



CAPITAL INTENSITY, CAPITAL STRUCTURE, AND TAX AVOIDANCE AS DETERMINANTS OF MANUFACTURING FIRM VALUE ON THE INDONESIA STOCK EXCHANGE

Fida Wahyu Septian¹⁾; Praptiningsih²⁾

¹⁾fidawahyuseptian@gmail.com, Universitas Pembangunan Nasional Veteran Jakarta

²⁾Praptiningsih@upnvj.ac.id, Universitas Pembangunan Nasional Veteran Jakarta

Abstract

This quantitative research aims to examine the effect of capital intensity, capital structure, and tax avoidance on firm value in manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. A total of 332 panel observations were analyzed using the Fixed Effect Model (FEM), selected based on the Chow test, Lagrange Multiplier test, and Hausman test. The empirical results show that capital intensity has a negative but statistically insignificant effect on firm value, indicating that a higher proportion of fixed asset investment does not necessarily enhance market valuation. Capital structure also exhibits a negative coefficient and is marginally significant at the 10% level, although not significant at the 5% level, suggesting that higher leverage may increase financial risk perceived by the market. Tax avoidance, measured using CETR, also shows a negative and insignificant effect, implying that cash tax payments are not a key determinant of firm value. Overall, the model explains only a small portion of within-firm variation, suggesting that other factors outside this study may play a stronger role in influencing firm value.

Keywords: Capital intensity; Capital structure; Firm value; Manufacturing companies; Tax avoidance

INTRODUCTION

Firm value is widely regarded as a primary indicator of corporate success, as it reflects investors' perceptions and expectations regarding company performance, growth prospects, and long-term sustainability (Utami, 2019). A high firm value indicates strong market confidence in management's ability to create added value through effective resource utilization and sound strategic decision-making (Aniatun et al., 2022). Therefore, firm value is not solely determined by internal operational performance but is also influenced by financial policy strategies, funding structures, and corporate responses to external environmental conditions.

From an investor's perspective, firm value serves as a key benchmark in evaluating investment feasibility, while for management, increasing firm value represents the successful implementation of long-term strategic policies. The rapid growth in the number of capital market investors in Indonesia, which reached approximately 15 million by early 2025, indicates rising public awareness and interest in stock market investment. This condition emphasizes the growing demand for companies to maintain stability and continuously enhance firm value in order to sustain investor confidence and strengthen competitiveness in the capital market.

The importance of firm value becomes increasingly relevant within the manufacturing sector, given its strategic role as one of the main pillars of the national economy. The manufacturing sector not only contributes significantly to Gross Domestic Product (GDP) but also functions as a key driver of industrial development and employment absorption. In 2024, the manufacturing sector accounted for 18.98 percent of Indonesia's GDP, exceeding the global average (Jayadi, 2025). The capital-intensive and labor-intensive characteristics of the manufacturing sector make firm value stability and growth strategic factors for both national economic resilience and investor decision-making.

However, the substantial contribution of the manufacturing sector is not always accompanied by stable firm value. Business complexity, production cost pressures, weak corporate governance, and policy conflicts often trigger fluctuations in firm value that directly affect investor perceptions. This phenomenon is illustrated by PT Sri Rejeki Isman Tbk (Sritex), which faced severe liquidity pressure due to excessive reliance on debt financing. The



imbalance between aggressive investment expansion and cash flow capability resulted in unsuccessful debt restructuring, increasing bankruptcy risk and triggering mass layoffs (Evandio, 2025). This case highlights that imprudent financing decisions may deteriorate capital structure and reduce firm value from the perspective of investors.

Additionally, PT Indofarma Tbk (INAF) experienced a significant decline in firm value due to consecutive losses that eroded assets and liquidity. A nearly 49 percent drop in sales in 2022, followed by continued losses in 2023, led to the company's inability to fulfill financial obligations, including debt repayments and employee rights (Kompas, 2024). Consequently, INAF's shares experienced substantial depreciation, resulting in trading suspension by the Indonesia Stock Exchange and potential delisting (Virasma, 2025). This phenomenon underscores that ineffective asset management and suboptimal asset structure can weaken financial performance and reduce firm value. Conversely, efficient asset utilization through increased capital intensity may enhance corporate attractiveness to investors (Lestari, 2025).

Beyond asset management and capital structure, corporate tax management strategies also play a crucial role in influencing firm value. The case of PT Adaro Energy Tbk, which was revealed to have engaged in tax avoidance practices through transfer pricing schemes during the 2009–2017 period, demonstrates that tax avoidance can increase net income through tax expense efficiency, potentially enhancing firm value in the short term (Victory & Cheisviyani, 2016). Nevertheless, such practices may also generate reputational risks and heightened regulatory scrutiny, which can undermine investor trust and corporate image in the capital market (Chen et al., 2018).

These phenomena indicate that efforts to enhance firm value do not always yield positive outcomes when not accompanied by sound corporate governance practices. Excessive debt usage, inefficient asset investment, and aggressive tax avoidance strategies may generate negative investor perceptions. Therefore, achieving a balance between financial efficiency, transparency, and accountability is essential for sustainable firm value growth.

