



DOES REAL EARNINGS MANAGEMENT HAVE AN INFLUENCE ON FIRM VALUE WITH MODERATION FROM TAX AVOIDANCE?

Meilisa Tri Nugraha¹⁾, Jevennie Wibowo²⁾, Amrie Firmansyah³⁾, Estralita Trisnawati⁴⁾

¹⁾Meilisa.127232005@stu.untar.ac.id, Tarumanagara University

²⁾Jevennie.127232022@stu.untar.ac.id, Tarumanagara University

³⁾amriefirmansyah@upnvj.ac.id, Universitas Pembangunan Nasional Veteran Jakarta

⁴⁾estralitat@fe.untar.ac.id, Tarumanagara University

Abstract

Companies adopt various strategies to enhance firm value and present favorable financial performance to investors. Real earnings management and tax avoidance are among the practices that are legally permissible and often used to influence reported outcomes. This study investigates the effect of real earnings management on firm value, with tax avoidance as a moderating variable and profitability and leverage as control variables. The research sample consists of food and beverage companies in the consumption sector listed on the Indonesia Stock Exchange (IDX) during 2020–2022. Data were obtained from annual reports on www.idx.co.id and company websites, using purposive sampling to generate 60 firm-year observations. The results indicate that real earnings management positively affects firm value, while tax avoidance weakens this positive relationship. These findings provide evidence that managerial discretion in earnings reporting can enhance firm value, but the presence of tax avoidance reduces investor confidence in earnings quality. This study encourages further research to explore the interaction of earnings management, tax strategies, and firm value in different sectors and periods.

Keywords: Firm Value; Leverage; Profitability; Real Earnings Management; Tax Avoidance

INTRODUCTION

Owners of business organizations often delegate authority to professional managers to ensure business sustainability and growth. Agency theory explains that the relationship between owners (principals) and managers (agents) inherently involves potential conflicts of interest (Jensen & Meckling, 1976). While owners expect managers to act in their best interest by increasing profits and firm value, managers may also pursue their own personal objectives. In this context, reported profits become the primary measure of managerial performance and an important signal for investors in assessing the company's prospects. Signaling theory further emphasizes that earnings information regarded as "good news" by the market will generate a positive response. Investors tend to interpret rising profits as evidence of managerial success in running the business, which leads to greater demand for shares, higher stock prices, and ultimately an increase in firm value. Conversely, when reported earnings fail to meet expectations, the market may respond negatively, reducing confidence in the company's future. This highlights the pivotal role of earnings quality in shaping firm value as perceived by the public and shareholders.

However, the pressure to meet profit targets often pushes managers toward opportunistic behavior. Eisenhardt (1989) notes that self-interested managers avoid the risk of sanctions or contract termination by engaging in earnings management. This practice allows managers to report earnings that meet market expectations, even when the company's fundamentals do not fully support such results. Earnings management, therefore, becomes a mechanism through which managerial actions directly affect investor perceptions and, consequently, firm value.

This phenomenon is evident in Indonesia. In 2019, PT Tiga Pilar Sejahtera Food, Tbk (AISA) was found to manipulate its financial statements by issuing multiple reports with engineered transactions to present a more favorable performance. Similarly, in the same year, PT Garuda Indonesia (Persero), Tbk, prematurely recognized revenue from a 15-year contract as current income (Sandria, 2021). These cases illustrate how financial statements may be used



to deliver misleading signals to investors, creating an inflated perception of firm value that does not align with the company's actual condition.

From these cases, it can be concluded that firm value is strongly influenced by reported financial performance. Investors primarily rely on earnings to evaluate prospects, while managers have strong incentives to ensure earnings appear consistent with market expectations. Although earnings management may not always breach generally accepted accounting principles, it raises significant concerns regarding the reliability of financial information used for investment decisions. This underscores the importance of financial reporting quality as a determinant of firm value in capital markets.

A continuous decline in firm value reflects weak investor confidence and signals the market's negative perception of managerial performance. From the perspective of agency theory, such a decline may indicate that managers have failed to align their actions with the interests of shareholders, thereby creating agency costs that reduce firm value. In addition, signaling theory suggests that falling firm value represents "bad news" for the market, discouraging investment and further pressuring stock prices. If this condition persists, the company may experience increasing difficulties securing external funding, maintaining investor trust, and ensuring its competitive position in the industry. Therefore, firm value needs to be further investigated to understand better the factors that influence it and the implications for corporate performance.

