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The Relationship Between Family Firm Heterogeneity and Tax Avoidance

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Abstract

Research purposes: This study aims to obtain empirical evidence about the relationship of the role of the founder in family firm heterogeneity and tax avoidance, with the executive character as a moderating variable.

Methods: The population in this study is obtained from listed family companies on the Indonesia Stock Exchange from 2016 – 2019. The hypotheses in this study were tested with OLS (ordinary least square). This study used purposive sampling as the sampling method, in which it produced 134 companies as the research sample.

Findings: The findings of this study show that the substantial ownership of founders has a significant positive effect on tax avoidance. Furthermore, founders of family firms who occupy positions as a board of commissioners significantly negatively affect tax avoidance. This study also indicates that the executive characters can moderate the influence of the founder's role in family firm heterogeneity on tax avoidance

Novelty: This research was using the family firm as a sample of research from Indonesia Stock Exchange so it can enrich the literature about family firm in Indonesia. This research also used the role of the founder of the family firms as an independent variable.

Keywords*:*
The Role of The Founder, Executive Characters, Tax Avoidance, Family Firm, Agency Theory

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INTRODUCTION

Indonesia is a country that relies on tax revenues to finance the administration and development of the country because the majority of the state revenue sources come from taxes. The realization of tax revenues always increases every year, but overall, it still has not reached the state budget target. In other words, the state tax revenues in Indonesia are still not optimal. Consequently, the government continues its attempt to increase tax revenues from all existing economic sectors to optimize potential tax revenues in various ways, such as encouraging economic recovery and transformation, tax extensification, and more. However, the effort to optimize tax revenues does not come smoothly because taxpayers and the government have

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different orientations and goals. In fulfilling their tax obligations, taxpayers try to pay the minimum possible tax. However, the government needs funds derived from tax payments by taxpayers in order to finance the administration and development of the country. These different orientations and goals result in tax resistance practices, one of which is tax avoidance.

On the other hand, Lasmana & Tjaraka (2011) also explained that tax avoidance is one of the legal strategies taxpayers can use to minimize tax payments. Because of that reason, tax avoidance can be pretty complicated since it can reduce state revenues, but it is also a legal strategy. Therefore, tax authorities (the government) will continue trying to determine a transparent barrier between tax avoidance and tax evasion to erase ambiguity (Winata, 2014).

The decision regarding tax avoidance practice is crucial for most companies since taxes are quite a high cost. However, it is different from the family firm. The practice of tax avoidance is a highly avoided act for most family firms' founders because it can threaten socioemotional wealth. In line with the study by Brune et al. (2019), most family firms' founders take family reputation as essential, even making them willing to pay higher taxes than having to minimize tax payments to minimize the risk of the family's reputation. Chen et al., (2010) also have tested 1.003 companies in the S&P 1500 index in 1996-2000 regarding the differences between family firms' and non-family firms' related to the level of tax aggressiveness. The result of the test is the level of tax aggressiveness of non-family firms' is greater than that of family firms'. Surachman (2017) also stated in his research that family ownership has a positive influence on corporate tax avoidance. It supported by the perception of family companies that by continuing to avoid tax, they still get more benefits that the potential costs of tax avoidance so the tax avoidance practices are still being carried out. However, it's different from the research from Sulistiyanti & Nugraha (2019). Their research result that family ownership and institutional ownership don't affect tax avoidance.

The executive's character is also one of the many factors influencing tax avoidance practices. Each company leader (CEO) has a different character, influencing the leader's decisions. This condition is under the opinion of Sulistiyanti & Nugraha (2019), which stated that every executive must be able to determine where the company is going, including their decision-making and the right policy they made. Nevertheless, it is undeniable that to achieve their goals, the CEO (one of the executive team) often supports the existence of tax avoidance practices. Therefore, the tax avoidance practices of each company are not the same, depending on the character of the company leader, whether they are a risk-taker leader or a risk-averse leader, one who is more willing to avoid risk (Praptidewi & Sukartha, 2016).

In previous studies, researchers are often discussed the differences between family firms and non-family firms in terms of tax avoidance, such as Chen et al. (2010); Mafrolla & D'Amico (2016); Steijvers & Niskanen (2014). However, research that discusses the differences in family firm groups with tax avoidance is still rarely done in Indonesia. Family firms are not a homogeneous group, it can be seen from the socio-emotional wealth of each family firm which varies. The level of socio-emotional wealth of a family firm is determined by the role of the founder of the family firms.

Most family firms will maintain their socio-emotional wealth to control the family to achieve non-financial goals so that financial goals will become a priority later. In their research, Brune et al. (2019) states that by prioritizing non-financial goals, it can lead to economic inefficiencies, such as loss of cost minimization. Tax payments are generally made to represent costs, thus increasing tax avoidance will cause the company's cash outflow to be smaller. Based on this, it can be concluded that tax evasion can threaten family status in society so that it can eliminate socio-emotional wealth. Since there are quite several family firms in Indonesia, it is important to know how the influence of the socio-emotional wealth of the company is related to tax avoidance.

