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THE EFFECT OF TAX AVOIDANCE AND PROFITABILITY ON FIRM VALUE IN THE BASIC MATERIAL SECTOR DURING THE 2020-2024 PERIOD

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ABSTRACT

This study aims to analyze the effect of Tax Avoidance and Profitability on Firm Value in the Basic Material sector on the Indonesia Stock Exchange during the 2020–2024 period. Using purposive sampling, a sample of 15 companies was selected, yielding 75 observations. Secondary data were analyzed using multiple linear regression via SPSS. The t-test results reveal that Tax Avoidance (ETR) has a significant positive effect on Firm Value (Tobin's Q) with a significance value of 0.027. Profitability (ROA) also exerts a significant positive effect with a significance value of 0.035. Simultaneously, both variables significantly affect Firm Value (sig. 0.008) , contributing an Adjusted R Square value of 10%. These findings confirm that for basic materials investors, legal tax planning efficiency and steady earnings power amidst macroeconomic volatility serve as vital fundamental signals in driving market valuation.

Keywords: *Basic Material, IDX, Firm Value, Profitability, Tax Avoidance.*

INTRODUCTION

Indonesia's economic growth in recent years has shown a stable trend and has contributed to the performance improvement of various industrial sectors, including the basic materials sector. This condition has encouraged companies in the sector to place high expectations on better economic prospects in 2024 in order to improve company performance and market demand. However, the basic materials sector still faces challenges such as weakening global demand and fluctuations in commodity prices, which may affect company performance. Basic Material Sector Issuers Anticipate Better Economic Prospects in 2024 (Hamdhi & Dewi, 2023).

Firm value is a certain condition achieved by a company as a reflection of public trust in the company after going through a series of activities over several years, starting from the establishment of the company up to the present time. Market confidence in the company's current performance and future projections tends to increase when the firm value is high (Adi & Kurniasih, 2023). Organizational value represents the selling value of an organization as an ongoing business entity, because a higher organizational value tends to attract investors to contribute their capital (Purnamasari & Estrini, 2024).

Financial performance is the result or achievement attained by company management in carrying out its function of managing the company's assets effectively during a certain period (Susanto & Indrabudiman, 2023). Profitability is the main indicator used to measure a company's ability to generate profits by

utilizing its available resources (Sari & Candra, 2024). Profitability reflects how capable a company is in generating profits while conducting its operational activities (Devid & Mujiyanti, 2022)

Tax is a levy or contribution imposed by the government on society based on law, the proceeds of which are used to finance government expenditures in carrying out its programs and activities (Gurusinga & Michelle, 2023) . Tax avoidance is a company's effort to reduce the tax burden that must be paid through tax planning by taking advantage of loopholes in tax regulations, so that it remains within legal boundaries (Ramdiani et al., 2023). Tax avoidance can be considered a legal practice, although its impact may significantly affect a country's revenue (Fajriati et al., 2024)

In Indonesia, tax avoidance practices remain a serious issue that has a significant impact on state revenue (Tax Justice Network, 2020). Based on The State of Tax Justice 2020 report, Indonesia is estimated to lose approximately IDR 68.7 trillion annually due to tax avoidance practices (Tax Justice Network, 2020). Most of these losses originate from corporate taxpayers, particularly multinational companies that shift profits to countries with lower tax rates (Tax Justice Network, 2020). This information has also been widely reported by national media, such as Kompas, which stated that Indonesia loses substantial potential tax revenue as a result of these practices (www.pajakku.com).

According to Agency Theory, tax avoidance practices reflect a conflict of interest between management and external parties, where management seeks to maximize corporate profits by minimizing tax expenses (Michel dan Jensen, 1976). Persistent earnings reflect stable and sustainable company performance. In contrast, non-persistent earnings may indicate non-transparent managerial practices, such as tax avoidance or excessive earnings management (Fajriati et al., 2024). Signaling Theory states that the sender, also referred to as the owner of information, will provide a signal that reflects the condition of an entity. The signal takes the form of information that is useful for the recipient (Krisyanti & Syahzuni, 2025).

