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The Crucial Role of Indonesian CEOs in Tax Decision-Making: An Examination of Tax Avoidance Practices

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Abstract. This study aims to fill a research gap by exploring how Indonesian CEOs' demographic traits and management styles influence corporate tax avoidance practices. Using regression analysis on data from non-financial companies listed on the Indonesia Stock Exchange (2018-2021), variables such as CEO nationality, financial data, and Effective Tax Rate (ETR) are examined. The study compares tax avoidance practices relative to CEO characteristics. The research reveals a significant negative relationship between Indonesian CEOs and ETR, indicating a propensity for tax avoidance. CEO background, notably nationality, is crucial in shaping strategic decisions regarding tax practices. Robustness tests confirm the relationship's validity, free from observable endogeneity bias. This study focuses on Indonesian CEOs, contributing valuable insights into how executive backgrounds impact corporate tax strategies. It underscores the importance of considering leadership traits in evaluating corporate strategies beyond financial performance.

Keywords: *Indonesian CEOs, Tax Avoidance, Nationality Background, Corporate Governance*

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Introduction

The issue of tax avoidance is complex and multifaceted. Numerous tax avoidance strategies are explicitly permitted under tax legislation, such as tax credits and accelerated depreciation. Corporate executives often perceive minimizing tax payments as their fiduciary duty, as suggested by Sikka (2010). Nonetheless, executives' perspectives on taxes significantly impact the extent to which they engage in tax minimization efforts. Conversely, an opposing viewpoint posits that allocating resources towards taxes constitutes a wasteful expenditure, suggesting that retaining these funds within the company could foster innovation.

The board of directors, a vital governance mechanism, has garnered attention from researchers in diverse fields such as law, economics, and finance. Furthermore, the functioning of this overseeing body is central to numerous discussions and proposed reforms related to its composition and characteristics, encompassing factors like size, nationality, the presence of independent members, and the dual nature of functions. As a result, an extensive body of literature is dedicated to exploring the various impacts associated with boards of directors. Serving as an internal control mechanism within a company, the board appoints and supervises top managers and contributes to formulating organizational strategies (Campbell & Vera, 2010).

While the traditional perspective emphasizes profit maximization as a firm's primary objective, contemporary businesses are increasingly recognizing the significance of engaging in social and environmental initiatives (Lo & Kwan, 2017). Rather than solely focusing on financial performance, there is a growing advocacy among researchers and stakeholders for a broader evaluation that includes social and environmental impacts (Jamali et al., 2008). The understanding is that business risks encompass non-financial aspects, prompting stakeholders to demand accurate information regarding corporate activities' social and environmental dimensions (Fonseca et al., 2014). Consequently, it is argued that boards of directors bear the responsibility of balancing financial and non-financial objectives, thereby serving the best interests of society as a whole (Kiliç et al., 2015). This necessitates a reformulation of existing policies, highlighting the importance for companies to pursue not only financial goals but also to conduct themselves in a socially and ethically responsible manner.

Fundamentally, the primary purpose of establishing companies is profit generation. In pursuit of this core objective, shareholders contribute resources to the enterprise, expecting a return on their investment. Consequently, businesses compete for profits and require a competitive edge to emerge victorious. Chyz et al., (2019) assert that business managers are inclined to take various measures to secure a competitive advantage, with one such strategy being reducing costs through tax avoidance.

It might be challenging to accept that a senior CEO can directly shape a company's approach to tax avoidance. As per Astutik and Venusita (2020), an average Chief Executive Officer, commonly called CEO, typically lacks expertise in taxation and may not be acquainted with the intricacies of traditional tax maneuvers. However, it is plausible that the CEO is cognizant of industry competitiveness and the potential for growth leading to operational economies of scale. Consequently, it is reasonable to assume that a CEO can influence a company's financial and operational strategies, including potential tax avoidance (Duan et al., 2018).