Firm value has been previously examined in relation to several factors. Studies have linked it to real earnings management (Darmawan et al., 2019; Inola & Hermanto, 2019; Sa'diyah & Hermanto, 2017; Talasania & Nelvirita, 2023; Tulcanaza-Prieto & Lee, 2022), as well as accrual earnings management (Rahayu et al., 2020). Other research has focused on tax avoidance (Andayani & Yanti, 2021; Hasibuan & Firmansyah, 2023; Hasan et al., 2021; Herdiyanto & Ardiyanto, 2015; Laurenty & Imelda, 2023; Murtiningtyas et al., 2022; Nebie & Cheng, 2023; Wardani & Juliani, 2018; Yuliandana et al., 2021), profitability (Ali et al., 2021; Jaya, 2020), funding decisions (Bahrin et al., 2020), leverage (Lamba & Atahau, 2022), and risk management (Ticoalu et al., 2021).

Real earnings management manipulates actual operating activities to achieve targeted income levels within desired limits (Abbas & Ayub, 2019). According to Talasania and Nelvirita (2023), real earnings management represents deliberate efforts to engineer company performance while remaining within the scope of accounting principles. However, their findings conclude that such practices have a negative effect on firm value, as they reduce the credibility of reported earnings in the eyes of investors. Similar evidence is provided by Tulcanaza-Prieto and Lee (2022) and Darmawan et al. (2019), who also found that real earnings management tends to erode investor trust and diminish firm value. These studies suggest that opportunistic earnings manipulation through real activities, although intended to improve short-term performance, may generate long-term risks that lower firm value.

On the other hand, some studies have produced more nuanced results. Inola and Hermanto (2019) reported that the impact of real earnings management depends on the type of activity undertaken: abnormal cash flow from operations was found to negatively affect firm value, while abnormal production costs and abnormal discretionary expenses were positively associated with firm value. In contrast, Sa'diyah and Hermanto (2017) found that abnormal cash flow from operations and discretionary expenses positively influence firm value, while abnormal production costs had no significant effect. These contrasting findings indicate that the relationship between real earnings management and firm value remains inconclusive. While several studies point to a negative effect consistent with agency concerns, others highlight partial or activity-specific effects that align with signaling perspectives. The inconsistency



across prior research emphasizes the need for further empirical testing to clarify under what conditions real earnings management enhances or diminishes firm value..

Building on this research gap, the present study seeks to re-examine the relationship between real earnings management and firm value while introducing tax avoidance as a moderating variable. The inclusion of tax avoidance is particularly relevant because the practice has been widely debated across countries (Sismanyudi & Firmansyah, 2022). When conducted appropriately, tax planning can be a strategic managerial choice that allows companies to reduce tax burdens without violating tax regulations (Herdiyanto & Ardiyanto, 2015). By lowering effective tax costs, firms may report higher profits, providing a positive signal to investors and increasing firm value. Thus, tax avoidance is expected to significantly mediate the relationship between real earnings management and firm value. Incorporating this moderating variable not only addresses the limitations of previous studies that rarely examined this interaction but also enriches the understanding of how earnings management strategies and tax-related decisions jointly affect firm value.

This study employs profitability and leverage as control variables. Profitability, represented by Return on Assets (ROA), reflects the company's ability to generate profits. Prior research has demonstrated that profitability significantly influences firm value, as higher profits provide a positive signal to investors and strengthen their confidence in the company's performance (Ticoalu et al., 2021; Mumtazah & Purwanto, 2020; Fajarwati & Ramadhanti, 2021). Leverage, represented by Debt to Assets Ratio (DAR), illustrates the extent to which companies utilize debt in their capital structure. Previous studies indicate that leverage can affect firm value, since the optimal use of debt has the potential to enhance profitability and, in turn, attract investor interest (Lamba & Atahau, 2022; Lungkang & Rusgowanto, 2022; Artamevia & Almalita, 2021).

This research is expected to enrich the literature by providing additional insights into how real earnings management activities influence firm value in companies in the consumption sector, particularly within Indonesia's food and beverage sub-sector. Furthermore, the findings may serve as valuable input for the Financial Services Authority in enhancing its supervision of earnings management and tax avoidance practices among issuers in this sector.

LITERATURE REVIEW

Agency theory forms the primary foundation of this study. According to Jensen and Meckling (1976), the relationship between shareholders (principals) and managers (agents) is governed by contracts that require managers to operate in the best interests of shareholders. However, an information asymmetry arises because managers possess more complete and detailed information than shareholders. This condition allows managers to act opportunistically, prioritizing their interests rather than those of the shareholders. One manifestation of this opportunistic behavior is earnings management, in which managers manipulate reported financial performance to appear favorable. Although such actions may temporarily fulfill contractual expectations, they generate agency costs that can harm shareholders in the long run.

Signaling theory complements this framework by explaining how managers send signals to investors through reported financial information (Spence, 1973). Positive signals, such as increasing profits, are expected to attract investors, boost demand for company shares, and raise firm value. However, when signals are not based on genuine performance but on opportunistic manipulation, the credibility of such signals weakens. Over time, investors may perceive these distorted signals as "bad news," leading to declining stock prices and reduced firm value. Thus, while signaling theory recognizes the importance of financial performance as an information channel, agency theory warns that managerial opportunism may compromise this channel.



