JEMA: Jurnal Ilmiah Bidang Akuntansi dan Manajemen, 22(1) 2025, 101-127
http://dx.doi.org/10.31106/jema.v22i1.23980, ISSN (Online) 2597-4017

Governance, leadership, and compliance: Evidence on institutional ownership and executive characteristics from Indonesia

Sigit Kurnianto[1*], Muhammad Arsalan Khan[1], Mar'a Elthaf Ilahiyah[2]

[1] Department of Accounting, Faculty of Economics and Business, Universitas Airlangga, Surabaya, Indonesia
[2] Department of Accounting, Sekolah Tinggi Ilmu Ekonomi Indonesia (STIESIA) Surabaya, Surabaya, Indonesia
*Corresponding Author(s) Email: sigit-k@feb.unair.ac.id

ABSTRACT

Although corporate tax compliance has been widely studied, the role of institutional ownership in conjunction with executive characteristics remains underexplored. Most studies have focused on advanced economies, providing little understanding of how corporate governance frameworks can improve tax compliance in developing countries with evolving regulatory structures like Indonesia. This study addresses this gap by examining the effect of institutional ownership on tax compliance among non-financial firms listed on the Indonesia Stock Exchange from 2020 to 2024, with executive character as a moderating factor. Using 1,268 firm-year observations, the analysis employs descriptive statistics, Pearson correlations, and multiple linear regression. The findings indicate that institutional ownership positively affects tax compliance, thus supporting the agency theory perspective that institutional investors mitigate tax compliance gaps and enhance overall governance. These findings imply that institutional ownership improves tax compliance through enhanced governance and curtailing aggressive tax avoidance. When executives are risk-averse, the governance benefits are enhanced, but the effect is diminished when executives are risk-taking. High profitability and larger firm size bolster compliance capability, while high leverage places firms under pressure toward non-compliance.

Keywords: Institutional Ownership; Tax Compliance; Executive Characteristics; Corporate Governance; Emerging Markets

JEL Code:
G32, G34, H26, M14, O16

DOI:
10.31106/jema.v22i1.23980

Article History:
Received 2025-01-11
Reviewed 2025-03-17
Revised 2025-04-01
Accepted 2025-04-07

How to Cite:
Kurnianto, S., Khan, M. A., & Ilahiyah, M. E. (2025). Governance, leadership, and compliance: Evidence on institutional ownership and executive characteristics from Indonesia. *JEMA: Jurnal Ilmiah Bidang Akuntansi dan Manajemen, 22*(1), 101-127. doi: 10.31106/jema.v22i1.23980

Introduction

Taxation in Indonesia, as specified by Law No. 16 of 2009, is a mandatory payment made by taxpayers toward facilitating activities carried out by the state, and requires no direct and equal benefits. This revenue is directed towards the people's welfare programs, such as infrastructure development and the necessities of the people, making this the backbone of the Indonesian fiscal system. The Ministry of Finance of the Republic of Indonesia (www.kemenkeu.go.id) stated that, in 2024, around 80% of the total state revenue came in the form of taxes, indicating its importance in supporting the State Revenue and Expenditure Budget.

During the past few years, the Indonesian government has also been trying extra hard to improve tax compliance, with some of the reform measures including tax amnesty regimes, Non-Taxable Income Threshold (PTKP) adjustments, and the shift towards self-assessment as opposed to official assessment of taxation. These initiatives aim to foster taxpayer accountability and maximize revenue collection. The period from 2020 to 2024 reflects significant progress in achieving tax revenue targets, as shown in Table 1. Notably, tax realization exceeded targets in 2021 (103.9%), 2022 (exceeded target), and 2023 (108.8%), with near-achievement in 2020 (96.9%) and 2024 (97.2%). This consistent success highlights the effectiveness of policy reforms and heightened compliance, marking a departure from earlier periods of revenue shortfalls.

Tax performance has been strong during recent years due to intensified enforcement, enhanced taxpayer education, and the effects of corporate governance systems, especially institutional ownership. Institute ownership may be defined as the large shareholdings by the insurance companies, ownership by pension funds, ownership by mutual funds, and other institutional investors who are usually endowed with resources and professional skills to keep

Table 1. Target and Actual Realization of Tax Revenue 2020-2024

Year	Target (in IDR Trillions)	Actual Realization (in IDR Trillions)	Percentage of Target Achieved
2020	1.865.00	1.647.00	96.9 %
2021	1.229.60	1.277.50	103.9 %
2022	1.640.00	2.034.55	Exceeded Target
2023	1.717.00	1.869.20	108.8%
2024	1.988.90	1.932.40	97.2%

Data source: www.kemenkeu.go.id

a tab on the corporate activities (Manconi et al., 2012). In contrast to dispersed ownership, institutional ownership promotes active control over organizations, and one of the activities it controls is tax compliance with corporate strategies. It is common in emerging markets, such as Indonesia, where institutional investors significantly influence corporate governance (Bataineh, 2025; Khan & Tjaraka, 2024). Institutional ownership may have two major impacts on tax compliance: the monitoring and entrenchment effects. The monitoring effect implies that institutional investors, due to their large-scale investments and professional experience, discourage companies from cheating on taxes to avoid the risks of losing funds and reputation in line with long-term value creation (Manconi et al., 2012).

On the other hand, the entrenchment effect can arise when the institutional investors are motivated by short-term financial returns and may approve using tax avoidance weapons to minimize taxes (Musah et al., 2025). Recent studies, such as Bataineh (2025), indicate that in Asian markets, institutional ownership tends to enhance tax compliance by strengthening governance mechanisms, particularly in economically developing nations like Indonesia. The role of executive behaviour further complicates the relationship between institutional ownership and tax compliance. As shareholders' agents, executives make strategic decisions influenced by their risk preferences. Risk-taking executives may lean toward aggressive tax strategies to maximize short-term profits, while risk-averse executives prioritize compliance to safeguard the firm's reputation and ensure long-term stability (Addo et al., 2024; Firmansyah & Kartiko, 2024). This study investigates the influence of institutional ownership on tax compliance among non-financial companies listed on the Indonesia Stock Exchange (BEI) from 2020 to 2024, with executive character as a moderating variable. The study examines 1,268 firm-years based on quantitative analysis, applying descriptive statistics, Pearson correlation, and multilinear regression. The Current Effective Tax Rate (CuTR) measures tax compliance, and robustness checks are done using the Effective Tax Rate (ETR). Institutional holding is measured as a dummy based on 20 % ownership as dictated by the Indonesian Financial Services Authority (OJK), and executive personality is measured as the standard deviation of Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) by total assets.

The international scholarship on the relationship between institutional ownership and tax paying behaves differently. Several previous research studies, for instance, Bataineh (2025), Manconi et al. (2012), and Khan and Nuryanah (2023) argued that institutional ownership should lead to high tax compliance due to the strong governance and monitoring scheme that it promotes. Conversely, Velte (2023) believes that institutional investors can trigger the avoidance of tax in order to increase the short-term earnings, especially in companies with poor governance systems. This paper is based on the study of Oussii and Klibi (2024), but its reference to the Indonesian context is the use of a change in its methodology. In this case, it aligns with the dynamics of economic growth and governance compatible with other Asian markets. The novelty of the current research is in using CuTR as an outcome variable measuring tax compliance instead of the cash effective tax rate previously utilized, as well as in including executive character as the moderating variable, as suggested by Kovermann and Velte (2019).

