GENDER DIVERSITY OF EXECUTIVE, INTERNAL CONTROL, INSTITUTIONAL OWNERSHIP, FIRM SIZE AND TAX AVOIDANCE: AN INTERACTIVE EFFECTS BUSINESS STRATEGY

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ABSTRACT

Business strategy is crucial for companies to improve performance and map business opportunities and challenges to achieve maximum profits. This research aims to analyze the influence of gender diversity of executives, internal control, institutional ownership, and firm size on tax avoidance. An empirical study on manufacturing companies listed on the IDX for 2019 – 2023. This research contributes by considering the business strategy carried out by the company, which allows it to increase company profits. The number of data samples in this study was 41 manufacturing companies, and the total number of observations was 205. This research shows that gender diversity and institutional ownership do not affect tax avoidance. However, the gender diversity of executives and internal control influences tax avoidance. The results provide further insight into how companies use business strategies by considering executive gender diversity, internal control institutional ownership, and firm size to increase the effectiveness of tax avoidance.

Keywords: Firm Size; Gender Diversity; Institutional Ownership; Internal Control; Tax Avoidance

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ABSTRAK

Strategi bisnis sangat penting bagi perusahaan untuk meningkatkan kinerja dan memetakan peluang dan tantangan bisnis untuk mencapai keuntungan maksimal. Penelitian ini bertujuan untuk menganalisis pengaruh *gender diversity of executives, internal control, dan institutional ownership, firm size pada tax avoidance*. Studi empiris pada perusahaan pertambangan yang terdaftar di BEI periode 2019-2023. Penelitian ini memberikan kontribusi dengan mempertimbangkan strategi bisnis yang dilakukan perusahaan yang memungkinkan dapat meningkatkan keuntungan perusahaan. Jumlah sampel data dalam penelitian ini sebanyak 41 perusahaan manufaktur dan jumlah observasi sebanyak 205. Hasil penelitian menunjukkan bahwa *gender diversity, dan institutional ownership* tidak berpengaruh terhadap *tax avoidance*. Namun, *internal control* dan *firm size* mempengaruhi tax avoidance. Hasilnya memberikan wawasan lebih lanjut tentang bagaimana perusahaan menggunakan strategi bisnis dengan mempertimbangkan gender eksekutif, pengendalian internal, kepemilikan institusional dan ukuran perusahaan untuk meningkatkan efektivitas penghindaran pajak.

Kata Kunci: *Gender Diversity*; Kepemilikan Institusional; Pengendalian Internal; Penghindaran Pajak; Ukuran Perusahaan

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1. INTRODUCTION

Large companies with an initial public offering (IPO) will have large revenues followed by large taxes that must be paid to the government. Corporate taxpayers tend to avoid taxes because for companies' taxes will affect income due to reduced company profits (Liuraman *et al*., 2020). Weak government regulations regarding taxation cause companies to look for loopholes in minimizing tax payments by engaging in tax avoidance. Tax avoidance is a business decision made by management who considers that tax avoidance is a legal action and does not violate tax provisions. Tax avoidance can be a company strategy to maximize company profits. Company management tends to minimize tax payments by avoiding taxes so that company profits do not decrease.

Managers manage earnings for their benefit rather than for the interests of shareholders. Managers who behave opportunistically will choose accounting policies that suit their personal goals to maximize their utility. Conversely, shareholders expect optimal profits without avoiding paying taxes (Fajarani, 2021). Managerial ownership in the company aims to balance the intentions of shareholders and management, thereby reducing management's desire to avoid taxes (Alkurdi & Mardini, 2020).

Gender diversity of executive influences companies in making decisions in the business world (Liu & Tsai, 2015). Female board of directors tend to uphold ethics and norms and behave ethically in compliance with tax regulations. Meanwhile, male directors tend to manage their businesses by avoiding taxes. Gender diversity in the involvement of female executives has a negative effect on tax avoidance because female directors tend to be obedient in paying taxes, and female directors tend to reduce tax avoidance practices (Firdaus *et al*., 2021, Hoseini *et al*., 2019). Meanwhile, research by Simamora & Sari (2021) argues that gender diversity impacts tax avoidance. Companies with their business strategy carry out tax avoidance by managing the allocation of costs.

Besides that, companies led by a male board of directors can make effective decisions through tax avoidance, and this is balanced with the decision-making of female directors who are careful in charging costs and tend to reduce tax avoidance.

