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The Relationship Between Good Corporate Governance and Transfer Pricing in Multinational Mining Industry Companies Listed on the Indonesian Stock Exchange (Idx) Period 2018-2022

Safira Kirana Riawan
Universitas Trisakti
123012301054@trisakti.co.id

ABSTRACT

This research aims to determine the relationship between good corporate governance (GCG) and transfer pricing in mining industry multinational companies. In this research, good corporate governance used is foreign ownership and audit quality. Foreign ownership is measured by comparing the number of shares owned by foreign parties with the total shares outstanding then multiplied by 100% and audit quality using a dummy variable which has a value of 1 if the financial report is audited by The Big Four KAP and a value of 0 if the financial report is not audited by KAP The Big Four. The sample in this research is a mining industry multinational company listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period. This research uses a sampling method in the form of purposive sampling using secondary financial report data. The results of this research show that foreign ownership has an insignificant effect on transfer pricing of mining industry multinational companies and audit quality has a significant negative effect on transfer pricing of mining industry multinational companies.

Keywords: Transfer Pricing, Foreign Ownership, Audit Quality

INTRODUCTION

The globalization that has occurred has had an impact on all fields of international economics and business, one of which has given rise to the growth and development of multinational companies (Saraswati & Sujana, 2017). Multinational companies are given the convenience of placing their businesses in any country. Within the multinational company environment, various transactions occur which include the sale of goods and services, licensing rights and other intangible assets, providing loans and so on which are used to determine transfer prices (Marfuah & Azizah, 2014).

Transfer pricing is basically a company policy in determining the price of a transaction between parties who have a special relationship, but this can be a sensitive issue in the field of taxation because transfer pricing is considered an international instrument in tax strategy and management which is used for the purpose of minimizing their tax obligations to their subsidiaries in countries with low tax rates (Muhammadi & Ahmed, 2016). Prices determined in transactions between division members in a multinational company can deviate from market prices (Refgia et al., 2017). Research by Noviastika et al., (2016) found that tax results have an effect on transfer pricing.

The transfer pricing phenomenon has occurred in Indonesia carried out by PT. Adaro Indonesia with its subsidiary, Coaltrade Service International Pte Ltd, in Singapore in 2008. PT. Adaro sells coal to its subsidiary, Coaltrade, at a transfer price for the coal below the market price with an average of US$ 26.3 per ton, then Coaltrade resells it at the market price. This Coaltrade practice was revealed when there were suspicions about Coaltrade's financial report documents in 2002-2005, where in the documents it appeared that Coaltrade's profits were higher than Adaro's (Refgia et al., 2017). Based on a Global Witness report in 2019, it was revealed that Adaro through Coaltrade had moved large amounts of money through tax havens and succeeded in reducing its tax bill in Indonesia from 2009-2017. (www.globalwitness.org data accessed on August 6 2019).

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Apart from tax reasons, there are factors that influence transfer pricing, one of which is foreign ownership. Foreign ownership is share ownership owned by foreign individuals or institutions. Companies in Asia, especially Indonesia, use a concentrated ownership structure (Refgia et al., 2017). Based on PSAK No. 15 of 2013 states that in a concentrated ownership structure, controlling shareholders have a better position, because if an entity owns shares of 20% or more, then the entity is considered to have significant influence in controlling the company. This condition creates the potential for controlling shareholders to be deeply involved in company management. The greater the share ownership of a foreign controlling shareholder, the more control the foreign controlling shareholder has in determining company decisions for personal interests, including decisions regarding transfer pricing (Kiswanto & Purwaningsih, 2014). This can allow foreign ownership to influence multinational companies to carry out transfer pricing.

Audit quality is also a factor that can influence transfer pricing. Audit quality is a form of external auditor's decision that occurs when the auditor audits a client's financial report and finds violations/errors that occur and reports them in the audit financial report (Dewi & Jati, 2014). The larger the company, the more complex the accounts in the company's financial statements, so it requires an independent external auditor to audit the financial statements (Watts & Zimmerman, 2008). Company financial reports audited by KAP The Big Four will show the true value of the company and companies audited by KAP The Big Four are considered to have a lower level of fraud because it is more difficult to implement transfer pricing policies compared to companies audited by KAP Non The Big Four (Damayanti & Susanto, 2015). This is supported by research by Nugroho et al., (2018) who found that audit quality has a negative effect on transfer pricing and Tandean & Winnie (2016) found that audit quality has a negative effect on tax avoidance. If it is related to tax avoidance, transfer pricing is one of the methods used by multinational companies to avoid tax. This can enable audit quality, including influencing multinational companies to carry out transfer pricing.

