

CHAPTER V

CONCLUSION & IMPLICATION

A. Conclusion

The objective of this research is to examine the effect of income smoothing, tax risk, and digitalization on the firm value in the banking sector. Based on the study result, conclusions have been formulated, as follows:

1. Income smoothing has a positive significant effect on the firm value in the banking sector. It is indicated that the greater the income smoothing, the greater the firm value would be. The firm should do income smoothing as an effort to show the market that they are performing well (Ross, 1979). Managers are advised to engage in income smoothing to send a positive signal to investors, increasing the likelihood that they will invest. According to Hery, p. (2017, p. 167), income smoothing is able to facilitate the firm by obtaining loans from creditors and attracting investors.
2. Tax risk has a negative significant effect on the firm value in the banking sector. It is indicated that the smaller the tax risk, the smaller the firm value would be. According to Putri & Dewi (2025), managers should lower the number of inconsistent tax payments to reduce the tax risk so that the firm would be able to increase, since the market is increasing.
3. Digitalization has no significant effect on the firm value in the banking sector. It is indicated that whether there is gold investment/saving or not, there is no significant effect with firm value. Based on the result, the gold investment/saving features in m-banking do not have any impact on the

firm value and managers should decide to use other efforts to increase the firm value by using digitalization.

B. Implication

There are two implications in this study, as following:

1. Theoretical

By the support of signalling theory, which holds that knowledge about the firm's income smoothing is a positive signal for investors in evaluating firm value, whereas tax risk is a negative signal, this work has theoretical implications. Regarding digitalization, businesses have not been shown to convey favorable signals to investors. By utilizing the banking industry and the post-pandemic era as context, these findings build upon earlier research.

2. Practical

According to the study's findings, income smoothing procedures, which significantly and favorably impact firm value, imply that investors continue to view profit stability favorably, so management may think about maintaining steady profit performance as long as it complies with applicable accounting standards. However, since excessive levels of tax uncertainty can erode investor confidence, tax risk has a negative and considerable impact on firm value, so it is disclosed the need for good tax risk management. Regarding the digitalization variable, which has no impact on firm value, this suggests that the implementation of digitalization is not yet directly reflected in firm value. Therefore, companies must make

sure that their digital strategies are able to deliver genuine added value and are successfully communicated to investors.

C. Research Limitation and Suggestion

The research limitation and suggestion as follows:

1. Research Limitation

There are a number of limitations to this study that should be taken into consideration when interpreting the findings. First, the study's findings do not accurately represent the company's long-term circumstances because the observation period was comparatively restricted to three years. Second, since digitization is a complicated term that encompasses many operational characteristics and technology-based services, the measurement of the digitization variable using gold investment/savings is thought to not accurately reflect the company's overall level of digitization. Third, this study employs SPSS software for panel data processing, which has several drawbacks when it comes to model testing because SPSS is not a pure panel data program. As a result, the sole panel data model option available to researchers is pooled least squares or common effect models.

2. Research Suggestion

Regarding the limitation of this study, more recent years and a longer observation period should be used in future research to ensure that the findings accurately reflect the state of the organization. Furthermore, in order to fully capture the complexity of digitization implementation, future research should quantify the degree of corporate digitization using more

representative dummies or alternative proxies. To enable the use of more varied panel data models and more thorough testing, it is also advised that future research employ more specialized panel data processing tools, such as EViews or comparable programs.

