

# THE EFFECT OF FACTORS ON TAX AVOIDANCE IN BANKING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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**Abstract** - This study aims to examine and obtain empirical evidence about the effect of gender diversity, characteristics of executives, CEO narcissism, profitability, and firm size on tax avoidance in Indonesia public listed banking companies over the period 2015-2020. Using a purposive sampling method, the sample selected in this study is 83 samples. Multiple linear regression analysis examines the effect of independent variables on the dependent variable. This study shows that gender diversity and profitability have significant effects on tax avoidance. Meanwhile, the characteristics of executives, CEO narcissism, and firm size has no significant impact on tax avoidance.

**Keywords:** Tax Avoidance; Gender Diversity; Characteristics of Executives; CEO Narcissism, Profitability; Firm Size

## 1. INTRODUCTION

### 1.1 Research Background

According to Yoshanda (2020), national revenue is one of the measuring tools in the growth of a country. Rahmawati (2016) explains that in Indonesia, sources of national income are divided into three types, namely tax revenues, non-tax state revenues, and grants and foreign aid. Rachdianti, Astuti, and Susilo (2016) state that Indonesian citizens' taxes have an essential role in supporting the country's development. Based on Indonesia's state revenue or income originating from tax payments by taxpayers, it is 80% of all state revenues. Based on Law No. 16 of 2009 concerning General Provisions and Tax Procedures article 1, the state utilizes taxes for state needs for the greatest prosperity of the people. According to Rachdianti, Astuti, and Susilo (2016), taxes are one of the sources of national income. As for the company, taxes are costs that will reduce the company's net profit. This situation resulted in differences in interests between the government and the company. According to Wibawa, Wilopo, and Abdillah (2016), the state expects significant and stable tax revenues, while companies want the minimum tax burden or expense. These factors that make taxes a duty and an obligation can trigger *tax avoidance* activities carried out by companies.

In a study entitled "Executives' Characteristics, Capital Intensity and *Tax Avoidance*" made by Suprianto and Aqida (2020), the executive's characteristics can influence *tax avoidance* practices. Company executives play an important role in determining the company's decision-making, including tax payments decisions. The character of one company executives may differ with other companies. These different characters will affect the *tax avoidance* decisions taken by a company. Executives who tend to tax avoidance are executives with a *risk-taker* character. Meanwhile, executives who have a *risk-averse* character will tend to take tax compliance decisions. The other variable is CEO narcissism. CEO performs various tasks, ranging from determining the vision, mission, strategy, and company management. Therefore, the decisions taken by the CEO will affect the success of the company. CEOs who have *narcissism* have a high level of self-confidence. They will make their own company decisions, including decisions on corporate *tax avoidance*. Therefore, CEOs who have narcissism are considered to practice tax avoidance. They will always try to present the image that the company is getting better due to the decisions they make. Related research that has been made by Hariani and Waluyo (2019) states that CEO *narcissism* influences *tax avoidance*. Meanwhile, other related research conducted by Doho Eko Budi Santoso (2020) and Amran and Mira (2020) stated that CEO *narcissism* has no effect on *tax avoidance*. According to Dewinta and Setiawan (2016), profitability is another factor that can impact the firm's tax compliance decision. The greater the company's profit or profit, the greater the possibility that the company will carry out *tax avoidance* activities. The greater the company's profit, the greater the value of the company must pay income tax. Therefore, companies with significant profits tend to carry out tax avoidance activities to reduce the tax burden that the company has to pay. The other variable is *firm size*. According to Pratama and Wiksuana (2018), company size is the size of a company assessed based on the amount of assets (assets) or capital owned by a company. Large-scale companies tend to generate greater profits than small-scale companies. Therefore, large and stable profits may encourage a company to carry out *tax avoidance* activities. Dewinta and Setiawan (2016), Janrosl and Efriyenti (2018), and Irianto, Sudibyo, and Wafirli (2017) argued that firm size influences tax avoidance.