Empirically, prior studies examining the effects of capital intensity, capital structure, and tax avoidance on firm value have reported inconsistent findings. Naibaho & Widiyati (2024) found that capital intensity has a significant negative effect on firm value, whereas Alamsah & Adi (2022) reported a significant positive effect. Meanwhile, Alam (2024) concluded that capital intensity has no significant effect on firm value. These inconsistencies suggest that the utilization of fixed assets does not uniformly influence firm value, particularly within the capital-intensive manufacturing sector.

Similar discrepancies are observed in studies on capital structure. Utami (2019) concluded that capital structure significantly affects firm value, while Mahanani & Kartika (2022) found no significant relationship. Furthermore, empirical evidence regarding tax avoidance also varies. Fadillah (2018) reported that tax avoidance negatively affects firm value, whereas Anisran & Ma'wa (2023) and Maryanti & Ayem (2022) identified a positive effect through tax burden efficiency.

These mixed results indicate the presence of a research gap that warrants further investigation, particularly in the context of Indonesian manufacturing firms. Based on the inconsistencies in previous research findings, this study aims to re-examine the effects of capital intensity, capital structure, and tax avoidance on firm value among manufacturing companies listed on the Indonesia Stock Exchange. This research is expected to provide updated empirical evidence and contribute to the literature on the determinants of firm value. Additionally, the findings are anticipated to offer practical implications for investors, corporate management, and capital market regulators in formulating strategies and policies that support sustainable firm value enhancement.



LITERATURE REVIEW

Agency Theory

Agency Theory explains the contractual relationship between company owners (principals) and management (agents) that arises due to the separation of ownership and control within a firm (Jensen & Meckling, 1976). Divergent interests between principals and agents may lead to agency conflicts, which generate monitoring and bonding costs known as agency costs (Vito et al., 2022). In a corporate context, managerial decisions related to capital intensity, capital structure, and tax avoidance may become sources of conflict when they are not aligned with shareholders' interests. Excessive investment in fixed assets, disproportionate use of debt, and aggressive tax avoidance practices may increase corporate risk and ultimately reduce firm value. Therefore, the implementation of good corporate governance is essential as a mechanism to mitigate agency conflicts and ensure that corporate financial policies are directed toward maximizing firm value (Fuadah & Kalsum, 2021).

Signaling Theory

Signaling Theory describes how management, as the party possessing superior internal information, conveys signals to investors in order to reduce information asymmetry (Spence, 1973). Information disclosed by companies is interpreted by the market as either positive or negative signals that influence investment decisions and firm value. Capital intensity policies may signal management's optimism regarding long-term growth prospects, capital structure reflects management's confidence in the firm's ability to meet financial obligations, while tax avoidance practices may be perceived as signals of efficiency or risk depending on their level of transparency and aggressiveness (Adiputra & Hermawan, 2020). Thus, from a signaling perspective, corporate financial decisions play a critical role in shaping investor perceptions and determining firm value in the capital market (Brigham & Houston, 2019).

Firm Value

Firm value represents investors' perceptions and expectations regarding a company's performance, prospects, and long-term sustainability. Suprihatin & Oliviananda (2020) state that firm value reflects shareholders' expected investment value, which is manifested through stock market prices and the firm's overall economic value. Firm value is often associated with a company's ability to generate profits, manage risks, and create added value for shareholders (Bahuwa et al., 2020).

Capital Intensity

Capital intensity describes the extent to which a company allocates its investment to fixed assets relative to its total assets. A high level of capital intensity reflects capital-intensive characteristics and a long-term investment orientation. Efficient management of fixed assets can enhance productivity, competitiveness, and investor attractiveness, thereby potentially increasing firm value (Aniatun et al., 2022).

Capital Structure

Capital structure refers to the composition of long-term financing derived from debt and equity, which plays a crucial role in determining corporate risk and firm value (Sudana, 2015). An optimal capital structure is expected to balance the benefits of debt usage, such as tax shields, against the associated financial risks (Brigham & Houston, 2019). Capital structure decisions reflect management's financial strategy in maximizing firm value.

Tax Avoidance

Tax avoidance refers to legally permissible tax planning strategies employed by firms to minimize tax burdens by exploiting loopholes in tax regulations (Barli, 2018). From a managerial perspective, such practices may increase net income and financial efficiency, thereby potentially enhancing firm value. However, tax avoidance also entails reputational



risks, increased regulatory scrutiny, and potential agency conflicts arising from information asymmetry, which may erode investor trust (Chen et al., 2018).

The Effect of Capital Intensity on Firm Value

Capital intensity reflects the extent to which companies allocate investments to fixed assets to support operational activities and production processes. A high level of capital intensity indicates a firm's commitment to utilizing productive assets for long-term operations, which may enhance operational efficiency and profitability. From an agency theory perspective, increased investment in fixed assets may reduce conflicts of interest between managers and shareholders, as corporate funds are allocated toward operational growth objectives, thereby lowering agency costs (Jensen & Meckling, 1976). Furthermore, under signaling theory, capital intensity may be perceived as a positive signal by investors, as it reflects growth prospects and business sustainability (Spence, 1973). Empirical studies have shown that capital intensity positively affects firm value by indicating efficient asset utilization and strengthening market confidence, as evidenced by Aniatun et al. (2022), Lestari (2025), and Alamsah & Adi (2022). Accordingly, the following hypothesis is proposed:

H1: Capital intensity has a positive effect on firm value.

