

**THE EFFECT OF GENDER DIVERSITY AND TUNNELING INCENTIVE
ON TAX AVOIDANCE****Amalia Mayestika Putri¹⁾, Wiwin Juliyanti²⁾**¹ Management, Faculty of Economics and Business, PGRI Madiun University
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email: wiwin@unipma.ac.id***Abstrak***

Penelitian ini bertujuan menganalisis pengaruh *gender diversity* dan *tunneling incentive* terhadap *tax avoidance* pada perusahaan sektor infrastruktur yang terdaftar di Bursa Efek Indonesia. Fenomena penghindaran pajak pada sektor ini menjadi perhatian karena tingginya nilai transaksi dan adanya potensi praktik oportunistik pemegang saham pengendali. Metode penelitian menggunakan pendekatan kuantitatif dengan teknik *purposive sampling* terhadap perusahaan infrastruktur periode 2019–2023. Data dianalisis dengan regresi linier berganda menggunakan bantuan software SPSS. Hasil penelitian menunjukkan bahwa *gender diversity* berpengaruh negatif terhadap *tax avoidance*, sedangkan *tunneling incentive* berpengaruh positif terhadap *tax avoidance*. Kesimpulannya, keberagaman *gender* pada dewan direksi mampu berperan sebagai mekanisme pengawasan, sementara adanya insentif *tunneling* justru mendorong praktik penghindaran pajak. Saran bagi penelitian selanjutnya adalah menambahkan variabel moderasi seperti *political connection* untuk memperkaya analisis. Temuan ini penting bagi regulator dan perusahaan dalam menekan praktik *tax avoidance* melalui peningkatan tata kelola perusahaan.

Kata Kunci: *Gender Diversity, Tunneling Incentive, Tax Avoidance.*

Abstract

This study aims to analyze the effect of gender diversity and tunneling incentive on tax avoidance in infrastructure sector companies listed on the Indonesia Stock Exchange. The phenomenon of tax avoidance in this sector is noteworthy due to its high transaction value and the potential for opportunistic practices by controlling shareholders. The research employed a quantitative approach with purposive sampling of infrastructure companies during 2019–2023. Data were analyzed using multiple linear regression with the assistance of SPSS software. The results show that gender diversity has a negative effect on tax avoidance, while tunneling incentive has a positive effect on tax avoidance. In conclusion, gender diversity on the board serves as a monitoring mechanism, whereas tunneling incentives tend to drive tax avoidance practices. Future

research is suggested to include moderating variables such as political connection to enrich the analysis. These findings are important for regulators and companies to reduce tax avoidance through improved corporate governance.

Keywords: *Gender Diversity, Tunneling Incentive, Tax Avoidance.*

A. INTRODUCTION

Taxes constitute one of the main sources of public revenue and are vital in supporting the nation's developmental goals. However, the practice of tax avoidance remains a serious issue in Indonesia. When the government increased the VAT rate to 12%, it actually exacerbated tax avoidance due to insufficient oversight. This condition aligns with the Bloomberg Technoz (2024) report, which shows that gaps in fiscal policy are still frequently exploited by companies to reduce their tax burden. Furthermore, a World Bank report revealed that around 25% of formal companies in Indonesia do not report their taxes honestly, reflecting the weak effectiveness of supervision within the national taxation system.

On the other hand, corporate governance issues are closely related to tax compliance. One indicator of governance is the representation of women in managerial positions. According to the International Finance Corporation (IFC, 2019), Despite the fact that women account for 14.9% of board positions in Indonesia, comparable to the ASEAN average, female representation at senior management levels remains very low, at only 18.4%, far below the ASEAN average of 25.2%. This indicates that gender diversity in management structures is still suboptimal, even though the presence of women has the potential to provide different perspectives, increase prudence, and promote better governance practices that can reduce tax avoidance.

In addition, tax avoidance practices are often associated with tunneling incentives, which involve the transfer of company resources by controlling shareholders for personal gain, even if it harms the company or minority shareholders. In the context of Indonesia, this phenomenon still occurs frequently in companies with concentrated ownership structures, opening opportunities for majority shareholders to engage in tax avoidance as a form of tunneling. This demonstrates that internal company factors, both in terms of governance through gender diversity and the presence

of tunneling incentives, serves an important function in clarifying a firm's propensity for tax avoidance.

