

The Effects of Tax Avoidance and Green Accounting on Firm Value: Empirical Evidence from LQ45 Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

This study examines the effects of tax accounting and green accounting on firm value among companies included in the LQ45 Index of the Indonesia Stock Exchange. It aims to determine whether corporate tax management and environmental accounting practices contribute to increasing firm value in the context of sustainability-oriented financial reporting. Using a quantitative approach and secondary data obtained from published financial statements, the study finds that both tax accounting and green accounting have positive and statistically significant effects on firm value. These findings suggest that transparent tax reporting and environmentally responsible accounting practices can strengthen corporate reputation and enhance long-term investor confidence. This study contributes to the growing body of literature on sustainable financial management by highlighting the strategic importance of fiscal transparency and environmental responsibility in creating firm value.

Keywords: Tax Accounting, Green Accounting, Firm Value, Sustainability, LQ45 Companies.

I. Introduction

Firm value is one of the key indicators used to assess a company's performance and prospects from the perspective of investors. It reflects the market's perception of management's ability to utilize corporate resources effectively to maximize shareholder wealth. In the capital market, an increase in firm value is generally reflected in a sustained rise in stock prices. Husnan and Pudjiastuti (2015) explain that firm value represents the level of investor confidence in a company, which is ultimately reflected in its stock price. In an era of global competition and rapid technological advancement, companies are required not only to focus on short-term profitability but also to implement long-term strategies that can sustainably enhance firm value. Factors such as dividend policy, capital structure, profitability, corporate social responsibility (CSR), and good corporate governance are important elements that influence firm value. Brigham and Houston (2019) state that firm value reflects investors' perceptions of a company's success in managing its resources, as indicated by its stock price. A common phenomenon in the Indonesian capital market is the fluctuation of firm value in response to macroeconomic conditions and internal corporate policies. During periods of global economic

instability, many publicly listed companies experience declining stock prices even when their financial fundamentals remain strong. Differences in management policies concerning dividend distribution, debt management, and CSR implementation can also influence investors' perceptions of firm value. Companies that consistently implement good corporate governance and maintain transparent financial reporting tend to have higher firm values than those with less transparent practices. This demonstrates that firm value is influenced not only by financial factors but also by non-financial aspects, such as corporate reputation and public trust. Firm value does not merely reflect a company's financial condition but also encompasses various aspects, including capital structure, dividend policy, profitability, corporate governance, and sustainability strategies. Therefore, increasing firm value is one of management's primary objectives because it indicates success in creating wealth for shareholders. Keown et al. (2017) describe firm value in terms of the market value of a company's equity and debt, which indicates how the market evaluates the company.

Tax avoidance refers to strategies employed by companies to reduce their tax liabilities within the boundaries of applicable tax regulations. However, such practices may conflict with the spirit or intent of tax laws. This issue raises ethical dilemmas concerning the relationship between managerial efficiency and corporate social responsibility. Extensive tax avoidance may contribute to potential reductions in state revenue and raise concerns about the quality of corporate governance. Sari (2019) notes that tax avoidance involves efforts by taxpayers to minimize their tax obligations by exploiting loopholes in tax regulations without directly violating the law. As public awareness of transparency and social responsibility increases, tax avoidance has become a major concern for governments, investors, and society. Understanding the factors that influence tax avoidance, including profitability, leverage, firm size, and corporate governance, has therefore become increasingly important. Chen et al. (2010) explain that tax avoidance can be viewed as a tax management strategy intended to optimize net income by minimizing tax burdens within the limits of existing regulations. Tax avoidance remains an important issue in Indonesia, particularly among large corporations with the resources and capabilities to undertake complex tax planning. Issues such as financial statement manipulation and transfer pricing between affiliated companies illustrate the challenges associated with corporate tax practices and the national taxation system. Reports from the Directorate General of Taxes (DJP) have also highlighted concerns about potential tax revenue losses associated with the manipulation of cross-border transactions by multinational companies. Furthermore, several studies have found that companies with weak governance mechanisms and high levels of managerial ownership may be more inclined to engage in aggressive tax avoidance practices. These issues reinforce the view that tax avoidance is not merely a fiscal concern but also relates to corporate integrity, business ethics, and social responsibility toward national development. The rapid development of the global economy has had significant environmental consequences, including pollution, resource depletion, and climate change. These challenges require businesses to move beyond a narrow focus on profit and incorporate environmental (planet) and social (people) considerations into their operations. In this context, green accounting has emerged as an accounting approach that integrates environmental considerations into corporate accounting and financial reporting.

