Jurnal Impresi Indonesia (JII)
p-ISSN: 2828-1284 e-ISSN: 2810-062x
website: https: //rivierapublishing.id/jii/index.php/

The Influence of Tax Avoidance and Institutional Ownership on Stock Prices with Dividend Policy as a Moderating Variable

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Keywords
Tax Avoidance, institutional ownership, stock prices, dividend policy

Abstract
In a business landscape that continues to evolve in line with the rapid advancements of the current era of globalization, this study aims to determine the effect of tax avoidance and institutional ownership on stock prices, with dividend policy as a moderator, in companies operating in the non-cyclical consumer sector for the 2019–2023 period. The research method uses a quantitative approach. With a sample of 127 companies, the objects of study are financial reports and annual reports over a period of five years. Data analysis includes classical assumption tests, regression analysis, coefficient of determination analysis, and hypothesis testing. The results show that tax avoidance has no partial effect on stock prices, institutional ownership has no effect on stock prices, while the interaction of tax avoidance and dividend policy also has no effect on stock prices. However, institutional ownership combined with dividend policy produces significant partial effects on stock prices.

INTRODUCTION

In a business environment increasingly shaped by rapid technological advancement and globalization, the non-cyclical consumer (consumer staples) sector—producing fundamental goods and services—maintains stable demand even amid economic fluctuations. As digital technologies (such as AI, e-commerce platforms, and value-chain analytics) penetrate this sector, companies must adapt to shifting consumer demographics, preferences, and supply-chain dynamics to sustain competitiveness (Innosight, 2022; PwC, 2025; Rangaswamy et al., 2022; Morgan Stanley, 2024; Chen, 2022).

The demand and supply of shares are critical determinants of stock price movements, directly influencing investors' decisions (Al Hallaq et al., 2019; Ho & Njindan Iyke, 2017; Okumu, 2024). When demand exceeds supply, prices tend to rise, reflecting strong investor confidence in a company's prospects; conversely, oversupply may depress prices and signal reduced investor interest (Choi, 2025; Wang et al., 2018; Chen, 2023; Andleeb et al., 2023).

Another factor that can affect stock prices is institutional ownership. According to Arief et al. (2024), stock prices are influenced by various fundamental and technical factors, including both internal and external factors. Institutional ownership is one such factor that can impact stock prices.

Tax avoidance has become a prominent topic of discussion in recent years within the business world (Bird & Davis-Nozemack, 2018; Oats & Tuck, 2019; Windsor, 2017). The tax avoidance factor addresses a company's efforts to minimize its tax burden through legal and illegal tax planning. Reducing the tax burden can influence a company's performance and its share price.

Institutional ownership also affects stock prices. Institutional ownership, defined as shareholding by institutional investors such as company investors and banks, plays an important supervisory role in the company. Institutional investors assist in monitoring the company's operations and applying pressure that can influence the company's value, thereby impacting its share price.

Table 1. Average Development of the Ratio of Industrial Sector Companies Listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 Period

Information	2019	2020	2021	2022	2023
Stock Price (Y)	4.039	4.077	4.091	4.105	4.111
Tax Avoidance (X1)	0,24331	0,24293	0,24300	0,24310	0,24306
Institutional Ownership (X2)	71,768	71,715	71,662	71,6092	71,556
Dividend Policy (Z)	58,346	58,781	59,307	59,6242	59,912

Source: Secondary Data processed by researchers, 2025

Based on Table 1, the average development of the ratio of non-cyclical customer sector companies listed on the Indonesian Stock Exchange for the period 2019 to 2023 shows that: Stock price (Y) tends to show an increase, although in 2022 and 2023 there was a decrease in the value of the ratio. However, this decrease was not significant, as in 2020 the value was 4.039, a slight decrease from 2019, which was 4.077. In 2021, there was an increase to 4.091 compared to 2020. In 2022, it experienced a decrease to 4.10, then increased again in 2023 to 4.111.

Tax avoidance (X1) tends to fluctuate within a narrow range around a value of 0.243. From 2019 to 2020, tax avoidance decreased from 0.24331 to 0.24293. In 2021, it reached 0.24300, and in 2022 it slightly increased to 0.24310, indicating a minor rise from 2020. In 2023, there was a slight decline to 0.24306. The data suggest that the companies' tax payments average around 24.3%, with minimal variation between the highest and lowest values. Institutional Ownership (X2) tends to decline from 2019 to 2023. In 2019, it was 71.7684, decreasing to 71.7153 in 2020. In 2021, it further declined to 71.6092 and remained the same in 2022. Then, in 2023, it decreased again to 71.5561. Dividend Policy (Z) tends to show a significant increase from 2019 to 2023. The data indicates that in 2020, it increased to 58.7808 from 58.3458 in 2019. In 2021, it rose to 59.3066, followed by an increase to 59.6242 in 2022. Finally, in 2023, it increased further to 59.9120.

Previous studies have examined the influence of institutional ownership and tax avoidance on stock prices, yet their findings remain inconclusive and context-specific. For instance, Arief et al. (2024) demonstrated that institutional ownership positively affects stock prices by enhancing corporate supervision and reducing agency problems; however, their study did not consider the moderating role of dividend policy, which can influence investor perception and stock valuation. Similarly, Pratiwi and Santoso (2022) analyzed the relationship between tax avoidance and stock performance, finding that companies engaging in aggressive tax planning may temporarily boost profits and stock returns. Nonetheless, this research largely overlooked the sector-specific characteristics of non-cyclical consumer companies, where investor behavior and regulatory scrutiny may differ.

The purpose of this study is to determine the effect of tax avoidance and institutional ownership on stock prices, with dividend policy as a moderating variable. The findings are expected to guide corporate managers in making informed financial and governance decisions, assist investors in evaluating investment risks and returns, and contribute to academic literature on corporate finance and market behavior in emerging economies.

