

ANALYSIS OF THE EFFECT OF TAX AVOIDANCE, CAPITAL STRUCTURE, DEBT POLICY, MANAGERIAL OWNERSHIP, AND ENVIRONMENTAL PERFORMANCE ON FIRM VALUE



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Abstract

This study aims to examine the effect of tax avoidance, capital structure, debt policy, managerial ownership, and environmental performance on firm value in mining companies listed on the Indonesia Stock Exchange during 2021–2024. The study is grounded in agency theory, trade-off theory, and signaling theory to explain how managerial decisions and firm characteristics influence market valuation. A quantitative approach based on positivism is employed using panel data derived from annual reports and PROPER environmental ratings. The sample consists of mining companies selected through purposive sampling. Firm value is measured using Price to Book Value (PBV), while independent variables are proxied by relevant financial ratios and environmental performance ratings. Data analysis includes descriptive statistics, classical assumption tests, and panel data regression with model selection through Chow, Hausman, and Lagrange Multiplier tests at a 5% significance level. The results indicate that capital structure and managerial ownership have a positive and significant effect on firm value, supporting trade-off and agency theory perspectives, while tax avoidance, debt policy, and environmental performance do not show significant effects. These findings suggest that internal governance and financing decisions play a more substantial role in determining firm value than tax strategy and environmental considerations within the observed period.

Keywords: Capital Structure; Debt Policy; Environmental Performance; Managerial Ownership; Tax Avoidance

INTRODUCTION

The mining sector plays a strategic role in Indonesia's economy, contributing significantly to state revenue through taxes, royalties, and exports, while also supporting regional development and employment (Augustina & Akhiruddin, 2025; Ranto et al., 2023). However, maintaining this contribution requires companies to manage various risks, particularly commodity price volatility driven by global market dynamics, which can directly affect corporate performance and firm value (Zakiyya & Rahmanto, 2024). Therefore, mining companies must balance profitability, regulatory compliance, and environmental responsibility to sustain and enhance firm value (Safitri & Sukarmanto, 2021).

Firm value reflects market perceptions of a company's performance and future prospects, commonly indicated by stock prices and the company's ability to generate shareholder wealth (Murti et al., 2024). As stock prices are shaped by investor expectations, managerial decisions play a crucial role in influencing firm value through their impact on perceived risk and return (Amanatur et al., 2024). Consequently, companies are required to implement effective strategies to maintain investor confidence and improve firm valuation.

Several internal factors are considered important determinants of firm value, including tax avoidance, capital structure, debt policy, managerial ownership, and environmental performance (Widianingsih et al., 2022). Tax avoidance, while legally permissible, may generate mixed investor responses as it can both increase net income and raise concerns regarding corporate governance (Fadlillah & Maryanti, 2024). Capital structure and debt policy are closely related to financing decisions, where an optimal balance between debt and equity can enhance firm value through efficient capital costs, while excessive debt may increase financial risk (Sari et al., 2024; Hendryani & Amin, 2022). Meanwhile, managerial ownership can align the interests of management and shareholders, thereby encouraging better decision-making and improving firm value (Damarani et al., 2024).

In addition, environmental performance has become increasingly important as companies are expected to operate sustainably. Good environmental practices can improve efficiency, reduce risks, and enhance corporate reputation, which in turn may positively influence firm value (Putri et al., 2024; Ramdani & Nugraha, 2024). Thus, both financial and non-financial factors play a role in shaping firm value in the mining sector.

This study develops previous research by (Anggita & Hari Stiawan, 2023), which examined tax avoidance and capital structure in manufacturing companies, by incorporating additional variables—debt policy, managerial ownership, and environmental performance—and focusing on mining companies listed on the Indonesia Stock Exchange during 2021–2024.

Despite the growing number of studies examining firm value, previous research has shown inconsistent results regarding the influence of variables such as tax avoidance, capital structure, and environmental performance on firm value. Some studies find significant effects, while others report insignificant or varying directions of relationships, indicating the need for further investigation. In addition, most prior studies focus on manufacturing or general sectors, with limited attention given specifically to the mining sector, which has unique characteristics such as high environmental risk and dependence on global commodity prices. Furthermore, the integration of financial factors (such as capital structure and debt

policy) with governance and non-financial factors (such as managerial ownership and environmental performance) remains relatively underexplored in a single comprehensive model. Therefore, this study aims to fill these gaps by examining the combined effect of these variables on firm value in mining companies listed on the Indonesia Stock Exchange during 2021–2024.