Based on the background and differences in research results above, this research will modify the research of Refgia et al., (2017). The researcher will use the same variables, namely foreign ownership as the independent variable and transfer pricing as the dependent variable, but there is a difference, namely that researchers also use audit quality as an independent variable and added 3 control variables, namely company size, profitability and leverage. So this research will test the "Relationship between Good Corporate Governance and Transfer Pricing" using a research sample of mining industry multinational companies listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period. This sample was taken for the reason that there is a transfer pricing phenomenon that occurs in one of the multinational mining companies in Indonesia and multinational companies are companies that tend to take advantage of transactions that occur between affiliated companies both at home and abroad, one of which is through transfer pricing activities.

STUDY OF LITERATURE

Agency Theory

Agency theory is a contractual relationship between the owner or shareholder as the principal and management as the agent, the principal gives the mandate and authority to the agent to perform a service on behalf of the principal and make the best decisions for the principal. Atkinson and Feltham emphasize that agency theory considers stewardship to a large extent, namely a relationship in which welfare is entrusted by one person to another (Godfrey et al., 2010). This separation of management functions can result in differences in interests, known as agency problems, which are caused by information asymmetry, namely an imbalance of information held by the principal and the agent, where the agent as the company manager is considered to have more access to adequate information than the principal. (Scott, 2015). This can be defined as one of the factors that cause agency problems, namely moral hazard (McColgan, 2001). According to him, moral hazard can occur in large-scale companies, where a manager carries out activities that are not fully known by shareholders or lenders (Jensen & Meckling, 1976). also explained that in a company the share ownership structure can cause agency problems which allow conflicts to occur between the principal and the agent. The relationship between agency theory and transfer pricing

can be seen from the agency problems that occur, where company founders make agreements between the principal and the agent. This condition tends to be exploited by agents who only focus on their own interests, one of which is by carrying out transfer pricing. Agency theory assumes that all individuals act in their own interests and thus try to increase profits for themselves. So, with the existence of agency theory, it is hoped that the problem of differences in interests between the principal and the agent can be minimized (Faishal & Hadiprajitno, 2015).

Tax

Based on Law no. 6 of 2009 concerning General Provisions and Tax Procedures, tax is a mandatory contribution to the state owed by individuals or entities that is coercive based on the law, without receiving direct compensation and is used for state needs for the prosperity of the people. Many companies make decisions to carry out tax planning to minimize their tax burden, so that tax payments can be made efficiently and within the limits of not violating provisions (Pohan, 2015).

Tax Planning

Tax planning or what is called tax planning is the first step in tax management to minimize taxes (Suandy, 2011).

Transfer Pricing

Transfer pricing is defined into two meanings, namely neutral and pejorative. A neutral understanding defines transfer pricing as a strategy without a tax reduction motive, while a pejorative understanding assumes transfer pricing is an effort to minimize the tax burden with various strategies, such as shifting company profits to countries with low tax rates (Suandy, 2001). Based on Law Number 36 of 2008 Article 18 paragraph (4), a special relationship between corporate taxpayers can occur because the Taxpayer has direct or indirect capital participation of at least 25% (twenty five percent) in other Taxpayers (www .pajak.go.id data accessed on February 6 2019). Apart from that, transfer pricing is also regulated in the Director General of Taxes Regulation no. PER-32 of 2011 concerning the application of the principles of fairness and business practices in transactions between taxpayers and parties who have special relationships.

Good Corporate Governance

Corporate Governance is a set of relationships between management as company managers, shareholders, company owners, and interested parties to achieve company goals. Corporate Governance is used for company sustainability, as a tool for monitoring company performance (Octavia, 2017). With the implementation of corporate governance, it is hoped that it can give the owner confidence in the agent in managing the owner's wealth, and the owner becomes more confident that the agent will not commit fraud for his own prosperity (Widyati, 2013).

Foreign Ownership

Based on Law no. 25 of 2007 article 1 paragraph 8 states that foreign ownership is capital owned by foreign countries, individual foreign citizens, and Indonesian Legal Entities whose capital is partly or wholly owned by foreign parties (Kiswanto & Purwaningsih, 2014). Foreign ownership is measured according to the proportion of ordinary shares owned by foreign parties. Based on Statement of Financial Accounting Standards (PSAK) No. 15 of 2013 explains that controlling shareholders have a better position in a concentrated ownership structure, because controlling shareholders are entities that own shares of 20% or more, so the entity is considered to have significant influence in controlling the company.

