Do Quality of Financial Reporting and Tax Incentives Effect on Corporate Investment Efficiency with Good Corporate Governance as Moderating Variables?

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Abstract

This study aims to analyze the effect of Quality of Financial Reporting and Tax Incentives on Corporate Investment Efficiency with Good Corporate Governance as a Moderating Variable. The sampling method that used was purposive sampling method. The independent variables are Quality of Financial Reporting and Tax Incentives. Then the dependent variable is Corporate Investment Efficiency. The population in this study are manufacturing companies which are listed on the Indonesian Stock Exchange as long as in 2013-2017. The results of the study showed that the Quality of Financial Reporting and Tax Incentives did not effect the Corporate Investment Efficiency. Good Corporate Governance has a negative effect on Corporate Investment Efficiency. Good Corporate Governance is able to strengthen the influence of Quality of Financial Reporting on Corporate Investment Efficiency. Furthermore, Good Corporate Governance is not able to strengthen the Influence of Tax Incentives on Corporate Investment Efficiency.

Keywords:
Quality of financial reporting
Tax incentives
Corporate investment efficiency
Good corporate governance.

JEL Classification:
M41; H21; G38.

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1. Introduction

Efficiency is an action to use resources appropriately, there is no waste of existing resources. Investment efficiency is the optimal investment level of the company, where the investment is a type of investment that is profitable for the company. An investment is expected to provide positive added value, in the sense that the present value of cash flow that will be produced in the future is greater than the costs (Finnerty and Emery, 2004). Financial statements are one of the factors that influence investment activities, useful for internal and external parties. Through good quality of financial reporting, information asymmetry between shareholders and management will be reduced so that investment activities can run more efficiently. The model of state budgetting is currently depending on tax revenue, which means that our taxes are the foundation of national economic resilience (Sitorus, 2018). To achieve efficiency, investment must be carried out according to needs. Investment will be efficient if the company avoids overinvestment and underinvestment (Hope and Thomas, 2008).

The development of investment in Indonesia is quite good. The Investment Coordinating Board (BKPM) published quarterly investment realization data for domestic investment (PMDN) and foreign investment (PMA), from October to December 2017 which reached a figure of Rp 179.6 trillion, an increase of 12.7% from the period the same in 2016 amounted to Rp. 159.4 trillion. Investment realization in 2016 amounted to Rp.
159.4 trillion or an increase of 9.6% from 2015 whose investment realization value was Rp. 145.4 trillion (www.bkpm.go.id). The success of raising investment value in Indonesia in 2016 still needs to be watched out, because World Bank data in 2016 shows that Indonesia is ranked 91 in the ease of doing business, while Vietnam is in position 82 and Thailand in number 46 and number one position in ASEAN occupied by Singapore which is also the best in Asia-Pacific. Meanwhile, Indonesia is only better than the Philippines, Cambodia, Laos and Myanmar. This is a threat for Indonesia to improve the system and policies that can attract investment in Indonesia. This proves the success of the government to increase the amount of investment in Indonesia through various policies taken.

Several studies have been conducted regarding the relationship between quality of financial reporting and investment efficiency. Verdi (2006) study found that quality of financial reporting negatively associated both overinvestment and underinvestment. Managers must be able to read the right investment opportunities for the company. Previous research found that companies with good quality of financial reporting will produce more efficient investments (Biddle and Hilary, 2006). In addition to quality of financial reporting, another mechanism that also plays a role in reducing information asymmetry is corporate governance (Widiarno, 2012). Good Corporate Governance is another non-financial factor which is currently widely considered by investors in evaluating a company. Good GCG implementation that follows the applicable regulations will make investors respond positively to the company's performance and increase the company's market price (Tambun et al., 2017). The survey that has been conducted shows that the value given to companies in Indonesia for the implementation of GCG is still low, compared to other Asian countries (Nainggolan, 2017).

