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Digital Corporate Governance and Sustainability Reporting's Effect on Cash ETR and Firm Value

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Abstract

Research aim: *The goal of this research is to investigate and assess the impact of digital corporate governance and sustainability reporting on cash ETR as a proxy for tax planning and business value, as well as cash ETR's effect on firm value.*

Design/Method/Approach: *This is a quantitative causal research approach. Secondary data was gathered from annual reports and other pertinent papers available on the Indonesian stock exchange's website. The population of this study is digital consumer goods companies that go public on the Indonesian stock exchange between 2017 and 2022, and the sampling technique used is purposive sampling with the criteria 1) consumer goods companies that always gain and do not lose between 2015 and 2019, and 2) to develop digital-based companies. This probe is centered on the corporation. The analytical technique used is path analysis.*

Research Finding: *According to the study's findings, digital good corporate governance and sustainability reporting have a positive and significant impact on Cash ETR and firm value. Then there's Cash ETR, which has a significant and favorable firm value.*

Theoretical contribution/Originality: *In order to better comprehend corporate governance elements, this research studies two theories: agency theory, which investigates the agent-principal relationship, and information asymmetry theory, which examines the inequality in knowledge possessed by individuals or parties. The former originated as a result of contemporary enterprises' separation of corporate ownership and management, whilst the latter focuses on capital market data analysis.*

Practitionel/Policy implication: *Tax planning is especially critical for consumer products firms at this time, as many are growing into the internet industry. Because the firm must effectively manage the income shared between the holding company and the company, as well as its tax obligations. As a result, these businesses must have strong governance.*

Research limitation: *Only consumer goods firms that have implemented digital corporate governance and digital-based sustainability reporting were studied in this study.*

Keywords: *Digital Corporate Governance, Sustainability Reporting, Cash ETR, Firm Value*

1. Introduction

Consumer goods companies, including cyclical, non-cyclical and healthcare sub-sectors, must adapt their strategies for retail sales, business models, ordering systems and

financial technology to embrace the new normal era. Employees must adapt quickly and work in the new normal. It's important to remember that being able to adapt quickly and accurately is one of the most important factors in a company's longevity [1]. However, it must be considered that these developments will pose significant obstacles. One is that consumer goods companies need to find ways to overcome potential barriers to skills development due to limited human and financial resources. For example, if a retail company wants to transition to digital sales channels, it will need employees who are proficient in information technology and infrastructure. Indeed, not all economic actors have the necessary means and resources to carry out ongoing recruitment [2,3].

However, no matter how difficult it is, it becomes an urgent problem that needs to be solved. In the new normal, with restrictions on community movement still in place, many people prefer to work from home. In fact, this consumer goods industry mainly provides things that people need for their lives and health during the epidemic. Therefore, businesses and consumers require facilities to conduct transactions remotely, often referred to as Internet transactions [4].

Businesses that have transitioned to online transaction systems or digital-based business management may want to maintain steady sales and revenue. For example, PT Tigaraksa Satria Tbk uses e-retailing to increase sales at retail stores through digital application-based orders. Additionally, the company no longer relies on salespeople to take orders. This will ultimately draw investor attention to the company (the company will be seen as valuable) as people believe the company has a solid business strategy [5].

However, what PT Tigaraksa Satria Tbk is doing is not repeated by most other consumer goods companies, which is why the company's value is declining in the eyes of investors during this new normal period. For example, KINO shares' total revenue dropped significantly by 65.8% from the first half of 2019 to the first half of 2020 [6]. This condition certainly affects the value of consumer goods companies in the eyes of investors [7,8]. As evidence, data related to Price to Book Value (PBV) will be presented from several consumer goods companies that experienced a decline in company value, in full as follows:

Table 1. PBV Data of Several Consumer Goods Companies *Price to Book Value* (PBV)

No	Stock code	Company name	PBV		
			2020	2021	2022
1	CEK	PT. Wilmar Cahaya Indonesia Tbk	0.82	0.91	0.72
2	FAST	PT. Fast Food Indonesia Tbk	2.18	2.45	2.22
3	GOOD	PT. Garudafood Putra Putri Jaya Tbk	-	6.14	5.79
4	MARCH	PT. Mustika Ratu Tbk	0.24	0.21	0.19
5	SIDO	PT. Sido Muncul Herbal & Pharmaceutical Industry Tbk	3.01	4.22	4.11
6	SMBR	PT. Semen Baturaja Tbk	10.85	5.12	4.74
7	STTP	PT. Siantar Top Tbk	4.31	3.11	3.09
8	ULTJ	PT. Ultra Jaya Milk Industry & Trading Company Tbk	3.55	3.35	2.98
9	WOOD	PT. Integra Indocabinet Tbk	0.89	1.82	1.75
10	AMRT	PT. Sumber Alfaria Trijaya Tbk	4.79	7.11	6.16