Individual taxpayers and corporate taxpayers can reduce tax liabilities through tax avoidance, and this is legal and cannot be subject to legal sanctions in Indonesia even though tax avoidance is detrimental to the country. Setiawati & Ammar (2022) stated that the contribution of mining companies to taxation is considered to be still minimal, where almost 70% of the 40 mining companies have not carried out transparent tax reporting. Many cases have occurred in Indonesia regarding tax avoidance practices. PT Adaro Energy Tbk, a mining industry company, 2019 carried out transfer pricing with its subsidiary in Singapore, causing a decrease in tax payments in Indonesia of around US$125 million. A similar case 2019 also occurred when PT Kaltim Prima Coal evaded tax by carrying out coal transactions at below-market prices to a subsidiary of PT Bumi Resources (Fionasari *et al*., 2020).

Data from the Central Statistics Agency of Indonesia shows that state tax revenues have continued to increase in the last three years, starting from 2022 at 2.034.552,50 billion, 2023 at 2.118.348,00 billion, and 2024 at 2.309.859,80 billion. This reinforces the phenomenon that the higher a company's tax revenues, the better its internal control system is in ensuring the effectiveness of its activities. Profitability positively impacts tax avoidance (Fionasari *et al*., 2020). Companies try to increase their net profits and minimize tax burdens, encouraging tax avoidance practices. This research aims to analyze the influence of executive gender diversity represented by male directors and female directors, internal control, institutional ownership, and company size on tax avoidance. The presence of female directors with their obedience and moral and ethical values tends to reduce tax avoidance. A good internal control system with balanced company operations in income and expenditure, especially tax burden, causes the company's goals to run effectively. The effectiveness of company activities, it is hoped that management will not avoid tax.

The novelty of this research introduces perspective by examining the multifaceted interactive effects of gender diversity among executives, internal control, institutional ownership, firm size, and tax avoidance within business strategy. It highlights that gender diversity, corporate governance structures, and internal control mechanisms are crucial in shaping tax avoidance behaviors and firm performance. Understanding these dynamics is essential for organizations seeking to navigate the complexities of contemporary business environments effectively.

With so many phenomena occurring regarding tax avoidance, that is why we took the 2019 cut of research as an object. Tax avoidance was widespread in 2019, driven by factors such as corporate social responsibility considerations, financial incentives, profit management strategies, information transparency, and risk perceptions (Marques, 2024; Reskino, 2023). Companies strategically engaged in tax planning to optimize their financial positions while adhering to legal boundaries, illustrating the complex interplay of financial, ethical, and regulatory considerations in tax management practices.

2. LITERATURE REVIEW

Agency Theory

Agency theory discusses the interest gap between shareholders (principals) and directors (company management or agents). The emergence of conflicts of interest between individuals and companies is a significant factor in agency theory. Conflicts

arise in decision-making between the two parties because they have their own interests and motivations, which may not always be in line. Agency theory aims to identify the results of decisions between the principal and agent by a fair and efficient work contract (Astuti & Wati, 2020).

Gender Diversity of Executive

Gender diversity is the gender ratio in directors, both female and male directors and is not just dominated by certain genders. The existence of women's emancipation emphasizes that males and females have equal positions and equal rights in leading the company (Winasis *et al*., 2017; Raharjanti, 2019). The presence of female executives in the company's leadership ranks is very important because it ensures the effectiveness of management performance (Abdullah *et al*., 2016; Hoseini *et al*., 2019). Female directors are better than male directors in making decisions because female directors are more committed to balancing management responsibilities with shareholders (Abdullah & Ismail, 2016). Apart from that, female directors have more morals and ethics in complying with tax regulations so that financial reporting accountability increases in line with good corporate governance.

Firm Size

Company size is reflected in the total assets owned by the company. Good growth in the company's operational scale will impact profit generation. Large tax costs will accompany good profit growth. One strategy to reduce the tax burden is to focus on the depreciation costs of company assets. By optimizing asset depreciation, companies can minimize the tax cost. Tax avoidance through asset depreciation management must also pay attention to tax compliance in accordance with applicable regulations (Suryani, 2021; Sarimin & Oktari, 2023). The company's size is seen from the total assets owned by the company. The larger an entity with large profits, the higher the share price, and this is an opportunity to enter the capital market (Amani, 2022).