Audit Quality

Audit quality is a form of external auditor's decision that occurs when auditing a client's financial report and finding violations/errors that occur and then reporting them in the audit financial report (Dewi & Jati, 2014). Audits and financial reports have a strong correlation, because audits are useful for providing independent opinions on financial reports and ensuring that financial reports comply with existing conditions. High auditor quality is expected to reduce the practice of

violations that occur, one of which is transfer pricing (Nugroho et al., 2018).

Company Size

Company size is a benchmark that classifies the size of a company. Company size shows the company's ability to take all tax decision-making actions as well as the company's stability in carrying out its economic activities. The larger the company size, the greater the government's attention (Putri & Putra, 2017). The size of a company can be determined based on the total assets owned by the company. The size of the company can determine the number of practices transfer pricing in companies. The larger the size of the company, the more visible its performance will be by the public so that company managers will be more careful and transparent in reporting their financial condition. Meanwhile, the smaller the company size, the more likely it is to carry out transfer pricing (Refgia et al., 2017).

Profitability

Profitability is a company's ability to make a profit in a certain period. Companies with high profits tend to have high tax obligations (Cahyadi & Noviari, 2018). Profitability can be calculated by the net profit obtained by total assets. Profitability can determine the number of transfer practices pricing. If a company obtains high profitability, the company also tends to bear high tax obligations, causing the company to tend to carry out transfer pricing, namely moving its profits to its subsidiaries located in countries with lower tax rates (Richardson et al., 2013).

Leverage

Leverage is a ratio that is measured to measure the extent Company assets are financed with debt. The leverage ratio will show the proportion of funding financed by debt. The leverage ratio is calculated by comparing total liabilities with total equity. Leverage can determine the extent of transfer pricing practices within a company. borne by the company. This high interest expense is considered by the company to cause reduced profits. Under these conditions, companies that have high leverage will prioritize their focus on debt repayment so that it has an impact on company decisions, including transfer pricing. (Richardson et al., 2013).

Hypothesis Development

The Relationship between Foreign Ownership and Transfer Pricing

The greater the share ownership owned by foreign parties, the greater the control that foreign controlling shareholders have in determining decisions within the company that benefit themselves, including the encouragement to carry out pricing policies and the number of transfer pricing transactions (Stephanie et al., 2017). Research conducted by Stephanie et al., (2017), Kiswanto & Purwaningsih (2014), and Refgia et al., (2017), found that foreign ownership influences transfer pricing decisions. This means that the greater the control rights possessed by foreign shareholders, the more likely it is that foreign shareholders will order management to carry out related party transactions, one of which is transfer pricing. In agency theory, the relationship between foreign ownership and transfer pricing is explained based on agency problems, namely parties who have more control in a company can act in their own interests. Based on this, the researcher temporarily concludes that foreign ownership has a positive effect on transfer pricing.
H1: Foreign ownership has a positive effect on transfer pricing.

Relationship between audit quality and transfer pricing

Financial reports audited by KAP The Big Four will show the true value of the company and companies audited by KAP The Big Four are considered to have a lower level of fraud because it is more difficult to implement transfer pricing policies compared to companies audited by KAP Non The Big Four (Damayanti & Susanto, 2015). This is supported by research by Annisa & Kurniasih (2008) and Eksandy (2014) who found that audit quality has a negative effect on tax avoidance, in relation to tax avoidance, transfer pricing is one of the tax avoidance efforts. In agency theory, financial reports audited by external auditors or Public Accounting Firms (KAP) are

considered one means of overcoming agency problems that occur, namely differences in interests between the principal and the agent. Based on this research, it can be concluded that audit quality has a negative effect on transfer pricing.
H2: Audit quality has a negative effect on transfer pricing.

METHOD

The object of this research is a multinational mining company in Indonesia. In previous research, the samples used were manufacturing companies for the 2010-2016 period, so this research uses multinational mining companies listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period to differentiate them from previous research samples.

Research Design

The design of this research is descriptive research, where this research is carried out with the aim of describing research variables in certain situations (Sekaran & Bougie, 2013). The type of data used in this research is quantitative data. namely information in the form of numbers (Supranto, 2002). The data source used is secondary data, namely data that refers to information collected from existing sources (Sekaran & Bougie, 2013). The secondary data used is the annual financial reports published by each multinational company listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period.