This study has two primary objectives: (1) to provide empirical evidence on the impact of institutional ownership on tax compliance in Indonesian non-financial firms from 2020 to 2024, and (2) to examine whether executive character moderates the relationship between institutional ownership and tax compliance. The findings are intended to provide policymakers with actionable data to streamline their tax regimes, enhance compliance with them, and continue the favourable record in tax revenue collection. Through the interplay of institutional ownership and executive behaviour, the study aims to provide ideas that help create a stronger tax system to prop up Indonesia's fiscal aspirations during sustained success in tax targets.

Literature Review

Agency Theory

Agency theory, which was formulated by Jensen and Meckling (1976), has a foundation based on the relationship between the shareholders (principals) and the management (agents). Under this dynamic, shareholders grant managers authority to manage the corporation's operations, including making strategic decisions regarding their tax compliance. This delegation, however, often leads to conflicts because the interests do not coincide. The long-term value of the firm is usually the concern of the shareholders and this might include compliance to tax life to escape the reputation and financial risks. On the other hand the managers may bother about personal goals e.g., to have an increased compensation, or job security and this can cause agency conflicts (Gilson & Kraakman, 1991). Moreover, information asymmetry suggests that in most cases, managers have more information about firms' operations, making selective disclosure or management potentially favouring their interests rather than securing those of shareholders, leading to adverse selection and moral hazard (Gilson & Gordon, 2021).

In firms with institutional ownership, additional complexities arise. Institutional investors, such as pension funds, mutual funds, and insurance companies, hold significant stakes, granting them substantial influence over corporate policies. This ownership structure introduces conflicts between shareholders, managers, institutional investors, and minority shareholders. Agency costs, including monitoring, bonding, and residual costs, are incurred to align interests and mitigate these conflicts (Jang et al., 2022). Institutional ownership can reduce agency problems by leveraging the investors' expertise and resources to oversee management effectively, particularly in emerging markets like Indonesia, where governance structures are evolving (Manconi et al., 2012). The monitoring effect of institutional ownership often promotes tax compliance by encouraging adherence to regulations, while the entrenchment effect may lead to tax avoidance if institutional investors prioritize short-term gains (Musah et al., 2025).

Tax Compliance

Tax compliance is defined as the accurate calculation, payment, and reporting of tax obligations in accordance with regulatory requirements. In Indonesia, taxation has shifted to self-assessment, unlike the previous system of official assessment, where the government would decide tax liability, to the current system, where taxpayers are required to calculate and report taxes, subject to scrutiny by the tax authority (Mardiasmo, 2021). This transition is expected to increase taxpayers' responsibility. However, it also creates a possibility of non-compliance in the form of tax avoidance where taxpayers use the available legal loopholes to pay minimal taxes (Arnold & McIntyre, 2020). Several factors impact tax compliance: tax rate, frequency of audits, the enforcement process, and the tax governance structure (Susyanti & Askandar, 2019; Hanlon & Heitzman, 2010).

Current Effective Tax Rate (CuTR), which is expressed as the Current Tax Expense over the Pre-tax Income, is meant to be one of the major indicators of compliance with taxation regimes, where the higher CuTR means that tax compliance is better (Kovermann & Velte, 2019). Robustness checks using the Effective Tax Rate (ETR) validate compliance levels. Indonesia's tax revenue performance from 2020 to 2024 demonstrates significant progress, with targets exceeded in 2021 (103.9%), 2022 (exceeded target), and 2023 (108.8%), and near-achievement in 2020 (96.9%) and 2024 (97.2%) (Ministry of Finance, 2024). This success reflects strengthened enforcement, policy reforms, and improved corporate governance, particularly in firms with institutional ownership, which fosters compliance through rigorous oversight (Bataineh, 2025).

Tax compliance is critical for sustaining state revenue, which funds public infrastructure and services. Non-compliance, including tax avoidance, undermines fiscal capacity and creates tensions between corporate objectives and government goals. Companies aim to minimize costs, including tax liabilities, while governments seek to maximize revenue (Moore & Prichard, 2020; Payne & Raiborn, 2018). Institutional ownership plays a pivotal role in this dynamic, as institutional investors' monitoring capabilities can align corporate strategies with regulatory requirements, reducing the propensity for tax avoidance (Hasan et al., 2022; Minh Ha et al., 2022; Hadmoko & Irawan, 2022; Jiang et al., 2021).

Institutional Ownership

Institutional ownership refers to the substantial ownership of company shares by entities such as pension funds, mutual funds, insurance companies, or other institutional investors. These entities often hold significant stakes, enabling them to influence corporate policies, including tax strategies (Kurniawan & Adrison, 2025). Institutional ownership can be direct, where shares are registered under the institution's name, or indirect, through affiliations or subsidiaries, often involving complex ownership structures (Hasan et al., 2022). In Indonesia, the Financial Services Authority (OJK) regulation refers to No. 10/POJK.04/2018, which designates shareholders with at least 20% ownership as controlling shareholders, aligning with global standards (Bataineh, 2025; Khan & Nuryanah, 2023).

The presence of institutional investors mitigates agency problems by enhancing management oversight. Unlike dispersed ownership, institutional ownership provides the resources and expertise to monitor corporate activities, reducing conflicts between shareholders and managers (Manconi et al., 2012). The monitoring effect encourages tax compliance by aligning corporate strategies with regulatory adherence, minimizing penalties, audits, or reputational damage risks. For instance, institutional investors may push for transparent tax reporting to protect firm value, particularly in emerging markets where regulatory scrutiny intensifies (Bataineh, 2025). However, the entrenchment effect suggests that institutional investors may prioritize short-term financial gains, potentially endorsing tax avoidance strategies to reduce tax liabilities (Musah et al., 2025).

In Indonesia, institutional ownership is prevalent among listed companies, particularly in non-financial sectors, where governance structures are evolving to meet global standards (Manconi et al., 2012). The consistent achievement of tax revenue targets from 2020 to 2024 suggests that institutional ownership may contribute to improved compliance, as institutional investors align corporate policies with regulatory expectations. Studies conducted by

Bataineh (2025) and Manconi et al. (2012) highlight that institutional ownership in Asian markets fosters tax compliance by strengthening governance mechanisms, particularly in economically developing nations like Indonesia.

Executive Character

Within agency theory, executives are agents entrusted with implementing corporate policies, including tax strategies. Their risk preferences shape their decisions. Risk-taking executives are inclined to pursue aggressive strategies, such as tax avoidance, to maximize short-term profits, often aligning with institutional investors seeking immediate returns (Tuo & Han, 2024). In contrast, risk-averse executives prioritize compliance to ensure long-term stability, avoiding the risks associated with regulatory scrutiny or reputational damage (Amani, 2024). Executive character significantly influences corporate tax strategies, as risk-averse executives are more likely to align with institutional investors' monitoring efforts to enhance tax compliance (Kovermann & Velte, 2019).

The proxy for executive character, derived from the standard deviation of Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) divided by total assets, reflects the risk profile of corporate decisions (Paligorova, 2010). In Indonesia, where tax compliance has improved significantly from 2020 to 2024, risk-averse executives may play a critical role in reinforcing the positive effect of institutional ownership on tax compliance. Kovermann and Velte (2019) suggest that executive risk preferences moderate the relationship between ownership structures and tax outcomes, with risk-averse executives strengthening compliance in firms with strong institutional oversight.