2. Literature Review and Hypothesis

Agency problem was initially explored by Ross (1973) while detailed theoretical exploration of agency theory was first stated by Jensen and Meckling (1976) mentioning the managers of a company as “agents” and “principal” shareholders. Agency theory arises because of the relationship between managers and shareholders in which there are differences in interests between them. This difference of interest gives rise to information asymmetry. Information asymmetry is the difference in information obtained between managers and shareholders. Information asymmetry between companies and suppliers of capital can reduce investment efficiency. According to (Scott, 2009) there are two kinds of information asymmetry, namely:

1. Adverse selection, namely that managers and other insiders usually know more about the condition and prospects of the company than outside investors. And facts that might influence the decisions that will be made by the shareholders are not conveyed to the shareholders.

2. Moral hazard, namely that activities carried out by a manager are not entirely known by shareholders and lenders. So that managers can take action beyond the knowledge of shareholders who violate the contract and actually ethically or norms may not be feasible.

The emergence of moral hazard and adverse selection problems can encourage over-investment and under-investment. Companies with overinvestment problems in general are companies that are at the mature stage with slow growth rates (slow growth), and have assets in place and high free cash flow. Underinvestment conditions arise when companies face investment opportunities that require the use of large amounts of debt, without guaranteed payment of sufficient debt (free cash flow). Companies with high levels of leverage will tend to experience these conditions. If the company is unable to realize the investment as expected, the company must look for additional funding alternatives (Januardi and Afrianto, 2017).

2.1. Effect of Quality of Financial Reporting on Corporate Investment Efficiency

The financial statements aim to provide information about the financial position, financial performance, and cash flow of the entity that is beneficial to most report users in making economic decisions. Quality of financial reporting in this case is used as a basis for consideration by investors in determining the right investment decisions, so that the investments made will be efficient. The higher the quality of financial reporting, the more firm information is reflected in the financial statements. Research conducted by Rahmawati and Harto (2014) whose research results show that quality of financial reporting has a positive influence on investment efficiency. According to Ahuja and Novelli (2017) if there is an overinvestment, the company can reduce investment if the financial statements have been presented with quality. The overinvestment condition illustrates that the amount of investment is made, but the company only gets a little profit. Efficient investment activities can be increased if, between quality of financial reporting and investment efficiency is positively related (Lai, Liu and Wang, 2014). Meanwhile according to Lara, Garcia and Penalva (2009) there is no influence between quality of financial reporting on investment efficiency. Research by Handayani, Siregar and Elok (2016) shows that quality of financial reporting can reduce information differences, thereby reducing investment inefficiencies. Based on the results of previous studies which mostly have a positive effect, the first hypothesis can be drawn, H1: Quality of financial reporting has a positive effect on Corporate Investment Efficiency.

2.2. Effect of Tax Incentives on Corporate Investment Efficiency
Tax as the main source of state revenue has a very important and strategic role for fulfilling the financing needs of the State Budget. One function of this regular tax is the existence of a tax incentive policy that is expected to attract investment. The use of tax incentives and tax exemptions is very much done in developing countries. Many developing countries use tax incentives to promote investment. The findings of Klemm and Parys (2012) that the tax holiday is only effective in some cases that can be confirmed. Lumbantobing (2008) conducted a study that showed that the incentive tax policy was not significantly related to climate investment of foreign investment companies in the textile industry in Indonesia. Rego and Wilson (2012) examined the impact of income tax incentives on foreign capital investment using macroeconomic data sourced from secondary data and descriptive statistical analysis with comparative evaluation methods. The results of the study indicate that the provision of income tax incentives does not have a significant impact on foreign capital investment or it can be said that income tax incentives are not a major factor in investment decisions. In addition to the above research, the tax impact on investment was also examined using a sectoral project evaluation approach. One of the studies that applied this approach was carried out by Armstrong et.al (2015). The study linked the impact of tax system reforms to investments in the geothermal sector. The conclusion of the study is that although changes in tax regulations provide incentives in the form of decreasing the amount of income tax rates, it cannot improve the project economy optimally because some tax incentives on old regulations include depreciation or depreciation methods and investment allowances replaced or eliminated. From the above statement the second hypothesis can be drawn, H2: Tax Incentives has a positive effect on Corporate Investment Efficiency.

