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The Effect of Chief Executive Officer Demographics and Psychological Traits on Tax Aggressiveness in Indonesia

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Abstract

Purposes: This study examines the influence of Chief Executive Officer (CEO) characteristics on tax aggressiveness, framed within the Upper Echelon Theory, which emphasizes the role of top executives in shaping organizational outcomes. This research explores how CEO demographics and psychological traits such as gender diversity, generation, narcissism, facial masculinity, education, and nationality affect corporate tax behavior in Indonesia, addressing gaps in the literature on leadership traits and tax policy.

Methods: The study employs quantitative methods, utilizing regression analysis on data collected from publicly listed companies in Indonesia to test the formulated hypotheses.

Findings: The empirical results indicate that tax aggressiveness is significantly positively impacted by the CEO's educational background, gender diversity, and face masculinity. According to the Upper Echelons Theory, these findings demonstrate how executive demographic and psychological characteristics influence business tax practices. In contrast, the data indicate that tax aggression is not substantially affected by narcissism, nationality, or generation of the CEO. These findings imply that all CEO features do not equally influence aggressive tax behavior and that certain traits may be more critical in strategic decision-making than others.

Novelty: This study contributes to the literature by integrating psychological and demographic CEO traits in the context of corporate tax aggressiveness within the framework of upper-echelon theory as a grand theory, focusing on underexplored attributes like facial masculinity and narcissism. By situating the research within Indonesia, it addresses a significant gap in emerging market studies and provides actionable insights for leadership selection and tax compliance policies.

Keywords*:* CEO Characteristics, Tax Aggressiveness, Upper Echelon Theory.

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INTRODUCTION

The tax structure of a nation has a significant impact on its fiscal and economic sustainability. Taxes are an important source of government funding. However, they may also be used as a tool for policy to affect how the economy and big businesses behave (Daniel et al., 2006). One of

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the nations most affected by COVID-19's economic repercussions is Indonesia. Many companies suffered from dwindling sales during the pandemic while dealing with tax requirements. To lessen the negative effects of the COVID-19 pandemic, companies have gradually adjusted to utilize a variety of tax laws that the government implemented (Saragih, 2024). In response to the downturn in the Indonesian economy, the government sought to stimulate economic activity through tax incentive programs for businesses Peraturan Menteri Keuangan (PMK) Nomor 86/PMK.03/2020 (Ministry of Finance, 2020). Due to the diminishing impact of the pandemic, the Indonesian government has withdrawn the tax incentives previously provided during the pandemic. These incentives were initially designed to assist companies in overcoming the economic consequences of the pandemic.

Businesses experiencing financial difficulties due to the pandemic's effects often resort to tax evasion to lower their current income tax obligations and increase their liquidity (Athira & Ramesh, 2023). The world economy was slammed by the extraordinary exogenous shock known as COVID-19, which could have had long-term macroeconomic repercussions. The S&P 500 fell more than 30% due to COVID-19 mitigation strategies such as social distancing, event cancellations, and closure decisions (Ding et al., 2021). New perspectives and empirical research are needed to understand how businesses manage their tax strategies after exogenous shocks, such as the COVID-19 pandemic, especially considering the shifting power dynamics between companies and governments driven by stricter tax regulations and heightened public scrutiny (Ghauri et al., 2021).

Indonesia has an annual tax loss of 0.27% of its GDP, which is about US$2,806 billion, marginally more than the Asian average of 0.25%, according to the State of Tax Justice 2023 study. This raises worries that company management can engage in tax avoidance and evasion techniques by taking advantage of gaps in tax regulation (State of Tax Justice, 2023). The Organization for Economic Co-Operation and Development (OECD), in its recent publication, Tax Administration: Privacy, Disclosure, and Fraud Risk Related to COVID-19, elucidates that rapidly implemented government assistance programs often create opportunities for individuals and businesses to perpetrate tax offenses. This is because the high number of requests for assistance or refunds is not proportional to the supervision process conducted by tax authorities. Now, eliminating tax incentives by reducing income tax rates allows companies to carry out tax evasion and avoidance.

Tax avoidance is regarded as a practice falling within the realm of tax aggressiveness, which is identified as corporate taxpayers employing measures that exploit loopholes in related regulations by companies (Junensie et al., 2020). The practice of tax aggressiveness has been identified as a factor that can have a detrimental influence on the financial results and reputation of companies. The costs associated with audits aimed at detecting instances of fraud can be significant, and the reputation and image of the firm may also be threatened. Furthermore, there is a risk of loss of legitimacy, which can have broader implications for the company's operations and standing in the market (Baudot et al., 2020). Tax avoidance activities of companies are influenced by the characteristics of company executives (Karina & Jeksen, 2021; Bivianti et al., 2022; Harymawan et al., 2023; Nerantzidis et al., 2024). The Chief Executive Officer (CEO) plays a central role in setting policy and making key decisions for the company. CEO backgrounds such as knowledge, education, and experience affect how they lead the company (Hidhayana & Suhardianto, 2021). The role of the CEO in corporate dynamics is significant because of their characteristics that facilitate insights into the tax-related corporate policies and tax avoidance that may be adopted.

Previous studies have commonly used the Effective Tax Rate (ETR) to measure tax aggressiveness (Fitri & Hakim, 2024; Jatiningrum et al., 2024). However, this study employs the Cash ETR (CETR) as an alternative measure of tax aggressiveness. The degree of tax aggressiveness can be assessed using indicators such as the Current Effective Tax Rate (Nanda & Rosid, 2024). A low CETR indicates that a company is more inclined to engage in strategic tax planning concerning its taxable income. CETR assists in comprehending how a company oversees its tax obligations, thereby offering insight into the efficacy of its tax management strategies. CETR influences investment decisions, risk-taking, and the overarching company policy. By monitoring and evaluating CETR, companies can make strategic decisions about tax planning and comprehensive financial management. The demographic factor that exerts the most significant influence on the company's tax avoidance practices is gender diversity. Previous studies, such as those conducted by Rahayu et al. (2023), indicate that gender diversity has no significant impact on tax aggressiveness. Other research conducted by Boussaidi and Hamed-Sidhom (2021), and Brune et al. (2019) yielded contradictory findings, indicating that companies with a high level of female representation on their boards of directors tend to exhibit less aggressive tax avoidance strategies. However, Zirgulis et al. (2022) argue that female CEOs are more aggressive in conducting corporate tax planning. The presence of women on the board of directors has also been linked to positive outcomes, including an enhanced sense of corporate social responsibility and a reduction in aggressive tax strategies.

