

## THE INFLUENCE OF PRESIDENT DIRECTOR CHARACTERISTICS ON CORPORATE TAX AVOIDANCE IN INDONESIAN MANUFACTURING COMPANIES (2020–2024)

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**Abstract:** This research aims to explore the relationship between CEO characteristics and tax avoidance behaviour of publicly traded manufacturing firms in Indonesia Stock Exchange (IDX) over a three year period from 2020 to 2024. Four important areas of investigation for this study include: (1) age of CEO; (2) sex/gender of CEO; (3) education level/background of CEO; and (4) length of time serving as CEO. A quantitative methodology was applied using multiple regression on a panel data set containing 250 firm level observations. Findings revealed that the education level and time served as a CEO were significantly and positively correlated with tax avoidance behaviour while both age and gender were not determined to statistically impact tax avoidance behaviour. These findings provide direct implications for tax authorities and corporations to consider with respect to how corporate executive characteristics impact tax strategy decisions.

**Keywords:** *Tax Avoidance, President Director, Educational Background, Tenure, Executive Characteristics.*

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### 1. Introduction

Tax revenue represents an important source of income for state governments. The ability of state governments to operate effectively and finance development efforts relies on the tax revenue they generate. The state of Indonesia has several sources of revenue, one of them being the corporate income tax. Unfortunately, the corporate income tax is a revenue source that often does not reach the target levels set by the Indonesian government. For this reason, optimizing tax revenue remains a challenge for the Indonesian government, in part, because of the method by which many corporations are currently avoiding taxes (Putri & Pratiwi, 2021). Although tax avoidance is a legal strategy that can assist a corporation in reducing its tax burden and thus increase its profitability, it has a negative impact on the fiscal capacity of the state and creates a misalignment of interests between the corporation and the government (Hanlon & Heitzman, 2010). Tax constitutes a cost to corporations and, as such, has an effect on the overall profitability of the corporation and its financial performance. Therefore, the misalignment of interest between business and government creates an incentive for management of the corporation to engage in tax planning strategies that reduce their tax liability in a legal manner. The tax policy followed by a corporation is determined not only by the financial position of the corporation but also by the actions, policies, and conduct of the senior executives of that corporation. In this respect, the chief executive officer of the corporation is the principal

individual responsible for coordinating these elements; thus, the chief executive officer plays a significant role in determining the tax policy of the corporation.

Upper Echelons Theory (Hambrick & Mason, 1984) asserts that the strategic decisions of a firm are influenced by the individual characteristics and value systems of its top management team. For instance, CEO characteristics such as age, gender, education level, and tenure may have an effect on how they view and assess risk and make business decisions. Therefore, CEOs with certain educational backgrounds or an extended work experience should have higher levels of knowledge regarding the regulations and processes involved in operating a business, which ultimately provides them with the skill set necessary to create tax strategies (Hambrick, 2007). Empirical evidence from numerous studies appears to suggest that executive characteristics impact corporate behaviour in regard to tax avoidance; however, results have been conflicting. Research by Wahyudi and Firmansyah (2021) found statistically significant relationships between executive age/education level and the methods used by corporations to execute tax avoidance strategies. In addition, Saputra (2022) reported there is a positive correlation between how long a CEO has been in his/her leadership role and the likelihood that the corporation will engage in tax avoidance, as the more time a person has been in a leadership role, the more experience has been accumulated to exploit.

In the past, researchers have not published about capital expenditure in manufacturing firms until after the year 2020. As the manufacturing sector is critical to the national economy and features extensive operational intricacies when it comes to tax compliance and reporting requirements, researchers need to conduct an abundance of additional empirical research in this area because researchers have not adequately validated the research hypothesis based on previously collected data.

