SIMBA

7th SEMINAR INOVASI MANAJEMEN BISNIS DAN AKUNTANSI

The Influence of Capital Structure, Managerial Ownership and Tax Avoidance on Firm Value with Profitability as a Moderating Variable

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Abstrak

Studi ini bertujuan untuk menguji dampak struktur modal, kepemilikan manajerial, dan penghindaran pajak terhadap nilai perusahaan dengan profitabilitas berfungsi sebagai variabel moderasi. Studi ini diarahkan pada perusahaan properti dan real estate yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2021-2024. Metode penelitian yang diterapkan adalah kuantitatif. Sampel diambil dengan purposive sampling, sementara analisis data dilakukan menggunakan statistik deskriptif, pengujian asumsi klasik, regresi linier berganda, dan analisis moderated regression analysis (MRA). Temuan penelitian menunjukkan bahwa struktur modal dan kepemilikan manajerial memberikan efek negatif yang signifikan terhadap nilai perusahaan, sedangkan tax avoidance berpengaruh positif yang signifikan terhadap nilai perusahaan. Selain itu, profitabilitas dapat memengaruhi keterkaitan antara struktur modal dan kepemilikan manajerial terhadap nilai perusahaan, namun profitabilitas tidak memengaruhi hubungan tax avoidance dengan nilai perusahaan.

Kata Kunci: Struktur modal, kepemilikan manajerial, *tax avoidance,* nilai perusahaan, profitabilitas

Abstract

This objective of this research is to examine the effects of capital structure, managerial ownership, and tax avoidance on firm value, using profitability as a moderating variable. The focus of the research is on property and real estate companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2024. The approach used for the study is quantitative. The sample was selected via purposive sampling, and the data were examined through descriptive statistics, classical assumption assessments, multiple linear regression, and moderated regression analysis (MRA). The findings indicate that capital structure and management equity negatively impact firm value, *whereas tax avoidance positively influences firm value. Moreover, profitability might influence the link between capital structure and managerial ownership concerning firm value, but it does not affect the relationship between tax avoidance and firm value.*

Keywords: capital structure, managerial ownership tax avoidance, firm value, profitability

A. INTRODUCTION

The real estate and property industry is vital to the Indonesian economy, fostering investment expansion, generating employment, and mirroring trends in the financial markets. Nonetheless, this sector has encountered several significant challenges in recent years, especially concerning funding, financial results, and investor trust. Global economic instability, increasing benchmark interest rates, and variations in consumer buying power have negatively impacted the performance of property firms in Indonesia.

An evident illustration of this issue can be observed in the situation of PT PP Properti Tbk (PPRO), a significant contender in the real estate industry. In 2024, PPRO reported a net loss of IDR 1.08 trillion, along with a 53.38% drop in revenue from the previous year. Additionally, the Indonesia Stock Exchange (IDX) halted the firm's tradingshares owing to its failure to pay bond interest, signifying significant liquidity issues and deficiencies in capital structure management.

Efforts by management to transform debt into equity as a rescue tactic were declined by investors, indicating weak market confidence and poor managerial governance. This refusal demonstrates a deficiency in confidence in leadership choices, which exacerbated the organization’s economic troubles. Additionally, the organization's failure to achieve adequate profitability weakened its capacity to stabilize its performance and improve its firm value.

This occurrence shows that poor management of capital structure, minimal managerial ownership, and tax avoidance strategies lacking sufficient profitability can greatly diminish firm value in the real estate and property industry. It emphasizes that the sustainability of a firm's value is not only dictated by financing policies or tax strategies but is also significantly impacted by profitability, which serves as an important indicator for investors. Thus, it is crucial to investigate the impact of capital structure, managerial ownership, and tax avoidance on firm value, as well as to evaluate the moderating effect of profitability.

Agency Theory

The theory of agency was established by Jensen and Meckling (1976), who outlined the contractual relationship between owners of a company (principals) and its managers (agents)In practice, this relationship often triggers agency conflicts due to differing interests between owners who want to increase the company's long-term value and managers who tend to prioritize their own interests. This conflict can lead to agency costs that reduce the company's effectiveness.

Managerial ownership is seen as one way to mitigate agency conflicts. When managers own shares in a company, they are encouraged to make decisions that align with shareholder interests. Therefore, the greater the managerial ownership, the less likely agency conflicts are and the greater the opportunity to increase firm value. However, several studies have shown that if the level of managerial ownership is too low or too high, its effectiveness can decline and even give rise to new problems such as the enactment effect, where managers become overly dominant and pay less attention to the interests of minority shareholders.

Signaling Theory

Signaling theory, introduced by Spence in 1973, highlights the significance of information as a signal sent by management to external stakeholders, especially investors. In a financial setting, managers possess greater insights into the company's status compared to investors (asymmetric information). To bridge this information gap, management communicates signals via financial reports, policy declarations, and performance metrics like profitability.

Strong profitability may indicate that a company has promising future potential, can produce lasting profits, and is run efficiently. This signal may enhance investor trust and affect

E-ISSN: 2686 - 1771

stock values and company worth. In contrast, low profitability serves as a bad indication that may weaken investor trust. In this research, profitability acts as a moderating factor that enhances or diminishes the connection between capital structure, managerial ownership, and tax avoidance regarding firm value.