In the era of sustainability, the implementation of green accounting has become increasingly relevant because of growing regulatory requirements and public awareness of environmental responsibility in business. Consequently, green accounting is becoming an important component of corporate sustainability strategies. Global trends indicate increasing attention to sustainability practices and environmental reporting. In Indonesia, several major companies, particularly those operating in the mining, energy, and manufacturing sectors, have begun publishing sustainability reports in accordance with applicable regulatory requirements. One relevant regulation is Financial Services Authority Regulation No. 51/POJK.03/2017, which establishes sustainability-related obligations for financial institutions, issuers, and public companies, including the disclosure of environmental aspects. However, the implementation of green accounting in Indonesia remains a challenge. Many companies have yet to fully integrate environmental costs into their formal accounting and financial reporting systems. In addition, gaps in accounting standards and limited managerial awareness may hinder the comprehensive measurement and reporting of environmental impacts. This situation highlights

the need to strengthen understanding of and commitment to green accounting as part of broader efforts to support sustainable development. Green accounting serves as a tool for identifying, measuring, and reporting costs and benefits associated with environmental management. Its primary objective is to evaluate corporate performance not only from an economic perspective but also in terms of environmental responsibility. The implementation of green accounting can help companies improve resource efficiency, reduce waste, and strengthen their reputation among investors and the public.

II. Research Method

This study employs a quantitative research approach to examine the effects of tax accounting and green accounting on firm value. This approach is appropriate because it enables the objective measurement of relationships between variables using numerical data and statistical analysis. The study aims to provide empirical evidence on how corporate tax management and environmental accounting practices influence market perceptions and shareholder value among companies included in the LQ45 Index of the Indonesia Stock Exchange. This study uses secondary data obtained from publicly available financial statements, sustainability reports, annual reports, and other official publications issued by the sampled companies. These sources were selected because they provide verifiable information regarding tax management practices, environmental disclosures, and firm valuation indicators. Annual reports and sustainability reports are particularly relevant because they contain information on financial performance, corporate governance, and environmental initiatives. The population consists of all companies included in the LQ45 Index during the observation period. The LQ45 Index was selected because it comprises highly liquid stocks that attract considerable investor interest in the Indonesian capital market. The sampling technique used in this study is purposive sampling, which involves selecting companies based on predetermined criteria. These criteria include consistent inclusion in the LQ45 Index during the observation period, the availability of complete financial and sustainability reports, and the disclosure of relevant tax-related information. The variables in this study consist of a dependent variable, independent variables, and control variables, if applicable. Firm value serves as the dependent variable, while tax accounting and green accounting serve as the independent variables. Firm value is measured using a market-based indicator, such as the price-to-book ratio (PBV) or Tobin's Q, which reflects the market's assessment of a company's value. Tax accounting is measured using indicators related to tax efficiency and compliance, whereas green accounting is measured using environmental disclosure scores or the recognition of environmental costs in financial statements.

Data analysis is conducted using multiple linear regression to examine the relationships between tax accounting, green accounting, and firm value. This technique enables the estimation of the extent to which variations in firm value can be explained by the independent variables while accounting for other relevant factors. Classical assumption tests, including normality, multicollinearity, and heteroscedasticity tests, are conducted to assess whether the regression model satisfies the relevant statistical assumptions and to support the reliability of the results. Before conducting the regression analysis, descriptive statistics are used to summarize the characteristics of the data. These statistics include the mean, minimum, maximum, and standard deviation, which describe the distribution and variability of each variable. The descriptive analysis provides an initial overview of the financial and environmental characteristics of the sampled companies and helps identify unusual observations that may affect the analysis. The data are processed using the Statistical Package for the Social Sciences (SPSS) and cross-checked using EViews to assess the consistency of the analytical results. These software applications facilitate the estimation of regression coefficients and significance levels, supporting the interpretation of relationships between the variables. The analytical process follows established statistical procedures to produce reliable findings that are relevant to the research objectives.