The objective of this study is to explore the correlation between CEO demographical characteristics (such as age, gender, educational background, and tenure in position) and the incidence of tax avoidance across firms listed on the Indonesian Securities Exchange from 2020 to 2024. Through the analysis of the above-mentioned correlations, this study will provide additional empirical support to the ongoing debate on tax avoidance across various industries, while also providing information to investors, managers and regulators that they can rely on when developing policies aimed at increasing tax compliance and decreasing global tax avoidance rates.

## **2. Literature Review**

### **2.1. Upper Echelons Theory**

The Upper Echelons Theory, as described by Hambrick and Mason in 1984, is a method for making decisions based on how a company's top management uses strategic decision making to shape the image of the entire top management team and the Board of Directors. Specifically, this refers to how top management uses their cognitive view to make strategic decisions pertaining to the image of the top management team and the Board. The cognitive view of top management will show the values, knowledge and experience of the Board of Directors that are being used in making strategic decisions as well as interpreting information by the top management team. Additionally, the cognitive view of top management will influence how the top management team creates policies, makes strategic decisions and evaluates results. According to Hambrick (2007), the characteristics of managers can be used to predict the potential outcomes of any policy that a company might choose to pursue. This prediction is based on the idea that the manager's cognitive basis and values will play a significant role in his or her decision making processes. Because it is difficult to see a manager's

psychological basis in making decisions, demographic information can be used as a proxy for identifying managers' cognitive view and values. Wahyudi's findings are consistent with these findings.

## **2.2. Tax Avoidance**

According to Dyreng et al, Tax Avoidance refers to behaviours that taxpayers use to reduce taxes actually paid, therefore, Tax Avoidance consists of all activities of a taxpayer which lower their tax cash payable taxes in relation to their “pretax (before tax) financial accounting income”. Tax Avoidance is defined as “a purpose of Tax Avoidance” so all actions associated with Tax Avoidance should be presumed to be legal since companies have a legal basis for engaging in Tax Avoidance. While each company has their own justification to engage in Tax Avoidance, it is also important to note that Tax Avoidance is not a “bad” thing and there are no criminal ramifications for engaging in Tax Avoidance. All transactions associated with Tax Avoidance occurring are valid transactions that comply with the law; however they do result in lower levels of tax revenue being collected by the government. In practical terms Tax Avoidance does not negatively affect the federal government (tax revenue), however, because Tax Avoidance is reducing the amount of taxes that should be remitted to the Federal Treasury, leaving insufficient revenues to meet the federal government’s financing and/or national program requirements, Tax Avoidance could potentially create an actual impact on the federal government.

## **2.3. CEO Experience**

Work experience is a measure of how long an employee has worked for an employer. People who have worked for an organisation for longer are more likely to have developed their own unique skill set or talent that they use to perform their job, according to Maulia & Januari (2020). In addition, ample leaders on the Board have work experience that allows them to effectively handle many different situations requiring their expertise. Ultimately, this can have a huge impact on profits generated by the organisation due to the Board’s ability to provide guidance and direction through its experience. According to Zhang and Wiersema (2021), one of the best measures of executive experience is the length of their current employment. With each passing year, an executive will continue to gain additional experience in their field and develop an even greater level of understanding about their position. This corresponds with Hendrayani (2020), who stated that because the experience level of the Board will benefit from the previous experience of its members (i.e., having been an executive at some point), the Board is able to provide better guidance and assistance to the organisation as a whole.

## **2.4. CEO Age**

The age of a CEO is an important aspect of the personal attributes that can influence an organization’s strategic decisions. Age creates differences in risk-taking behavior and attitude toward taxation. According to Hambrick & Mason (1984), older CEOs (with more experience) will generally be more cautious and risk-averse than younger leaders. This means that older (more experienced) CEOs are less likely to pursue excessive risk or aggressive methods for avoiding taxes. Conversely, younger (less experienced) CEOs typically have more innovative approaches and greater tolerance for risk than do their older (more experienced) colleagues. Therefore, younger CEOs may be more willing to engage in various forms of tax avoidance compared to older CEOs.