The characteristics and values of a CEO are influenced by generational differences that result from changes in various factors, including cultural norms and trends. Such differences may be reflected in the preferences exhibited in decision-making, the styles of leadership deployed, and the levels of risk tolerance demonstrated, which in turn may affect the degree of aggressiveness exhibited by the corporation in its tax management. Several studies have demonstrated that CEOs from different generations adopt disparate approaches to tax management. Those belonging to younger generations are more inclined to embrace innovation and intricate strategies. In contrast, their counterparts in older generations tend to be more risk-averse when it comes to tax-related decisions. Furthermore, personal values, such as ethical orientation and regulatory compliance, are shaped by the cultural milieu and prevailing trends defining each generation.

CEOs who have high levels of narcissism are characterized by a strong sense of self-importance, an exaggerated self-image, a love of self-promotion, and a drive to be adored and recognized. CEO narcissism can motivate individuals to engage in tax aggressiveness (Araújo et al., 2021; Prasetio et al., 2021; and Kalbuana et al., 2023). Corporate tax avoidance activities increase when CEO narcissism decreases, and vice versa (Kalbuana et al., 2023). However, this study contradicts research conducted by Araújo et al. (2021), who found that highly narcissistic CEOs tend to engage in aggressive tax strategies by increasing tax avoidance. The degree of facial masculinity is directly influenced by testosterone. This steroid hormone encourages individuals to assume more significant risks to gain dominance in competitive situations. Higher FWHR values are associated with a greater propensity to engage in tax aggressiveness. This result is corroborated by the Propensity Score Matching test, which serves to validate the findings. The results align with those of the primary test (Harymawan et al., 2023).

CEO characteristics significantly negatively influence the implementation of tax avoidance strategies. One such characteristic is the cross-cultural experience gained while living outside Indonesia, which may shape their values, views, and approach to tax compliance (Huang & Zhang, 2020). The organization reflects the values, culture, and cognitive base of strong managers or, in other words, demographic (age, education, tenure, and background) and psychological characteristics, especially individual values, that impact the outcomes of an organization (Alazzani et al., 2017).

This study aims to answer inconsistencies in previous research by using a more recent period in Indonesia as a research location. Furthermore, this study contributes to the field of tax accounting by providing further empirical evidence regarding the effect of CEO profiles on tax aggressiveness behavior, which could potentially lead to accounting fraud. Additionally, this research is expected to assist entities in considering specific profiles associated with tax aggressiveness behavior in the executive board selection process.

The study claims that the organizational results are partly predicted by the organizational background attributes of the top-level management team (Hambrick & Mason, 1984). The Upper Echelon Theory posits that the values and cognitions of leaders influence the strategies they choose, as executive management draws upon insights from their career experiences, education, and the cultural contexts that shape them. The Upper Echelon Theory posits that the CEO is the primary driver of corporate tax aggressiveness. Consequently, the degree of tax aggressiveness exhibited by a company is contingent upon the specific characteristics of its CEO. This variability gives rise to distinctive complexities within each entity. The profile of the CEO also bears close relation to the company's risk management and internal controls, which ultimately influence the precision and veracity of the company's financial reporting (Jbir et al., 2021). This research is predicated on the premise that the upper-echelon theory posits that the characteristics and traits of a CEO can influence the level of corporate tax aggressiveness.

The term tax aggressiveness describes corporate actions taken to reduce a company's tax liabilities. Ishaqi and Hermanto (2023) imply that tax aggressiveness is an essential component of tax management, encompassing tax planning. Corporations frequently employ tax avoidance strategies to diminish their tax liabilities in the realm of aggressive tax planning. Through this tax aggressiveness, they aim to augment their net profit. The term tax aggressiveness can describe various tax-related activities, some legal and others illegal. Tax avoidance, for instance, is a legal strategy that does not violate tax regulations. Many taxpayers employ this strategy to reduce or eliminate taxes owed (Gumono, 2021). In contrast, tax evasion is an illegal activity that involves not disclosing the actual conditions. Several factors can contribute to tax avoidance, including economic, demographic, behavioral, legal, and administrative factors (Burhan & Gunadi, 2023). The issue of declining state revenues has emerged due to the adoption of tax aggressiveness by numerous organizations. The government considers taxes the most significant contributor to state revenues, whereas companies perceive them as a burden that diminishes net profit (Triwacananingrum & Wijaya, 2022).

A literature review reveals a positive correlation between the presence of gender-balanced executives and organizational performance, particularly regarding sustainability. Gender diversity on corporate boards has been demonstrated to influence strategic decision-making processes, including those related to tax practices. Although men and women may occupy the same roles within a company, they approach their tasks in a manner distinct from one another. The Upper Echelons Theory posits that women possess a unique cognitive style, values, and perception of the firm's business environment compared to men. These differences in cognition, values, and perceptions are shaped by a multitude of factors, including influences of psychological, biological, social, and cultural (Putra, 2021). Male directors, for instance, are more inclined to take risks (Budiarto et al., 2018) and are more prone to engage in tax avoidance practices than their female counterparts. They are typically more cautious in tax planning and avoid excessive risks. The presence of gender diversity is an essential element in the context of corporate governance, as it contributes to a more nuanced and diverse range of assessments and perspectives in the management of the company. Widuri et al. (2020) research suggests that gender diversity positively influences tax avoidance practices. However, findings from Pratono and Arli (2020) challenge this assertion, indicating that female executives may negatively influence tax avoidance.

