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THE INFLUENCE OF COMPANY PROFITABILITY AND SIZE ON CORPORATE VALUE WITH TAX AVOIDANCE AS VARIABLE INTERVENING (AN EMPIRICAL STUDY OF MANUFACTURING COMPANIES IN THE CONSUMER GOODS INDUSTRY SECTOR LISTED ON THE INDONESIA STOCK EXCHANGE IN 2014-2018)

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Keywords:Corporate Value, Profitability, Tax Avoidance, Firm Size

ABSTRACT
This study aims to examine the effect of profitability and firm size on corporate value with tax avoidance as an intervening variable. Variables tested in this study consisted of profitability and firm size as independent variables, corporate value as the dependent variable and tax avoidance as intervening variables. The research method uses descriptive analysis and the sample uses purposive sampling, after reducing a number of criteria, 22 companies are set and 110 financial statements are sampled. The analysis technique in this study uses descriptive statistical analysis, classic assumption tests, and path analysis with the help of SPSS program. The results of this study indicate that profitability and firm size have a positive and significant effect on corporate value and tax avoidance as an intervening variable is not able to mediate the effect between profitability and firm size on firm value.

Keywords : Corporate Value,Profitability, Tax Avoidance, Firm Size

INTRODUCTION
The rapid development of the Indonesia Stock Exchange cannot be separated from the role of investors in conducting trade transactions on the IDX (Indonesia Stock Exchange). Before an investor decides to invest his funds in the capital market, a careful assessment of the issuer is the most important activity that needs to be done firstly, as the investor must believe that the information received is a valid information, the trading system can be trusted, and no party manipulates information

in trading (Dwi and Kurnia, 2013). Without this belief, investors certainly will not be willing to buy securities offered by the company.

Generally, the main purpose of investors puttingtheir wealth in an investment instrument is to get a maximum return. Therefore, investors must have various considerations before investing their funds. One of the way is by considering the company's performance as measured by the company's value. The value of the company can be measured by the market price of the company's shares, because the market price of the company's shares reflects the overall investor valuation of each equity held (Famhi and Derry, 2018).

The company's management performance is reflected in the profits contained in the income statement. According to Statement of Financial Accounting Concept (SFAC) No. 1, earnings information is the main concern for estimating management performance or accountability. The amount of corporate profits is the most important information contained in the financial statements. Profit is a description of activities or businesses in advancing the company. Profit is often used as the manipulation target by management to minimize or maximize profits, in other words the management that practices the profit management (Earning Management). According to (Philips, et al, 2003) there are two main incentives that encourage companies to do tax management, namely to avoid decreasing profits and avoiding losses. The first incentive aims to avoid a decline in profit. It is intended that the profits presented in the financial statements do not fluctuate because it will have an adverse effect, especially for the investor. The second incentive is to avoid losses. This is done due to companies that sufferedlosseshave ahigh potential to reduce the price of shares, and will gain notrust from the investors, and encourage the government to perform the tax audit.

For most companies, taxation is a burden that will reduce companies net income. In practice there are differences in interests between the taxpayer and the government. Companies try to pay as little tax as possible because paying taxes means reducing the economic capability of the company (Suandy, 2008). That condition causes many companies to try to find ways to minimize the tax burden. Minimizing the tax burden can be done in various ways, ranging from those still within the framework of tax regulations to those that violate tax regulations (Sari, 2014).

Another subjects that when companies have a high taxable income, the amount of taxes paid by the company also increases. This causes companies to consider tax as a cost that will reduce company profits. That condition causes many companies to find ways to reduce the tax costs paid, and does not rule out the possibility that companies will become aggressive in taxation (Pratista, Setiawan, 2016).

The relation between tax avoidance and corporate value is an important issue,and yetstill under debate (Chen et al., 2013). While in a study conducted by Desai and Dharmapala (2007), tax avoidance has a positive effect on corporate value in companies that have good corporate governance. But it is inversely proportional to the findings (Amalia, 2014) that tax avoidance has a significant negative effect on firm value.

Based on the case description and background above, the researchersin this study are interested in conducting a further study with the research title as follows:

THEORETICAL FRAMEWORK

Corporate Value

Companies that are oriented to profitability will generally more focused on activities thatprogrammed to increase the company's value to the maximum. In this case, the value of the company is considered appropriate by potential investors so that they are willing to pay, if a company is to be sold. (Fuad. M et al, 2006: 23). Similar to the understanding of the value of the company itself is the present value of a series of cash inflows that will be generated by the company in the future (Mardiyanto, 2008: 182).