Source: IDX – Listed Company Performance Summary (2021)

Because the average reduction in PBV occurred in 2020, the onset of the Covid-19 outbreak, numerous consumer products businesses' capital market value decreased throughout the pandemic era, as seen in the table above. Firm value has decreased. As a result, businesses in the consumer goods industry must now seriously evaluate what efforts must be made to compete in the market during this pandemic era. Based on this, it is feasible to conclude that the company's existence may be supported by a rise in its value over time, which influences the well-being of investors. This might stimulate the interest of additional investors in investing in the company. A high level of investor prosperity will tempt additional investors to engage in the firm, affecting the company's worth [9].

However, there are several variables that might be a hindrance to increasing the firm's worth, one of which is the requirement to pay taxes. Tariffs imposed by the government on money generated by people or companies based on legislation. The application of income tax is regarded as a cost of doing business. Taxes as an expenditure reduce the company's earnings. As a result, managers will take steps to reduce the amount of tax paid in order to increase profit. Disagreements on taxation between enterprises and the government motivate management to respond in a number of ways, one of which is tax management [10,11].

Tax management activities are carried out by the firm by designing or assembling plans and strategies in business operations processes that are carried out through tax planning, while complying to existing tax regulations. Tax planning may be applied to both corporate and personal taxes to create an efficient solution for tax due demands that provides liquidity and predictable cash flows. According to Ftouhi and Ghardallou, all taxpayers have the potential or opportunity to perform tax planning for tax efficiency efforts depending on the revenue they get [12].

Companies must have appropriate experience in order to properly and efficiently carry out tax planning. The competency development process is carried out because law, no matter how extensive, must be translated by proper expertise. Several tax-planning techniques, including the firm's efforts to reduce tax payments associated with identifying tax-saving charges, particularly in providing in-kind to corporate employees [13,14]. Employees who receive in-kind rewards may be more productive in carrying out their tasks and obligations in a firm, as well as having an influence on tax efficiency. organizational structure [15,16]. Tax preparation This is critical for consumer goods firms, since many are expanding their digital operations during this epidemic. This is due to the need for the business to truly govern the income between the holding company and the firm, as well as the requirement to pay taxes. As a result, these businesses must have solid governance [17,18].

Corporate governance is linked to tax planning since it is assumed that paying minimal taxes saves money for the benefit of shareholders. As a result, top management is crucial in determining the tax planning strategy. The tax planning efforts of the company's management are centered on the interests of shareholders as principals and managers as agents. Shareholders, the company's owners, desire that the tax burden be reduced, hence increasing earnings. Shareholders demand the proper degree of tax avoidance, not too little (reducing earnings) and not too much (risk of fines and reputational damage) [19–21].

Managers, on the other hand, have their own interests in corporate resources as agents. company tax avoidance choices are made by managers; hence, company tax avoidance permits managers to be opportunistic by avoiding tax for short-term profit goals rather than long-term advantages expected by shareholders [20,22]. Managers, on the other hand, have their own interests in corporate resources as agents. Corporate tax avoidance choices are made by managers; hence, corporate tax avoidance permits managers to be opportunistic by avoiding tax for short-term profit goals rather than the long-term advantages expected by shareholders [23]. Despite the fact that relying primarily on short-term income may jeopardize the company's long-term existence. This is where good corporate governance is intended to help reduce the consequences of the agency problem on tax evasion [24]. Another item that might help with tax planning is to be consistent in submitting sustainability reports [25,26].

Organizations may use sustainability reports to assess their influence on a wide range of sustainability issues. As a result, they may be more forthcoming regarding the dangers and opportunities that they confront. Organizations may use sustainability reports to assess their influence on a variety of sustainability issues. This enables them to be more candid about the dangers and possibilities they face, resulting in increased business confidence. Transparent enterprises will have a solid reputation and must be considered as the most precious asset of a firm. As a result, firms should continually try to enhance their reputation, because business ethics determine a company's reputation [25,27].

One of the decisions that reflect bad business ethics is tax avoidance [28]. Tax avoidance can be said to be an explicit tax deduction, while an explicit tax deduction can be the result of responsible tax management (good business ethics) or even irresponsible tax management (bad business ethics) [29–31]. According to study, stakeholders may view tax evasion as a desirable action. Tax evasion boosts profitability and so benefits stakeholders, notably shareholders, because it reduces the company's tax burden. According to study, stakeholders may view tax evasion as a desirable action. Tax evasion boosts profitability and so benefits stakeholders, notably shareholders, because it reduces the company's tax burden [32–34].