## 1.2 Literature Review

### 1.2.1 Agency Theory

Jensen and Meckling (1976) explain that the principal and agent have a relationship in the form of a work contract. The principal in question is the owner of the company or shareholder, while the agent is the management in the company. In agency theory, the agent is a party contracted by the principal so that the agent must provide maximum responsibility and service to the principal. This theory clearly explains the separation of duties between the principal and the agent. Principal who is the owner of the company has the resources needed by the agent. Meanwhile, the agent is the party that runs the company contracted by the principal with the aim of obtaining maximum profit and must be responsible for their work to the shareholders. This agency theory explains that each individual has different interests and has a goal to prioritize their respective interests. Principal (shareholders) prioritize their own interests through the distribution of dividends or through an increase in the company's stock price. Meanwhile, agents (management) prioritize their own interests through increasing salaries, bonuses and other compensation.

### 1.2.2 Tax Avoidance

Tax avoidance is a method that can be done in tax planning with the aim of minimizing the amount of the company's tax burden. According to Pohan (2018), tax avoidance is a plan and

method of reducing the company's tax burden in a legal and safe way. This is because tax avoidance is carried out with due regard to the applicable tax regulations. Tax avoidance is a company's aggressive strategy in taxation which is carried out with the aim of minimizing the company's tax burden, thus this activity is considered to pose risks to companies such as fines and loss of company reputation in the eyes of the wider community (Rizal, 2016). This is in line with Wisanggeni and Suharli (2017) who say that tax avoidance is an activity to cut corporate tax costs by avoiding taxation by directing transactions that are not subject to a tax burden. Lubis (2018) argues that tax avoidance is an activity that taxpayers do without violating the applicable tax laws and regulations. In Indonesia, tax evasion is carried out with the aim of reducing the amount of corporate tax burden, not to evade corporate taxes.

### **1.2.3 Gender Diversity**

According to Winasis and Yuyetta (2017), the composition of the board of directors of a company dominated by men tends to make bolder business decisions than the composition of the board of directors which is dominated by women. This is because since birth, men and women have different characteristics from each other. Natural traits are believed to influence the inherent gender diversity of men and women. Winasis and Yuyetta (2017) also explain that women have a risk-averse character. While men have the characteristics of risk-takers. This means that women tend to obey the law and avoid risks, while men are more courageous in making decisions. Furthermore, Fathonah (2018) explains that women are less likely to like risk than men. According to Hadya and Susanto (2018), women have a patient nature in making a decision, so the presence of women on a board of directors in the company can help the company to take a lower risk decision.

### **1.2.4 Executives' Characteristics**

Low (2009) in Keprameri, Yuliasuti, and Suarningsih (2020) explains that every executive has one characteristic, either as a risk taker or as a risk averse. This is because the characteristics of the executive will be reflected through the actions or decisions that will be taken when faced with a risk. The decisions or actions taken by the executive will represent the characteristics of the executive, whether he is a person who dares to take risks or not. Based on this description, it can be concluded that in making a decision, the executive is influenced by each character which can be either a risk taker or a risk averse.

### **1.2.5 CEO Narcissism**

Ernawan and Daniel (2020) explain that highly narcissistic CEOs believe in their leadership capacity so that they will set realistic company targets so that in the end they will win an acquisition contest. The narcissism of a CEO can be associated with tax avoidance. CEOs who have narcissism tend to practice tax avoidance with the aim of minimizing corporate tax payments. This is done so that the company's performance looks good during his tenure so that others will praise him as a successful CEO in lowering corporate taxes.

### **1.2.6 Profitability**

Jusman and Nosita (2020) explain that high profits or profits achieved by a company are a good thing for the company's progress. However, if the company earns high profits then the company must pay a high tax burden as well. The company's ability to earn profits will directly affect the effective tax rate. This is because the more efficient a company is, the less tax the company pays. This results in the company's effective tax rate will also be small.

### 1.2.7 Firm Size

In general, company size is divided into 3 categories, namely large firms, medium firms, and small firms. In their research, Dewinta and Setiawan (2016), Irianto, Sudiby, and Wafirli (2017), and Janrosl and Efriyenti (2018) explain that firm size has an influence on tax avoidance. According to Pratama and Wiksuana (2018) large-scale companies tend to generate larger profits compared to small-scale companies. Large profits will lead to the emergence of a large tax burden as well. Therefore, companies that earn large profits will tend to do tax avoidance. Company size can be calculated by the following formula.

$$\text{Size} : \text{Ln} (\text{Total Assets})$$

## 2. RESEARCH METHODOLOGY

### 2.1 Data Types and Sources

This study's data type is secondary data in the financial statements and annual reports of banking companies listed on the Indonesia Stock Exchange (IDX) from 2015 to 2020. Secondary data is data obtained, not from the first party. Secondary data in this study were obtained through the Indonesia Stock Exchange website, namely [www.idx.co.id](http://www.idx.co.id) and [idnfinancials.com](http://idnfinancials.com).

