**International Journal of Civil Engineering and Technology (IJCIET)**
Volume 10, Issue 07, July 2019, pp. 235-252, Article ID: IJCIET_10_07_024
Available online at http://iaeme.com/Home/issue/IJCIET?Volume=10&Issue=7
ISSN Print: 0976-6308 and ISSN Online: 0976-6316


# DOES CORPORATE TAX AGGRESSIVENESS MATTER IN GOOD CORPORATE GOVERNANCE-CORPORATE FINANCIAL PERFORMANCE RELATIONSHIP? EVIDENCE FROM INDONESIA

**Supriyati***
PhD Student in Economic and Business Faculty, Airlangga University, Surabaya, Indonesia
And Lecture in STIE Perbanas University, Surabaya, Indonesia

**Bambang Tjahjadi**
Economic and Business Faculty, Airlangga University, Surabaya, Indonesia

**Heru Tjaraka**
Economic and Business Faculty, Airlangga University, Surabaya, Indonesia
*Corresponding Author: supriyati-2016@feb.unair.ac.id

## ABSTRACT

*This study aims to investigate the direct impact of good corporate governance on corporate financial performance, and, if so, whether the relationship is mediated by corporate tax aggressiveness. This issue is crucial for the Indonesian banking companies because since the year of 2011, management of banking companies have the obligation to implement and report their corporate governance. This study is designed as quantitative research employing the structural equation model. A mediation research model is developed to test the mediation effect of corporate tax aggressiveness on corporate governance and financial performance relationship. The sample is derived from the publicly listed banking firms on the Indonesia Stock Exchange (IDX) for the period of 2012-2017 resulting 208 observable empirical data. This study provides empirical evidence that corporate governance has a direct effect on financial performance of publicly listed banks on the IDX. Further analysis reveals that tax aggressiveness mediates the relationship between corporate governance and financial performance. This implies that tax aggressiveness might be one of strategies for banking companies to minimize tax burden in order to increase profit. This study contributes to the growing research exploring tax aggressiveness, especially in banking companies. This study explores the use of tax aggressiveness as the mediation variable and the use of taxable income as one measure of tax aggressiveness.*

**Key words:** good corporate governance, tax aggressiveness, financial performance, banks

**Cite this Article:** Supriyati, Bambang Tjahjadi, Heru Tjaraka, Does Corporate Tax Aggressiveness Matter in Good Corporate Governance-Corporate Financial Performance Relationship? Evidence from Indonesia. *International Journal of Civil Engineering and Technology* 10(7), 2019, pp. 235-252.
http://iaeme.com/Home/issue/IJCIET?Volume=10&Issue=7

# 1. INTRODUCTION

Formal accounting standards provide the basis for evaluating the financial performance of an entity (Louw & Maroun, 2017). Financial statements reveal the achievements of the company's goals and those statements are used for decision making, both by internal and external parties (Oh & Park, 2015;Watson, 2015;Fernandez, 2016). A financial decision might affects other financial decisions in supporting corporate value enhancement (Shank *et al.*, 2013; Balachandran & Faff, 2015; Chauhan*et al.*, 2016; Wahyudin & Solikhah, 2017). In addition, enhancing the value of the firm means maximizing the wealth of shareholders as well as other stakeholders. This also relates to achieving the firm value, as reflected in the ability to efficiently allocate resources.

Good corporate governance affects financial performance (Mugisha *etal.*, 2015;Chauhan*et al.*, 2016; Wahyudin & Solikhah, 2017). It increases the accuracy of financial information, prevents fraud, shows transparency, forms of leadership accountability (Armstrong *et al.*, 2015; Balachandran & Faff, 2015; Liu & Zhang, 2017). It also creates value for all interested parties (Balachandran & Faff, 2015; Wahyudin & Solikhah, 2017). Therefore, financial statements is a crucial tool in solving agency conflicts. Conflicts between agents and principals have affected the firm performance(Jensen & Meckling, 1976; Desai & Dharmapala, 2006). The establishment of independent monitoring or review bodies formed in response to a perceived decline in the quality and reliability of financial statement and also investment decisions (Turner& Coote, 2017;Louw & Maroun, 2017).