In addition, there are differences in results from previous studies, there are inconsistent results related to the influence of executive characters. There are those who state that the executive character has a positive influence on tax avoidance, but there are also those who state that the executive character has a negative influence on tax avoidance. Kepramareni et al. (2020) and Surachman (2017) state that executive character has a positive influence on corporate tax avoidance. It is different with Kartana & Wulandari (2018); Novita (2016); Sulistiyanti & Nugraha (2019), in their research they assume that the executive character has a negative influence on corporate tax avoidance.

Based on a survey conducted by the largest professional services office among the Big Four Auditors, Price Waterhouse Cooper (PwC) (2014), more than 95% of businesses in Indonesia are owned by families. For that reason, the authors of this study are interested in researching tax avoidance in family firms listed on the Indonesia Stock Exchange. Moreover, tax avoidance for family firms can be controversial since it can interfere with the perspective of their socioemotional wealth (Brune et al., 2019).

LITERATURE REVIEW AND HYPOTHESIS

Agency Theory

According to Jensen & Meckling (1976), agency theory explains the relationship between principal and agent. In this theory, the principal refers to the shareholders, and the agent refers to the company management. Shareholders and company management have different duties. The shareholders delegate their duties to the management to implement the company's operational activities to prioritize the interest of the firm's founder (Sulistiyanti & Nugraha, 2019). Therefore, this theory implies that shareholders monitor the company's operational activities and are not directly involved, while the company management is in charge of carrying out the company's operational activities directly. The separation of duties between shareholders and company management can create agency issues due to the different interests of the two parties. Thus, the commissioners cannot always reach their ultimate goal or interest because the agent also has a personal interest.

There are three types of agency problem according to Panda & Leepsa (2017). First, the problem is between principal (owners) and agents (managers). This problem will be arising due to the lack of information (information asymmetry). Second type is the problem that arises because there is a conflict of interest between major and minor shareholder. The last type is the problem that arises between owners and creditors. This conflict will be happened if the owners take more risky investment decision that result in a higher risk than against the creditors.

In family firms, agency issues can also arise due to different interests between the founder and the CEO. For example, the firm's founder's orientation tends toward personal interest or the family's good name. Meanwhile, the CEO's orientation is how the firm can gain maximum profitability.

In the taxation, according to the first type of agency problem, agency theory also arises because the tax authorities, as principal and taxpayers, as agents have different interests. The tax authorities have an interest in receiving tax payments from taxpayers so it can be used for state expenditures, while taxpayers have an interest in how they can pay minimum taxes with the profits that they already have by practicing tax avoidance. However, do tax avoidance will have a negative impact on the company if it is not careful because it can lead to illegal tax avoidance or tax evasion.

Socioemotional Wealth Theory

Berrone et al., (2012) stated that the decision-making process in family firms is driven by economic and non-economic goals, such as family control and influence, identification of family members with the company, emotional attachment of family members, and securing family reputation and status in the community. According to Brune et al., (2019), family firms are categorized as heterogeneous firms because each firm has a different level of socioemotional wealth. Gómez-Mejía et al., (2007) stated that to achieve the affective needs of the family, such as family identity, the ability to influence the family, and the continuity of the family, the firms must meet socioemotional wealth on the non-financial side. The central aspect of socioemotional wealth is that when there is a high family involvement within the firm, then the firm will tend to be driven by non-financial goals rather than financial goals (Gomez-Mejia et al., 2014). Therefore, firms with high socioemotional wealth levels tend to make their founders reluctant to take steps that could threaten their non-financial goals.

Tax Avoidance

Generally, taxpayers will aways try to reduce the amount of their tax payments to a minimum. The taxpayer's action can be categorized as tax resistance. According to Suandy (2014:20), there are two types of tax resistance, namely passive resistance and active resistance. Passive resistance can occur not from the taxpayer willingness, but it occurs because of the problems that exist in the community, both social and economic communities. Active resistance is action that carried out intentionally by the taxpayer so that they can paid tax as minimum as possible until the not paying taxes. This action can be classified as legal or illegal. Legal actions can be referred to as tax avoidance and illegal actions can be referred to as tax evasion. Both of these action can also be classified as acts of tax aggressiveness. According to Hartadinata & Tjaraka (2013), tax aggressiveness is a company's effort to reduce taxable income (PKP) by conducting tax planning legally (tax avoidance) or illegally (tax evasion).

Tax avoidance is an action to reduce the tax burden of a taxpayer which does not conflict with the provisions of taxation, namely by taking advantage of the weaknesses of the gray area (Suandy, 2014: 21). In relation to that, Lasmana & Tjaraka (2011) stated that tax avoidance is one part of the tax planning process that does not violate applicable tax provisions or tax evasion. On the other hand, tax evasion is the taxpayer's effort to reduce the tax burden by violating tax provisions, making it fall into the illegal category.

