

## Women in the Boardroom: A Catalyst for Tax Avoidance?

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### ABSTRACT

*Tax is pivotal in a country's economy because it is a nation's largest source of income. However, taxpayers and the government have contrasting viewpoints regarding taxation. Taxpayers perceive taxation as a financial "burden" whereas the government considers tax as their source of revenue "revenue." Due to the differing perspectives on taxation, taxpayers, especially firms, tend to resort to tax avoidance strategies to reduce their tax expenses. Therefore, the intent of this empirical study is to examine the effect of board gender diversity on corporate tax avoidance practices in the financial sector from 2021 to 2023 using the panel data regression approach. The results of this research study show that board gender diversity is associated with increased corporate tax avoidance practices. The controlled variables, firm size and leverage, do not significantly affect tax avoidance practices, whereas profitability has a significant positive effect. This result aligns with the critical mass theory in which a small proportion of female directors on the board cannot influence the decision-making process of a firm since they will just be ignored.*

**Keywords:** board gender diversity, tax avoidance, female directors, financial sector

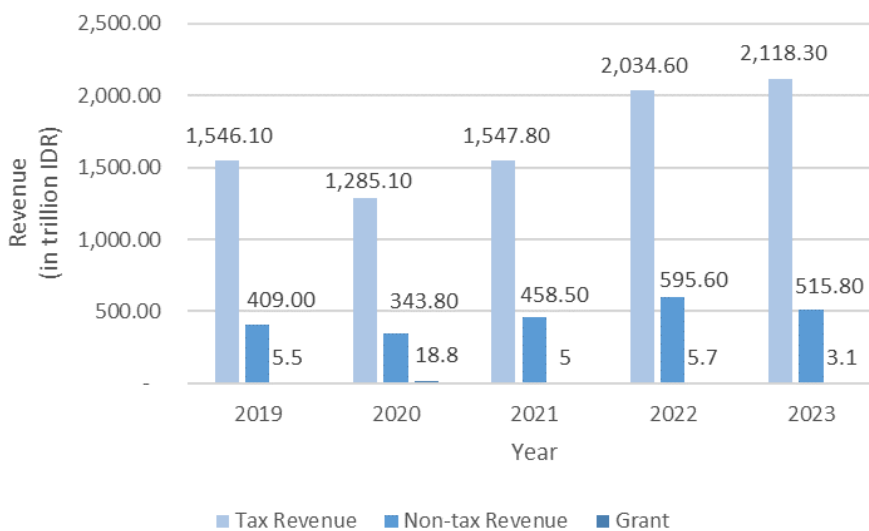
### ABSTRAK

Pajak sangat penting dalam perekonomian suatu negara karena merupakan sumber pendapatan terbesar suatu negara. Namun, pembayar pajak dan pemerintah memiliki sudut pandang yang kontras mengenai perpajakan. Wajib pajak menganggap perpajakan sebagai "beban" keuangan sedangkan pemerintah menganggap pajak sebagai sumber pendapatan "pendapatan" mereka. Karena perspektif perpajakan yang berbeda, wajib pajak, terutama perusahaan, cenderung menggunakan strategi penghindaran pajak untuk mengurangi beban pajak mereka. Oleh karena itu, tujuan dari studi empiris ini adalah untuk mengkaji pengaruh keberagaman gender dewan terhadap praktik penghindaran pajak perusahaan di sektor keuangan dari tahun 2021 hingga 2023 dengan menggunakan pendekatan regresi data panel. Hasil penelitian ini menunjukkan bahwa keragaman gender dewan dikaitkan dengan peningkatan praktik penghindaran pajak perusahaan. Variabel yang terkontrol, ukuran perusahaan dan *leverage*, tidak secara signifikan memengaruhi praktik penghindaran pajak, sedangkan profitabilitas memiliki efek positif yang signifikan. Hasil ini sejalan dengan teori massa kritis di mana sebagian kecil direktur perempuan di dewan tidak dapat memengaruhi proses pengambilan keputusan perusahaan karena mereka hanya akan diabaikan.