## **2.5. CEO Gender**

According to Kyaw et al. (2017), having a varied board of directors allows for more access to diverse resources for a business. In addition, when women are included on the board of directors, they often promote the business' ability to make decisions using procedures by being careful and being more aware of the various types of risks and social issues associated with the day-to-day operations of the business, which can lead to improved decision-making and, as a result, a return on the business' investments. Many researchers have demonstrated this. For example, Mohd Saleh et al. (2022) found that organizations with a higher proportion of female directors made more efficient and effective decisions; therefore, organizations with a higher percentage of female board members tend to have higher returns on invested capital. Likewise, Ibrahim and Hanefah (2022) indicated that female directors, being a group of directors, will provide decision-makers with multiple perspectives, various backgrounds, and multiple management styles. All of these factors lead to high-quality decision-making. Another benefit of female directors being on the board is that they are perceived as being more compassionate and caring regarding social issues. Because of this fact, female directors may provide guidance to the board on how their experiences, perspectives, and information could lead to returns through Corporate Social Responsibility initiatives.

There have been several studies conducted that identify female representation on boards of directors as contributing positively to the overall performance of an entity. One such study, Khan et al., (2019) believes that there is an increasing importance of female representation on public company boards as companies will become more inclined to promote CSR disclosures as a result of having female directors helping lead the company's CSR strategies. In addition, in today's world, society is beginning to treat female participants equally with male participants within the workplace and in particular, as more women become aware of the value of education; women are beginning to demand equal representation on boards of directors.

## **2.6. CEO Educational Background**

It is essential to have diversity in the executive leadership that is represented by a company's board. The diversity of a company's board of directors and of any corporate executive officers that may be on its board of directors provides insight into their knowledge and experience. The CEO (or person managing the company) will need to have sufficient economic knowledge to make good business decisions to manage the company for the benefit of its owners and produce the best outputs for them. According to Rahman & Ismail (2022), you can evaluate the educational credentials of each corporate officer and director by their experience and skill set. The greater the educational credentials (particularly from higher learning institutions such as universities), the greater the level and/or quality of human capital available to corporate boards for making decisions that will affect a company's future performance. Additionally, Nguyen et al. (2020) show how companies that are led by a CEO with more education are more likely to have improved success and continued growth over time, which in turn leads to higher levels of confidence among investors (in those companies). Finally, Wang, Zhang, & Wei (2023) discuss the fact that the more relevant an executive's education, the better that executive will be prepared to make sound business decisions on the company's behalf.

## **3. Research Method**

Using an empirical quantitative approach, we evaluated how CEO attributes impact the tax avoidance activities of large-scale manufacturers in Indonesia. Although the quantitative

methods of assessing these entities are the same as the more traditional assessment approaches, the quantitative methods of assessing the empirical component of the study used different tools that may utilize similar tools as traditional assessments for conducting the analysis of the impact of CEO attributes on the tax avoidance behavior of large scale manufacturers in Indonesia or variety of means that may support or disprove a target hypothesis or confirm previously identified patterns of behaviour through a variety of means.

### **Types and Sources of Data**

Data collection took place through the use of two methods - primary data through (raw) data collection of large-scale manufacturer companies traded on the Indonesian Stock Exchange (IDX) as well as using (processed) data from firms published as part of their audited and filed reports. The use of secondary data allows for the researchers to be sure that there is an objective representation of the identified firm's financial position and therefore an understanding of the unique characteristics of the firm in the form of an independent source of verification (Ghozzali, 2018).

### **Population and Sample**

In the period between 2020 and 2024, all manufacturing companies listed on the Indonesia Stock Exchange represent the study population being analyzed. To obtain a representative sample from this population, purposive sampling techniques were utilized with the purpose of finding the best possible sample by defining selection criteria that would best represent those characteristics for each manufacturing company included in the study (Widarjono, 2018). The following criteria were used to select the sample:

1. All manufacturing companies listed will have been continuously listed for the entire observation period.
2. All manufacturing companies will provide complete annual reports and financial statements.
3. All manufacturing companies will provide the necessary CEO characteristics to be analyzed in the study.