Research on the effect of tax avoidance on firm value still shows inconsistent results in the prior literature. Some studies find that tax avoidance has a positive effect on firm value because it can increase post-tax profit efficiency and signal management's ability to conduct effective tax planning (Dianty Crisdayanti, 2023; Latersia Br Gurusinga & Natasya Lovett Michelle, 2023; Liesiana Laurenty & Elsa Imelda, 2023) . However, other studies indicate that tax avoidance has no effect on firm value because investors view the practice as risky, potentially creating agency conflicts, and reducing corporate transparency (Aprilliando Devid & Mujiyanti, 2022; Rifqi Nurazmi Purnomo et al., 2024; Wahyuda et al., 2025) . These differing results highlight an ongoing research gap regarding how the market responds to tax avoidance practices, particularly when linked to firm value as proxied by Tobin's Q.

The research focus on the basic materials sector was selected because this sector is highly sensitive to changes in global economic conditions, commodity price fluctuations, and production cost pressures. The 2020–2024 period serves as a critical phase as it encompasses major disruptions due to the COVID-19 pandemic, which caused a global economic slowdown, declining industrial demand, and disrupted raw material-based production activities. In 2020, the pandemic also triggered global supply chain disruptions and raw material

shortages resulting from international competition to secure production materials (Pingit Aria, 2020) Entering 2021, the global economic recovery drove up the prices of commodities such as coal, nickel, aluminum, copper, and crude oil, thereby increasing the volatility of the basic materials sector (Nikel.co.id, 2021) . During the same period, the benchmark coal price experienced extreme fluctuations due to changes in global demand, Chinese policies, and the global energy crisis (Uly & Movanita, 2021) . In 2023, Indonesia's main commodity prices, including coal, nickel, CPO, and crude oil, fluctuated due to global economic uncertainty and energy policy shifts, with a tendency toward downward price pressure (Tira Santia, 2024) . In 2024, the commodity sector again faced pressure from falling prices of coal, CPO, natural gas, and nickel, which impacted the performance weakening of raw material-based companies (Anggela. N.L, 2024) . These conditions demonstrate that the basic materials sector experienced high volatility in profitability and firm value from the crisis period through the post-pandemic recovery, making the 2020–2024 period highly relevant for analyzing the effect of tax avoidance and profitability on firm value.

Based on the explanation above, research on the effect of tax avoidance and profitability on firm value in the basic materials sector during the 2020–2024 period is important to conduct in order to understand the relationship between tax strategies, financial performance, and firm value.

LITERATURE REVIEW

1. Agency Theory

Agency theory is utilized to dissect how the differing interests between agents and owners influence profitability management and tax policies (Ermawati & Triyono, 2024). Management's intervention in optimizing profits and cost efficiency will ultimately affect the market's appraisal of firm value. Large-scale companies with abundant resources tend to generate high levels of profit or earnings. These high profits, however, imply an increase in political cost burdens, prompting management to manage tax expenses so as not to reduce their performance incentives due to a decline in net income (Ramdiani et al., 2023) . Conceptually, agency theory outlines the patterns of relationships and contractual agreements between investors (principals) and management (agents) as operational managers (Laurenty & Imelda, 2023).

This agency relationship triggers a debate between the traditional view and the agency cost perspective regarding tax motives. Through this traditional lens, tax planning or tax avoidance is categorized as a legal management measure to reduce the cash burden that must be remitted to the state (Laurenty & Imelda, 2023) . This reduction in tax burdens functions as a wealth transfer instrument that retains cash flows within the internal entity (Devid & Mujiyanti, 2022) . Consequently, tax savings are linearly believed to enhance profit accumulation and shareholder prosperity (Laurenty & Imelda, 2023).

The practice of exploiting tax loopholes demands the design of complex, artificial, and inherently non-transparent transactions (Dijan Novia Saka et al., 2021) . This secretive nature and information protection are generally conditioned intentionally by taxpayers so that their strategies are not easily detected by tax authorities (Dijan Novia Saka et al., 2021). However, this opacity triggers an inflation of agency costs because it can obscure the true quality of

corporate earnings (Fajriati et al., 2024).