2.3. Effect of Good Corporate Governance on Corporate Investment Efficiency

The Forum for Corporate Governance in Indonesia (FCGI) defines GCG as a set of rules that regulate relations between holders, managers (managers) of companies, creditors, governments, employees, and other internal and external stakeholders related to their rights and obligations or in other words a system that controls the company. Good corporate mechanisms are audit committees, independent commissioners, institutional ownership, managerial ownership. From several previous studies, such as Houcine (2013) and Zheka (2003) found several factors that can affect companies to be able to invest efficiently, including: the size of the audit committee, independent board of commissioners, managerial ownership, and institutional ownership. The same thing was expressed by Drobetz and Fix (2003) who found evidence in his research that companies with a high level of corporate governance can produce good performance (high tobins Q). According to other studies conducted by Aluchna (2009) there was no direct relationship between these two variables. That way, corporate governance is expected to have an influence on the efficiency of corporate investment. From the above statement, the third hypothesis can be drawn, H3: Good Corporate Governance has a positive effect on Corporate Investment Efficiency.

2.4. Moderation of Good Corporate Governance on the Effect of Quality of Financial Reporting on Corporate Investment Efficiency

Good Corporate Governance is a concept that emphasizes the importance of the rights of shareholders to obtain information correctly, accurately and on time and the company's obligation to accurately, timely and transparently disclose all information on company performance, ownership and stakeholders. Research by Bachrach and Farrell (2014) testing the quality of financial reporting with economic determinants and consequences, testing the determinants of earnings quality shows that sales volatility factors, company performance and industry classification are positively related to quality of financial reporting factorial. Lestari et al. (2016) found that almost all variables had a significant effect on quality of financial reporting except growth, leverage and size that did not have a significant effect on the company's quality of financial reporting. Oktadella’s (2011) shows the results that institutional ownership, audit committees, and independent commissioners have a positive and significant influence on the integrity of financial statements while managerial ownership variables have a negative and not significant influence on the integrity of financial statements. According to Heenetigala and Armstrong (2011) Good Corporate Governance is very effective in ensuring that the interests of stakeholders are protected. Accurate quality of financial reporting supported by the implementation of Good Corporate Governance, is expected to increase investor confidence in the quality of financial reporting so that investment activities in a company will run well and maximally. From the above statement, the fourth hypothesis can be drawn, H4: Good Corporate Governance strengthens the influence of Quality of financial reporting on Corporate Investment Efficiency.

2.5. Moderation of Good Corporate Governance on the Effect of Tax Incentives on Corporate Investment Efficiency

Corporate governance is used as a basis, guideline or value for commissioners, management, directors and employees in carrying out company operations so that the direction of the company is clear. The existence of corporate governance encourages management to behave in the interests of the company rather than its own interests. In accordance with agency theory in the company there are company owners and management as executors of company activities. Often over time there are differences in interests between shareholders and management (Prami, 2016). Hanum and Zulaikha (2013) explain that with the existence of independent
commissioners (supervisors) in every formulation of corporate strategy carried out by the board of commissioners (supervisors) and company management (decision makers) and stakeholders will provide guarantees of effective and efficient results including on planning policies taxes that affect the size of the company's effective tax rate.

Mahenthrian and Kasipillai’s (2014) study explains that tax planning requires professional skills and expertise, and the board of a large number of board of commissioners can influence company access to the human resource capabilities needed. According to Bulutoding (2016) the company's stock price is high, the welfare of its shareholders is also high, and vice versa, which gives effect to the company's investment, more effective and efficient. From the statement above, we can draw the fifth hypothesis, H5: Good Corporate Governance strengthens the influence of Tax Incentives on Corporate Investment Efficiency.