In response to these inequalities, Bradford et al. show that stakeholders may respond positively to tax avoidance if shareholders see tax avoidance as management's commitment to safeguarding their resources without endangering stakeholder requirements [35]. Indirectly, the explanation above reflects that sustainability reporting can have an impact on tax planning and corporate value [25,36–38]. Based on the preceding, the purpose of this study is to assess and analyze the impact of digital corporate governance and sustainability reporting on cash ETR as a proxy for tax planning and business value, as well as to investigate and analyze the impact of cash ETR on firm value.

1.1. Statement of Problem

The Covid-19 epidemic has forced consumer products firms to undergo digital transformation, making them more appealing to investors. The purpose of this study is to look at how digital corporate governance and sustainability reporting affect cash ETR (equity to revenue) as a proxy for tax planning and company value. The study investigates whether

these factors influence cash ETR, its impact on business value, and its impact on tax planning.

1.2. Research Objectives

Referring back to the problem's background and problem statement, the research goal of this study is to examine the impact of digital corporate governance and sustainability reporting on cash ETR as a proxy for tax planning and firm value, as well as to test and examine the impact of cash ETR on firm value.

2. Method

The research method utilized in this study is known as causal-associative research. Associative-causal research employs issue features in the form of a causal link between two or more variables [39]. This study investigates the impact of Corporate Governance Digital (X1) and Sustainability Reposting (X2) as independent variables on Firm Value (Y) as the dependent variable, as well as Cash ETR as a Tax Saving Effort (Z) as a moderating variable [40]. This study focused on consumer goods businesses listed on the Indonesia Stock Exchange between 2017 and 2022. This investigation will be place between September 2023 and November 2023.

3. Results and Discussion

Before explaining the findings analysis and discussion, we will first describe the ideas and theoretical concepts that underpin the research's execution, which include the following:

Agency theory

Understanding agency theory comes the closest to grasping corporate governance. This theory provides an analytical framework for evaluating the impact of the agent-principal relationship or the principal-principal link. When the phenomenon of firm ownership separation from management became widespread, particularly in large modern corporations, the classical theory of the company could no longer be used as the foundation for such company analysis. Agency theory suggests that there are three additional elements that can curb the deviant behavior of managers (agents) in the agency relationship between shareholders (principals) and managers (agents), namely: first, the element of the managerial labor market, second, the operation of the capital market, and third, elements of the operation of the market for the desire to dominate and own or dominate the ownership of the company. That is, this theory may be utilized to understand how it is structured and managed so that tax expenditures can be planned efficiently and the company's worth can be raised in the capital market [41–43].

Information Asymmetry Theory

Understanding the concept of information asymmetry is the most effective way to comprehend sustainability reporting. This idea explains why one individual's or party's knowledge differs from that of other parties or persons. The basic idea is that this theory was formed because investors examine the class segment of the items being supplied using data from the standard capital market. As a consequence, investors have minimal knowledge while stakeholders have a better awareness of individual goods, allowing stakeholders to market products of poor quality. As a result, investors must reduce information asymmetry in order for their investment selections to be right and accurate [44–46].

GCG Digital (X1)

Corporate governance arises as a result of a schism in the company's ownership and control, which is referred to as conflict agency. The agency dilemma in the capital owner-manager relationship is how difficult it is for the owner to ensure that the invested money are not taken over or invested in lucrative but non-profitable activities. To prevent conflicts of interest between owners and management, corporate governance is necessary [17,47]. *Corporate governance*can also be defined as a set of regulations governing the relationship between shareholders, management, company managers, creditors, government, employees, and other internal and external stakeholders relating to their rights and obligations or in other words a system used to control the company [47–49].

According to this definition, the major purpose of corporate governance is to put in place a work plan or work program (platform) at the business level. It will be incredibly difficult to develop an audience viewpoint or a cohesive image of operations without excellent leadership and control. Because the company's Platform will be able to provide clearer information to decision makers while also acting as the foundation for sophisticated analytics capabilities and new digital services, it will be able to give more accurate information to them [50–52]. As a result, these platforms are likely to result in improved governance. When a platform is established, local leaders frequently begin to see the benefits of utilizing a company's digital capabilities rather than developing them themselves. Furthermore, corporate leaders can drive standardized processes and capabilities across the company more quickly through a shared platform than through negotiation [52–54].