The agency theory states that the behavior of agents is opportunistic and is contrary to the interest of the principals(Jensen & Meckling, 1976; Eisenhardt, 1989). Therefore, a formal control mechanism to monitor the agents' opportunistic behaviors is crucial to better align all parties' interests (Fama, 1983; Eisenhardt, 1989). This is different from the stakeholder theory which emphasizes the company as a unitary organization and does not provides the benefit to certain stakeholders (Freeman & Evan, 1979). Stakeholders as groups or individuals can influence and are influenced by the degree of achievement of the company's goals (Freeman &d Evan, 1979; Donaldson & Preston, 1995).

The company is a taxpayer so that the structure and mechanism of good corporate governance can also affect the decisions relating to the tax obligations. Tax planning depends on the dynamics of good corporate governance within the company (Desai & Dharmapala, 2006;Richardson*et al.*, 2015; Armstrong *et al.*, 2015). The company's tax aggressiveness might have risks, including fines and reputation decline in the public opinion (Armstrong *et al.*, 2015; Matinfard & Juybari, 2017; Ying*et al.*, 2017). For example, the company will take various measures to prevent such risks through intensive audits, procedural pressures, reporting mechanisms and accountability (Chan*et al.*, 2013; Guenther *et al.*, 2017). However, companies that have a well-structured corporate governance mechanism will increase their compliance in fulfilling their tax obligations (Annisa& Kurniasih, 2012; Winata, 2014; Chan*et al.*, 2013; Ying*et al.*, 2017) such as trying to aggressively avoid tax in order to minimize the tax burden owed and increase profits (Dyreng*et al.*, 2008; Hanlon & Heitzman, 2010; Lim, 2011; Khurana & Moser, 2013; Assidi*et al.*, 2016; Louw & Maroun, 2017) in conclusion, good corporate governance is crucial to the success of any company (Gail*et al.*, 2017).

Scholars have proven that good corporate governance increases the accuracy of financial information, helps prevent fraud, shows transparency in reporting, and creates the leadership (Shank*et al*., 2013; Armstrong *et al.*, 2015; Balachandran & Faff, 2015; Liu & Zhang, 2017). The process of good corporate governance mechanism is also affected by the role of the board of directors, board of commissioners and audit committee (Jensen & Meckling, 1976; Desai & Dharmapala, 2009, Aramide*et al*., 2014;Armstrong, 2015;Louw & Maroun, 2017;Gaitán*et al*., 2018)

Previous studies by Xavier *et al*. (2015), Gaitán*et al*., (2018) demonstrated that good corporate governance can add value to the firm, including financial performance enhancement. On the contrary, other studies by Moussa & Aymen (2014), Mayur & Saravanan (2017) proved that good corporate governance does not affect financial performance. The better the corporate governance mechanism applied by the companies, the worse the financial performance of those companies (Desai & Dharmapala, 2006; Wahba, 2015; Afang*et al*., 2016; Wahyudin & Solikhah, 2017).

Taxpayers tend to do the tax evasion so that the tax payment is smaller (Mayur & Saravanan, 2017). This evasion is expected to increase corporate value, improve financial performance, and save cash out (Desai & Dharmapala, 2009; Schandlbauer, 2017). However, other studies show that tax avoidance has a negative impacts on companies, such as increased costs of fines and sanctions, increased cost of capital, and cash reserve decisions (Crabtree& Kubick, 2014; Watson, 2015; Matinfard & Juybari, 2017).

This study is different from the previous studies. Firstly, it employs the tax aggressiveness as the mediation variable which is rarely researched. Secondly, it uses the composite values determined by the Bank Indonesia to measure the good corporate governance. Thirdly, it measures the financial performance by banking-specific measurements reflecting the soundness of the bank. Finally, to measure the construct of the tax aggressiveness, this study employs the measurement developed by Hanlon & Heitzman (2010).

This study focuses on banking companies for the following reasons. Firstly, the Bank Indonesia demands banking companies in Indonesia to improve their financial performance. Secondly, the state tax revenue is still below the target because the realization of tax revenues is still around 84% although the Government of Indonesia has amended tax regulations for domestic corporate taxpayers, including: (1) the implementation of a progressive tax rate; (2) the change in the progressive tax rate becomes a single rate of 25%; (3) the imposition of a final tax rate of 1% for corporate or private taxpayers with gross circulation below 4.8 billion rupiah; (4) 50% reduction income tax for taxpayers with gross circulation below 50 billion rupiah; and (5) a reduction in the tax rate of 5% for taxpayers who have 40% of the paid-up shares circulating on the stock.