It is known that each company has several values related to company shares that need to be considered the value of a company that has implemented the *go public* is reflected in the market price of the company's shares, while the understanding of the value of a company that has not implemented the*go public* is realized if the company will be sold (total assets and prospects of the company, risk business, business environment) (Margaretha, 2005: 1).

In this study the authors chose an indicator of the value of the company namely the *Price Book Value* (PBV) because the price book value is widely used in investment decision making. In addition, PBV has the advantage that book value is a stable and simple measure that can be compared with market prices. According to (Harmono, 2017: 114) indicators that affect the value of the company can be done by using PBV (Price Book Value) that is *Price Book Value* is one of the variables considered by an investor in determining which shares to buy. The value of the company can provide maximum benefit to shareholders if the company's stock price increases. The higher the stock price, the higher the shareholder wealth.

$$PBV = \frac{market\ price\ per\ share}{book\ value\ per\ share}$$

Tax Avoidance

In the terms of Tax Avoidance, the researchers took Dyreng et, al, (2010) explanation regarding with the theory underlying the Tax Avoidancein their study that stated:

"Tax Avoidance is any form of activity that gives effect to the tax obligation, whether activities are allowed by tax or special activities that reduce taxes. Tax avoidance is usually done by exploiting the weaknesses of the tax law and not violate the tax law."

Tax avoidance activity in a company can be measured using several methods. In this study the authors used the Effective Tax Rate (ETR) formula.

The Effective Tax Rate (ETR) is an outcome measurement which based on the income statement that generally measures the effectiveness of the tax reduction strategy and leads to the profit after the high taxation. ETR is used because it is considered to reflect a fixed difference between the calculation of book income and fiscal profit (Nurfadilah, 2015). ETR can be calculated by comparing the tax burden with the amount of profit before tax.

Size of the Company

The size of the company generally can be interpreted as a scale that classifies a company size is large or small in various ways, among others, expressed in total assets, total sales, stock market value, and others.

Hartono (2015:254) states that how large the size of the company can be measured by the total large assets of the company's assets by using the logarithm value of total assets. The size of the company is generally divided into 3 categories, namely large companies, medium companies, and small firms. According to (Hartono, 2015:282) the size of the company can be calculated by the natural logarithm (Ln) of the total assets which are formulated as follows:

Size of the Company = *Ln* Total amount of Assets

The greater the assets owned by a company, the company then able to invest both current assets and fixed assets and also fulfil the product demand. This will further expand the market share that will be achieved which will then affect the company's profitability.

Profitability

In general, every company are mostly aimed to make a profit, at this case,in the terms of profit, the profitability is the ability to make a profit with a measure in percentage used to assess the extent to which the company is able to generate profits at an acceptable level.

Kasmir (2013:196) states that profitability is a ratio to assess a company's ability to seek profits. This ratio also provides a measure of the effectiveness of a company's management. This is directed by profits generated from sales and investment income. Basically the use of this ratio shows the level of efficiency of the company.

In this study, the profitability measurement tool used by the authors is *Return On Assets* (ROA) which stands as an indicator that reflects the company's financial performance. ROA is chosen due to the higher the value of ROA that can be achieved by the company, the company's financial performance is categorized as good, the better the asset management of a company and the more big profits also obtained by the company.

According to (Hery, 2016: 193) Return On Assets or commonly known as ROA is often referred to the economic profitability which indicates the company's ability to generate profits with all assets owned by the company. This ratio is used to measure how much net income will be generated from each fund embedded in total assets. In ROA, the higher the total assets produced, the higher the net profit generated in a company. Conversely, if the lower the funds in total eating assets the lower the funds in net income in a company. Following is the formula used in calculating ROA:

$$\text{ROA} = \frac{EAT}{Total\ Assets} \times 100\%$$

Framework

Return on Assets (ROA) is one of the profitability ratios. This ratio is most often highlighted in the analysis of financial statements because it is able to show the company's success in generating profits. When the profits are enlarged, the amount of income tax will increase in accordance with the increase in corporate profits so that the company may do tax avoidance to avoid increasing the amount of tax burden. Research conducted by Dewinta &Setiawan (2016) states that profitability has a positive effect on *tax avoidance*which means that the higher the profitability isequal to the higher the level of tax avoidance of a company caused by companies with large profits will be more flexible to take advantage of *loopholes* in managing their tax burden.

H1 : Profitability has a positive effect on Tax Avoidance.

