



THE EFFECT OF FEMALE DIRECTORS, BOARD SIZE, INDEPENDENT COMMISSIONERS, AND POLITICAL CONNECTIONS ON TAX AVOIDANCE WITH INTEGRATED REPORTING QUALITY AS A MEDIATING VARIABLE: CASE STUDY OF NON-CYCLICAL CONSUMER GOODS SECTOR COMPANIES LISTED ON IDX 2019-2022

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ABSTRACT

This study examines the relationship between female directors, independent commissioners, board size, and political connection and corporate tax avoidance. In addition, this study examines the role of integrated report quality as a mediating variable in the relationship between these factors on tax avoidance. This research is motivated by the lack of research related to the role of integrated reporting, especially in Indonesia. This study uses the PLS-SEM analysis method to analyze data from non-cyclical consumer goods companies listed on the Indonesia Stock Exchange from 2019-2022. This study found that female directors and board size affect tax avoidance, while other variables do not significantly affect tax avoidance. However, when the integrated reporting quality used as mediating variable shows that integrated reporting is able to mediate the influence of board size, independent commissioners and political connection on tax avoidance. With these results, it can describe the role of integrated reports as an effective tool to minimize tax avoidance by increasing the transparency of the company. This study used integrated reporting quality as a mediating variable on tax avoidance. Additionally, the measurement of integrated report quality in this study used modifications from previous studies.

Keywords: *Tax Avoidance; Integrated Reporting; Transparency; Tax Planning*

RESEARCH HIGHLIGHTS

Tax Planning and Avoidance: Tax planning, a strategic approach to reduce tax bills within legal boundaries, is crucial for companies. Tax avoidance, a form of tax planning, gains attention due to its potential for tax advantages. However, it's essential to note that although legal, tax avoidance draws considerable scrutiny.

Importance of Integrated Reporting Implementation: The research hopes to encourage more attention to implementing the IR framework in corporate reporting, highlighting its significance for both the government and companies in Indonesia.

Tax Avoidance Influences and Integrated Reporting: The research highlights that female directors and board size significantly influence tax avoidance. Conversely, independent commissioners and political connections exhibit limited impact. Integrated reporting quality intervenes in the relationships between board size, independent commissioners, and political connections with tax avoidance, yet it doesn't affect the association between female directors and tax avoidance.

Research Objectives

This study focuses on assessing the influence of variables related to board dynamics in companies such as gender, board size and board independence on tax avoidance activities, but it also examines the influence of other factors such as political connections of a company and transparency of a company on the level of tax avoidance.

Regarding the transparency factor, this study takes a different point of view from previous studies, by examining this variable as an intervening variable from the factors studied on its influence on corporate tax avoidance using the quality of the integrated reporting framework disclosure from the company's annual report.

The use of integrated reporting quality indicators is also based on the lack of discussion related to the topic of integrated reporting, especially in Indonesia, So that in addition to helping add insight related to the problem of tax avoidance, this study also offers views related to the role of integrated reporting.

Methodology

This research uses a quantitative approach. The population of this study consists of companies in the non-cyclical consumer goods sector listed on the IDX. Information (company annual reports) was obtained from the official website of the Indonesia Stock Exchange (<https://www.idx.co.id>), and several reports obtained from the company's official website. To determine the sample in this study, we used purposive sampling technique.

This study employed a Partial Least Squares Structural Equation Modeling (PLS-SEM) approach using SmartPLS v3.0 software. To assess the research model, we conducted two main tests: outer model tests for reliability and validity, and inner model tests. These procedures follow the guidelines outlined by Hair et al. (2021).

Results

The research results indicate that female directors and board size have a significant influence on tax avoidance, This finding is consistent with prior studies by Hoseini et al. (2019), Salhi et al. (2020) and Kalbuana et al. (2023). while independent commissioners and political connections show no significant influence. Regarding the testing related to the quality of integrated reporting as an intervening variable, the test results indicate that the quality of integrated reporting can act as an intervening variable for the factors of board size, independent commissioners, and political connections on a company's tax avoidance activities. However, for the variable of female directors, the results from integrated reporting as an intervening variable show no influence.

Findings

This study found that the role of the quality of integrated reporting as a reflection of the company's transparency in this study can be an intervening variable from the board size, composition of independent commissioners and political connection of a company to tax avoidance activities carried out. based on the test results with increasing board size, and also the greater presence of independent commissioners in the company can improve the quality of integrated reporting as well as increase the transparency of the company and lead to avoiding tax avoidance. while for political connection, this study shows that companies with political connections tend to have a decrease in the quality of integrated reporting which leads to a decrease in transparency and an increase in tax avoidance activities.

This research adds to the overall understanding of integrated reporting and in particular, validates other studies about the connection between integrated quality and tax evasion,

such as those by (Donkor et al., 2022). Stakeholders, the government as a regulatory body, and the business itself can all benefit from these findings by giving the implementation of this integrated reporting system more careful thought.

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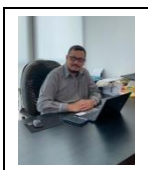
Author's Biography



Sandicha Dwi Ramadhan, a graduate in Accounting Associate from Riau University, is currently embarking on a new academic journey, pursuing a bachelor's degree at Riau Islamic University. Fascinated by the complexities of financial accounting and auditing, he delves into these fields, driven by a desire to unravel their intricacies. With a keen eye for detail and a hunger for knowledge, he actively seeks opportunities to deepen his understanding and make meaningful contributions to the world of accounting and finance.



Dian Saputra is a Lecturer and also an internal auditor at Universitas Islam Riau. Dian holds several accounting certifications, including Asean Chartered Professional Accountant (ACPA), Certified Accountant (CA), and Accountant (Ak). Dian has worked as an external auditor in a leading accounting firm. As an expert in his field, Dian Saputra conducts research on accounting, auditing, and behavioral issues. He has written several academic papers and publications in national and international journals and participated in various international conferences.



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