The tax avoidance practice of an enterprise is influenced by the decision of the head of the company (CEO). Judging by the CEO's background, the family business leaders can be classified into three types: the founder CEO, the descendant CEO, and the hired CEO (Cheng, 2014). A founder CEO is found in a family firm whose leader is the founder. A descendant CEO is found in a firm that the founder no longer leads, but his descendants or his family still holds the leadership position. In contrast, the hired CEO is found in a family firm whose leadership comes from an external party of the family and has no family relationship with the founder anymore. In a study conducted by Brune et al. (2019), the findings show that the descendant CEO and the hired CEO focus more on financial rather than non-financial goals, which makes them do tax avoidance compared to the founding CEO.

The Role of The Founder in The Family Firm Heterogeneity

The founder within a firm can play a role directly and indirectly. The role of the founder can be directly seen when the firm's founder is still occupying the position as a CEO or the head of the firm. Generally, founders who serve as CEOs in their firms are visionary and have excellent management skills (Cheng, 2014). Therefore, the founders will use their abilities to maintain the socioemotional wealth.

Founders can be said to have an indirect role when they are no longer in the CEO position and have been replaced by a descendant CEO or hired CEO. Under these conditions, the founder can play their role in two conditions. First, the founder still owns a substantial share (more than 25% of the shares) in his firm because, with such ownership, the founder can still vote on a decision. Second, the founder can serve as the board of commissioners because the board of commissioners has a monitoring role in supervising and approving the management team's decisions (Brune et al., 2019). Accordingly, even though the founders are no longer directly involved in the firm's operational activities, they can still monitor the performance of the CEO, both the descendant CEO and the hired CEO, in the decision-making process that has to do with the founder's interests.

Executive Characters

Each company executive leads the company in different ways. Following a study conducted by Amalia & Ferdiansyah (2019); Praptidewi & Sukartha (2016); Sulistiyanti & Nugraha (2019), there are two kinds of executive characters, namely risk-takers and risk-averse. An executive whose character takes advantage of even the slightest opportunity with a high risk belongs to the character of risk-takers. Meanwhile, an executive whose character is cautious with existing opportunities is a risk-averse character.

According to Praptidewi & Sukartha (2016), the character of risk-taker executives tends to desire a high position, welfare, and a high income even if it has a high risk. Not only that, but risk-taker executives also target high cash flow. High cash flow can be obtained by increasing tax savings and maximizing tax avoidance activities (McGuire et al., 2012).

On the contrary, executive characters whose characters are risk-averse tend to avoid or dislike risks. Hence there are no significant risks in every decision-making. Moreover, leaders with averse risk character take security as their top priority rather than getting a big profit with a high risk (Praptidewi & Sukartha, 2016). Therefore, leaders with a risk-averse character will do the minimum possible tax avoidance in tax avoidance. Thus, according to the statement of Novita (2016), each executive plays a vital role in determining the level of tax avoidance.

Hypotheses

The Influence of The Role of The Founder in The Family Firm Heterogeneity on Tax Avoidance

Brune et al. (2019) stated that founders can still influence the top management team when they are no longer part of the top management team but still have an indirect role. This condition can happen because the founder still has a solid emotional attachment relationship with the firm. Hence the founder does not want to resign from the executive position. This statement is based on the Socioemotional Wealth Theory, which states that the founder has a non-financial purpose, which is to maintain the affective needs of their family. Therefore, the founder of the family firm still wants to ensure that their successor (family or non-family) maintains the company by not taking actions with a high risk. Chrisman et al and Rubenson & Gupta, as cited by Brune et al., (2019), stated that in prior research founders still want to hold a central role because of their business that they created and they don't want to give their power to their successor.

Generally, a firm's involvement in tax avoidance practices can result in considerable risk, degenerating the family firm's good name. Moreover, the rampant reporting in the media about firms that carry out tax avoidance practices can be detrimental because it can reduce the socioemotional wealth of the firm by lowering its status in society, which is a fundamental matter for most prominent families, especially the founders.

Brune et al., (2019) argued that the founders could at least use two different channels to maintain their indirect roles. First, the founder can give his position as CEO to the descendant or hired CEO while retaining substantial ownership. Founders are said to have substantial ownership still if they hold a minimum of 25% of the firm's total overall shares. With such ownership, the founder can still vote to give a counter to the business decisions taken by the CEO if the decision endangers his socioemotional wealth. Cadieux, as cited by Brune et al., (2019), explained that a founder could be assumed to be a supervisor or custodian who can intervene at any time if socioemotional wealth is at stake. That condition could be achieved if the founder has substantial ownership even though the family firm is led by a descendant CEO or hired CEO. External CEOs will generally meet shareholders' expectations and maintain their good reputation (Brune et al., 2019). Based on the above explanation, the first hypothesis is formulated as follows,