Internal Control

The effectiveness of internal control mechanisms in a company's annual financial reports can be measured using an assessment system (Deumes & Knechel, 2018). Internal control systems in computer-based accounting information systems play crucial roles in ensuring accountability in financial reports and enhancing the value and credibility of a company (Fu'ad, 2015). The effectiveness of internal control is assessed by scoring the answers to several questions, including: Is the internal control system often discussed by the commissioners? Are internal control objectives clearly expressed? Can management guarantee that internal control is running well and effectively? The company has an internal control unit, and is risk management implemented by the company? The measurement can be detailed as follows: a score 1 is given if the company discloses information and 0 otherwise. The total score is assessed by the total score of each company divided by the number of questions.

Institutional Ownership

The number of shares owned by various institutions, including government and private, is called institutional ownership. Companies with low institutional ownership tend to have less pressure to comply with strict tax regulations so that tax avoidance can be reduced. This kind of tax avoidance can illustrate the complexity of the interaction

between institutional ownership, corporate governance, and tax compliance (Ricky, 2023; Sarimin & Oktari, 2023).

Tax Avoidance

Tax avoidance is a strategy to minimize taxes that must be paid to the government. Tax avoidance is a legal action that exploits weaknesses in tax regulations in Indonesia (Stawati, 2020). Malaysian manufacturing family companies report valid and reliable earnings. The average family company in Malaysia has a moral responsibility to its business to avoid income manipulation and, of course, suppress tax avoidance (Ghaleb *et al.*, 2020). Companies often try to minimize the tax objects used as the basis for tax imposition so that the tax burden subject to tax rates is lower than the actual object tax (Sarimin & Oktari, 2023).

Hypothesis Development

Gender Diversity of Executives and Tax Avoidance

Agency theory suggests that having gender diversity in executive positions can act as a monitoring mechanism to address conflicts between managers and shareholders. When women hold leadership roles, they bring diverse perspectives that can help mitigate agency conflicts (Guat-Khim, 2024). Research by Budiana & Kusuma (2022) indicates that companies with female directors tend to engage in less tax avoidance. The presence of women on boards may lead to more transparent practices and reduced tax avoidance. Directors have the responsibility to obtain optimal profits. In carrying out its obligations, The Board of Executives can decide on company tax policy. Gender diversity in the board of directors is represented by male and female directors (Firdaus *et al.*, 2021). In making tax decisions, female directors follow their instincts and uphold ethics to minimize tax avoidance (Aprilia & Mulya, 2020). Gender diversity in the executive ranks, with a predominance of female directors, will reduce director opportunism, thereby reducing tax avoidance. Research conducted by Hoseini *et al.*, (2019), and Mala & Ardiyanto (2021) reveal that gender diversity reduces tax avoidance. Female's compliance with taxes is higher than males', so female directors tend not to practice tax avoidance.
H_1: Gender diversity in directors negatively affects tax avoidance

The Effect of Internal Control on Tax Avoidance

Agency theory suggests that managers, as agents, might engage in opportunistic behaviors. Motivated by high-powered incentives, managers may manipulate earnings to present favorable financial performance, including making tax planning decisions (Nasir, 2023). Robust internal control systems can deter such opportunistic behaviors, including tax avoidance (Bimo *et al.*, 2019a). Within the framework of agency theory, management may be incentivized to engage in tax avoidance to increase their compensation and bonuses, emphasizing the importance of internal control in mitigating these behaviors (Bimo *et al.*, 2019). Effective corporate governance mechanisms, such as the board of directors and audit committees, can help mitigate agency conflicts and reduce the likelihood of tax avoidance practices (Idzniah & Bernawati, 2020).

Companies with significant differences between tax books and commercial reports tend to manipulate tax estimates. Companies have weak internal controls cause many differences between tax records and commercial reports (Palupi *et al.*, 2021, Huang & Chang, 2016). Similarity Gleason *et al.* (2017) states that good internal control will reduce tax avoidance. Based on the above arguments, the hypothesis is formulated as follows:

H_2: Effective internal control reduces tax avoidance

The Effect of Institutional Ownership on Tax Avoidance

Agency theory asserts that conflicts of interest can occur between managers (agents) and shareholders (principals), resulting in opportunistic behaviors like tax avoidance (Mangoting *et al.*, 2022). Institutional ownership serves as a mechanism to reduce these agency conflicts by providing control and oversight over managerial decisions, including tax planning strategies (Mangoting *et al.*, 2022). Institutional ownership can effectively supervise management actions, particularly in areas involving significant risks like tax avoidance.