The Effect of Capital Structure on Firm Value

Capital structure represents the composition of corporate financing sourced from debt and equity to fund operational and investment activities. Proper capital structure management enables firms to balance the benefits of debt, such as tax shields, with financial risks, thereby potentially increasing firm value. Based on agency theory, debt usage can function as a control mechanism that restricts managerial opportunism due to mandatory interest and principal repayments, thus reducing agency costs and improving corporate performance (Jensen & Meckling, 1976). From a signaling theory perspective, debt financing may also be interpreted as a positive signal reflecting management's confidence in the firm's earnings capacity and ability to meet financial obligations (Adiputra & Hermawan, 2020). Empirical evidence supports that well-managed capital structures have a positive and significant impact on firm value, as documented by Mauliana & Ahmad (2021) and Armana & Purbawangsa (2021). Therefore, the proposed hypothesis is:

H2: Capital structure has a positive effect on firm value.

The Effect of Tax Avoidance on Firm Value

Tax avoidance constitutes a legal tax planning strategy employed by firms to minimize tax burdens, thereby increasing net income. Higher profitability may enhance shareholder welfare and be reflected in increased firm value. From an agency theory perspective, tax avoidance may be viewed as a managerial effort to maximize corporate profits in line with shareholder interests, thereby reducing agency costs and improving investor returns (Jensen & Meckling, 1976). Additionally, under signaling theory, information regarding tax efficiency and profit improvement resulting from tax avoidance may be perceived as a positive signal by investors, as it reflects management's ability to control costs and enhance financial performance (Brigham & Houston, 2019). Empirical findings indicate that optimally implemented tax avoidance positively influences firm value through increased profitability and favorable market perceptions, as shown in studies by Armana & Purbawangsa (2021) and Anisran & Ma'wa (2023). Accordingly, the following hypothesis is formulated:

H3: Tax avoidance has a positive effect on firm value.

METHODS

This study employs a quantitative research approach using secondary data in the form of annual financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. The data were obtained from the official IDX



website (www.idx.co.id) and the official websites of each company to ensure data accuracy and reliability. The manufacturing sector was selected due to its capital-intensive characteristics, significant contribution to the national economy, and relevance in examining firm value, financing structure, and tax efficiency, as also adopted in the study by Rahmi (2024).

The population of this study consists of all manufacturing companies listed on the IDX during the observation period. Sample selection was conducted using a purposive sampling technique, whereby firms were selected based on specific criteria aligned with the research objectives. The sampling criteria and selection process are presented in Table 1.

Table 1. Research Sample Selection Criteria

Population	Jumlah perusahaan
Manufacturing companies listed on the IDX in 2024	239
Criteria	
Companies not consistently listed during 2021–2024 (delisted, suspended, or IPO after December 31, 2021)	(53)
Companies that did not publish complete financial statements for 2021–2024	(3)
Companies reporting financial statements in currencies other than IDR	(26)
Companies that did not generate positive profits during the observation period	(72)
Companies with incomplete data related to the research variables	(2)
Total sample companies	83
Observation period (years)	4
Total observations	332

Source: Processed data from IDX (2025).

This study involves one dependent variable and three independent variables. The dependent variable is firm value, proxied by Tobin's Q. The independent variables consist of capital intensity, capital structure, and tax avoidance. The effect of each independent variable on firm value is analyzed using a panel data regression approach. The operational definitions and measurement of each variable are summarized in Table 2.

Table 2. Variable Measurement

Variable	Operational Definition	Formula	Reference
Firm Value (Y)	Market perception of corporate performance and prospects, measured by the ratio of market value to asset value	Tobin's Q = $(MVE + \text{Total Debt}) / \text{Total Assets}$	Lestari (2025)
Capital Intensity (X1)	The extent of corporate investment allocation in fixed assets such as machinery, equipment, and property, reflecting reliance on fixed assets in operations	Capital Intensity = $\text{Fixed Assets} / \text{Total Assets}$	Lestari (2025)
Capital Structure (X2)	The composition of corporate financing reflecting the proportion of debt used to finance assets	DAR = $\text{Total Liabilities} / \text{Total Assets}$	Utami (2019)



Tax Avoidance (X3)	Legal corporate efforts to minimize tax burdens through strategic tax planning	Cash ETR = Cash Tax Paid / Pre-Tax Income	Lestari (2025)
--------------------	--	--	----------------

Source: Processed data (2025).

Data analysis was conducted using panel data regression, as the dataset combines time-series and cross-sectional observations. The data processing was performed using STATA software. The selection of the most appropriate panel regression model was determined through a series of tests, namely the Chow test, Hausman test, and Lagrange Multiplier test, to identify whether the common effect model, fixed effect model, or random effect model was most suitable. Hypothesis testing was performed using the t-test to examine the partial effect of each independent variable on firm value, the F-test to assess the simultaneous effect of the independent variables, and the coefficient of determination (R²) to evaluate the explanatory power of the model.