Defining the boundaries of each generation with precision can prove challenging, given that the timelines frequently overlap, indicating shared characteristics. Consequently, generations are not strictly delineated, but their general traits tend to represent the entire age group. Academic literature employs a variety of terms to describe generational categories, with the timeframes associated with these categories sometimes defined in disparate ways (Bencsik et al., 2016).

Table 1 presents a comprehensive overview of the classification system utilized in this study to categorize generational cohorts. The Veteran Generation comprises individuals born between 1925 and 1946, followed by the Baby Boom Generation (1946–1960), Generation X (1960–1980), Generation Y, also known as Millennials (1980–1995), Generation Z (1995–2010), and the Alpha Generation, which refers to those born from 2010 onwards. This classification system is crucial for analyzing how the era in which a Chief Executive Officer is born may influence their tax-related decision-making behavior. The differences in the ways of thinking, attitudes, behaviors, and value systems of these age groups, along with their varying degrees of flexibility and technical knowledge, can potentially give rise to several conflicts.

Table 1. Timeline of generations

Generations	Year of Born
Veteran	1925 - 1946
Baby Boomers	1946 – 1960
Generation X	1960 – 1980
Generation Y (Millennials)	1980 – 1995
Generation Z	1995 – 2010
Alfa generation	2010 +

Source: Zemke et al. (1999) on Bencsik et al. (2016)

As one of the three shadowy personality qualities, narcissism is of paramount importance to academics studying organizations. Brunzel (2021) states that leaders with narcissistic traits tend to overestimate their performance compared to their actual performance, which is closely related to the definition of overconfidence. A psychiatric disorder known as CEO narcissism causes more harsh tax laws. The results also show that audit committee characteristics like size and gender diversity reduce tax avoidance caused by narcissistic CEOs (García-Meca et al., 2021). An individual exhibiting narcissistic tendencies is perceived as a potential threat to the stability and reputation of any organization. This is due to their propensity to display high levels of self-confidence, a reluctance to engage in conflict, and a lack of trust in the expertise of tax professionals. Consequently, they are prone to engaging in various irregularities, including tax avoidance, to enhance the company's image (Kalbuana et al., 2023).

One intriguing phenomenon that has been observed is the facial masculinity of CEOs, which is thought to have a direct impact on their conduct and may be influenced by the hormone testosterone. This hormone encourages individuals to take more significant risks to gain dominance in competition (Kamiya et al., 2019). It is hypothesized that a CEO's facial masculinity may influence the implementation of corporate taxation policies. This is purported to be linked to the display of complex masculine behaviors, including violence, egocentrism, risk-seeking, and maintaining social position. In a recent study, Kim et al. (2022) state a previously overlooked aspect of masculine-faced CEOs. Their findings suggest that CEOs with a high fWHR index may be more prone to engage in fraudulent activities, including tax evasion.

"CEO education" describes the formal education a company CEO has undertaken. King et al. (2016) imply that CEO education is a predictor of the capabilities of the CEO. It is a common practice in the hiring process to prioritize educational qualifications as a primary criterion for selecting candidates for any position. Both the CEO and the chosen individual will utilize their academic background to fulfill the responsibilities of their contracted position. CEO education represents a pivotal element in the selection process for a CEO. Kaplan et al. (2012) contend that CEO education illuminates the inherent aptitudes of a CEO. Custódio and Metzger (2014) assert that CEO education enhances performance and generates shareholder value. The CEO's educational background is a surrogate indicator of the CEO's cognitive abilities (Kaplan et al., 2012). The upper echelons theory of Hambrick and Mason (1984) explains how education, as one of the individual demographic traits, becomes a factor in top-level management decision-making and policy-making.

The experience of the CEO can form an individual's thinking, which influences their decisions. The specific nature of the experience will inevitably vary depending on the source from which it was obtained (Kwalomine, 2018). The CEO might obtain experience through their schooling, career experiences, or cultural background, whether acquired domestically or abroad, as the Upper Echelon Theory says. This aspect influences the director's judgment about corporate tax aggressiveness. Research has been conducted on the impact of a director's foreign experience on tax-aggressive behavior, which has concluded that directors with overseas experience do not engage in any tax-aggressive actions (Wen et al., 2020). No research has been conducted in Indonesia to explore the impact of an executive's foreign cultural exposure on tax aggression. Thus, it is crucial to examine this influence further.

Gender diversity in executive teams has been a focal point in corporate governance research, particularly due to its potential influence on decision-making processes. The upper echelons theory suggests that demographic characteristics, such as gender, can shape executives' cognitive frameworks and behavioral tendencies, affecting organizational outcomes. The attributes of executives play a crucial role in evaluating and managing the company's risks. These characteristics can be broadly categorized into two types: risk-averse, where executives tend to avoid risks, and risk-taking, where executives are more inclined to embrace risk. Women executives are often associated with ethical sensitivity, more significant risk aversion, and a preference for compliance, which may lead to more conservative tax strategies. Conversely, male executives are commonly linked with higher risk tolerance, potentially favoring aggressive tax planning. In the context of tax aggressiveness, these traits are essential as they can influence the decision-making process regarding tax strategies.

Several studies have explored the relationship between gender diversity in the executive team and tax aggressiveness. For instance, research by Elgharbawy and Aladwey (2025) suggests that gender diversity significantly impacts tax avoidance, while other studies, such as those by Dakhli (2022), Chandra and Cintya (2021), Jarboui et al. (2020), and Ambarsari et al., (2018), find that gender diversity has a negative and insignificant effect on tax aggressiveness. Research conducted by Hossain et al. (2025) indicates that gender diversity in leadership does not significantly affect tax aggressiveness. Given these mixed findings, this study hypothesizes that gender diversity plays a role in influencing tax aggressiveness. Therefore, we propose the following hypothesis:

H_1: Gender diversity hurts tax aggressiveness

The generational cohort theory suggests that individuals' values, behaviors, and decision-making styles are shaped by the historical and social contexts they experienced during their formative years. In line with the Upper Echelon Theory, these generational differences can influence how CEOs approach risk, strategic decisions, and ethical considerations. Toly et al. (2023) highlight an interesting relationship between CEO generation and tax aggressiveness, suggesting that older CEOs are more inclined to pursue aggressive tax planning tactics. This could be attributed to their accumulated experience and comfort with riskier strategies, including aggressive tax avoidance tactics. In contrast, the study by James (2020) presents a different perspective, indicating that younger CEOs are generally less inclined to engage in tax planning strategies that involve significant risk. One possible explanation for this difference is that younger CEOs, often at earlier stages in their careers, may prioritize career stability and reputation over short-term gains. They may be more cautious about risks associated with illegal activities, such as overly aggressive tax avoidance, fearing the potential legal and reputational consequences that could jeopardize their careers.