3. Research Methods
3.1. Population and Samples
The population in this study were all manufactur companies listed on the Indonesia Stock Exchange in 2013-2017. Determination of samples in this study was carried out by purposive sampling method. Purposive sampling is a sampling method based on certain criteria. There are criteria that are used as follows: Companies that are used are manufacturing companies that are listed on the Indonesian stock exchange in 2013-2017. Companies that have audited financial statements and published in full. Companies that use Rupiah in financial statements. Companies that have data relating to research variables and are available in full. Companies that did not suffer losses during 2013 - 2017.

3.2. Operational Definition and Variable Measurement
The dependent variable in this study is Corporate Investment Efficiency. The investment made by the company must be in accordance with the needs and in accordance with what is expected by the company so as to create investment efficiency. According to Richardson (2006) to measure Corporate Investment Efficiency where Sales Growth = period sales growth t.

\[ \text{Inve} = \beta_0 + \beta_1 \times \text{Sales Growth} \]

The first independent variable is Quality of financial reporting. According to Lev and Thiagarajan (1993) quality of financial reporting relates to the overall performance of a company that is reflected in company profits. Information on financial reporting is said to be high (quality) if the current year's profit can be a good indicator of future company profits. The quality of financial reporting variable is proxied by accrual quality. To be able to measure the value of the accrual, this study will follow the latest accrual measurement model conducted by Kothari, Leone and Wasley (2005) with the following formula:

\[ TA_i = a_0 + a_1 \times \frac{1}{ASSETS_{t-1}} + a_2 \times ASALES_{t-1} + a_3 \times PPE_{t-1} + a_4 \times ROA_{t-1} + \epsilon_i \]

Information:
- \( TA_i \): size regarding total company accrual i in year t
- \( ASALES_{t} \): change in the size of sales of company i in year t
- \( PPE_{t} \): net value of total fixed assets owned by company i in year t
- \( ROA_{t} \): performance measurement derived from the return on assets.
- \( ASSETS_{t} \): the total value of the company's assets

The second independent variable is Tax Incentives. Tax incentives are a form of facilities provided by the government to taxpayers (Darmadi, 2013). Tax incentives in this study are proxied by using tax planning, namely the efforts made by managers to minimize corporate tax burden in the current and future years. Tax planning in this study was calculated using the formula Midiastuty et al. (2013):

\[ TAXPLAN = \frac{\sum_t (PTI_i - CTE)}{TA_t} \]

Information:
- \( TAXPLAN \): Tax planning
- \( PTI_i \): Pre-tax income
- \( CTE \): Current portion of total tax expense (current tax expense)
- \( TA \): Total assets

The moderating variable in this study is Good Corporate Governance. The Forum for Corporate Governance in Indonesia (FCGI, 2001) defines GCG as a set of rules that regulate relations between holders, managers (managers) of companies, creditors, governments, employees, and other internal and external stakeholders related to rights and their obligations or in other words a system that controls the company. The good corporate governance mechanism in this study is an independent commissioner. Independent board of commissioners is a body in a company that usually consists of independent board members from outside the company who function to assess the company's performance broadly and overall (Putra, 2012).
3.3. Descriptive Statistics Analysis

Descriptive statistics try to give a description or description of a data derived from a sample, which can be seen from the average (mean), standard deviation (measure of the distance of each value to the mean), variance, maximum and minimum (Ghozali, 2016).

3.4. Classic Assumption Test

The normality test aims to determine whether the disturbing variable regression model has a normal distribution. The normality test used in this study is the Shapiro Wilk Test using a significance level of 5% if p-value <0.05, the data is not normally distributed (Ghozali, 2016). Multicollinearity Aims to test whether in the regression analysis model there is a correlation between independent variables. The testing criteria are as follows: if the tolerance value is ≤ 0.10 or VIF value ≥ 10, then multicollinearity occurs. However, if the tolerance value is ≥ 0.10 or VIF value ≤ 10, multicollinearity does not occur. Heteroscedasticity test aims to test in the regression model the occurrence of variance or residual inequality from one another observation. If the residual variance from one observation to another observation remains, it is called homoskedasticity and if it is different it is called heteroskedacity (Ghozali, 2016).

