EARNINGS MANAGEMENT, ASSET GROWTH, AND TAX AVOIDANCE: THEIR EFFECT ON FIRM VALUE ON THE INDONESIA STOCK EXCHANGE (An Empirical Study of IDX Kompas 100 Companies, 2021-2024)

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Abstract

Investor confidence in a company is largely shaped by how reliable the signals embedded in its financial statements are perceived to be. Because the manipulation of financial reports remains a recurring problem in Indonesia, doubts about the trustworthiness of disclosed information continue to surface, which makes careful scrutiny of such signals essential before any investment decision is made. This study examines how Earnings Management (X_1), Asset Growth (X_2), and Tax Avoidance (X_3) affect Firm Value (Y) among companies listed in the IDX Kompas 100 index during 2021-2024. Adopting a quantitative approach, the research draws on secondary data taken from corporate annual reports, yielding 132 firm-year observations chosen through purposive sampling. Multiple linear regression using SPSS version 26 was applied to examine both the partial and simultaneous relationships among the variables. The results show that Earnings Management and Tax Avoidance each exert a significant partial effect on Firm Value, whereas Asset Growth does not; taken together, however, the three variables produce a significant simultaneous effect. These findings lend support to signaling theory, demonstrating that the manner in which firms manage earnings and structure their tax strategy functions as an important signal for investors evaluating corporate credibility, while also offering managers practical guidance for designing policies that enhance firm value.

Keywords: *Earnings Management, Asset Growth, Tax Avoidance, Firm Value, IDX Kompas 100.*

A. INTRODUCTION

Developing economies such as Indonesia remain especially exposed to pressures originating beyond their own borders. When central banks in advanced economies raise interest rates, capital tends to flow out of emerging markets, a situation that is further aggravated by geopolitical tension stemming from armed conflict in several strategic regions. Together, these external shocks erode investor confidence and destabilize financial markets globally, leaving Indonesia's capital market exposed to disturbances that originate abroad. Because such external pressures strongly influence how the market values a company, managers are pushed to formulate financial strategies capable of sustaining performance and preserving investor trust.

Functioning as one of the principal pillars supporting the national economy, the capital market provides publicly listed firms with a long-term channel of funding. The Indonesia Stock Exchange (IDX) recorded steady growth in total market capitalization, rising from IDR 8,256 trillion in 2021 to IDR 12,336 trillion in 2024, a pattern that reflects continued investor interest in the domestic market. This overall expansion, however, does not guarantee that the value of every listed company rose in step, since firm value also hinges on firm-specific fundamentals and the strategic decisions taken by management. This can be seen clearly in the IDX Kompas 100 index, a benchmark made up of 100 selected blue-chip stocks: even as aggregate market capitalization climbed, the index itself declined by 10% year-to-date in 2024 under the weight of combined external and internal pressures. Among the internal factors most often blamed for this divergence is Indonesia's persistent tendency toward financial statement manipulation, a practice that erodes confidence in the reliability of corporate disclosures and widens information asymmetry within the capital market. This highlights how central transparent reporting is to sustaining market confidence. At the same time, the latitude that financial reporting standards allow gives management the ability to make accounting choices managing earnings, expanding the asset base, and pursuing tax efficiency that can influence how investors perceive the firm. According to signaling theory, a higher firm value functions as a positive signal regarding a company's prospects and performance, thereby drawing greater investor interest; earnings management, asset growth, and tax avoidance are widely treated as internal drivers that help shape that value.

Earnings management denotes the deliberate steps managers take to influence reported profit while staying within the boundaries of generally accepted accounting standards (Ilahiyah et al., 2025). Such steps can influence how investors perceive firm performance, although the empirical evidence on their impact is far from uniform. Dendo et al. (2025) report that earnings management has a meaningful effect on firm value, while Juliana & Wijaya (2022) reach the opposite conclusion, contending that it instead signals opportunistic behavior that undermines investor trust. Asset growth, for its part, reflects a firm's capacity to expand operations and pursue fresh investment opportunities. Valency et al. (2024) document a significant, positive link between asset growth and firm value, whereas Dao et al. (2022) find a negative relationship, particularly in cases where expansion relies heavily on debt financing without a corresponding rise in profitability. Tax avoidance, meanwhile, constitutes a legitimate approach to lowering a firm's tax burden by taking advantage of gaps or ambiguities within tax regulation (Haruna et al., 2021; Das et al., 2025). Widodo & Firmansyah (2021) demonstrate that tax avoidance bolsters firm cash flow and consequently raises firm value, while Riani & Indarti (2024) uncover the reverse pattern, suggesting that such practices can erode investor confidence in a firm's willingness to meet its obligations to the state.

