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DOES CORPORATE GOVERNANCE INFLUENCE VALUE CREATION: ASSESSING THE MEDIATING ROLE OF CSR AND TAX AVOIDANCE

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Abstract

This study aims to investigate the influence of CG on value creation both directly and as a mediating role in the form of tax avoidance and CSR. The panel data approach was employed, using a sample of 32 multisectoral companies, excluding those in the financial sector, that are listed in the Indonesia Stock Exchange from 2016 to 2019. The data is analyzed using the Smart PLS. In this study, value creation was measured using Tobin's Q, and CG was measured using the Corporate Governance Index (CGI); while the mediating variable, in the form of tax avoidance, was measured using the Henry & Sansing formula, and CSR was measured using the GRI-G4 index. The result showed that corporate governance has a direct significant impact on value creation. Furthermore, it is found that CSR & tax avoidance could not mediate the relationship between CG and value creation.

Keywords: *Corporate Governance, Social Responsibility, Tax Avoidance, Value Creation*

Abstrak

Penelitian ini bertujuan untuk menguji apakah tata kelola memiliki pengaruh terhadap penciptaan nilai baik secara langsung maupun melalui peran mediasi berupa penghindaran pajak dan tanggung jawab sosial. Penelitian ini menggunakan pendekatan data panel dengan sampel penelitian berupa 32 perusahaan multisektor kecuali perusahaan yang bergerak di sektor keuangan serta telah listed di Bursa Efek Indonesia untuk periode 2016 hingga 2019. Program Smart PLS digunakan dalam menganalisis data pada penelitian ini. Dalam penelitian ini, penciptaan nilai diukur dengan rasio Tobin's Q dan tata kelola diukur dengan Corporate Governance Index (CGI) serta untuk variabel mediasi berupa penghindaran pajak diukur dengan formula Henry & Sansing dan tanggung jawab sosial diukur dengan indeks GRI-G4. Hasil penelitian menunjukkan bahwa tata kelola secara langsung mampu memberikan pengaruh signifikan terhadap penciptaan nilai bagi sebuah perusahaan. Hasil ini juga menunjukkan bahwa tanggung jawab sosial dan penghindaran pajak tidak mampu memediasi hubungan antara tata kelola terhadap penciptaan nilai.

Kata Kunci : *Tata Kelola Perusahaan; Tanggung Jawab Sosial; Penghindaran Pajak; Penciptaan Nilai*

1. INTRODUCTION

A few years ago, several large-scale frauds and unethical practices occurred in notable organizations, such as Enron, Global Crossing, Tyco, and Worldcom. These corporate scandals agitated the economy all over the world, resulting in an economic crisis. Consequently, the confidence of investors in the company diminished, and they struggled to improve the equity in the stock market and also caused the value of the company to decrease (Taylor, 2003).

Value of the company is generally a benchmark for the achievement of every company in order to increase the wealth of each stakeholder. Firm value is usually measured using financial ratios, which are able to provide an indication of management's assessment of the company's past performance and future prospects.

In 1977, the economic crisis led to low performances and bankruptcies for companies in many countries, including Indonesia. This illustrates the lack of awareness in Indonesia for the importance of implementing corporate governance in a company (Juwita, 2019). The Asian financial crisis prompted the Indonesian government to adopt a critical and rational approach in overcoming problems, including beginning to implement good governance. Corporate governance is needed to ensure companies will respond speedily to the interests of stakeholders and increase their trust in the company.

The National Committee on Governance (KNKG) stated in 2006 that good governance for a company is based on the following principles: transparency, accountability, responsibility, independence, and fairness. These principles are also consistent with the Organization for Economic Cooperation and Development (OECD), who is recognized globally for promoting fundamental principles and guidelines for good corporate governance implementation (Wahed, 2017). Successful implementation of these principles could mitigate opportunistic actions by the management team to protect other stakeholders.