The tax aggressiveness has become the center of attention in all countries, cross-country business transactions conducted by companies that have relations with banks. Therefore, potential tax avoidance in the banking companies might occur. Bank companies as tax avoidance actors carry out several actions, such as receiving loans from affiliated parties that carry out interbank loans, dividend to shareholders (branch profit tax) and opening branches in countries classified as the tax heaven countries. Tax avoidance practices that are possible to occur are carried out by the third parties. The bank is a channel to offset interest deposits with loan interest. This condition is also triggered by the demand for high financial performance, the ability to secure public funds, and the benefits to shareholders. As an example, the case of tax aggressiveness in the Indonesian banking industry occurred in 2014, when the former director general of taxation became a suspect in the Non-Performing Loan case in a publicly listed bank. In addition, the implementation of the tax amnesty policy has increased the growth of third party funds to rp. 4,734 trillion in 2016 which was dominated by savings growth of 12.49%, growth in demand deposits of 8.29% and growth of deposits of 5.58%. The lack of tax revenue shows that the level of taxpayer compliance is still low, as evidenced by the low five-year compliance ratio of around 50.44% (DGT, 2017). Therefore, research on tax aggressiveness in banking has become an interesting issue for future studies. The mechanism of how corporate tax aggressiveness mediates the good corporate governance-financial performance in the Indonesian banking companies becomes a crucial issue to be investigated.

This study is divided into several sections is organized as follows. Section 2 provides the literature review and hypotheses. Section 3 addresses the method employed. Section 4 describes the results of the study. Section 5 presents the discussion and conclusion, which highlights the main contributions, implications, limitations and future research.

## 2. THEORICAL FOUNDATION: FINANCIAL PERFORMANCE IN BANKING INDUSTRIES

Financial performance is still considered an important measurement for the company. Financial measures are still widely used in several studies including ROA, ROE(Sanchez*et al*., 2017;Matinfard & Kazemi Juybari, 2017) and firm value(Desai& Dharmapala, 2006;Desai & Dharmapala, 2009). Although many previous studies have already used those measurements, it is still considered insufficient to measure the performance of the banking sector. Therefore, Bank Indonesia issued the Circular No. 13/24/DPNP in 2011 regarding the Evaluation of the Soundness of Commercial Banks, which requires banks to meet requirements for profitability, liquidity and solvency.

The previous studies also provide the fact that there is still the gap and this can affect the financial performance. For example, Sanchez*et al.*, (2017) stated that the corporate governance dimension has a positive effect on ROA and ROE. Armstrong *et al*., (2015) showed that the independence of the board and its field of expertise affect tax aggressiveness strategy. Chan*et al.*, (2013) found that corporate governance mechanisms influence tax strategies. Tax avoidance is a corporate strategy that can affect company value and compensation received by managers (Desai & Dharmapala, 2006;Desai & Dharmapala, 2009). This is different from the results of other studies that show no link between corporate governance and financial performance (*eg*. Moussa & Aymen, 2014; Afang*et al*, 2016;Mayur & Saravanan, 2017;Wahyudin & Solikhah, 2017), between corporate governance and tax aggressiveness (Chan*et al*., 2013;Jafarinejad*et al.*, 2015;Wahba, 2015;Taylor & Lanis, 2015), between tax aggressiveness and financial performance(Desai& Dharmapala, 2009;Laguir et al., 2015;Matinfard &Juybari, 2017).

There are few studies using corporate tax aggressiveness as a mediating variable between a good corporate governance and corporate financial performance. For example, a study by Sanchez*et al*., (2017)showed that the banking industry has introduced ROE measurements in addition to ROA to measure financial performance. Profit obtained by the bank shows good management of assets and equity owned. Stakeholder theory as the main basis for several studies focused on the interests of many stakeholders, especially investors and the government. When government interests are met with optimal tax payments, of course investors' interests will also be fulfilled with optimal profit performance.