#### Population and Sample

The population in this study are banking companies listed on the Indonesia Stock Exchange (IDX) from 2015 to 2020. The determination of the sample in this study uses the *purposive sampling* method. The criteria used for determining the sample are as follows.

1. Banking companies listed on the Indonesia Stock Exchange and actively publishing audited financial reports and annual reports in a row during the study period (2015-2020).
2. Banking companies recorded positive after-tax profits in the 2015-2020 period.
3. Banking companies recorded tax burden in the 2015-2020 period.
4. The audited financial statements and the company's *annual report* contain all the data needed in this research.

#### Research variable

The dependent variable in this study is tax avoidance. In contrast, the independent variables in this study are *gender diversity*, executive characteristics, CEO *narcissism*, profitability, and company size.

#### Sample Collection Method

Data collection in this study was carried out utilizing documentation and a literature study. Documentation technique is a data collection technique carried out by collecting data or information related to the object of research. For example, the data contained in this study was obtained by downloading the financial statements and annual reports of banking companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2020 period on the IDX's official website, namely [www.idx.co.id](http://www.idx.co.id) and [idnfinancials.com](http://idnfinancials.com). In comparison, a literature study is a data collection technique done by studying journals, articles, literature, or other sources related to the research object.

#### Data analysis method

This study uses a quantitative data analysis method emphasizing theory testing by measuring the dependent variable with the independent variable. The method used in this research data processing is a descriptive statistical test, classical assumption test, and hypothesis testing. Analysis of this data using *software Statistical Product and Service Solutions* (SPSS) version 26. This study uses the multiple linear regression analysis methods.

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Function :

- Y : *Tax Avoidance*  
a : Constant Coefficient  
 $\beta_1 \beta_2 \beta_3 \beta_4 \beta_5$  : Independent Variable Coefficient  
 $X_1$  : *Gender Diversity*  
 $X_2$  : Standard deviation dari ROE (Executive's Characteristics)  
 $X_3$  : *CEO narcissism*  
 $X_4$  : *Return on Assets/ROA (Profitability)*  
 $X_5$  : *Firm Size*  
e : *Error*

**Table 1 Variable Operationalization Table**

Variables	Definition
Tax Avoidance	A method that can be done in tax planning with the aim of minimizing the amount of the company's tax burden (Pohan, 2018).
Gender Diversity	Differences that appear in men and women that can be seen from the values and behavior (Fibrianto, 2016).
Executive's Characteristics	Characteristics possessed by people who have a strong enough influence in an organization or company (Samrin, 2016).
CEO narcissism	An excessive level of self-confidence that a CEO has (O' Reilly III, Doerr, and Chatman, 2018).
Profitability	The ratio applied to assess the company's performance in achieving profits by utilizing all company resources (Yanti dan Darmayanti, 2019).
Firm Size	A company scale used with the aim of classifying companies into large, medium, or small company categories (Wiksuana, 2018).

### 3. HASIL PENELITIAN DAN DISKUSI

#### 3.1 Descriptive Analysis

Ghozali (2018) explains that descriptive statistics describe data seen from the average value, standard deviation, variance, maximum, minimum, range, sum, kurtosis, and skewness. The following are the results of descriptive statistical tests of all variables in this study. Descriptive statistical tests were applied in this study with the aim of providing an overview of the data that had been collected without the aim of drawing conclusions that were applicable to the

population. Statistical testing also aims to make the reader better understand the general picture of the data used in this study.