The general form of the panel regression model used in this study is expressed as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y = Firm Value

α = Constant

β₁, β₂, β₃ = Regression coefficients

X₁ = Capital Intensity

X₂ = Capital Structure

X₃ = Tax Avoidance

ε = Error term

RESULTS AND DISCUSSION

Descriptive Statistics Result

Table 3. Descriptive Statistics

Variabel	Obs	Mean	Std. Dev	Min	Max
TOBINSQ	332	1,648128	1,472614	0,1168378	10,57019
CI	332	0,3640799	0,1999096	0,0158614	0,8557207
DAR	332	0,3386223	0,1694074	0,0326609	0,8660575
CETR	332	0,3087906	0,3359591	0,0011579	3,223221

Source: STATA v.14.2 output, processed by the author (2025).

Based on the descriptive statistics, firm value as proxied by Tobin's Q has a mean value of 1.648, indicating that, on average, manufacturing firms are valued by the market above their book value. This suggests that investors generally hold positive expectations regarding firms' growth prospects. However, the wide range between the minimum value of 0.117 and the maximum value of 10.570 indicates substantial variation in market perceptions across firms within the sample.

Capital Intensity (CI) records an average value of 0.364, implying that approximately 36 percent of total corporate assets are allocated to fixed assets. This finding reflects the capital-intensive nature of manufacturing firms, which rely heavily on physical assets to support their operational activities. Nevertheless, the considerable dispersion between the minimum value of 0.016 and the maximum value of 0.856 highlights differences in asset allocation strategies among firms.

Capital Structure, measured by the Debt to Assets Ratio (DAR), shows a mean value of 0.339. This indicates that, on average, manufacturing firms rely more on equity financing than



debt to fund their assets. The relatively moderate variation, with values ranging from 0.033 to 0.866, suggests heterogeneity in financing policies across firms, although leverage levels remain within a reasonable range.

Meanwhile, Tax Avoidance as measured by the Cash Effective Tax Rate (CETR) has an average value of 0.309. This figure indicates that, on average, the sampled firms are not classified as engaging in aggressive tax avoidance. The current statutory corporate income tax rate in Indonesia is 22 percent, as stipulated in Article 17 paragraph (1) letter b of the Income Tax Law, most recently amended by Law Number 7 of 2021 concerning the Harmonization of Tax Regulations. Accordingly, firms may be categorized as engaging in tax avoidance when their CETR values fall below the statutory tax rate of 22 percent. The wide range of CETR values, from 0.001 to 3.223, reflects substantial differences in tax planning strategies among manufacturing firms.

Panel Data Regression Results

Table 9. Panel Data Regression Results (Fixed Effect Model)

Variabel	Koefisien	Prob.
CI	-0.2458852	0.677
DAR	-0.7693043	0.077
w_CETR	-0.0440327	0.756
Cons.	1.946262	0.000
R-squared (within)	0.0090	
Prob > F	0.2810	
Number of Obs	332	

Source: STATA v.14.2 output, processed by the author (2025).

Based on the Fixed Effect Model (FEM) estimation, the panel regression equation is expressed as follows:

$$TOBINSQ = 1,946262 - 0,245885(\text{Capital Intensity}) - 0,769304(\text{Capital Structure}) - 0,044032(\text{Tax Avoidance})$$

The regression results indicate a constant value of 1.946262, implying that firm value is expected to be 1.946262 when Capital Intensity, Capital Structure, and Tax Avoidance are held constant. Capital Intensity (CI) has a negative coefficient of -0.245885, suggesting that higher capital intensity tends to reduce firm value. Capital Structure, measured by the Debt to Assets Ratio (DAR), also shows a negative coefficient of -0.769304, indicating that increased leverage may lower firm value due to higher perceived financial risk. Similarly, Tax Avoidance (CETR) exhibits a negative coefficient of -0.044032, implying that higher levels of tax avoidance are associated with a decrease in firm value. However, based on the probability values, Capital Intensity (0.677) and Tax Avoidance (0.756) do not have a significant effect on firm value at the 10% significance level. Although Capital Structure has a probability value of 0.077, which is below 0.10, the negative direction of the coefficient is inconsistent with the proposed positive hypothesis.

Furthermore, the simultaneous test results show that the Prob > F value is 0.2810, which exceeds the 5% significance level, indicating that Capital Intensity, Capital Structure, and Tax Avoidance do not jointly affect firm value. The within R² value of 0.0090 suggests that these variables explain only 0.90% of the variation in firm value as measured by Tobin’s Q, while the remaining 99.10% is influenced by other factors not included in the research model.

The Effect of Capital Intensity on Firm Value

Based on the partial regression test (t-test), the capital intensity (CI) variable shows a significance value of 0.677, which is higher than the 10% significance level. This result indicates that capital intensity does not have a significant effect on firm value. Therefore, the



hypothesis stating that capital intensity positively affects firm value is rejected. This finding suggests that the proportion of fixed assets owned by the firms in the sample has not been able to make a meaningful contribution to increasing firm value as measured by Tobin's Q.