In particular, a CEO can shape tax avoidance practices by establishing the "tone at the top" concerning the company's tax-related activities (Kubick & Lockhart, 2017). For instance, confident CEOs may alter the emphasis placed on different functional areas within the business, including marketing, operations, treasury, and tax. This may also involve allocating resources to hire consultants from within and outside the company.

The phenomenon of a CEO's nationality identity can also influence the characteristics of the CEO themselves. The CEO's hometown identity can evoke psychological biases that can affect strategic decisions of the company. This is also inseparable from the cultural environment in which a CEO is born. From the influence of that culture, which can shape the characteristics of a CEO, they may become more concerned about the environment where they come from. Several studies on local CEOs have also revealed some interesting findings. Hu (2023) suggests that local CEOs may engage in more selective disclosure and show bias toward their home state, while Lai (2020) found that local CEOs are less likely to make myopic investment decisions, especially in R&D, and are more socially responsible. These studies collectively suggest that local CEOs may have unique characteristics and behaviors that distinguish them from their nonlocal counterparts.

Moreover, the CEO's demeanor also impacts the incentives linked to the compensation of tax directors, directly shaping corporate tax-related decisions. This influence extends to the structure of remuneration for tax directors. It is evident that various aspects of the tax system, such as the need to adhere to book tax regulations and the perceived effectiveness of tax law enforcement, affect decision-makers' inclinations towards tax avoidance. Consequently, when CEOs confront common decision-making challenges like information overload, ambiguous signals, and conflicting objectives, inputs undergo filtration and processing based on cognitive frameworks and values (Carpenter et al., 2004). Essentially, individuals' interpretation of business scenarios and subsequent decision-making processes are heavily influenced by values, past experiences, personality traits, and other human factors (Hiller & Hambrick, 2005), all of which significantly impact business outcomes, including growth, performance, R&D investments, tax payments, and beyond.

Moreover, in examining the link between CEO attributes and tax avoidance, Hambrick and Mason (1984) suggest employing observable characteristics and demographic indicators as substitutes since CEOs are seldom available for time-consuming psychological assessments, and psychological constructs such as cognitive and value bases pose challenges in measurement. However, Hambrick (2007) noted that demographic factors offer an incomplete and imperfect measure, acknowledging their limitations. Hence, the CEO personality profile in this study, encompassing traits like "citizenship," emerges as a more precise predictor of behaviors, including the adoption of tax-saving strategies. Consistent with the preceding discussion, this study investigates how CEO characteristics influence business tax planning methods utilizing tax avoidance as an implementation tool.

Nevertheless, despite decades of empirical research on corporate taxes, there has been a notable absence of attention to whether individual CEOs influence their firms' tax avoidance practices. Past studies have either overlooked or treated executives as a uniform component in the tax avoidance process. Researchers such as Bertrand and Schoar (2003) in the UK, Goncharov er al. (2006) in Russia, Lin et al. (2012) in China, Dyreng et al. (2010), and Goh et al. (2016) in the US have extensively explored tax avoidance about corporate financial performance, mainly without considering the unique impact of each CEO's management style on tax avoidance practices. Aligning with this perspective, research conducted by Oktaviani et al. (2022), among others, suggests that CEO characteristics influence the extent of tax avoidance within a company. Additionally, Ahmadi et al. (2018) assert that, despite the limited number of studies, top management control and organizational power dynamics play a crucial role in this context.

Yet, as far as the researchers are aware, there is a lack of recent studies in Indonesia that specifically analyze the demographic traits of executives, especially CEOs, as indicators of corporate tax avoidance practices. Consequently, this study aims to fill this void by exploring the influence of CEO attributes on tax avoidance within Indonesian companies. Derived from those mentioned above, the primary aim of this study is to ascertain the impact of CEO attributes on tax avoidance among companies in Indonesia.

