those faced by PT Charoen Pokphand Indonesia Tbk in 2022. This company was fined 10 billion IDR and faced the threat of business license revocation due to breaches of partnership agreements (www.nasional.kontan.com).

PT Aneka Tambang Tbk was also involved in a corruption case related to illegal cooperation with PT Loco Montrado, leading to losses of up to 1 trillion IDR due to smelting and minting precious metals involving 109 tons of gold in 2024 (www.new.detik.com).

Based on the phenomena mentioned above, after understanding the factors that can influence Firm Value, including empirical phenomena, the differences between one theory and another, as well as the gap between theory and actual events in the field.

METHOD

This study uses panel data regression analysis to control for the effect of moderator variables without compromising the integrity of the sample. The analysis is performed with the help of E-Views 13 software. In this study, ETR and IOS serve as dependent variables, firm value as the independent variable, and GCG as the moderating variable. The testing includes the use of a random effect model, classical assumption tests, t-tests to measure the individual

influence of each variable, and F-tests to analyze the simultaneous effect of independent variables on the dependent variable with moderation.

The research population consists of companies listed in the LQ45 index during the 2019-2023 period on the Indonesia Stock Exchange (BEI). Purposive sampling is applied with the following criteria: (1) Companies that are included in the LQ45 index and listed on BEI during the 2019-2023 period, and (2) Companies that consistently publish relevant financial statements, including data such as income tax expenses, pre-tax profit, total assets, total equity, number of outstanding shares, and closing stock prices with fiscal years ending on December 31 from 2019 to 2023. The secondary data used is obtained from audited and published financial statements of the companies.

RESULTS AND DISCUSSION

The results of this research using descriptive analysis are as follows:

Table 2. Descriptive Analysis

	MVS__Y_	GCG__Z_	ETR__X1_	IOS__X2_
Mean	1.072398	0.705505	0.239772	1.328704
Median	0.931123	0.700000	0.229556	1.082690
Maximum	8.725431	0.900000	0.792759	11.82713
Minimum	0.171957	0.350000	-1.541519	0.149163
Std. Dev.	1.122074	0.109996	0.207440	1.492677
Skewness	5.615969	-1.021154	-5.589916	5.818023
Kurtosis	37.74186	5.301977	51.99664	39.69474
Jarque-Bera	6054.738	43.01012	11470.70	6730.304
Probability	0.000000	0.000000	0.000000	0.000000
Sum	116.8914	76.90000	26.13517	144.8287
Sum Sq. Dev.	135.9774	1.306697	4.647404	240.6331
Observations	109	109	109	109

Source: Eviews 13, 2025

Based on Table 2, the results show that the mean value for the firm value variable is 1.072 with a standard deviation of 1.122. The company with the highest firm value is PT Unilever Indonesia Tbk in 2021, with a value of 8.725, while the company with the lowest firm value is PT Kalbe Farma Tbk in 2021, with a value of 0.171, which was influenced by a decline in stock prices and an increase in company debt.

The mean value for the GCG variable is 0.705 with a standard deviation of 0.109. The company with the highest GCG value is PT Astra International Tbk with a value of 0.900, while the company with the lowest GCG value is PT Barito Pacific Tbk with a value of 0.350.

The mean value for the ETR variable is 0.239 with a standard deviation of 0.207. The company with the highest ETR is PT Aneka Tambang Tbk in 2019, with a value of 0.792, while the company with the lowest ETR is PT XL Axiata Tbk in 2020, with a value of -1.541.

The mean value for the IOS variable is 1.328 with a standard deviation of 1.492. The company with the highest IOS value is PT Unilever Indonesia Tbk in 2021, with a value of 11.827, while the company with the lowest IOS value is PT United Tractors Tbk in 2023, with a value of 0.149.

Next, the results of the verificative analysis using the Moderated Regression Analysis with Panel Data method are as follows:

Table 3. Hypothesis Testing t test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.110147	0.029304	3.758779	0.0003
ETR__X1_	0.148081	0.415346	0.356524	0.7222
IOS__X2_	0.408158	0.145357	2.807964	0.0060
ETR__X1_*GCG__Z_	-0.270712	0.623659	-0.434070	0.6651
IOS__X2_*GCG__Z_	0.450461	0.194664	2.314045	0.0226

Source: Eviews 13 2025

The Effect of Tax Planning on Firm Value

The results of the hypothesis test in Table 3 show that tax planning has a positive but insignificant effect on firm value. The p-value of 0.148081 with a probability of 0.7222 indicates a positive relationship, but it is not strong enough to be considered significant. Tax planning is a financial approach aimed at legally minimizing a company's tax liabilities to improve efficiency and profitability. While it has the potential to boost firm value by redirecting savings from taxes into business expansion or investments, the study reveals that its influence on firm value is not significant. This is attributed to challenges such as the complexity of constantly changing tax regulations and the market's view of tax planning as a risky venture, particularly if perceived as overly aggressive. Investors may not prioritize tax savings if the company fails to demonstrate substantial profit growth or long-term performance. Additionally, market competition and product innovation typically have a more significant impact on a company's net profit than tax savings. This finding is supported by studies conducted by (Permana, 2019) and (Christiani et al. 2021).