Companies that have a large total assets show that the company has reached the stage of maturity in which at this stage the company's cash flow is positive and is considered to have good prospects in a relatively long period of time. So companies classified as large companies tend to minimize tax aggressive actions due to tight supervision by public authorities. As in a research conducted by Kurniasih & Sari (2013) states that company size has a significant effect on tax avoidance.

H2 : The size of company has a positive effect on *Tax Avoidance*

In a study conducted by Ilmiani (2014) found that that tax avoidance has a significant negative effect on firm value, which means that the higher the tax avoidance is equal to the lower the value of the company.

H3 : Tax Avoidance has a negative effect to the Company’s Value

If the company's ability to generate profits increases, the share price will also increase (Husnan, 2001:317). High profitability reflects the company's ability to generate high profits for shareholders. The greater the profits obtained, the greater the company's ability to pay dividends, and this would likely has an impact on increasing the value of the company as in studies conducted by Pramana (2016) and Dewi & Wirajaya (2013) both stated that profitability significantly has a positive influence amongst the company value.

H4 : Profitability has a positive effect on the Company’s Value

The size of the company is considered able to influence the value of a company (Martini et al, 2014). The larger the size or scale of the company, the easier it is for companies to be trusted by creditors in obtaining large sources of funds both internal and external. In a study conducted by Pramana (2016) found that company size has a significant positive effect on company value. This means that any increase in company size will result in an increase in Company Value.

H5 : Company’s Size has a positive effect with the Company’s Value

RESEARCH METHODS

In this research the object of research is Profitability, Company Size, Tax Avoidace, and Corporate Value in the manufacturing companies in the consumer goods industry sector in the Indonesia Stock Exchange within the period ranged from 2014-2018.

The research method used in this study is quantitative method, namely research that emphasizes its analysis of numerical data or numbers obtained by statistical methods and is used in inferential research or in the context of testing hypothesis in order to obtain the significance of the relationship between the variables studied.

The type of this research is an explanatory research whichintended to examine the effect of disclosure of profitability and company size on corporate value with tax avoidance as an intervening variable and to test the hypothesis whether the hypothesis can be accepted or rejected.

The population in this study were all manufacturing companies in the consumer goods industry sector which were listed on the Indonesia Stock Exchange in the 2014th-2018th period which total are 39 companies listed. The sampling technique in this study uses a non probability sampling technique. The type of non probability sampling technique in this study is purposive sampling

Manufacturing companies in the consumer goods sector which were listed on the Indonesia Stock Exchange in the 2014-2018 period were selected as a research sample of 22 companies. Total observations made for the 2014-2018 period were 110 observations.

The type of data used in this study is secondary data. Secondary data in this study were sourced from annual reports and financial statements of manufacturing companies in the consumer goods sector which were listed on the Indonesia Stock Exchange in the 2014-2018 period. Sources of data in this study were obtained from the internet sites www.idx.co.idand www.idnfinancials.com.

The analytical method used in this study is the path analysis model that can be done with the help of SPSS software which aimed to find out the significance level of each regression coefficient of the independent variable (Profitability Disclosure and Company Size) of the dependent variable (Corporate Value) with intervening variables (Tax Avoidance).

RESULT AND DISCUSSION

The Effect of Profitability on Tax Avoidance

According to Kasmir (2015: 196) profitability is a ratio to assess the company's ability to find profits. This ratio also provides a measure of the effectiveness of a company's management. This is directed by profits generated from sales and investment income. Basically the use of this ratio shows the level of efficiency of the company.

Based on the results of the hypothesis testing in this study, it was shown that profitability has a positive and significant effect on tax avoidance as it can be seen from the value of t-count (2.605) is greater than t-table (1.992).

The result of this study is in line with research conducted by Dewinta &Setiawan (2016) which stated that profitability has a positive effect on tax avoidance.

The Effect of Company's Size on Tax Avoidance

According to Hartono (2015: 254) The size of the company can be measured by the total assets of the company's assets using the logarithm calculation of total assets.

Based on the results of the hypothesis testing in this study, it was shown that company size has a positive and significant effect on tax avoidance as it can be seen from the value of t-count (3.294) is greater than t-table (1.992).
The result of this study is in line with research conducted by Kurniasih & Sari (2013) which states that company size has a significant effect on tax avoidance.

The Effect of Tax Avoidance on Company's Value
According to Pohan (2013:23) the definition of tax avoidance is an effort to avoid tax that is done legally and safely for taxpayers because it does not conflict with taxation provisions, where the methods and techniques used tend to exploit the weaknesses (gray areas) contained in the law the laws and tax regulations themselves, to minimize the amount of tax owed.