Literature Review and Hypothesis Development

Conceptual Review

Over the years, the exploration of corporate tax avoidance has been a focal point in the accounting and finance literature. The term "tax avoidance" refers to business practices leading to "explicit tax reduction," encompassing the utilization of various legal or, at times, illicit tax strategies (Hanlon & Heitzman, 2010). Actions related to corporate tax avoidance have been equated with terms like tax planning or aggressive tax behavior (Frank et al., 2009). Hasan et al. (2023) emphasized that tax avoidance allows companies to delay or eliminate their tax responsibilities. It also involves shifting income to achieve a relatively lower tax rate and transforming taxable items (such as interest) into tax-free items (like dividends).

Consequently, companies can pay reduced taxes and have increased cash flow for investments, acquisitions, and other business initiatives. In addition to factors specific to their respective firms, senior executives, particularly chief executive officers (CEOs), can significantly influence the extent of tax avoidance undertaken by their companies. The Upper Echelons theory posits that CEOs and chief financial officers (CFOs) perceive opportunities and risks and make crucial business decisions based on highly individualized perspectives (Hambrick & Mason, 1984)

CEO Nationality and Tax Avoidance

The connection between tax planning and the CEO's country of origin might be less straightforward.

Specifically, CEOs from the home country could be seen as risk-takers because of their familiarity with the company's operations and frequent interactions with the board (Zajac & Kellogg, 1990). Consequently, they are more inclined to participate in intricate and potentially risky tax planning endeavors.

Theoretical Review

The foundational framework for this study is based on the Upper Echelon theory, introduced in 1984 by Phyllis A. Mason and Donald C. Hambrick. According to this theory, a CEO's values, experiences, and personality play a significant role in shaping their strategic choices, influenced by their perception of the circumstances or events they encounter (Hambrick, 2007). Therefore, it is logical to assert that the characteristics of top managers significantly impact the design of management and control systems. Strategic initiatives, including tax avoidance, are markedly influenced by the attributes of CEOs, which define their cognitive foundations and values (Hambrick & Mason, 1984). Hambrick & Mason (1984) suggests that it is possible to anticipate CEO behavior and the likelihood of engaging in tax avoidance, especially during financial distress, by examining their attributes.

Similarly, Francis et al. (2008) emphasize the critical role of CEO attributes as they have a profound impact on the financial outcomes of the organization. This hypothesis acknowledges that a CEO's characteristics play a role in shaping their strategic decisions, and this is not without reason. In line with the upper-echelon concept, CEOs can impact financial reporting, strategic decisions, and firm value creation because of their distinctive personal backgrounds and expertise (Hambrick & Mason, 1984).

Empirical Review

Regarding Mukherjee & Sen (2022) investigated whether CEO attributes contributed to increased tax avoidance in Indian firms between 2011 and 2018. Utilizing a panel data approach, their research confirmed that CEO attributes have a significant diminishing effect on the practice of aggressive taxation. Concerning CEO nationality/culture and tax aggressiveness, findings by Alshabibi et al. (2022) indicate that board nationality amplifies tax aggressiveness but diminishes the effective tax rate between 2009 and 2019. In contrast, Yan et al. (2023) observed a negative influence of cultural diversity on corporate tax aggressiveness, particularly notable during the financial crisis.

CEOs of companies in Indonesia significantly influence companies' decisions in implementing tax avoidance practices. The foundation for this hypothesis can be explained by the crucial role of the CEO as the primary leader with substantial authority in making strategic decisions for the company. As the principal agent, CEOs can leverage tax policies and corporate structures to optimize tax burdens, considering financial incentives and performance pressures. This hypothesis is assumed based on the understanding that CEOs, as strategic leaders, play a highly influential role in determining the company's approach to taxation. Therefore, the level of the company's tendency to engage in tax avoidance will be reflected in the decisions and policies set by the CEO.