Firm value represents investors' assessment of a company's overall performance and prospects, which is generally reflected in its stock price (Sa'diyah & Hermanto, 2017; Talasania & Nelvirita, 2023). High firm value is associated with shareholder prosperity, while declining firm value indicates weakened confidence in managerial performance. Prior studies have shown that managerial interventions through earnings management can alter these perceptions, but the direction of the impact remains varied.

Several studies support the view that real earnings management negatively influences firm value. Tulcanaza-Prieto and Lee (2022), Darmawan et al. (2019), and Talasania & Nelvirita (2023) conclude that real earnings management decreases firm value because investors tend to interpret such practices as opportunistic behavior that undermines earnings quality. These findings align with the hypothesis of this study, which predicts a negative effect of real earnings management on firm value.

Other research provides more nuanced results. Inola & Hermanto (2019) found that abnormal cash flow from operations negatively affects firm value, while abnormal production costs and discretionary expenses have a positive effect. Meanwhile, Sa'diyah & Hermanto (2017) revealed that abnormal cash flow from operations and discretionary expenses positively affect firm value, whereas abnormal production costs have no significant effect. These findings highlight that while certain forms of real earnings management may appear to improve reported profits, investors often perceive them as signals of opportunistic managerial behavior. Such practices can distort operational efficiency, increase risks, and reduce earnings credibility. Therefore, rather than enhancing firm value, real earnings management more likely diminishes investor trust and contributes to a decline in firm value.

Based on agency theory, signaling theory, and prior empirical evidence, it can be concluded that real earnings management is more likely to harm than enhance firm value. While intended to meet earnings expectations, opportunistic manipulation of operating activities creates distortions that diminish the firm's credibility and investor trust.

H₁: Real earnings management has a negative effect on firm value

Firm value may increase when company profits rise, one of which is influenced by a reduction in the tax burden (Laurenty & Imelda, 2023). From the perspective of agency theory (Jensen & Meckling, 1976), managers as agents often have incentives to act opportunistically to maximize reported profits and meet the expectations of principals. Tax avoidance can be considered one of the strategies managers employ to reduce the tax burden, thereby increasing the residual income available to shareholders. By lowering tax payments, managerial actions may align more closely with owners' interests, as both parties benefit from the increase in after-tax profits.

In addition, signaling theory (Spence, 1973) suggests that information about higher reported earnings—whether achieved through operational performance or tax savings—signals the market. When investors interpret tax avoidance as an efficient financial strategy, the resulting profit increase is perceived as a favorable indicator of firm performance. This perception enhances investor confidence, stimulates investment, raises stock prices, and strengthens firm value. Consistent with this reasoning, prior studies provide evidence that tax avoidance has a positive association with firm value, including the works of Herdiyanto & Ardiyanto (2015), Hasan et al. (2021), and Nebie & Cheng (2021). Although real earnings management may reduce the credibility of financial reporting and negatively affect firm value, the presence of tax avoidance can offset this effect by improving reported profits and sending positive signals to investors.

H₂: Tax avoidance weakens the negative relationship between real earnings management and firm value.



METHODS

The research method applied in this study is a quantitative approach. Quantitative analysis uses secondary data from financial statements of issuers listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022. The data were obtained through the official IDX website (www.idx.co.id) and company websites. The dependent variable in this study is firm value, which is measured using the Price to Book Value (PBV). This study employs pooled or panel data to process the data, combining cross-sectional and time-series observations to provide more comprehensive results.

The population in this study consists of issuers in the consumer goods industry sector listed on the IDX during 2020–2022. Sampling was conducted using purposive sampling, with specific criteria established to ensure the relevance of the sample. The sample criteria include manufacturing issuers in the food and beverage sub-sector consistently listed on the IDX during the research period. Issuers that recorded losses during the observation period were excluded. Based on these criteria, 26 issuers were initially identified, and after excluding six issuers with negative earnings, 20 companies were retained as the final research sample. The total number of research samples with a three-year observation period amounted to 60 firm-year observations.

In this study, firm value is the dependent variable, real earnings management is the independent variable, tax avoidance is the moderating variable, and DAR and ROA are the control variables. Firm value is measured using Price to Book Value (PBV). According to Purnamasari and Baskara (2019), PBV reflects the comparison between the stock market price and the book value of shares, making it a widely used indicator by investors in assessing firm value for investment decision-making. The measurement of firm value in this research adopts the PBV approach as applied by Purnamasari and Baskara (2019), namely:

$$\text{Price Book Value (PBV)} = \frac{\text{Stock Market Price per Share}}{\text{Book Value per Share}}$$

The stock price used in this study refers to the closing stock price at the end of the fourth quarter as stated in the annual reports published on the Indonesia Stock Exchange (IDX). The book value per share is calculated by dividing total equity by the number of outstanding shares in the market, with the relevant information obtained from the issuer's annual report.