The infrastructure sector is particularly interesting to study due to its large transaction values, financing complexity, and involvement in national strategic projects. Such complexity makes infrastructure companies vulnerable to tax avoidance practices, even though they are not always as exposed as the mining and energy sectors. The findings of this study can be utilized by companies to strengthen more transparent governance practices, such as increasing female representation on boards or controlling the potential for tunneling by majority shareholders. For the government, the outcomes of this research may provide a basis for creating more efficient tax supervision strategies. In general, the study is expected to offer contributions to academics and practitioners by expanding the literature on factors influencing tax avoidance and providing empirical insights into infrastructure companies in Indonesia.

Literature Review

1. Agency Theory

Agency theory explains the agency relationship between company owners (principals) and managers (agents), where each party has different interests (Jensen & Meckling, 1976). Such conflicts of interest can lead to agency problems, for example, when managers make decisions that benefit themselves at the expense of shareholders. In the context of tax avoidance, agency theory is used to understand how managerial decisions regarding tax strategies may reflect conflicts between corporate compliance and the drive to maximize profit.

2. Tax Avoidance

Tax avoidance is a legal practice conducted by companies by exploiting loopholes to reduce tax burdens, but it often conflicts with the spirit of existing regulations. Alver & Alver (2022) state that while this action is legally permissible, it creates tax practices that

are not transparent or ethical. Furthermore, Gamannossi degl'Innocenti & Rablen (2017) emphasize that even if not illegal, tax avoidance may involve artificial structures or transactions that undermine the intent of tax laws. Therefore, although tax avoidance is within legal boundaries, its ethical aspects and regulatory principles need continuous evaluation.

3. Gender Diversity

Gender diversity refers to the variety of genders within organizational structures, particularly at the board of directors level. The presence of women in strategic positions is believed to enhance monitoring effectiveness and enrich perspectives in decision-making (Adams & Ferreira, 2009).

4. Tunneling Incentive

Tunneling incentive refers to practices by majority shareholders to transfer company assets or profits for their personal benefit, while the losses from these actions are borne by minority shareholders (Natasya et al., 2024).

Conceptual Framework

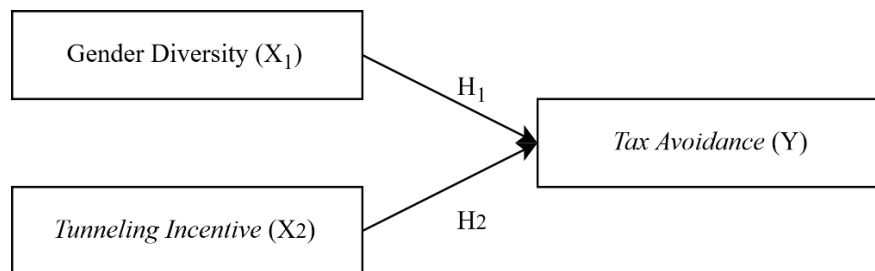


Figure 1 Conceptual Framework

Source: Modified from the studies of Inayah, N. F., & Sofianty, D. (2022) and Nokiyanti, E., Ernawati, W. D., & Indrayati (2023)

H₁: Gender Diversity has an effect on Tax Avoidance

H₂: Tunneling Incentive has an effect on Tax Avoidance

B. METHOD

This research utilizes a quantitative methodology to investigate the impact of gender diversity and tunneling incentive on tax avoidance. The research population includes all infrastructure sector companies listed on the Indonesia Stock Exchange, with a sample of 69 companies selected using purposive sampling based on the following criteria:

- a. Infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) during 2019–2023.
- b. Infrastructure sector companies that published consecutive annual reports from 2019 to 2023.
- c. Infrastructure sector companies that did not experience losses during 2019–2023.

Furthermore, the data were analyzed using multiple regression analysis with the assistance of SPSS version 30 to examine the effect of gender diversity and tunneling incentive on tax avoidance.

C. RESULTS AND DISCUSSIONS

Classical Assumption Test

Normality Test

Table 1. Normality Test

| One-Sample Kolmogorov-Smirnov Test | | |
|-------------------------------------|----------------|-------------------------|
| | | Unstandardized Residual |
| N | | 100 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | .15523678 |
| Most Extreme Differences | Absolute | .057 |
| | Positive | .046 |
| | Negative | -.057 |
| Test Statistic | | .057 |
| Asymp. Sig. (2-tailed) ^c | | .200 ^d |

Source: Data processed by the researcher, 2025

The normality test using the One-Sample Kolmogorov-Smirnov Test shows a test statistic value of 0.057 with a significance value (Asymp. Sig.) of 0.200. Since the significance value is greater than 0.05, it can be concluded that the residuals are normally distributed. In other words, the normality assumption is met, indicating that the data are suitable for further analysis using multiple regression. This result shows that the research model can provide valid and statistically reliable estimates.