H: Indonesian CEOs have a significant relationship with tax avoidance

Research Design

Data and Sample

This study's sample encompasses companies listed on the Indonesia Stock Exchange spanning from 2018 to 2021. Companies within the financial industry (classified under SIC 6) were excluded due to inherent sectoral disparities (Harymawan et al., 2023; Nasih et al., 2022). Financial data were sourced from Osiris, while information regarding Indonesian CEOs was manually gathered from annual reports. Detailed explanations regarding the measurement of each variable, along with their respective sources, are provided in Table 1. To mitigate the influence of outlier data, we applied winsorization at the 1st and 99th percentiles. Following the elimination of missing or incomplete observations, the final sample consists of 263 company-year observations.

Table 1. List of Variable Definition

Variable	Definition	Source
Dependent		
ETR	The tax expense ratio to the pretax income (Panda & Nanda, 2020).	Osiris, Annual Report
Independent		
INDONESIAN	The dummy variable is "1" for locally (Indonesia) born CEOs and "0" for foreign-born CEOs (Al-Duais et al., 2021).	Annual Report
Control		

Variable	Definition	Source
INSIDE	Insider CEO. The dummy variable is "1" for CEOs originating from within the company with a tenure of more than two years and "0" otherwise (Zheng, 2010).	Annual Report
BIG4	The dummy variable, "1" if the company is audited by BIG 4 and "0" otherwise (Ratri et al., 2021)	Annual Report
BSIZE	Natural logarithm of the total number of directors and commissioners (Ratri et al., 2021).	Annual Report
CEOAGE	Natural logarithm of the CEO's age in the current year (Islam et al., 2021)	Annual Report
FSIZE	Natural logarithm of total assets (Al-Duais et al., 2021; Chebbi & Ammer, 2022).	Osiris
ROA	The ratio of earnings before interest, taxes, depreciation, and amortization (EBITDA) to total assets (Aboud & Diab, 2018; Gurol & Lagasio, 2023; Islam et al., 2021).	Osiris
LEV	The ratio of total debt to total assets (Broadstock et al., 2021; Husted & Sousa-Filho, 2019)	Osiris
RND	Research and Development (RND) Expense to total assets (Manita et al., 2018)	Osiris

Measurement

The variable "Indonesian CEO," commonly referred to as a CEO of native nationality, is defined by Ren et al. (2021) as an identity concept linked to a place, assessed through factors such as their hometown, place of birth, or regional favoritism, where an individual tends to make decisions in favor of their region due to established local ties (Al-Duais et al., 2021). This sense of place identity is built on the cognitive relationship between an individual and their native environment, allowing a CEO to shape their status and societal role according to that specific place. In this study, following the definition by Al-Duais et al. (2021), the "Indonesian CEO" variable is a dummy variable. It takes the value "1" if the CEO is an Indonesian citizen (Warga Negara Indonesia or WNI) and "0" otherwise.

The dependent variable utilized in this article is tax avoidance, measured through the Effective Tax Rate (ETR), defined as the ratio of corporate tax expense to before-tax operating income (Harymawan et al., 2023; Panda & Nanda, 2020). A high Effective Tax Rate (ETR) indicates that a company has incurred a significant tax burden on its income, suggesting a lower level of tax aggressiveness (Mohanadas et al., 2020; Noor et al., 2010). ETR is widely employed as a proxy for corporate tax avoidance, capturing book-tax differences resulting from tax-aggressive strategies (Lanis & Richardson, 2012). Data for ETR analysis is readily available from financial reports (Hanlon & Heitzman, 2010), making it a valuable instrument for understanding a company's tax behavior and potential tax avoidance tactics.

The control variables used in this article involve characteristics of the board of directors and firm characteristics, such as the CEO being an insider (INSIDE), the number of board members (BSIZE), the presence of a Big 4 audit firm (BIG4), company size (FSIZE), return on assets (ROA), leverage (LEV), and research and development expenses (RND). These variables have also been utilized as control variables in previous studies (Aboud & Diab, 2018; Al-Duais et al., 2021; Broadstock et al., 2021; Chebbi & Ammer, 2022; Gurol & Lagasio, 2023; Husted & Sousa-Filho, 2019; Islam et al., 2021; Manita et al., 2018; Ratri et al., 2021; Zheng, 2010).