When the three variables are examined jointly, Saragih & Rusdi (2024) find that earnings management and asset growth shape firm value while tax avoidance does not, a result that echoes the broader inconsistency in the literature and points to how strongly context conditions these relationships. Much of the existing body of research has also concentrated narrowly on particular sectors property, real estate, manufacturing, and mining drawing mainly on small and medium-sized firms, with

a number of studies predating the pandemic. Research examining all three variables together within large, highly liquid companies such as those in the IDX Kompas 100, especially in a post-pandemic context, remains comparatively scarce.

Addressing this gap carries practical weight, since IDX Kompas 100 constituents account for a substantial share of the Indonesia Stock Exchange's overall market capitalization and span a wide range of industries, meaning that results drawn from this group can be generalized more broadly. Firms within the Kompas100 index also face greater pressure than smaller companies to keep earnings stable in order to satisfy liquidity and market-capitalization requirements and remain part of the index, which is precisely what makes earnings management, asset-expansion strategy, and tax avoidance worthwhile subjects of empirical inquiry. This study therefore sets out to determine how earnings management, asset growth, and tax avoidance influence firm value among IDX Kompas100 constituents between 2021 and 2024. Its findings are intended to contribute to corporate-finance research within a developing-country context, while providing practical direction for managers formulating financial strategy and for investors navigating decisions amid volatile market conditions.

B. LITERATURE REVIEW

1. Signaling Theory

Signaling theory provides a framework for understanding how firms convey information to outside parties under conditions of information asymmetry. Seen through this lens, managerial decisions relating to earnings management, asset expansion, or tax avoidance can all be understood as forms of strategic communication that indicate the direction in which a company is moving.

This study relies on signaling theory to account for the relationship between earnings management, asset growth, tax avoidance, and firm value among IDX Kompas 100 companies. Within this framework, earnings management is regarded as an indicator of reporting quality; when carried out appropriately, it can help smooth variations in reported earnings and convey a sense of stability to investors (Irman et al., 2023). Asset growth, in turn, signals a company's expansion and management's confidence in the profitability of its investment prospects, which tends to draw a favorable market response (Manikasari & Wirajaya, 2025).

Tax avoidance, when pursued in moderation, can likewise signal efficient resource management and stronger profitability, although pursuing it too aggressively risks a negative signal in the form of reputational harm and heightened regulatory attention (Nugraha & Firmansyah, 2025). For large, liquid firms such as those comprising the IDX Kompas 100, transparent disclosure becomes especially important, since it enables investors to gauge performance and prospects objectively. Collectively, these arguments frame earnings management, asset expansion, and tax avoidance as strategic signals that influence how investors perceive firm value.

2. Firm Value

Firm value reflects investors' assessment of how well a company has performed, as expressed through its share price. Ningrum (2022) describes firm

value as the state a company has reached, mirrored in its market share price and reflecting the degree of confidence and regard investors hold for its outlook.

This assessment, in turn, shapes how investors judge management's stewardship of company assets an evaluation visible in share-price movements, where an upward trend signals rising firm value. Ramdhani & Andayani (2024) offer a similar view, observing that firm value tracks company performance via share prices that shift in response to changes in supply and demand within the capital market.

Tobin's Q stands out as a commonly used indicator of firm value, providing insight into a listed company's investment capacity while capturing how the market evaluates management performance alongside the firm's anticipated asset growth (Juliani et al., 2023). This ratio effectively reflects how efficiently a company deploys its asset base. Das et al. (2025) further note that Tobin's Qparticularly the Wiwattanakantang formulation continues to serve as an appropriate measure of firm value even in developing markets with limited liquidity, such as Indonesia, because it captures investor perceptions of firm value and performance in a more comprehensive and relevant manner.

