Foreign Ownership, Tax Avoidance, and Firm Value: The Moderating Role of Capital Structure

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ABSTRACT

Firm value represents the market's comprehensive evaluation of a company's current performance and its future growth potential., representing the ability of a firm to generate sustainable returns and maximize shareholder wealth. Prior studies suggest that foreign ownership and tax avoidance are important determinants influencing firm value. Foreign ownership is often associated with improved corporate governance, enhanced transparency, and access to international resources, which may contribute positively to firm value (Boubakri et al., 2008; Utama & Mardiyah, 2021). However, other studies report inconsistent findings, indicating that The impact of foreign ownership is not always statistically significant on firm value due to differences in managerial incentives and agency conflicts (Buttang, 2020; Sasanti et al., 2021).Similarly, tax avoidance has been identified as a strategic tool used by firms to reduce tax burdens and improve profitability, which may enhance firm value (Hanlon & Heitzman, 2010; Harventy, 2022). Nevertheless, excessive tax avoidance may increase reputational risk and regulatory scrutiny, potentially reducing investor confidence and negatively affecting firm value (Frank et al., 2009). These mixed results indicate that the relationship among foreign ownership, tax avoidance, and firm value remains uncertain and requires further examination.and requires further investigation.

JEL Codes:

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