However, as the globe enters a modern period focused on the internet/digital, the needs of corporate governance grow increasingly complicated. Because information and communication technology, particularly the internet, has created a new mode of business communication for organizations in the previous 10 years. The Internet enables businesses to deliver worldwide corporate information releases without regard to timing constraints [55–57]. A business website, in fact, may help you save money on printing and personnel. Shareholders, on the other hand, will be able to get financial data online rather than through the mail. Furthermore, contact between managers and investors may be advantageous since each may respond to analyst and fund management requests with up-to-date information (real time). This highlights how these criteria may simultaneously provide information about firms on the internet, allowing them to save money on distribution, frequency, and speed [53,55,57].

As a result, the authors define internet-based corporate governance disclosures as the inclusion of technology, specifically the internet, in corporate governance decision-making and disclosure reporting activities. All of this is done to support the application of good governance principles, which leads to better transparency of public information, higher value for the business, and improved communication with stakeholders [55]. This variable is used to illustrate that the major international stock exchange regulatory authorities recognize the essential significance of information and communication technologies, notably the internet, in strengthening corporate governance disclosures. The indication of this variable corresponds to Gandia's study using the related instrument, which will be calculated using the formula below [55]:

1. For Partial Index calculated by the following formula:

$$Ip = \frac{\text{Score Obtained in the sub-group}}{\text{Maximum total score obtainable}} X\ 10$$

2. A total of three total indexes are calculated as follows:

$$I^{T} = \sum_{i=1}^{n} I_i^P \times P_i^T$$

Where:
IT = Total Index Score
I_i^p = Total Index Score
I_i^T = Proportion of total overall index score represented by partial index "i"

The index is calculated with the elements from Table I and the list above. If a firm discloses pertinent information, it obtains a one; otherwise, it receives a zero. Because the assessed material is divided into four categories, a partial index will be computed for each category before combining the results to create a total index. The partial and total indices are both assigned a value between zero and ten.

Sustainability Reporting (X2)

Sustainability reporting, also known as a sustainability report, is a periodic report (typically issued annually) published by a corporation to share the efforts and outcomes of corporate social responsibility. This report summarizes and publishes the information that organizations choose to convey about their social and environmental commitments and initiatives. In doing so, the organization informs its stakeholders (i.e., all those who are interested in their activities) on how they incorporate the principles of sustainable development into the company's day-to-day operations [25].

Reporting on Environmental SustainabilityAccording to the Sustainability Reporting Guidelines, it is a report produced by firms to measure, disclose, and demonstrate the company's efforts to become an accountable company for all internal and external stakeholders with the goal of improving corporate performance toward sustainable development. In a broad sense, sustainability reporting refers to reporting on economic, social, and environmental consequences, as defined by the triple bottom line, CSR, and others. Sustainability Reporting highlights an organization's balanced and sustainable performance, whether it contributes negatively or favorably to a country's growth [35].

*Sustainability Reporting*according to the GRI Reporting Framework is a report that discloses the results and outcomes that occur in an organization during a period in the context of commitment, approach strategy and organizational management. The report can be used for the following purposes: (1) As a benchmark and assessment of sustainable performance in accordance with laws, norms, codes of ethics, performance standards, and other Non-Governmental Organization (NGO) provisions. (2) As a demonstration of how the organization's influence on sustainable development, and (3) As a comparison of the organization's performance with previous years, or comparison of performance with other different organizations [58]. Companies becoming more concerned about the community and the environment by providing added value, increasing a positive image, reducing risks that

have a negative impact on the company, and increasing the trust of shareholders and other stakeholders are all benefits of implementing sustainability reporting [35,58].

The indicator used to measure sustainability reporting returns on the global reporting index cited by Al-Farooque & Ahulu with dimensions and items that can be seen in Appendix II. The results of the checklist based on Appendix 2 will then be calculated partially using the following formula [59]:

Disclosure Index = Actual Disclosure / Total Possible Disclosure, which was developed with the following formula:

$$\frac{\sum_{i=1}^{m} d_i}{\sum_{i=1}^{a} d_i}$$

Information:

d = Score 1 if disclosed, 0 if not disclosed

m = Jthe number of items disclosed in the stand-alone sustainability report; and

a = Jthe maximum number of applicable items expected to be disclosed under the GRI index table

Tax ETR (Z)

Tax management is a comprehensive effort carried out by individual taxpayers and business entities through the process of planning, implementing (implementation) and controlling their tax obligations and rights, so that matters relating to taxation of the individual, company, or organization can be managed properly. , efficient, and effective, so as to provide maximum contribution to the company in terms of increasing profits or income. The main objective of tax management is to carry out tax obligations correctly and streamline the burden of paying taxes to maximize profits [60,61].