From the perspective of Agency Theory, this result can be explained by the potential conflict of interest between shareholders as principals and managers as agents in managing fixed assets. Capital intensity reflects the extent to which firms allocate their investments to physical assets such as machinery, buildings, and production equipment. In theory, a high level of investment in fixed assets should indicate a firm's commitment to long-term operations and ultimately enhance firm value. However, agency theory emphasizes that managers may have incentives to engage in overinvestment or expand the asset base they control for personal interests (empire building), rather than maximizing shareholder wealth. When monitoring mechanisms and corporate governance are ineffective, high capital intensity may generate agency costs that prevent firm value from increasing or even negatively affect it. The regression result showing a negative, although insignificant, coefficient further strengthens the indication of inefficient fixed asset management among the sampled firms.

From the Signaling Theory perspective, capital intensity is expected to serve as a positive signal to investors, as a high level of fixed assets indicates large production capacity and favorable long-term growth prospects. However, the findings of this study reveal that such signals are not strongly perceived by the market. One possible explanation is the relatively low variation in capital intensity across the sample firms. Descriptive statistics show that the average capital intensity is 0.364, with a standard deviation of 0.200, indicating a fairly homogeneous distribution. This implies that most firms have similar fixed asset structures and do not exhibit substantial differences in asset investment strategies. As a result, investors are less likely to consider capital intensity as an important indicator when evaluating firm prospects and value.

The results of this study are consistent with prior research. Natalia & Eka Bertuah (2022) found that capital intensity does not affect firm value because changes in capital intensity within their sample were not substantial enough to influence investor decisions. This finding is also in line with Oktaviani et al. (2023), who concluded that capital intensity is not a determinant of market perceptions regarding firm value. Similarly, Wijayanti & Arifin (2025) reported that capital intensity does not significantly affect firm value due to ineffective capital management that fails to enhance productivity and value creation. Investors tend not to regard fixed asset investment levels as a critical indicator in assessing firm performance and future prospects.

Overall, this study indicates that although capital intensity is an important component of a firm's asset structure, it has not been able to significantly contribute to increasing firm value in the sampled manufacturing firms. Inefficient asset management, low data variability, and weak signals perceived by investors explain why capital intensity does not influence firm value. Thus, this finding suggests that firm value enhancement depends not merely on the magnitude of fixed assets owned, but more importantly on how effectively those assets are managed to generate clear economic benefits for shareholders.

The Effect of Capital Structure on Firm Value

The partial regression test (t-test) shows that capital structure, proxied by the Debt to Asset Ratio (DAR), has a significance value of 0.077. Although this value is below the 10% significance level, the coefficient of DAR is negative and therefore does not support the hypothesized positive relationship with firm value. Consequently, the hypothesis stating that capital structure positively affects firm value is rejected. This finding implies that an increase in debt proportion does not enhance firm value and is instead perceived by investors as an increase in financial risk.

This result can be explained using Agency Theory, which suggests that debt financing decisions may create agency conflicts between managers and shareholders, as well as between



shareholders and creditors. While debt is often viewed as a disciplinary mechanism that pressures managers to operate more efficiently due to fixed interest obligations, excessive debt can increase agency costs. As debt levels rise, the risk of financial distress also increases, leading managers to postpone value-enhancing investments in order to maintain liquidity. Such conditions hinder value creation and ultimately reduce firm value. In other words, a suboptimal capital structure can impose high financial burdens and intensify conflicts of interest, thereby negatively affecting firm value.

From the Signaling Theory perspective, capital structure may provide a positive signal if management can utilize debt efficiently. However, the findings indicate that this signal is not well received by the market. High leverage tends to be perceived as a negative signal, as it increases the likelihood of future repayment difficulties. Investors view heavy reliance on debt as limiting a firm's flexibility in making strategic investment decisions, particularly during periods of economic uncertainty. Conversely, firms with moderate or low debt levels are perceived as having healthier financial management, lower risk, and stronger long-term sustainability, which can contribute positively to firm value.

This finding aligns with several previous studies. Aeni & Asyik (2019) showed that the relationship between capital structure and firm value follows a non-linear pattern, where debt increases firm value only up to an optimal point, beyond which firm value declines due to higher agency costs and financial risk. Irawati et al. (2022) found that DAR has a negative and significant effect on firm value, indicating that firms with excessive debt tend to have lower market values. Similarly, Doorasamy (2021) reported that capital structure has a negative and significant effect on firm value in developing countries, driven by high interest rates, heavy financial burdens, and limited flexibility due to asset collateralization.

The Effect of Tax Avoidance on Firm Value

In this study, tax avoidance is proxied by the Cash Effective Tax Rate (CETR), as CETR reflects the actual cash-based corporate income tax payments made by firms. CETR represents the relationship between income tax payments and pre-tax income, making it more suitable for capturing firms' real tax management behavior compared to accrual-based measures. The tax payments reflected in CETR primarily consist of Corporate Income Tax installments (Article 25) and underpaid tax settlements (Article 29), both of which are fully paid by firms and directly managed by corporate management. Therefore, CETR appropriately represents managerial discretion in tax planning and is relevant for measuring tax avoidance.