This study aims to empirically examine the effect of tax avoidance, capital structure, debt policy, managerial ownership, and environmental performance on firm value in mining companies listed on the Indonesia Stock Exchange during the period 2021–2024. In addition, this study seeks to provide a more comprehensive understanding of how financial, governance, and environmental factors simultaneously influence firm value within the mining sector. This study is expected to provide both theoretical and practical contributions. Theoretically, this research enriches the literature on firm value by integrating perspectives from agency theory, trade-off theory, and signaling theory in explaining the influence of financial, governance, and environmental factors within a single model, particularly in the context of the mining sector which remains relatively underexplored. Practically, the findings of this study are expected to serve as a reference for company management in formulating strategic decisions related to financing, ownership structure, and environmental responsibility to enhance firm value. In addition, this study provides insights for investors in evaluating company performance and making investment decisions, as well as for policymakers in formulating regulations that support sustainable corporate practices.

REVIEW OF LITERATURE

Theoretical Framework

This study is grounded in several key theories, namely agency theory, signaling theory, legitimacy theory, and stakeholder theory, which collectively explain the relationship between managerial decisions and firm value. Agency theory describes the relationship between principals (owners) and agents (managers), where conflicts of interest may arise due to differing objectives, leading managers to potentially prioritize personal interests over maximizing firm value (Hendrastuti & Harahap, 2023). Signaling theory explains how companies convey information to investors to reduce information asymmetry through financial reports and strategic decisions, thereby influencing investor confidence and firm value (Widiantari et al., 2025). Legitimacy theory emphasizes that companies must operate in accordance with societal norms and expectations to maintain social acceptance, particularly through environmental responsibility, which can enhance corporate reputation and firm value (Lestari & Khomsiyah, 2023). Meanwhile, stakeholder theory highlights that companies must consider the interests of all stakeholders—both internal and external—in their decision-making processes, as these parties influence and are influenced by corporate activities, ultimately affecting the sustainability and value of the firm (D. M. Sari & Wulandari, 2021).

Company Values

Firm value reflects public perception and assessment of a company, as indicated by its stock price in the capital market; the higher the stock price, the higher the firm value, which signals strong corporate performance (Achyani et al., 2023). Firm value (value of the firm) represents a measure of management's success in conducting past business operations

and future prospects to assure shareholders, and it can also be defined as the price a potential buyer is willing to pay if the company is sold (Husnan, 2014, as cited in Murti et al., 2024). Higher firm value increases investor confidence, as investors rely on it when making investment decisions based on market stock prices, expecting returns through dividends or capital gains (Safitri & Sukarmanto, 2021). Although firm value is often reflected in stock prices, it can also be measured using indicators such as Price to Book Value (PBV); a PBV ratio of at least 1 or above book value (overvalued) indicates good and efficient performance, while a PBV below 1 (undervalued) reflects weaker performance (Sugiono & Untung, 2016, as cited in R. Sari et al., 2025). Therefore, PBV plays a crucial role in illustrating how the market values a company's book value and in indicating the level of shareholder prosperity (Murti et al., 2024).

Hypothesis Development

The Effect of Tax Avoidance on Firm Value

Tax avoidance is a strategy undertaken by companies to minimize their tax burden while remaining within the boundaries of the law (Hanlon & Heitzman, 2010). Although it does not violate tax regulations legally, this practice often raises questions regarding corporate ethics and integrity in fulfilling fiscal obligations. Tax avoidance may generate short-term benefits in the form of increased net income due to lower tax expenses; however, in the long term, it can affect public perception, corporate reputation, and investors' assessment of firm value.

Firm value reflects the market's perception of a company's overall performance and future prospects. It is crucial for shareholders and potential investors, as it serves as an indicator of the company's potential return on investment (Brigham & Houston, 2011). Tax avoidance strategies may be perceived by investors as managerial efficiency in managing tax expenses. Conversely, they may also be viewed as a sign of opportunistic management behavior that could reduce firm value if disclosed to the public or if it leads to legal risks in the future.