2. Signaling Theory

Signaling Theory is commonly used in research related to firm value because firm value reflects investors' perceptions of a company's performance, which can be observed through its stock price Signaling Theory can be defined as a theory explaining that the actions or decisions made by company management serve as signals or information for investors in assessing the company's future prospects Signaling Theory is closely related to firm value, where if a company fails or is unable to convey positive signals regarding its value, the firm value may not reflect its actual condition. As a result, the company's value can be either higher or lower than its true value

Signaling theory serves as a crucial foundation in analyzing movements in firm value, which are directly reflected in stock price fluctuations within the capital market (Ermawati & Triyono, 2024). This theory underlines that every strategic decision made by management acts as an informational cue for external parties to evaluate the prospects of business sustainability (Michael Spence, 1973). A company's failure to distribute credible signals can trigger information asymmetry, distorting firm value from its fundamental condition (Gurusinga & Michelle, 2023).

Within the landscape of taxation and profitability, the signals sent through the Effective Tax Rate (ETR) figures possess a dual nature when interpreted by market participants. From one perspective, a decrease in the effective tax rate is captured as a positive cash savings efficiency signal because management has successfully minimized costs (Wahyuda et al., 2025). This success in retaining cash outflows confirms the company's internal capability to utilize resources optimally to generate profits (Sari & Candra, 2024) . Companies with robust profitability and tax efficiency certainly hold high appeal as they promise a competitive return on equity (Setyawan & Ghozali, 2025). Consequently, positive sentiment regarding cash flow efficiency and profit generation will be responded to by the market through stock price appreciation (Sri Yuliandana et al., 2021).

Investors are aware that aggressive tax engineering can diminish the quality of earnings persistence and inflate the potential for accounting fraud (Fajriati et al., 2024) . This systemic risk becomes increasingly tangible considering that legal sanctions and tax penalties in Indonesia for non-compliant tax planning risk draining liquidity (Tax Justice Network, 2020). Based on this reality, rational investors will not automatically appreciate short-term tax savings; instead, they prioritize long-term risk mitigation (Wahyuda et al., 2025).

3. Nilai Perusahaan

Firm value is a certain condition achieved by a company as a reflection of public trust in the company after going through a series of business activities over several years, starting from the establishment of the company until the present time (Indrayani et al., 2021) . Firm value also represents investors' perceptions of a company, which can be observed through its stock price (Yuliandana et al., 2021).

Firm value describes the prosperity or wealth of shareholders and investors in a company (Laurenty & Imelda, 2023) . In this study, firm value is measured using the Tobin's Q formula. Tobin's Q is one of the measurement tools or ratios that defines firm value as a combination of the value of tangible assets and intangible assets owned by a company (Yuliandana et al., 2021).

According to Lee, D. et al., (2019) the formula for Tobin's Q is as follows:

$$\text{Tobin's Q} = \frac{\text{Market valuee off all outstanding share} + \text{Debt}}{Total\ Assets}$$

4. *Tax Avoidance*

Tax Avoidance is an action or effort carried out by company management to minimize the company's tax burden legally (Laurenty & Imelda, 2023) . Tax avoidance also refers to all activities that can reduce a company's tax obligations relative to its pre-tax income (Devid & Mujiyanti, 2022).

According to the study conducted by Saka et al., (2021) there are three characteristics of Tax Avoidance, namely as follows: a. Artificial Arrangement This characteristic involves the existence of artificial arrangements, meaning that without tax factors, the arrangement appears to exist but in reality has no substantial business purpose. b. Utilization of Legal Loopholes This characteristic refers to the exploitation of loopholes in tax regulations by applying legal provisions for certain purposes in order to reduce tax obligations. c. Confidentiality Element This characteristic involves secrecy, where consultants generally provide methods or strategies for conducting tax avoidance on the condition that taxpayers maintain confidentiality regarding the practices used.