**Table 2 Descriptive Statistics Test Results**

	N	Minimum	Maximum	Mean	Std. Deviation
GENDERDIVERSITY	83	0.00	0.75	0.2022	0.17475
STDDEVIASIROE	83	0.00	6.69	1.3272	1.35245
CEONARCISSISM	83	2.00	5.00	4.0723	0.90773
ROA	83	0.11	3.13	1.6183	0.71340
SIZE	83	14.55	30.28	19.5853	2.44401
CETR	83	0.15	0.38	0.2460	0.05565
Valid N (listwise)	83				

### 3.2 Normality Test

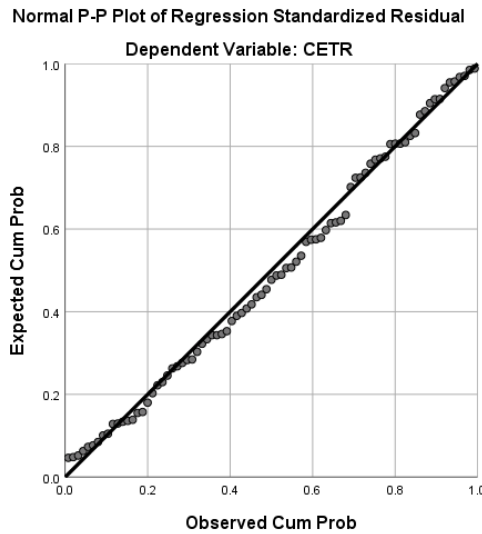
The normality test aims to determine whether all the data used in a regression model are normally distributed or not. This study uses the *Kolmogorov-Smirnov* test in conducting the normality test. The normality test results can be seen in the *Kolmogorov-Smirnov* test table in the following table.

**Table 3 Test Result *One-Sample Kolmogorov-Smirnov***  
***One-Sample Kolmogorov-Smirnov Test***

	N	Unstandardized Residual
	83	
Normal Parameters	Mean	0.000000
	Std. Deviation	0.05144251
Most Extreme Differences	Absolute	0.051
	Positive	0.051
	Negative	-0.042
Test Statistic		0.051
Asymp. Sig. (2-tailed)		0.200

Based on table 2 above, it can be seen that the *One-Sample Kolmogorov-Smirnov* test produces the Asymp. Sig. (2-tailed) is 0.200, where the value is greater than 0.05. Based on these results, it can be concluded that all the data used in this study are normally distributed to be used as research.

**Image 1 P-Plot Normality test**



In addition to the *One-Sample Kolmogorov-Smirnov* test, the author also conducted a P-Plot normality test. Based on Figure 1 above, the analysis for the results of the P-Plot normality test shows that all data plot points spread in line around the diagonal line. Thus, it can be concluded that the data in this study were normally distributed.

**3.3 Autocorrelation test**

Autocorrelation test is used to detect whether in a time series data there is a correlation or relationship between one data and another. If the Asymp value. Sig. (2-tailed) is greater than 0.05, it means that the data does not autocorrelate with the residual value. Meanwhile, if the value of Asymp. Sig. (2-tailed) is smaller than 0.05, it can be interpreted that the data is autocorrelated with the residual value.

**Tabel 4 Test Result for Autocorrelation Run Test**

	Unstandardized Residual
Test Value	0.000000
Cases < Test Value	0.05144251
Cases >= Test Value	0.051
Total Cases	0.051
Number of Runs	-0.042
Z	0.051
Asymp. Sig. (2-tailed)	0.200

a. Median

Based on table 3 above, it can be seen that the Asymp value. Sig. (2-tailed) is 0.911, which is greater than 0.05. This shows that the data used in this study does not auto correlate the residual value to continue this research.

**3.4 Testing for Multicollinearity**

Multicollinearity test was conducted to test whether the data in a regression model correlated between independent variables. A good regression model should have data in which there is no

correlation between the variables. To see if there is multicollinearity in this study, it can be done by looking at the tolerance value or the variance inflation factor (VIF). There is no multicollinearity if the tolerance value is  $> 0.10$  or the VIF value is  $< 10$ . Meanwhile, if the tolerance value is  $< 0.10$  or the VIF value is  $> 10$ , then there is multicollinearity between the independent variables in the regression model.