Furthermore, younger CEOs might be more focused on long-term corporate sustainability and ethical considerations, which could lead them to adopt more conservative approaches to managing tax obligations. This contrasting viewpoint emphasizes the importance of considering generational differences in leadership when analyzing organizational behavior. Understanding how the generational background of a CEO influences their approach to risk, particularly in the domain of tax planning and compliance, can help predict and manage corporate strategies more effectively. Given the varying attitudes between generations, this study suggests the following hypothesis:

H_2: CEOs from the older generation positively affect tax aggressiveness

Upper echelons theory posits that the personal traits of top executives, such as narcissism, significantly influence corporate decision-making and strategic outcomes. Narcissistic leaders, often characterized by grandiosity, entitlement, and a strong need for admiration, are likelier to exhibit bold, risk-taking behaviors. These tendencies can manifest in aggressive corporate strategies, including tax planning. Narcissistic CEOs may prioritize actions that enhance personal or organizational status, even if such strategies involve significant risks. The findings of Araújo et al. (2021) indicate that CEO narcissism positively influences tax aggressiveness. Their study highlights that narcissistic traits, such as impulsiveness and a heightened sense of self-importance, can drive individuals to take bold and aggressive actions, including the adoption of tax avoidance strategies. These characteristics may lead narcissistic executives to prioritize personal or organizational gains, even at the expense of potential reputational or legal risks.

However, contradictory evidence has been presented by Pratomo et al. (2022), Doho and Santoso (2020), and Kusumawardani et al. (2024), who found that CEO narcissism has an insignificant effect on tax aggressiveness. These contrasting results suggest that the relationship between narcissistic tendencies and corporate decision-making, particularly in tax strategies, may be influenced by other contextual factors. For instance, cultural, regulatory, or organizational dynamics could moderate or neutralize the impact of narcissistic traits on tax-related behavior. Therefore, further investigation is required to reconcile these conflicting findings and explore the potential boundary conditions of this relationship.

H_3: Narcissistic CEOs have a positive effect on tax aggressiveness

The concept of facial masculinity, often linked to physical markers of testosterone exposure, has been associated with traits such as dominance, confidence, and risk-taking. Evolutionary psychology suggests that individuals with masculine facial features may exhibit behavioral tendencies that align with these traits, influencing their decision-making processes. In the context of corporate leadership, such characteristics can translate into bold strategic actions, including a propensity for earnings management and tax aggressiveness. Upper echelons theory further supports the notion that observable personal traits of CEOs, such as facial masculinity, can shape corporate behavior and outcomes, offering a unique perspective on the role of biological and psychological factors in influencing tax strategies. This overconfidence frequently manifests in the practice of earnings management Graham et al. (2013), Gomulya et al. (2017), and Kamiya et al. (2019), which is frequently linked to a high level of tax aggressiveness. Harymawan et al. (2023) also indicate that facial masculinity positively affects tax aggressiveness.

H_4: CEOs' face masculinity has a positive effect on tax aggressiveness

The educational background of CEOs has long been recognized as a critical factor influencing their cognitive abilities, decision-making skills, and strategic vision. According to human capital theory, education equips individuals with the knowledge and competencies to navigate complex challenges and make informed decisions. In the corporate context, a CEO's level of education is often seen as a proxy for their analytical and problem-solving skills, which can directly impact their approach to key organizational strategies, including taxation. According to the Upper Echelons Theory, such educational backgrounds shape executives' cognitive frameworks and strategic choices, ultimately influencing organizational outcomes, including decisions related to tax aggressiveness.

Prior research has indicated that the formal education undertaken by CEOs may serve as an indicator of their cognitive abilities (Kaplan et al., 2012). The capacity to make well-informed decisions, including those related to taxation policy, is contingent upon the proficiency of the individual occupying a leadership position. This skill is primarily acquired through the educational background of the CEO. King et al. (2016) posited that a CEO's educational background indicates their competencies. Furthermore, Bhagat et al. (2010) posited that CEO education is pivotal in selection. Kaplan et al. (2012) imply that CEO education is a reflection of the innate talent possessed by the CEO. Conversely, Custódio and Metzger (2014) suggest that CEO education can improve performance and generate shareholder value. King et al. (2016) also indicated that the CEO's educational background can be used as a proxy to describe the CEO's cognitive abilities.

A CEO's level of education or academic background may influence their perspective on and approach to corporate tax policy. Given their enhanced understanding of complex tax regulations and rules, advanced-educated CEOs may be more inclined to implement more aggressive tax strategies. This may encourage them to pursue opportunities to reduce corporate tax liabilities in more creative and risky ways. Consequently, CEO education can play a role in shaping the tax aggressiveness companies apply. It is commonly held that a CEO's education and background influence their disposition to adopt more aggressive tax strategies. Consequently, it is critical to determine whether the chief executive's degree of education substantially impacts corporate tax aggressiveness.

H_5: CEOs' education has a positive effect on tax aggressiveness

Nationality often reflects exposure to specific cultural norms, ethical standards, and regulatory practices that shape an individual's values and attitudes toward risk-taking, compliance, and corporate governance. For example, CEOs from countries with high individualism and risk tolerance may be more inclined to adopt aggressive tax strategies, viewing them as a legitimate means of maximizing shareholder wealth. Conversely, CEOs from nations strongly emphasizing collectivism, ethical compliance, or regulatory enforcement may prioritize legal and reputational risks, leading to less aggressive tax behavior. Additionally, the nationality of a CEO can be associated with varying levels of familiarity with international tax systems. CEOs from developed economies with sophisticated tax regimes might exploit tax planning opportunities more effectively. At the same time, those from less complex systems may adopt more conservative approaches due to limited exposure to aggressive tax planning practices.