The use of CETR is particularly appropriate in the manufacturing sector. Manufacturing firms mainly generate revenue from the sale of finished or semi-finished goods rather than services. As a result, their tax obligations do not involve withholding tax on services, PPh Article 23 which is applicable to service-based income. Instead, their tax burden focuses on corporate income tax paid through Articles 25 and 29. This condition makes CETR a representative proxy for tax avoidance in manufacturing firms, as variations in CETR primarily reflect internal tax strategies related to corporate income tax payments.

Despite its conceptual relevance, the empirical results show that tax avoidance measured by CETR does not significantly affect firm value. The partial regression test reveals a probability value of 0.756, which is far above the 10% significance level, confirming that tax avoidance has no effect on firm value. This finding suggests that the extent to which firms engage in tax avoidance does not play a decisive role in determining firm value in the market. Investor decisions are not based on how much tax firms are able to minimize, but rather on other fundamental factors such as profitability, business stability, and long-term growth prospects.

From the perspective of Agency Theory Jensen & Meckling (1976), tax avoidance can create agency conflicts due to information asymmetry between managers and shareholders.



Managers may engage in opportunistic behavior, such as concealing information or manipulating financial reports, which increases agency costs. Aggressive tax avoidance may also expose firms to reputational and legal risks that could reduce firm value. However, the findings indicate that these potential risks are not sufficiently strong to influence investor perceptions. This supports the view that investors prioritize observable firm performance over technical and less transparent tax strategies.

According to Signaling Theory Spence (1973), tax avoidance can convey either positive or negative signals. Moderate and transparent tax avoidance may signal efficiency in managing tax burdens to enhance net income, while aggressive tax avoidance may signal potential litigation risks, penalties, and reputational damage. The results of this study suggest that the signals generated by tax avoidance activities are not strong enough to influence investors' valuation of firms.

These findings are consistent with previous studies. Maryanti & Ayem (2022) found that tax avoidance does not affect firm value because investors focus more on future profit prospects than on the amount of tax paid. Yuliandana et al. (2021) reported similar results, showing that tax avoidance does not influence firm value due to the increased information asymmetry that makes investors cautious. Aniatun et al. (2022) further confirmed that tax avoidance fails to enhance firm value, as the associated risks ranging from penalties and compliance costs to reputational damage often outweigh the potential benefits. Thus, this study supports the literature suggesting that tax avoidance is not a significant determinant of firm value.

CONCLUSION

This study finds that Capital Intensity, Capital Structure, and Tax Avoidance do not have a significant effect on the firm value of manufacturing companies, as proxied by Tobin's Q. The Fixed Effect Model estimation shows that all three variables exhibit negative coefficients, indicating that increases in Capital intensity, Capital Structure, and tax avoidance have not been able to enhance market perceptions of firm value. These findings suggest that investors in the manufacturing sector place greater emphasis on other fundamental factors, such as profitability, growth potential, and business sustainability, rather than on asset structure, financing decisions, or corporate tax policies.

Recommendations

This study is subject to limitations, including a relatively low coefficient of determination and a limited set of independent variables. Therefore, future research is recommended to incorporate additional relevant variables such as profitability, liquidity, and good corporate governance, as well as to extend the observation period and sample coverage to obtain more comprehensive results. From a practical perspective, the findings imply that companies should focus more on improving tangible operational performance, while investors are encouraged to prioritize fundamental firm indicators when making investment decisions.

REFERENCES

- Adiputra, I. G., & Hermawan, A. (2020). The Effect of Corporate Social Responsibility, Firm Size, Dividend Policy and Liquidity on Firm Value: Evidence from Manufacturing Companies in Indonesia. *International Journal of Innovation, Creativity and Change*. *Www.Ijicc.Net*, 11(6), 325–336. www.ijicc.net
- Aeni, N. A. M., & Asyik, N. F. (2019). Pengaruh Profitabilitas, Pertumbuhan Perusahaan, Struktur Modal, Ukuran Perusahaan Terhadap Nilai Perusahaan. *Jurnal Ilmu Dan Riset Akuntansi*, 8(7), 1–17.
- Alam, R. (2024). Pengaruh Debt To Equity Ratio, Return On Assets, Ukuran Perusahaan, Capital Intensity Dan Intellectual Capital Terhadap Nilai Perusahaan (Pada Perusahaan