Sampling Method

The sample is a portion of the members of the population (Supranto, 2002). The sampling method in this research used a purposive sampling method. Purposive sampling is a sampling method in non-probability sampling, meaning that samples are collected by meeting certain criteria with the aim of obtaining a representative sample (Sekaran & Bougie, 2013). Sample criteria are as follows:

1. Mining industry multinational companies listed on the Indonesia Stock Exchange (BEI) in 2018-2022 respectively.
2. Mining industry multinational companies that publish annual financial reports in 2018-2022 consecutively.
3. All the data needed to measure each variable in this research is available.

Dependent Variable

The dependent variable or dependent variable is a variable that is influenced by the existence of an independent variable (Sugiyono, 2017). Sekaran & Bougie (2013) define the dependent variable as the variable that is of primary concern in a study. The dependent variable that will be used in this research is the transfer pricing variable. Transfer pricing is a policy for determining the transfer price of goods, services, intangible assets or transactions between parties who have a special relationship. Transfer pricing is measured using related party transactions (RPT) receivables against total receivables based on PSAK No. 7 of 2010, for the reason that the value of related transactions is a transaction between parties who have a special relationship to maximize profits (Refgia et al., 2017).

Independent Variable

Foreign Ownership

Foreign ownership is share ownership owned by parties from abroad, both individuals and institutions (Refgia et al., 2017). Foreign ownership is measured using a comparison between the number of shares owned by foreign parties and the total shares outstanding then multiplied by 100% (Refgia et al., 2017). The amount of foreign ownership is referred to as the percentage of shares held by foreign parties at the end of the year, while the total shares in circulation are calculated based on the sum of all shares issued by the company at the end of the year (Susanti in Kusumasari et al., 2016). If a foreign individual/entity owns a share percentage of 20% or more, then this is considered to have significant influence in controlling the company.

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Audit Quality
Audit quality is all the possibilities that can occur when an auditor audits financial reports and finds errors that occur and reports them in the audit financial report (Khairunisa et al., 2017). Audit quality is measured using a dummy variable, with a value of 1 if the financial report is audited by the Big Four Public Accounting Firm (KAP), namely Deloitte Touche Tohmatsu – KAP Osman Bing Satrio, PricewaterhouseCoopers (PwC) – KAP Tanudiredja, Wibisana, Rintis, & Partners, Ernst & Young – KAP Purwantono, Sarwoko, Sandjaja, KPMG – KAP Sidharta, Sidharta, Widjajadan and KAP affiliated with The Big Four and has a value of 0 if the financial report is not audited by the Public Accounting Firm (KAP) The Big Four and KAP affiliated with The Big Four.

Control Variables
Control variables are variables that are controlled constantly so that the influence of the independent variable on the dependent is not influenced by external factors (Sugiyono, 2014). The control variables in this research consist of company size and profitability.

Company Size
Company size in this research is defined as a measure of how big or small a company is (Suprianto & Pratiwi, 2016). The size of the company in this study is proxied by the natural logarithm value of the company's total assets (Refgia et al., 2017). Total assets are used as a benchmark because the asset value is relative to the sales value (Kusumasari et al., 2016).

Profitability
Profitability in this research is defined as the company's ability to generate profits (Oktamawati, 2017). Profitability in this research is measured using Return On Assets (ROA), namely the comparison between net income and total assets.

Leverage
Leverage in this research is defined as a comparison that measures how far a company uses debt. Leverage describes the relationship between total liabilities and total equity in funding a company, and shows the company's capital ability to fulfill its obligations (Kurniasih & Sari, 2013). In this study leverage is measured by dividing total liabilities by total equity.

Data Processing and Analysis Techniques
The analysis techniques used in this research include descriptive statistical analysis, panel data regression analysis, classical assumption testing, and hypothesis testing. In the classical assumption test, researchers used the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The analytical method used is multiple linear regression analysis. Hypothesis testing uses the coefficient of determination, f test, and t test. The regression equation formula used in this research is as follows:

$$TPRICINGi,t = \beta o + \beta 1FOREIGNOWNi,t + \beta 2AQi,t + \beta 3SIZEi,t + \beta 4PROFITi,t + \beta 5LEVi,t + \varepsilon$$

Keterangan:

TPRICING	= Transfer Pricing
βo	= Constant
β1, β2, β3, β4, β5	= Regression Coefficient
FOREIGNOWN	= Foreign Ownership
AQ	= Audit Quality
SIZE	= Company Size
PROFIT	= Profitability
LEV	= Leverage
ε	= error term
i	= Company
t	= Annual Reporting Period

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RESULT

General Description of Research Objects

This research uses a sample of industrial multinational mining companies listed on the Indonesia Stock Exchange for the 2014-2018 period were selected using a purposive sampling method, namely sampling using certain criteria. Based on this method, the following is a summary of sample selection described in table 4.1 as follows:

Table 4.1. Sample Selection Criteria

Quantity	Criteria
Mining companies listed on the Indonesian Stock Exchange in 2014-2018 respectively	41
Mining companies that do not have subsidiaries and/or affiliated companies overseas/multinational in 2014-2018 respectively	(21)
Mining companies that have subsidiaries and/or affiliated companies overseas/multinational in 2014-2018 respectively	20
Mining industry multinational companies that did not publish their 2014-2018 annual financial reports in a row	(3)
Companies with incomplete data for measuring each variable	(0)
Number of companies	17
Total sample (17 companies x 5 years of research)	85
Data outliers	(7)
Total Observations after Outliers	78

Source: Author's Processed Data

Based on table 4.1 above, it can be concluded that the number of companies used as samples in the research was 17 multinational companies in the mining industry with a total sample of 85, after deducting outliers of 7 data, the number of observations obtained in this research was 78 observations.

Descriptive Statistical Analysis

Descriptive statistical analysis aims to provide an overview of data seen from the number of samples, minimum value, maximum value, mean (average value), median, and standard deviation of each variable (Ghozali, 2013). The following are the results of the research descriptive statistical tests:

Table 4.1. Descriptive Statistics

	TPRICING	FOREIGNOWN	AQ	SIZE	PROFIT	LEV
Mean	18.91146	25.93922	0.615385	20.33534	0.640400	1.982499
Median	11.82543	22.33443	1.000000	20.71271	0.193240	1.241187
Maximum	83.12953	98.99738	1.000000	22.67782	0.455579	28.05775
Minimum	0.000000	0.000000	0.000000	12.92295	-0.805173	-15.81731
Std. Dev.	20.93037	24.37831	0.489653	2.266388	0.158863	5.591342
Skewness	1.242637	1.631250	-0.474342	-2.216287	-2.238054	1.716819
Kurtosis	3.818131	5.261808	1.225000	7.541638	13.96274	12.44339
Jarque-Bera	22.24924	51.21898	13.16453	130.8911	455.7060	328.1441
Probability	0.000015	0.000000	0.001385	0.000000	0.000000	0.000000
Sum	1475.094	2023.259	48.00000	1586.156	-0.499509	154.6350
Sum Sq. Dev.	33732.19	45761.26	18.46154	395.5115	1.943293	2407.259
Observations	78	78	78	78	78	78

Classic assumption test

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Normality test

The normality test aims to test whether the regression model for confounding or residual variables has a normal distribution (Ghozali, 2013). A good regression model is a regression model that has normally distributed residual data. Data can be declared normally distributed if it has a Jarque-Bera probability above 0.05 or 5%. The following are the results of research data normality testing:

Table 4.2. Normality Test Results

Series: Standardized Residuals	
Sample 2014 2018	
Observations 78	
Jarque-Bera	3.942935
Probability	0.139252

Based on the results of the normality test in table 4.2 which refers to Appendix 3 at the end of the research, the probability value for Jarque-Bera is 0.139252 or greater than 0.05. So it can be concluded that Ho is accepted and in this study the residual data is normally distributed.

Multicollinearity Test

The multicollinearity test aims to test whether there is a linear relationship between independent variables (Ghozali, 2013). If the correlation matrix between variables has a correlation result of 0.80, then reject Ho or the model contains elements of multicollinearity and if the correlation matrix between variables has a correlation result of < 0.80, then accept Ho or the model does not contain elements of multicollinearity so it is declared to have passed the multicollinearity test. The following are the results of multicollinearity testing in this study:

Table 4.3. Multicollinearity Test Results

	FOREIGNOWN	AQ	SIZE	PROFIT	LEV
FOREIGNOWN	1.000000				
AQ	-0.071310	1.000000			
SIZE	-0.010013	-0.081110	1.000000		
PROFIT	-0.106236	0.288551	0.114969	1.000000	
LEV	0.015639	0.055472	0.018674	0.177974	1.000000