The Effect of Institutional Ownership on Tax Compliance

Agency theory underscores the conflicts arising from the separation of ownership and control, particularly in firms with institutional ownership. Institutional investors, with their significant stakes and professional expertise, influence corporate decisions, including tax strategies. The monitoring effect posits that institutional ownership enhances tax compliance by encouraging adherence to regulations, reducing the likelihood of tax avoidance (Bataineh, 2025). This is particularly relevant in Indonesia, where tax revenue targets were consistently met or exceeded from 2020 to 2024, reflecting strengthened governance (Ministry of Finance, 2024). Conversely, the entrenchment effect suggests institutional investors may support tax avoidance to boost short-term returns, particularly in firms with weaker governance (Musah et al., 2025).

Empirical evidence on institutional ownership and tax compliance is mixed. Studies by Bataineh (2025) and Manconi et al. (2012) found that institutional ownership positively influences tax compliance by fostering robust governance mechanisms. In contrast, Musah et al. (2025) argue that institutional investors may encourage tax avoidance in certain contexts to maximize profits. In Indonesia, the alignment of institutional ownership with tax compliance is likely driven by the monitoring effect, as institutional investors prioritize long-term stability in an increasingly regulated market. Thus, the first hypothesis is proposed.

H_1: Institutional ownership has a positive effect on tax compliance.

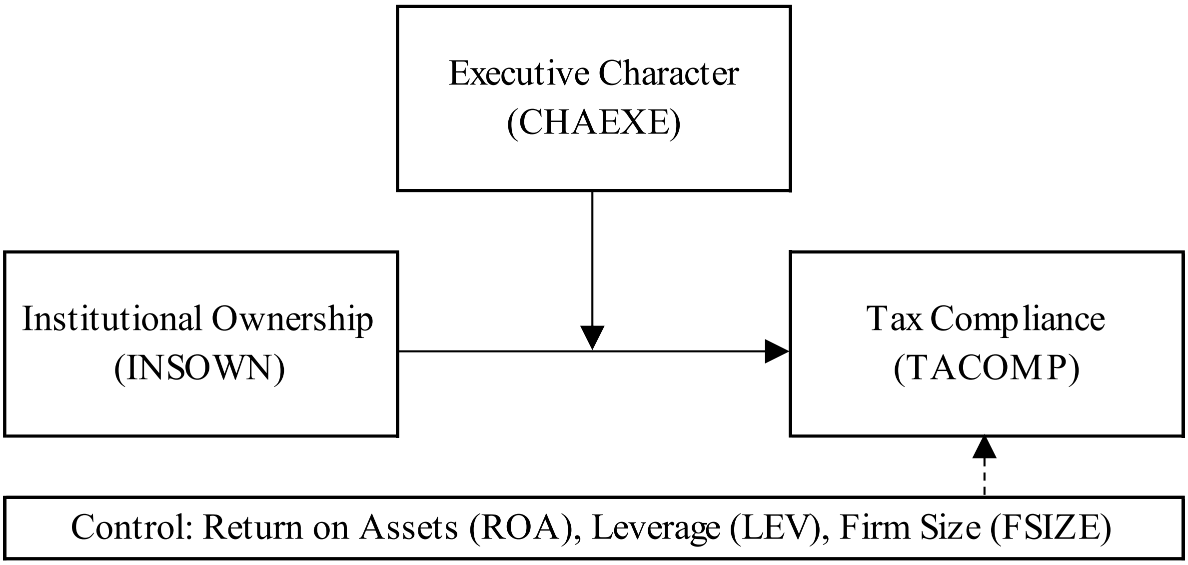
The Effect of Executive Character in Moderating Institutional Ownership on Tax Compliance

Executive character plays a pivotal role in shaping corporate tax strategies. Risk-taking executives may pursue aggressive tax avoidance to align with institutional investors seeking short-term gains, while risk-averse executives prioritize compliance to mitigate risks (Kovermann & Velte, 2019). The incentives that institutional investors put in place often encourage the alignment of the targets of executives with their interests. Therefore, they may focus on compliance within firms with high governance levels (Manconi et al., 2012). In Indonesia, the ability of the government to collect taxes in line with collection objectives consistently indicates that risk-averse executives can be used to fortify the positive impact of institutional stockholding on tax payment. Bataineh (2025) revealed that the executives' risk preferences mediate the connection between the ownership structure and tax performance, whereby risk-averse executives improve compliance within firms with institutional ownership.

Institutional ownership and the executive nature are vital in the emerging markets where the governance system is changing. Risk-averse executives will tend to support the monitoring activities of institutional investors, which strengthens tax compliance (Kovermann & Velte, 2019). In contrast, risk-taking executives may weaken this relationship by pursuing tax avoidance strategies (Tuo & Han, 2024). Given Indonesia's improved tax compliance from 2020 to 2024, executive character likely plays a moderating role in strengthening the effect of institutional ownership. Thus, the second hypothesis is proposed.

H_2: Executive character moderates the relationship between institutional ownership and tax compliance.

Figure 1. Conceptual Framework



Conceptual Framework

Executive character, institutional ownership, and tax compliance are conceptualized as the framework of this study (Figure 1). Institutional ownership affects tax compliance since it monitors tax compliance by creating an atmosphere of compliance with regulations and the entrenchment effect, which is likely to lead to tax avoidance. The relationship is moderated by executive character, with risk-averse executives intensifying compliance and risk-taking executives weakening the relationship. The firm-specific factors that lead to tax compliance are incorporated in the control variables, including the return on assets (ROA), leverage (LEV), and company size (FSIZE). This is the model for the empirical study on non-financial listed companies at the Indonesia Stock Exchange between 2020 and 2024. It will inform how the ownership structure can facilitate executive behaviour to maintain tax revenue performance in Indonesia in recent years.

Methods

The study aims to present empirical information on the impact of institutional ownership on tax compliance in non-financial companies listed in the Indonesia Stock Exchange (BEI) between 2020 and 2024, where executive character will moderate. The study will follow the paradigm of qualitative research, meaning that processing data and performing statistical analysis should help obtain measurable results based on a large sample (Anshori & Swati, 2020). Quantitative methods enable the systematic analysis of numerical data, facilitating the identification of relationships between variables through statistical techniques (Greene, 2022). Data were collected from annual reports and financial statements on the BEI's official website (www.idx.co.id) and processed using descriptive statistics, Pearson correlation, and multiple linear regression to test the proposed hypotheses. This approach aligns with recent studies on tax compliance in emerging markets, which emphasize the use of quantitative methods to assess governance and tax outcomes (Khan et al., 2024).

There were four variables employed in this current research study: independent, dependent, moderating, and control variables. The independent variable consisted of institutional ownership. Institutional ownership refers to the proportion of a company's shares held by institutional investors, such as pension funds, mutual funds, insurance companies, or other institutional entities. It is measured as the percentage of shares owned by institutions divided by total shares outstanding, multiplied by 100, as adapted from Manconi et al. (2012). This metric reflects the extent of control institutional investors exert over corporate policies, including tax compliance strategies. A higher percentage indicates greater institutional influence, which may enhance monitoring and compliance (Bataineh, 2025).

The dependent variable was tax compliance. Tax compliance means the proper calculation, payment, and declaration of tax payments as per the Indonesian tax regulations. It is calculated by using the Current Effective Tax Rate (CuTR) as Current Tax Expense divided by Pre-tax Income as modified by Hanlon and Heitzman (2010). The tax compliance increases with increased CuTR, which implies compliance with taxes. An alternative measure, the Effective Tax Rate (ETR), is used to have strength and comply with tax compliance research methodologies (Kovermann & Velte, 2019). These proxies measure the degree to which firms pay their taxes, a fact consistent with the better outcome of tax income in Indonesia between 2020 and 2024 (Ministry of Finance, 2024).