III. Result and Discussion

3.1. Descriptive Statistical Analysis

Table 1. Results of the Descriptive Statistical Analysis

Statistic	Y	X1	X2
Mean	1.837761	0.522131	0.354161
Median	2.213642	0.458228	0.332658
Maximum	5.940805	2.430988	0.762247
Minimum	0.032564	0.093235	0.013853
Std. Dev.	1.280095	0.443531	0.190758
Probability	0.563861	0.000000	0.110123
Sum	257.2866	73.09832	49.58254

Based on the results presented in Table 1, the descriptive statistical analysis provides an overview of the characteristics of each research variable. The descriptive findings for each variable are discussed below.

a. Firm Value (Y)

The firm value variable has a mean of 1.837761 and a standard deviation of 1.280095. Since the standard deviation is smaller than the mean, the data exhibit variation around the average value. The maximum firm value of 5.940805 was recorded by Indofood CBP Sukses Makmur Tbk in 2024, while the minimum value of 0.032564 was recorded by Sri Rejeki Isman Tbk in 2021.

b. Tax Avoidance (X1)

The tax avoidance variable has a mean of 0.522131 and a standard deviation of 0.443531. Since the standard deviation is smaller than the mean, the observations exhibit variation around the average value. The maximum tax avoidance value of 2.430988 was recorded by Millennium Pharmacon International Tbk in 2021, while the minimum value of 0.093235 was recorded by United Tractors Tbk in 2020.

c. Green Accounting (X2)

The green accounting variable has a mean of 0.354161 and a standard deviation of 0.190758. The standard deviation is smaller than the mean, indicating that the observations vary around the average value. The maximum value of 0.762247 and the minimum value of 0.013853 indicate the range of green accounting measurements among the sampled companies. The companies and years corresponding to these extreme values should be verified against the original dataset.

3.2. Classical Assumption Tests

a. Normality Test

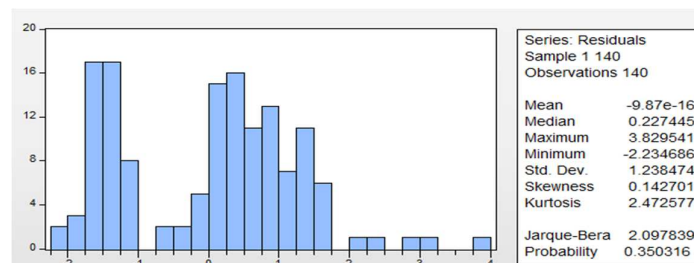


Figure 1. Results of the Normality Test

Based on the results presented in Figure 1, the probability value is 0.350, which is greater than the significance level of 0.05. Therefore, the null hypothesis of normality is not rejected, suggesting that the residuals are normally distributed.

b. Multicollinearity Test

Table 2. Results of the Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
X1	0.057156	2.406061	1.004282
X2	0.308989	4.490900	1.004282
C	0.062245	5.599680	NA

Based on the results presented in Table 2, the centered variance inflation factor (VIF) values for X1 and X2 are both below 10. This indicates that multicollinearity is not a major concern in the regression model.

c. Heteroscedasticity Test

Table 3. Results of the Heteroscedasticity Test

Statistic	Value	Probability / Significance
F-statistic	0.548224	Prob. F(5, 134) = 0.7394
Obs*R-squared	2.806448	Prob. Chi-Square(5) = 0.7298
Scaled explained SS	1.978745	Prob. Chi-Square(5) = 0.8521

Based on Table 3, the probability value associated with the Obs*R-squared statistic is 0.7298, which exceeds the significance level of 0.05. Therefore, the null hypothesis of homoscedasticity is not rejected, suggesting that the model does not exhibit statistically significant evidence of heteroscedasticity.

d. Coefficient of Determination Test

Table 4. Results of the Coefficient of Determination Test

Statistic	Value
R-squared	0.033971
Adjusted R-squared	0.070306

Source: Data processed by the researchers.

The coefficient of determination is used to assess the proportion of variation in firm value explained by the independent variables in the regression model. However, the R-squared and adjusted R-squared values reported in Table 4 require verification before the results can be interpreted. The adjusted R-squared value should not exceed the R-squared value in an ordinary least squares regression model with an intercept. Therefore, the explanatory power of tax avoidance and green accounting cannot be conclusively determined from the reported values.

3.3. F-Test (Simultaneous Test)

Table 5. Results of the F-Test

Statistic	Value
F-statistic	4.681475
Prob. (F-statistic)	0.010798

Based on the results presented in Table 5, the probability value of the F-statistic is 0.010798, which is below the significance level of 0.05. This indicates that the null hypothesis that the coefficients of the independent variables are jointly equal to zero is rejected. Therefore, tax avoidance and green accounting are jointly associated with firm value in the regression model. This result supports Hypothesis 3 (H3), provided that H3 concerns the simultaneous effect of both independent variables on firm value.