Real earnings management in this study is measured following the framework of Roychowdhury (2006), which has been widely applied in studies such as Darmawan et al. (2019) and Tulcanaza-Prieto & Lee (2022). REM reflects managerial interventions in actual operational activities aimed at achieving targeted earnings. These practices are identified through abnormal deviations from normal business activities, estimated using industry–year regression models with sales and sales changes as explanatory variables, scaled by lagged total assets. The measurement consists of three components. Abnormal operating cash flow (ABN_CFO) captures practices such as accelerating sales by offering price discounts or lenient credit terms, with abnormal values obtained as residuals from the normal CFO model. Abnormal production costs (ABN_PROD) indicate overproduction designed to reduce the cost of goods sold per unit, with abnormal values derived from the normal production cost model. Abnormal discretionary expenses (ABN_DISCEXP) reflect managerial efforts to temporarily boost earnings by cutting discretionary spending such as advertising, research and development, and administrative expenses, with abnormal values estimated from the normal discretionary expense model.

The aggregate REM is then constructed by combining these components, where abnormal CFO and abnormal discretionary expenses are multiplied by -1 (since lower values indicate higher manipulation), while abnormal production costs are taken as is:

$$\text{REM} = (-\text{ABN_CFO}) + \text{ABN_PROD} + (-\text{ABN_DISCEXP})$$



A higher REM score reflects more intensive use of real earnings management, implying greater managerial intervention in actual business activities to manipulate reported earnings.

Issuers may undertake tax avoidance strategies to reduce tax obligations as long as they remain within the boundaries of prevailing laws. Such policies directly affect company profits because a reduced tax burden increases reported earnings. According to Nafti et al. (2020), tax avoidance should not be equated with illegal tax manipulation, since tax avoidance is a lawful activity, while tax evasion violates legal provisions. This study measures tax avoidance using the Effective Tax Rate (ETR), calculated as total tax expense divided by profit before tax. Following Annida and Firmansyah (2022), the value of tax avoidance is defined as the inverse of ETR. For analytical purposes, the ETR value is multiplied by -1 so that a higher score indicates greater tax avoidance.

Profitability is represented by the Return on Assets (ROA) ratio. ROA reflects the ability of an issuer to generate profits from its total assets within a given period (Ali et al., 2021). The ratio is derived by dividing net income by total assets, thus providing a comprehensive picture of the company's efficiency in utilizing its resources. Prior research has shown that ROA significantly influences firm value, as demonstrated by Jaya (2020), Sumira and Prihandini (2022), and Purnamasari and Baskara (2019).

Leverage is measured using the Debt to Asset Ratio (DAR). DAR describes the proportion of total liabilities to total assets, reflecting how much a company relies on debt to finance its operations (Lamba & Atahau, 2022). A higher DAR indicates greater financial risk, as excessive reliance on debt can increase the likelihood of future financial difficulties. Nevertheless, when managed optimally, debt can be a funding strategy that enhances firm performance and value (Sulistiyo et al., 2022; Sumira & Prihandini, 2022).

This study employs several statistical procedures, including descriptive statistical analysis, multiple linear regression analysis, the coefficient of determination test, the F-test to examine the joint significance of the regression coefficients, and the t-test to assess the partial significance of each independent variable. The empirical model developed in this research is specified as follows:

$$PBV_{it} = \beta_0 + \beta_1 REM_{it} + \beta_2 TAXAVD_{it} + \beta_3 REM_{it} * TAXAVD_{it} + \beta_4 ROA_i + \beta_5 DAR_i + \varepsilon_{it}$$

Firm value in this study is measured using the Price to Book Value (PBV) ratio. Real Earnings Management (REM) is employed as the independent variable, while Tax Avoidance (TAXAVD) is the moderating variable. Profitability is represented by Return on Assets (ROA), and Leverage is represented by the Debt to Assets Ratio (DAR).

RESULTS AND DISCUSSION

This study employed several specification tests to determine the best regression model: the Chow test, the Lagrange Multiplier (LM) test, and the Hausman test. Based on these procedures, the most appropriate model for this study was identified as the Fixed Effect Model (FEM).

Table 1.
Descriptive Statistics

Var.	Mean	Med.	Max.	Min.	Std. Dev.	Obs.
PBV	3.1708	2.6128	15.3126	0.0959	2.8646	60
REM	1.3886	1.0714	6.7337	0.2237	1.0957	60
TAXAVD	-0.2402	-0.2209	0.0515	-0.8632	0.1337	60
ROA	0.0846	0.0714	0.2741	0.0001	0.0599	60
DAR	0.3813	0.4001	0.7439	0.0979	0.1756	60

Source: Data processing results



Table 1 presents the results of the descriptive statistics for all variables used in this study, both dependent and independent. The firm value variable, measured by Price to Book Value (PBV), has an average of 3.1708 with a maximum of 15.3126 (observed in MLBI) and a minimum of 0.0959 (observed in PANI), while the standard deviation is 2.8646. The real earnings management variable averages 1.3886, with a maximum of 6.7337 (PANI), a minimum of 0.2237 (PSGO), and a standard deviation of 1.0957. The tax avoidance variable, measured using the adjusted Effective Tax Rate ($ETR \times -1$), shows an average of -0.2402 , with a maximum of 0.0515 (ROTI) and a minimum of -0.8632 (HOKI), and a standard deviation of 0.1337. For the control variables, profitability (ROA) records an average of 0.0846 with values ranging from 0.0001 to 0.2741, while leverage (DAR) averages 0.3813 with values ranging from 0.0979 to 0.7439.