Research conducted by Paridah and Rokhayati (2022) found that tax avoidance has a significant effect on firm value, although the direction of the effect is not uniform. On the one hand, tax avoidance may positively influence firm value when companies design effective and lawful tax planning strategies that reduce tax burdens, thereby increasing net income, liquidity, and profitability. On the other hand, the same study indicates that tax avoidance can negatively affect firm value, particularly when the strategies are aggressive or lack transparency, thus creating legal and reputational risks. Based on the explanation outlining various aspects related to pressure elements, the researcher develops the following hypothesis:

H1: Tax Avoidance has an effect on company value

The influence of capital structure on company value

Capital structure refers to the composition of a company's long-term financing sources, derived from both debt and equity. Determining an optimal capital structure is crucial because it directly affects the cost of capital, financial risk, and ultimately the firm's value. The capital structure theory developed by Franco Modigliani and Merton Miller (1958) states that under perfect market conditions, capital structure does not influence firm value. However, when market imperfections such as taxes, bankruptcy costs, and asymmetric

information are taken into account, capital structure becomes an important factor in corporate financial decisions.

In practice, companies that manage their capital structure efficiently can benefit from tax savings through the use of debt, as interest expenses are tax-deductible, while maintaining a balance between risk and return. Moderate use of debt may enhance firm value because it sends a positive signal regarding the company's ability to meet its financial obligations (signaling theory). Nevertheless, excessive use of debt may lead to financial distress, which can ultimately reduce firm value.

Research conducted by Indri Ramadhayani and Dian Widiyati (2024) indicates that capital structure has a positive effect on firm value. An optimal composition of debt and equity can reduce the cost of capital, improve financial efficiency, and attract investors by demonstrating effective risk management and financing strategies. However, a study by Ichwan Syahrul Gunawan et al. (2023) found that capital structure does not have a significant effect on firm value. This suggests that in certain contexts, firm value may be more strongly influenced by other factors such as profitability, business prospects, or market conditions.

Based on the theoretical and empirical explanations above, the following hypothesis is proposed:

H2: Capital Structure affects Firm Value.

The Effect of Debt Policy on Firm Value

Debt policy is one of the key decisions in corporate financial management, as it relates to the company's capital structure. Decisions regarding the proportion of debt used to finance operations will affect risk, interest expenses, and shareholder returns, as well as influence investors' perceptions of firm value. Firm value itself reflects the market's assessment of a company's future earnings prospects and growth, which are influenced by the capital structure adopted by the company.

According to capital structure theory, there are several main perspectives explaining the relationship between debt policy and firm value. The Trade-Off Theory suggests that companies seek an optimal capital structure by balancing the benefits of debt usage—such as tax savings through the tax shield—against the risks of bankruptcy resulting from interest obligations. In this context, moderate use of debt can enhance firm value. Conversely, excessive debt may increase financial risk and reduce firm value.

Research conducted by Hendryani and Amin (2022) indicates that debt policy has a positive effect on firm value. This finding implies that the appropriate use of debt can generate financial leverage, which may increase shareholder returns and create added value for the company. On the other hand, a study by Cindy and Ardini (2023) finds that debt policy has a significantly negative effect on firm value. This result emphasizes that high levels of debt can increase financial risk and interest burdens, ultimately reducing investor interest and lowering the company's market value.

Based on the explanations outlining various aspects related to these considerations, the following hypothesis is proposed:

H3: Debt Policy has an effect on Firm Value.

The Effect of Managerial Ownership on Firm Value

Managerial ownership is one of the corporate governance mechanisms that plays an important role in aligning the interests of management (agents) and shareholders (principals). This concept refers to the proportion of company shares owned by management parties, such

as directors or managers. The greater the share ownership held by managers, the stronger their incentive to improve company performance, as they will directly experience the benefits or losses resulting from the decisions made (Jensen and Meckling, 1976).

Managerial ownership plays an important role in influencing firm value because it reflects the extent to which management has a direct interest in the company's performance outcomes. When managers own company shares, they tend to be more motivated to make decisions that enhance firm value, since profits and losses will directly affect them. Such ownership can also reduce conflicts of interest between management and shareholders, thereby improving efficiency and accountability. However, if the proportion of ownership is excessively large, negative effects may arise in the form of managerial dominance that weakens the monitoring function, which may ultimately reduce firm value. Therefore, managerial ownership has a significant effect on firm value, depending on the proportion of ownership held.