Multicollinearity Test

Table 2. Multicollinearity Test

| Model | Collinearity Statistics | |
|------------|-------------------------|------------|
| | Tolerance | VIF |
| 1 | | |
| (Constant) | | |
| | Gender Diversity | .975 1.026 |
| | Tunneling Incentive | .823 1.216 |

Source: Data processed by the researcher, 2025

The multicollinearity test results show that the tolerance values for gender diversity and tunneling incentive are 0.975 and 0.823, respectively, while their Variance Inflation Factor (VIF) values are 1.026 and 1.216. Given that each tolerance value is above 0.10 and every VIF is under 10, the analysis indicates the absence of multicollinearity among the independent variables. Therefore, gender diversity and tunneling incentive can be used simultaneously in the regression model without affecting the validity of the coefficient estimates.

Heteroscedasticity Test

Table 3. Heteroscedasticity Test

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | .093 | .045 | | 2.047 | .043 |
| Gender Diversity | .004 | .102 | .004 | .040 | .968 |
| Tunneling Incentive | -.021 | .062 | -.039 | -.346 | .730 |

a. Dependent Variable: Abs_RES

Source: Data processed by the researcher, 2025

The heteroscedasticity test shows that gender diversity has a significance value of 0.968, while tunneling incentive has a significance value of 0.730. Both values are greater than 0.05, indicating that there is no heteroscedasticity problem in the research model. In other words, the independent variables have constant residual variance, so the classical assumptions are fulfilled and the regression model is suitable for further analysis.

Autocorelation Test

Table 4. Autocorelation Test

| Model Summary ^b | | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .484 ^a | .234 | .202 | .12899 | 1.915 |

a. Predictors: (Constant), Tunneling Incentive, Gender Diversity

b. Dependent Variable: Tax Avoidance

Source: Data processed by the researcher, 2025

The results of the Durbin-Watson test show a value of 1.915, positioned within the acceptable range of 1.5 to 2.5, confirming the absence of autocorrelation in the dataset. Therefore, the regression model's residuals do not exhibit serial correlation, and the independence assumption is fulfilled. This ensures that the regression coefficient estimates are valid and can be reliably used to analyze the effect of gender diversity and tunneling incentive on tax avoidance.

Multiple Regression Analysis

Table 5. Multiple Regression Analysis

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---------------------|-----------------------------|------------|---------------------------|--------|-------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | .433 | .061 | | 7.121 | <.001 |
| Gender Diversity | -.399 | .139 | -.259 | -2.865 | .005 |
| Tunneling Incentive | -.186 | .085 | -.218 | -2.194 | .031 |

a. Dependent Variable: Tax Avoidance

Source: Data processed by the researcher, 2025

The results of the multiple regression analysis indicate that gender diversity has a regression coefficient of -0.399 with a significance value of 0.005, which is less than 0.05. This indicates that gender diversity has a significant negative effect on tax avoidance. Put differently, an increase in the proportion of women on the board of directors corresponds with a decrease in the company's tax avoidance. This finding aligns with Agency Theory, which states that the presence of women tends to increase prudence, compliance with regulations, and ethical standards in decision-making, thereby reducing tax avoidance practices.

Meanwhile, tunneling incentive has a regression coefficient of -0.186 with a significance value of 0.031, also less than 0.05, indicating a significant effect on tax avoidance. This suggests that companies with a tendency to engage in tunneling tend to reduce tax avoidance practices,

possibly because resource or profit shifting strategies are carried out cautiously to avoid legal or fiscal risks. Overall, the regression model shows that both independent variables contribute significantly to the dependent variable, and the constant of 0.433 indicates the baseline level of tax avoidance when both independent variables are zero.

D. CONCLUSIONS

According to the study results, it can be concluded that gender diversity and tunneling incentive have a significant negative effect on tax avoidance. The presence of women on the board of directors tends to reduce tax avoidance practices by increasing prudence and compliance with regulations. Meanwhile, companies with a tendency to engage in tunneling show more careful tax management, thereby reducing tax avoidance. This evidence points to the importance of effective corporate governance structures and internal incentives in influencing corporate behavior related to taxation. This study has several limitations, including a limited sample size in the infrastructure sector, which may limit the generalizability of the results to other sectors.

E. SUGGESTIONS

Based on the results of this study, it is recommended that future researchers expand the scope of samples and industry sectors examined to ensure that the findings more accurately reflect actual conditions across various companies. In addition, it is suggested to consider additional variables that may influence tax avoidance, such as corporate social responsibility, institutional ownership, or other external factors, so that the analysis becomes more comprehensive.

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