3. Earnings Management

Earnings management refers to the deliberate steps managers take whether through accrual-based or real-activity-based methods to steer a company's reported profit toward a targeted level of performance. Nilamsari et al. (2025) describe it as managers intervening in, or altering, the information disclosed within financial statements, often with the aim of shaping how stakeholders view the firm's performance and condition. That said, earnings management is not inherently harmful when conducted transparently; it can, in fact, enhance reported profitability and strengthen investor confidence (Fitriana, 2020).

In this study, earnings management is measured through discretionary accruals, obtained as the difference between total accruals (TAC) and nondiscretionary accruals (NDAC) derived from financial statements, using the Modified Jones Model to minimize bias arising from revenue recognition. Alomair (2025) notes that this model outperforms alternative approaches in identifying earnings-management behavior because it accounts for variation in sales and receivables. From a methodological standpoint, the model is designed to reduce estimation errors in discretionary accruals stemming from how sales or revenue are recorded, yielding a more precise, dependable, and robust measure of earnings quality for accounting research.

4. Asset Growth

Nursafitri et al. (2022) define asset growth as the percentage change in a company's total assets between the close of the previous fiscal year and the close of the current one. In broad terms, assets represent economic resources expected to generate future benefits and support a firm's operational activities. A larger asset base tends to widen a company's operating capacity, and when asset growth is accompanied by stronger operating outcomes, outside parties tend to place greater confidence in the firm.

5. Tax Avoidance

Tax avoidance is understood as an effort to reduce a firm's tax burden by structuring transactions so that they fall outside the scope of taxation (Maharani et al., 2025). Mayardi & Djorhar (2022) describe it as a legal, low-risk means of reducing tax liability, achieved by taking advantage of gaps within tax law and regulation rather than by outright violation. Put another way, tax avoidance channels transactions toward income or activities that are tax-exempt or subject to lower rates, all while remaining within legal boundaries (Mappadang, 2021).

This study measures tax avoidance using the GAAP Effective Tax Rate (GAAP ETR), calculated as total tax expense (current tax plus deferred tax) divided by pre-tax income as reported under financial accounting standards. A lower GAAP ETR signals a greater degree of tax-avoidance activity, since it reflects a smaller share of accounting profit being paid out as tax.

6. The Influence of Earnings Management on Firm Value

Earnings management arises when managers exercise discretion over accounting policy in order to influence reported profit. Dendo et al. (2025) find that, when applied in moderation for instance, through income smoothing that stabilizes profit and lowers volatility in performance earnings management meaningfully affects firm value by reinforcing perceptions of business sustainability and reducing perceived risk. Transparent, well-justified adjustments to reported earnings help build investor trust in management's reporting, which ultimately improves the market's overall assessment of firm performance. Mayardi & Djorhar (2022), by contrast, find that earnings management has a negative, though statistically insignificant, effect on firm value, arguing that earnings management often entails manipulation that lowers the quality of accounting information.

7. The Influence of Asset Growth on Firm Value

Expanding a company's asset base is expected to strengthen operational efficiency by increasing investment capacity and reinforcing its competitive standing. Valency et al. (2024) find a positive and significant effect of asset growth on firm value, reasoning that a larger asset base reflects a firm's capacity to deploy resources profitably, thereby raising firm value. Yudistira et al. (2021), however, find no significant effect, arguing that the benefits of a larger asset base may be offset by the risks of overinvestment or inefficient resource allocation, which can weaken profitability and dampen future prospects.

8. The Effect of Tax Avoidance on Firm Value

As a legal, low-risk means of reducing tax liability, tax avoidance is generally expected to raise firm value. Safara et al. (2024) find a significant relationship between the two, observing that substantial tax avoidance can raise firm value, particularly when paired with consistent dividend payouts. Zawitri et al. (2025), by contrast, report a negative effect, contending that tax avoidance does not consistently raise firm value, since reductions in government-provided corporate tax incentives do not automatically drive firms toward more aggressive avoidance strategies.

9. The Combined Effect of Earnings Management, Asset Growth, and Tax Avoidance on Firm Value

Saragih & Rusdi (2024) demonstrate that earnings management, asset growth, and tax avoidance jointly shape firm value, working together through the combined effects of performance management, asset expansion, and effective tax planning.