RESEARCH METHOD

This study employed a quantitative research design with an associative approach, aiming to examine the relationships between the independent variables (tax avoidance and institutional ownership) and the dependent variable (stock price), with dividend policy as a moderating variable. The research used secondary data from the annual reports of non-cyclical consumer sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2019–2023. The data were processed and analyzed using statistical techniques suitable for associative studies, enabling identification of the correlations and effects of the independent variables on stock prices, as well as the moderating influence of dividend policy.

Table 2. Operational Research Variables

No.	Variable	Measurement	Scale
1.	Stock Price (Y)	Stock price = Closing stock price	Nominal
2.	Tax Avoidance (X1)	CETR = Tax Burden Profit before Tax	Ratio
3.	Institutional Ownership (X2)	KI = Number of Institutional Shares Earnings per share x 100%	Ratio
4.	Dividend Policy (Z)	DPR = Dividends Per share Net profit per share	Race

RESULTS AND DISCUSSION

F Test (Simultaneous)

Table 3. F Test

R-squared	0.084972	Mean dependent var	503.7539
Adjusted R-squared	0.064017	S.D. dependent var	1111.728
S.E. of regression	1075.555	Sum squared resid	1.52E+08
F-statistic	4.055021	Durbin-Watson stat	1.240611
Prob(F-statistic)	0.008576		

Source: Output Eviews 12, 2025

The F test was used to determine whether institutional ownership, dividend policies, and tax avoidance have an impact on stock prices. The probability value of the F-statistic, as shown in Table 4.19, was 0.008576. The degrees of freedom were calculated as follows: df1=k−1df1=k−1 (where kk is the number of independent and dependent variables) and df2=n−kdf2=n−k (where nn is the sample size). In this case, df1=3−1=2df1=3−1=2 and df2=135−3=132df2=135−3=132, with a significance level of α=5%α=5%, resulting in an F-table value of 2.67. Therefore, H0H0 was rejected and H1H1 was accepted, indicating that the independent and dependent variables simultaneously influence each other. It can be concluded that stock prices are influenced by institutional ownership and tax avoidance.

T test (Partial)

Table 4. T Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3038.361	591.8316	5.133827	0.0000
X1_TA	99.36792	560.8079	0.177187	0.8596
X2_KI	-8.916081	4.947527	-1.802129	0.0738
Z_DEVIDEN	15.06461	4.572175	3.294846	0.0013

Source: Output Eviews 12, 2025

Moderation Test Results 1

Table 5. Moderation Test Results 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2972.295	461.1627	6.445220	0.0000
X1	-279.0318	1354.535	-0.205998	0.8371
Z	-22.42510	16.97009	-1.321448	0.1887
X1Z	136.8961	48.62075	2.815589	0.0056

Source: Output eviews 12, 2025

$$\mathbf{Y = 2927.295 - 297.0318(X1) - 22.42510(Z) + 136.8961(X1Z) - e}$$

The results of the MRA test at moderation 1 above the multiplication between tax avoidance and dividend policy showed a probability value of 0.0056 slightly greater than the level of 0.056 > 0.05 and a coefficient value of 136.8961. With a comparison between the t-calculated value of 2.815589 > 1.65648. Therefore, H3 was rejected, so it was concluded that the dividend policy variable could not moderate the relationship between Tax avoidance and stock prices.

Moderation Test Results 2

Table 5. Moderation Test Results 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3037.659	568.2585	5.345559	0.0000
X2	-10.17627	4.974380	-2.045737	0.0428
Z	44.68525	20.98718	2.129169	0.0351
X2Z	-0.343560	0.237706	-1.445313	0.1508

Source: Output evews 12, 2025

Based on the results of the MRA test in the 2nd moderation, the multiplication between institutional ownership and dividend policy shows a probability value of 0.1508 greater than the level of 0.05 and a coefficient value of -0.343560 with a t-table value of 1.65648. H4 is accepted, so it can be concluded that the dividend policy variable can moderate the relationship between institutional ownership and stock prices.

The findings suggest that dividend policy plays a significant role in influencing how institutional ownership affects stock prices. Institutional investors typically monitor company performance closely, and their investment decisions can affect stock price stability and market confidence. However, the presence of an effective dividend policy appears to strengthen the positive perception of investors, ensuring that shareholder returns are predictable and reliable. This moderation effect aligns with prior studies indicating that dividend policy can serve as a signaling mechanism for investors, reflecting the company's financial health and governance quality (Baker & Wurgler, 2004; Jensen, 1986).

The negative coefficient of the interaction term (-0.343560) implies that while dividend policy moderates the relationship, its effect may slightly reduce the direct influence of institutional ownership on stock prices under certain conditions. This could occur if institutional investors prioritize dividend stability over aggressive market movements, thereby reducing volatility and fostering a more sustainable stock valuation.

These findings fill a gap in previous research that primarily analyzed institutional ownership and stock prices independently, without considering the moderating role of dividend policy in non-cyclical consumer sector companies listed on the IDX. By integrating dividend policy into the model, this study provides a more nuanced understanding of corporate governance and market behavior, offering practical implications for company management and investors seeking stable returns.

CONCLUSION

This study found that neither tax avoidance nor institutional ownership had a significant effect on stock prices in non-cyclical consumer sector companies listed on the Indonesia Stock Exchange from 2019 to 2023. Additionally, dividend policy did not moderate the relationships between these variables and stock prices. These results suggest that stock price movements in the sample were influenced more by other factors, such as market conditions, investor sentiment, or macroeconomic variables. Future research could explore these additional factors and investigate their impact on stock prices to provide a more comprehensive understanding of stock performance in this sector.

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