**Tabel 5 Multicollinearity**

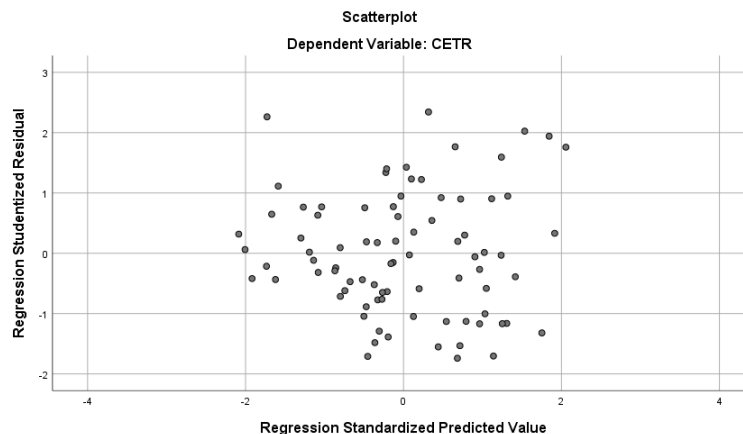
	Unstandardized Coefficients		Standardized Coefficient			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	0.379	0.056		6.717	0.000		
GENDERDIVERSITY	-0.075	0.036	-0.235	-2.056	0.043	0.849	1.177
STDDEVROE	0.004	0.004	0.095	0.891	0.376	0.966	1.035
CEONARCISSISM	-0.003	0.007	-0.056	-0.480	0.632	0.806	1.241
ROA	-0.019	0.009	-0.242	-2.049	0.044	0.796	1.256
SIZE	-0.004	0.003	-0.175	-1.551	0.125	0.869	1.151

Based on these results, it can be seen that all independent variables have tolerance values  $> 0.10$  and VIF values  $< 10$ . Thus, all variables applied in this study do not occur multicollinearity.

### 3.5 Heteroscedasticity Test

Heteroscedasticity aims to test whether in a regression model there is an inequality of variance from the residuals of one observation to another observation.

**Image 2 Scatterplot Heteroscedasticity Test**



Based on these results, it's seen that the points spread randomly, both above and below 0 on the Y axis. This indicates that there is no heteroscedasticity. This is reinforced by the results of heteroscedasticity testing using the Glejser method. According to Priyanto (2019), the Glejser test is carried out by regressing the independent variable with the absolute value of the residual. If the significance value between the independent variables and the absolute residual value is greater than 0.05, there is no heteroscedasticity.



**Table 6 Heteroscedasticity Table Coefficients**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std.Error	Beta	t	Sig.
(Constant)	0.120	0.030		4.025	0.000
GENDERDIVERSITY	0.004	0.019	0.025	0.221	0.826
STDDEVROE	0.003	0.002	0.143	1.352	0.180
CEONARCISSISM	-0.005	0.004	-0.156	-1.348	0.182
ROA	-0.008	0.005	-0.194	-1.661	0.101
SIZE	-0.003	0.001	-0.206	-1.848	0.068

Based on table 4.6 above, the significance value of the gender diversity variable is 0.826, the standard deviation of ROE is 0.180, CEO narcissism is 0.182, ROA is 0.101, and firm size is 0.068. Thus, it can be concluded that all variables used in this study have a significance value greater than 0.05 so that there is no heteroscedasticity in this regression model.

### 3.6 Multiple Linear Regression Analysis

Multiple linear analysis was applied to determine whether the independent variable has a relationship with the dependent variable and how much influence the independent variable has on the dependent variable.

**Table 7 Multiple Linear Regression Analysis Coefficients**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std.Error	Beta	t	Sig.
(Constant)	0.379	0.056		6.717	0.000
GENDERDIVERSITY	-0.075	0.036	-0.235	-2.056	0.043
STDDEVROE	0.004	0.004	0.095	0.891	0.376
CEONARCISSISM	-0.003	0.007	-0.056	-0.480	0.632
ROA	-0.019	0.009	-0.242	-2.049	0.044
SIZE	-0.004	0.003	-0.175	-1.551	0.125

Based on the table above, we get the following multiple linear regression equation:  
 $Y = 0,351 + 0,234 X1 - 0,005 X2 + 0,114 X3 - 0,425 X4 + e$

### 3.8 t-Test

The t-test was conducted with the aim of seeing whether the independent variable had a partial effect on the dependent variable.