3.5. Hypothesis Testing

Testing the partial regression coefficient (Test - t), basically shows how far the influence of one explanatory variable or individually independent (partial) on the dependent variable. The decision criteria are as follows: (1) If t count> t table then the independent variables partially influence the dependent variable partially. If t count <t table then the independent variable i partially does not affect the dependent variable. Or (2) If P value <α 0.05, H0 is rejected, meaning that the independent variable has a significant effect on the dependent variable. If P value α 0.05 then H0 is accepted, meaning that the independent variable has no significant effect on the dependent variable (Ghozali, 2016).

4. Research Result

4.1. Descriptive Statistics

Statistics Descriptives used to process data are mean, minimum, maximum and standard deviation, which are calculated from each tested variable consisting of quality reporting, tax incentives, corporate investment efficiency and good corporate governance. The test was conducted on manufacturing companies with a total of 145 samples taken from 29 companies during the period 2013-2017.

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>overall</td>
<td>29.06932</td>
<td>1.742745</td>
<td>22.74</td>
<td>31.887</td>
<td>N = 145</td>
</tr>
<tr>
<td>between</td>
<td>1.752659</td>
<td>22.9908</td>
<td></td>
<td></td>
<td>n = 29</td>
</tr>
<tr>
<td>within</td>
<td>22.51034</td>
<td>28.27712</td>
<td></td>
<td></td>
<td>T = 5</td>
</tr>
<tr>
<td>ti overall</td>
<td>3.845904</td>
<td>20.17506</td>
<td>-.001</td>
<td>119.967</td>
<td>N = 145</td>
</tr>
<tr>
<td>between</td>
<td>20.34733</td>
<td>.0018</td>
<td></td>
<td></td>
<td>n = 29</td>
</tr>
<tr>
<td>within</td>
<td>21.25906</td>
<td>-.17.1611</td>
<td></td>
<td></td>
<td>T = 5</td>
</tr>
<tr>
<td>cie overall</td>
<td>25.18215</td>
<td>1.686227</td>
<td>20.107</td>
<td>29.238</td>
<td>N = 145</td>
</tr>
<tr>
<td>between</td>
<td>1.28302</td>
<td>23.26</td>
<td></td>
<td></td>
<td>n = 29</td>
</tr>
<tr>
<td>within</td>
<td>1.114875</td>
<td>21.7087</td>
<td></td>
<td></td>
<td>T = 5</td>
</tr>
<tr>
<td>gcg overall</td>
<td>.1631924</td>
<td>.167</td>
<td></td>
<td></td>
<td>N = 145</td>
</tr>
<tr>
<td>between</td>
<td>.1567526</td>
<td>.167</td>
<td></td>
<td></td>
<td>n = 29</td>
</tr>
<tr>
<td>within</td>
<td>.0523729</td>
<td>.122069</td>
<td></td>
<td></td>
<td>T = 5</td>
</tr>
<tr>
<td>gcgqfr overall</td>
<td>11.79294</td>
<td>4.758043</td>
<td>4.979</td>
<td>28.463</td>
<td>N = 145</td>
</tr>
<tr>
<td>between</td>
<td>4.586487</td>
<td>5.0212</td>
<td></td>
<td></td>
<td>n = 29</td>
</tr>
<tr>
<td>within</td>
<td>1.478997</td>
<td>3.750545</td>
<td></td>
<td></td>
<td>T = 5</td>
</tr>
<tr>
<td>gcggti overall</td>
<td>1.538234</td>
<td>8.070082</td>
<td>0</td>
<td>47.987</td>
<td>N = 145</td>
</tr>
<tr>
<td>between</td>
<td>8.138996</td>
<td>.0012</td>
<td></td>
<td></td>
<td>n = 29</td>
</tr>
<tr>
<td>within</td>
<td>.800397</td>
<td>-6.864366</td>
<td></td>
<td></td>
<td>T = 5</td>
</tr>
</tbody>
</table>

Source: Results of stata data processing, 2019.