Based on the above selection criteria, the total number of companies that were sampled is 250 over a five-year observation period.

### **Operational Definition of Variables**

With regard to the dependent variable, the level of tax avoidance in this study is being assessed through the current effective tax rate (ETR). The current ETR is defined as the current tax expense divided by the pre-tax income. If the ETR is less than the average, then it can be assumed that there is a greater chance a corporation will engage in more tax avoidance activities (Hanlon & Heitzman, 2010). The independent variables in this study are the four independent variables of age, gender, education level, and CEO characteristics of the sample.

### **Data Analysis Method**

This study performed an analysis of the relationship between an independent variable and an outcome variable employing a panel data analysis and multiple regression analyses to test hypotheses. The researcher will report descriptive statistics prior to testing the hypotheses for the data set and perform classical assumption tests to confirm the model meets the BLUE (Best Linear Unbiased Estimator) properties (Gujarati & Porter, 2012). All manipulation of the data was performed using statistical software.

#### 4. Result and Discussion

##### 4.1. Result

##### Descriptive Statistical Test Results

The summary of descriptive statistics for all variables utilized in this study is presented as follows.

**Table 1. Descriptive Statistical Result**

Variable	N	Minimum	Maximum	Mean
CEO Age	250	34	85	60,42
CEO Experience (EXPit)	250	1	54	15,48
Firm Size (Size)	250	0,00	33,79	26,04
Take Avoidant e(TAit)	250	-0,24	0,85	0,18

Source: Processed Data, 2025

According to the summary statistics of 250 companies for the period of 2020-2024 (as reported in Table 1 and summarised in Exhibit 1), the minimum age of a CEO was 34 years, while the maximum and mean ages were 85 and 60.42, respectively. The length of time a CEO has held their position (i.e. CEO tenure) also serves as a proxy for CEO tenure (EXP it). The minimum, maximum, and mean lengths of time for CEO tenure (EXP it) are 1, 54, and 15.48 years, respectively. For the variable Firm Size (Size), the minimum and maximum values across all 250 manufacturing companies were 0.001 and 33.79, respectively, with an average value of 26.04. Finally, for the variable Tax Avoidance (TA it), the lowest recorded amount across all 250 manufacturing companies was -0.20 and the maximum amount was 0.85, with an average of 0.18.

**Table 2. Frequency Description of Gender and Educational Background**

Variable	Frequency	Percentage
Gender		
Female	7	97,2%
Male	243	2,80%
Education Background		
Economics and Bussines	111	55,6%
Non Economics and Bussines	139	44,4%

Source: Processed Data, 2025

To ascertain the gender of the CEO, a variable (dummy) was used. For the purposes of this study, a code of 1 was assigned to companies that had a female CEO for any portion of the time covered by this study and a code of 0 was assigned to companies that never had a female CEO. The data for the manufacturing industry revealed that there were 243 male CEOs (97.2%) and 7 female CEOs (2.8%). To determine how many of the CEOs have completed their undergraduate education in economics or business as opposed to other disciplines, a similar (dummy) variable was used. For the purposes of this study, companies were assigned a code of 1 if the CEO completed their undergraduate education in economics or business and a code of 0 if the CEO completed their undergraduate education in some other discipline. The results of Table 2 show that of the 111 manufacturing CEOs with undergraduate education in economics or business (44.4%), 139 of the 250 non-manufacturing CEOs (55.6%) had similar undergraduate degrees.