According to the Upper Echelons Theory, these nationality-based experiences and cultural backgrounds shape executives' cognitive perspectives and decision-making frameworks, ultimately influencing their strategic choices, including approaches to tax aggressiveness. Hu (2023) has observed that local CEOs value career considerations more than their foreign counterparts. Consequently, local CEOs are more likely to prioritize enhancing company performance. This suggests that local CEOs may exhibit a greater sense of responsibility and a reduced propensity for opportunism compared to their foreign counterparts (Toly et al., 2023). In contrast, foreign CEOs appear to be more driven by the pursuit of increased remuneration, which can be achieved through more assertive tax planning strategies.

H_6: CEO nationality has a positive effect on tax aggressiveness

In this research, the following empirical theoretical framework will be used:

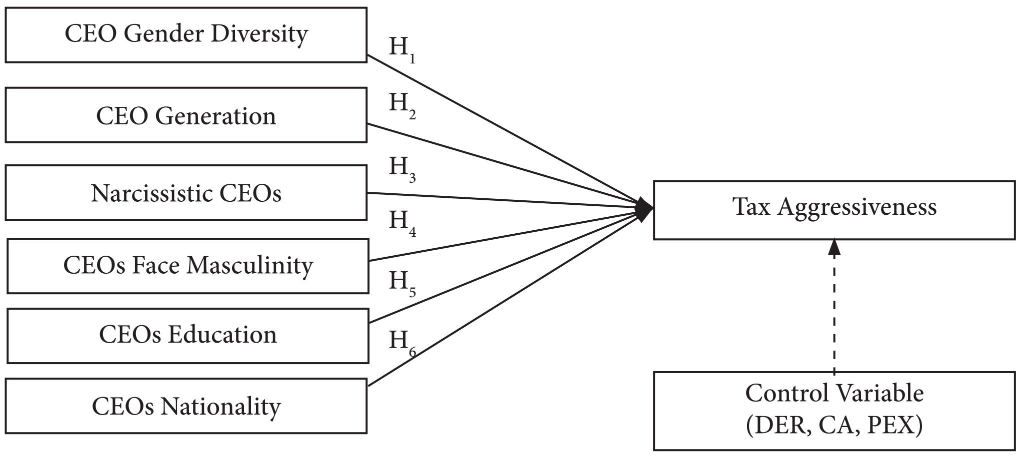

Figure 1. Conceptual Framework

METHODS

This study selected the research object using the purposive sampling method. The object of research was chosen from companies that have issued annual reports and are listed on the IDX in 2023. The research objects totaled 903 companies, which were then subjected to data input and processing. This process identified 306 data samples that could be considered outliers, leaving 597 companies that were ultimately used as the basis for the research sample, as shown in Table 2. Table 3 shows the variables measurement used in this study.

Table 2. Overview of Sample Selection

Description	Quantity
Number of research samples	903
Companies that do not publish LK 2023	(43)
The company does not have complete financial data	(97)
Companies that lost money in the research year	(119)
Outlier	(47)
Total research data processed	597

Source: The Processed Primary Data (2024)

Table 3. Variable Measurement

Variable	Description	Source
Tax Aggressiveness	$\text{CETR} = \frac{Tax\ Payment\ i\ Periode}{Profit\ Before\ Tax}$	Chaudhry (2021)
CEO Gender Diversity	$Blau's\ Index = 1 - \Sigma(p\_i)^2$	Maji & Saha (2021)
CEO Generation	CEO generations are grouped into several categories, namely category 0 for CEOs with birth years 1981-1995 (Y), category 1 for CEOs with birth years 1961-1980 (X), category 2 for CEOs with birth years 1947-1960 (Baby Boomers), and category 3 for CEOs with birth years 1925-1946 (Veteran).	Bencsik et al. (2016)
Narcissistic CEOs	A score of one (1) is assigned in the absence of a CEO photograph, a score of two (2) is assigned when the CEO is depicted with other executives, a score of three (3) is assigned when the CEO photograph occupies less than half a page, a score of four (4) is assigned when the CEO photograph occupies more than half a page, and a score of five (5) is assigned when the CEO photograph occupies an entire page.	Kalbuana et al. (2023)
CEOs Face Masculinity	Using the fWHR value, if above the median of all samples, a value of zero (0) will be assigned; otherwise, the value will be measured using the ImageJ software.	Harymawan et al. (2023)
CEOs Education	It takes the value of one (1) if the CEO has a Master of Management (MM) or Master of Business Administration (MBA) education and zero (0) if he does not have an MM or MBA education.	King et al. (2016)
CEOs Nationality	A proxy indicates whether the CEO is an Indonesian citizen (WNI) or a foreign citizen (WNA). If the CEO is an Indonesian citizen, the proxy value is 0; if the CEO is a foreign citizen, the proxy value is 1.	Jbir et al. (2021)

Variable	Description	Source
Debt to Equity Ratio (DER)	DER > 1: The company uses more debt than equity, which is potentially riskier. DER < 1: The company uses more equity than debt, which is generally safer.	Maharani and Prastiwi (2023)
Capital Expenditure (CAPEX)	Capital expenditure is compared between the current and previous years to assess changes in fixed asset investment. Accordingly, the current year's capital expenditure ($CAPEX_t$) reflects the extent to which the company allocates funds for asset expansion or maintenance relative to the previous year ($CAPEX_{t-1}$). If the ratio $CAPEX_t$ / $CAPEX_{t-1}$ > 1, the firm is considered to exhibit overconfident behavior, reflecting a managerial belief in higher future returns despite uncertainty.	Li and Patel (2019)

Source: Previous Study

The analysis used multiple linear regression tests, in which there are research models as shown below:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Where:
Y = Tax Aggressiveness
a = Constant
b = Coefficient Regression
X1 = CEO Gender Diversity
X2 = CEO Generation
X3 = Narcissistic CEOs
X4 = CEOs Face Masculinity
X5 = CEOs Education
X6 = CEOs Nationality
e = error

RESULTS AND DISCUSSIONS

Descriptive Statistics of Research

Descriptive statistical analyses include the data's minimum and maximum values, standard deviation, and mean (average). The dependent variable in this study, the Current ETR variable in Table 4, characterizes the ratio of the effective tax rate; on average, it is 0.27392 or 27.3%, while the test period's statutory tax rate is 25%, suggesting that the typical corporation in the sample does not engage in tax aggressiveness.