Table 1 shows the descriptive statistics of the corporate investment efficiency research variables having an average of 25.18215, with a minimum value of 20.107 and a maximum of 29.238. The standard deviation for this variable is 1.686227, this can be interpreted that the deviation for this variable is 1.686227. Quality of financial reporting has an average of 29.06932, with a minimum value of 22.74 and a maximum of 31.887. The
standard deviation for this variable is 1.742745. Tax incentives have an average of 3.845904, with a minimum value of -0.001 and a maximum of 119.967. The standard deviation for this variable is 20.17506, this can be interpreted that the deviation for this variable is 119.475. Good corporate governance has an average of 0.405669, with a minimum value of 0.167 and a maximum of 1. The standard deviation for this variable is 0.1631924, this can be interpreted that the deviation for this variable is 0.1631924.

4.2. Hypothesis Testing

Testing the hypothesis in this study is done by multiple linear regression analysis aims to calculate the magnitude of the influence between the independent variables namely Quality of financial reporting (X1), Tax incentives (X2), on the dependent variable Corporate Investment efficiency (Y), with moderation of Good corporate governance (Z). Hypothesis testing is done after the data has passed the classic assumption test and data normality. In this study multiple linear regression equations use Stata as the analytical tool. The results of the analysis are shown in the following table:

<table>
<thead>
<tr>
<th>Source</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>Number of obs = 145</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>195.85006</td>
<td>5</td>
<td>39.1700119</td>
<td>F(5, 139) = 25.49</td>
</tr>
<tr>
<td>Residual</td>
<td>215.594149</td>
<td>139</td>
<td>1.53664856</td>
<td>R-squared = 0.4783</td>
</tr>
<tr>
<td>Total</td>
<td>409.444209</td>
<td>144</td>
<td>2.84336256</td>
<td>Adj R-squared = 0.4596</td>
</tr>
</tbody>
</table>

| Variates | Coef.        | Std. Err. | t     | P>|t|  | [95% Conf. Interval] |
|----------|--------------|-----------|-------|-----|------------------|
| qfr      | 0.510969     | 0.2513793 | 1.23  | 0.219 | -1.1869246       | 0.8071184 |
| ti       | 14.85188     | 7.593524  | 1.96  | 0.052 | -1.618715        | 29.86562 |
| ggc      | -97.73095    | 16.52283  | -2.28 | 0.024 | -70.39952        | -5.062373 |
| gcgqrfr  | 1.373633     | 0.5803514 | 2.37  | 0.019 | 0.2261747        | 2.52109 |
| gcggti   | -96.99373    | 18.9819   | -5.062373 |
| cons     | 15.06109     | 7.203728  | 2.09  | 0.038 | 0.180416         | 29.30414 |

Source: Results of stata data processing, 2019.

4.3. Effect of Quality of financial reporting on Corporate Investment Efficiency

The results of testing the regression model in this study include the quality of financial reporting variables on the corporate investment efficiency, indicating the probability of error rates that are greater than the expected level of significance. The results of the data show a value of 0.219 or greater than 0.05. So that the quality of financial reporting has no influence on corporate investment efficiency in manufacturing companies in 2013 - 2017. The results of this study are not in line with the results of previous studies conducted by Lai et al. (2014) which states that efficient investment activities can be increased if, between quality of financial reporting and investment efficiency is positively related. Thus H1 is refused to show that there are still many investors who see other factors for investment, not only seen from the company's financial statements.

4.4. Effect of Tax Incentives on Corporate Investment Efficiency

The results of testing the regression model of the tax incentives variable on the corporate investment efficiency show that the error rate is greater than the expected level of significance. The results of the data show a value of 0.052 or greater than 0.05, which means H2 is rejected and tax incentives have proven to have no effect on corporate investment efficiency. The results of this study are in line with previous studies conducted by Lumbantobing (2008) which showed that the incentive tax policy was not significantly related to climate investment of foreign investment companies in the textile industry in Indonesia.