Regression Model

To test the relationship between the Indonesian CEO and the tax avoidance, we employ the following regression model:

$$ETRi,t = \beta 0 + \beta 1INDONESIANi,t + \beta 2CONTROLi,t + Year\ effects + Industry\ effects + \varepsilon \qquad (1)$$

In this model, the Effective Tax Rate (ETR) is calculated as the ratio of corporate tax expense to before-tax operating income, following the methodology outlined by Harymawan et al. (2023) and Panda & Nanda (2020). The variable INDONESIAN is a dummy variable that takes a value of "1" if the CEO is an Indonesian citizen (Warga Negara Indonesia or WNI), and "0" otherwise, as defined by Al-Duais et al. (2021). The study's control variables include various board of directors and firm-related characteristics. These comprise CEO insider status (INSIDE), the number of board members (BSIZE), the presence of a Big 4 audit firm (BIG4), company size (FSIZE), return on assets (ROA), leverage (LEV), and research and development expenses (RND). These variables are integral for analysis, contributing to a comprehensive understanding of the impact of different governance and financial aspects on the study's outcomes. Additionally, industry and year effects are controlled for in the analysis.

Results and Discussions

Descriptive Statistics

Table 2 reveals the distribution of research samples based on year and industry sector. It can be observed that the lowest number of samples occurred in 2018, totaling 10 samples, while the highest number occurred in 2019, with 36 samples. The increase in the number of samples in 2019 was due to a growing trend in selecting CEOs with Indonesian nationality. Despite the increasing number of companies each year, the required information for the samples experienced a decline. Based on the industry sector, the lowest number of samples was found in SIC 8, with only 1 sample, and the highest was in SIC 1, with 90 samples.

Table 2. Sample Distribution

YEAR	SIC								
	0	**1**	**2**	**3**	**4**	**5**	**7**	**8**	**Total**
2010	2	2	3	1	2	1	1	0	12
2011	2	9	3	3	4	1	1	0	23
2012	4	12	2	2	12	2	0	0	34
2013	4	13	5	2	7	2	0	0	33
2014	3	10	6	4	4	1	1	0	29
2015	4	8	6	4	6	2	0	0	30
2016	4	10	6	4	3	1	0	0	28
2017	4	9	6	4	3	2	0	0	28
2018	1	2	2	2	3	0	0	0	10
2019	1	15	5	8	2	4	0	1	36
Total	**29**	**90**	**44**	**34**	**46**	**16**	**3**	**1**	**263**

Table 3 presents the results of descriptive statistics for the sample used in this analysis. The average value indicated is 0.867, suggesting that most CEOs in the sample are of Indonesian nationality. The average value of ETR is 0.285, with a maximum value of 0.886 and a minimum value of -0.155. Furthermore, the mean, median, maximum, and minimum values for each variable are also provided in Table 3. The results from the table indicate that the sample distribution is normalized, having undergone the winsorizing process.

	N	Mean	Median	Minimum	Maximum
INDONESIAN	263	0.867	1.000	0.000	1.000
ETR	263	0.285	0.256	-0.155	0.886
INSIDE	263	0.901	1.000	0.000	1.000
LEV	263	0.515	0.512	0.134	0.858
RND	263	0.006	0.000	0.000	0.205
BIG4	263	0.749	1.000	0.000	1.000
BSIZE	263	2.459	2.485	1.792	3.045
CEOAGE	263	4.214	3.989	3.689	7.609
FSIZE	263	30.576	30.610	27.759	33.199
ROA	263	0.190	0.152	0.028	0.696

In Table 4, which presents the results of Pearson correlation analysis, several significant findings are observed. The variable ETR shows a positive correlation with INSIDE and LEV while exhibiting a negative correlation with ROA, each with significance levels of 5% and 10%, respectively. Conversely, the Indonesian CEO variable demonstrates a negative correlation with RND, BIG4, CEOAGE, and ROA but has a positive correlation with the FSIZE variable. It is important to note that Pearson correlation only measures linear relationships and cannot detect nonlinear relationships between variables. Furthermore, correlation does not imply causation, meaning that just because two variables are correlated does not imply that one variable causes changes in the other.