The moderating variables referred to executive character. Executive character reflects the risk preferences of corporate executives, categorized as risk-taking or risk-averse, which influence strategic decisions, including tax compliance. Following Paligorova (2010), executive character is proxied by the standard deviation of Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) divided by total assets. A higher standard deviation indicates a risk-taking executive, while a lower value suggests risk aversion. This proxy captures the impact of executive behaviour on tax compliance, particularly in firms with institutional ownership (Kovermann & Velte, 2019).

Furthermore, the control variables contained return on assets (ROA), leverage (LEV), and company size (SIZE). The ROA measures a company's profitability relative to its total assets, calculated as Net Profit After Tax divided by Total Assets (Chen & Li, 2025). It accounts for the impact of profitability on tax compliance, as profitable firms may face greater scrutiny from tax authorities (Bataineh, 2025). The leverage represents the proportion of a company's financing derived from debt, calculated as Total Debt divided by Total Assets (Iswari et al., 2019). It controls for the influence of debt levels on tax compliance, as high leverage may incentivize compliance to avoid financial distress (Manconi et al., 2012). The company size is measured as the natural logarithm of total assets, reflecting the scale of operations (Sugeng et al., 2020; Incenkara & Çetinkaya, 2019). Larger firms may exhibit higher compliance due to greater regulatory oversight (Bataineh, 2025).

This study focuses on non-financial companies listed on the Indonesia Stock Exchange (BEI) during the 2020–2024 period, selected to ensure consistency in financial reporting since financial institutions operate under distinct regulatory frameworks (Manconi et al., 2012). A purposive sampling method was employed due to time and cost limitations, with firms included based on specific criteria: continuous listing during the five-year period, publication of annual reports in Indonesian Rupiah to avoid exchange rate distortion, positive pre-tax income to ensure tax liability, and availability of complete data for all research variables. From the initial population of 3,115 non-financial firms, a total of 1,268 firm-year observations met these requirements, aligning with sampling standards in emerging market studies and ensuring sufficient statistical power (Bataineh, 2025). Data were collected in 2025 and covered annual reports and financial statements published on the BEI's official website (www.idx.co.id), supplemented with data from Bloomberg and Refinitiv when necessary. Institutional ownership information was obtained from shareholder disclosures, while executive character was derived from financial metrics presented in audited reports. The use of secondary data enhanced reliability and consistency, which aligns with established tax compliance research methodologies (Kovermann & Velte, 2019). To understand the characteristics of the dataset, descriptive statistics were conducted, including the mean, median, minimum, maximum, and standard deviation, which offered a comprehensive overview of the distribution of tax compliance, institutional ownership, executive personality, and control variables (Greene, 2022; Anshori & Swati, 2020). The Pearson correlation test was then used to evaluate the direction and strength of linear relationships between variables, with coefficients ranging from -1 to 1 indicating the magnitude of association, where values closer to ±1 reflect stronger relationships (Hasan et al., 2017; Bataineh, 2025). Finally, linear regression analysis was performed to examine the influence of institutional ownership and executive character on tax compliance, allowing a deeper and more predictive understanding of these relationships beyond simple associations (Lind et al., 2014).

According to Lind et al. (2014), the use of regression analysis is beneficial because this statistical technique can predict the results more clearly. The regression equation based on the hypothesis in this first study can be seen below. While Model 1 tests the direct effect of institutional ownership (INSOWN) on tax compliance (TACOMP), it also controls for key firm-level characteristics such as profitability (ROA), leverage (LEV), and firm size (FSIZE). This model aims to determine whether firms with greater institutional ownership demonstrate higher tax compliance without considering the behavioural traits of top executives. In contrast, Model 2 introduces the moderating role of executive character (CHAEXE) by incorporating an interaction term (INSOWN × CHAEXE) alongside the original predictors (Kovermann & Velte, 2019). This allows for testing whether the influence of institutional ownership on tax compliance varies depending on the personality characteristics of the firm's executives. Thus, while Model 1 focuses on the direct relationship, Model 2 explores whether executive character strengthens or weakens the impact of institutional ownership on tax compliance.

$$TACOMPi,t = \alpha + \beta1INSOWNi,t + \beta2ROAi,t + \beta3LEVi,t + \beta4FSIZEi,t + \varepsilon i,t \quad (1)$$

$$TACOMPi,t = \alpha + \beta1INSOWNi,t + \beta2CHAEXEi,t + \beta3(INSOWNi,t\times CHAEXEi,t) + \beta4 ROAi,t + \beta5LEVi,t + \beta6FSIZEi,t + \varepsilon i,t \quad (2)$$

Where:

β_0	= Constant
$\beta_1 - \beta_4$	= Regression coefficient
$TACOMP_{i,t}$	=Tax compliance (CuTR) for firm (i) in year (t)
$INSOWN_{i,t}$	= Institutional ownership of the company in year t
$CHAEXE_{I,\,t}$	= Character of executives in the company in year t
$ROA_{i,t}$	= The ratio of the company's net profit divided by total assets
$LEV_{I,\,t}$	= company debt ratio in year t
$FSIZE_{i,t}$	= Natural logarithm of total company assets in year t
ε	= *Error*

Finally, the models were evaluated using significance levels of 1%, 5%, and 10%, ensuring the robustness and reliability of statistical inference (Lind et al., 2021). To further validate the results, a robustness check was conducted by substituting the current tax rate (CuTR) with the Effective Tax Rate (ETR) as an alternative measure of tax compliance. This approach aligns with best practices in the literature, as using multiple proxies strengthens the consistency and credibility of the findings (Hanlon & Heitzman, 2010). The robustness test

http://dx.doi.org/10.31106/jema.v22i1.23980, ISSN (Online) 2597-4017

confirmed that the influence of institutional ownership on tax compliance persisted across different measurement approaches, thereby reinforcing the validity of the study's conclusions within the context of Indonesia's strengthened tax performance during the 2020–2024 period (Bataineh, 2025).

Result and Discussion

Descriptive Statistics and Pearson Correlation

The study analyses a sample of 1,268 firm-year observations from non-financial companies listed on the Indonesia Stock Exchange (BEI) from 2020 to 2024. Descriptive statistics provide a comprehensive overview of the variables: tax compliance (measured by the Current Effective Tax Rate, CuTR), institutional ownership (measured as the percentage of shares owned by institutions divided by total shares outstanding × 100), executive character (proxied by the standard deviation of Earnings Before Interest, Taxes, Depreciation, and Amortization, EBITDA, divided by total assets), and control variables (return on assets, ROA; leverage, LEV; and company size, SIZE). These statistics offer insights into the distribution and characteristics of the variables, facilitating an understanding of the sample's profile in the context of Indonesia's improved tax compliance environment (Ministry of Finance, 2024). The mean CuTR of 22.45% indicates a relatively high level of tax compliance among the sampled firms, reflecting Indonesia's robust tax revenue performance, where targets were met or exceeded in most years from 2020 to 2024 (e.g., 103.9% in 2021, 108.8% in 2023) (Ministry of Finance, 2024). The results are summarised in Table 2.

This aligns with the effectiveness of policy reforms, such as the self-assessment system and tax amnesty programs, which have bolstered compliance (Rahayu, 2017). Institutional ownership (INSOWN) averages 45.67%, ranging from 5.10% to 92.40%, suggesting significant variation in institutional influence across firms. This high average ownership underscores the pivotal role of institutional investors in shaping corporate governance in Indonesia, consistent with findings in emerging markets (Manconi et al., 2012). The executive character (CHAEXE) means of 0.087, with a standard deviation of 0.043, indicates moderate risk-taking behaviour among executives, with most exhibiting risk-averse tendencies, which may support compliance efforts (9Kovermann & Velte, 2019). The control variables show that firms have moderate profitability (ROA: 8.12%), leverage (LEV: 38.24%), and size (SIZE: 29.15), characteristics typical of non-financial firms on the BEI and comparable to those in similar studies (Bataineh, 2025).