C. METHOD

This study adopts a quantitative, associative research design intended to examine the relationships among two or more variables. The research proceeded through four connected stages: sample selection, data collection, variable measurement, and data analysis. Secondary data were drawn from companies' financial statements and annual reports published on the Indonesia Stock Exchange's official website, www.idx.co.id.

The population comprises all companies continuously listed in the IDX Kompas 100 index from 2021 through 2024. Sampling was carried out through purposive sampling, applying exclusion criteria that removed financial-sector firms and state-owned enterprises in order to avoid bias linked to sector-specific regulation and government involvement (Nugroho & Hersungono, 2022). From an initial population of 53 firms continuously listed in the index, 14 state-owned enterprises, 2 financial/banking institutions, and 4 loss-making firms were excluded, leaving a final sample of 33 firms and 132 firm-year observations spanning the 2021-2024 period.

The dependent and independent variables used in this study, along with their operational definitions and measurement approaches, are set out in the table below:

Table 1. Operational Definition of Variables

No	Variables	Variable Definition	Measurement
1	Earnings Management (X1)	Earnings management refers to a manager's approach to managing company profits through various specific techniques aimed at reaching the company's targeted performance level (Munawar et al., 2024:4)	Discretionary Accruals (DA): DAit = (TACit / Ai,t-1) - NDAit (Jaya, 2021:11)
2	Asset Growth (X2)	Asset Growth is the percentage change in a company's total assets from the previous year to the current year (Nursafitri et al., 2022)	Asset Growth = (Assets year t - Assets year t-1) / Assets year t-1 (Henry et al., 2024:28)
3	Tax Avoidance (X3)	Tax Avoidance is an effort to streamline the tax burden by directing transactions into areas that are untaxed or subject to lower rates, while staying within the legal corridor (Mappadang, 2021)	GAAP ETR = worldwide total income tax expense / worldwide total pretax accounting income (Arieftiara, 2022:32)

4	Firm Value (Y)	Firm Value is the condition a company has reached, reflected in the stock market price and describing the level of trust and assessment investors place in the company's prospects (Ningrum, 2022)	Tobin's Q = (market value of equity, end of year + book value of liabilities) / book value of total assets (Das et al., 2025)

D. RESULTS AND DISCUSSION

1. Descriptive Statistical Analysis

Descriptive statistics offer an overview of the key characteristics of the research data, showing how values are distributed, how firms differ from one another, and what general patterns emerged across the 2021-2024 study period.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Earnings Management	132	-37,532	86,128	9.79127	25.296281
Asset Growth	132	-32,909	92,203	8.62689	14.890683
Tax Avoidance	132	0.037	81,169	21.74853	14.992025
Firm Value	132	25,221	1057.019	169.94861	170.093829
Valid N (listwise)	132				

Among the 132 firm-year observations, earnings management values spanned from a low of -37.532% at PT Alamtri Resources Indonesia Tbk (ADRO) in 2024 an income-decreasing pattern tied to the divestment of a subsidiary to a high of 86.128% at PT Sarana Menara Nusantara Tbk (TOWR) in 2021, reflecting income-increasing earnings management associated with its acquisition of PT Solusi Tunas Pratama Tbk (SUPR). With a mean of 9.791 and a standard deviation of 25.296, earnings management practices were on the whole fairly moderate but varied considerably across firms, suggesting that a subset of companies pursued markedly more aggressive earnings management than the sample average. A similar pattern was observed for asset growth. Its lowest value, -32.909%, was likewise recorded at ADRO in 2024, resulting from a spin-off that shrank its consolidated asset base, whereas its highest value, 92.203%, occurred at TOWR in 2021 following the SUPR acquisition, which substantially enlarged the firm's assets. A mean of 8.627 alongside a standard deviation of 14.891 points to a general upward trend in asset growth across the sample, though this trend was unevenly spread, with growth concentrated among a small number of firms undertaking major corporate actions.