	[1]	[2]	[3]	[4]	[5]
ETR [1]	1.000				
INDONESIAN [2]	-0.095	1.000			
	(0.123)				
INSIDE [3]	0.152**	-0.092	1.000		
	(0.013)	(0.136)			
LEV [4]	0.137**	0.036	-0.066	1.000	
	(0.026)	(0.561)	(0.289)		
RND [5]	-0.035	-0.279***	0.060	0.126**	1.000
	(0.572)	(0.000)	(0.330)	(0.041)	
BIG4 [6]	-0.078	-0.201***	0.014	-0.339***	0.069
	(0.208)	(0.001)	(0.822)	(0.000)	(0.266)
BSIZE [7]	-0.099	-0.022	-0.043	-0.190***	0.145**

	(0.110)	(0.719)	(0.486)	(0.002)	(0.019)
CEOAGE [8]	-0.045	-0.155**	0.062	0.031	0.163***
	(0.471)	(0.012)	(0.320)	(0.622)	(0.008)
FSIZE [9]	0.072	0.190***	0.041	-0.050	-0.041
	(0.245)	(0.002)	(0.506)	(0.415)	(0.507)
ROA [10]	-0.104*	-0.427***	0.093	-0.097	0.484***
	(0.092)	(0.000)	(0.132)	(0.115)	(0.000)
	[6]	[7]	[8]	[9]	[10]
BIG4 [6]	1.000				
BSIZE [7]	0.238***	1.000			
	(0.000)				
CEOAGE [8]	0.146**	0.022	1.000		
	(0.018)	(0.728)			
FSIZE [9]	0.090	0.496***	-0.217***	1.000	
	(0.14)	(0.00)	(0.000)		
ROA [10]	0.344***	0.132**	0.233***	-0.200***	1.000
	(0.00)	(0.03)	(0.00)	(0.00)	

p-values in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Main Regression

Before regression analysis, the data used in this article has undergone a series of tests and is free from multicollinearity issues. Table 5 presents the regression analysis results on the relationship between Indonesian CEOs and tax avoidance. The analysis indicates that Indonesian CEOs have a significantly negative relationship with ETR, with a coefficient value (t-value) of -0.084 (-2.69). These results demonstrate that Indonesian CEOs tend to avoid tax, confirming our hypothesis. CEOs may feel compelled to use tax avoidance strategies to increase net profit and enhance the company's value. This phenomenon also aligns with the upper-echelon theory (Hambrick & Mason, 1984) concerning how the background of a top corporate leader can influence strategic decisions, particularly regarding tax avoidance strategies. These findings further elucidate prior studies (Alshabibi et al., 2022; Lei et al., 2022) on executive backgrounds influencing corporate tax aggressiveness strategies.

Table 5. Main Regression

	ETR
INDONESIAN	-0.084***
	(-2.69)
INSIDE	0.107**
	(2.12)
LEV	0.103
	(1.24)
RND	-0.112
	(-0.62)
BIG4	0.010
	(0.24)
BOARDSIZE	0.002
	(0.03)
CEOAGE	0.009
	(1.20)
FSIZE	0.018
	(1.61)
ROA	-0.108
	(-1.35)
_cons	-0.405
	(-1.59)
Industry FE	Yes
Year FE	Yes
r2	0.208
r2_a	0.125
N	263

t statistics in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Robustness Test Analysis