Number of shares owned by government, institutional, and private institutions is also called institutional ownership. In agency theory, high institutional ownership is an external control mechanism for managers carried out by high institutional ownership. This is to prevent managers from carrying out unethical tax avoidance. Meanwhile, low levels of institutional ownership can increase the potential for tax avoidance due to a lack of external supervision (Abigail & Sudirgo, 2023).

The more institutional ownership, the greater the tax cost that the company must pay. Institutional owners, with their extensive voting rights, can force managers to concentrate economic performance by increasing efficiency in tax payments or increasing the intensity of tax avoidance. These statements are in line with research conducted by Astuti *et al.* (2020), which argue that institutional ownership has a positive impact on tax avoidance. Rais *et al.* (2023) state that institutional ownership significantly affects tax avoidance. So, the hypothesis can be formulated as follows:
H_3: Institutional Ownership Affects Tax Avoidance

The Effect of Firm Size on Tax Avoidance

Firm size is the total ownership of assets owned by the company. In agency theory, a large Firm size can be measured from total ownership of company assets. In agency theory, large companies have big agency conflicts between managers and shareholders. The company's large size will impact the tax burden that must be paid. Managers in managing companies are interested in incentive needs by increasing tax avoidance to maximize personal profits. According to research by Suryani (2021), Puspita & Marsono (2020) state that company size positively impacts tax avoidance.

Agency theory suggests that conflicts of interest between managers and shareholders can result in opportunistic behaviors like tax avoidance (Marwa *et al.*, 2018). Firm size, as a crucial organizational characteristic, significantly impacts tax avoidance practices within companies. Larger firms are more likely to engage in aggressive tax avoidance strategies (Marwa *et al.*, 2018; Indriyanti, 2023). From the arguments above, the hypothesis can be shown as follows:
H_4: Company size affects tax avoidance

3. RESEARCH METHODS

This research uses secondary data from an annual report taken from Indonesia Stock Exchange (IDX) and the website of each company. Purposive sampling technique was used in selecting samples. A total sample of 41 data with following criteria:
(1) Mining sector companies listed on IDX during the 2019-2023,
(2) Companies that provide complete financial reports where all components of the variables studied can be calculated

(3) Mining companies that suffered profit during the research period.

The total sample for five years of observation was 41 companies, totaling 205 observations. The SPSS tool was used in this research using multiple linear regression analysis.

Operational Definition of Variables

The operation definition of variables used in this research are as follows:

Table 1. Operational Definition of Variables

Variable	Definition	Measurement
Gender Diversity (X4)	Gender diversity is the proportion of Women commissioners and directors compared to the total number of commissioners and directors.	$Gender\ Diversity\ (GD) = \frac{\text{The number of women on board}}{The\ number\ of\ board\ (of\ directors + commisioners)}$ Source: Raharjanti (2019)
Internal Control (X2)	Internal control is a supervisory procedure for financial reports so that financial reports are free from material misstatement.	$IN_CTRL = \frac{Total\ score\ of\ each\ company}{The\ number\ of\ question}$ The assessment uses dummy variables. A score of 1 is given if the company discloses information and 0 otherwise. The total score is measured by the total score of each company divided by the total questions. Source: Deumes & KnSechel (2018)
Institutional Ownership (X3)	Institutional ownership is the number of shares owned by institutions	$INSWN = \frac{Total\ of\ Institutional\ Shares}{Total\ Shares\ Outstanding}$ Source: Sarimin & Oktarin (2023)
Firm Size (X4)	Firm size is often reflected in its total assets, where the more significant the total assets, the higher the company's operational scale.	$Size = Ln\ (Total\ Asset)$ Source: Sarimin & Oktarin (2023)
Tax Avoidance (Y)	Tax avoidance is a legitimate tax reduction effort in the eyes of the law, this action is often done by companies to minimize the tax to be paid by taking advantage of existing regulatory weaknesses in taxation.	$ETR = \frac{Income\ Tax\ Expense}{Earning\ Before\ Tax}$ Source: Sarimin & Oktarin (2023