Tax avoidance ranged from a low of 0.037% at PT Summarecon Agung Tbk (SMRA) in 2023, tied to property-sector characteristics affecting its Final Income Tax treatment, to a high of 81.169% at PT Medco Energi Internasional Tbk (MEDC), attributable to its cross-border operations and its reliance on the US dollar as functional currency. The mean GAAP ETR of 21.749, together with a comparatively high standard deviation of 14.992, indicates that effective tax rates differed considerably across firms, pointing to substantial variation in tax-planning intensity within the sample rather than a uniform pattern. Firm value displayed the greatest spread among the four variables, ranging from a low of 25.221% at PT Media Nusantara Citra Tbk (MNCN) in 2024 linked to softer broadcasting revenue and a

shift in advertising spending toward digital platforms to a high of 1057.019% at PT Unilever Indonesia Tbk (UNVR) in 2022, reflecting strong market optimism about the firm's prospects before sentiment cooled amid geopolitical pressure. With a mean of 169.949 and a standard deviation of 170.094 that is nearly as large as the mean itself, firm value showed extremely high variation across the sample, indicating that investor valuation diverged sharply from one firm to another rather than clustering around a typical level.

2. Classical Assumption Test

a. Normality Test

Normality was assessed using the One-Sample Kolmogorov-Smirnov procedure, under which data are considered normally distributed once the significance value exceeds 0.05. Results are presented in the table below.

Table 3. First Normality Test One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual
N	132
Normal Parameters – Mean	0.0000000
Normal Parameters – Standard Deviation	1.68665849
Most Extreme Differences – Absolute	0.257
Most Extreme Differences – Positive	0.257
Most Extreme Differences – Negative	-0.204
Test Statistic	0.257
Asymp. Sig. (2-tailed)	.000c

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: SPSS 26 Output

The initial Kolmogorov-Smirnov test yielded an Asymp. Sig. (2-tailed) value of 0.000, below the 0.05 threshold, indicating that the residuals departed from normality and that the normality assumption had been breached. To resolve this, the data were transformed using the natural logarithm (Ln), a technique commonly applied to reduce skewness and move the distribution closer to normal (Hakimah et al., 2024). After this transformation, normality was reassessed using the Kolmogorov-Smirnov test together with the Monte Carlo significance procedure.

Table 4. Second Normality Test One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual
N	132
Normal Parameters – Mean	0.0000000
Normal Parameters – Std. Deviation	0.07824997
Most Extreme Differences – Absolute	0.104
Most Extreme Differences – Positive	0.104
Most Extreme Differences – Negative	-0.065
Test Statistic	0.104
Asymp. Sig. (2-tailed)	.001c
Monte Carlo Sig. (2-tailed)	.106d
99% Confidence Interval – Lower Bound	0.098
99% Confidence Interval – Upper Bound	0.114

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Based on 10,000 sampled tables with starting seed 2000000.

Source: SPSS 26 Output

This second round of testing produced a Monte Carlo significance value of 0.106, above the 0.05 cutoff, confirming that the residuals can now be regarded as normally distributed and that the dataset satisfies the requirements for subsequent analysis.

b. Multicollinearity Test

Table 5. Multicollinearity Test

Model	Tolerance	VIF
(Constant)		
Earnings Management	0.963	1.039
Asset Growth	0.979	1.022
Tax Avoidance	0.983	1.017

a. Dependent Variable: Firm Value.

Source: SPSS 26 Output

Multicollinearity was evaluated through Tolerance and Variance Inflation Factor (VIF) values, with the model deemed free of multicollinearity whenever tolerance is above 0.10 and VIF stays under 10. As the table shows, Earnings Management posted a tolerance of 0.963 and a VIF of 1.039, Asset Growth a tolerance of 0.979 and a VIF of 1.022, and Tax Avoidance a tolerance of 0.983 and a VIF of 1.017. Because all three variables meet both benchmarks, the regression model can be regarded as free of multicollinearity.