Based on Table 4, PT Matahari Department Store Tbk (LPPF) shows the maximum CETR value of 0.994; this value is the maximum number, which means that the company can pay the highest tax burden compared to other samples. The average value (mean) of tax aggressiveness shows a value of 0.250 with a standard deviation of 0.173, meaning that the resulting average value is greater than the standard deviation value, so it can be concluded that the distribution of tax aggressiveness variable data spreads homogeneously. The measurement of gender diversity in executive leadership positions is calculated using the Blau Index. The Blau Index ranges from 0 to a maximum value of ($1 - \Sigma pi^2$), where pi represents the proportion of individuals in each category (in this case, male and female executives). A Blau Index value of 0 indicates no diversity, meaning all leadership positions are held by individuals from the same gender. Conversely, a value closer to 0.5 (in a binary category like gender) reflects a more balanced and proportionate distribution between male and female leaders.

Table 4. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Tax_Agressiveness_CETR	597	0.000	0.994	0.250	0.173
Gender_Diversity	597	0.00	0.50	0.16	0.178
CEO_Generation	597	0.0	3.0	1.147	0.603
CEO_Narcissistic	597	2.0	5.0	4.362	0.891
Face_Masculinity	597	0.0	1.0	0.534	0.499
CEO_Education	597	0.0	1.0	0.476	0.499
CEO_Nationality	597	0.0	1.0	0.059	0.235
DER	597	0.0	1.0	0.50	0.500
CAPEX	597	0.0	1.0	0.637	0.481
Valid N (listwise)	597				

Source: The Processed Primary Data (2024)

Based on the results of this study, the companies with the lowest level of gender diversity—indicated by a Blau Index value of 0—are those with no female executives at all. There are 291 such companies where women hold no executive leadership positions. On the other hand, companies that demonstrate a proportionally balanced gender diversity—reflected by a Blau Index value of 0.5—include ABDA, BIPP, CBPE, ECII, EURO, FUJI, IPAC, KJEN, KLIN, POLY, SMDR, TAMU, TGRA, and WEGE. This suggests that while a significant number of companies still exhibit no gender diversity at the executive level, a few have achieved a balanced representation between male and female leaders. The average value for Gender Diversity is 0.160, with an acceptable deviation of 0.178. Since the standard deviation is relatively high compared to the mean, it indicates that the data on gender diversity is distributed heterogeneously. However, the CEO citizenship variable stands out, as its average value is smaller than the standard deviation value. This suggests that the CEO citizenship variable data distribution is heterogeneously distributed, implying that the CEOs in the sample possess a diverse range of nationalities.

The first processing of the SPSS 25 output yielded results that indicate the research data does not meet the criteria for a classical assumption test. Furthermore, the case-wise diagnostic table reveals that a considerable proportion of the data remains as outliers, necessitating the removal of these outliers to fulfill the classical assumption test. Despite updating the outlier data from the diagnostic case-wise table on seven occasions, the results of the One-Sample Kolmogorov-Smirnov test still fail to meet the criteria for normally distributed data. Consequently, a logarithmic or Box-Cox transformation is required to ensure that the data can meet the normality test (Sakia, 1992; Vélez et al., 2015) and add the control variables.

The Kolmogorov-Smirnov (K-S) non-parametric statistical test results are presented in Table 5, which shows the data normality test results. The asymp.sig (2-tailed) value is 0.100, indicating that the data is normally distributed, with the final data set comprising 597 companies. The results of other classical assumption tests can be summarised as follows: The Durbin-Watson (DW) test was conducted to detect the presence of autocorrelation in the regression model. The DW statistic obtained is 1.974. Based on the Durbin-Watson table with n = 597 and k = 6, the lower bound (dL) is approximately 1.661, and the upper bound (dU) is approximately 1.751. Since the DW value lies between dU (1.751) and 4 - dU (2.249), specifically 1.974, it can be concluded that there is no indication of autocorrelation in the regression model. All variables have VIFs below 10, with the highest value of 1.191 for the Gender Diversity variable, indicating no multicollinearity problem between independent variables. In addition, Heteroskedasticity was tested using the Glejser test. The results show that all variables have significance values above 0.05. The highest significance value is found in the Narcissism variable at 0.491, while the lowest is in the CEO Generation variable at 0.074, indicating no significant heteroscedasticity problem.

Table 5. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		597
Normal Parameters[a,b]	Mean	0.000
	Std. Deviation	0.106
Most Extreme Differences	Absolute	0.076
	Positive	0.076
	Negative	-0.035
Kolmogorov-Smirnov Z		1.849
Asymp. Sig. (2-tailed)		0.100

a. Test distribution is Normal.

b. Calculated from data.

Source: The Processed Primary Data (2024)

Table 6 shows the frequency statistics reveal that most firms in the sample exhibit low gender diversity, with 72.37% having a Blau Index below 0.3, while only 2.68% demonstrate high diversity. Most CEOs belong to Generation X (70.5%), followed by Baby Boomers (17.6%), with minimal representation from younger or older generations. Narcissism levels are notably high, as 59.8% of CEOs feature their photos occupying a full page in corporate reports. Regarding facial masculinity, 53.4% of CEOs are categorized as masculine, slightly higher than the 46.6% with feminine traits. Educational backgrounds show that 53.3% of CEOs hold MM/MBA degrees, and 94.1% are citizens, indicating a limited presence of foreign CEOs. Most companies (50.59%) have a debt level higher than the industry median, while the remaining (49.41%) are below the median. This suggests that most companies utilize more debt than their industry peers. These findings suggest that CEO demographic characteristics, such as gender diversity, education, narcissism, and masculinity, may play an important role in shaping corporate governance and tax aggressiveness. Practically, they highlight the need for boards and stakeholders to consider executive attributes more critically to promote ethical leadership and regulatory compliance.