Trade-Off Theory

The trade-off theory was proposed by Modigliani and Miller in 1963 as a development of capital structure theory. This theory suggests that firms must weigh the advantages of utilizing debt (tax advantages) against the potential costs associated with the risk of bankruptcy. Companies can lessen their tax obligations by using debt, as the interest paid on debt is tax-deductible. Nevertheless, the more debt utilized, the greater the chances of failing to repay and the possible expenses of insolvency.

Consequently, firms need to find an ideal capital structure, specifically the balance point where the advantages of employing debt align with the expenses. An inadequate capital structure can diminish firm value, in contrast, a properly balanced capital structure can increase company value by strengthening investor confidence. In this research context, the trade-off theory is crucial for elucidating how capital structure affects the value of companies within the real estate and property industry

Capital Structure

Capital Structure refers to the combination of debt and equity used to finance a company's activitiesThe trade-off theory posits that a perfect capital structure balances the tax advantages of debt against the risks associated with financial distress. Although debt can offer tax advantages, high levels of leverage raise the likelihood of insolvency and reduces investor trust, ultimately leading to a decline in firm value (Purwani & Santoso, 2022). Prior studies suggest that capital

E-ISSN: 2686 - 1771

structure can influence firm value positively or negatively, contingent on how effectively the firm manages its debt (Ambarwati, Nuraini, & Widodo, 2021).

Managerial Ownership

Managerial Ownership denotes the share percentage owned by the firm's executivesmanagement. Agency theory suggests that managerial ownership aligns the objectives of managers and shareholders, reducing agency conflicts and encouraging managers to improve performance (Noorica & Asalam, 2021). However, some evidence indicates that when managerial ownership is either very low or excessively concentrated, its effect on firm value could be minimal or potentially harmful (Wulansari, Kalbuana, & Subagja, 2025).

Tax Avoidance

Tax Avoidance refers to a commercial strategy focused on reducing tax obligations through legal tax methods. When conducted transparently, tax avoidance can increase profitability by reducing expenses and improving cash flow. However, perceived as excessively aggressive, it might damage corporate image, introduce legal risks, and lower investor trust, ultimately decreasing firm value (Rukiyanti & Mulyani, 2023). Previous research produces mixed results: some studies suggest a positive link between tax avoidance and firm value, while others show either a negligible or negative association (Apsari & Setiawan, 2018; Faridah & Hermie, 2024).

Firm Value

Firm Value is frequently assessed using market-related indicators like Price to Book Value (PBV) or Tobin's Q are metrics that indicate the price investors are ready to pay compared to the company's book value. illustrating growth potential and anticipated profitability (Segoro & Sriludia, 2021). A higher PBV or Tobin's Q indicates that the market perceives the company as having considerable growth potential and efficient management of resources. Conversely, a lower ratio reflects weak investor confidence, poor performance, and ineffective financial management. A company's worth is seen as a comprehensive reflection of managerial decisions regarding

E-ISSN: 2686 - 1771

elements such as capital structure, investment approaches, dividend distribution, and corporate governance.

Profitability

Profitability serves as a moderating element and is essential for assessing the robustness of the connection between financial policies and the value of the company. Profitability, frequently assessed using Return on Assets (ROA), In contrast, when profits decline, these connections might diminish or become less important (Purnamasari & Umiyati, 2024). indicates the effectiveness with which a business creates profits derived from its resources (Setiawan & Pratama, 2024). Signaling theory indicates that increased profitability serves as an encouraging indicator to investors, amplifying the advantageous effects of capital structure and governance mechanisms on the value of the firm.

B. METHOD

This study utilizes quantitative techniques. The population and sample of the study included 70 real estate and property firms registered on the Indonesia Stock Exchange (IDX) throughout the years 2021 to 2024. The sample included 44 companies chosen through a targeted sampling technique

The specifications for the sample in this research are as follows:

1. companies in the real estate and property sector traded on the Indonesia Stock Exchange from 2021 to 2024
2. real estate and property firms that failed to disclose comprehensive annual financial statements between 2021 and 2024.

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C. RESULTS AND DISCUSSIONS

Descriptive Statistical Analysis Test

Tabel 1. Descriptive Statistical Analysis Test

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Capital Structure	280	2,08	10,02	0,8439	1,15735
Managerial Ownership	280	0,14	3,93	0,2097	0,45763
Tax Avoidance	280	8,30	9,67	0,1422	0,95046
Firm Value	280	0,00	9,63	1,7246	1,70712
Profitabilty	280	0,09	10,13	0,4673	1,26826
Valid N (listwise)	280				