c. Heteroscedasticity Test

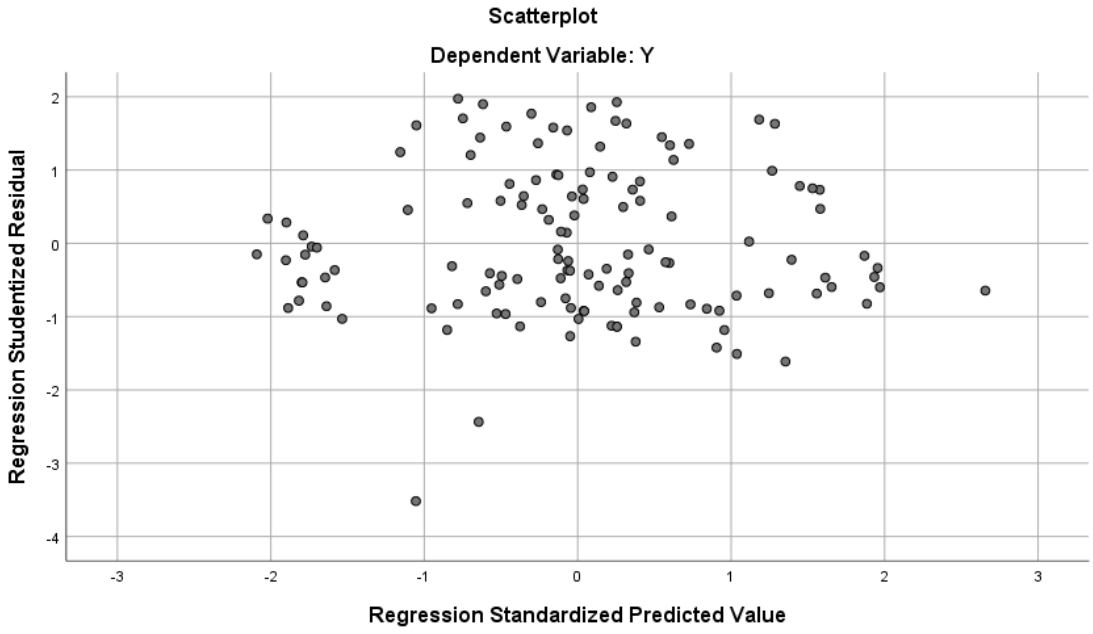

Figure 1. Heteroscedasticity Test

The scatterplot displays data points spread randomly above and below the zero line on the Y-axis, with no discernible pattern or clustering in any particular area. This indicates that the regression model is free of heteroscedasticity.

d. Autocorrelation Test

Table 6. Autocorrelation Test Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.391a	0.153	0.133	0.07916	2.198

a. Predictors: (Constant), Tax Avoidance, Asset Growth, Earnings Management.

b. Dependent Variable: Firm value.

Source: SPSS 26 Output

The Durbin-Watson statistic came to 2.198. Consulting the Durbin-Watson table for three independent variables (k = 3) with a sample size of 132 (n = 132) gives a dU value of 1.762, so 4 minus dU equals 2.238. Because the condition dU < d < 4 - dU (1.762 < 2.198 < 2.238) holds, the residuals show no sign of autocorrelation, meaning the regression model satisfies the assumption of error independence.

3. Multiple Linear Regression Analysis

Multiple linear regression analysis was used to gauge the strength and direction of the relationships between the independent variables and the dependent variable. The results are summarized below:

Table 7. Multiple Linear Regression Analysis

Model	B	Std. Error	Beta
(Constant)	0.708	0.040	
Earnings Management	0.157	0.043	0.304
Asset Growth	-0.017	0.095	-0.014
Tax Avoidance	0.325	0.092	0.290

a. Dependent Variable: Firm value.

Source: SPSS 26 Output

Based on these regression coefficients (α), the resulting model can be expressed as: Y = 0.708 + 0.157X1 − 0.017X2 + 0.325X3 + e. The constant of 0.708 shows that when Earnings Management (X1), Asset Growth (X2), and Tax Avoidance (X3) are all fixed at zero, Firm Value (Y) is projected to stand at 0.708, or 70.8%. The positive coefficient of 0.157 attached to Earnings Management (X1) means that, with Asset Growth (X2) and Tax Avoidance (X3) held constant, each one-percentage-point rise in earnings management corresponds to a 0.157-unit (15.7%) increase in Firm Value (Y). The negative coefficient of -0.017 for Asset Growth (X2) indicates that, with Earnings Management (X1) and Tax Avoidance (X3) held constant, each one-percentage-point rise in asset growth is linked to a 0.017-unit (1.7%) decline in Firm Value (Y). The positive coefficient of 0.325 for Tax Avoidance (X3) shows that, with Earnings Management (X1) and Asset Growth (X2) held constant, each one-percentage-point rise in tax avoidance corresponds to a 0.325-unit (32.5%) increase in Firm Value (Y).