Table 6. Frequencies

Variable	**Category**	**Frequency**	**Percentage (%)**
Gender Diversity	Low Diversity (Blau Index < 0.3)	432	72.37
	Medium Diversity (Blau Index >0.3)	149	24.96
	High Diversity (Blau Index > 0.5)	16	2.68
CEO_Gen	Generasi Y (1981-1995)	53	8.9
	Generasi X (1961-1980)	421	70.5
	Gen Baby Boomers (1947-1960)	105	17.6
	Generasi Veteran (1925-1946)	18	3
NarcissismCEO	Very Low (No photo of the CEO)	0	0
	Low (Photo with other executives)	27	4.5
	Moderate (CEO’s photo alone, less than half a page)	87	14.6
	High (CEO’s photo alone, more than half a page)	126	21.1
	Very High (CEO’s photo alone, occupying a full page)	357	59.8

Variable	Category	Frequency	Percentage (%)
FaceMasculinity	Feminine	278	46.6
	Masculine	319	53.4
CEO_Education	MM/MBA	318	53.3
	Non MM/MBA	279	46.7
CEO_Nationality	Citizens	562	94.1
	Foreigners	35	5.9
Deb to Equity Ratio (DER)	< Median Industry	295	49.41
	> Median Industry	302	50.59
CAPEX	$CAPEX_t > CAPEX_{t-1}$	216	36.2
	$CAPEX_t < CAPEX_{t-1}$	381	63.8

Source: The Processed Primary Data (2024)

The results of the F-test (ANOVA) demonstrate can be seen in Table 7 that the overall regression model is statistically significant ($F = 100.057$; $p < 0.05$). This finding confirms that the combined influence of CEO characteristics—Gender Diversity, Generation, Narcissism, Masculinity, Education, and Nationality—significantly impacts corporate tax aggressiveness, as reflected in the Corporate Effective Tax Rate (CETR). This result is consistent with the Upper Echelons Theory (UET) proposed by Hambrick and Mason (1984), which asserts that organizational outcomes reflect top executives' personal characteristics, experiences, and values. The significant F-test suggests that when considered collectively, these upper-echelon attributes explain variations in the firm's strategic behavior, particularly regarding tax planning and compliance. From a theoretical perspective, this supports the notion that executive demographic and psychological factors shape how decisions are made at the highest levels of the organization. It highlights the importance of integrating executive characteristics into corporate governance and strategic decision-making frameworks, especially in areas involving ethical considerations and regulatory compliance, such as tax aggressiveness.

Table 7. F-test Result

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.039	6	1.507	100.057	0.000[b]
	Residual	8.884	590	0.015		
	Total	17.923	596			

a. Dependent Variable: CETR

b. Predictors: (Constant), CEO_Nationality, CEOEducation, CEO_Narcissism, CEO_Gen, FaceMasculinity, GenderDiversity

Source: The Processed Primary Data (2024)

Gender Diversity and Tax Aggressiveness.

As illustrated in Table 8, this observation may be attributed to the potential inadequacy of CEO gender diversity in influencing CETR substantially. The findings indicate that gender diversity has a beneficial and significant impact on CETR, which implies a lower level of tax aggressiveness. According to UET, diverse leadership teams, particularly those that include female directors or CEOs, introduce broader perspectives and more ethical considerations into decision-making processes (Riguen et al., 2020). Female leaders tend to exhibit higher risk aversion and a greater emphasis on corporate social responsibility, leading to more conservative tax strategies. This finding aligns with UET by suggesting that female executives' personal values and risk preferences influence corporate decisions toward tax compliance rather than aggressive tax planning.

Table 8. Regression Test Results and Hypothesis Testing

Coefficients							
Model B		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Result of H_1 (Sig < 0,05)
		Std. Error	Beta				
	(Constant)	0.220	0.028		7.874	0.000	
	gender diversity	0.430	0.022	0.588	19.362	0.002	Accepted
	CEO_Gen	0.015	0.008	0.053	1.827	0.068	Rejected
1	NarcissismCEO	0.019	0.006	-0.001	-0.031	0.975	Rejected
	FaceMasculinity	0.055	0.010	0.168	5.529	0.000	Accepted
	CEO_Education	0.038	0.010	0.114	3.771	0.010	Accepted
	CEO_Nationality	-0.017	0.021	-0.023	-0.796	0.426	Rejected

a. Dependent Variable: CETR

Source: The Processed Primary Data (2024)

CEO Generation and Tax Aggressiveness

Based on the T statistical test results in the Table 8, the calculated T value is 1.827 less than from the t table 1.964, and the significance value is 0.068. If the significance value is greater than 0.05, then H0 is accepted, and H1 is rejected. This means that the generation of the Chief Executive Officer (CEO) does not impact tax aggressiveness, as measured by CETR. UET argues that age reflects experience and risk tolerance, with older CEOs generally being more conservative. However, the lack of a significant result may indicate that age alone cannot explain tax strategy variations. The results of this study are in line with the findings of Serfling (2014), James (2020), Hanum and Faradila (2023), and Toly et al. (2023) that it is evident the young Chief Executive Officers (CEOs) seeking to establish a positive track record with relevant stakeholders, including tax authorities, tend to avoid tax aggressiveness. This could indicate the other factors that organizational policies, governance structures, or external pressures have a more substantial impact on tax strategies than the age or generational traits of the CEO.