H_1: Substantial shareholding of the founder negatively affects tax avoidance

Brune et al., (2019) explained that the second channel is the advisory or supervisory board seat. Founders can serve on the board of commissioners to pursue their socioemotional goals and use the position to monitor and control their successors (both family and external parties). In particular, the founder can take a leading role in decision-making that requires the board's approval. If a business decision that the firm's CEO will take gives a high risk for the firm's socioemotional wealth, then the founder can directly express objections or disapprove of it. However, these conditions will be different if the founder does not occupy the position of the board of commissioners. Socioemotional wealth would be a less material thing to prioritize for the councilors. The board of commissioners tends to focus more on the company's financial than non-financial goals (Brune et al., 2019). Based on the above discussion, another hypothesis is formulated as follows,

H_2: The founder of a firm serving as a board of commissioners negatively affects tax avoidance

The Influence of Executive Character in Moderating The Role of The Founder in The Family Firm Heterogeneity on Tax Avoidance

A company executive (CEO) plays a vital role in the decision-making process related to the company's operations. Therefore, the character of each leader will influence decisions taken in the company's interests. Previous studies conducted by Amalia & Ferdiansyah (2019); Maharani & Baroroh (2019); Praptidewi & Sukartha (2016); Sulistiyanti & Nugraha (2019) explained that the differences in the character of company executives have a very different impact on the decisions taken by such companies.

In the context of tax avoidance practices in family firms, CEO will take safe actions by doing a little tax avoidance. Thus, the taxes paid by the firm will be higher. This state is in line with the Socioemotional Wealth Theory, which explains that the firm's founder will do a little tax avoidance to maintain the firm's good reputation. The founder of the family firms will avoid making high-risk decisions because it can reduce their firm's reputation, also it can reduce their socioemotional wealth. Based on the above explanation, the authors proposed two other hypotheses, namely:

H_3: The executive character strengthens the influence of the role of the founder having substantial shareholdings in the family firm heterogeneity on tax avoidance

H_4: The executive character strengthens the influence of the role of the founder serving as the board of commissioners in the family heterogeneity on tax avoidance

RESEARCH METHODOLOGY

This study used secondary data from annual reports of family firms in Indonesia obtained from the Indonesia Stock Exchange from 2016 - 2019. Data that used in this study are included in unbalanced data. The population of this study is family firms listed on the IDX from 2016 – 2019. The categorization of family firms is as follows (Andres, 2011) :

1. The share ownership of the founder and/or family members is above 25%, or
2. The founding family is represented by the board of directors or the board of commissioners if they own less than 25% of the shares, or
3. Family relationships can be characterized by the same last name or surname between shareholders and members of the board of commissioners or board of directors.

This study used the purposive sampling method to determine samples. The sample selection process in this study is as follows in table1.

The Role of the Founder in the Family Firm Heterogeneity

The role of the founder is defined as how a founder acts in a firm that has been established. The founder's role focused on the indirect founder's role, that is, how the founder acts in the family firm after he no longer serves as a CEO in the firm. This study used two proxies to determine the indirect role of the founder according to the measurement method used by (Brune et al., (2019)

1. Substantial Shareholding (RFOWN)

The calculation used a dummy, with the value of 1 if the founder in the family firm still owns 25% or more of the firm's shares, and 0 otherwise.

Table 1. Results of Sample Criteria Selection

Criteria	2016	2017	2018	2019	Total
Companies of all sectors listed on the IDX	527	559	612	666	2.364
Companies belonging to the financial sector	(86)	(89)	(92)	(94)	(361)
Companies that are not family firms	(327)	(354)	(389)	(430)	(1.500)
Companies that do not publish annual reports	(5)	(1)	(3)	(7)	(16)
Financial statements presented in units other than Rupiah	(16)	(16)	(16)	(18)	(66)
Companies that are experiencing losses	(15)	(22)	(25)	(24)	(86)
Companies that have a Current ETR value of less than 0 or more than 1	(14)	(9)	(12)	(10)	(45)
Companies that fully present data and information related to variables	(12)	(12)	(13)	(17)	(54)
Family firms whose founders serve as CEOs	(22)	(24)	(28)	(28)	(102)
Total Sample	**30**	**32**	**34**	**38**	**134**

Source: www.idx.co.id, managed in 2021

2. Founder Becomes Board of Commissioners (RFCOMM)

Dummy is also used in this calculation, with the value of 1 if the founder occupies the board of commissioners and 0 otherwise.

Tax Avoidance

According to Suandy (2014: 21), tax avoidance is the effort of taxpayers to pay the minimum possible tax legally, namely, taking advantage of tax provisions that are still unclear. Researchers measured tax avoidance using the Current ETR because it can reflect the firm's income tax burden in the current year. The measurement of Current ETR in this study refers to the study conducted by Hanlon & Heitzman (2010), which says

$$Current\ ETR = \frac{Current\ Tax}{Pretax\ Book\ Income\ (PTBI)}$$

The result of the current ETR will be inversely proportional to the tax avoidance imposed by the firm. Therefore, the current ETR in this study will be multiplied by -1 to result in linear proxy logic and variables.