The measurement of Tax Avoidance in this study uses the Effective Tax Rate (ETR), which is calculated by dividing tax expenses paid in cash by profit before tax (Yuliandana et al., 2021)

$$\text{ETR} = \frac{\text{Tax Payment}}{Profit\ Befort\ Tax}$$

5. Profitability

Profitability is a description of a company's ability to generate profit through its operational activities (Devid & Mujiyanti, 2022) . In this study, financial performance is measured using the Return on Assets (ROA) ratio. Return on Assets indicates the return generated from the total assets used by the company. ROA measures management effectiveness in managing investments and also reflects the productivity of all company funds in generating returns, both from borrowed capital and shareholders' equity (fitriana., 2024)

According to Fitriana, (2024) , the formula for calculating Return on Assets is as follows:

$$Return\ On\ Assets = \frac{\text{Earning after interest and tax}}{Total\ Aset} x\ 100\%$$

Relationship Between Variables

The Effect of Tax Avoidance on Firm Value

Tax Avoidance can increase net income through the reduction of tax expenses. However, investors tend to pay greater attention to other more substantial factors in determining firm value, such as long-term revenue growth, operational stability, and risk management strategies (Wahyuda et al., 2025). Tax avoidance is not the sole variable influencing investor decisions regarding firm value, as there are other factors that are also taken into consideration during investment decision-making (Dewi & Wulandari, 2025).

This tax savings is traditionally viewed as a legal wealth transfer instrument to strengthen owner equity (Laurenty & Imelda, 2023). Consequently, this retained internal capital surplus can be reallocated to fund productive investments that linearly drive stock price appreciation. The practice of minimizing tax burdens demands the design of complex, artificial, and non-transparent transactions (Saka et al., 2021) . This financial statement opacity is vulnerable to being exploited by agents to conceal declining performance or extract personal benefits (Fajriati et al., 2024) . Furthermore, the Indonesian capital market is highly sensitive to long-term risks such as legal sanctions and material penalties that potentially paralyze future cash flows (Tax Justice Network, 2020). As a result, investors tend to overlook short-term tax savings and prioritize governance stability, proving that tax avoidance is significant in determining market valuation (Tobin's Q) (Wahyuda et al., 2025).

The Influence of Profitability on Firm Value

The relationship between profitability and firm value suggests that companies prioritize ensuring operational continuity—particularly during pandemic conditions—by seeking to avoid tax avoidance practices to protect their corporate reputation (Ramdiani et al., 2023) . Companies with stable revenue and steadily increasing profitability tend to attract investor attention, as higher profitability ratios indicate a greater potential for return on investment (Setyawan & Ghozali, 2025).

An issuer's ability to generate net income is a vital indicator used by the market to measure the overall effectiveness of capital management (Sari & Candra, 2024) . (Setyawan & Ghozali, 2025)). Therefore, operational efficiency signals reflected in these financial ratios will be directly absorbed by the capital market to drive up stock prices and firm value (Yuliandana et al., 2021). It is this evaluation dynamic that explains why partial movements in profitability are proven to have a highly significant correlation and influence on the formulation of corporate market valuation (Tobin's Q) (Setyawan & Ghozali, 2025).

METEDOLOGI

This research uses a quantitative approach with annual report data from basic material sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The population in this study includes all companies in that sector, where according to (Sujarweni, 2021) he population is the total number of objects or subjects with certain characteristics and traits determined by the researcher to be studied. To determine the sample, a non-probability sampling technique with a purposive sampling method was used. According to (Sujarweni, 2021), a sample is a part of the quantity and quality of the population used for research. Based on the criteria of companies that regularly publish annual reports and earned a profit during the observation period, a sample of 15 companies was obtained with a total of 75 observations.

The data sources used are secondary in nature, obtained from records or financial reports published through the official IDX website and each company's website. The data collection technique was conducted through documentation by analyzing the content of supporting documents, such as annual reports, to record the values of Profitability, Leverage, and Tax Avoidance variables. The collected data were then processed using Microsoft

Excel and IBM SPSS 27 software.

The analysis stages begin with descriptive statistics which, according to (Hadi & Pebruary, 2021), aim to describe the characteristics of the data as they are without intending to make general conclusions.

The analysis stages begin with descriptive statistics which, according to (Hadi & Pebruary, 2021) aim to describe the characteristics of the data as they are without intending to make general conclusions. Furthermore, classical assumption tests were conducted to ensure the validity of the regression model, which included normality testing using the Kolmogorov-Smirnov method, multicollinearity testing through Tolerance and VIF values, heteroscedasticity testing using the scatterplot approach, and autocorrelation testing.