The Effect of Investment Opportunity Set on Firm Value

The results of the hypothesis test in Table 3 show that IOS has a positive and significant effect on firm value, with a coefficient of 0.408158 and a probability value of 0.0060. IOS represents the collection of investment prospects available to a company that can foster future growth and profitability. It reflects the company's potential for expansion based on strategic choices, such as capital allocation toward productive investments. A high IOS indicates multiple promising opportunities, which investors view as signs of potential revenue growth, ultimately boosting firm value and raising the company's stock market valuation. Proper management of IOS is essential for increasing firm value, as it demonstrates the company's capability to allocate resources efficiently for high returns. A robust IOS drives sustainable growth, enhances profitability, and strengthens the company's competitive standing, often resulting in higher market capitalization. Consequently, greater growth prospects generally lead to a higher firm value. These findings are consistent with research by (Sinuraya & Dillak, 2021) and (Kusmiyati & Hakim, 2020).

Good Corporate Governance as a Moderator in the Effect of Tax Planning on Firm Value

The results of the hypothesis test in Table 3 show that the interaction between ETR and GCG has a positive but insignificant effect on firm value. The coefficient obtained is 0.408158 with a probability value of 0.665, indicating that GCG does not strengthen the effect of ETR on firm value. This could be attributed to GCG's overemphasis on transparency, a limited understanding of tax strategies, and operational difficulties resulting from the GCG implementation itself. As a result, companies must ensure that their GCG framework allows management the flexibility to develop effective tax strategies that adhere to regulations. This finding does not align with the research conducted by (Amanda & Atiningsih, 2019).

Good Corporate Governance as a Moderator in the Effect of Investment Opportunity Set on Firm Value

The results of the hypothesis test in Table 3 show that the interaction between IOS and GCG has a positive and significant effect on firm value. The coefficient obtained is -0.270712 with a probability value of 0.022, indicating that GCG strengthens the effect of IOS on firm value. GCG is essential in amplifying the effect of the IOS on firm value. Through fostering transparency, accountability, and effective risk management, GCG ensures that investment opportunities are properly assessed and prioritized, minimizing risks and optimizing returns. Robust GCG strengthens investor trust and leads to higher valuations of the company. It also ensures that the company offers clear and transparent information, which improves market

perceptions and boosts firm value. These findings are consistent with the research conducted by (Permana, 2019).

Table 4. Hypothesis Testing F test

R-squared	0.983475
Adjusted R-squared	0.982839
S.E. of regression	0.112599
F-statistic	1547.346
Prob(F-statistic)	0.000000

Source: Eviews 13, 2025

The Effect of Tax Planning and Investment Opportunity Set with Good Corporate Governance as a Moderating Variable on Firm Value

The results of the hypothesis test in Table 4 show that the interaction between tax planning, investment opportunity set (IOS), and good corporate governance (GCG) has a positive and significant effect on firm value. The coefficient obtained is -0.270712 with a probability value of 0.022, indicating that GCG strengthens the simultaneous effect of tax planning and IOS on firm value. By promoting transparency, accountability, and effective risk management, Good Corporate Governance (GCG) establishes a synergy that enables both factors to provide optimal benefits for the company. Consequently, the company not only achieves short-term financial gains but also strengthens investor confidence and encourages sustainable growth. For example, tax planning can be utilized to finance investment opportunities within the Investment Opportunity Set (IOS), while GCG ensures that the advantages derived from both tax planning and IOS are not fleeting. Rather, these benefits contribute to long-term results through prudent resource allocation, transparency, and proper risk management, ultimately supporting ongoing growth and significantly increasing firm value. These findings are consistent with the research by (Permana, 2019) and (Amanda & Atiningsih, 2019).

CONCLUSION

Based on the 120 data points from the financial statements of LQ45 companies listed on the BEI for the period of 2019-2023, the following results were obtained:

1. Tax Planning has an insignificant effect, while Investment Opportunity Set has a significant effect on Firm Value for LQ45 companies listed on the BEI during the period of 2019-2023.
2. Good Corporate Governance does not moderate the relationship between Tax Planning and Firm Value, but Good Corporate Governance moderates the relationship between Investment Opportunity Set and Firm Value. However, simultaneously, Tax Planning and Investment Opportunity Set, with Good Corporate Governance as a moderating variable, have a significant effect on Firm Value for LQ45 companies listed on the BEI during the period of 2019-2023.

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