Desai & Dharmapala(2009)developed the measurement of tax avoidance associated with manager incentives. This study introduced the book of tax gab and was later developed by Dyreng*et al.*, (2008)and Hanlon & Heitzman (2010)to measure the effective tax rate. The tax aggressiveness measurement shows that paying taxes to the state must be considered a comprehensive strategy because it has different treatments than that of the generally accounting accepted principles (GAAP). In this case, there are some provisions in several countries that allow companies to reduce their taxes.

In summary, a good corporate governance is directed at maintaining and overseeing the company's asset management as well as producing an optimal financial performance. This, in turn, can meet the returns expected by stakeholders, especially shareholders. On the other hand, the existence of the company is influenced by various government policies to meet the expectations of its citizens. Some tax policies still create a gap for tax evasion efforts. Therefore, good corporate governance allows companies to reduce tax payments legally, increase company profits and increase company value.

## 3. CONCEPTUAL FRAMEWORK

Corporate Governance is a series of structured processes, used to manage and direct or lead the company's business to increase the company's value and their business community. Therefore, a corporate governance can be defined as the structure, system, and processes used by company organization to provide added value to the company. In another sense, as the organization for economic cooperation and development in 2003 stated, a corporate governance is defined as a means to achieve company goals and oversee company performance. In that sense, corporate governance is related to effective decision making that aims to achieve business that is profitable, efficient and effective in managing risk and is accountable by taking into account the interests of stakeholders.

Based on the above description, it can be concluded that a corporate governance is a rule, used to manage, supervise, and regulate the relations between companies and stakeholders to achieve their organizational goals. The objectives of a corporate governance according to the OECD are such as: (1) to reduce the gap between parties who have an interest in a company (majority shareholders and other shareholders), (2) increase trust for investors in investment bending, (3) reducing the cost of capital, (4) convincing all parties of legal commitments in the management of the company, (5) creating value for the company including relationships between stakeholders.

### 3.1. Corporate governance and financial performance

Corporate governance was firstly introduced to all public companies in Indonesia in 1998 when the Indonesia Stock Exchange arranged for issuers to appoint independent commissioners and form audit committees. Later on, the Government established a special National Committee on Corporate Governance (NCCG). Through the NCCG policy, they issued the Corporate Governance General Guidelines in 2011, while specifically for banking in 2004. There were five principles of corporate governance issued by the NCCG in 2004, namely: transparency, accountability, responsibility, independency and fairness. The implementation of good corporate governance in banking sector is marked by the issuance of the following regulations: (1) the PBI Regulation No.8/14/PBI/2006 concerning the Implementation of Good Corporate Governance for Commercial Banks; (2) the Circular Letter of BI No.15/15/DPNP dated 29 April 2013 concerning corporate governance implementation for Commercial Banks; and the Circular Letter of BI No.13/24/DPNP dated 25 October 2011 concerning Soundness Rating of Commercial Banks(BI, 2006;BI, 2011; BI, 2013). The scope of the regulations includes the board of directors, special committees, compliance functions, internal and external audits, risk management, related parties and the provision of large funds, bank strategic plans and transparency.

As widely known, the governance system in Indonesia follows a two-tier system. It separates the board of commissioners who have a supervisory function and that of directors who act as company executives. The Board of Commissioners must establish at least 3 special committees, namely: audit committees, risk monitoring committees and remuneration and nomination committees in order to support the effective implementation of their duties and responsibilities. The Board of Directors is fully responsible for the implementation of the management of the bank. To ensure compliance, banks must appoint a Compliance Director. To help implement effectively, the bank established a Compliance Unit that is independent of the Operational Unit (SKO). Banks are also required to form an Internal Audit Working Unit that is independent of the SKO. They appoint a Public Accounting Firm registered in the Bank Indonesia to conduct external audit the bank's financial statements. Since 2007, the Bank Indonesia has obliged to submit the results of a complete self assessment of the bank's corporate governance implementation no later than 5 (five) months after the financial year ends. The corporate governance report covers the corporate governance self assessment working paper for each factor, a summary of the calculation of composite values and composite predicates along with general conclusions on the results of the implementation of the bank's corporate governance self assessment.