It is likely for conflict to occur between the principal and the agent, when the agent does not prioritize the principal's interest, leading to agency cost (Wati et al., 2019). Good corporate governance mitigates agency conflicts and hence convince stakeholders that the company is working for the benefit of all stakeholders. The aim of performing internal control activities based on corporate governance is to maintain the company's capability to increase their value for long-term investment (Ilmi, 2018). This is in line with the study done by Ammann et al., (2011), Javaid (2015) & Owusu & Weir (2016) which shows that good governance has a positive impact on value creation, which means that a company that is able to implement good corporate governance are more likely to have higher company value. However, in a study conducted by Laili et al., (2019), it is found that corporate governance has no significant impact on financial performance and company value.

It is found that companies that consistently implement good corporate governance are less likely to face aggressive actions in taxation, because of the rigorous supervision carried out to mitigate arbitrary actions by the management team (Gunawan, 2017). The most effective method to prevent aggressive actions in taxation is to establish a board of commissioners in the company, whose role is to supervise the management team (Handayani & Ibrani, 2019). Likewise, an audit committee could increase the level of compliance in managing corporate tax by supporting the execution of corporate governance (Minnick & Noga, 2010). This is in line with , the analysis done by Handayani & Ibrani (2019) & Kusbandiyah et al., (2021) which suggested that good corporate governance rather has a negative impact on tax avoidance in a company, which implies that good corporate governance would decrease tax aggressiveness.

However, according to Gunawan (2017), having good governance values does not necessarily translate into effectively eliminating or restraining problematic actions taken by the management team with regards to tax efficiency. Mangoting et al., (2019) claimed that good corporate governance has a positive influence on tax avoidance in a company, meaning that better implementation of corporate governance is likely to lead to more aggressive actions of minimizing taxable income. On the other hand, another study found that the corporate governance mechanism has no influence on tax aggressiveness, as stated by Pratiwi et al., (2019) & Gunawan (2017).

There are two different perspectives regarding the influence of tax avoidance on a company's value creation: the positive and negative ones. The traditional theory suggests that tax avoidance is a process that transfers value from the government to the shareholders, as it attracts investments for the company and therefore increases the company value. On the other hand, the agency theory claims that tax avoidance is a form of opportunistic action performed by the managerial party, such as manipulating the earnings report, making the company's operations less transparent, and eventually leading to lower company value (Desai & Dharmapala, 2006).

Mangoting et al., (2019) and Irawan & Turwanto (2020) stated that tax avoidance action can give positive impacts on a company's value creation. Nevertheless, another study conducted by Holiawati & Murwaningsari (2019), Chen et al., (2014) & Harventy (2016) has a different opinion from the previous studies that tax avoidance significantly and negatively influence value creation, indicating that the increased frequency of tax avoidance will make a company's value tend to decrease.

Corporate Governance (CG) and Corporate Social Responsibility (CSR) are two correlated components. Therefore, the company's compliance with the law in operating the business needs to be included in the CSR implementation policy. Within the five principles of GCG, CSR is part of the principle related to responsibilities (Hardi & Chairina, 2019).

Some literatures that examined the influence of GCG on CSR, such as the study by Mangoting et al., (2019) & Chintrakarn et al., (2016), found that corporate governance has a negative impact on CSR; a company that implements good corporate governance tends to minimize their corporate social responsibility activities. However, another study conducted by Stuebs & Sun (2015) & Tran et al., (2020) found that corporate governance has a significant positive impact on social responsibility. Their results show that

CSR disclosure provides long-term benefits for a company by indicating the reliability, sustainability and profitability of the business operations, according to ethical values and the benefits of the community and environment. Meanwhile, Gustiana et al., (2019) found that GCG has no significant impact on Corporate Social Responsibility.

CSR could show the company's care for the interests of external parties, which indirectly acquires good reputation that creates positive value for the company. The study done by Mangoting et al., (2019), Dao et al., (2020) & Mahrani & Soewarno (2018) stated that CSR implementation has a positive impact on a company's value creation; higher frequency of CSR activities lead to continues improvement of company value. However, another study by Masdupi & Yulius (2017) & Hafez, (2016) found a different result, suggesting that CSR has no influence on company value. Further, Crisóstomo et al., (2011) found that CSR disclosure instead has a negative impact on a company's value creation, which means higher level of CSR disclosure could decrease company value.