- SubSektor Food And Beverage Yang Terdaftar di Bursa Efek Indonesia Periode 2020-2022). *Global Accounting: Jurnal Akuntansi*, 3(1), 1–9.
- Alamsah, J., & Adi, A. E. (2022). Pengaruh perencanaan pajak dan capital intensity terhadap nilai perusahaan. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, 4, 5564–5571. <https://doi.org/10.32670/fairvalue.v4i12.2015>
- Aniatun, N., Wiryaningtyas, D. P., & Pramitasari, T. D. (2022). Pengaruh Capital Intensity Dan Thin Capitalization Terhadap Nilai Perusahaan Dengan Tax Avoidance Sebagai Variabel Intervening Pada Perusahaan Otomotif Yang Terdaftar Di Bei Periode 2017-2020. *Jurnal Mahasiswa Entrepreneur (JME)*, 1(2), 302–317. <https://doi.org/https://doi.org/10.36841/jme.v1i2.1893>
- Anisran, F., & Ma'wa, M. A. F. (2023). Pengaruh Tax Planning & Tax Avoidance Terhadap Nilai Perusahaan Dengan Transparansi Perusahaan Sebagai Variabel Moderasi. *Jurnal Akuntansi Trisakti*, 10(2), 305–318. <https://doi.org/10.25105/jat.v10i2.17104>
- Armana, I. M. R., & Purbawangsa, I. B. A. (2021). The Effect of Profitability, Firm Size, Capital Structure, and Tax Avoidance on Firm Value. *Russian Journal of Agricultural and Socio-Economic Sciences*, 119(11), 31–40. <https://doi.org/10.18551/rjoas.2021-11.04>
- Bahuwa, Y., Pakaya, Y. A., Ismail, J., Ekonomi,), Islam, B., Sultan, I., & Gorontalo, A. (2020).). Determinasi Aset Tidak Berwujud Terhadap Nilai Perusahaan (Studi Pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2019). *Jurnal Akuntansi STIE Muhammadiyah Palopo*, 06, 1–11. <https://doi.org/http://dx.doi.org/10.35906/ja001.v6i2.559>
- Barli, H. (2018). Pengaruh Leverage dan Firm Size Terhadap Penghindaran Pajak (Studi Empiris pada Perusahaan sektor Property, Real Estate dan Building Construction yang Terdaftar di Bursa Efek Indonesia Periode Tahun 2013-2017). *Jurnal Ilmiah Akuntansi Universitas Pamulang*, 6(2), 223–238.
- Brigham, E. F. ., & Houston, J. F. . (2019). *Fundamentals of financial management* (15e ed.). Cengage.
- Chen, S. Y., Sharoja Sapiei, N., & Abdullah, M. (2018). Tax Avoidance, Corporate Governance and Firm Value in The Digital Era. *Journal of Accounting and Investment*, 19(2), 160–175. <https://doi.org/10.18196/jai.190299>
- Doorasamy, M. (2021). Capital structure, firm value and managerial ownership: Evidence from East African countries. *Investment Management and Financial Innovations*, 18(1), 346–356. [https://doi.org/10.21511/imfi.18\(1\).2021.28](https://doi.org/10.21511/imfi.18(1).2021.28)
- Evandio, A. (2025, March 4). *Kasus Sritex Bisa Jadi 'Bencana' Padat Karya, Prabowo Turun Tangan*. <https://Kabar24.Bisnis.Com/Read/20250304/15/1844491/Kasus-Sritex-Bisa-Jadi-Bencana-Padat-Karya-Prabowo-Turun-Tangan>.
- Fadillah, H. (2018). Pengaruh Tax Avoidance Terhadap Nilai Perusahaan dengan Kepemilikan Institusional Sebagai variabel Moderasi. *Jurnal Ilmiah Akuntansi Fakultas Ekonomi*, 4(1), 117–133. <https://doi.org/10.34204/jiafe.v4i1.1082>
- Fuadah, L. L., & Kalsum, U. (2021). The Impact of Corporate Social Responsibility on Firm Value: The Role of Tax Aggressiveness in Indonesia. *Journal of Asian Finance, Economics and Business*, 8(3), 209–216. <https://doi.org/10.13106/jafeb.2021.vol8.no3.0209>
- Irawati, D. M., Hermuningsih, S., & Maulida, A. (2022). Analisis Pengaruh Struktur Modal, Ukuran Perusahaan, dan Pertumbuhan Perusahaan terhadap Nilai Perusahaan: Studi Kasus pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Sektor Industri Food and Beverages. *Al-Kharaj : Jurnal Ekonomi, Keuangan & Bisnis Syariah*, 4(3), 813–827. <https://doi.org/10.47467/alkharaj.v4i3.741>