**Classic Assumption Test Results**

**Normality Test Results**

The Kolmogorov-Smirnov (K-S) test was used to evaluate the data's normality in this study, which was also validated through an analysis of the P-Plot (normal probability plot). The statistics from these tests can be found in the following table:

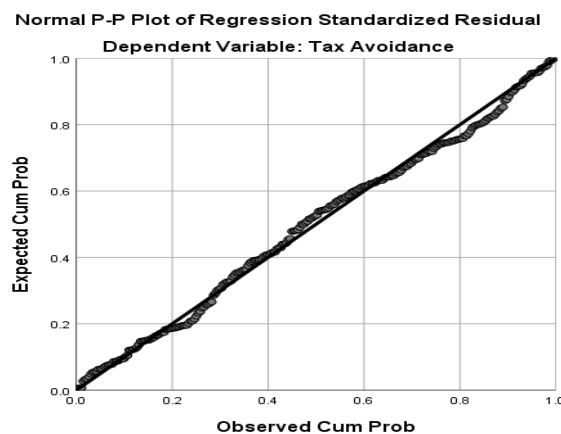
**Table. 3 Normality Test**

		Unstandardized Residual
N		250
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std.	.12512484
	Deviation	
Most Extreme Differences	Absolute	0.048
	Positive	0.048
	Negative	-0.035
Test Statistic		0.048
Asymp. Sig. (2-tailed)		0.200 <sup>c,d</sup>

Source: Processed Data SPSS 2025

The Kolmogorov-Smirnov Test (Z-Value = 0.048, Residual Significance = 0.200), as shown in Table 3, demonstrates that because the Z-Test value is larger than the .05 level, we can assume that the Model Residuals are normally distributed. This can be confirmed by looking at the normal probability plot where the data points have been plotted against the fitted values and are located close to the diagonal, indicating that there are no significant deviations from the diagonal line of perfect normality. Please see the figure below for a visual representation of the data drawn on the normal probability plot:

**Figure 1. Normality Test**



**Multicollinearity Test Results**

**Table 4. Multicollinearity Test Results**

Model		Collinearity Statistics	
		Tolerance	VIF
1	CEO Age	0,794	1,259
2	CEO Gender	0,944	1,060
3	CEO Educational Background	0,879	1,138
4	CEO Experince	0,746	1,341
5	Firm Size	0,972	1,029

Source: Processed SPSS Data, 2025

Table 4 shows the multicollinearity test of independent variables; the results indicate no significant high correlations between independent variables as measured by the variance inflation factor (VIF) values which are all below (10.00) and the tolerance values which are all above 0.01. Therefore, the independent variables of age, sex, education, CEO experience/tenure and firm size can be used to create a model for tax avoidance while conducting the study using these independent variables as predictors and during the specified time frame of the study.

### Autocorrelation Test Results

**Table 5. Autocorrelation Test Results**

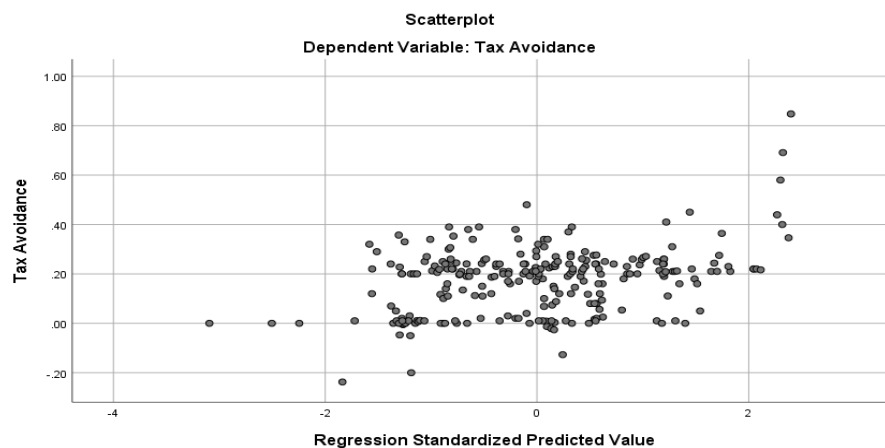
	Unstandardized Residual
Test Value <sup>a</sup>	0,00824
Cases < Test Value	125
Cases >= Test Value	125
Total Cases	250
Number of Runs	114
Z	-1.521
Asymp. Sig. (2-tailed)	0.128

Source: Processed Data, SPSS 2025

Per data in Table 5 & the results for the Z-Test of the Unstandardized Residuals (Z=-1.521); therefore probability state is .128. Since the observed level of probability exceeds the .05 level, then these residuals have occurred randomly (No indication of autocorrelation of the residuals).