In this study, the mediating variables analyzed are tax avoidance and social responsibility. This distinguishes it from previous studies done on the influence of GCG, CSR, and tax avoidance on value creation that were partial. The results of a study conducted by Mangoting et al., (2019), Kamaliah (2020) deduced that the CSR disclosure of a company could not mediate the relationship between GCG and value creation. This is because CSR disclosure incurs a high cost for the company, so directors and commissioners usually do not mandate it, instead making CSR a voluntary activity. Therefore, CSR is not a priority for the company in creating and improving the company value.

Based on the study by Mangoting et al., (2019) & Syura et al., (2020), it is found that tax avoidance has a mediating impact on the relationship between corporate governance and value creation. Even though a corporate governance system adopts the principles of transparency, accountability, independence and fairness, many companies are incentivized to maximize their after-tax profit through tax avoidance practices. On the other hand, Mangoting et al., (2020) claimed that tax avoidance could not mediate the relationship between corporate governance and value creation.

Based on the background information as explained above, this study was conducted to investigate whether corporate governance influences value creation, both in a direct relationship and mediating relationship.

2. LITERATURE REVIEW

2.1 Agency Theory

According to Jensen & Meckling (1976), the agency theory deals with the relationship between the agent and the principal. In an agency relationship, there is a contract where a principal employs an agent to perform duties under their names, including delegating authority in decision-making (Jensen & Meckling, 1976). With the authority given to the agent, they are expected to make the best decision for the interest of the principal (Laili et al., 2019). However, the interests of the principal and the agent are often in conflict with each other, leading to the agency problem (Haryanti, 2019).

The main reason for the agency problem is information asymmetry. This occurs because the manager usually has more information than the shareholders, since they are involved in the company's day-to-day operations. If the manager's goal does not align with that of the shareholders, the moral deviation problem could arise, in which the manager prioritizes their own interests over the shareholder's. Moreover, due to information asymmetry, the shareholders are not able to accurately evaluate the manager's performance (Siagian et al., 2013).

The implementation of corporate governance creates value for all stakeholders as a way to overcome the agency problem and as a control between the majority and minority shareholders. It aims to resolve conflicts between managers and shareholders and decrease agency costs (Hong, 2019). Furthermore, good governance is found to be able to prevent tax avoidance in a company, which is when a company exploits loopholes in the tax law to reduce their tax expenses without explicitly violating the laws (Salhi et al., 2019). Tax avoidance is strongly related to the agency problem, as the result of the different interests of the agent and principal. For example, the agent wants to increase earnings by evading taxes in order to increase their compensation, while the principal prefers decreased earnings in order to reduce the company's tax rate (Zemzem & Ftouhi, 2013).

2.2 Stakeholder Theory

As stated by Tran et al., (2020), a company's operations often also impact other parties and people associated with them. This is understood through the stakeholder theory, which sets out the company's responsibility towards its stakeholders. According to this theory, a company needs to accommodate the needs and wishes of the stakeholders in order to maintain a good relationship (Freeman & David, 1983). A company that adopts a shareholder orientation is responsible for one client, while with the stakeholder orientation, the company must pay attention to the needs of all clients. In this perspective, the stakeholders' interests needs to be prioritized over the shareholders' interests because the company has to maintain their relationships with many parties Tran et al., (2020). One way of demonstrating the company's care for the interests of their stakeholders is by implementing a CSR program. CSR could show the company's efforts in fulfilling their responsibilities to contribute towards the betterment of the economic, environmental and social equilibrium (Mangoting et al., 2019). Each company needs to instill an understanding that the main focus of a company to operate is not only related to the company's profit rate that has been gained but also the impacts on each stakeholder.

The stakeholder model posits that a company's goal should not be to merely maximize profit or shareholders' wealth, but rather to also create value for a larger group of stakeholders and to maintain the capability to create long-term value (Sherman, 2010).

2.3 Value Creation

Value creation generally has a wide perception range of creating value for a company in prioritizing the stakeholders' interest. The company's value improvement becomes one of the goals for each company which the high company's value can reflect the wellbeing of each stakeholder. The previous studies defined the company's value as the market value which the increase in stock price can provide wellbeing for each shareholder (Juwita, 2019).