**Table 8 t-Test Coefficients**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std.Error	Beta	t	Sig.
(Constant)	0.379	0.056		6.717	0.000
GENDERDIVERSITY	-0.075	0.036	-0.235	-2.056	0.043
STDDEVROE	0.004	0.004	0.095	0.891	0.376
CEONARCISSISM	-0.003	0.007	-0.056	-0.480	0.632
ROA	-0.019	0.009	-0.242	-2.049	0.044
SIZE	-0.004	0.003	-0.175	-1.551	0.125

Based on the table above, it can be concluded as follows.

1. The *gender diversity* variable has a sig value. of 0.043, where the value of sig. is smaller than 0.05 so that *gender diversity* has an effect on *tax avoidance*.
2. The executives' characteristic variable (standard deviation of ROE) has a sig value. of 0.376, where the value of sig. is greater than 0.05 so that executives' characteristics have no effect on *tax avoidance*.
3. The CEO *narcissism* variable has a sig value. of 0.632, where the value of sig. is greater than 0.05 so that CEO *narcissism* has no effect on *tax avoidance*.
4. The profitability variable (ROA) has a sig value. of 0.044, where the value of sig. is smaller than 0.05 so that profitability (ROA) has an effect on tax avoidance.
5. *Firm size* variable has a sig value. of 0.125, where the value of sig. is greater than 0.05 so that *firm size* has no effect on tax avoidance.

### 3.9 The F test

The F test or also called the simultaneous test is used to determine whether all the independent variables contained in this study affect the dependent variable simultaneously (together).

**Table 9 Simultaneous Test (F) ANOVA**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.037	5	0.007	2.622	0.030
Residual	0.217	77	0.003		
Total	0.254	82			

Based on table 8, it can be seen that the Anova test results show a significance value of 0.030 where the value is smaller than 0.05. This indicates that all independent variables together influence the dependent variable, namely tax avoidance.

### 3.10 Coefficient of Determination ( $R^2$ )

The coefficient of determination test is carried out to measure how strong the influence of the independent variable on the dependent variable is, as seen from the value of the coefficient of determination.

**Table 10 Test Results for Coefficient of Determination**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.381	0.145	0.090	0.05309

Based on table 9, it can be seen that the results of the R test show a value of 0.381 where the value is not close to 1. Thus, the independent variable has a low influence on the dependent variable. In addition, the *Adjusted R Square* value shows a value of 0.090. This indicates that the independent variable applied in this study can only explain the dependent variable tax avoidance variation of 9%. At the same time, the remaining 91% is explained by other variables that are not applied in this study.

### 3.11 Discussion

#### 3.11.1 The Effect of *Gender Diversity* on *Tax Avoidance*

Based on the tests conducted in this study, the first hypothesis, which states that the variable gender diversity has an influence on *tax avoidance* is accepted and the first alternative hypothesis is rejected. This is in accordance with the research conducted by Novita (2016) and Winasis and Yuyetta (2017), who stated their opinion that gender diversity has an influence on

*tax avoidance*. This indicates that the greater the gender diversity in the board of directors of a company, the smaller the opportunity for banking companies to carry out *tax avoidance* activities. The presence of women will provide more mature consideration in making company decisions. This is because women are risk-averse and law-abiding. They will prefer to pay corporate taxes in accordance with reality rather than looking for ways to carry out *tax avoidance* activities. Based on this, the presence of women is considered to be able to reduce the company's risk in terms of taxation. However, research conducted by Mala and Ardiyanto (2021) states that gender diversity has no effect on *tax avoidance*.

### **3.11.2 Effect of Executives' Characteristics on Tax Avoidance**

Based on the tests that have been carried out in this study, the second hypothesis, which states that the executive's characteristic variable influences *tax avoidance*, is rejected and the second alternative hypothesis is accepted. This is in accordance with research conducted by Kartana and Wulandari (2018) and Suprianto and Aqida (2020), which state that executive characteristics have no effect on *tax avoidance*. *Executive's characteristics do not influence tax avoidance activity* because the role of the executive in making a company's decision, including in carrying out *tax avoidance* activities, is still relatively low compared to the *principal*. The executive will be required by the principal to fulfill their wishes, whether it is carrying out *tax avoidance* activities or not. This research is not in line with the research conducted by Nugrahitha and Suprasto (2018).