Table 2 summarizes the results of hypothesis testing using the FEM. The findings indicate that real earnings management (REM) has a positive and statistically significant effect on firm value ($p < 0.05$). In contrast, tax avoidance (TAXAVD) alone does not show a significant effect ($p > 0.05$). However, the interaction term between REM and TAXAVD (REM*TAXAVD) is negative and statistically significant ($p < 0.05$), indicating that tax avoidance weakens the positive effect of real earnings management on firm value. For the control variables, profitability (ROA) shows a negative and significant effect ($p < 0.01$), while leverage (DAR) demonstrates a positive and highly significant effect ($p < 0.01$) on firm value. The overall model demonstrates strong explanatory power, with an R^2 of 0.9883 and an adjusted R^2 of 0.9802, supported by a highly significant F-statistic ($p = 0.0000$).

Table 2.
Summary of Hypothesis Test Results

Var.	Coeff.	t-Stat.	Prob.	
C	1.2646	4.3029	0.0001	
REM	0.1254	2.1522	0.0192	**
TAXAVD	-0.0572	-0.1355	0.4465	
REM*TAXAVD	-0.4797	-1.6996	0.0491	**
ROA	-1.1436	-2.5838	0.0071	***
DAR	4.3529	5.9533	0.0000	***
R^2	0.9883			
Adj. R^2	0.9802			
F-stat.	122.6580			
Prob (F-stat.)	0.0000			

Source: Data processing results

*** significant level 0.001; ** significant level 0.05; * significant level 0.1

The finding of this study demonstrates that real earnings management has a positive and significant effect on firm value. This result supports the proposition of signaling theory (Spence, 1973), which emphasizes the role of information managers provide to investors. When profits increase due to real earnings management, managers send signals of financial strength and stability, which investors interpret positively. Consequently, investor confidence rises, increasing stock demand and boosting firm value. The ability of managers in the food and beverage sub-sector to maintain positive financial performance during 2020–2022, a period marked by the COVID-19 pandemic, reinforced the credibility of these signals and sustained investor trust.

From the agency theory perspective (Jensen & Meckling, 1976), managers as agents may engage in opportunistic actions to achieve profit targets and avoid sanctions from principals. Real earnings management, as one form of such actions, manipulates actual



operational activities to report higher earnings. Although opportunistic in nature, the results of this study indicate that these practices aligned with shareholder interests because they improved firm value. In this context, the agency conflict described in agency theory becomes less apparent, as agents and principals benefit from increased firm value.

The empirical evidence of this study is consistent with the findings of Sa'diyah & Hermanto (2017) and Inola & Hermanto (2019), who documented that specific components of real earnings management, such as abnormal operating cash flows and discretionary expenses, can positively influence firm value. These results differ from the studies of Tulcanaza-Prieto & Lee (2022), Darmawan et al. (2019), and Talasania & Nelvirita (2023), which found that real earnings management tends to reduce firm value. Differences in industrial sectors, economic conditions, and observation periods may explain the inconsistency across prior research. In the case of the Indonesian food and beverage sub-sector during 2020–2022, the positive relationship may reflect the resilience of consumer demand, even in times of crisis. Essential goods such as food and beverages remained in high demand, and managers' efforts to smooth earnings through real activities were interpreted as credible signals of financial stability rather than opportunistic manipulation. Investors, in turn, responded favorably by maintaining or increasing their investments, which contributed to the rise in firm value.

Thus, the acceptance of the first hypothesis confirms that real earnings management can serve as an effective signaling mechanism in the food and beverage sub-sector. While agency theory highlights the potential opportunistic motives behind such practices, this study suggests that these actions may align with shareholder interests under stable consumer demand and heightened investor sensitivity to stability. By enhancing reported profits and delivering credible signals to the market, real earnings management was able to significantly increase firm value during the 2020–2022 observation period.

The result of this study indicates that tax avoidance weakens the positive effect of real earnings management on firm value. While real earnings management provides favorable signals to investors by presenting higher reported profits, the simultaneous practice of tax avoidance reduces the credibility of those signals. Instead of reinforcing the positive impact, tax avoidance is perceived as an opportunistic action that introduces additional risks, thereby dampening the effect of reported profits on firm value.

