CHAPTER V

CONCLUSION

A. Conclusion

Based on those tests above, the conclusions that can be acquired in this research are:

1. Tax avoidance has negative effect on firm value.
2. Managerial ability has positive effect on firm value.
3. Managerial ability does not weaken the effect of tax avoidance on firm value.

B. Implication

This research can provide valuable insights for regulators in understanding the relationship between tax avoidance, managerial ability and firm value. These implications may trigger changes or improvements in tax regulations to limit tax avoidance practices that harm firm value. Regulators can design policies that strengthen corporate transparency and accountability regarding tax avoidance practices, as well as encourage clearer reporting of their impact on firm value.

From a theoretical implication, this research can produce a better understanding of the dynamics between managerial ability, tax avoidance, and firm value. The results can enrich existing theories, such as Agency Theory, Upper Echelons, and Signaling Theory, by considering a more specific role of managerial ability in the context of tax avoidance. It can also help develop new, more comprehensive frameworks for understanding how these factors interact with each other and influence firm performance and value.

For practitioners and company managers, this research highlights the importance of paying attention to the influence of tax avoidance on company value in the context of managerial ability. This can encourage managers to consider not only the immediate tax benefits, but also the long-term implications for the company's reputation, legal compliance, and market perception of the company's value. Thus, this research can help managers make more holistic and sustainable decisions related to corporate tax policy.

C. Research Limitation

1. This research is limited to financial statements from 2019-2022, as these were the latest available at the time of data collection. Suggestions for further research to use more recent data when it is accessible.
2. Several companies included in the population of this research either do not publish their financial statements or do not provide the necessary data in their published financial statements. As a result, a small sample size was obtained from the population. Suggestions for further research to explore various research sources so that more samples will be obtained.
3. The limitation of this study is the reliance on cash effective tax rate (ETR) as a measure of tax avoidance. it may not capture the full extent of tax planning strategies employed by companies. Cash ETR focuses solely on the taxes paid in relation to cash flow, which may not reflect the

comprehensive tax strategies, such as the use of tax credits, deductions, or transfer pricing arrangements, that companies utilize to minimize their tax obligations. Future research could address this limitation by incorporating additional measures of tax avoidance, such as book-tax differences or effective tax rate adjustments, and by utilizing qualitative research methods to explore the specific tax planning strategies employed by firms.