Table 2. Descriptive Statistics (2020-2024)

Variables	Mean	Median	Minimum	Maximum	Std. Deviation
CuTR (%)	22.45	21.80	10.50	35.20	6.32
INSOWN (%)	45.67	42.30	5.10	92.40	18.54
CHAEXE	0.087	0.075	0.021	0.192	0.043
ROA (%)	8.12	7.65	1.20	22.40	4.87
LEV (%)	38.24	36.50	5.60	78.90	16.21
SIZE (In IDR)	29.15	29.02	26.45	32.78	1.92

Table 3. Pearson Correlation Coefficients

Variables	CuTR	INSOWN	CHAEXE	ROA	LEV	SIZE
CuTR	1.000	0.342**	-0.178*	0.256**	-0.195*	0.289**
INSOWN	0.342**	1.000	-0.124	0.187*	-0.163	0.321**
CHAEXE	-0.178*	-0.124	1.000	-0.098	0.134	-0.112
ROA	0.256**	0.187*	-0.098	1.000	-0.234**	0.176*
LEV	-0.195*	-0.163*	0.134	-0.234**	1.000	-0.145*
SIZE	0.289**	0.321**	-0.112	0.176*	-0.145*	1.000

*Note: **p < 0.01, p < 0.05

The variation in CuTR (standard deviation: 6.32) suggests differences in tax compliance practices, potentially influenced by ownership structures and executive behaviour. The wide range of institutional ownership highlights the diversity of governance mechanisms, with some firms heavily influenced by institutional investors and others less so. The low standard deviation in CHAEXE indicates consistency in executive risk profiles, critical for understanding the moderating effect on tax compliance. These descriptive findings set the stage for further analysis, providing a baseline for exploring the relationships between variables in Indonesia's fiscal environment.

Furthermore, the Pearson correlation test assesses the strength and direction of the linear relationships between tax compliance (CuTR), institutional ownership (INSOWN), executive character (CHAEXE), and control variables (ROA, LEV, SIZE). This preliminary analysis helps identify potential associations before regression testing, following standard practices in econometric research (Hasan et al., 2017). The results are presented in Table 3. The correlation analysis reveals a significant positive relationship between institutional ownership and tax compliance ($r = 0.342$, $p < 0.01$), suggesting that firms with higher institutional ownership tend to exhibit greater tax compliance. This finding supports the monitoring effect posited by agency theory, where institutional investors enforce regulatory adherence to protect firm value (Bataineh, 2025). Executive character shows a weak negative correlation with tax compliance ($r = -0.178$, $p < 0.05$), indicating that risk-taking executives may reduce compliance, consistent with prior research suggesting that risk-averse executives prioritize regulatory adherence (Kovermann & Velte, 2019). The control variables exhibit expected relationships: ROA ($r = 0.256$, $p < 0.01$) and SIZE ($r = 0.289$, $p < 0.01$) are positively correlated with CuTR, suggesting that more profitable and larger firms are more compliant, likely due to greater regulatory scrutiny. LEV ($r = -0.195$, $p < 0.05$) shows a negative correlation, indicating that higher debt levels may reduce compliance, possibly due to financial pressures (Manconi et al., 2012). The correlations between institutional ownership and control variables (e.g., $r = 0.321$ with SIZE, $p < 0.01$) suggest that larger firms tend to have higher institutional ownership, reflecting institutional investors' preference for established companies. The weak negative correlation between INSOWN and CHAEXE ($r = -0.124$, insignificant) hints at a potential moderating role, where risk-averse executives may align with institutional investors' compliance objectives. These correlations provide preliminary evidence of the relationships tested in the regression analysis, ensuring that multicollinearity is not a concern, as all coefficients are below 0.7 (Lind et al., 2021).

Linear Regression Analysis

Multiple linear regression analysis tests the hypotheses: (H_1) institutional ownership positively affects tax compliance, and (H_2) executive character moderates this relationship. The regression models are estimated using 1,268 firm-year observations, with results presented in Table 4. Model 1 tests the direct effect of institutional ownership on tax compliance, controlling for ROA, LEV, and SIZE. The results show a significant positive effect of institutional ownership ($\beta = 0.152$, $p < 0.01$), supporting H_1. This indicates that a 1% increase in institutional ownership is associated with a 0.152% increase in CuTR, suggesting that institutional investors enhance tax compliance through effective monitoring, consistent with the agency theory's monitoring effect (Jensen & Meckling, 1976; Bataineh, 2025). The control variables show expected effects: ROA ($\beta = 0.134$, $p < 0.05$) and SIZE ($\beta = 0.176$, $p < 0.01$) positively influence tax compliance, reflecting the role of profitability and firm size in regulatory adherence. LEV ($\beta = -0.089$, $p < 0.10$) has a negative effect, suggesting that higher debt levels may pressure firms to reduce compliance to manage financial obligations (Manconi et al., 2012). The adjusted R^2 of 0.408 indicates that the model explains a substantial portion of the variance in tax compliance. Additionally, Model 2 incorporates the interaction term (INSOWN × CHAEXE) to test the moderating effect of executive character.

Institutional ownership remains significant ($\beta = 0.145$, $p < 0.01$), and the interaction term is positive and significant ($\beta = 0.067$, $p < 0.05$), supporting H_2.

This suggests that executive character moderates the relationship between institutional ownership and tax compliance, with risk-averse executives (lower CHAEXE values) strengthening the positive effect of institutional ownership. The negative coefficient for CHAEXE ($\beta = -0.092$, $p < 0.10$) indicates that risk-taking executives may reduce tax compliance, aligning with findings that risk-averse executives prioritize regulatory adherence to avoid penalties (Kovermann & Velte, 2019). The control variables maintain their significance and direction, with an adjusted R^2 of 0.429, indicating improved explanatory power with the inclusion of the interaction term.

Table 4. Regression Analysis

Variables	Model 1 (CUTR)	Model 2 (CUTR)
Constant	12.543***	13.128***
INSOWN	0.152***	0.145***
CHAEXE	-	-0.092
INSOWN X CHAEXE	-	0.067**
ROA	0.134**	0.129**
LEV	-0.089*	-0.085*
SIZE	0.176***	0.172***
R^2	0.412	0.435
Adjusted R^2	0.408	0.429
F-statistic	56321***	48.976***

*Note: ***p < 0.01, **p < 0.05, p < 0.10

Table 5. Robustness Test Results (ETR)

Variables	Model 1 (ETR)	Model 2 (ETR)
Constant	11.987***	12.456***
INSOWN	0.147***	0.139***
CHAEXE	-	-0.088*
INSOWN X CHAEXE	-	0.064**
ROA	0.129**	0.125**
LEV	-0.085*	-0.082*
SIZE	0.169***	0.165***
R^2	0.398	0.420
Adjusted R^2	0.394	0.414
F-statistic	52.874***	45.321***

*Note: ***p < 0.01, **p < 0.05, p < 0.10

http://dx.doi.org/10.31106/jema.v22i1.23980, ISSN (Online) 2597-4017

Moreover, to validate the findings, a robustness test is conducted using the Effective Tax Rate (ETR) as an alternative measure of tax compliance, calculated as Total Tax Expense divided by Pre-tax Income (Hanlon & Heitzman, 2010). The results, presented in Table 5, confirm the consistency of the primary findings. The robustness test confirms that institutional ownership positively affects tax compliance ($\beta = 0.139$, $p < 0.01$ in Model 2), and the interaction term remains significant ($\beta = 0.064$, $p < 0.05$), reinforcing the moderating role of executive character. The control variables maintain their significance and direction, with slightly lower R^2 values (adjusted $R^2 = 0.414$ in Model 2) due to the broader scope of ETR, which includes deferred taxes. These results validate the primary findings across different tax compliance measures, enhancing the study's reliability (Hanlon & Heitzman, 2010).