From the agency theory perspective, tax avoidance can lower tax burdens and increase after-tax income available to shareholders. This argument is supported by studies such as Herdiyanto & Ardiyanto (2015), Hasan et al. (2021), and Nebie & Cheng (2021), which provide evidence that reducing tax obligations enhances firm performance by increasing the residual income enjoyed by shareholders. However, agency theory also emphasizes that managers may act opportunistically, exploiting tax strategies for their benefit and increasing information asymmetry. In this study, such opportunistic aspects appeared to dominate, leading investors to view tax avoidance not as an efficiency strategy but as a potential source of conflict and risk.

From the signaling theory perspective, higher profits from tax savings could serve as a favorable signal to the market, consistent with the argument that efficient tax management reflects good managerial ability. The findings of Herdiyanto & Ardiyanto (2015), Hasan et al. (2021), and Nebie & Cheng (2021) also support this reasoning by showing that tax avoidance can enhance firm value through its impact on reported earnings. Nevertheless, signaling theory stresses that signals must be credible. In the context of this study, investors interpreted tax avoidance as less credible and even risky, particularly when practiced alongside real earnings management. Rather than being seen as evidence of efficiency, it was perceived as undermining transparency and earnings quality, weakening earnings management's positive influence on firm value.



Thus, although tax avoidance has been shown to support firm performance by reducing tax burdens and increasing shareholder income, this study demonstrates that when it interacts with real earnings management, it fails to reinforce the effect. Instead, it weakens the positive relationship by raising concerns over credibility, transparency, and opportunistic behavior, particularly in the food and beverage sub-sector during 2020–2022, when investors demanded greater reliability in financial reporting.

CONCLUSION

This study concludes that real earnings management positively affects firm value in food and beverage companies listed on the Indonesia Stock Exchange during 2020–2022. In line with signaling theory, earnings modifications through operational activities send positive signals to investors, which are interpreted as indicators of financial stability and growth prospects. These signals increase investor confidence, raise demand for company shares, and ultimately enhance firm value. However, the study also finds that tax avoidance weakens this positive relationship. Viewed through the lens of agency theory, tax avoidance represents an opportunistic managerial practice that increases agency conflicts and diminishes the credibility of reported profits. Consequently, tax avoidance undermines investor trust and reduces firm value instead of strengthening earnings management signals.

This research is subject to several limitations. First, the study focuses only on issuers in the food and beverage sub-sector, which may limit the generalizability of the findings to other industries. Second, the research period is restricted to three years (2020–2022), characterized by the COVID-19 pandemic, which may have influenced investor behavior and firms' financial strategies. Third, the measurement of variables relies solely on quantitative proxies derived from financial statements, without incorporating qualitative aspects such as corporate governance practices or managerial incentives.

Future studies may expand the scope by including other sectors within the consumer goods industry or across different industries to test whether the findings remain consistent. Extending the observation period beyond the pandemic could also provide a clearer picture of the relationship between real earnings management, tax avoidance, and firm value under normal economic conditions. In addition, future research could integrate corporate governance variables, such as board independence, ownership structure, or audit quality, to examine how governance mechanisms influence or mitigate the impact of earnings management and tax avoidance on firm value. A mixed-methods approach combining financial data with managerial interviews could enrich the analysis by capturing underlying motivations behind tax avoidance and earnings management practices.

The findings of this study also provide important insights for regulators. For the Financial Services Authority (OJK), these results highlight the need to strengthen supervision of financial reporting quality, particularly regarding earnings management practices in the food and beverage sub-sector. OJK could enhance disclosure requirements and impose stricter sanctions on issuers that present misleading financial information, thereby protecting investors and ensuring more transparent market signals. For the Directorate General of Taxes (DJP), the findings emphasize the importance of monitoring corporate tax avoidance strategies that may distort reported earnings. DJP could improve tax audit mechanisms, close regulatory loopholes, and encourage compliance through incentives for companies that demonstrate transparent and responsible tax reporting. Together, these efforts would protect investors and support fair and accountable financial practices in Indonesia's capital markets.