Research Design

The research aimed to explore whether Gender Diversity, Internal Control, Institutional Ownership, Firms Size has explanatory power concerning Tax Avoidance. The base model presented as follows:

$$TAX_AVOID_{it} = \alpha + \beta_1 \text{ GEND-DVS}_{it} + \beta_2 \text{ INT-CTRL}_{it} + \beta_3 \text{ INST-OWN}_{it} + \beta_4 \text{ FRM-SZ}_{it} + e_{it}$$

where TAX_AVOID_{it} is Tax Avoidance of firm i in period t. β (Beta) is coefficient regression (direct connection exogen variable with endogen variable). α is Constanta. e is an error in the formulation is between exogen variable and endogenous variable. GEND-DVS_i is a Gender Diversity of Executive i in period t, INT-CTRL_{it} is Internal Control i in period t, INST-OWN_{it} is Institutional Ownership i in period t, FRM-SZ_{it}, is Firm Size i in period t.

4. RESULT AND DISCUSSION

Descriptive Test Results

The descriptive test result is presented on table 2 as follows.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
GEND-DVS	205	0,0000	0,7802	0,306877	0,1913649
INT-CTRL	205	0,0645	1,0000	0,508464	0,2081681
INST-OWN	205	0,0013	0,9863	0,678323	0,2680092
FRM-SZ	205	27,5249	33,6766	28,292692	1,3287362
TAX_AVOID	205	0,0069	0,5615	0,214893	0,1108535
Valid N (listwise)	205				

Source: Result of descriptive statistical data processing (2024)

Classical Assumption Test

Normality Test

The normality test result using one-sample Kolmogorov-Smirnov test is presented on table 3 as follows.

Table 3. Normality Test Results

		Unstandardized Residual
N		205
Normal Parameters[a,b]	Mean	0,00000000
	Std, Deviation	0,09427324
Most Extreme Differences	Absolute	0,072
	Positive	0,072
	Negative	-0,037
Test Statistic		0,062
Asymp. Sig. (2-tailed)		0,210[c,d]

Based on the results above, it can be seen that the asymp. the sig (2-tailed) value is 0,210; and this data is greater than the significance value of 0,05 (0,210 > 0,05); which indicates that the data has and meets the requirements for normality. Based on the above conclusions, it can be said that the data is distributed normally.

Multicollinearity Test

The multicollinearity test result is presented on table 4 as follows.

Table 4. Multicollinearities Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	GEND-DVS	0,868	1,137
	INT-CTRL	0,857	1,177
	INST-OWN	0,927	1,089
	FRM-SZ	0,878	1,125

a. Dependent Variable: Y

In the table above, it can be seen that the tolerance values for gender diversity (GEND_DVS (X1)) is 0,868; internal control (INT_CTRL (X2)) is 0,857; institutional ownership (INST_OWN (X3)) is 0,927; and firm size (FRM_SZ (X4)) is 0,878, so that the data passed the multicollinearity test. It can be concluded that this study did not experience multicollinearity.

Heteroscedasticity Test

The heteroscedasticity test result is presented on table 5 as follows.

Table 5. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0,161	0,043		3,528	0,001
	GEND-DVS	-0,133	0,077	-0,142	-1,435	0,126
	INT-CTRL	0,001	0,010	0,015	0,145	0,885
	INST-OWN	-0,019	0,017	-0,071	-0,759	0,482
	FRM-SZ	-2,153	0,000	-0,175	-1,706	0,097

a. Dependent Variable: ABRESID

Based on table 5 above, the results of the heteroscedasticity test show that the significance value of each variable is > 0,05. So, in this research, it can be concluded that heteroscedasticity does not occur.

Autocorrelation Test

The autocorrelation test result is presented on table 6 as follows.

Table 6. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,387[a]	0,150	0,119	0,09675	1,874

a. Predictors: (Constant), x4, x1, x3, x2
b. Dependent Variable: y

In the table above, it can be seen that the Durbin Watson value is 1,846, and the DU table value is 1,7674. From a large number of observational data (n), as many as 205 and 4 independent variables (k), the DU value is 1,7674, and the DL is 1,6246. Then, the value of 4-DU is 2,326. So, the results of the autocorrelation test can be said to be the study's results to be 1,7674 < 1,874 < 2,326. There is no autocorrelation in the regression model of this research.

Multiple Linear Regression Test

The multiple linear regression test result is presented on table 7 as follows.