3.4. Multiple Linear Regression Analysis

Table 6. Results of the Multiple Linear Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1 (Tax Avoidance)	1.184626	0.239073	2.772257	0.0413
X2 (Green Accounting)	1.614291	0.555867	2.904093	0.0043
C (Constant)	1.169644	0.249489	4.688157	0

Based on the reported regression coefficients, the regression equation can be expressed as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Specifically, the equation is:

$$\text{Firm Value} = 1.169644 + 1.184626 (\text{Tax Avoidance}) + 1.614291 (\text{Green Accounting}) + \epsilon$$

The interpretation of the regression coefficients is as follows.

a. Constant

The constant coefficient of 1.169644 indicates that the predicted value of firm value is 1.169644 when tax avoidance and green accounting are both equal to zero, holding the model specification constant.

b. Tax Avoidance

The regression coefficient for tax avoidance is 1.184626, indicating a positive relationship between tax avoidance and firm value. Assuming that green accounting remains constant, a one-unit increase in tax avoidance is associated with a predicted increase of 1.184626 units in firm value.

c. Green Accounting

The regression coefficient for green accounting is 1.614291, indicating a positive relationship between green accounting and firm value. Assuming that tax avoidance remains constant, a one-unit increase in green accounting is associated with a predicted increase of 1.614291 units in firm value.

3.5. Partial Test (t-Test)

Table 7. Results of the Partial t-Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1 (Tax Avoidance)	1.184626	0.239073	2.772257	0.0413
X2 (Green Accounting)	1.614291	0.555867	2.904093	0.0043
C (Constant)	1.169644	0.249489	4.688157	0

Source: Data processed by the researchers.

Based on the results presented in Table 7, the partial effects of tax avoidance and green accounting on firm value are evaluated separately, with the other independent variable held constant.

a. The Effect of Tax Avoidance on Firm Value

The reported probability value for tax avoidance is 0.0413, which is below the significance level of 0.05. Based on this probability value, tax avoidance has a statistically significant relationship with firm value, and H1 is supported. The reported t-statistic is 2.772, which exceeds the stated critical t-value of 1.659. This comparison also indicates a statistically significant result under the stated decision rule. However, the t-statistic and probability value should be checked against the original regression output to ensure consistency.

b. The Effect of Green Accounting on Firm Value

The reported probability value for green accounting is 0.0043, which is below the significance level of 0.05. Based on this probability value, green accounting has a statistically significant relationship with firm value, and H2 is supported. The reported t-statistic is 2.904, which exceeds the stated critical t-value of 1.659. This comparison also indicates a statistically significant result under the stated decision rule. However, the t-statistic and probability value should be checked against the original regression output to ensure consistency.

3.6. Discussion

Based on the results presented above, the probability value of the F-statistic is 0.010798, which is below the significance level of 0.05. This indicates that the null hypothesis is rejected, suggesting that tax avoidance and green accounting jointly have a statistically significant effect on firm value. Furthermore, the calculated F-statistic of 4.681 is greater than the critical F-value of 2.66, supporting the conclusion that both independent variables simultaneously influence firm value. Therefore, Hypothesis 3 (H3) is supported. According to agency theory, conflicts of interest may arise between managers (agents) and shareholders (principals). Managers may prioritize their own interests or short-term objectives, whereas shareholders generally seek to maximize the long-term value of the firm. Agency theory provides a framework for understanding how managerial decisions regarding tax avoidance and green accounting may influence firm value through transparency, accountability, and the alignment of managerial actions with shareholders' interests. Under effective corporate governance, tax management practices that comply with applicable regulations and transparent green accounting practices may contribute to enhancing firm value over the long term.

IV. Conclusion

This study concludes that tax avoidance and green accounting are significantly associated with firm value among companies listed on the Indonesian capital market. The findings indicate that tax management practices conducted within the boundaries of applicable regulations may help companies optimize their resources and improve profitability, potentially strengthening investor confidence. Similarly, the implementation of green accounting practices reflects a company's commitment to sustainability and environmental responsibility, which may enhance its corporate reputation and long-term value. The results further indicate that tax avoidance and green accounting jointly have a statistically significant effect on firm value. This finding supports the view that financial and non-financial factors are interrelated in shaping investor perceptions. From an agency theory perspective, the findings highlight the importance of aligning managerial decisions with shareholder interests through transparency and accountability. Managers who balance tax planning with sustainable business practices may be better positioned to build stakeholder trust and support long-term corporate performance. More broadly, this study emphasizes the importance of integrating responsible tax management and environmental accounting into corporate governance to support sustainable value creation. Companies that uphold transparency, ethical business practices, and sustainability-oriented strategies may be better positioned to pursue long-term growth and strengthen stakeholder trust.

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