2.4 Corporate Governance

Corporate Governance can be defined as a system, process, or set of regulations that regulates the relationship between the stakeholders in achieving a company's goal. Implementing good governance principles has been shown to be one of the most effective methods of preventing fraudulent actions by managers (Handayani & Ibrani, 2019).

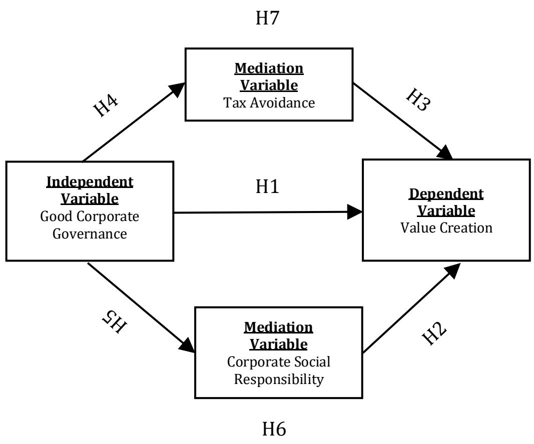
2.5 Corporate Social Responsibility

The World Business Council for Sustainable Development (WBCSD) defines social responsibility as a sustainable commitment made by businesses to behave ethically and contribute towards economic development, while improving the wellbeing of employees and the surrounding communities (Waluyo, 2017). CSR is one of the efforts made by companies to participate in fulfilling their responsibilities for the balance of the economy, environment and social (Mangoting et al., 2019). In Indonesia, CSR disclosure standards generally refer to the Global Reporting Initiative (GRI).

2.6 Tax Avoidance

Tax avoidance is an avoidance that is still categorized as an action that complies with the laws and regulations available in taxation (Harventy, 2016). Generally, one of the techniques in performing tax avoidance is by reducing the income that he/she gains by only reporting some of his/her entire income or by not reporting the entire. The implementation of tax avoidance generally takes advantage of areas that are weaknesses in tax law so that their actions are not categorized as violating the law.

The conceptual framework used to connect the research variables, namely the independent variable and the dependent variable along with the mediating variable:



From the conceptual framework above, it can be seen that there is one independent variable, namely corporate governance and value creation as the dependent variable and there are two mediating variables, namely tax avoidance and social responsibility. So the hypothesis proposed in this study are:

H1 : Good governance is significantly correlated with value creation

H2 : Social Responsibility has a significant correlation with value creation

H3 : Tax avoidance has a significant correlation with value creation

H4 : Good corporate governance has a significant correlation with tax avoidance

H5 : Good corporate governance has a significant correlation with social responsibility

H6 : Social responsibility cannot mediate the relationship between corporate governance and value creation

H7 : Tax avoidance can mediate the relationship between corporate governance and value creation

3. RESEARCH METHOD

3.1 Types of Research

This research will apply an approach in the form of quantitative research. Subjects in quantitative research generally use one or more data types with the aim of being able to enrich the synthesis that has been studied previously. The purpose of this quantitative approach is to test the truth of the theory, show the relationship between each variable, build a factual truth, provide an overview in the form of statistical descriptions and also aim to predict test results.

3.2 Data Types and Sources

The type of data used in this study was quantitative data in the form of numbers (metric). The data processed were secondary data such as financial statements, annual reports, and sustainability reports, taken from the Indonesia Stock Exchange (BEI) website and companies' websites.

3.3 Population, Sample and Sampling Technique

This paper studied multisectoral companies, excluding those in the financial sector, listed in the Indonesia Stock Exchange (BEI) within the observation period of 2016 to 2019. The analysis used the purposive sampling method, in which samples are taken from the population based on various considerations. The total company listed on the Indonesia Stock Exchange as of March 8, 2021, was 728 companies. Based on the criteria used for population selection, as shown in Table 1, the total sample used in this study was 32 companies.