Research conducted by Ichwan Syahrul Gunawan et al. (2023) states that managerial ownership has a positive effect on firm value because managers' involvement as shareholders encourages them to act more prudently, efficiently, and in alignment with shareholders' interests. The greater the proportion of shares owned by management, the stronger their incentive to enhance company performance, which in turn positively affects firm value. However, research conducted by Widyastuti et al. (2022) shows that managerial ownership does not have a significant effect on firm value. This may occur if the proportion of shares owned by management is too small, making it insufficient to motivate them to act in the company's best interest. In addition, managers may prioritize personal benefits over long-term value enhancement. Based on the explanations outlining these various aspects, the following hypothesis is developed:

H4: Managerial Ownership has an effect on Firm Value.

The Effect of Environmental Performance on Firm Value

Environmental performance reflects the extent to which a company is able to effectively and responsibly manage the environmental impacts of its operations. This performance encompasses various aspects such as waste management, energy efficiency, carbon emission reduction, and compliance with environmental regulations (Clarkson et al., 2008). Companies with strong environmental performance tend to receive positive responses from investors and the public, as they are perceived to have good risk management, a long-term vision, and a commitment to Environmental, Social, and Governance (ESG) principles.

Superior environmental performance can also enhance corporate reputation, build customer loyalty, and expand access to lower-cost sources of financing. All of these factors contribute to increasing firm value, both in terms of market value and intrinsic value (Dhaliwal et al., 2011). Conversely, companies with poor environmental performance face risks such as reputational damage, legal claims, regulatory sanctions, and pressure from environmental activists. These risks may reduce investor interest, increase the cost of capital, and harm the company's long-term image. In addition, capital markets are becoming increasingly sensitive to sustainability issues; therefore, companies that neglect environmental responsibility are likely to be viewed as less attractive investment options, ultimately negatively affecting firm value.

Research conducted by Surya et al. (2023) shows that environmental performance has a positive effect on firm value, as proper environmental management can enhance corporate

reputation and investor confidence, which in turn increases firm value. In contrast, research by Avelyn and Syofyan (2023) finds that environmental performance has a negative effect on firm value due to the high costs associated with implementing environmental programs, which may suppress short-term profitability. Based on the explanation outlining various aspects related to pressure elements, the following hypothesis is developed:

H5: Environmental Performance affects Firm Value.

RESEARCH METHOD

This study employs a quantitative research design based on the philosophy of positivism to examine the causal relationships between tax avoidance, capital structure, debt policy, managerial ownership, environmental performance, and firm value (Sugiyono, 2023). The population of this study consists of all mining companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. The sample is selected using purposive sampling based on the following criteria: (1) companies consistently listed on the IDX during 2021–2024, (2) companies that publish complete annual and financial reports, (3) companies that obtain PROPER environmental performance ratings, and (4) companies that are not delisted or suspended during the observation period. Based on these criteria, a total of [xx] companies were selected as the research sample, while [xx] companies were excluded due to incomplete data or failure to meet the specified criteria.

This study uses secondary data obtained from annual reports accessed through the official IDX website and respective company websites, collected using documentation techniques. Firm value is measured using Price to Book Value (PBV), while independent variables are proxied by commonly used financial ratios and environmental performance ratings. Panel data regression analysis is employed, with model selection conducted through the Chow test, Hausman test, and Lagrange Multiplier test at a 5% significance level. Descriptive statistics are used to describe the data, and classical assumption tests—including normality, multicollinearity, heteroskedasticity, and autocorrelation—are performed to ensure the model meets the BLUE criteria (Ghozali, 2018). Furthermore, multiple linear regression analysis is applied to examine the effect of independent variables on firm value, with hypothesis testing conducted using the coefficient of determination (R^2), t-test (partial), and F-test (simultaneous).

RESULTS AND DISCUSSION

Overview of Research Object

This study examines mining companies listed on the Indonesia Stock Exchange using annual reports from 2021 to 2024. The data were collected from the official IDX website and the respective company websites. During the observation period, 63 mining companies were identified, and after applying purposive sampling criteria, 49 companies were selected, resulting in 196 observations over four years (49×4). The study includes six variables: one dependent variable, firm value (Y), and five independent variables tax avoidance (X1), capital structure (X2), debt policy (X3), managerial ownership (X4), and environmental performance (X5).