**Kata kunci:** keragaman gender dewan, penghindaran pajak, direktur perempuan, sektor keuangan

**INTRODUCTION**

Tax constitutes the largest income source for a country (Musin et al., 2021). One of the objectives of taxation is to increase the prosperity and welfare of the people as well as to finance all types of expenditures to develop the country itself (Hidayat & Zuhroh, 2023; Tanujaya & Erna, 2021). Since taxes play an important role, the tax system in Indonesia has been regulated in tax laws and regulations. Based on the Financial Notes from the Ministry of Finance of Indonesia, tax revenues reached up to IDR 2,118.3 trillion or contributed up to 80.4% of Indonesia’s total revenue in 2023. In contrast, the remaining 19.6% of revenue comes from non-tax revenue and grants as shown in Figure 1.



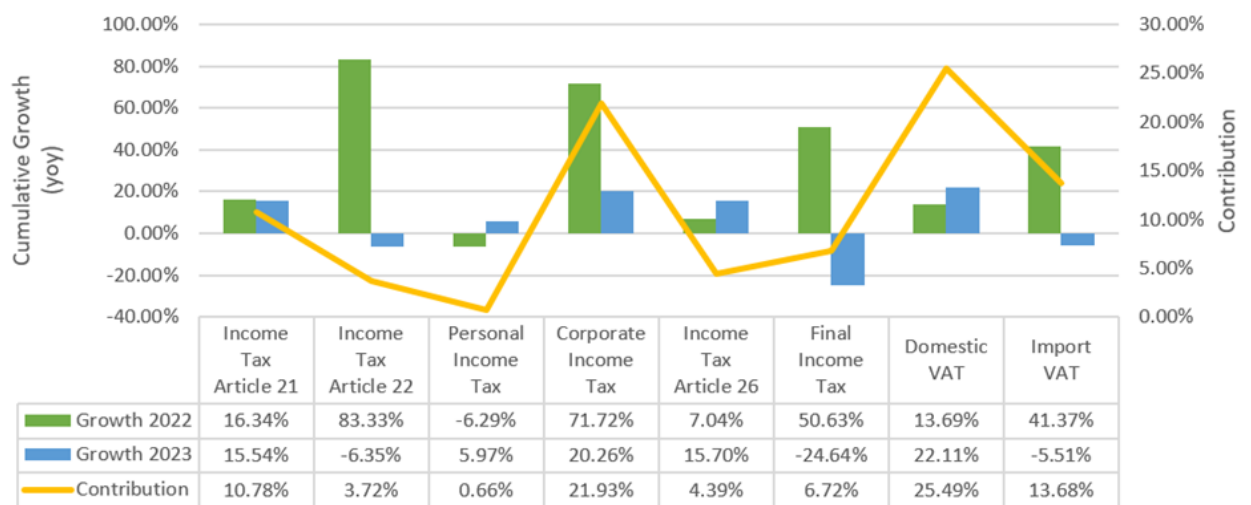
**Figure 1. Indonesia’s Source of Revenue in 2023**

Source: Kementerian Keuangan (2024b)

Despite the increase in the tax revenue from 2019, if the types of taxes are accounted for, most of these taxes experienced slower growth in 2023 than in 2022. One of the main taxes that makes a large and significant contribution to tax revenue is corporate income tax. As seen from Figure 2 corporate income tax has the second largest contribution (21.93%) after domestic VAT (value-added tax). However, the growth of corporate income tax in 2023 was slower compared to 2022 where cumulative growth in 2022 reached 71.72% while growth in 2022 only reached 20.26%. One of the contributing factors that cause this phenomenon is that the Indonesian tax law and regulations still contain loopholes (grey areas) such that taxpayers, both individuals and entities, often carry out tax avoidance tactics.