Table 1
Sampling Criteria

Description	Number of Samples
Multi Sector Companies listed on the IDX (www.idx.co.id)	728
Companies that do not meet the criteria:	
Companies engaged in the financial sector	(106)
Companies that do not have complete Sustainability Report information (No GRI index table)	(590)
Total samples that meet the criteria	32
Observation data from 2016-2019	128

Source: Processed Data, 2021

3.4 Research Variable

The variables used by the author in this study consisted of independent variable, dependent variable and also mediating variables.

a. Independent Variable

The independent variable describes the variable that causes the existence or occurrence of changes in other variables. In this study, the independent variable used is corporate governance as measured by the Corporate Governance Index (CGI), based on the OECD principles that were adapted into indicators as follows: Shareholders' Rights, Equal Treatment of Shareholders, The Role of Stakeholders, Disclosure and Transparency & Responsibilities of Directors and Commissioners. With the following formula:

$$CGI = \frac{Number\ of\ Items\ Published}{Total\ Indicator\ of\ OECD}$$

Total Indicator : 52 Items
(Siagian et al., 2013)

b. Dependent Variable

The dependent variable is a variable whose existence is influenced by the independent variable. The dependent variable in this study is value creation. It refers to increasing the wealth of stakeholders. It is measured using Tobin's q by comparing the market value and the book value of the company. With the following formula :

$$Tobin'q = \frac{Total\ Market\ Value\ of\ Firm}{Total\ Asset\ Value\ of\ Firm}$$

(Kamaludin et al., 2020)

c. Mediating Variables

Mediating variable is intermediate variable between the independent variable (IV) and the dependent variable (DV). The first mediating variable is tax avoidance which is measured by Henry & Sansing Measurement. Value $\Delta = 0$ indicates that the amount of cash tax paid is equal to the expected amount of tax payment. (no tax preference), Value $\Delta > 0$ indicates that cash tax paid is higher than the expected tax payment. (tax preference +) & Value $\Delta < 0$ indicates that tax paid is less than the expected tax payment. (tax preference -). With the following formula:

$$HS = \frac{\Delta}{Market\ Value\ Asset}$$

(Henry & Sansing, 2018)

Δ = *cash taxes paid - τ*(pre-tax income)*
MVA = BVA + (MVE - BVE)

The second mediating variable is Corporate Social Responsibility. The GRI G4 guideline was used as a measure of the Corporate Social Responsibility Index (CSRI). GRI-G4 is a universal framework that provides a standardized approach for reporting, ensuring a certain level of transparency and consistency. With the following formula :

$$CSRI = \frac{Number\ of\ items\ published}{Total\ item\ indicator\ of\ GRI\ G4}$$

Total Indicator : 91 items
(Hardi & Chairina, 2019)

3.5 Data Analysis Technique

Causal-comparative analysis was used to investigate the causal relationship between good corporate governance, social responsibility, tax avoidance, and value creation. In analyzing the influence of those variables, a multiple linear regression technique using the Smart-PLS was employed.

In this study, the author uses smart PLS tools to test 3 important components, namely descriptive statistics, path analysis tests (t-statistics) and indirect analysis tests. Descriptive statistics is a statistical analysis that aims to analyze data by describing the data that has been collected. Path analysis test (t-statistics) aims to describe how much influence the individual independent variables have in explaining the dependent variable in a particular path model. In the t-test, it is done by looking at the probability value and the t-statistic value. Indirect analysis test is carried out with the aim of seeing the magnitude of the value of the indirect effect between variables.

4. RESULT & DISCUSSION

4.1 Descriptive Statistics

The data used in this study were secondary data that could be accessed through the BEI's website and each company's website by referring the research object that had been determined. In particular, the data analyzed were taken from financial statements, annual reports, and sustainability reports published from 2016 to 2019.

Table 2
Descriptive Statistics

Description	N	Min	Max	Mean	Std. D
Tobin's Q	128	0.07	22.56	1.26	3.12
CGI	128	0.67	0.92	0.81	0.05
HS	128	-0.07	0.13	0.01	0.02
CSRI	128	0.08	0.70	0.31	0.14

Source: Processed Data, 2021

As shown in table 2, value creation, measured with the Tobin's Q ratio, has a max score of 22.56 and a min score of 0.07, with the mean score of 1.26. This result shows that the companies in this sample are generally competent in managing their assets and attracting investors. The variance of this variable is considered high, with the estimated score of 3.12, as the standard deviation is more than 33% above the mean score.