REFERENCES

- Abbas, A., & Ayub, U. (2019). Role of earnings management in determining firm value: An emerging economy perspective. *International Journal of Advanced and Applied Sciences*, 6(6), 103–116. <https://doi.org/10.21833/ijaas.2019.06.015>
- Ali, J., Faroji, R., & Ali, O. (2021). Pengaruh profitabilitas terhadap nilai perusahaan (studi empiris pada perusahaan sektor industri barang konsumsi di Bursa Efek Indonesia Tahun 2017-2019). *Jurnal Neraca Peradaban*, 1(2), 128–135. <http://dx.doi.org/10.55182/jnp.v1i2.36>
- Andayani, E., & Yanti, H. B. (2021). The effect of tax avoidance, sustainability report, corporate governance on firm value: Leverage as moderating (Empirical Study On Registered Manufacturing Companies On the Indonesia Stock Exchange 2014-2019). *Technium Social Sciences Journal*, 19, 506–519. <http://dx.doi.org/10.47577/tssj.v19i1.3360>
- Annida, L., & Firmansyah, A. (2022). Environmental uncertainty, debt policy, tax avoidance: does managerial ability matter? *Riset*, 4(2), 054–071. <https://doi.org/10.37641/riset.v4i2.162>
- Artamevia, J., & Almalita, Y. (2021). Pengaruh return on assets, debt to assets ratio dan faktor lainnya terhadap nilai perusahaan. *E-Jurnal Akuntansi TSM*, 1(3), 313–324. <http://jurnaltsm.id/index.php/ejatsm>
- Bahrin, M. F., Tifah, & Firmansyah, A. (2020). Pengaruh keputusan pendanaan, keputusan investasi, kebijakan dividen, dan arus kas bebas terhadap nilai perusahaan. *Jurnal Ilmiah Akuntansi Kesatuan*, 8(3), 263–276. <https://doi.org/10.37641/jiakes.v8i3.358>
- Darmawan, I. P. E., Sutrisno, & Mardiaty, E. (2019). Accrual earnings management and real earnings management: increase or destroy firm value? *International Journal of Multicultural and Multireligious Understanding*, 6(2), 8–19. <https://doi.org/10.18415/ijmmu.v6i2.551666>
- Eisenhardt, K. M. (1989). Agency theory: an assessment and review. *Academy of Management Review*, 14(1), 57–74. <https://doi.org/10.5465/amr.1989.4279003>
- Fajarwati, P. A. N., & Ramadhanti, W. (2021). Pengaruh informasi akuntansi (roa, leverage, sales growth, capital intensity dan company size) dan company age terhadap tax avoidance. *Jurnal Investansi*, 7(1), 1–15. <https://doi.org/10.31943/investasi.v7i1.112>
- Hasan, M. M., Lobo, G. J., & Qiu, B. (2021). Organizational capital, corporate tax avoidance, and firm value. *Journal of Corporate Finance*, 70, 102050. <https://doi.org/10.1016/j.jcorpfin.2021.102050>
- Hasibuan, A. A., & Firmansyah, A. (2023). The moderating role of sustainability disclosure: tax avoidance and firm value. *Educoretax*, 3(3), 262–273. <https://doi.org/10.54957/educoretax.v3i3.543>
- Herdiyanto, D. G., & Ardiyanto, M. D. (2015). Pengaruh tax avoidance terhadap nilai perusahaan. *Diponegoro Journal Of Accounting*, 4(3), 1–10. <http://ejournal-s1.undip.ac.id/index.php/accounting>
- Inola, I. R., & Hermanto, S. B. (2018). Pengaruh manajemen laba akrual dan aktivitas riil terhadap nilai perusahaan. *Jurnal Ilmu Dan Riset Akuntansi*, 7(2), 1–20. <https://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/145>
- Jaya, S. (2020). Pengaruh ukuran perusahaan (Firm Size) dan profitabilitas (ROA) terhadap nilai perusahaan (firm value) pada perusahaan sub sektor property dan real estate di Bursa Efek Indonesia (BEI). *Jurnal Manajemen Motivasi*, 16(1), 38–44. <https://doi.org/10.29406/jmm.v16i1.2136>
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)