Executive Character

Company leaders play an essential role in the firm's decision-making and policy. According to Sulistiyanti & Nugraha (2019), There are two types of company executives characters: the risk-taker and the risk-averse. The executive character of a company is measured by comparing the standard deviation of EBITDA (Earning Before Income Tax, Depreciation, and Amortization) with the company's total assets (Paligorova, 2011). The higher the risk value of a company, the company leader can be categorized as a leader with a risk-taker character (Kepramareni et al., 2020), and vice versa.

$$RISK = \sqrt{\sum_{t=1}^{T} (E - 1/T \sum_{t=1}^{T} E)^2 / (T - 1)}$$

Details:
E = EBITDA/Total Asset
T = Total Sample

Profitability

Return on Assets is a profitability ratio used to measure a firm's ability to make a profit from the use of all resources owned by the firm (Kepramareni et al., 2020). The greater the ROA value, the better the firm's performance is. On the opposite, the lower the ROA value, the worse the firm's performance is. In other words, the firm's performance is still ineffective. According to Zulma (2016), ROA can be calculated by the formula:

$$ROA = \frac{Net\ Income}{Total\ Assets}$$

Leverage

Leverage is a ratio that describes the firm's ability to meet firm obligations. Following a study conducted by Brune et al. (2019), leverage is calculated using the ratio of total debt divided by the total assets owned by the company.

$$LEV = \frac{Total\ Debt}{Total\ Assets}$$

Firm Size

A firm can be measured through total assets. The larger the size of a firm, the greater the total assets owned. Consequently, it can be said that the firm's transactions are also more complex, allowing the firm to take advantage of the opportunities for tax avoidance practices (Wijayanti & Merkusiwati, 2017). The firm size in this study is calculated according to the study conducted by Mafrolla & D'Amico (2016), namely

$$SIZE = Ln\ Total\ Aset$$

Techniques of Data Analysis

The authors conduct descriptive statistical tests to determine the general characteristics of the data that have been collected. Then test the classical assumptions to minimize the regression model's bias and find out whether the regression model used is feasible or not. The classical assumption tests used are the normality, multicollinearity, autocorrelation, and heteroskedasticity tests.

The hypotheses testing is conducted using multiple linear regression statistical tests and moderated regression analysis. In addition, the authors used an individual parameter significance test (t-test), a simultaneous test (F test), and a coefficient of determination test (R2) in conducting the test. This study uses SPSS software version 25 to help the data processing.

Multiple linear regression is used to determine the influence of the role of the founder in the family firm heterogeneity as an independent variable on tax avoidance as the dependent variable. This regression model is formulated as follows:

$$TA_{it} = \alpha + \beta_1 RFOWN_{it} + \beta_2 RFCOMM_{it} + \beta_3 ROA_{it} + \beta_4 LEV_{it} + \beta_5 FSIZE_{it} + e_{it} \ldots\ldots\ldots\ldots \quad (1)$$

Moderated Regression Analysis is used to test the role of the founder in the family firm against tax avoidance moderated by executive character. Therefore, the equation can be formulated as follows:

$$TA_{it} = a + \beta_1 RFOWN_{it} + \beta_2 RFCOMM_{it} + \beta_3 EC_{it} + \beta_4 RFOWN_{it} xEC_{it} + \beta_5 RFCOMM_{it} xEC_{it} + \beta_6 ROA_{it} + \beta_7 LEV_{it} + \beta_8 FSIZE_{it} + e_{it} \ldots\ldots\ldots\ldots \quad (2)$$

Details:

α : Constant
TAit : Tax avoidance
RFOWNit : The role of the founder in the family firm heterogeneity have substantive ownership
RFCOMMit : The role of the founder in the family firm heterogeneity occupying the position of the board of commissioners
ECit : Executive character

Table 2. Descriptive Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
TA	134	-,817564	-,000162	-,20309485	,149183185
RFOWN	134	0	1	,51	,502
RFCOMM	134	0	1	,63	,485
EC	134	,002096	,477102	,07815181	,071668802
ROA	134	-,025127	,514589	,07799522	,078294033
LEV	134	,000676	1,039333	,45553190	,200929816
FSIZE	134	25,721840	31,684778	29,27902445	1,416770303
Valid N (listwise)	134				

Source: Results of SPSS Data Processing, 2021

ROAi,t : Return on asset
FSIZEi,t : Firm size
LEVi,t : Firm leverage
eit : Residual or prediction errors

RESULTS AND DISCUSSION

The Statistical Description of Research Variables

Descriptive statistical analysis was used to describe and decipher data from each of the variables used in this study, both from dependent, independent, moderation, and control variables. The results of the data processing are shown in table 2.

The variables of the role of the founder in the family firm heterogeneity having a substantial shareholding (FROWN) and the role of the founder in the family firm heterogeneity serving as the board of commissioners are measured using the following frequency distribution that are shwon in table 3.