Table 7. Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0,036	0,072		0,635	0,532
	GEND-DVS	-0,215	0,127	-0,155	-1,723	0,073
	INT-CTRL	0,012	0,026	0,068	0,832	0,045
	INST-OWN	-0,005	0,047	-0,037	-0,177	0,863
	FRM-SZ	7,635	0,000	0,335	3,567	0,000

a. Dependent Variable: y

The constant on the table is 0,036. It illustrates that if there is no independent variable or the dependent variable has a value of 0 (zero), the amount of tax avoidance is 0.036.

1. The coefficient of gender diversity (X1) is -0,215. It describes that every decrease in X1 by 1 unit it will decrease the ETR by -0,215.
2. The internal control (X2) is 0,012. It describes that every increase in X2 by 1 unit increases the ETR by 0,012.
3. The coefficient of institutional ownership (X3) is -0,005. It indicates that every increase in X3 by 1 unit will increase the ETR by -0,005.
4. The company's coefficient of firm size (X4) is 7,635E-6. It describes that every increase of 1 unit will decrease the ETR by 7,635E-6.

T-Test

Based on table 7, the results of the t-test, the gender diversity variable has an insignificance value of 0,073, and the institutional ownership variable has an insignificance value of 0,863. The internal control variable has a significance value of 0,045, and the company size has a significance value of 0,000. In conclusion, hypotheses second and fourth were accepted, while the other hypotheses were rejected because those were more than 0,05.

F-Test

The F-test result is presented on table 8 as follows.

Table 8. F Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0,171	4	0,045	4,768	0,001[b]
	Residual	1,020	109	0,008		
	Total	1,191	113			

a. Dependent Variable: y
b. Predictors: (Constant), x4, x1, x3, x2

The table above shows a calculated F value of 4,768 and a significance of 0,001 if the formula is entered into 0,001 < 0,05. It can be explained that the regression model is acceptable to predict the independent variable.

Coefficient of Determination

The coefficient of determination test result is presented on table 9 as follows.

Table 9. R^2 Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,387[a]	0,150	0,127	0,09675

a. Predictors: (Constant), x4, x1, x3, x2
b. Dependent Variable: y

Table 9 above shows that the result of the Adjusted R^2 value is 0,127 or 12,7%. This explains the ability of the gender diversity, internal control, institutional ownership, and firm size variables to describe the tax avoidance variable of 12,7%, while other variables outside this research influenced the remaining value of 0,873 or 87,3%.

DISCUSSIONS

The Effect of Gender Diversity of Executive on Tax Avoidance

The hypothesis results test shows that gender diversity among executives obtained a significance of 0,073; more significant than 0,10; and a coefficient value of -0,165. So, the first hypothesis (H1) is rejected where gender diversity among executives does not affect tax avoidance. The results of this research are in line with research by Mala & Ardiyanto, (2021) and Tanujaya & Anggreany (2021), which stated that the presence or absence of female directors in a company does not affect tax avoidance. Tax avoidance in the long term will create risks such as loss of company reputation. Thus, male directors and female directors are required to be professional in their work to maintain shareholder trust. Research has explored the relationship between gender diversity on boards of directors and tax avoidance behaviors. Surprisingly, the presence of female directors does not directly impact tax avoidance practices. Other factors, such as sustainability performance, audit quality, and managerial ownership, play a more significant role in influencing tax avoidance of companies (Septiani, 2023). Both male and female directors exhibit professionalism and responsibility in their roles. This commitment to high standards may contribute to the lack of a direct link between gender diversity and decreased tax avoidance efforts (Kurnia, 2023).

Regardless of gender, directors who uphold good standards of professionalism and accountability may prioritize ethical tax practices. As a result, gender diversity in tax avoidance practices has less influence, this is caused by other factors such as corporate governance factors and other operations in the organization.

The Effect of Internal Control on Tax Avoidance

The internal control variable has a positive significant effect on tax avoidance with a coefficient of 0,068. The second hypothesis (H2) is accepted where effective internal control reduces tax avoidance. These results show that the higher the quality of internal control, the company reduces tax avoidance practices.