Corporate governance, calculated using the CGI measurement from a total of 128 data points, has a max score of 0.92 and a min score of 0.67, with a mean score of 0.81. The standard deviation for this variable is 0.05. The mean score for this measure is higher than the standard deviation, indicating that the companies in this sample are likely to implement corporate governance properly.

Table 2. shows that the HS measurement has a max score of 0.13 and a min score of -0.07. The mean score is 0.01, with a standard deviation of 0.02. The variance of this measure is categorized as high, with a standard deviation 200% greater than the mean score.

This CSRI measure has a max score of 0.70 and a min score of 0.08. The mean score of this indicator is 0.31 with a standard deviation of 0.14. The variance is also categorized as high, as the standard deviation is 45%, which is 33% greater than the mean score. Since the mean score is higher than the standard deviation, it can be deduced that the companies in this sample carried out social responsibility activities according to their respective capabilities.

4.2 Path Coefficient Analysis

Table 3
Path Coefficients Analysis

	Sample Mean (M)	t-statistics	p-values	Description*
GCG -> VC	0.08	2.60	0.01	Significant
CSR -> VC	-0.10	2.23	0.02	Significant
TA -> VC	-0.12	3.95	0.00	Significant
GCG -> TA	0.16	2.31	0.02	Significant
GCG -> CSR	-0.15	2.25	0.02	Significant

Note : Significant : t-statistics >1,96 & p-values <0,05
Source: Processed Data, 2021

The results of the tests conducted indicate that good corporate governance has a significant positive influence on a company's value creation, which means that improving corporate governance in a company leads to increased company value. This is in line with the study by Ammann et al., (2011), Mangoting et al., (2019) & Siagian et al., (2013). In particular, GCG enables proper supervision by the board of commissioners in order to reduce the level of information symmetry between the management and shareholders, hence providing investors with accurate information (Mangoting et al., 2019). The implementation of a good and consistent corporate governance system also contributes towards a positive image for the company, especially in the eyes of investors. Therefore, with more investors investing in the company and consequently increasing the demand for the company's stocks, this eventually leads to a higher stock price (Saud & Shakya, 2020).

The tests above found that CSR has a significant negative impact on value creation, indicating that a higher level of social responsibility disclosure causes a decrease in company value. This result is in line with the analysis by Crisóstomo et al., (2011). Currently, external stakeholders are typically not aware of the importance of CSR for the company. Therefore, their consumption and investment decisions are motivated to maximize profit for the company (Crisóstomo et al., 2011). Even though CSR disclosure has been shown to increase investors' trust in the company, CSR programs and activities usually require significant costs, which could affect the company's financial condition. Thus, carrying out CSR activities may cause financial difficulties, and hence decreases company value (Barnett & Salomon, 2006).

As shown by the results above, using the Henry & Sansing measure, tax avoidance is shown to have a significant negative relationship with value creation. This indicates that a lower HS value will result in a higher Tobin's Q value. A low HS value suggests that the companies have a higher probability to engage in tax avoidance. This result corresponds to the previous findings of Mangoting et al., (2019), Irawan & Turwanto (2020) & Zeng (2014). A company that performs tax avoidance could increase their after-tax profit and as a result attract more investments. With more interest from investors, the stock price will increase which translates into higher company value (Mangoting et al., 2019).

The test results also show that the Corporate Governance Index (CGI) has a significant positive influence on the HS measure, suggesting that a higher CGI value produces a high HS value, which represents a low level of tax avoidance. Hence, it can be concluded that better corporate governance could mitigate tax avoidance activities. This is consistent with a study conducted by Handayani & Ibrani (2019) & Kusbandiyah et al., (2021). Thus, the corporate governance principles of transparency, accountability, responsibility, independence, and fairness could act as a control mechanism for a company to prevent tax avoidance and its associated risks (Handayani & Ibrani, 2019). Handayani & Ibrani (2019) also suggested that a company that has a more established audit committee demonstrates high quality of corporate governance, resulting in lower chances of tax avoidance practices.