Based on the results of the hypothesis testing in this study, it was shown that*tax avoidance* has a negative significant effect with*CompanyValue*as it can be seen from the value of t-count (-4,954) is lower than t-table (-1,980).

The result of this study is in line with research conducted by Ilmiani (2014) which stated that tax avoidance has a significant negative effect on firm value.

The Effect of Profitability on Company's Value
According to Kasmir (2015: 196) profitability is a ratio to assess the company's ability to find profits. This ratio also provides a measure of the effectiveness of a company's management. This is directed by profits generated from sales and investment income. Basically the use of this ratio shows the level of efficiency of the company.

Based on the results of the hypothesis testing in this study, it was shown that Profitabilityhas a positive and significant effect onthe Company's Value as can be seen from the value of t-count (4,102) is greater than the value from t-table (1,983).

The result of this study is in line with research conducted byPramana & Mustanda (2016) which stated that Profitability has a significant positive effect on the Company's Value.

The Effect of The Size of Company onCompany's Value
According to Hartono (2015: 254) The size of the company can be measured by the total assets of the company's assets using the logarithm calculation of total assets.
Based on the results of the hypothesistesting in this study, it can be seen that Company Size has a positive and significant effect on Company Value which can be seen from the value of t-count (4.018) is greater than t-table (1.983).

The Effect of Profitability on the Company's Value / Firm Value from Tax Avoidance
According to Kasmir (2015: 196) profitability is a ratio to assess the company's ability to find profits. This ratio also provides a measure of the effectiveness of a company's management. This is directed by profits generated from sales and investment income. Basically the use of this ratio shows the level of efficiency of the company.

According to Pohan (2013:23) the definition of tax avoidance is an effort to avoid tax that is done legally and safely for taxpayers because it does not conflict with taxation provisions, where the methods and techniques used tend to exploit the weaknesses (gray areas) contained in the law the laws and tax regulations themselves, to minimize the amount of tax owed.

Based on the results of the hypothesistesting in this study, it can be seen that the direct effect of profitability (X1) on firm value (Y) is 0.129.

The indirect effect of profitability (X1) on firm value (Y) through tax avoidance (Z) is -0.106. So the total effect after going through tax avoidance (Z) is equal to 0.023. This shows that there is a decrease in the effect of profitability (X1) on the value of the company (Y) after going through tax avoidance (Z). This means that the effect of profitability on company value through tax avoidance is not significant.

The Effect of Company Size on Company Value Through Tax Avoidance

According to Hartono (2015: 254) The size of the company can be measured by the total assets of the company's assets using the logarithm calculation of total assets.

According to Pohan (2013:23) the definition of tax avoidance is an effort to avoid tax that is done legally and safely for taxpayers because it does not conflict with taxation provisions, where the methods and techniques used tend to exploit the weaknesses (gray areas) contained in the law the laws and tax regulations themselves, to minimize the amount of tax owed.

Based on the results of the hypothesistesting in this study, it can be seen thatthe direct effect of the Company’s Size (X2) towards the Company’s Firm Value (Y) is0,128.

The indirect effect of company size (X2) on firm value (Y) through tax avoidance (Z) is -0,134. So the total effect after going through tax avoidance (Z) is -0.006. This shows that there is a decrease in the effect of company size (X2) on the value of the company (Y) after going through tax avoidance (Z). This means that the effect of company size on company value through tax avoidance is not significant.

CONCLUSION

Based on research that has been conducted on the financial statements out of 22 companies which are listed on the Indonesia Stock Exchange that ranged from 2014 to 2018. Then the researcher in this study would like to conclude this research as follows:

1. Profitability has a positive and significant impact on tax avoidance in manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange in the 2014-2018 period.

2. Company size has a positive and significant influence on tax avoidance in the manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange in the 2014-2018 period.

3. Tax avoidance has a negative and significant effect on the value of the company in the manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange in the 2014-2018 period.

4. Profitability has a positive and significant influence on the value of the company in the manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange in the 2014-2018 period.

5. Company size has a positive and significant influence on firm value in the manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange in the 2014-2018 period.

6. Profitability cannot mediate the company value after going through tax avoidance in the manufacturing companies of the consumer goods industry sector which are listed on the Indonesia Stock Exchange in the 2014-2018 period.

7. The size of the company cannot mediate the value of the company after going through tax avoidance in the manufacturing companies of the consumer goods industry sector which are listed on the Indonesia Stock Exchange in the 2014-2018 period.

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