Tax planning is a component of tax management performed by a tax manager in a company or organization linked to tax planning so that the company or organization's taxation concerns may be managed appropriately, efficiently, and inexpensively. The primary goal of tax planning is to reduce the tax burden while remaining within the scope of taxation and without violating tax legislation. There are three types of tax planning strategies that taxpayers may use to reduce the amount of their tax burden [60]:

a. *Tax Avoidance* (Tax evasion)
   Tax avoidance efforts are legal and safe for taxpayers because they do not conflict with tax provisions, where the methods and techniques used tend to take advantage of the weaknesses (grey areas) contained in the tax laws and regulations themselves, in order to minimize the amount of tax payable [62,63]. Taxpayers can make several efforts to streamline corporate income tax payments, including selecting the right bookkeeping system, methods of depreciation of fixed assets and amortization of intangible assets, appropriate inventory valuation methods, providing in-kind or cash benefits to employees, and using withholding income tax methods [63].
b. *Tax Evasion* (Tax Smuggling)
   Attempts by taxpayers to avoid paying taxes owing illegally by concealing the true circumstances. This practice is unsafe for taxpayers since the procedures and strategies utilized are outside the scope of tax laws and regulations. The strategy employed is high

risk and might result in consequences for law violations/fiscal crimes or criminal conduct. As a result, a professional tax advisor does not advocate using this strategy [64].

c. *Tax Saving* (Tax Savings)
Attempts by taxpayers to avoid paying taxes by not purchasing items with a value added tax or by purposefully decreasing the hours of labor or employment they may accomplish so that their income is low and so avoids the application of high income taxes [60]. Good tax planning has several requirements including the following [60,61]:
   1) Does not violate tax provisions
   Tax engineering that is designed and implemented is not a tax evasion.
   2) It makes business sense
   The responsibility to conduct commercial transactions must follow decent trade practices and utilize the standard arm's length price, also known as a fair market price, which is the price level between independent buyers and sellers who are free to conduct transactions.
   3) Supported by sufficient evidence
   The existence of a contract agreement with a third party or a purchase order (PO) from a customer, proof of delivery of goods/services (delivery order), invoices, tax invoices as proof of billing, and bookkeeping (general ledger) can all be used to demonstrate the formal and material truth of a company's financial transactions.

The tax planning employed in this study is based on tax savings using a Cash ETR proxy or effective tax rate, based on the preceding parameters.The effective tax rate is the rate used to calculate taxes as a percentage of economic income. The effective tax rate can assist the corporation in determining the proportion of tax paid on the company's commercial profit. The effective tax rate might be larger or lower than the fixed tax rate [25].

Effective tax rates are used to measure the effectiveness of a company in tax management [25]. A company is said to have an effective tax rate if the percentage of income tax expense on commercial profits before tax is less than the applicable corporate income tax rate, which is 25% according to Law No. 36 of 2008 concerning Income Tax Article 17 paragraph (2a), whereas if the company belongs to the category listed in Law No. 36 of 2008 concerning Income Tax Article 17 paragraph (2b), the corporate tax rate with that category is said to be effective if the percentage of income tax expense on commercial profits before tax is less than the applicable corporate tax rate.

The lower the value of the effective tax rate (ETR), the higher the value of the effective tax rate (ETR) in a corporation, and the higher the value of the effective tax rate (ETR) implies that tax planning has been successful. The tax expenditure only utilizes the current tax burden since it is possible to choose taxation and accounting procedures at the present tax expense [60]. The ETR is calculated by comparing the income tax burden to pre-tax commercial earnings. The following is a formula that may be used to compute the effective tax rate [25]:

$$\text{Cash ETR/Effective Tax rate} = \frac{\text{Tax Paid in Cash}}{\text{Income Before Tax}}$$

Firm Value (Y)

Firm value is an investor's impression of the firm, and it is frequently linked to stock prices. Investment prospects have a significant impact on the company's worth, which is determined by stock market indicators. Investment expenditure sends a favorable signal to management about the firm's future development, causing stock prices to rise as a measure of corporate worth. High stock prices increase the company's worth [65].