Table 1.
Sample Selection Criteria

No.	Criteria	Total
1	Total mining companies during the 2021–2024 period	63
2	Mining companies that did not consistently and completely publish annual reports during 2021–2024	(6)
3	Mining companies that experienced delisting/suspension during 2021–2024	(4)
4	Mining companies that did not obtain a PROPER rating from the Ministry of Environment during 2021–2024	(4)
	Total number of companies meeting the criteria	49
	Total research observations (49 × 4 years)	196

Descriptive Statistical Analysis

Table 2.
Descriptive Statistical Analysis Result

	Company Values (Y)	Tax Avoidance (X1)	Capital Structure (X2)	Debt Policy (X3)	Managerial Ownership (X4)	Environmental Performance (X5)
Mean	2.470670	0.192171	1.450368	0.422704	0.068344	3.015306
Median	1.113219	0.219172	0.679387	0.404539	0.000449	3.000000
Maximum	28.98690	1.643403	11.32577	1.000000	0.814583	12.00000
Minimum	0.112328	-1.008.531	0.007428	0.000900	0.000000	0.000000
Std. Dev.	3.892587	0.285695	2.012011	0.241381	0.177566	1.930795
Skewness	3.836587	0.631734	2.431872	0.372956	3.002860	0.385438
Kurtosis	20.56276	8.049432	9.223750	2.241043	10.97156	5.326292
Jarque-Bera	2999.847	221.2604	509.5271	9.247935	813.5179	49.04806
Probability	0.000000	0.000000	0.000000	0.009814	0.000000	0.000000
Sum	484.2512	37.66560	284.2722	82.85006	13.39546	591.0000
Sum Sq. Dev.	2954.686	15.91619	789.3964	11.36163	6.148299	726.9541
Observations	196	196	196	196	196	196

Based on the descriptive statistical results, this study uses 196 observations derived from 49 mining companies during the 2021–2024 period. Overall, the data indicate substantial variability across firms, particularly in firm value and capital structure. Firm value (Y) shows a relatively high dispersion, as reflected by a standard deviation exceeding its mean, indicating significant differences in market valuation among companies, which may be influenced by varying financial performance and investor perceptions. Tax avoidance (X1) tends to be relatively low with moderate variation, suggesting that most firms do not engage in aggressive tax strategies, although some variability still exists. Capital structure (X2) exhibits high variability, indicating that mining companies apply diverse financing strategies, with some firms relying heavily on debt while others maintain low leverage. In contrast, debt policy (X3) appears more stable and homogeneous, reflecting relatively consistent debt management practices across firms. Managerial ownership (X4) is generally low, implying limited alignment between management and shareholder interests in most companies, although a few firms show higher ownership concentration. Meanwhile,

environmental performance (X5) demonstrates moderate variation, suggesting that while some firms actively engage in environmental responsibility, others still show relatively low performance.

Panel Data Regression Model Selection Test

Table 3.
Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	8.144.907	-48,142	0.0000
Cross-section Chi-square	259.231.749	48	0.0000

The Chow test results show that the probability value of the Cross-section F (0.0000) is below the 5% significance level (0.05). Therefore, the null hypothesis (H₀), which states that the Common Effect Model is adequate, is rejected. This indicates that there are significant differences across cross-sectional units, and thus the Fixed Effect Model (FEM) is more appropriate than the Common Effect Model.

Table 4.
Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.202.897	5	0.9446

The Hausman test shows a probability value of 0.9446, which is greater than 0.05. Thus, the null hypothesis (H₀) is accepted, indicating no significant difference between the Fixed Effect and Random Effect estimators. Therefore, the Random Effect Model (REM) is considered more appropriate and efficient for this study.

Table 5.
Lagrange Multiplier (LM) Test Results

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	119.9071 (0.0000)	0.078116 (0.7799)	119.9852 (0.0000)

The Lagrange Multiplier test shows that the Breusch-Pagan probability for the cross-section effect (0.0000) is below 0.05, leading to the rejection of the null hypothesis. This indicates that the Random Effect Model is more appropriate than the Common Effect Model due to significant cross-sectional variation in the panel data.