Classical Assumption Test

Normality test

Figure 1 shows that this study, both model 1 (without moderation) and model 2 (with moderation) spread around the diagonal line and follow the direction of the diagonal line. Thus, it can be concluded that the P-Plot graphics shows the regression modal has met the assumption of normality, that is, the residual value is normally distributed.

Multicollinearity test

Table 4 shows that all variables in this study have a tolerance value more than 0,10 and

Table 3. Frequency and Percentage of RFOWN and RFCOMM

	RFOWN			RFCOMM		
Score	Information	Freq.	%	Information	Freq.	%
1	Founder's shareholding 25%	68	50,7	Occupying the position of the board of commissioners	84	62,7
0	Founder's shareholding < 25%	66	49,3	Not occupying the position of the board of commissioners	50	37,3
	Total	134	100,0	Total	134	100,0

Source: Results of SPSS Data Processing, 2021

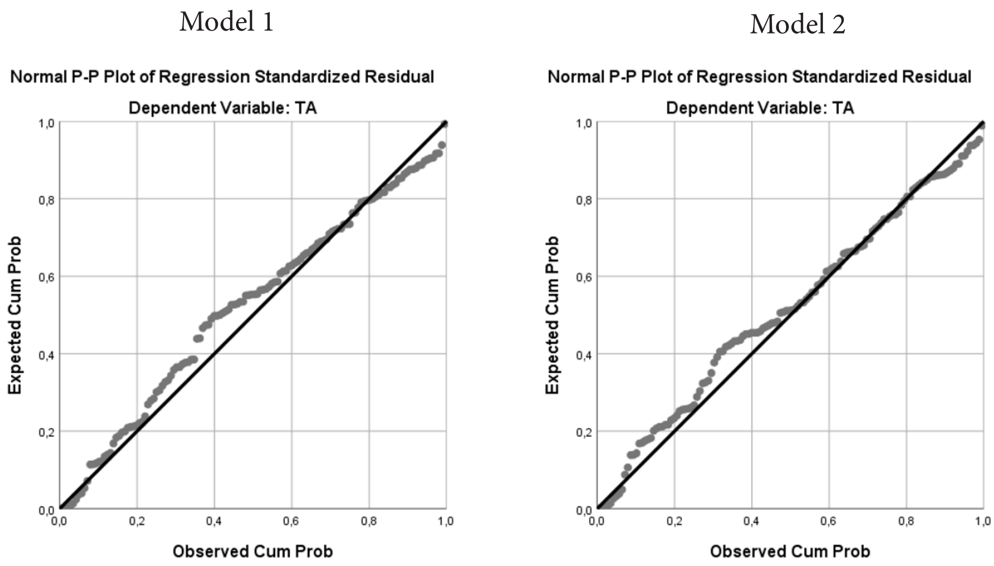

Figure 1. P-Plot Graphics
Source: Results of SPSS Data Processing, 2021

VIF value less than 10, both in model 1 (without moderation) and model 2 (with moderation). Therefore, it can be concluded that all variables don't occur multicollinearity in the regression model.

Autocorrelation test

The result of the Durbin-Watson test for model 1 and model 2 are 1,987 and 2,009. This shows that the data is free from autocorrelation, both positive and negative autocorrelation. As shown in Table 5, because both values are still in the range between 1,8122 to 2,1878.

Table 4. Multicollinearity test result

Variable	*Collinearity Statistics*				Description
	Model 1		Model 2		
	Tolerance	*VIF*	*Tolerance*	*VIF*	
RFOWN	0,885	1,129	0,323	3,097	Free Multicollinearity
RFCOMM	0,838	1,294	0,375	2,669	Free Multicollinearity
EC	-	-	0,357	2,802	Free Multicollinearity
RFOWNxEC	-	-	0,163	6,154	Free Multicollinearity
RFCOMMxEC	-	-	0,179	5,588	Free Multicollinearity
ROA	0,865	1,156	0,437	2,289	Free Multicollinearity
LEV	0,887	1,127	0,668	1,498	Free Multicollinearity
FSIZE	0,824	1,214	0,781	1,281	Free Multicollinearity