The process of implementing corporate governance involves various parties both within the company, namely shareholders, directors, and employees as well as various parties outside the company. The Indonesian Corporate Governance General Guidelines issued by the NCCG stated that corporate governance is needed to encourage the efficiency, transparency, and consistency. The good corporate governance needs a support by three interconnected pillars, namely: (1) the state and its instruments as regulators; (2) the business world as market player; (3) the community as users of products and services in the business world. Without the participation of the three parties in the implementation of corporate governance, the implementation of corporate governance is not expected to work optimally. The control of the company will involve the organs within the company that will act as executors and supervisors. As stated in the guidelines for the Good Corporate Governance Indonesia in 2006, the directors as the company organ are in charge and responsible for managing the company. It describes the function of corporate management by directors that includes five main tasks, namely: management, risk management, internal control, communication, social responsibility.

The company must be monitored to ensure the optimization of the company’s values for shareholders while still taking into account other stakeholders. The company's operations will have an impact on their company's internal stakeholders (employees and shareholders), as well as external stakeholders (creditors, consumers, business partners and the community). The Directors are obliged to pay attention to the reasonable interests of the stakeholders. The board of commissioners and their instruments are obliged to oversee the implementation of good corporate governance, including the issue of implementing corporate social responsibility to various stakeholders.

The good corporate governance in the banking sector consists of eleven indicators. They are listed in the Bank Indonesia Circular No. 9/12/DPNP dated 30 May 2007 concerning Corporate Governance Implementation for Commercial Banks (BI, 2007), namely: (1) the duties and responsibilities of the board of commissioners, (2) the duties and responsibilities of the board of directors, (3) the completeness and duties of the audit committee, (4) handling conflicts of interest, (5) compliance functions, (6) internal audit functions , (7) external audit function, (8) function of risk management and internal control, (9) provision of related party funds and large debtors, (10) transparency, and (11) strategic plans. The measurement of corporate financial performance is always the basis of decision making, both for internal and external parties of the company (Oh & Park, 2015;Watson, 2015;Fernandez, 2016).

The company generates profits and has responsibilities to stakeholders (Liu & Zhang, 2017). The achievement of financial performance as stakeholder expectations is strongly influenced by policies and management mechanisms carried out by banks. In this context, the good corporate governance represents institutional design, decision making mechanisms and organizational design(Liu & Zhang, 2017). Corporate governance is proposed to meet transparent and accountable management for stakeholders so that they have the confidence to get a return on their investment. Therefore, when a company has good governance, it indicates that the company has a good strategy so that it can guarantee the interests of shareholders to produce maximum financial performance. The bank's financial performance shows its ability to generate profits, control bad credit, and increase company value through Return on Assets (ROA), Current Adequacy Ratio (CAR), Non Performing Loans (NPL), Net Profit Margin (NPM) and Firm Value (FV). Financial performance is also good information and a positive signal for investors in making decisions later. When a company has a good corporate governance mechanism, it also proves that the company is able to overcome agency problems (Jensen & Meckling, 1976)and able to manage the company well so that the company is expected to be able to guarantee the achievement of maximum financial performance(Oh & Park, 2015;Liu & Zhang, 2017). Based on the previous justification, the following first hypothesis is proposed:

*H1*:Good corporate governance affects financial performance

## 3.2. Corporate Governance, Tax Aggressiveness and Financial Performance

The debt influences the decision. It certainly involves smart people such as managers, board of directors, board of commissioners, and audit committee. Besides, a corporate tax also has an impact on funding choices, organizational decisions, payment policies, compensation policies, and risk management decisions(Desai& Dharmapala, 2006). Tax aggressiveness as a strategic step is assumed to have a relationship with the company decisions and managerial incentives(Armstrong *et al.*, 2015). When the corporate governance goes well, the company will carry out continuous monitoring and supervision, including the decision to carry out tax aggressiveness. The better the corporate governance mechanism that is run by the company, the better management and supervision of resources, the more tax avoidance efforts they make. In that case, the company will not commit tax violations that have an impact on decreasing the company's image and reducing stakeholder expectations. Based on the previous justification, the following second hypothesis is proposed:

*H2*: Good corporate governance affects tax aggressiveness

One important strategy that must be done by companies is to improve financial performance in order to provide maximum benefits, returns, and compensation for stakeholders such as managers, investors, and creditors through the delivery of maximum profits. In order to fulfill these interests' expectation, the management must make efforts to tax aggressiveness to reduce tax expenditures without having to violate tax regulations. Tax aggressiveness can also increase company value because this is a managerial effort to divert shareholder value (Desai& Dharmapala, 2009). Management always behaves opportunistically so that it wishes to obtain incentives and can meet the expectations of shareholders(Desai & Dharmapala, 2006;Crabtree & Kubick, 2014).