Tax avoidance is a condition in which taxpayers save or reduce their tax burden using certain legal methods (Musin et al., 2021; Wijaya et al., 2020). One of the aims of tax avoidance practices done by taxpayers is to minimize the amount of taxes to be paid (for individuals) and increase the profits generated by the business (for entities) (Widayanti et al., 2022). Moreover, tax avoidance can also raise the

company's value because the tax savings made can be reinvested back into the company and or returned to the shareholders (Sihono & Febyansyah, 2023). Taxpayers (especially entities) and the government have very different points of view regarding taxation. For the government, tax is a form of state revenue, whereas taxpayers consider taxes as a form of "burden" (Tanjung & Amin, 2022). Similarly, companies consider tax as a burden since it decreases the net income that can be redistributed to the shareholders (Hidayat & Zuhroh, 2023). Because of this different point of view, most companies will try to find ways to reduce their tax liabilities using both legal and illegal methods (Tanjung & Amin, 2022).



**Figure 2. Year-on-Year Cumulative Growth and Contribution of the Main Types of Taxes**

Source: Kementerian Keuangan (2024a)

Tax avoidance has been one of the most extensive topics discussed in literature due to its longstanding significance as a major economic concern for a nation (Hidayat & Zuhroh, 2023). Prior research studies have revealed several corporate characteristics that are associated with tax avoidance, such as audit committee characteristics (Al Lawati & Hussainey, 2021; Dang & Nguyen, 2022; Sulistyawati & Rahmawati, 2024), family firms (Flamini et al., 2021; Khelil & Khelif, 2023; Lee & Bose, 2021), corporate governance (Ahmed et al., 2022; Iazzi et al., 2023; Khan et al., 2022). A diverse board, sometimes known as board diversity, is another frequently discussed topic in the field of tax because this diversity allows companies to contemplate different viewpoints and be able to come up with better decisions (Cortellese, 2022; Laksono & Handayani, 2024). Nonetheless, previous research, specifically on-board gender diversity and corporate tax avoidance, showed various results. Research from Jarboui & Riguen (2020) showed that board gender diversity is significantly and negatively correlated to tax avoidance because female directors tend to provide more monitoring activities and resources to mitigate agency problems. Likewise, Eva & Kusuma (2022) stated that women in higher management

can give rise to effective supervision which in turn can recognize self-interested behaviors from the managers.

On the contrary, research from Budi (2019), Jevfri et al. (2023), and Laksono & Handayani (2024) showed that board gender diversity has no significant effect on corporate tax avoidance. One of the reasons for this argument is that the presence of female directors on the board has not yet been considered to dominate decision-making processes because each member has his/her voting rights and they are chosen because of their professionalism and not gender (Jevfri et al., 2023). Furthermore, Budi (2019) argued that women want to be equal to men and that they can have a risk-taker character.

Due to differences in research results and discussion on board gender diversity and tax avoidance, the aim of this research study is to obtain the latest empirical evidence and explanation regarding the effect of board gender diversity on corporate tax avoidance practices from the perspective of critical mass theory. Furthermore, the focus of this study is on the financial sector which is rarely discussed because of its distinct characteristics from other sectors.

## LITERATURE REVIEW

### Critical Mass Theory

The term 'critical mass' originated from the branch of nuclear physics, which refers to the minimum amount of radioactive material required to start a sustained chain reaction, leading to a significant and irreversible process (Lefley & Janeček, 2024). The idea of 'critical mass' was first introduced into the context of social sciences by Granovetter (1978) on models of collective behavior in which he stated a threshold of several people must be met to make a difference. In this case, the critical mass theory claims that a small group's ability to influence the decision-making process can only make an impact when the critical mass threshold is reached (Toukabri & Jilani, 2023). When a critical mass threshold of female directors is attained, their votes and opinions will be valued and taken into consideration by male directors (Hossain et al., 2024). In social science works of literature, the 'critical mass' can be achieved if the proportion of women reaches a minimum threshold of 30% (Lawal, 2024; Tarkovska et al., 2023). Konrad et al. (2008), in their research work, mentioned that a 'critical mass' is achieved if there are 3 or more women in corporate boardrooms because women will be more active and have more freedom to raise concerns and issues. On the other hand, if there are only 1 or 2 women on the board, there are risks of tokenism and that women will be ignored or may continue to be perceived stereotypically.