Based on the results of the multicollinearity test in table 4.3 which refers to Appendix 3 at the end of the research, it can be analyzed that the correlation matrix between all independent variables has a correlation below 0.80, so it can be concluded that in this research model there is no element of multicollinearity between independent variables.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is inequality of variance from the residuals of one observation to another (Ghozali, 2013). If the result is homoscedasticity or heteroscedasticity does not occur then the regression model is a good regression model. If the model has a probability value above 0.05 then the model does not contain elements of heteroscedasticity. Following are the test results heteroscedasticity in this research:

Table 4.4. Heteroscedasticity Test Results

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
FOREIGNOWN	0.113804	0.063295	1.797979	0.0764
AQ	-19.58964	10.22743	-1.915402	0.0594
SIZE	-3.157301	1.935771	-1.631031	0.1073
PROFIT	31.66850	22.71422	1.394215	0.1675
LEV	0.321147	0.399177	0.804524	0.4237
C	92.58398	42.32606	2.187399	0.0320

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Based on the results of the heteroscedasticity test in table 4.6. which refers to Appendix 3 at the end of the research, it can be analyzed that the probability value after white weighting each independent variable is above 0.05, so it can be concluded that in the research model there is no element of heteroscedasticity.

Autocorrelation Test

The autocorrelation test aims to test whether there is a correlation between the residuals of one observation and other observations in the regression model. A regression model that is free from autocorrelation is a good regression model (Ghozali, 2013). If the Durbin-Watson stat value is between dU and 4-dU then the model does not have autocorrelation. The following are the results of the autocorrelation test in this study:

Table 4.5. Autocorrelation Test Results

K	N	Durbin-Watson Stat				
5	78	1.988956				
0	dL	dU	2	4 – dU	4 – dL	4
0	1.4991	1.7708	2	2.2292	2.5009	4
			1.988956			
Positive utocorrelation	No Decision Zone		No Autocorrelation	No Decision Zone		Negative Autocorrelation

Based on the results of the autocorrelation test in table 4.5. which refers to Appendix 3 at the end of the research, the value of the Durbin-Watson stat is 1.988956. The autocorrelation test was carried out using the Durbin-Watson table with a total of 5 independent variables (k=5) and a total of 78 observations (n=78). Based on the Durbin-Watson table, the dL value = 1.4991, the dU value = 1.7708, the 4–dU value = 2.2292 and the 4–dL value = 2.5009. Based on this explanation, it can be seen that the value 1.988956 is between dU – 2 – 4-dU, so it can be concluded that there is no positive or negative autocorrelation.

Regression Equation Analysis

$$TPRICING_{i,t} = 92.58398 + 0.113804FOREIGNOWN_{i,t} + 19.58964AQ_{i,t} + 3.157301SIZE_{i,t} + 31.66850PROFIT_{i,t} + 0.321147LEV_{i,t} + \varepsilon_{i,t}$$

Tabel 4.6 Regression Equation Analysis

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
FOREIGNOWN	0.113804	0.101879	1.117053	0.2677
AQ	-19.58964	8.286824	-2.363950	0.0208
SIZE	-3.157301	1.743314	-1.811092	0.0743
PROFIT	31.66850	10.22387	3.097507	0.0028
LEV	0.321147	0.260735	1.231698	0.0221
C	92.58398	36.27344	2.552390	0.0128
R-squared	0.203331	**Mean dependent var**		6.165138
Adjusted R-squared	0.168007	**S.D. dependent var**		13.22671
F-statistic	3.675261	**Durbin-Watson stat**		1.988956
Prob(F-statistic)	0.005108			

Coefficient of Determination (R2)

Based on the table above, it shows that the Adjusted R Square value is 0.168007. These results indicate that the variables foreign ownership (foreignown), audit quality (aq), company size (size), profitability (profit), and leverage in this study are only able to explain 16.8007% of which

83.1993% is explained by other factors outside variables studied.

F Test (Simultaneous Test)

Based on the table above. shows a Prob (F-statistic) value of 0.005108. This value is smaller than the significance level of 0.05, which indicates that all independent variables and control variables simultaneously have a significant effect on the dependent variable.

T Test (Partial Test)

H_1: Foreign ownership has a positive effect on transfer pricing

Based on the regression equation table above, it shows that the probability value of the independent variable foreign ownership is 0.2677 or greater than the significance level of 0.05 with the regression coefficient value of the foreign ownership variable being 0.113804. So it can be concluded that foreign ownership has an insignificant positive effect on transfer pricing, the first hypothesis is rejected.