Hypothesis testing was conducted using multiple linear regression analysis to measure the effect of the independent variables on the dependent variable. The goodness of fit of the model was evaluated through the F-test (simultaneous) and the T-test (partial). According to (Hadi & Pebruary, 2021), a variable is stated to have a significant effect if its significance value is less than 0.05. Finally, the analysis was reinforced by the coefficient of determination to explain the proportion of the overall influence of the independent variables on the dependent variable.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ETR	75	.11	.59	.2384	.08911
ROA	75	.01	.09	.0615	.01875
TOBINS'Q	75	.61	2.07	13.442	.35298
Valid N (listwise)	75				

Source: processed data, 2026

Based on the descriptive statistical test results, the number of observational data used in this research is 75 data points, originating from 15 companies during the 2020–2024 period. The descriptive statistical test results are used to provide an overview of the research data characteristics, which include the minimum, maximum, average (mean), and standard deviation values for each variable as follows:

Tax Avoidance (Effective Tax Rate - ETR) The results of the descriptive statistical analysis show that the Effective Tax Rate (ETR) variable has a mean value of 0.2384, with a minimum value of 0.11 and a maximum value of 0.59. Based on the observational data, the maximum value is found at PT CLPI for the 2022 period at 0.5915, while the minimum value is found at PT Era Surya Inti Persada Tbk (ESIP) for the 2021 period at 0.1104. The mean value of 0.2384 indicates that, on average, the sample companies paid an effective tax of approximately 23.84% of their pre-tax profit. The standard deviation value of 0.08911, which is smaller than its mean value, indicates that the distribution of

ETR data tends to be stable and does not have extreme fluctuations between the companies in the sample.

Profitability (Return on Assets - ROA) The results of the descriptive statistical analysis show that the Return on Assets (ROA) variable has a mean value of 0.0615, with a minimum value of 0.01 and a maximum value of 0.09. The maximum value is found at PT Era Surya Inti Persada Tbk (ESIP) for the 2023 period at 0.0911, while the minimum value is found at PT Wijaya Karya Beton Tbk (WTON) for the 2020 period at 0.0145. The mean value of 0.0615 or 6.15% indicates that, in general, the companies in the sample have a fairly stable ability to generate profit from their total assets during the observation period. The standard deviation value of 0.01875 indicates that the ROA data has a low level of variation.

Firm Value (Tobin's Q) The results of the descriptive statistical analysis show that the Tobin's Q variable has a mean value of 1.3442, with a minimum value of 0.61 and a maximum value of 2.07. The maximum value is found at PT Merdeka Copper Gold Tbk (MDKA) for the 2021 period at 2.0663, while the minimum value is found at PT Indo Acidatama Tbk (SRSN) for the 2022 period at 0.6061. The mean Tobin's Q value above 1 (1.3442) indicates that, in general, the companies in the sample have a market value higher than the book value of their assets. This reflects that the market provides a positive assessment of the growth prospects and asset management of these companies.

Normality Text Results

Table 2 Normality Test Results

one-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
Asymp. Sig. (2-tailed)	,056

Source: processed data, 2026

Based on the Kolmogorov-Smirnov test results, the obtained Asymp. Sig. (2-tailed) value is 0.056. Since this value is greater than 0.05, it can be concluded that the residual data in this research are normally distributed. This is consistent with the Central Limit Theorem proposed by Laplace (1812), which states that the larger the sample size, the more the data distribution will approach normality. Thus, this regression model meets the normality assumption and is eligible to proceed to the next testing stage.

Multicolinearity Test Results

Table 3 Multicolinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
ETR	.998	1.002
ROA	.998	1.002