The regression analyses conducted in this study provide robust evidence of the relationship between institutional ownership and tax compliance among Indonesian firms during the period 2020–2024, a period marked by consistent achievement or near-achievement of national tax revenue targets, with realization rates such as 103.9% in 2021, exceeding the target in 2022, and 97.2% in 2024. The findings from Model 1 and Model 2 underscore the critical role of institutional ownership, measured as the percentage of shares owned by institutions relative to total shares outstanding, in enhancing tax compliance. These results are contextualized within agency and stakeholder theories, which provide theoretical lenses to explain the governance mechanisms driving compliance. The discussion is further supported by recent empirical studies from Indonesia and other emerging markets, which validate the findings and highlight their relevance to the Indonesian fiscal context. The following subsections elaborate on the results of each model, integrating theoretical justifications and empirical evidence to offer a comprehensive analysis.

Model 1: Institutional Ownership and Tax Compliance

The findings of Model 1 show that there is a positive linkage between institutional ownership and tax compliance, which is significant at a level of 5 %, implying that the higher the institutional ownership of a firm, the higher the compliance level towards the tax requirements. This implication coincides with the agency theory, which states that institutional investors, being major shareholders, are perfect monitors of managerial conduct, thus minimizing agency costs by ensuring alignment of managers' actions with those of the stakeholders, such as adherence to the tax laws (Jensen & Meckling, 1976). The institutional investors, like pension funds, insurance companies, and mutual funds, have the resources, the expertise, and the incentive to question the corporate financial actions of a company and prevent the use of tax avoidance activities that might attract competitive or reputational punishment. In Indonesia, the priorities of 2020- 2024 have been great institutional interest in publicly traded companies due to regulatory reforms as well as economic recovery plans, which probably increased their impact on tax compliance. The fact that tax revenue goals were always met on time during this time, including 108.8 per cent in 2023, indicates the overall nature of how this kind of governance mechanism affects tax collection.

This relationship is empirical with Sastrodiharjo and Mukti’s (2024) research study, which showed a positive impact obtained between institutional ownership and tax compliance of manufacturing listed firms traded in the Indonesia Stock Exchange (IDX) in 2017-2020, when institutional owners pressure the companies to conform their practices to the regulatory standards. On the same note, Khan et al. (2017) revealed that institutional ownership minimizes tax avoidance in an emerging market because it improves corporate transparency and accountability. The Indonesian analysis also indicated that return on assets and firm size were positively significant in Model 1, which means that firms with profits and that are larger are in a stronger position to fulfill the tax. Conversely, the negative coefficient for leverage indicates that highly leveraged firms may prioritize debt servicing over tax compliance. Budiadnyani et al. (2024) noted that financial constraints increase tax avoidance tendencies in Indonesian firms. These findings are in line with the fiscal stability in Indonesia as the government managed to achieve its target in terms of tax revenues by either surpassing or breaking it, which indicates that institutional ownership enhances compliance.

The Model 1 has great implications for policymakers and corporate boards. Rewarding institutions with incentives, including simplified laws or tax incentives, might positively affect corporate governance and promote Indonesia's fiscal interests. It is apparent that the sensitivity between tax compliance and institutional ownership offers an approach whereby institutional investors can be singled out to be used as a driving force of fiscal stability in the emerging economies. In addition, the results have indicated that more profitable and bigger firms are more community-friendly in contributing to national tax collection, and the policies should be made to help the size and profitability of firms, where monitoring is maintained to assess adherence to the laws by highly geared firms.

Model 2: Moderating Effect of Executive Characteristics

Model 2 builds on Model 1 by including the interaction of the institutional ownership and their executive characteristics, and it postulates that the executive leadership quality mollifies the correlation between institutional ownership and tax compliance. The regression analysis results show that the coefficient of the interaction term is significantly positive, implying that the strong executive characteristics will amplify the positive impact of the institutional ownership on the tax compliance. The observation is premised on the stakeholder theory, which points out the responsibility of corporate executives to strike the appropriate balance between the interests of all stakeholders, including the tax authorities, to give insight into the long-term survival of firms (Freeman, 1984). Executives with qualities like ethical leadership, strategic vision, or administration experience will tend to put in place a system of controls and policies to start paying taxes first, particularly with institutional investors that instill accountability.

This interaction effect is reinforced through empirical data from recent studies. The research by Iswari et al. (2019) revealed that the ethical orientation of executives and expertise in governance increase the governance potential of institutional investors of the Indonesian state-owned enterprises, resulting in lower tax aggressiveness. By analogy, Firmansyah and Bayuaji (2019) have observed that the quality of executive leadership enhances the influence of institutional ownership on adherence to the regulatory structures in Indonesia, especially in tax reporting. The growing attention of tax authorities and the regulatory environment in Indonesia (in the time range 2020-2024) could have made executive accountability even more significant. The interaction effect in Model 2 indicates that the monitoring of the institutional investors can be supplemented by the stakeholder interest-mindedness of the executives, so that it leads to the systematic accomplishment of the tax revenue distributions, which includes surpassing the goal in the year 2022.

The control variables in Model 2 support the conclusions drawn in Model 1. The positive value of return on assets and firm size implies that profitability and firm size would make compliance with taxes easy, whereas the negative value of leverage indicates that financial constraints could make tax compliance more complicated. This is similar to Afrianti et al. (2022), who proved that bigger and more profitable Indonesian companies report lesser tax avoidance, as the companies would be more visible and have more resources. This strength of interaction shows the synergy aspect whereby firms with a strong institutional governance, and also in combination with ethical executives, are in the best position to meet tax compliance. Such synergy is significant in the economic situation in Indonesia after 2020, when regulatory change and the restoration of the economy have been highlighted among the corporate responsibilities.

Model 2 has two implications. The findings indicate that the boards of corporations need to choose executives with good governance credentials to achieve the advantage of institutional ownership. Training could also enhance this relationship, which would increase executive accountability. The implication to policymakers is that tax revenue may not be maintained unless an environment is provided that would promote both institutional investment and ethical leadership success in Indonesia. This would interest future research, and it could examine particular features of executive talent, like risk aversion or a moral disposition, that best supplement institutional ownership, to give greater detail to this moderating role.

Broader Implications and Theoretical Integration

The results of both models satisfy the debate on corporate governance as well as tax compliance in the emerging economies. Under agency theory, a framework can be laid out that tackles the issue of institutional ownership as a means of controlling managerial opportunism, especially through tax compliance. By putting watchdog pressure on firms, institutional investors decrease the risk of tax avoidance by firms and make them act to meet national fiscal interests. The stakeholder theory goes along with this view, bringing into focus how executives can balance the interests of the stakeholders, including the tax authorities. Complementarity between these theories captures the fact that tax compliance is a complex topic involving the interaction of ownership structure with the quality of top leadership to deliver desirable results.

