ABSTRACT

This study aims to examine the effect of tax avoidance on investment efficiency with corporate risk disclosure as a mediating variable. This study uses the dependent variable (investment efficiency), independent variable (tax avoidance), mediating variable (company risk disclosure), and control variable (firm size, return on asset, leverage, and capital intensity).

The population used in this study are manufacturing sector companies listed on the Indonesia Stock Exchange in 2017-2021. Samples were selected using the method purposive sampling and obtained as many as 329 research samples for 5 consecutive years. The analysis technique used is multinomial regression analysis and path analysis with SPSS 25 software.

The results of this study disclose that tax avoidance has a negative effect on investment efficiency. Tax avoidance also has a positive effect on underinvestment. Disclosure of corporate risk has a positive effect on investment efficiency. This study also reveals that corporate risk disclosure is not able to mediate the effect of tax avoidance on investment efficiency.

Keywords: Tax Avoidance, Corporate Risk Disclosure, Investment Efficiency, Underinvestment