This article employs the Coarsened Exact Matching (CEM) method to address the endogeneity issue as a robustness analysis. CEM aims to mitigate selection bias, which may arise when the sample is not randomly generated and thus may not represent the population. CEM is a nonparametric data preparation method used to control for potential confounding effects of control variables before treatment by reducing the imbalance between treated and control groups. In CEM analysis, matching is conducted based on three strata to identify similar characteristics of specific variables. Table 6 provides an overview of the observation sample when using the CEM method and the results of regression analysis using that sample. Table 6 shows that out of the total initial sample of 263, 163 matches were identified for further CEM analysis. Out of the 163 matched observation samples, the results are consistent with the main findings, with a coefficient (t-value) of -0.160 (t-value: -3.121). These results validate the findings in the main analysis and strengthen the argument that the negative relationship between Indonesian CEOs and ETR is not influenced by observable endogeneity bias. These again reinforce the main analysis's results and confirm that the relationship between Indonesian CEOs and tax avoidance is unaffected by observable endogeneity bias.

Table 6. Coarsened Exact Matching (CEM) Analysis

	INDONESIAN=0	INDONESIAN=1
All	35	228
Matched	16	147
Unmatched	19	81

	ETR
INDONESIAN	-0.160***
	(-3.121)
INSIDE	0.105
	(1.098)
LEV	-0.031
	(-0.245)
RND	-0.265
	(-0.170)
BIG4	-0.011
	(-0.204)
BOARDSIZE	-0.089
	(-0.863)
CEOAGE	0.034
	(0.350)
FSIZE	0.024
	(1.295)
ROA	-0.149
	(-0.735)
_cons	-0.331
	(-0.704)
Year FE	Yes
Industry FE	Yes
r2	0.199
r2_a	0.060
N	163

t statistics in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Conclusions

In summary, the regression analysis reveals a significant negative association between Indonesian CEOs and the Effective Tax Rate (ETR), indicating a tendency towards tax avoidance. This aligns with the upper-echelon theory, which underscores the influence of top corporate leaders' backgrounds on strategic decisions, emphasizing the impact of executive backgrounds on tax avoidance strategies. By employing the Coarsened Exact Matching (CEM) method to address endogeneity concerns, the study's robustness is enhanced. The CEM analysis, with 163 matched observations out of the initial sample of 263, confirms the negative link between Indonesian CEOs and ETR, validating the main findings and highlighting the resistance of this relationship to observable endogeneity bias.

The findings of this research carry practical implications by suggesting that corporate management needs to be aware of the tax avoidance tendencies among Indonesian CEOs. Consequently, tax strategies should be adapted to optimize fiscal benefits. On a societal level, the awareness of the negative impacts of aggressive tax practices may drive demands for greater corporate transparency. From a literature perspective, these findings contribute to understanding the factors influencing corporate tax policies in Indonesia, encouraging further research on the role of CEOs in the corporate tax context and the dynamics of corporate tax practices.

Future research avenues could involve expanding the geographical and sectoral contexts and conducting cross-country or cross-industry comparisons to elucidate specific factors influencing corporate tax practices. Exploring additional determinants such as ownership structure, corporate governance, or other executive characteristics could enhance the comprehensiveness of the analysis. Investigating the dynamics of tax policy changes at the national or global levels and their impact on corporate tax strategies, especially during economic crises or uncertainty, could provide valuable insights. Furthermore, exploring gender-specific differences in tax practices among CEOs and understanding how gender leadership dynamics influence corporate tax policies could be a relevant area of exploration. Delving into industry-specific case studies may offer a nuanced understanding of unique factors influencing tax practices within specific sectors. Additionally, employing diverse research methods such as experimental studies or qualitative approaches could provide in-depth and contextual insights into corporate tax practices. By pursuing these directions, future research has the potential to contribute significantly to a deeper understanding of the intricacies of corporate tax practices and the myriad factors influencing them.

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