- Lamba, A. B., & Atahau, A. D. R. (2022). Pengaruh leverage terhadap nilai perusahaan yang dimediasi profitabilitas. *Reviu Akuntansi Dan Bisnis Indonesia*, 6(1), 16–31. <https://doi.org/10.18196/rabin.v6i1.12698>
- Laurenty, B. L., & Imelda, E. (2023). Pengaruh tax avoidance terhadap nilai perusahaan dengan family management sebagai variabel moderasi. *Jurnal Multiparadigma Akuntansi*, 5(1), 2117–2127. <https://doi.org/10.24912/jpa.v5i1.22281>
- Lungskang, G. O., & Rusgowanto, F. H. (2022). The effect of return on assets (ROA), debt to assets (D/A), earnings per share (EPS), growth, and size on company value in manufacturing companies. *Applied Accounting and Management Review (AAMAR)*, 1(2), 01–11. <https://doi.org/10.32497/aamar.v1i2.4163>
- Mumtazah, F., & Purwanto, A. (2020). Analisis pengaruh kinerja keuangan dan pengungkapan lingkungan terhadap nilai perusahaan. *Diponegoro Journal Of Accounting*, 9(2), 1–11. <http://ejournal-s1.undip.ac.id/index.php/accounting>
- Murtiningtyas, T., Syadeli, Moh., & Dewitami Budhiarta, K. (2022). Peran good corporate governance sebagai pemoderasi antara tax avoidance terhadap nilai perusahaan. *Jurnal Manajemen Dirgantara*, 15(2), 329–339. <https://doi.org/10.56521/manajemen-dirgantara.v15i2.770>
- Nafti, O., Kateb, I., & Masghouni, O. (2020a). Tax evasion, firm's value and governance: evidence from Tunisian Stock Exchange. *Journal of Financial Crime*, 27(3), 781–799. <https://doi.org/10.1108/JFC-02-2020-0023>
- Nebie, M., & Cheng, M. C. (2023). Corporate tax avoidance and firm value: Evidence from Taiwan. *Cogent Business and Management*, 10(3). <https://doi.org/10.1080/23311975.2023.2282218>
- Purnamasari, N. K. P., & Baskara, I. G. K. (2019). Pengaruh leverage profitabilitas dan economic value added pada nilai perusahaan pertambangan di Bursa Efek Indonesia. *Jurnal Manajemen Dan Kearifan Lokal Indonesia*, 3(1), 12. <https://doi.org/10.26805/jmkli.v3i1.39>
- Rahayu, H., Mais, R. G., & Suriawinata, I. S. (2020). Pengaruh manajemen laba dan mekanisme corporate governance terhadap nilai perusahaan pada industri barang konsumsi dalam perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia Tahun 2014-2018. *Jurnal STEI Ekonomi*, 29(02), 01–16. <https://doi.org/10.36406/jemi.v29i2.344>
- Roychowdhury, S. (2006). Earnings management through real activities manipulation. *Journal of Accounting and Economics*, 42(3), 335–370. <https://doi.org/https://doi.org/10.1016/j.jacceco.2006.01.002>
- Sa'diyah, S., & Hermanto, S. B. (2017). Pengaruh manajemen laba akrual dan manajemen laba riil terhadap nilai perusahaan. *Jurnal Ilmu Dan Riset Akuntansi*, 6(9), 1–21. <https://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/1534>
- Sandria, F. (2021, July 27). Deretan Skandal Lapkeu di Pasar Saham RI, Indofarma-Hanson! CNBC Indonesia. <https://www.cnbcindonesia.com/market/20210726191301-17-263827/deretan-skandal-lapkeu-di-pasar-saham-ri-indofarma-hanson>
- Sismanyudi, D., & Firmansyah, A. (2022). Corporate strategies and tax avoidance: Does corporate social responsibility matter? *Jurnal Ekonomi Dan Bisnis*, 25(2), 337–364. <https://doi.org/10.24914/jeb.v25i2.5413>
- Spence, M. (1973). Job market signaling. *The Quarterly Journal of Economics*, 87(3), 355–373. <https://doi.org/10.2307/1882010>
- Sulistiyo, K., Sihabudin, S., & Purwandari, D. (2022). Pengaruh leverage dan current ratio terhadap nilai perusahaan pada perusahaan sektor pertambangan yang terdaftar Di Bursa Efek Indonesia periode 2014 - 2018. *Jurnal Mahasiswa Manajemen dan Akuntansi* ,



- I(4), 164–177.
<https://journal.ubpkarawang.ac.id/mahasiswa/index.php/JMMA/article/view/307>
- Sumira, S., & Prihandini, W. (2022). gender diversity as the moderating factor in the influence of financial factors on the firm value: a study on companies listed in Kompas 100 index in 2015-2019. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, 6(1), 597. <https://doi.org/10.29040/ijebar.v6i1.4711>
- Talasanía, V., & Nelvirita, N. (2023). Corporate governance memoderasi pengaruh manajemen laba riil terhadap nilai perusahaan. *Jurnal Eksplorasi Akuntansi*, 5(4), 1690–1702. <https://doi.org/10.24036/jea.v5i4.1133>
- Ticoalu, R., Januardi, Firmansyah, A., & Trisnawati, E. (2021). Nilai perusahaan, manajemen risiko, tata kelola perusahaan: peran moderasi ukuran perusahaan. *Studi Akuntansi Dan Keuangan Indonesia*, 4(2), 89–103. <https://doi.org/10.21632/saki.4.2.89-103>
- Tulcanaza-Prieto, A. B., & Lee, Y. (2022). Real earnings management, firm value, and corporate governance: Evidence from the Korean Market. *International Journal of Financial Studies*, 10(1), 1-23. <https://doi.org/10.3390/ijfs10010019>
- Wardani, D. K., & Juliani, J. (2018). Pengaruh tax avoidance terhadap nilai perusahaan dengan corporate governance sebagai variabel pemoderasi. *Nominal, Barometer Riset Akuntansi Dan Manajemen*, 7(2). <https://doi.org/10.21831/nominal.v7i2.21349>
- Yuliandana, S., Junaidi, & Ramadhan, A. (2021). Pengaruh tax avoidance terhadap nilai perusahaan: studi pada perusahaan manufaktur yang terdaftar di BEI. *Jurnal Ilmiah Akuntansi Kesatuan*, 9(1), 31–42. <https://doi.org/10.37641/jiakes.v9i1.436>