H_2: Audit quality has a negative effect on transfer pricing

Based on the regression equation table above. shows that the probability value of the independent variable audit quality is 0.0208 or greater than the significance level of 0.05 with a regression coefficient value for the variable aq of -19.58964. So it can be concluded that audit quality (aq) has a significant negative effect on transfer pricing, the second hypothesis is accepted.

In this study, the first control variable is company size. Based on the regression equation table. shows that the probability value of the company size variable is 0.0743 or greater than the significance level of 0.05 with a regression coefficient of -3.157301. So it can be concluded that company size has an insignificant negative effect on transfer pricing. The second control variable is profitability or profit. Based on table 4.8. shows that the probability of the profitability or profit variable is 0.0028 or smaller than the significance level of 0.05 with a regression coefficient of 31.66850. So it can be concluded that profitability has a significant positive effect on transfer pricing. The third control variable is leverage or lev. Based on the regression equation table above. shows that the probability value of the leverage variable is 0.0221 or smaller than the significance level of 0.05 with a regression coefficient of 0.321147. So it can be concluded that leverage has a significant positive effect on transfer pricing.

Discussion of Research Results

Influence of Foreign Ownership

Based on the results of research using partial tests in the regression equation table above, the probability value of the independent variable foreign ownership is 0.2677 or greater than the significance level of 0.05 with a regression coefficient value of the foreign ownership variable of 0.113804, these results indicate that in the 2018-2022 period ownership foreigners are proven to have an insignificant effect on transfer pricing. These results are not in line with previous research by Refgia et al., (2017), Stephanie et al., (2017) and Kiswanto & Purwaningsih (2014), but are in line with Tiwa, Saerang, & Tirayoh (2017). In theory, it explains that when the portion of capital invested by foreign parties is 20% or more in a company, the higher the influence of controlling shareholders in determining transfer pricing decisions. However, according to Tiwa et al., (2017) controlling shareholders do not carry out transfer pricing in the context of expropriation. Considering that the company under study is a multinational company that has control over subsidiary companies without any special ties in the form of blood family, then all company decisions on the scale of expropriation to benefit themselves are irrelevant. Apart from that, the existence of economic differences between one country and another can also mean that foreign ownership does not have a significant effect on transfer pricing. For example, when a controlling shareholder's country is experiencing a financial crisis but not other countries, it cannot be denied that he may withdraw the funds he has invested in the company on a large scale. So it is concluded that foreign ownership has no significant effect on transfer pricing.

Influence of Audit Quality

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Based on the results of research using partial tests in the regression equation table above, the probability value of the independent variable audit quality is 0.0208 or greater than the significance level of 0.05 with the regression coefficient value of the aq variable being -19.58964. These results indicate that in the 2018-2022 period the quality audits are proven to have a significant negative effect on transfer pricing. These results are in line with research by Annisa & Kurniasih (2008) and Eksandy (2014). According to Annisa & Kurniasih (2008), if a company is audited by the big four KAP, it will be increasingly difficult for the company to implement transfer pricing policies. When a company uses audit quality with the big four KAPs, the company tends not to carry out transfer pricing. Financial reports audited by KAP the big four will show the true value of the company and companies audited by KAP the big four are considered to have a lower level of fraud because it is more difficult to implement transfer pricing policies compared to companies audited by non-big four KAP (Damayanti & Susanto, 2015). This is in accordance with agency theory which explains that financial reports audited by external auditors or Public Accounting Firms (KAP) are considered capable of overcoming agency problems that occur, namely differences in interests between the principal and the agent. So it is concluded that audit quality has a significant negative effect on transfer pricing.

Effect of Control Variables

Company Size

Based on the results of research using partial tests in the regression equation table above, the probability value of the company size variable is 0.0743 or greater than the significance level of 0.05 with a regression coefficient of -3.157301, these results indicate that in the 2018-2022 period company size has an influence not significant to transfer pricing. These results are in line with research by Khairunisa et al., (2017). According to Khairunisa et al., (2017), larger companies have less incentive to carry out transfer pricing. Because the larger the size of the company, the more its performance will be seen by the public so that the managers or directors of the company will be more careful and transparent in reporting their financial condition. Meanwhile, smaller company sizes are considered to have a greater tendency to manage company profits, one of which is through transfer pricing. However, transfer pricing does not look at how big/small the company is. This is supported by the results of the regression equation which shows that constanta has a significant value at a significance level of 0.05 or 5%, this shows that assuming that without other variables transfer pricing already exists in the company. This is in accordance with agency theory, where the authority possessed by managers in managing the company will give rise to a tendency to be more selfish, one of which is transfer pricing. So it can be concluded that company size has no significant effect on transfer pricing.