Logically, managers may behave beyond the interests of the firm and prefer to fulfill their personal objectives, resulting in the company's worth not being maximized. Managers may take activities that benefit themselves or behave outside of their work objective, such as using business facilities for personal gain. As a result, it is thought important to employ the management-based evaluation of firm value, meaning attempting to persuade other executives and managers to operate in line with the values that have been established [66]. Several indicators that can be used to measure company value include [67]:

a. *Price Earning Ratio*
   The price-to-earnings ratio indicates how much money investors are ready to pay for each dollar of reported earnings.The price earning ratio is used to determine how the market values a company's performance as measured by earnings per share. The price earning ratio depicts the link between the stock market and earnings per share.
b. Tobins'Q
   Tobin's Q was discovered by James Tobin, a Nobel Prize laureate from the United States. Tobin's Q is the replacement cost market value of the company's assets. The Q ratio, according to the notion, outperforms the market value to book value ratio since it focuses on the firm's existing worth in relation to how much it would cost to replace it today. In fact, calculating the Q ratio properly is challenging since predicting the replacement cost of a company's assets is a complex undertaking.
c. *Price to Book Value*(PBV)
   Price to Book Value (PBV), which is one of the criteria evaluated by an investor in deciding which shares to buy, is another key component that must be included in the examination of the company's situation. When a company is performing well, this ratio often rises over one, indicating that the stock's market value exceeds its book value. The higher the PBV ratio, the higher the firm is rated by investors in relation to the capital invested in it.

The measurement that includes features of book value is viewed as the more important of the three that may be used as indicators of company value. This is because book value may be used as a safe limit to evaluate a company's worth for investment purposes. The intrinsic value approach is the most often used method for estimating corporate worth. Estimating intrinsic value, on the other hand, will be highly difficult since determining intrinsic value requires the ability to identify important qualities that determine a company's profitability. These characteristics differ from one business to the next, and determining intrinsic value demands the ability to foresee the direction of future trends [68].

In this study, the authors employed Price Book Value (PBV) as a measure of firm worth since it is often used in investment decision making. Furthermore, PBV offers some advantages, such as being a consistent and unambiguous statistic that can be compared to

market pricing. The second advantage is that PBV may be compared to similar corporations to assess if a stock is overpriced or affordable. Based on this definition, the PBV ratio has an indirect influence on stock prices since it can provide an overview of a stock's likely price movements [67,68].

Price as a percentage of book value A high value will persuade the market of the company's potential in the future. This is also what the firm's owners desire, because a high level of shareholder wealth represents a high level of corporate value. To determine price to book value, apply the formula below [69]:

$$PBV = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$

After learning the fundamental ideas and concepts of measurement and other material, the researcher conducted tests, and the findings were as follows:

A firm's value in the perspective of investors may be determined by a number of variables, one of which is competent corporate governance. Good corporate governance reflects the company's managerial preparedness to control both business activities and reporting. Many things must be reported in a company, whether they be financial difficulties, sales performance, social responsibility, or anything else. The existence of a disciplined approach in this reporting and good corporate governance, particularly in financial affairs, can impact the company's ability to plan its responsibilities, notably in taxation planning [70].

Tax planning is tied to corporate governance since paying low taxes is expected to save money for the benefit of shareholders. As a result, senior management plays a critical role in determining the tax planning strategy [71]. The company's management's tax planning efforts are focused on the interests of shareholders, as principals, and managers, as agents. Shareholders, the company's owners, desire the tax burden to be decreased, maximizing earnings. Shareholders require the appropriate level of tax avoidance, not too little (cutting earnings) and not too much (risk of fines and reputational damage) [12,24,72].

Managers, on the other hand, as agents, have their own interests in the company's resources. Corporate tax avoidance choices are made by managers, hence corporate tax avoidance allows managers to be opportunistic by avoiding tax for short-term profit goals rather than long-term gains expected by shareholders [71,73].

Even though focusing solely on short-term revenues might be hazardous to the company's long-term viability. This is where excellent company governance is expected to play a role in controlling the effects of the agency problem on tax evasion [72,73]. Another thing that can be used to support tax planning is to be disciplined in issuing sustainability reporting [25].

Organizations may use sustainability reports to assess their impact on a variety of sustainability issues. This allows them to be more upfront about the risks and opportunities that they face. Sustainability reports may help organizations examine their impact on different sustainability concerns. This allows them to be more transparent about the risks and opportunities they face, which increases confidence in the business. Companies who are transparent will have a strong reputation, which must be recognized as a company's most

valuable asset. As a result, businesses should strive to improve their reputation on a regular basis, because a company's reputation is established by its business ethics [25].