For instance, Brahma et al. (2021) revealed that the occupancy of 3 or more women on the board can greatly enhance firm performance of firms in the United Kingdom. Similarly, Javaid et al. (2023) stated that 3 or more females on the board of directors can have a significant impact on Modified Value-Added Intellectual Capital (MVAIC) and its components (e.g. human capital, physical capital, relational capital, and structural capital efficiency). Toukabri & Jilani (2023) found that once gender

diversity on the board reaches a critical mass of 3 female directors, companies in the United States improve their carbon performance. Moreover, Inneh et al. (2024) mentioned that the earnings quality of the Nigerian banking sector will increase once the critical mass threshold of women on the board reaches 30%.

### **Board Gender Diversity and Tax Avoidance**

The composition of board members could have a substantial impact on a board's ability to fulfill its oversight duties (Guat-Khim & Lian-Kee, 2024). In this case, gender diversity has become omnipresent in the context of corporate governance (Salhi et al., 2020). A female director is someone who is chosen to be on the board of a company and has an essential role in the process of making decisions in the company (Simamora & Sari, 2021). The diversity of directors has a crucial role in the company to make decisions to prevent tax avoidance (Septiani et al., 2022). Previous research by Hidayat & Zuhroh (2023) estimated the composition of company directors on tax avoidance. According to their research results, the composition of company directors has a significant negative effect on tax avoidance because the company will comply more with tax rules and regulations if it has more female directors. Furthermore, Salhi et al. (2020) in their research stated that the presence of women in corporate boardrooms can monitor managerial performance effectively. Women on the board of directors in mining companies in Indonesia are also able to weaken significant positive effects of profitability (ROA), sales growth rate (SGR), and leverage (DAR) on tax avoidance practices (Mulasimadhi et al., 2024). Based on prior research, the hypothesis on the effect of board gender diversity on corporate tax avoidance is:

*H<sub>1</sub>: Board gender diversity has a significant negative effect on corporate tax avoidance.*

### **Firm Size, Leverage, Profitability and Tax Avoidance**

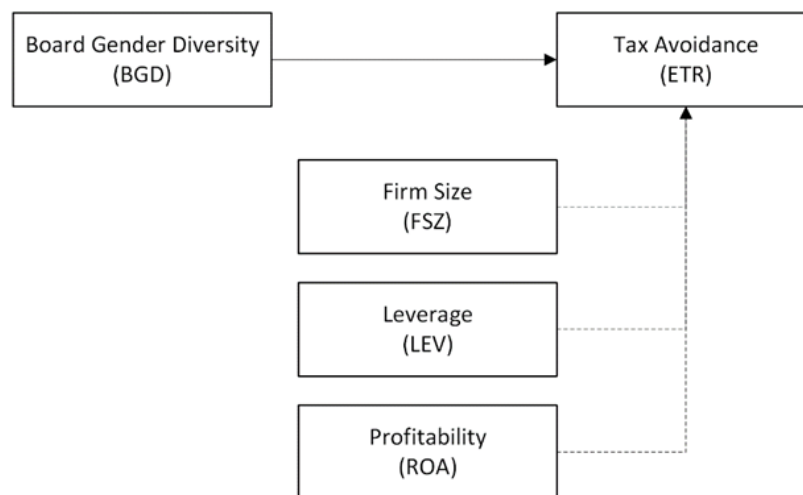
In this research study, firm size, leverage, and profitability are included as controlled variables since these variables can influence a firm's ability to take on tax avoidance practices. The following paragraphs explain the impact of each controlled variable on corporate tax avoidance based on past research studies.