### The Heteroscedasticity

Tests in Appendix C provide example results such as those found below:



**Figure 2. Heteroscedasticities**

Figure 2 shows that the scatterplot of SRESID to ZPRED demonstrates that the data points on both the horizontal and vertical axes are fairly random and do not form any predictable pattern; therefore, based on this distribution of data, the regression model does not show evidence of any important problems related to heteroscedasticity.

### Results of Regression Analysis

The below table displays the results of the regression analysis produced by SPSS.

**Table 6. Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0,098	0,056		1,758	0,080
Umur	-0,001	0,001	-0,122	-	0,070
GENit	-0,021	0,050	-0,025	1,819	0,681
EDUit	0,048	0,017	0,178	0,412	0,006
EXPit	0,004	0,001	0,368	2,798	0,000
Size	0,003	0,001	0,131	5,338	0,031
				2,173	

Source: Processed Data SPSS 2025

The statistical analysis performed on SPSS for regression yielded the following model of regression equations and show results as illustrated in Table 6.

$$TAit = 0,098 + -0,001Umur + -1.021GENit + 0.048EDUit + 0.004EXPit + 0,131Size$$

Test or the Coefficient of Determination Test or Goodness of Fit Test the SPSS regression results, shown in the following table (Table 7), demonstrate the relationship between each of those variables across all observation in this sample (13 different states).

**Test Coefficient (Test R<sup>2</sup>) (Goodness of Fit)**

**Table 7. Coefficient Result Determination**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,368	0,135	0,117	0,12640

Source: Processed Data SPSS, 2025.

An Adjusted R2 value of 0.117 means that 11.70% of the variability in tax avoidance (TA it) can be explained by the independent variables, which include age, GEN it, EDU it, EXP it, and size. Thus, the remainder (88.30%) of the explanation for variability in tax avoidance (TA at) suggests that some other factor(s) not considered in this study's regression equation also impacts its variability.

**Simultaneous Significance Test (F-Statistical Test)**

**Table 8. F-Test Results (Simultaneous Test)**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	0,609	5	0,122	7,624	0,000 <sup>b</sup>
Residual	3,898	244	0,016		
Total	4,507	249			

Source: Processed Data SPSS 2025

In examining Table 8, when conducting a simultaneous test, the F-statistic has been determined to be 7.624 (p-value = .000, which is less than .05); therefore, the data support that there is a statistically significant relationship between TA it, age, gen it , edu it , exp it , and size as a group.

**Individual Parameter Significance Test (t-Test)**

**Table 9. Partial Test Results**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0,098	0,056		1,758	0,080
Umur	-0,001	0,001	-0,122	-1,819	0,070
GENit	-0,021	0,050	-0,025	-0,412	0,681
EDUit	0,048	0,017	0,178	2,798	0,006
EXPit	0,004	0,001	0,368	5,338	0,000
Size	0,003	0,001	0,131	2,173	0,031

Source: Processed Data SPSS 2025

Table 9 explains the partial testing of the research variables as follows:

1. In the partial test, the Age variable had a t-count of -1.819 and a significance of .070 (which is greater than .05). Thus, the hypothesis is rejected and CEO Age does not appear to be statistically significant as an explanation for tax avoidance.
2. In the partial test of Gender (GENit) the t-count was -0.412 at a significance level of .681 (which is greater than .05). Therefore, the hypothesis was not supported; therefore, there was no statistically significant relationship between the CEO's Gender and tax avoidance (TAit). So, CEO Gender does not provide an indication of how much the company engages in tax avoidance.
3. The partial test of the EDUit variable showed a significance level of .006, which is less than .05 and thus supports the hypothesis. Therefore, EDUit has a statistically significant effect on tax avoidance (TAit), and higher levels of CEO Education show that companies are less likely to engage in tax avoidance.
4. For the EXPit variable, the value of t-count is equal to 5.338 and the value of p-value is equal to 0.000. In this case, since the value of p-value is less than 0.05, we reject the null hypothesis. Thus, there is a statistically significant correlation between EXPit and TAit. As the length of time for a corporation's chief executive officer, as measured by the length of the chief executive officer's tenure, becomes longer, the likelihood of the corporation engaging in tax avoidance will decrease.
5. For the SIZE variable, the value of t-count is equal to 2.173 and the value of p-value is equal to 0.031. Therefore, since the value of p-value is less than 0.05, we reject the null hypothesis. As a result, there is a statistically significant correlation between SIZE and TAit. In addition, corporations of larger size have a stronger propensity to avoid paying taxes than do corporations of smaller size.

**4.2. Discussion**

**The Influence of Age on Tax Avoidance (TAit)**

There is no statistically significant correlation between CEO age and TAit. The relationship is all about the variability of risk averse or risk taking behavior, statistically speaking this is more dependent on risk taking compared to age. If TAit is analyzed on the basis of CEO age, you also need to examine how all companies (irrespective of size) behave differently if each had a CEO with the same age; thus, if you had two companies of different size but the same CEO age, they would behave more aggressively or less aggressively in their strategy. Ria Karina & Jeksen (2021) also cannot find a correlation between CEO age and

TA; in addition, the results of (Darmayanti & Merkusiwati, 2019) also could not find any significant relationship between TA and firm's size.."

### **The Influence of Gender (GENit) on Tax Avoidance (TAit)**

Ria Karina & Jeksen's (2021) find that there is no association between the gender of the CEO and tax avoidance is confirmed by these results; similarly, the research of Darmayanti & Merkusiwati (2019) shows that the size of a corporation has no impact on tax avoidance efforts. Upper Echelons Theory (Hambrick & Mason, 1984) is a helpful way of explaining these findings.

### **The Influence of CEO Educational Background (EDUit) on Tax Avoidance (TAit)**

There have been not many studies examining how a CEO's education affects corporate tax avoidance. A positive relationship exists between CEO education and company performance according to the only two studies conducted thus far. Therefore, 'better educated' CEOs likely make better decisions about their companies. In research done by Celia and Chung (2022) and Babatunde et al. (2023), both studies provide evidence that the greater the CEO's educational attainment, the higher the probability of compliance with the principles of corporate governance. Both studies also concluded that through higher education, CEOs will demonstrate less opportunistic and aggressive behaviour. Finally, both studies showed that an executive's educational level has a significant impact on how they develop and implement their company's strategic management plans. Ultimately, this results in a longer-term and more compliant strategic management approach to the organisation.

The education, experiences, and values of an executive affect how they view situations and consequently, are likely to have a direct effect on the strategic choice companies make. Thus, CEOs with higher education levels are more likely to encourage their companies to limit the amount of tax that they will avoid (defensive) while at the same time have the highest degree of governance quality.

### **The Influence of CEO Tenure on Tax Avoidance (TAit)**

The preceding paragraphs have related to the opposite direction of ETR and tax avoidance. A positive relationship exists between CEO EXP (tenure) and ETR as tenure increases, thus reducing the amount of tax avoidance that companies engage in. Tenure represents the amount of accumulated knowledge (i.e. how long you have been with the company). Therefore, an experienced CEO with tenured knowledge about a company's business operations, regulatory tax laws, long-term implications of employing overly aggressive tax avoidance strategies, etc., will have the foresight to implement the most effective business strategies that are compliant with applicable regulatory tax/legislation and will meet the governance of the Board of Directors and thereby improve the image of the company.