This condition proves that each variable in the study issue has a causal relationship. Based on the test results, the findings are summarized in each of the linkages between pathways and are presented in table 1 as follows:

Table 2. Results of Testing the Effect of Digital Corporate Governance, Sustainability Reporting, Cash ETR on Firm Value

			Estimate	SE	CR	P
Digital corporate governance	⇒	*Cash ETR*	.142	.052	6.976	.013
Sustainability reporting	⇒	*Cash ETR*	.173	.087	12,728	.001
Digital corporate governance	⇒	Firm Value	.092	.078	8,709	.008
Sustainability reporting	⇒	Firm Value	.087	.068	14,522	.000
Cash ETR	⇒	Firm Value	.221	.083	9,545	.007

Source: Data Processing (2023)

Table 3. Summary of Hypothesis Testing Results

	Hypothesis	Predicted Sign	Standardize Regression Coefficient	Conclusion
H1	Good corporate governance digital a positive effect on Cash ETR	+	.543	Accepted
H2	Sustainability reporting a positive effect on Cash ETR	+	.339	Accepted
H3	Good corporate governance digital a positive effect on firm value	+	.287	Accepted
H4	Sustainability reporting a positive effect on firm value	+	.540	Accepted
H5	*Cash ETR a positive effect on firm value*	+	.378	Accepted

Source: Data Processing (2023)

The calculations in the table when applied to the research model are as follows:

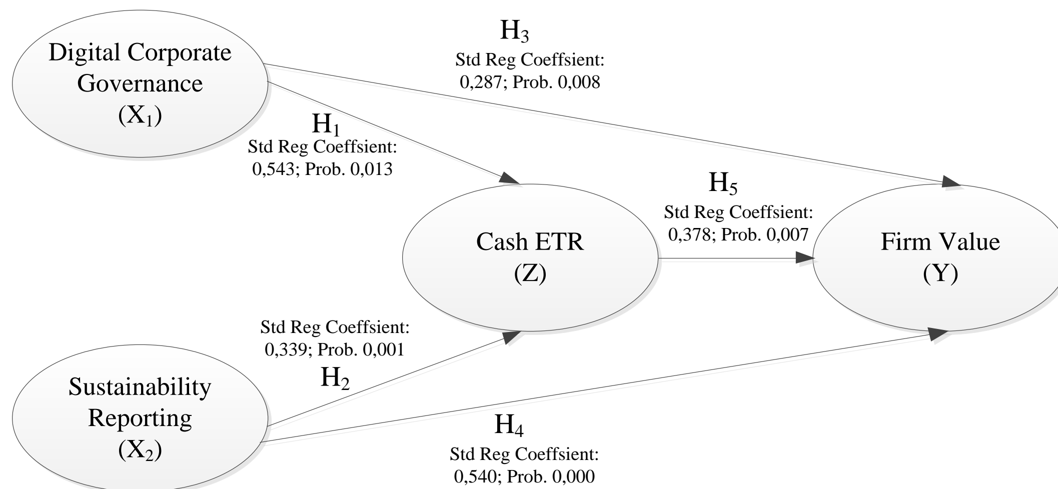

Figure 1. Analysis Model Application

Based on tables 1 and 2, it can be seen that all the hypotheses proposed can be proven true where the analysis carried out will be shown as follows:

1) Good corporate governance digital a positive effect on Cash ETR

   According to the test results, the influence of strong corporate governancedigital value against cash ETR has a standardize regression coefficient of 0.543, a probability value of 0.013, and a positive sign. This demonstrates that digital corporate governance has a favorable and considerable impact on cash ETR. This condition demonstrates that, in practice, as digital-based corporate governance improves, so will the company's capacity to carry out tax planning.

   Corporate governance is connected to tax planning, which is proxied by Cash ETR since paying a minimal tax is thought to save money for the benefit of shareholders' welfare. As a result, senior management is crucial in setting the tax planning approach [19,71]. The company's management's tax planning efforts are focused on the interests of shareholders as principals and managers as agents. Shareholders, the company's owners, demand the tax burden to be decreased, hence boosting earnings. Shareholders require the appropriate level of tax avoidance, not too little (cutting earnings) and not too much (risk of fines and loss of reputation) [72].

2) Sustainability reporting a positive effect on Cash ETR

   According to the test findings, the influence of sustainability reporting digital value versus cash ETR has a standardize regression coefficient of 0.339, a probability value of 0.001, and a positive sign. This demonstrates that the impact of sustainability reporting on cash ETR is both positive and large. This condition indicates that, in practice, as the company's sustainability report improves, so will the company's capacity to carry out tax planning.

   This is because the discipline of generating sustainability reports may also help with tax planning [25]. Sustainability reports may help organizations examine their impact on different sustainability concerns. This allows them to be more upfront about the risks and opportunities that they face. Sustainability reports may help organizations examine their impact on different sustainability concerns. This allows them to be more transparent about the risks and opportunities they face, which increases confidence in the business.