Investors use firm size as one of the indicators to evaluate business performance and assets (Marsuni & Mariana, 2023). The capital structure of a company will be affected by the size of the company in which a larger company will have the capability to offer additional shares and have higher leverage (Oktivina et al., 2020). Because larger firms have greater economic and political power, they tend to be more aggressive in terms of tax (Salhi et al., 2020). In addition, Nyman et al. (2022) stated that a greater firm size will result in higher tax avoidance practices because these large firms have the propensity to conduct tax avoidance activities to achieve optimal tax savings.

Leverage refers to the amount of debt used by the company rather than capital financing from its shareholders (Afrianti et al., 2022). According to Paramita et al. (2023), firms with higher leverage levels will also have higher tax avoidance practices because having a high amount of debt grants firms tax incentives in the form of

interest deduction. Likewise, Ernawati et al. (2021) said that the interest expense formed by debt can reduce the firm's income before tax. This in turn reduces the tax expense to be paid by the firm.

The profitability of a business is a measure of the efficiency of the management in controlling and managing the financial resources that the business owns (Rahmayani et al., 2023). A firm's profitability will lead to higher tax avoidance practices (Gunaasih, 2021). This is because a high profitability index is one of the financial metrics which makes investors interested in investing in a company (Marsahala et al., 2020). Consequently, companies will tend to avoid taxes to minimize the amount of taxes they have to pay (Oktafiani et al., 2023; Sopian et al., 2023).



**Figure 3. Research Model**

## METHODOLOGY

### Population, Sample, and Data Collection

This research study aims to obtain the latest empirical evidence on the effect of board gender diversity on corporate tax avoidance practices in the financial sector of Indonesia from 2021 to 2023 using the panel data regression approach. The population of this study is 150 financial firms listed on the Indonesia Stock Exchange (IDX). The following criteria determine the final sample for this research study:

1. Firm is listed and registered on the Indonesian Stock Exchange between 2021 and 2023.
2. Firm has completed annual reports with audited financial statements between 2021 and 2023 (as of December 31).
3. Firm generates profit and records tax expenses.
4. Firm has complete information needed for variable measurements.

The final sample shown in Table 1 is 89 financial firms with a total of 223 observations from 2021 to 2023 obtained spanning across 5 different industries in which 110 observations came from banks (49.33%), 34 observations came from

financing services (15.25%), 11 observations from investment services (4.93%), 39 observations came from insurance (17.49%), and 29 observations came from holding & investment companies (13.00%). 2 firm outliers were excluded because their effective tax rates (ETR) are greater than 1, which is economically and mathematically untenable since an ETR greater than 1 means that a taxpayer is paying more taxes than their income thus distorting the ETR.

**Table 1. Research Sample**

Sample Criteria	Total Observations
Firm is listed and registered on the Indonesian Stock Exchange between 2021 and 2023	315
Firm has no complete annual reports with audited financial statements between 2021 and 2023	(6)
Firm that suffers losses and does not record tax expense	(84)
Firm outliers	(2)
<b>Final sample</b>	<b>223</b>

**Variable Measurements**

The dependent variable used is tax avoidance which is measured by effective tax rate (ETR). Lower values of ETR indicate higher levels of tax avoidance (Dhawan et al., 2020). The independent variable used is board gender diversity and the controlled variables include firm size, leverage, and profitability. The explanation of variables in this research study is further explained in Table 2 below.