Source: Data processed by IBM statistics 2024

According to part of table 1, it is clear that the capital structure variable (X1) shows a a minimum value of 2.08, a maximum value of 10.02, an average value of 0.8439, and a standard deviation of 1.15735. The Managerial Ownership variable (X2) shows a minimum of 0.14, a maximum of 3.39, an average of 0.2907, and a standard deviation of 0.45763. The variable for tax avoidance (X3) displays a minimum of 8.30, a maximum of 9.67, an average of 0.1422, and a standard deviation of 0.95046. The variable Firm Value (Y) has a minimum of 0.00, a maximum of 9.63, an average of 1.7246, and a standard deviation of 1.70712. The Profitability (Z) variable shows a minimum value of 0.09, a maximum value of 10.13, a mean of 0.4673, and a standard deviation of 1.26826

E-ISSN: 2686 - 1771

Partial Test Results (T-Test)

Tabel 3. Partial Test Results (T-Test)

No	Model	T	Sig.	Information
1	Capital Structure	-3,282	0,001	Negative & significant
2	Managerial Ownership	-7,185	0,000	Negative & significant
3	Tax Avoidance	5,251	0,000	Positive & Significant
	a. Dependent Variable : Firm Value			

Source : Data processed by IBM statistics 2024

The partial test results presented in Table 2 indicate that the significance value for the capital structure variable is 0.001 < 0.05, and the computed t value > t table is -3.282 > 1.65356, signifying a notable negative impact of capital structure on company value.

Managerial ownership is 0.000 < 0.05, and the computed t value > t table is -7.185 > 1.65356, indicating a significant negative impact of managerial ownership on company value.

Tax avoidance is 0.000 < 0.05, and the computed t value > t table is 5.251 > 1.65356, indicating a considerable positive impact of tax avoidance on firm value.

E-ISSN: 2686 - 1771

Simultaneous Test Result (F Test)

Tabel 3. Simultaneous Test Results (F Test)

No	Model	Sum of Squares	Df	Mean Square	F	Sig.
1.	Regression	27,270	4	6,817	111,372	0,000[b]
2.	Residual	10,467	171	0,061		
3.	Total	37,737	175			

Source : Data processed by IBM statistics 2024

According to table 3, the recorded importance value for ANOVA is 0.00 < 0.05, suggesting that the independent variables of capital structure, managerial ownership, and tax evasion substantially affects the dependent variable when examined collectively.

Results of Moderation Interaction Test

Tabel 4. Results of Moderation Interaction Test

Hipotesis	T	Sig.	Information
ST*P	3,582	0,000	Accepted (positive and significant influence)
KM*P	3,996	0,000	Accepted (positive and significant influence)
TA*P	0,480	0,632	Rejected (positive but not significant effect)

Source : Data processed by IBM statistics 2024

The findings from the moderation interaction test in table 4 show that the significance value for the capital structure variable is 0.000 < 0.05, and the t count > t table is 3.582 > 1.65356, resulting in the conclusion that Profitability significantly impacts company value as a quasi-moderation, hence H5 is accepted. Regarding the managerial ownership variable, the company value indicates 0.000 > 0.05 and t count > t table is 3.996 < 1.65356, which similarly suggests that

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Profitability significantly affects company value as a quasi-moderation, affirming that H5 is accepted. The variable concerning tax avoidance and investment decisions is 0.632 < 0.05, and the calculated t > t table is 0.480 > 1.65356; therefore, it can be concluded that profitability does not have a significant impact on company value as a quasi-moderation, resulting in the rejection of H6.

D. CONCLUSIONS

The research findings reveal that capital structure significantly negatively impacts the company value, indicating that the more effectively a company manages its capital structure, the higher its value as viewed by investors. Similarly, managerial ownership adversely affects company value, suggesting that as managers possess more shares, their view of the company's value increases, aligning management's goals with those of shareholders, thereby boosting the company's worth. Tax avoidance significantly increases company value, suggesting that a well-executed tax avoidance plan can create efficiencies that enhance the firm's worth. Profitability notably influences the connection between capital structure and company value, indicating that higher profitability enhances the impact of capital structure on boosting company value. Profitability greatly strengthens the connection among managerial ownership and firm value, suggesting that in real estate companies with high earnings, managerial ownership has a more significant impact on increasing firm value, as management is viewed as effectively operating the company and optimizing profits. Nevertheless, profitability does not affect the connection between tax avoidance and corporate value, instead having a positive but trivial impact. This suggests that increased profitability typically enhances firm value, but the effect is not statistically strong enough to be considered significant. This indicates that the level of profitability is inadequate to improve or change he impact of tax evasion on the company's worth.

E. SUGGESTIONS

Property and real estate firms must wisely oversee their capital structure by preserving a balance between debt and equity to mitigate financial strains while simultaneously increasing company value. Additionally, businesses must promote manager participation as shareholders to enhance long-term dedication in strategic choices. Firms are anticipated to make effective investment choices, especially in choosing projects that add significant value, as these have proven to enhance the impact of financial policies on boosting company worth.

Additional researchers are encouraged to increase the research sample, either by including more real estate and property firms or by spanning different sectors, to improve the applicability of the findings. Researchers may include additional factors like liquidity, asset growth, or activity ratios to enhance the analysis model. Additionally, examining the impact of profitability as a moderating variable across various economic environments, like during a real estate surge or a market downturn, is crucial to assess the reliability of its impact on regulating the association between variables.

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E-ISSN: 2686 - 1771