Companies who are transparent will have a strong reputation, which must be recognized as a company's most valuable asset. As a result, businesses should strive to improve their reputation on a regular basis, because a company's reputation is established by its business ethics [25]. One of the decisions that reflect bad business ethics is tax avoidance [74]. Tax avoidance is an explicit tax deduction, but implicit tax deductions can occur from appropriate tax administration (good business ethics) or even reckless tax management (poor business ethics) [62,75,76].

3) *Good corporate governance digital* a positive effect on firm value
According to the test results, the effect of excellent corporate governance on company value has a standardize regression coefficient of 0.287 and a probability value of 0.008 and is positive. This demonstrates that excellent corporate governance digital has a favorable and considerable impact on business value. This condition demonstrates that, in practice, if digital-based corporate governance improves, the company's value will rise. The primary goal of corporate governance is to implement a work plan or work program (platform) at the firm level. Without good leadership and control, it will be extremely impossible to build an audience perspective or a unified picture of operations. This is because the company's platform will be able to deliver clearer information to decision makers while also serving as the foundation for sophisticated analytics capabilities and new digital services [77].

As a result, these platforms will have a tendency to result in better governance. When a platform is established, local leaders often begin to see the benefits of using a company's digital capabilities rather than building it themselves, in addition, corporate leaders can drive standardized processes and capabilities across the company more quickly through a shared platform than through negotiation [53].
However, as the globe enters a modern period focused on the internet/digital, the needs of corporate governance grow increasingly complicated. Because information and communication technology, particularly the internet, has created a new mode of business communication for organizations in the previous 10 years. The internet enables organizations to deliver worldwide corporate information releases without regard for scheduling constraints, which ultimately adds value in the eyes of investors [55].

4) Sustainability reporting a positive effect on firm value
The influence of sustainability reporting on company value has a standardize regression coefficient of 0.540 with a probability value of 0.000 and a positive sign, according to the test findings. This demonstrates that the impact of sustainability reporting on business value is both positive and large. This condition indicates that, in actual terms, if the company's sustainability report improves, the company's worth will rise in the eyes of investors.

Companies that apply sustainability reporting become more concerned about the community and the environment by adding value, improving their image, lowering risks that negatively influence the firm, and boosting the trust of shareholders and other stakeholders [35,58]. Companies becoming more concerned about the community and the environment by adding value, improving their image, reducing risks that have a negative impact on the company, and increasing the trust of shareholders and other stakeholders are all benefits of implementing sustainability reporting [35,58].

5) Cash ETR a positive effect on firm value
According to the test results, the influence of Cash ETR on firm value has a standardize regression coefficient value of 0.378, a probability value of 0.007, and a positive sign. This demonstrates that the effect of cash ETR on business value is both positive and large. This condition demonstrates that, in practice, if the company's tax planning improves, the company's worth in the eyes of investors will rise as well. Preparation of tax returns The proxy is a component of tax management handled by a company's or organization's tax manager in order for the company's or organization's taxation problems to be managed effectively, efficiently, and affordably. Tax planning's major purpose is to lower the tax burden while maintaining within the scope of taxation and without breaking tax regulations. Taxpayers might utilize one of three types of tax planning tactics to decrease their tax burden [60]. The lower the value of the effective tax rate (ETR), the better the value of the effective tax rate (ETR) in a corporation, and the higher the value of the effective tax rate (ETR), the more successful tax planning. The tax expenditure used solely uses the current tax burden since taxation and accounting processes can be chosen at the current tax expense [60].

4. Conclusion

Based on the test results, several conclusions can be drawn, including (1) Digital good corporate governance has a significant and positive impact. This reveals that digital corporate governance has a positive and significant effect on cash ETR. This condition illustrates that, in practice, as digital-based corporate governance improves, the company's ability to carry out tax planning increases as well; (2) Sustainability reporting has a considerable and beneficial influence on cash ETR. This shows that sustainability reporting has a significant and positive influence on cash ETR. This condition illustrates that, in practice, as the company's sustainability report improves, so will its potential for tax planning; (3) Strong corporate governance may have an impact on both positive and considerable company value. This illustrates that good digital corporate governance has a positive and significant influence on business value. This condition shows that if digital-based corporate governance improves, the company's value will grow; (4) Influence Sustainability reports positive and significant company value. This illustrates that sustainability reporting has a big and beneficial influence on corporate value. This situation shows that if the company's sustainability report improves, its value will grow in the eyes of investors; (5) Cash ETR has a positive and significant influence on business value. This illustrates that cash ETR has a big and beneficial impact on business value. This condition illustrates that, in practice, if the company's tax planning improves, so will the company's value in the eyes of investors.

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