The effect of board gender diversity on corporate tax avoidance for each entity in a specific year is represented in the model equation below.

$$ETR_{it} = \alpha + \beta_1 BGD_{it} + \beta_2 FSZ_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \varepsilon_{it}$$

**Table 2. Operational Variables**

Variable	Definition	Measurement	Reference
<b>Dependent Variable</b>			
Tax Avoidance (ETR)	A series of tax planning strategies to economically maximize after-tax income	$\frac{Income\ Tax\ Expense}{Income\ before\ Tax}$	(Tanjung & Amin, 2022; Wijaya et al., 2020)
<b>Independent Variable</b>			
Board Gender Diversity (BGD)	The proportion of female directors on the board	$\frac{Number\ of\ Female\ Directo}{Total\ Number\ of\ Director}$	(Jarbouli & Riguen, 2020; Jevfri et al., 2023)

Controlled Variables			
Firm Size (FSZ)	Indicator to measure the size of the company	$Ln(Total\ Assets)$	(Budi, 2019)
Leverage (LEV)	Amount of debt used by the company to finance its activities	$\frac{Total\ Liabilities}{Total\ Equity}$	(Tanjung & Amin, 2022; Wijaya et al., 2020)
Profitability (ROA)	Company's capability to generate profit from its assets	$\frac{Net\ Income}{Total\ Assets}$	(Tanjung & Amin, 2022; Wijaya et al., 2020)
Entity (i)			
Year (t)			

### Determining Best Estimation Model and Classical Assumptions of Panel Data Regression

Panel data regression models can be estimated through 3 approaches, namely ordinary least squares (OLS), fixed effect (FE), and random effect (RE) models. There are several tests to be carried out for the most appropriate model: Chow test, Hausman test, and Lagrange Multiplier test. The Chow test is performed to choose between the fixed effect model and ordinary least squares model; the Hausman test is performed to choose between the fixed effect model and random effect model; the Lagrange Multiplier Test is performed to choose between the random effect model and ordinary least squares model.

The classical assumption for panel data regression used in this research study is the multicollinearity test. Issues for multicollinearity is possible to be detected by using the variance inflation factor (VIF) (Mehmetoglu & Venturini, 2021). Autocorrelation and heteroscedasticity tests are not used because the random effects model uses the general least squares (GLS) approach (Das, 2019).

## RESULTS AND DISCUSSION

### Descriptive Statistics

Table 3. Descriptive Statistics Results

Variable		Mean	Std. Dev	Min	Max
ETR	Overall	0.2305786	0.1469182	0.0013876	0.9807081
	Between		0.1611582	0.0013876	0.9271432
	Within		0.0545211	-0.0373983	0.4906008
BGD	Overall	0.1797245	0.1883363	0	0.8
	Between		0.1805581	0	0.7166667
	Within		0.04746	0.0463912	0.4019468
FSZ	Overall	139	359	0.154	2,170
	Between		335	0.160	1,960

	Within		28.3	-997	349
LEV	Overall	3.101589	2.770735	0.0024865	15.30803
	Between		2.624855	0.0031588	13.79185
	Within		0.5844431	-0.0938224	7.673642
ROA	Overall	0.029564	0.0504559	-0.003917	0.4070516
	Between		0.0534397	0.0002396	0.3433008
	Within		0.0193475	-0.1376897	0.1968177

Table 3 shows the descriptive statistics results for each variable used in this research study. There are a total of 223 observations (N = 223) consisting of 87 firms (n = 87) with an average number 2 observations per firm (T-bar = 2.56322). Effective tax rate (ETR) has a mean value of 0.2305786 with a minimum value of 0.0013876 and a maximum value of 0.9807081. Board gender diversity (BGD) has a mean value of 0.1797245 with a maximum value of 0.8. The minimum value of 0 indicates that the board of directors of several firms in the financial sector is still completely dominated by men. Firm size (FSZ), measured by total assets, has a mean value of 139 trillion IDR with a minimum value of 0.154 trillion IDR and a maximum value of 2,170 trillion IDR. Leverage (LEV) has a mean value of 3.101589 with a minimum value of 0.0024865 and a maximum value 15.30803 which shows that most financial firms are heavily financed by debt rather than equity. Profitability (ROA) has a mean value of 0.029564 with a minimum value of -0.003917 and a maximum value of 0.4070516.