Recent researchers put these findings in an Indonesian economic and regulatory context. Budiadnyani et al. (2024) suggest that the role that institutional ownership plays in Indonesia in the enhancement of corporate accountability in the country has become one of the most important corporate policy directions ever since the year 2020, when tax collections tightened their execution. In the same vein, Sastrodiharjo and Mukti (2024) ask about the capability of institutional investors to decrease tax avoidance in the IDX listed firms, which confirms the results achieved in this paper as the results of these studies confirm the topicality of the present findings to the fiscal environment of Indonesia, whereby during the period of 20202024, the realization rates of tax revenues increased impressively as a representation of the efficiency of fiscal governance systems in stabilizing fiscal circumstances.

The fact that tax revenue targets in Indonesia were continuously met throughout the duration of the study is a strong pointer to the practical relevance of these results. The regression results suggest that institutional ownership, amplified by strong executive leadership, has played a crucial role in sustaining fiscal stability. Policymakers could build on this by promoting policies that attract institutional investors and foster ethical leadership within firms. Future research should explore additional moderating factors, such as corporate culture or regulatory changes, to further elucidate the dynamics of tax compliance. Extending the analysis to non-listed firms or other emerging economies could enhance the generalizability of these findings, providing a more comprehensive understanding of the interplay between institutional ownership, executive leadership, and tax compliance.

Conclusion and Suggestion

This study examined the effect of institutional ownership on tax compliance among Indonesian non-financial firms from 2020 to 2024, as well as the moderating role of executive character. The results show that higher institutional ownership significantly improves tax compliance, supporting the agency theory proposition that institutional investors enhance governance and reduce non-compliance. This positive effect is strengthened when executives are risk-averse—whose cautious decision-making aligns with compliance objectives—but weakened when executives are risk-taking, as their strategic aggressiveness may counteract governance benefits. Also, additional findings reveal that profitability and firm size positively influence compliance capacity, indicating that financially stronger and larger firms are better positioned to meet tax obligations. In contrast, higher leverage negatively affects compliance, suggesting that debt pressures may push firms toward more aggressive tax behavior.

Although all these were learnt, the study had some limitations which are worth noting. This analysis was based on information from publicly listed companies, thus not fully reflecting the domain of corporate entities in Indonesia, including small and medium-sized firms that make up a large part of the monetary sector. Additionally, the tax compliance measure was based on reported tax payments relative to revenue targets, which may not capture nuanced compliance aspects, such as tax avoidance strategies that remain within legal boundaries. The study period, while recent, was also influenced by external factors such as economic recovery following global disruptions, which may have affected firm behavior and tax outcomes. Furthermore, the reliance on secondary data sources introduced potential inconsistencies in reporting quality across firms. These limitations indicate that one should be cautious when extrapolating these results and that the study can be improved upon in the future by including some primary data or qualitative comments in order to give a more complete picture of how tax compliance can be achieved.

Finally, the findings carry important implications. For policymakers, designing incentives to attract and empower institutional investors, such as simplified regulations or targeted tax benefits, could enhance corporate governance and strengthen compliance. For corporate boards, aligning executive selection and development with risk-averse leadership traits can maximize the governance benefits of institutional ownership. For regulators, recognizing the role of firm profitability, size, and leverage in compliance capacity can help craft proportionate tax enforcement strategies. Ultimately, by leveraging the synergy between governance mechanisms and executive behavior, Indonesia can sustain and enhance its strong record of meeting tax revenue targets in the years ahead.

References

Addo, K. A., Pathan, S., & Ongena, S. (2024). Overconfident Bank CEOs: Risk Amplification Amid Economic Policy Uncertainty?. *Swiss Finance Institute Research Paper*, (24-31). https://dx.doi.org/10.2139/ssrn.4815139

Afrianti, F., Uzliawat, L., & Ayu Noorida, S. (2022). The effect of leverage, capital intensity, and sales growth on tax avoidance with independent commissioners as moderating variables. *International Journal of Science, Technology & Management, 3*(2), 337–348. https://doi.org/10.46729/ijstm.v3i2.441

Amani, D. (2024). Modeling the impact of corporate legitimacy on tax compliance intention to small and medium-sized enterprises. *Cogent Business & Management, 11*(1), 1-16. https://doi.org/10.1080/23311975.2024.2368098.

Anshori, M., & Swati, S. (2020). *Quantitative research methods*. Surabaya: Airlangga University Press.

Arnold, B. J., & McIntyre, M. J. (2020). *International tax primer (4th ed.)*. The Hague: Kluwer Law International.

Bataineh, H. (2025). The moderating effect of female directors on the relationship between ownership structure and tax avoidance practices. *Journal of Risk and Financial Management, 18*(7), 350. https://doi.org/10.3390/jrfm18070350

Budiadnyani, N. P., Dewi, P. P. R. A., & Supriawan, I. G. J. (2024). Corporate tax reduction strategies: The impacts of institutional ownership, company profitability, and financial leverage. *Amnesty: Jurnal Riset Perpajakan, 7*(2), 244–254. https://doi.org/10.26618/jrp.v7i2.15812

Chen, C., & Li, Y. (2025). The impact of institutional ownership on corporate tax avoidance in China: An empirical test using quantile regression. *Discrete Dynamics in Nature and Society, 2025*(1), 1-17. https://doi.org/10.1155/ddns/9924040

Desai, M. A., & Dharmapala, D. (2006). Corporate tax avoidance and high-powered incentives. *Journal of Financial Economics, 79*(1), 145-179. https://doi.org/10.1016/j.jfineco.2005.02.002

Firmansyah, A., & Kartiko, N. D. (2024). CEO Demographics and Corporate Cash Holdings: Evidence from Banking Companies in Indonesia. *Accounting Analysis Journal, 13*(3), 184-207. https://doi.org/10.15294/aaj.v13i3.17826

Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Pitman.

Gilson, R. J., & Kraakman, R. (1991). Reinventing the outside director: An agenda for institutional investors. *Columbia Law School, 43,* 863-906. https://scholarship.law.columbia.edu/faculty_scholarship/891

Gilson, R. J., & Gordon, J. N. (2021). Controlling shareholders and corporate governance. *University of Pennsylvania Law Review, 169*(3), 785–820. http://dx.doi.org/10.2139/ssrn.417181

Greene, W. H. (2022). *Econometric analysis (8th ed.)*. New York: Pearson.

Hadmoko, F. T., & Irawan, F. (2022). Determinants of transfer pricing aggressiveness and the mediation role of tax burdens: Evidence from Indonesia. *JEMA: Jurnal Ilmiah Bidang Akuntansi dan Manajemen, 19*(1), 41-59. https://doi.org/10.31106/jema.v19i1.13901

Hanlon, M., & Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics, 75*(2), 1-27. doi:10.1016/j.jacceco.2022.101523

Hasan, I., Hoi, C. K., Wu, Q., & Zhang, H. (2017). Does social capital matter in corporate decisions? Evidence from corporate tax avoidance. *Journal of Accounting Research, 55*(3), 629-668. https://doi.org/10.1111/1475-679X.12159

Hasan, I., Kim, I., Teng, H., & Wu, Q. (2022). The effect of foreign institutional ownership on corporate tax avoidance: International evidence. *Journal of International Accounting, Auditing and Taxation, 46*, 1-48. https://doi.org/10.1016/j.intaccaudtax.2021.100440

Incekara, A., & Çetinkaya, H. (2019). Credit risk management: A panel data analysis on the Islamic banks in Turkey. *Procedia Computer Science, 158*, 947-954. https://doi.org/10.1016/j.procs.2019.09.135

Iswari, P., Sudaryono, E., & Widarjo, W. (2019). Political connection and tax aggressiveness: A study on the state-owned enterprises registered in Indonesia stock exchange. *Journal of International Studies, 12*(1), 79–92. https://doi.org/10.14254/2071-8330.2019/21-1/5