Profitability

Based on the results of research using partial tests in the regression equation table above, the probability result of the profitability or profit variable is 0.0028 or smaller than the significance level of 0.05 with a regression coefficient of 31.66850. These results indicate that in the 2018-2022 period profitability has a significant positive effect on transfers. pricing. These results are in line with research by Richardson et al., (2013) and Cahyadi & Noviari (2018). According to Richardson et al., (2013) the higher the level of profitability of a company, the higher the company will carry out transfer pricing. Profitability describes the effectiveness of company management in managing the company so that it produces the profits expected by the company owner. Increasing profitability causes corporate tax obligations to also increase. In other words, the higher the suspicion of companies carrying out transfer pricing because there is a possibility that companies will try to divert their profits to companies located in low tariff jurisdictions (Cahyadi & Noviari, 2018). This is also supported based on the results of descriptive statistics in this study, the profitability variable has an average (mean) value of 0.640400 which is greater than the median value of 0.193240, which shows that on average the sample companies in this study have relatively high profitability. In line with this, the results of the regression equation show a constant value of 92.58398 with a probability

value of 0.0128 at a significance level of 0.05, indicating that the companies in the sample with relatively high profitability are indeed indicated to carry out transfer pricing. So it can be concluded that profitability is significantly positive on transfer pricing.

Leverage

Based on the results of research with partial tests on the regression equation table. above, the probability value of the leverage variable is 0.0221 or smaller than the significance level of 0.05 with a regression coefficient of 0.321147. This result shows that in the 2018-2022 period leverage had a significant positive effect on transfer pricing. These results are in line with research by Richardson et al., (2013), Oktamawati (2017), Cahyadi & Noviari (2018), and Pratiwi (2018). The higher the level of leverage of a company, the higher the company will carry out transfer pricing. Multinational companies typically finance group members with debt and/or capital transfers. It is possible that leverage can act as a substitute for transfer pricing in achieving a reduction in the tax liabilities of multinational companies (Richardson et al., 2013). Leverage can be a factor that encourages companies to carry out transfer pricing with the aim of reducing the company's tax burden. Companies with a high level of debt use will prioritize their focus on debt repayment which has an impact on company decision making, including transfer pricing (Pratiwi, 2018). This is in accordance with the trade off theory which explains that the use of debt by companies can be used for tax savings (Oktamawati, 2017). So it can be concluded that leverage has a significant positive effect on transfer pricing.

CONCLUSION

This research aims to find out and obtain evidence regarding the relationship between good corporate governance and transfer pricing in mining industry multinational companies listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period. Based on the tests carried out and the discussion presented, the conclusions in this research show that:

1. Foreign ownership, which is measured using a comparison between the number of shares owned by foreign parties and the total shares in circulation, then multiplied by 100%, has an insignificant effect on transfer pricing in mining industry multinational companies listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period. .
2. Audit quality or aq is measured using a dummy variable which has a value of 1 if the financial report is audited by KAP The Big Four and KAP affiliated with The Big Four and has a value of 0 if the financial report is not audited by KAP The Big Four and KAP affiliated with The Big Four significant negative effect on transfer pricing in mining industry multinational companies listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period.

Based on the conclusions of the analysis and discussion above, the limitations and suggestions in this research are as follows:

1. This research only uses research objects as multinational mining industry companies in Indonesia which are listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period. It is hoped that further research can expand the corporate sector in Indonesia.
2. This research period is limited to 5 (five) years. It is hoped that future research will extend the research period in order to provide better research results.
3. For the independent variables in this research, only two elements of good corporate governance are used, namely foreign ownership and audit quality. It is hoped that further research will include or add elements of good corporate governance such as the board of commissioners, independent commissioners, board of directors, audit committee, and others that can influence transfer pricing.
4. This research only produced a coefficient of determination of 16.8007%. Therefore, there are other variables that may influence a company's decision to carry out transfer pricing. It is recommended to add other variables such as bonus mechanisms, tunneling incentives, and others that might influence transfer pricing.

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