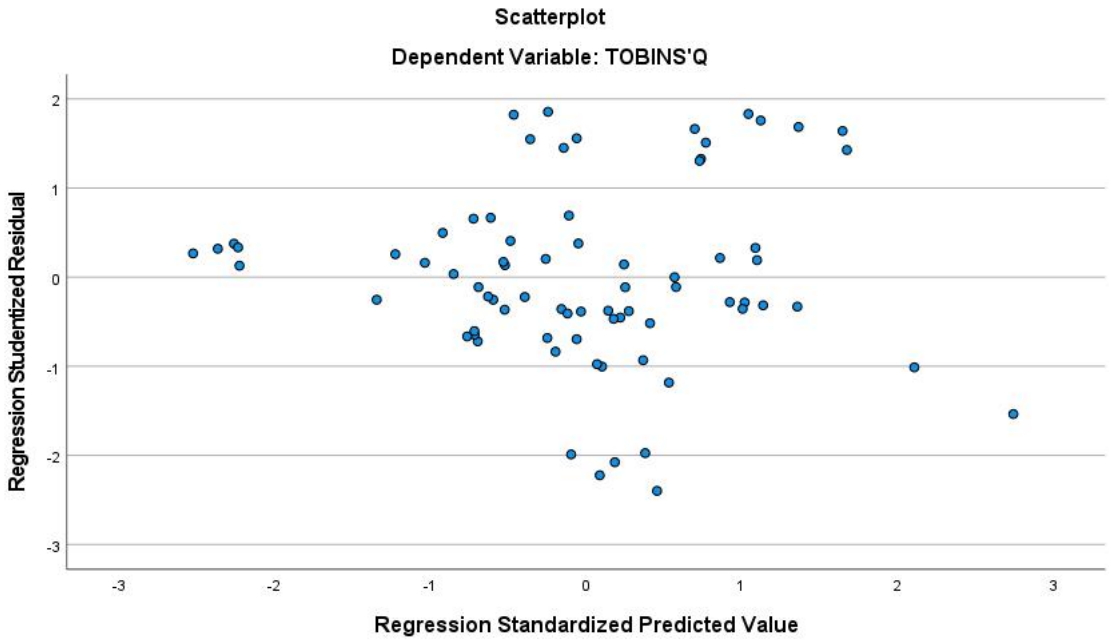
Source: processed data, 2026

Based on the multicollinearity test results conducted with SPSS, it was found that the Tolerance values for the Effective Tax Rate (ETR) and Return on Assets (ROA) variables are each 0.998. These values are much larger than the

established minimum threshold of 0.10. Additionally, the Variance Inflation Factor (VIF) values generated for both independent variables are 1.002, which is well below the threshold value of 10. These results indicate that there is no high correlation between the independent variables in the regression model used. Thus, it can be concluded that this research model does not suffer from multicollinearity symptoms, so the independent variables are considered feasible and meet the classical assumption to proceed to the regression analysis stage Heteroscedasticity Test Results

Heteroscedasticity Test Results

Figure 1 Heteroscedasticity Test Results



Source: processed data, 2026

Based on the results of the heteroscedasticity test using the scatterplot method, it can be seen that the data points representing the residual values are randomly scattered around the zero mark on the Y-axis. These points do not form any specific regular pattern, such as narrowing, widening, or wavy patterns. The even distribution above and below the zero mark indicates that the residual variance is constant or stable. Thus, it can be concluded that the regression model in this study does not experience heteroscedasticity symptoms, meaning the homoscedasticity assumption has been met and the model is feasible for further analysis.

Autocorrelation test results

Table 4 Autocorrelation test results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.353[a]	.125	.100	.33481	.557

a. Predictors: (Constant), ROA, ETR
b. Dependent Variable: TOBINS'Q

Source: Data processed by the researcher, 2026

Based on the table above, the results of the Model Summary table show an R-value of 0.353, indicating that the relationship between the independent variables (ETR and ROA) and the dependent variable (*TOBINS'Q*) is quite weak. The R Square value of 0.125 indicates that 12.5% of the variation in *TOBINS'Q* can be explained by the two independent variables in the model, while the remaining 87.5% is influenced by other factors outside the scope of this study.

The Adjusted R Square value of 0.100 indicates that the regression model has a low level of goodness-of-fit after adjusting for the number of variables used. Furthermore, the Durbin-Watson value of 0.557 falls outside the ideal range of 1.5–2.5, which indicates that an autocorrelation problem exists within this regression model. Consequently, the current model requires adjustment or data transformation to be fit for further analysis.