Jang, S., Kim, B., & Lee, S. (2022). Impact of corporate social (ir) responsibility on volume and valence of online employee reviews: Evidence from the tourism and hospitality industry. *Tourism Management, 91*, 1-42. https://doi.org/10.1016/j.tourman.2022.104501

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305–360. http://hupress.harvard.edu/catalog/JENTHF.html

Jiang, Y., Zheng, H., & Wang, R. (2021). The effect of institutional ownership on listed companies' tax avoidance strategies. *Applied Economics, 53*(8), 880-896. https://doi.org/10.1080/00036846.2020.1817308

Kalra, A., & Afzal, M. N. I. (2023). Transfer pricing practices in multinational corporations and their effects on developing countries' tax revenue: a systematic literature review. *International Trade, Politics and Development, 7*(3), 172-190. https://doi.org/10.1108/ITPD-04-2023-0011

Khan, M., Srinivasan, S., & Tan, L. (2017). Institutional ownership and corporate tax avoidance: New evidence. *The Accounting Review, 92*(2), 101–122. https://doi.org/10.2308/accr-51529

Khan, M. A., & Nuryanah, S. (2023). Combating tax aggressiveness: Evidence from Indonesia's tax amnesty program. *Cogent Economics & Finance, 11*(2), 1-17. https://doi.org/10.1080/23322039.2023.2229177

Khan, M. A., & Tjaraka, H. (2024). Tax justice and understanding: MSME compliance with Tax Regulation No. 55/2022 in Surabaya, Indonesia. *Cogent Business & Management, 11*(1), 1-20. https://doi.org/10.1080/23311975.2024.2396042

Kurniawan, B., & Adrison, V. (2025). The impact of ownership structure and corporate governance on tax aggressiveness of Indonesian public companies: Implications of the 2008 Tax Reform. *Journal of Tax Reform, 11*(1), 221-242. https://doi.org/10.15826/jtr.2025.11.1.199

Kovermann, J., & Velte, P. (2019). The impact of corporate governance on corporate tax avoidance—A literature review. *Journal of International Accounting, Auditing and Taxation, 36*, 100270. https://doi.org/10.1016/j.intaccaudtax.2019.100270

Lind, D. A., Marchal, W. G., & Wathen, S. A. (2018). *Statistical techniques in business & economics*. McGraw-hill.

Lokanan, M. (2023). The morality and tax avoidance: A sentiment and position taking analysis. *Plos one, 18*(7), e0287327. https://doi.org/10.1371/journal.pone.0287327

Manconi, A., Massa, M., & Yasuda, A. (2012). The role of institutional investors in propagating the crisis of 2007–2008. *Journal of Financial Economics, 104*(3), 491-518. https://doi.org/10.1016/j.jfineco.2011.05.011

Mardiasmo. (2021). *Indonesian taxation* (Revised ed.). Yogyakarta: Andi.

Minh Ha, N., Phuong Trang, T. T., & Vuong, P. M. (2022). Relationship between tax avoidance and institutional ownership over business cost of debt. *Cogent Economics & Finance, 10*(1), 2026005. https://doi.org/10.1080/23322039.2022.2026005

Ministry of Finance of the Republic of Indonesia. (2024). *State revenue and expenditure budget (APBN) report*. Retrieved from https://www.kemenkeu.go.id

Moore, M., & Prichard, W. (2020). How can governments of low-income countries collect more tax revenue?. In *The politics of domestic resource mobilization for social development* (pp. 109-138). Cham: Springer International Publishing. https://doi.org/10.1007/978-3-030-37595-9_4

Musah, A., Padi, A., Blay, M. W., Okyere, D. O., & Ofori, B. S. (2025). Ethical organisational culture, effective internal control systems and tax compliance of small and medium scale enterprises (SMEs): *The role of corporate governance. Social Sciences & Humanities Open, 11*, 1-10. https://doi.org/10.1016/j.ssaho.2025.101331

Oussii, A. A., & Klibi, M. F. (2024). The impact of CEO power on corporate tax avoidance: the moderating role of institutional ownership. *Corporate Governance: The International Journal of Business in Society, 24*(4), 725-742. https://doi.org/10.1108/CG-02-2023-0067

Paligorova, T. (2010). Corporate risk-taking and ownership structure. *Journal of Corporate Finance, 68*, 1-44. https://www.econstor.eu/bitstream/10419/53851/1/618958037.pdf

Payne, D. M., & Raiborn, C. A. (2018). Aggressive tax avoidance: A conundrum for stakeholders, governments, and morality. *Journal of Business Ethics, 147*(3), 469-487. https://doi.org/10.1007/s10551-015-2978-5

Rahayu, S. K. (2017). *Taxation (Concepts and Formal Aspects)*. Bandung: Science Engineering.

Sastrodiharjo, I., & Mukti, A. H. (2024). Exploring the intricacies of tax planning: a novel insight from the Indonesian context. *Cogent Business & Management, 11*(1), 1-15. https://doi.org/10.1080/23311975.2024.2348709

Sugeng, S., Prasetyo, E., & Zaman, B. (2020). Does capital intensity, inventory intensity, firm size, firm risk, and political connections affect tax aggressiveness? *JEMA: Jurnal Ilmiah Bidang Akuntansi dan Manejemen, 17*(1), 78-87. https://doi.org/10.31106/jema.v17i1.3609

Susyanti, J., & Askandar, N. S. (2019). Why is Tax Knowledge and Tax Understanding Important? *JEMA: Jurnal Ilmiah Bidang Akuntansi Dan Manajemen, 16*(2), 187-194. https://doi.org/10.31106/jema.v16i2.2711

Tuo, L., & Han, S. (2024). Does Taxation Education Improve Tax Compliance: An Empirical Study. *Advances in Taxation, 31,* 165-208. https://doi.org/10.1108/S1058-749720240000031006

Velte, P. (2023). Sustainable institutional investors, corporate sustainability performance, and corporate tax avoidance: Empirical evidence for the European capital market. *Corporate Social Responsibility and Environmental Management, 30*(5), 2406-2418. https://doi.org/10.1002/csr.2492

About the Authors

Sigit Kurnianto is a doctoral scholar specializing in governance and sustainability at the Faculty of Economics and Business, Universitas Airlangga, Indonesia. He also serves as a lecturer at the same faculty. His interest research focus on Public Sector Accounting, Sustainability Accounting, Corporate Governance. Contributions: Writing Original Draft, Conceptualization, Supervision, Validation, and Funding.

Muhammad Arsalan Khan is an academic researcher with a Bachelor's degree in Business Administration from Abdul Wali Khan University Mardan, Pakistan, a Master's degree in Accounting from Universitas Indonesia, Indonesia, and a Ph.D. in Accounting from Universitas Airlangga, Indonesia. He is currently undertaking a post-doctoral fellowship, focusing on advanced research in accounting and finance. His areas of expertise include

accounting, taxation, corporate finance, and sustainability. Contributions: Writing Original Draft, Conceptualization, Methodology.

Mar'a Elthaf Ilahiyah is a Lecturer in Accounting at Sekolah Tinggi Ilmu Ekonomi Indonesia (STIESIA) Surabaya, Indonesia. She earned her Doctorate in Accounting from Universitas Airlangga, Indonesia. Her research interests include qualitative accounting research, strategic management, management accounting, and intellectual capital. She actively contributes to academic publications and research in these fields. Contributions: Writing – Review & Editing, Software, and Formal Analysis.