#### Best Estimation Model and Classical Assumption Test

Table 4 shows the results of the estimation model and multicollinearity test. Since the Chow test displays a significant value of 0.0000, the fixed effect model is more suitable than the ordinary least squares model. The Hausman test displays an insignificant value of 0.3428, therefore, the random effect model is chosen over the fixed effect model. Because of this, further testing is a must using the Lagrange Multiplier test. Due to the significant value of 0.0000 produced by the Lagrange Multiplier test, the random effect model is chosen as the estimation model for this research study.

The classical assumption test used in this research study only consists of the multicollinearity test since the random effect model does not require autocorrelation and heteroscedasticity tests. Given that the mean VIF value is 2.72 (which is less than 10), thus it is evident that there are no multicollinearity issues.

**Table 4. Estimation Model and Classical Assumption Test Results**

Estimation Model Test	
Estimation Method Test	Tax Avoidance (ETR)
Chow Test	0.0000
Hausman Test	0.3428
Breusch and Pagan Lagrangian Multiplier Test	0.0000
Result	Random Effect (RE)

Multicollinearity Test	
Variable	VIF
Firm Size (FSZ)	4.55
Leverage (LEV)	2.85
Board Gender Diversity (BGD)	1.95
Profitability (ROA)	1.51
<b>Mean Variance Inflation Factor (VIF)</b>	<b>2.72</b>

### Panel Data Regression Hypothesis Analysis

Table 5 shows the results of hypothesis test using the panel data regression approach. Board gender diversity has a significant negative effect on the effective tax rate (ETR) with a significant value of 0.004. This means that the greater the gender diversity of the board, the lower the value of ETR. Lower values of ETR indicate higher levels of corporate tax avoidance. For this reason, it can be concluded that board gender diversity has a significant positive effect on corporate tax avoidance. Firm size (FSZ) and leverage (LEV) do not significantly affect ETR. On the other hand, profitability (ROA) has a significant negative effect on ETR. The more profitable a company is, the lower the value of ETR. Hence, it can be confidently asserted that profitability has a significant positive effect on tax avoidance. The result of the F-test shows a significant value of 0.0023 which means that the research model is viable to explain the dependent variable, tax avoidance. The overall R-squared value implies that the research model can explain corporate tax avoidance by 8.02% while the remaining percentage is explained by other variables not accounted for in this study.

**Table 5. Panel Data Regression Test Results**

Description	Tax Avoidance (ETR)
Board Gender Diversity (BGD)	-0.1898635 (0.004)
Firm Size (FSZ)	0.0013477 (0.870)
Leverage (LEV)	0.0011066 (0.842)
Profitability (ROA)	-0.572594 (0.003)
Constant	0.2445483 (0.317)
Prob > F	0.0023
R-squared	0.0802