Multiple Linear Regression Analysis

Table 5. Multiple Linier Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.833	.165		5.038	.000
	ETR	.990	.437	.250	2.263	.027
	ROA	4.470	2.078	.237	2.151	.035

a. Dependent Variable: TOBINS'Q

Source: processed data, 2026

Based on Table 5 above, the multiple linear regression equation is obtained as follows:

TOBINS'Q = 0,833 + 0,990ETR + 4,470ROA

Based on the results of the multiple linear regression analysis, the following findings are obtained:

1. A constant value of 0.833 indicates that if all independent variables (ETR and ROA) are considered constant or equal to zero, the predicted level of *TOBINS'Q* is 0.833.
2. The regression coefficient for the ETR variable is 0.990, indicating that every one-unit increase in ETR will increase *TOBINS'Q* by 0.990, assuming other variables remain constant.
3. The regression coefficient for the ROA variable is 4.470, indicating that every one-unit increase in ROA will increase *TOBINS'Q* by 4.470, assuming other variables remain constant.

Based on the results of the partial significance test (t-test), the following findings are obtained:

1. The ETR variable has a significance value of 0.027 (< 0.05), which indicates that ETR has a positive and significant effect on *TOBINS'Q*. Therefore, the first hypothesis (H1) is accepted.
2. The ROA variable has a significance value of 0.035 (< 0.05), which indicates that ROA has a positive and significant effect on *TOBINS'Q*. Therefore, the second hypothesis (H2) is accepted.

Hypothesis Testing

Table 6 t-Test Results

Indikator	Sig
Tax Avoidance (X1)	0,027
Profitabilitas	0,035

Source: Data processed by the researcher, 2026

Tax Avoidance (Effective Tax Rate - ETR) The ETR variable has a significance value of 0.027, which is lower than the significance level of 0.05 (0.027 < 0.05). Additionally, the t-value (t-count) of 2.263 is greater than the t-table. This indicates that, partially, ETR has a significant effect on Firm Value (Tobin's Q). Consequently, the level of tax avoidance practiced by a company is one of the factors considered by the market in valuing the firm.

Profitability (Return on Assets - ROA) The ROA variable has a significance value of 0.035, which is also lower than 0.05 (0.035 < 0.05). The resulting t-value is 2.151. These results demonstrate that, partially, ROA has a significant effect on Firm Value (Tobin's Q). This reflects that the company's ability to generate profit from its assets provides a positive signal that significantly influences market valuation.

Coefficent of Determination R^2 Test Results

Table 7 Coefficient of Determination R^2 Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.352[a]	.124	.100	35.434

Source: Research data processed, 2026

Based on the test results in Table 7, the R-Square value obtained is 0.124 (or 12.4%). This indicates that the ability of the independent variables in this study—namely the Effective Tax Rate (ETR) and Return on Assets (ROA)—to explain the variation in the dependent variable, Tobin's Q, is 12.4%. Meanwhile, the Adjusted R-Square value of 0.100 shows that after adjusting for the number of variables and sample size, this regression model is able to explain the relationship between variables by 10%.

Consequently, the majority of the variation in Tobin's Q (approximately 90%) is influenced by other variables outside this research model. Although this coefficient of determination is considered low, it does not necessarily indicate that the research model is inadequate. Referring to (Ghozali, 2018) , a small coefficient of determination is common in social or behavioral research due to the numerous external factors that also affect the dependent variable. As long as the independent variables are proven to have a statistically significant effect on the dependent variable, the model remains valid and can be used to explain the phenomenon under study.

F-Test Results (Simultancous)

Table 8 F-Test Results (Simultancous)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.149	2	.575	5.127	.008[b]
	Residual	8.071	72	.112		
	Total	9.220	74			

Source: Processed data, 2026

Based on the F-test results in Table 8, an F-value of 5.127 was obtained with a significance value of 0.008. Since this significance value is much smaller than 0.05 (0.008 < 0.05), it can be concluded that the Effective Tax Rate (ETR) and Return on Assets (ROA) variables simultaneously have a significant effect on Firm Value (Tobin's Q). These results indicate that the regression model used in this study is fit and possesses a strong ability to explain the dependent variable collectively. Consequently, the combination of tax avoidance levels and profitability collectively provides a real impact on how the market values the companies included in this research sample.