### **3.11.3 Effect of CEO Narcissism on Tax Avoidance**

Based on the tests that have been carried out in this study, the third hypothesis, which states that the CEO *narcissism* variable has an influence on *tax avoidance*, is rejected and the third alternative hypothesis is accepted. This is in accordance with research conducted by Doho and Santoso (2020) and Amran and Mira (2020), which state that CEO *narcissism* has no effect on *tax avoidance*. Even though a CEO has a high level of narcissism, he will not manipulate the company's financial statements. This is because the company has good *internal control* and conducts supervision through quality audits to minimize activities that can harm the company. This research is not in line with the research conducted by Hariani and Waluyo (2019).

### **3.11.4 The Effect of Profitability on Tax Avoidance**

Based on the tests conducted in this study, the fourth hypothesis, which states that the profitability variable influences *tax avoidance*, is accepted and the fourth alternative hypothesis is rejected. This is in accordance with research conducted by Dewinta and Setiawan (2016), Irianto, Sudibyo, and Wafirli (2017), and Janrosl and Efriyenti (2018), who argue that profitability influences *tax avoidance*. The company's high profitability, represented by the ROA ratio, indicates that it has utilized all its assets effectively and efficiently. As a result, the company is able to pay all of the company's expenses, including the tax burden. In addition, *tax avoidance* activities will also incur several high costs for the company, such as hiring a tax consultant. If the company is proven to have violated the applicable tax regulations, the company will be subject to sanctions or fines by the tax authorities. However, this contradicts the research results conducted by Nugrahitha and Suprasto (2018), which states that profitability (ROA) has no effect on *tax avoidance*.

### 3.11.5 Effect of Firm Size on Tax Avoidance

Based on the tests conducted in this study, the first hypothesis, which states that the *firm size* variable has an influence on *tax avoidance* is rejected and the fifth alternative hypothesis is accepted. This is in accordance with research conducted by Saifudin and Yunanda (2016) and Permata, Nurlaela, and Masitoh (2018) which state that *firm size* has no effect on *tax avoidance*. Large or small companies do not influence decisions in carrying out *tax avoidance* activities. This is because the tax authorities carry out supervision in terms of taxation to all corporate taxpayers regardless of the company's size. Both large companies and small companies have the same obligations in taxation. Neither large companies nor small companies want to take the risk of damaging the company's reputation in the eyes of the general public. This study is not in line with the research conducted by Janrosl and Efriyenti (2018).

## 4. CONCLUSION

This study was conducted with the aim of knowing the relationship between the independent variables *gender diversity*, executives' characteristics, CEO *narcissism*, profitability, and *firm size* on the dependent variable of *tax avoidance* in banking companies listed on the Indonesia Stock Exchange for the 2015-2020 period. Based on the results of the tests and discussions that have been carried out, conclusions are obtained with the following results.

1. The first hypothesis (H1), namely *gender diversity* has an effect on *tax avoidance*, is accepted.
2. The second hypothesis (H2) is that executives' characteristics affect *tax avoidance* is rejected.
3. The third hypothesis (H3) that CEO *narcissism* has an effect on *tax avoidance* is rejected.
4. The fourth hypothesis (H4) is that profitability affects *tax avoidance* is accepted.
5. The fifth hypothesis (H5), namely *firm size* has an effect on *tax avoidance*, is rejected.
6. *Gender diversity*, executive characteristics, CEO *narcissism*, profitability, and *firm size* together affect *tax avoidance*.

Based on the results of the analysis, conclusions, and limitations contained in this study, the suggestions that can be given by the author so that further research can be better are as follows.

1. Further research is expected to add to the sector of the company under study and increase the period of observation.
2. Further research is expected to use other related variables to obtain an explanation of variations related to tax avoidance. Examples of other variables that can be used are *political connection*, *good corporate governance*, *leverage*, *capital intensity*, *corporate social responsibility*, and so on.
3. Companies can increase the female board of directors to reduce the company's risk in the field of taxation.

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