The evidence supports conclusions drawn from previous research, which have demonstrated that executive experience and length of service can positively impact the CEO's ability to improve upon the strategic direction of a corporation, reduce agency-type behaviour, and improve overall corporate governance, with Deloitte & Touche (2021), cheering on from the sidelines; some researchers even conducted studies (including Darmayanti & Putri, 2021, and Tuljannah & Helmi, 2023) that demonstrated how increased CEO tenure has a positive impact on tax compliance. While there have not been many significant findings regarding the impact of executive experience on the direction of corporate policies, top executives'

experiences do have an impact on the direction of company policies, including tax compliance (Rahman & Ismail, 2022).

Upper Echelons Theory (Hambrick & Mason, 1984) demonstrates that some determinants of top management (work experience and tenure) are influential in whether or not they view a situation as being favorable. Thus, experience and tenure will determine whether to make long-term strategic decisions (to reduce tax avoidance) or act based on short-term fluctuations. Experience and tenure enable managers to obtain a greater level of cognitive ability and therefore make more sensible, long-term oriented, decisions.

### **The Influence of Size on Tax Avoidance (TAit)**

The Size variable has been established as a statistically significant positive regulatory medium for ETR; therefore, if ETR is falling as a result of increasing potential tax avoidance, larger businesses are generally viewed as having less chance of avoiding taxes than smaller ones. Using the natural logarithm of total assets as an estimate for firm size shows a more accurate and stable operational value over longer periods than the other size estimates do. This observation is justified by the fact that larger businesses tend to have much more complex operations than smaller firms, resulting in larger total operational costs compared to smaller firms that do not use tax avoidance strategies. Additionally, larger firms are more likely to avoid high-risk tax avoidance strategies than smaller firms due to the higher levels of public scrutiny and more stringent regulatory scrutiny they receive from both tax authorities and the public. These points are all in line with the Political Costs Theory, which shows that larger firms have to endure increased public scrutiny and have more risks related to publicly reporting their financial statements than do smaller firms.

These findings support the most recent findings of other studies conducted by Darmayanti & Putri (2021), and Tuljannah & Helmi (2023), which suggest that organizational characteristics such as size relate to their financial strategy and level of compliance with tax laws. In addition, Rahman & Ismail (2022) found that organizational characteristics are a major influence on where organizations make strategic decisions to minimize their tax liability.

Upper Echelons theory (Hambrick & Mason, 1984) predicts that an organization's top management team's cognitive perspective varies according to the size of their organization. In comparison to smaller organizations, the CEO of a larger organization is likely to adopt a slower and more considered approach to tax planning than does a small company's CEO. As a result, the CEO of a larger organization is motivated to consider how tax policy affects the company's standing in the marketplace, increased transparency, and increased likelihood and availability of being audited by regulatory agencies/authorities, when adopting tax policies.

## **5. Conclusion**

The findings from this study show that neither age nor gender of the President Director was a relevant factor in predicting tax avoidance behavior of corporations, whereas education level (as measured by the education variable EDUit) and tenure as CEO (EXPit) were found to be positively correlated with the company's effective tax rate (ETR) and supported the results from previous studies. The researcher also discovered that the size of the company (as a control variable) was statistically significant in relation to the ETR. The findings of this study support the Upper Echelons Theory, which states that attributes of senior executives can influence corporate strategic/decision making, including tax policies and how taxes are managed by corporations.

The researcher encountered several constraints during this research that were outside of their control. These limitations can be explained by the fact that the researcher did not have equal access to public and/or unpublished information from companies they would have used to provide variable(s) to explain corporate tax avoidance practices. Another aspect of this constraint was the continual changes occurring in tax laws and regulations over the time frame of the research, which created problems for the researcher in maintaining a comparable period of analysis.

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