- Jayadi, F. (2025, February 21). *Nilai Tambah Manufaktur Indonesia Jauh Ungguli Negara ASEAN Lain*. <https://www.emitennews.com/news/nilai-tambah-manufaktur-indonesia-jauh-ungguli-negara-asean-lain>.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3, 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Kompas, S. (2024, June 13). *Ada Apa dengan Holding BUMN Farmasi*. <https://www.kompas.id/artikel/ada-apa-dengan-holding-bumn-farmasi>.
- Lestari, R. P. I. P. (2025). Pengaruh Capital Intensity, Free Cash Flow dan Penghindaran Pajak Terhadap Nilai Perusahaan Pertambangan di BEI Tahun 2018-2022. *Integrative Perspectives of Social and Science Journal (IPSSJ)*, 2(1), 1632–1646.
- Mahanani, H. T., & Kartika, A. (2022). Pengaruh struktur modal, likuiditas, ukuran perusahaan, dan profitabilitas terhadap nilai perusahaan. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, 5, 360–372. <https://doi.org/10.32670/fairvalue.v5i1.2280>
- Maryanti, T., & Ayem, S. (2022). Pengaruh Tax Avoidance Dan Profitabilitas Terhadap Nilai Perusahaan Dengan Kebijakan Dividen Sebagai Variabel Moderasi. *Reslaj : Religion Education Social Laa Roiba Journal*, 4, 1152–1166. <https://doi.org/10.47467/reslaj.v4i4.1077>
- Mauliana, & Ahmad, S. W. A. (2021). Pengaruh Struktur Modal Dan Profitabilitas Terhadap Nilai Perusahaan. *POINT Jurnal Ekonomi Dan Manajemen*, 3(2), 1–13. <https://www.bi.go.id/en>,
- Naibaho, S. F. T. Br., & Widiyati, D. (2024). *Pengaruh Capital Intensity, Perencanaan Pajak, dan Risiko Bisnis terhadap Nilai Perusahaan (Studi Empiris pada Perusahaan Sektor Konsumen Primer di Bursa Efek Indonesia Tahun 2018-2022)*. 8. <https://doi.org/10.31629/6qs40m71>
- Natalia, D., & Eka Bertuah. (2022). Pengaruh Faktor Penentu Struktur Modal Yang Berdampak Pada Nilai Perusahaan Dengan Effective Tax Rate Sebagai Variabel Kontrol. *Jurnal Magister Akuntansi Trisakti*, 9(2), 123–144. <https://doi.org/10.25105/jmat.v9i2.12498>
- Oktaviani, A. N., Putra, W. E., & Z, R. W. (2023). Pengaruh Ukuran Perusahaan, Profitabilitas, Dan Capital Intensity Terhadap Nilai Perusahaan Melalui Tax Avoidance Sebagai Variabel Intervening. *Jambi Accounting Review (JAR)*, 4(1), 1–17. <https://doi.org/10.22437/jar.v4i3.26448>
- Rahmi, F. W. (2024). Pengaruh Tax Avoidance, Manajemen Laba dan Capital Structure Terhadap Nilai Perusahaan. *Jurnal Literasi Akuntansi*, 4(4), 172–183. <https://doi.org/10.55587/jla.v4i4.150>
- Spence, M. (1973). Job market signaling. *Quarterly Journal of Economics*, 87, 355–374. <https://doi.org/10.2307/1882010>
- Sudana, I. M. (2015). *Teori dan Praktik Manajemen Keuangan Perusahaan*. Erlangga.
- Suprihatin, N. S., & Oliviananda, D. C. (2020). Pengaruh Agresivitas Pajak Terhadap Nilai Perusahaan Dengan Transparansi Informasi Sebagai Variabel Moderasi. *Akuntansi Dewantara*, 4(1), 1–13. <https://doi.org/10.26460/ad.v4i1.5339>
- Utami, I. (2019). Pengaruh Struktur Modal terhadap Nilai Perusahaan (Studi Kasus Terhadap Sub Sektor Perdagangan Eceran Yang Terdaftar di BEI Tahun 2011-2015). *Jurnal Akuntansi Audit Dan Sistem Informasi Akuntansi*. <https://doi.org/10.36555/jasa.v3i3.1273>
- Victory, G., & Cheisviyani, C. (2016). Pengaruh Tax Avoidance Jangka Panjang Terhadap Nilai Perusahaan Dengan Kepemilikan Institusional Sebagai Variabel Pemoderasi: Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2010-2014.



- Jurnal Wahana Riset Akuntansi*, 4(1), 755–766.
<https://doi.org/DOI:10.24036/wra.v4i1.7219>
- Virasma, R. (2025, July 23). *Saham Indofarma (INAF) Terancam Delisting dari Bursa, Analisis Peringatkan Hal Ini*. <https://Investasi.Kontan.Co.Id/News/Saham-Indofarma-Inaf-Terancam-Delisting-Dari-Bursa-Analisis-Peringatkan-Hal-Ini>.
- Vito, B., Firmansyah, A., Qadri, R. A., Dinarjito, A., Arfiansyah, Z., Irawan, F., & Wijaya, S. (2022). Managerial Abilities, Financial Reporting Quality, Tax Aggressiveness: Does Corporate Social Responsibility Disclosure Matter In An Emerging Market? *Corporate Governance and Organizational Behavior Review*, 6(1), 19–41.
<https://doi.org/10.22495/cgobrv6i1p2>
- Wijayanti, D. A. A., & Arifin, T. (2025). Studies Management and Finance Economics, of Journal. *Journal of Economics, Finance and Management Studies*, 8(1), 495–508.
<https://doi.org/10.47191/jefms/v8-i1-46>
- Yuliandana, S., Junaidi, & Ramadhan, A. (2021). Pengaruh Tax Avoidance Terhadap Nilai Perusahaan Pada Perusahaan Manufaktur yang Terdaftar Di BEI. *JIAKES: Jurnal Ilmiah Akuntansi Kesatuan*, 9(1), 31–42.
<https://doi.org/https://doi.org/10.37641/jiakes.v9i1.436>