4. Hypothesis Testing

a. Partial Test (t-Test)

Table 8. Partial Test (t-Test)

Model	B	Std. Error	Beta	t	Sig.
(Constant)	0.708	0.040		17.716	0.000
Earnings Management	0.157	0.043	0.304	3.670	0.000
Asset Growth	-0.017	0.095	-0.014	-0.175	0.862
Tax Avoidance	0.325	0.092	0.290	3.533	0.001

a. Dependent Variable: Firm value.

Source: SPSS 26 Output

These regression results lend support to Hypothesis 1 (H1): earnings management significantly affects firm value among IDX Kompas 100 companies, as shown by a t-statistic of 3.670 (≥ 1.979) and a significance level of 0.000 (≤ 0.05).

Hypothesis 2 (H2) is not supported, since asset growth's t-statistic of |0.175| (≤ 1.979) and significance level of 0.862 (≥ 0.05) point to no meaningful effect on firm value. Hypothesis 3 (H3) is supported, as tax avoidance shows a significant effect on firm value, with a t-statistic of 3.533 (≥ 1.979) and a significance level of 0.001 (≤ 0.05).

b. Simultaneous Test (F Test)

Table 9. Simultaneous Test (F Test) ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.145	3	0.048	7.699	.000b
Residual	0.802	128	0.006		
Total	0.947	131			

a. Dependent Variable: Company value.
b. Predictors: (Constant), Tax Avoidance, Asset Growth, Earnings Management.

Source: SPSS 26 Output

Comparing the calculated F-value against the F-table value where the hypothesis is accepted if F-count ≥ F-table and significance ≤ 0.05 the F-table value at the 0.05 level stands at 2.68. The ANOVA output shows an F-count of 7.699 (≥ 2.68) with a significance level of 0.000 (≤ 0.05), confirming that Earnings Management (X1), Asset Growth (X2), and Tax Avoidance (X3) jointly (simultaneously) influence Firm Value (Y).

5. Coefficient of Determination Test (R^2)

Table 10. Coefficient of Determination Test (R^2) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.391a	0.153	0.133	0.07916

a. Predictors: (Constant), Tax Avoidance, Asset Growth, Earnings Management.
b. Dependent Variable: Company value.

Source: SPSS 26 Output

An Adjusted R-Square value of 0.133 (13.3%) shows that Earnings Management, Asset Growth, and Tax Avoidance together account for 13.3% of the variation in Firm Value, with the remaining 86.7% explained by factors beyond the scope of this study, such as profitability, firm size, audit quality, and business risk.

E. CONCLUSIONS

This study establishes that earnings management exerts a positive and significant partial effect on firm value among IDX Kompas 100 companies. This points to the market treating earnings management practices as meaningful information, even though such practices remain secondary to actual profit indicators and business sustainability in shaping investor perceptions. Asset growth, by contrast, shows a negative and statistically insignificant effect on firm value, implying that a larger asset base does not automatically translate into more efficient resource use, since expansion can also create additional funding needs and, in some instances, inefficient growth. Tax avoidance, meanwhile, exerts a positive and significant effect on firm value, indicating that tax-avoidance strategies can improve the efficiency of a firm's tax burden and send a favorable signal to investors regarding the firm's financial management. Taken together, earnings management, asset growth, and tax avoidance jointly and significantly influence firm value, accounting for 13.3% of its variation based on the Adjusted R-Square value. This suggests that, collectively, these three factors act as signals of a firm's capacity to

strengthen operational efficiency and shareholder value even though, individually, their effects differ considerably in both direction and significance.

Future research would benefit from widening its scope and lengthening the observation period so as to yield findings that are more accurate and relevant over the long run. Adding further variables such as profitability, leverage, firm size, corporate governance, and dividend policy would also help produce a fuller explanation of firm value. Employing alternative measurement approaches is likewise worth considering, as this would help test the robustness of the present findings and enable meaningful comparison with future studies. For investors, sound decision-making aimed at maximizing returns while limiting potential losses requires attention not only to reported profit but also to asset management, the quality of financial-statement disclosure, and tax practices. Overall, this study is intended as a useful reference for both academics and practitioners, including investors seeking a deeper understanding of the factors that shape firm value.

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