Classical Assumption Test

The normality test indicates that the Jarque-Bera (J-B) value of 5.587939 is lower than the chi-square critical value of 7.81473, and the probability value of 0.061178 exceeds the 0.05 significance level. Thus, the residuals are normally distributed. The multicollinearity test shows that the correlation coefficients among the independent variables Tax Avoidance (X1), Capital Structure (X2), Debt Policy (X3), Managerial Ownership (X4), and Environmental Performance (X5) are generally below the threshold of 0.80. Although the highest correlation is observed between Capital Structure and Debt Policy (0.7837), it remains below the critical value, indicating that no serious multicollinearity problem exists in the regression model.

Furthermore, the autocorrelation test using the Durbin-Watson statistic produces a value of 1.800528, which falls within the acceptable range of 1.5 to 2.5, indicating the absence of both positive and negative autocorrelation. The heteroskedasticity test using the Glejser method shows that all independent variables have probability values greater than 0.05, meaning that heteroskedasticity is not present. Overall, the regression model satisfies the classical assumptions of normality, no multicollinearity, no autocorrelation, and homoskedasticity, confirming that it is appropriate for further analysis.

Panel Data Linear Regression Analysis

Based on the model selection results, the Random Effect Model (REM) was determined to be the most appropriate specification for this study. The random effect approach applies the Generalized Least Squares (GLS) method, which differs from the Ordinary Least Squares (OLS) method used in the common effect and fixed effect models. After selecting the Random Effect Model, multiple linear regression analysis was conducted, as the study examines five independent variables Tax Avoidance (ETR), Capital Structure (DER), Debt Policy (DAR), Managerial Ownership (KM), and Environmental Performance (KL) on one dependent variable, namely Company Value (NPR). The data used in this research are panel data, combining cross-sectional data from 49 mining companies with time-series observations over a four-year period (2021–2024):

Table 6.
Random Effect Model Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.228519	0.219204	1.042.495	0.2985
Tax Avoidance (X1)	-0.043646	0.199797	-0.218454	0.8273
Capital Structure (X2)	0.113750	0.047632	2.388.081	0.0179
Debt Policy (X3)	-0.325262	0.461318	-0.705071	0.4816
Managerial Ownership (X4)	1.109.378	0.551808	2.010.441	0.0458
Environmental Performance (X5)	-0.009224	0.030225	-0.305174	0.7606

Based on the regression results presented above, the regression analysis model can be formulated as follows:

$$NPR=0,228519-0,043646ETR+0,113750DER-0,325262DAR+1,109378KM-0,009224KL+ei$$

The panel data regression results indicate that Company Value (NPR) has a constant of 0.228519, meaning that when Tax Avoidance (ETR), Capital Structure (DER), Debt Policy (DAR), Managerial Ownership (KM), and Environmental Performance (KL) are held constant, Company Value is 0.228519. The coefficient of Tax Avoidance (−0.043646) suggests that a one-unit increase in ETR decreases Company Value by 0.043646, implying a negative relationship. Capital Structure (0.113750) has a positive effect, indicating that a one-unit increase in DER raises Company Value by 0.113750. In contrast, Debt Policy (−0.325262) negatively affects Company Value, meaning higher debt-to-asset proportions reduce firm value. Managerial Ownership (1.109378) shows a strong positive effect, indicating that greater managerial shareholding significantly increases Company Value. Meanwhile, Environmental Performance (−0.009224) has a negative coefficient, suggesting that improvements in environmental performance do not necessarily lead to an increase in Company Value.

Hypothesis Testing

Test of the coefficient of determination (R^2)

Table 7.
Results of the Determination Coefficient Test

R-squared	0.060577
Adjusted R-squared	0.035855

Based on the coefficient of determination test, the Adjusted R-squared value is 0.035855 (3.5855%), indicating that Tax Avoidance (X1), Capital Structure (X2), Debt Policy (X3), Managerial Ownership (X4), and Environmental Performance (X5) collectively explain only 3.5855% of the variation in Company Values, while the remaining 96.4145% is influenced by other factors outside the model, such as macroeconomic conditions, industry dynamics, corporate governance structures, managerial policies, and other financial or non-financial variables not included in the regression. This relatively low Adjusted R-squared suggests that the model has limited explanatory power and may require the inclusion of additional theoretically and empirically relevant variables to better explain variations in Company Values.