Source: Results of SPSS Data Processing, 2021

Table 5. Durbin-Watson Test

Model	Durbin – Watson
1 (with moderation)	1,987
2 (without moderation)	2,009

Source: Results of SPSS Data Processing, 2021

Model 1 Model 2

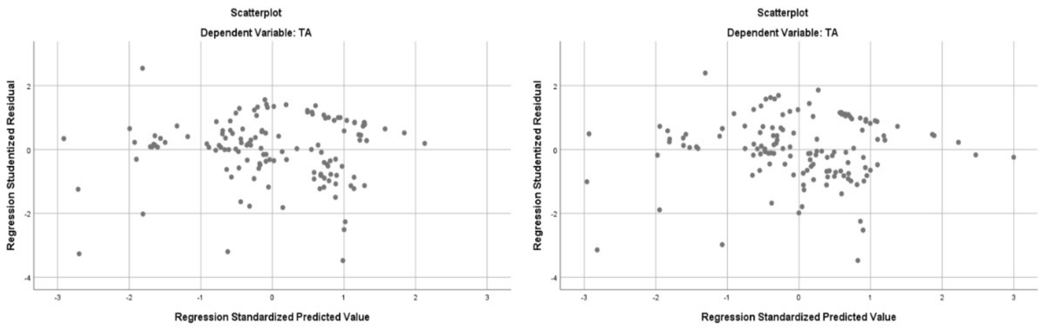

Figure 2. heteroscedasticity test result
Source: Result of SPSS Data Processing, 2021

Heteroscedasticity test

Figure 2 shows that the data in the scatterplot diagram model 1 (without moderation) and model 2 (with moderation) already randomly spreaded between values -4 and 2 on the Y axis and -3 and 3 on the X axis. It can be concluded that both models show the presence of symptoms of homoscedasticity and no symptoms of heteroscedasticity.

Multiple Regression Analysis

The results of multiple linear regression analysis in table 6 show that there are regression coefficients that are positive and negative. A regression coefficient with a positive sign means that there is an equation of direction between an independent variable and its dependent variable. Conversely, a regression coefficient with a negative sign means that there is a difference in direction between the independent variable and its dependent variable.

Table 6. Multiple Regression Analysis Results

Variables	No Moderation			With Moderation			Conclusion
	B	t	Sig	B	t	Sig	
(constant)	-1,334	-5,276	0,000	-1,259	-4,957	0,000	
RFOWN	0,060	2,447	0,016	0,126	3,130	0,002	H1 rejected (+)
RFCOMM	-0,081	-3,104	0,002	-0,137	-3,542	0,001	H2 accepted (-)
EC	-	-	-	-0,316	-1,181	0,249	
RFOWNxEC	-	-	-	-1,002	-2,074	0,040	H3 accepted (-)
RFCOMMxEC	-	-	-	0,928	2,040	0,043	H4 rejected (+)
ROA	0,278	1,742	0,084	0,476	2,150	0,034	
LEV	-0,037	-0,607	0,545	0,028	0,401	0,689	
FSIZE	0,039	4,335	0,000	0,036	3,898	0,000	
Adj. R Square		0,193			0,214		
F Statistic		7,358			5,515		
F Sig		$0,000^{b}$			$0,000^{b}$		

Source: Results of SPSS Data Processing, 2021

Discussion

The Influence of The Role of The Founder in The Family Firm Heterogeneity Having Substantial Shareholdings on Tax Avoidance

Based on the results of this study, it can be learned that the role of the founder in the family firm heterogeneity having substantial shareholdings has a significant positive effect on tax avoidance. This can be seen from the value of the regression coefficient of 0.060 and the statistical t value of 2.069 with a significance level of 0.041. Furthermore, the value of the RFOWN variable regression coefficient in the multiple linear regression analysis results is positive. Therefore, a positive coefficient indicates that when the founder of a family firm has a substantial share (more than 25%), the firm is still likely to practice tax avoidance. Thus, hypothesis 1 in this study was rejected.

The results of this study contradict the theory of socioemotional wealth, which explains that the firm's founder will prevent the practice of tax avoidance in maintaining his socioemotional wealth. This study shows that even though the founders have a substantial share in the family firm, the firm can still have the opportunity to do tax avoidance at a low level. This can be seen from the results of the positive regression coefficient. Thus, the socioemotional wealth of the founders of the family firm can still be threatened. This can occur due to the lack of contribution of the owner in order to prevent the CEO from making decisions to carry out tax avoidance practices.

The results of this study are also contrary to Brune at al. (2019), which stated that founders who still have indirect influence by having a substantial shareholding (more than 25%) could prevent family firms from doing tax avoidance.

The Influence of The Role of The Founder in The Family Firm Heterogeneity Serving as The Board of Commissioners on Tax Avoidance

Based on the results of this study, it can be concluded that the role of the founder in the family firm heterogeneity serving as the board of commissioners has a significant negative effect on tax avoidance. This can be seen from the value of the regression coefficient of -0.081 and the statistical t value of -3.104 with a significance level of 0.002. In addition, the value of the RFCOMM variable regression coefficient in the multiple linear regression analysis results is negative. A negative coefficient indicates that when the founder occupies the seat of the board of commissioners in a family firm, the firm will tend to avoid tax avoidance actions. Thus, hypothesis 2 in this study was accepted.

Furthermore, this study's results align with the theory of socioemotional wealth, where the founder of a family firm will seek to maintain his socioemotional wealth by avoiding actions that could threaten his socioemotional wealth, such as the practice of tax avoidance that the CEO can carry out. With the intervention of the founders, the family firm can still avoid the practice of tax avoidance because the founders will not agree to that.