The results shown in the table above reveal a significant negative correlation between GCG and CSR, which indicates that better corporate governance would reduce the level of CSR disclosure. This is in line with a study conducted by Mangoting et al., (2019) & Chintrakarn et al., (2016). Chintrakarn et al., (2016) suggested that this is because an effective corporate governance system usually incentivizes actions that maximize profits, including lowering investment for CSR disclosure, since the high cost of CSR could reduce shareholder profit. Furthermore, CSR disclosure is typically considered a voluntary activity, without legal consequences for companies who decide not to participate (Ramdhaningsih, 2013).

4.3 Indirect Analysis

Table 5
Indirect Effect Analysis

	Sample Mean (M)	STDEV	t-statistics	p-values	Desc.*
CG -> CSR -> VC	0.02	0.01	1.52	0.12	*Insignificant*
CG -> TA -> VC	-0.02	0.01	1.79	0.07	*Insignificant*

Note : Insignificant : t-statistics <1,96 & p-values >0,05
Source: Processed Data, 2021

Based on the test results as shown above, the direct relationship between GCG and value creation is shown to be a significant positive relationship. However, when analyzed with CSR as a mediating variable, the results show that CSR could not mediate the relationship between GCG and value creation. This suggests that CSR is generally not prioritized as a benchmark for improving company value, and the board of commissioners and directors are not aware of the importance of CSR activities, as they consider it to be too costly for the company. This is augmented by the fact that CSR is not a compulsory requirement (Mangoting et al., 2019). These results are in accordance with the study by Mangoting et al., (2019), Kamaliah (2020). The implementation of CSR disclosure in most companies are not optimal, as it is carried out only to comply with the regulations. Overall, CSR disclosure has not been a adopted as a primary strategy for ensuring the long-term sustainability of the company.

As shown in the table above, tax avoidance could not mediate the relationship between corporate governance and value creation. This is found using the indirect effect test, with the results of a t-statistics value of <1.96 and a p-value of >0.05, indicating that the mediating relationship is not significant. This is in line with the study by Mangoting et al., (2020). It has been shown that public companies tend to be wary of practicing tax avoidance to increase corporate cash. Even though corporate cash provides short-term benefits for the company, it could have detrimental long-term consequences, including damage of reputation for stakeholders. Therefore, companies would not undertake tax avoidance as a mediator to improve the company value (Mangoting et al., 2020). Furthermore, even though tax avoidance could increase company value through increase in cash flow and net profit, it could also have a negative impact on company value due to the agency problem. Thus, tax avoidance as a mediating variable does not have a mediating effect on the relationship between corporate governance and value creation.

5. CONCLUSION

This paper analyzed the influence of corporate governance on value creation, including corporate social responsibility and tax avoidance as the mediating variables to evaluate the indirect relationship between corporate governance and value creation. It is found that corporate governance has a significant positive influence on value creation. However, tax avoidance and social responsibility are not shown to have a mediating role in the relationship.

Thus, it is recommended for managers to invest in proper implementation of corporate governance, according to the existing guidance and regulations, as this could improve the company value. Furthermore, a good corporate governance system could mitigate tax avoidance actions in the company. It is crucial for the goals and interests of the principal and agent in a company to be in line. This is to minimize the occurrences of the agency problem, and thus reduce agency costs, ensuring smooth running of the business operations, resulting in higher company value. Companies should also increase awareness of the importance of CSR disclosure, as it can indirectly contribute to improving the company's reputation. This would eventually attract investments for the company and therefore ensure its continuity.

The limitation of this study includes the insufficiency of the data analyzed to definitively determine the relationships between the variables studied, as there are many other variables not included in the tests that could influence the company value. Moreover, this study only focuses on multisectoral companies. More research is required to compare the results of studies conducted for Indonesian companies, with studies done for other countries to widen the sample range. Future studies could also include other variables related to value creation to make the research model more comprehensive.

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