Internal control mechanisms are essential for ensuring compliance with rules and policies, thus preventing tax avoidance activities that might violate tax regulations (Bimo *et al.*, 2019b). Research has shown that internal control can reduce tax avoidance, highlighting its significant role in shaping tax practices. From the perspective of agency theory, internal control mechanisms are a primary tool for managing managers'

opportunistic behavior and aligning the interests of shareholders and managers to minimize agency costs (Minnick & Noga, 2010). In this context, internal control is crucial for fostering organizational transparency, accountability, and ethical tax practices. This aligns with research by Gleason *et al.*, (2017); Huang and Chang, (2015), who state that more effective internal control will reduce management's opportunistic behavior in tax avoidance. One of the objectives of internal control is to ensure the achievement of company goals and ensure compliance with applicable regulations and tax laws (Rais *et al.*, 2017).

The Effect of Institutional Ownership on Tax Avoidance

The managerial ownership variable has a negative and insignificant effect on tax avoidance with a coefficient of -0,037. So, it can be concluded that the third hypothesis (H3) is rejected. The results of this research are consistent with the research results of Sadeva *et al*. (2014) and Ginting (2016); which show that institutional ownership does not affect tax avoidance. Institutional owners own company shares, but this does not significantly affect corporate tax avoidance decisions. In agency theory, institutional owners who own shares are considered agents who represent the interests of minority owners. Concerning corporate taxation decisions, it is possible that the interests of agents (institutional owners) are not always aligned with the interests of principals (companies). Institutional owners are likelier to prioritize their profits rather than encourage companies to adopt tax avoidance strategies. The finding suggests that institutional ownership does not influence the relationship between profitability and tax avoidance because institutional owners are not actively engaged in company operations. Consequently, the presence or absence of institutional ownership does not impact tax avoidance efforts related to profitability.

The Effect of Firm Size on Tax Avoidance

This research result shows that the company size variable obtained a significance of 0,000; less than 0,005; and a coefficient value of 0,335 on tax avoidance. Big companies are very active in managing and optimizing the tax burden that must be paid, so it can be said that large companies tend to avoid tax (Sarimin & Oktari, 2023). Anggie & Mahpudin (2024) which states that company size influences tax avoidance. In agency theory, it is explained that managers as agents may have incentives to optimize company profits, including through tax avoidance strategies, which are in line with the interests of the owner. Larger companies have sufficient managerial expertise to manage the complexity of tax regulations, so they are more active in tax avoidance to reduce the tax cost that must be paid. Company size can be a crucial factor in taxation decisions. Studies have shown that larger firms are more likely to employ aggressive tax avoidance strategies (Marwa *et al*., 2018). This can be explained by agency theory, which suggests that larger firms have more resources and capabilities to execute complex tax planning initiatives to reduce tax liabilities (Marwa *et al*., 2018). Furthermore, firm size can influence tax aggressiveness, as larger firms may attract greater scrutiny and public attention regarding their tax practices.

5. CONCLUSIONS

This research concludes that company size and internal control influence tax avoidance. Gender diversity in executives and institutional ownership do not affect tax avoidance. The theoretical implication of this research is that internal control through

more specific supervision can prevent management from carrying out aggressive tax avoidance.

Results, Implications and Contributions

Empirical evidence from research is helpful for regulators and internal controls to suppress tax avoidance. Effective internal control will provide confidence that management complies with tax regulations. The absence of a significant influence of gender diversity on tax avoidance practices suggests that organizations should consider a broader approach. Beyond gender diversity, companies should address other influential factors such as corporate governance and professionalism exhibited by directors to effectively manage tax.

Furthermore, the impact of internal control on tax avoidance is multifaceted, involving aspects of compliance, detection, prevention, and governance. Internal control mechanisms are essential for curbing tax avoidance behaviors, aligning managerial decisions with regulatory requirements, and fostering responsible tax practices within organizations. The link between agency theory and the impact of firm size on tax avoidance highlights the complex interaction between organizational characteristics, governance structures, and tax planning decisions. Understanding how firm size affects tax avoidance practices is crucial for policymakers, regulators, and stakeholders in fostering transparency and ethical tax behaviors within organizations.

Limitations and Future research

The limitation of this research is that the review of the internal control disclosure assessment was carried out only internally at the company. A review of internal control assessments from external parties is essential so that subjectivity is still high and assessment errors can occur.

Further research can review the assessment of internal control disclosures carried out to obtain more objective results. Next, research should add an observation period and other independent variables influencing tax avoidance, such as profitability, leverage, liquidity, independent commissioners, and audit quality. Organizations should adopt a comprehensive approach to governance, integrating multiple factors beyond gender diversity to effectively tackle tax avoidance issues.

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