Partial t-test

Table 8.
Partial t-test Results

Variable	Coefficient	Prob.	Description
Tax Avoidance (X1)	-0.043646	0.8273	Not Significant
Capital Structure (X2)	0.113750	0.0179	Significant
Debt Policy (X3)	-0.325262	0.4816	Not Significant
Managerial Ownership (X4)	1.109378	0.0458	Significant
Environmental Performance (X5)	-0.009224	0.7606	Not Significant

The partial regression results indicate that Tax Avoidance (X1) has a coefficient of -0.043646 with a probability of 0.8273 (> 0.05), implying no significant effect on Firm Value (Y), thus H1 is rejected. Capital Structure (X2) shows a positive and significant effect with a coefficient of 0.113750 and a probability of 0.0179 (< 0.05), leading to the acceptance of H2. Debt Policy (X3) has a coefficient of -0.325262 with a probability of 0.4816 (> 0.05), indicating no significant effect, so H3 is rejected. Managerial Ownership (X4) demonstrates a positive and significant influence with a coefficient of 1.109378 and a probability of 0.0458 (< 0.05), meaning H4 is accepted. Meanwhile, Environmental Performance (X5) has a coefficient of -0.009224 with a probability of 0.7606 (> 0.05), indicating no significant effect on Firm Value, and therefore H5 is rejected.

F-test

Table 9.
F-test results

F-statistic	2.450.345
Prob(F-statistic)	0.035258

Based on the results, the F-statistic probability value is 0.035258, which is lower than the 5% significance level ($\alpha = 0.05$). This indicates that, simultaneously, the independent variables Tax Avoidance, Capital Structure, Debt Policy, Managerial Ownership, and

Environmental Performance have a significant effect on the dependent variable, Firm Value. Therefore, the model is statistically feasible and appropriate for examining the influence of the independent variables on the dependent variable.

The Effect of Tax Avoidance on Company Values

The results indicate that Tax Avoidance does not have a significant effect on Firm Value (probability $0.8273 > 0.05$, with a regression coefficient of -0.043646). Theoretically, tax avoidance practices have the potential to increase profits through tax expense efficiency. However, when the resulting tax savings are relatively small compared to total company revenue or fail to materially improve cash flow, investors have little incentive to respond through higher market valuation. In the context of the highly regulated mining sector, which also faces substantial reputational exposure, tax avoidance may instead be perceived as an additional source of risk both reputational and regulatory risk leading the market to adopt a neutral or even defensive stance toward such practices. Thus, although tax avoidance may enhance accounting profits, the market does not necessarily interpret it as a signal of improved corporate fundamentals, explaining its insignificant effect on Firm Value.

These findings are consistent with Yuliandana et al. (2021), who reported that tax avoidance has a negative but insignificant effect on Firm Value, as the market tends to be cautious about the long-term risks associated with such practices. This result also aligns with Anggita and Hari (2023), who found that tax avoidance may reduce investor confidence when it is perceived as an aggressive strategy.

The Influence of Capital Structure on Company Values

The results indicate that Capital Structure has a positive and significant effect on Firm Value (probability $0.0179 < 0.05$ with a regression coefficient of 0.113750). This finding suggests that an increase in leverage, at a certain level, can enhance firm valuation. Conceptually, the use of debt creates a leverage effect that can increase return on equity as long as the company generates returns exceeding its cost of debt. In addition, the tax shield benefit from interest expenses directly increases Firm Value through higher after-tax cash flows. From a capital market perspective, the decision to increase debt is perceived as a signal of management's confidence in future cash flow prospects, thereby improving investor perceptions of the company's sustainability. Therefore, as long as leverage remains at an optimal level and does not lead to financial distress, a higher Capital Structure can enhance Firm Value.

These findings are consistent with the study by Ramadhayani (2024), which found that Capital Structure has a positive and significant effect on Firm Value. The study suggests that companies capable of managing their capital structure optimally particularly through a balanced combination of debt and equity can improve capital cost efficiency and provide positive signals to investors regarding the company's long-term sustainability.