4.5. Effect of Good Corporate Governance on Corporate Investment Efficiency

The measurement of the variables of good corporate governance on corporate investment efficiency shows an error rate that is smaller than the expected level of significance. The measurement results of this variable show a value of -0.024 or smaller than 0.05, but experience anomaly, because the effect coefficient is negative. The hypothesis of this study is in the same direction, that is positive influence, so that H3 is rejected and there is a negative effect of good corporate governance on corporate investment efficiency. The results of this study complement the previous research conducted by Houcine (2013) who found several factors that could affect companies to be able to invest efficiently, including: the size of the audit committee, independent board of commissioners, managerial ownership, and institutional ownership.
4.6. Moderation of Good Corporate Governance on the Effect of Quality of financial reporting on Corporate Investment Efficiency

The testing of this hypothesis measures the moderation of good corporate governance on the influence of the quality of financial reporting on corporate investment efficiency, indicating the probability of error rates that are smaller than the expected level of significance (0.0% <5%), the results of the data show a value of 0.019 or smaller from 0.05, which means that H5 is accepted and the moderation of good corporate governance is able to strengthen the influence of quality of financial reporting on corporate investment efficiency. The results of this study are in line with the results of Oktadella’s (2011) which shows the results that institutional ownership, audit committees, and independent commissioners have a positive and significant influence on the integrity of financial statements.

4.7. Moderation of Good Corporate Governance on the Effect of Tax Incentives on Corporate Investment Efficiency

Tests on this hypothesis measuring the moderation of good corporate governance on the influence of tax incentives on corporate investment efficiency show that the probability of error rates is greater than the expected significance level (0.0%> 5%), the results of the data show a value of 0.053 or greater than 0.05 which means H5 is rejected and moderation of good corporate governance is not able to strengthen the influence of tax incentives on corporate investment efficiency. The results of this study are not in line with the results of the research of Hanum and Zulaikha (2013) which explains the existence of independent commissioners (supervisors) in every formulation of company strategies carried out by the board of commissioners (supervisors) and company management (decision makers) and stakeholders will guarantee results effective and efficient policies included in tax planning that have an impact on the magnitude of the effective tax rate of the company. This result means that there are still many companies that do not apply GCG to management to take a company policy.

5. Conclusions and Recommendations

This study has a very meaningful conclusion, namely the role of good corporate governance that is able to strengthen the influence of the quality of financial reporting on corporate investment efficiency. Individual quality of financial reporting is not able to influence corporate investment efficiency. However, good corporate governance is able to moderate its impact to be significant for corporate investment efficiency. This can be interpreted that the quality of financial reporting is very dependent on good corporate governance that is implemented. Quality of financial reporting will have a positive impact if it is supported by more and more independent commissioners. Meanwhile, tax incentives do not affect corporate investment efficiency. This can be interpreted that the tax incentives provided have not been able to increase the issuer’s income, to support the achievement of investment efficiency. Then good corporate governance has a negative effect on corporate investment efficiency. The existence of independent commissioners as a measure of good corporate governance does not focus on increasing issuer’s income, focusing more on improving quality of financial reporting, considering that independent commissioners are commissioners who have qualifications in accounting. Furthermore, good corporate governance is not able to strengthen the influence of tax incentives towards corporate investment efficiency.

Based on the conclusions and limitations above, some suggestions can be given. The number of commissioners can be increased if you want to improve the quality of financial reporting. For further research, it is expected to use another proxy in the measurement of Good corporate governance. For investors, it is expected to pay attention to the quality of financial reporting presented by the company in the financial statements to see the sales growth and total assets owned by the company from year to year. For company management, it is expected to further enhance good corporate governance by increasing the independence of the commissioners so that there is no intervention from one of the parties. This can improve the welfare of all internal and external parties that will affect the survival of the company.

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