The results of this study support the findings of the previous study conducted by Brune et al. (2019), which stated that the presence of a founder occupying a board seat might prevent the family firm from committing tax evasion.

The Influence of Executive Character in Moderating The Influence of The Role of The Founder in The Family Firm Heterogeneity Having Substantial Shareholdings on Tax Avoidance

The findings of this study show that the executive character can moderate the influence of the role of the founder having a substantial share in the family firm heterogeneity on tax avoidance. This can be seen from the RFOWNxEC variable regression coefficient value, which is -1.002, and the statistical t value of -2.074 with a significance level of 0.040. The negative coefficient in the results of the statistical analysis shows that the executive character strengthens the influence of the role of the founder having a substantial share in tax avoidance. Therefore, hypothesis 3 in this study is accepted.

The results of this study are in line with socioemotional wealth theory, where the founder of a family firm will prevent actions that will threaten his socioemotional wealth, one of which is the practice of tax avoidance. With an executive character that tends to be risk-averse, the CEO will support the founder to maintain his socioemotional wealth because a CEO with a risk-averse executive character will avoid decisions with high risk.

These results are similar to the study conducted by Praptidewi & Sukartha (2016) and Sulistiyanti & Nugraha (2019), which found that executive character tends to be risk-averse and it negatively affects tax avoidance. However, these results contradict the study by Maharani & Baroroh (2019), which says that the executive character does not affect tax avoidance.

The Influence of Executive Character in Moderating The Influence of The Role of The Founder in The Family Firm Heterogeneity Serving as The Board of Commissioners on Tax Avoidance

The results of this study also show that the executive character can moderate the influence of the role of the founder in the family firm heterogeneity by serving as the board of commissioners on tax avoidance. This can be seen from the value of the RFOWNxEC variable regression coefficient of 0.928 and the statistical t value of 2.040 with a significance level of 0.043. The positive coefficients show that the executive character weakens the influence of the founder's role as the board of commissioners on tax avoidance. Thus, hypothesis 4 in this study was rejected.

This study's results align with the agency theory, which states that the CEO will maximize his performance to maximize the company's profitability. In addition, the executive character that tends to be a risk-taker will weaken the influence of the role of the founder who serves as the board of commissioners because the founder will continue to maintain his socioemotional wealth by avoiding tax avoidance practices. At the same time, the CEO will strive to carry out tax avoidance in order to maximize the company's profitability.

The results of this study also support the study conducted by Kepramareni et al. (2020) and Surachman (2017), which found that the executive character positively influences tax avoidance. However, the results of this study are not in line with the study conducted by Amalia & Ferdiansyah (2019), which stated that the executive character does not influence tax avoidance.

CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

This study was conducted to obtain empirical evidence that executive character moderates the influence of the role of founders in the family firm heterogeneity on tax avoidance in listed family firms on the Indonesia Stock Exchange in 2016–2019. This study uses a quantitative approach with a total sample of 134 companies. Here is a summary of the results of this study:

1. The founder's substantial shareholding has a significant positive effect on tax avoidance. The reason for that is that even though the founder owns a share above 25%, the CEO of the family firm (a descendant CEO or hired CEO) can still practice tax avoidance to optimize the firm's profitability, which can threaten the socioemotional wealth of the firm's founder.
2. The firm's founder, who occupies the position of the board of commissioners, has a significant negative effect on tax avoidance. This result is obtained because the founder who serves as a board of commissioners in a family firm can monitor the CEO's performance in running his firm and prevent tax avoidance practices that the descendant CEO or hired CEO will carry out in optimizing the profitability of the firm.
3. The executive character moderates the influence of the role of the founder in the family firm heterogeneity that has substantial shareholdings on tax avoidance. This is because executive characters who tend to be risk-averse will be careful in carrying out tax avoidance, hence strengthening the influence of the role of founderns in the family firm heterogeneity that have a substantial share in tax avoidance.
4. The executive character moderates the influence of the role of the founder in the family firm heterogeneity that serves as the board of commissioners on tax avoidance. This condition results from the risk-taker character executive. With that character, they will dare to take risks to maximize the firm's profitability, including practicing tax avoidance, which eventually weakens the influence of the role of the founder in the family firm heterogeneity

that serves as the board of commissioners on tax avoidance.

This study was conducted on listed family firms on the Indonesia Stock Exchange. However, the lack of information regarding who founded the firms caused the authors to be unable to classify whether the firm was a family firm or not. In addition, in Indonesia, there is still no regulation that classifies the level of firm risk, whether as a risk-averse or risk-taker. Because of that reason, the authors cannot classify firms as risk-averse or risk-taker firms.

The authors suggested that further research can expand the scope of the role of the founder in the family firm heterogeneity, namely the direct role of the founder (when the founder was still the CEO) and the indirect role of the founder (when the founder is no longer the CEO). In addition, further research can study the differences of indirect influence that founders have in the family firm heterogeneity, where a descendant CEO or a hired CEO led the firm.

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