## Discussion

Based on the results as shown in Table 5, board gender diversity (BGD) is positively correlated and statistically significant ( $0.004 < 0.05$ ) on corporate tax avoidance. This result is in line with the research results from Bash & Zoghلامي (2023); Margaret & Simanjuntak (2020); Simamora & Sari (2021). As seen from Table 3, the female representation on the board of financial firms only reached up to approximately 18% as indicated by the mean value of 0.1797245. In other words, for every 10 people on the board, roughly 1 to 2 women are represented. Furthermore, the minimum value of board gender diversity (BGD) as shown in the descriptive statistics results is 0. This means that men still dominate the boardrooms of most financial firms, or in some firms, the boardrooms are completely ruled by male directors. In accordance with the critical mass theory, this proportion of female directors is not enough for them to take part in important decision-making of the firm or to be seen and heard by the other members of the board since it is far below the stated threshold ( $<30\%$ ). As suggested by Konrad et al. (2008), if there are only 1 or 2 women in corporate boardrooms they are particularly at risk of 'tokenism.' Likewise, Kanter (1977) also mentioned that the women who are few in number among their male peers and have "only woman" status become tokens (representatives of women rather than independent individuals). Under the most unfavorable circumstances, these female directors are often being ignored, excluded and even stereotyped. Because of this, male directors become more superior than female directors in terms of making decisions including whether or not the firm should minimize their tax expenses through tax avoidance practices. In Indonesia, the board of directors of a public company is regulated in the Law of the Republic of Indonesia No. 40 of 2007 on Limited Liability Companies (UU Republik Indonesia No. 40 Tahun 2007 Tentang Perseroan Terbatas) and elaborated in more detail and specifically in the Financial Services Authority Regulation No. 33/POJK.04/2014 on Directors and Board of Commissioners of Issuers or Public Companies (POJK No. 33/POJK.04/2014 tentang Direksi dan Dewan Komisaris Emiten atau Perusahaan Publik). However, neither of these regulations mentions having females on the board nor the composition of female directors on the board. This may be one of the other reasons why board gender diversity in financial firms is not as effective as expected because they either feel no obligation to elect women to be a director in the corporate boardroom or take them seriously. Accordingly, the results of this research also show that profitability (measured by ROA) has a significant positive effect ( $0.003 < 0.05$ ) on corporate tax avoidance. This finding is consistent with the results obtained from Djolafo (2022); Mariana et al. (2021); Sugiono & Anggraeny (2022). Since male directors are more authoritative in the boardrooms of financial firms, they may prioritize having higher profits since high profits are the main interest of prospective investors for investing in a company.

The controlled variables, firm size (FSZ) and leverage (LEV) have no significant effect on corporate tax avoidance. This finding corresponds to the results obtained from Eddy et al. (2020); Ulfa et al. (2021); Yantri (2022). Based on Table 3,

financial firms are heavily financed by debt as shown by the mean value of 3.101589 which also means that they have more liabilities than equities. One of the main reasons for this finding is that financial firms rely heavily on debt to finance their assets. Having high leverage to reduce tax expenses may not be their objective in obtaining more debt. On top of that, a high level of debt can result to higher interest expenses, which may prompt the management to be more cautious in implementing tax avoidance practices (Yantri, 2022), as financial leverage can increase bankruptcy costs (Salehi & Salami, 2020). In the case of firm size, regardless of their size, firms are still obligated to pay taxes. Furthermore, these firms are publicly listed on the Indonesian Stock Exchange (IDX) and sell their shares to the public and prospective investors. Firms, both small and big, will suffer from heavy consequences if they are caught violating tax laws and this will affect the valuation of investors about the company's financial position. Additionally, the average size of financial firms is IDR 139 trillion worth of assets with the smallest firm having IDR 0.154 trillion worth of assets. Given the large amount of resources these financial firms have, they can easily take advantage of tax consulting services for proper tax planning rather than adopting tax avoidance strategies (Ulfa et al., 2021).

## CONCLUSION

This research study aims to obtain the latest empirical evidence on the effect of board gender diversity on corporate tax avoidance. The main finding in this study shows that board gender diversity has a significant positive effect on corporate tax avoidance. On the contrary, firm size and leverage, as controlled variables, have no significant effect on corporate tax avoidance while profitability has a significant positive effect.

This research study offers empirical evidence by exploring the presence of female directors on the board within a panel dataset in the financial sector of Indonesia. For the Indonesian government and policymakers, it would be wise to add a new regulation concerning the percentage of female directors on the board of directors to reach up to the minimum threshold implied by the critical mass theory. Furthermore, regulators should strengthen and intensify the overseeing and controlling activities of business practices to minimize corporate tax avoidance practices and ensure organizational transparency.

This study has some limitations. First of all, the results of this empirical study cannot represent Indonesia as a whole since the main scope of this research is the financial sector. Also, this study only exemplifies the significance of female directors on board. Future research studies could investigate the influence of board gender diversity on corporate tax avoidance practices in other sectors and examine the factors or characteristics of female directors in monitoring corporate tax avoidance practices effectively.

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