

Do narcissistic CEOs promote tax avoidance?: the role of board gender diversity in Indonesia

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Abstract

This paper examines factors related to tax avoidance in Indonesia. Previous studies indicate that the tax ratio in Indonesia is lower than that of ASEAN countries and the global average. Understanding these factors is crucial. In investigating the role of a Chief Executive Officer's (CEO) narcissism in tax avoidance, we introduce gender diversity as a moderating variable. Additionally, the study incorporates corporate profitability as a key factor. Our research focuses on non-financial sector companies listed on the Indonesia Stock Exchange for 2019-2021. Our examinations show that corporate profitability positively affects tax avoidance, with firms exhibiting higher net income tending to engage in tax avoidance. We support our hypothesis that narcissistic CEOs are inclined to reduce tax payments. Furthermore, the impact of narcissism on tax avoidance diminishes for firms with greater board gender diversity. Our findings contribute to tax studies in emerging countries by revealing that board gender diversity mitigates the impact of narcissistic CEOs on tax avoidance.

Keywords: corporate profitability, CEO narcissism, board gender diversity, tax avoidance