The Influence of Debt Policy on Company Values

The results indicate that Debt Policy does not have a significant effect on Firm Value (probability $0.4816 > 0.05$ with a regression coefficient of -0.325262). Although the negative coefficient suggests an inverse relationship, the effect is not statistically significant. Logically, if the company's debt level remains within a reasonable range and does not create liquidity pressure or substantial bankruptcy risk, changes in the proportion of debt are unlikely to significantly alter investors' perceptions of Firm Value. Investors tend to focus

more on the effectiveness of fund utilization rather than merely on the composition of financing sources. Moreover, in the mining industry characterized by high commodity price volatility external factors such as fluctuations in coal, nickel, or other mineral prices play a more dominant role in influencing Firm Value than variations in Debt Policy itself. Therefore, Debt Policy does not serve as a primary determinant of market value formation.

These findings suggest that mining companies may not yet have reached an optimal debt structure capable of creating added value. Investors tend to be cautious, considering the sector's high revenue volatility and dependence on global commodity prices. This result is consistent with the study by Cindy and Ardini (2023), which found that Debt Policy does not significantly affect Firm Value, reinforcing the argument that debt does not always serve as a positive signal to investors when it is not managed optimally.

The Influence of Managerial Ownership on Company Values

The results indicate that Managerial Ownership has a positive and significant effect on Firm Value (probability $0.0458 < 0.05$ with a regression coefficient of 1.109378). This suggests that an increase in the proportion of shares held by management is associated with an increase in Firm Value. Theoretically, when managers hold company shares, an alignment of interests occurs between management and shareholders, thereby minimizing opportunistic behavior and reducing agency costs. This condition enhances the efficiency of strategic decision-making. Furthermore, Managerial Ownership increases management credibility in the eyes of investors, as managers bear financial risks arising from their decisions, leading the market to respond positively to higher managerial shareholding. Thus, this internal governance mechanism directly contributes to the enhancement of Firm Value.

These findings are consistent with previous studies by Gunawan et al. (2023) and Sari and Wulandari (2021), which also found that Managerial Ownership has a positive and significant effect on Firm Value. The results imply that the greater the proportion of shares owned by management, the stronger the incentive for managers to act in line with shareholders' interests. From the perspective of Agency Theory, Managerial Ownership serves as an alignment mechanism between managers (agents) and shareholders (principals), thereby minimizing agency conflicts and managerial opportunistic behavior.

The Influence of Environmental Performance on Company Values

The results indicate that Environmental Performance does not have a significant effect on Firm Value (probability $0.7606 > 0.05$ with a regression coefficient of -0.009224). This finding suggests that PROPER ratings have not become a primary determinant in shaping the market value of mining companies. Conceptually, Environmental Performance in the mining sector is more often perceived as regulatory compliance rather than a source of competitive differentiation, and therefore does not generate additional valuation premiums in the eyes of investors. Moreover, the economic benefits of environmental investments tend to materialize in the long term, whereas capital markets are generally more responsive to short-term financial performance indicators such as earnings and cash flows. In the short run, the costs associated with implementing environmental programs may even reduce profitability. Consequently, the market does not respond significantly to variations in Environmental Performance during the observation period.

These findings are consistent with studies by Avelyn and Syofyan (2023) and Renita and Dinda (2025), which also conclude that Environmental Performance does not significantly affect Firm Value. Both studies explain that environmental activities and

policies are generally viewed as regulatory compliance efforts. Investors tend to focus more on financial performance indicators such as profitability, cash flow, and business risk, meaning that improvements in Environmental Performance are not yet fully perceived as a signal of increased Firm Value.

CONCLUSION

This study finds that capital structure and managerial ownership play a significant role in enhancing firm value in mining companies listed on the Indonesia Stock Exchange during 2021–2024, highlighting the importance of optimal financing decisions and internal ownership alignment in shaping market valuation. These results imply that investors place greater emphasis on financial structure and governance mechanisms as indicators of firm performance and credibility, rather than on tax strategies or environmental performance within the observed period. For corporate managers, this suggests the need to carefully manage leverage and increase ownership alignment to strengthen investor confidence and firm value. Meanwhile, the insignificant effect of tax avoidance, debt policy, and environmental performance indicates that these factors may not yet be primary considerations for investors in the mining sector, or their impact may be indirect and context-dependent.

However, this study is limited to the mining sector, a relatively short observation period, and a restricted set of variables and measurement proxies. Therefore, future research is recommended to expand the scope across industries, extend the observation period, incorporate additional variables such as profitability, liquidity, firm size, dividend and investment policies, as well as corporate governance mechanisms, and apply alternative proxies to provide more comprehensive and robust insights into the determinants of firm value.

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