Narcissism CEOs and Tax Aggressiveness

The third independent variable in this study is the Narcissistic CEO. Based on the results of the T statistical test in the Table 8, it can be obtained that the calculated T value is -0.31 < t table 1.964 and a significance value of 0.935. The significance value is more significant than 0.05, so H0 is accepted, and H1 is rejected. According to UET and previous studies, narcissistic CEOs are typically characterized by overconfidence, a desire for recognition, and a propensity for risk-taking, which might be expected to encourage aggressive tax strategies. However, the absence of a significant relationship could be attributed to external governance structures, stakeholder pressure, and regulatory oversight that constrain such CEOs from engaging in tax avoidance behavior. This result implies that personal psychological traits may be mitigated by strong institutional and regulatory frameworks, thus limiting their influence on tax policy decisions, by the findings of the research study by García-Meca et al. (2021) and contradictory to the research study by Doho and Santoso (2020), Amran and Mira (2020), and Saputri and Kusumawardani (2024).

CEOs Face Masculinity and Tax Aggressiveness

Furthermore, the study found that CEOs with a more masculine facial appearance had a good and significant effect on tax aggression. Based on the findings of the T statistical examination shown in the Table 8, it can be obtained that the calculated T value is 5,529> from the t table 1.964, and the significance value is 0.000. The significance value is smaller than 0.05, so H0 is rejected, and H1 is accepted. The study finds a positive and significant effect of CEO facial masculinity on CETR, suggesting lower tax aggressiveness. Although masculine facial features are often associated with dominance, assertiveness, and status-seeking behaviors (Dixson et al., 2024), this result indicates that CEOs with high facial masculinity may prefer to maintain their social and professional standing through reputational preservation rather than risky tax strategies. Within the UET framework, this reflects how observable physical traits, which contribute to perceived authority and legitimacy, can shape strategic choices in favor of risk aversion and compliance, particularly when reputation is at stake.

CEOs Education and Tax Aggressiveness

According to the findings obtained from the T statistical assessment in Table 8, the derived T value is 3.771 > from the t table 1.964, and the significance value is 0.010. The significance value is smaller than 0.05, so H0 is rejected, and H1 is accepted. The results indicate that CEOs with non-MM/MBA educational backgrounds are positively and significantly associated with CETR, meaning they are associated with lower tax aggressiveness. UET suggests that education shapes a leader's cognitive base and values, influencing decision-making. CEOs with MM/MBA degrees may be more profit-driven, often focusing on strategic financial efficiency, including aggressive tax planning(Cronqvist et al., 2011; King et al., 2016). In contrast, CEOs with non-MM/MBA backgrounds, such as those in non-economic fields, may prioritize ethical considerations and stakeholder interests, leading to more conservative tax strategies. This supports UET's assertion that educational background frames how leaders interpret and act upon strategic issues, including tax policies.

CEOs Nationality and Tax Aggressiveness

By looking at what came out of the T statistical examination in the Table 8, it can be determined that the computed T value is -.796 < from the t table 1.964, and the significance value is 0.426. This value is more significant than 0.05, so H0 is accepted, and H1 is rejected. This means that Citizenship does not affect Tax Aggressiveness. The effect is negative but minimal in value, indicating that CEO nationality has minimal impact on tax aggressiveness. UET posits that cultural background and international experience can influence managerial perspectives and risk preferences. Foreign CEOs may bring diverse approaches to management, including different attitudes toward tax strategies. However, the lack of significance in this study may reflect the institutional and regulatory environment in Indonesia, which may standardize CEO behavior across nationalities. Additionally, corporate governance mechanisms may further limit the discretion of foreign CEOs, reducing the potential influence of national cultural differences on tax aggressiveness.

CONCLUSIONS

This study explores the influence of CEO characteristics on tax aggressiveness, framed through the lens of the Upper Echelon Theory, which posits that top executives' attributes shape organizational outcomes. This study empirically supports UET by demonstrating that top executives' demographic and psychological attributes significantly affect corporate tax planning behaviors. Specifically, gender diversity, facial masculinity, and educational background were found to influence tax aggressiveness, emphasizing the role of executive characteristics in shaping organizational outcomes. From a practical perspective, these findings suggest that boards of directors and stakeholders should carefully consider CEO selection criteria, particularly focusing on personal attributes that align with ethical leadership and regulatory compliance. Additionally, regulatory bodies should recognize the potential influence of executive characteristics on corporate behavior and design governance frameworks that mitigate excessive risk-taking, especially in tax-related decisions.

This study acknowledges several limitations that should be addressed in future research. First, the measurement of CEO narcissism relies primarily on the prominence of CEO photographs in annual reports. Although this method has been widely used in prior studies, it may not fully capture the complex psychological traits associated with narcissism. Future research should incorporate additional measures, such as content analysis of CEOs' speeches or interviews, to provide a more comprehensive assessment. Second, the sample of this study is limited to companies listed on the Indonesia Stock Exchange (IDX) within a specific sector and time frame. As a result, the generalizability of the findings may be constrained. To enhance external validity, subsequent studies could expand the sample to include different industries, more extended periods, or cross-country comparisons. Third, secondary data may limit the depth of insights regarding CEO characteristics. Future researchers are encouraged to collect primary data through surveys or interviews to understand better the behavioral and psychological factors influencing corporate tax aggressiveness.

The findings of this study have several practical and theoretical implications. From a theoretical perspective, this research extends Upper Echelons Theory by providing empirical evidence on how CEO characteristics, such as gender diversity, generational cohort, narcissism, masculinity, educational background, and nationality, influence tax aggressiveness. This highlights the relevance of top management attributes in corporate financial decision-making. From a practical standpoint, the study offers insights for regulators, policymakers, and stakeholders. The significant role of CEO attributes in determining tax strategies suggests the need for enhanced corporate governance mechanisms that consider executive personality traits. Regulators may also consider developing stricter disclosure requirements regarding executive profiles to ensure transparency and accountability. Additionally, the findings can assist boards of directors and shareholders in selecting and evaluating CEOs by emphasizing the importance of personal characteristics that may affect ethical decision-making, including tax behavior.

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