H1 *Tax Avoidance* Affects Firm Value

Based on the t-test results, the Tax Avoidance (ETR) variable has a significance value of 0.027, which is less than 0.05. This indicates that Tax Avoidance has a significant effect on firm value (Tobin's Q). Accordingly, the first hypothesis (H1), which states that Tax Avoidance affects firm value, is **accepted**.

The success of basic material sector companies in optimizing tax expenses amidst pandemic disruptions and commodity price volatility during the 2020–2024 period was positively received by investors as an adaptive strategy that enhanced market appreciation toward firm value. According to agency theory, tax avoidance can trigger conflicts of interest and increase risk, meaning it is not always viewed positively by investors. Furthermore, under signaling theory, tax avoidance is not a clear or easily interpretable signal, and thus it may not directly influence investor decisions regarding firm value. Agency theory, tax avoidance can lead to conflicts of interest and increase risk; therefore, it is not always viewed positively by investors. Furthermore, according to signaling theory. tax avoidance is not a clear or easily interpretable signal, and thus it may not directly influence investor decisions regarding firm value. Previous research by (Crisdayanti, (2023);, Gurusinga & Michelle, (2023); Laurenty & Imelda, (2023) ;, & Risna & Haryono, (2023) suggests that tax avoidance does affect firm value. Investors or the market perceive tax policy, proxied by the ETR, as vital information that influences their valuation of stock prices or firm value (Tobin's Q). However, (Wahyuda et al., (2025) ;, Devid & Mujiyanti, (2022);, & Purnomo et al., (2024) found that Tax Avoidance has no influence on Firm Value.

H2 Profitability Affects Firm Value

Based on the t-test results, the Profitability (ROA) variable has a significance value of 0.035, which is smaller than 0.05. This indicates that

Profitability has a significant effect on firm value (Tobin's Q). Accordingly, the second hypothesis (H2), which states that Profitability affects firm value, is **accepted**..

The success of basic material sector issuers in maintaining stable profitability (with an average ROA of 6.15%) amidst the challenges of the 2020 pandemic and subsequent commodity price fluctuations is viewed by investors as a strong fundamental signal capable of boosting firm value. However, according to agency theory, high profits do not necessarily reflect the interests of shareholders due to the opportunistic actions of managers. Agency theory high profits do not necessarily reflect the interests of shareholders due to the opportunistic actions of managers. Meanwhile, according to the signaling theory by (Spence, 1973), profitability should be a positive signal; however, in this study, that signal is not strong enough to influence firm value. This research is in line with (Setyawan & Ghozali, (2025) ; & Purnomo et al., (2024)) that profitability affects firm value. The market responds positively to stable profitability (averaging 6.15% in your data), thereby significantly increasing Firm Value. However, (Crisdayanti, 2023) states that profitability does not affect firm value.

CONCLUSION

Based on the results of the multiple linear regression analysis conducted on basic material sector companies during the 2020–2024 period, this study concludes that tax avoidance, proxied by the Effective Tax Rate (ETR), exerts a partially positive and significant effect on firm value (Tobin's Q) with a significance value of 0.027. This finding indicates that amidst macroeconomic uncertainties driven by pandemic disruptions and global commodity price volatility, the market perceives tax efficiency strategies as a competitive financial advantage that secures corporate liquidity and net earnings. Concurrently, profitability proxied by the Return on Assets (ROA) also demonstrates a partially positive and significant impact on firm value with a significance value of 0.035. The capacity of these issuers to sustain a stable financial performance at an average ROA of 6.15% delivers a potent fundamental signal that generates optimistic behavior from stock market investors. Collectively, both independent variables exhibit a statistically significant simultaneous effect on firm value with an F-test significance of 0.008, contributing an Adjusted R Square value of 10% to the overall framework.

SUGESSTION

For future research, it is suggested to expand the company sample, extend the observation period, and introduce corporate governance as a moderating variable to examine whether internal oversight can effectively mitigate the agency risks associated with tax avoidance. Meanwhile, for corporate practitioners and financial executives in capital-intensive sectors, it is advisable to optimize tax positions safely through legal tax planning by utilizing domestic incentives. Furthermore, the resulting tax cash savings should be visibly channeled into productive investments and supported by enhanced voluntary disclosures and ESG reporting to avoid signaling negative cues regarding governance deficiencies or financial distress to the stock market.

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