Financial performance is produced by the company through the whole of their performance that can be used as a basis for decision making for stakeholders. Their main objective is to provide prosperity for their owners in the form of benefits and returns. Therefore, the company must allocate their resources optimally. This stakeholder group is a matter of consideration for the company's management in disclosing or not an information in the company's report(Freeman & Evan, 1979). In the context of banking, there is no exception for the banks. They are also suspected of making efforts to avoid tax or tax aggressiveness. Tax aggressiveness has also an impact on the banks and their surrounding environment, including declining state revenues, decreased government services to the community, increased cost of capital and investment, decisions about the amount of cash reserves or ownership of cash and company liquidity (Matinfard & Juybari, 2017;Schandlbauer, 2017). The higher the banks' effort to do tax aggressiveness, the tax burden and cash outflows decrease but the profit after tax increases(Dyreng*et al*., 2008;Watson, 2015;Lee & Swenson, 2016; Matinfard &Juybari, 2017).Based on previous justification, the following third hypothesis is proposed:

*H3:* Tax aggressiveness affects financial performance

Tax policy must be done by the management to gain legitimacy from the government and society. Tax policy is also an integral part of all corporate strategies, including strategies to improve financial performance. Companies want to provide maximum benefits, returns and compensation for stakeholders such as managers, investors and creditors through the delivery of maximum profits. In order to fulfill these interests, management must make tax aggressiveness efforts to reduce tax expenditure without having to violate tax regulations. In this case, tax aggressiveness will increase the company value and shareholder wealth(Matinfard & Juybari, 2017).Corporate governance refers to procedures for managing and supervising companies that involve managers, board of directors, employees and other stakeholders (Wahyudin & Solikhah, 2017). Through a good corporate governance mechanism a company strategy that will be oriented towards achieving maximum profit will be produced, one of which is through tax savings. A good corporate governance has an impact on the tax aggressiveness and it also increases tax aggressiveness that can increase the company's financial performance. Based on previous justification, the following fourth hypothesis is proposed:

*H4*. Tax aggressiveness mediates the effect of good corporate governance on financial performance

Based on the previous propositions, a mediation research model is developed. This model shows the relationship among constructs, namely: (1) good corporate governance; (2) corporate tax aggressiveness; and (3) corporate financial performance.

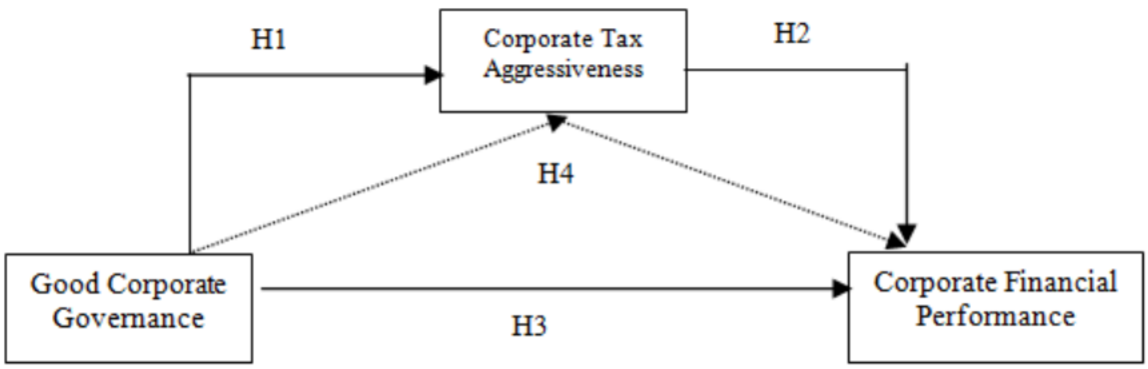



**Figure 1** Research Model

## 4. RESEARCH DESIGN AND METHODOLOGICAL OVERVIEW

### 4.1. Methodology

The partial least square structural equation model (PLS SEM) was employed in this study. The PLS SEM is an alternative approach that shifts from the covariance-based approach to the variance-based approach. The PLS SEM is more predictive and capable of simultaneously analyzing the constructs formed by reflective and formative indicators. In this study, CFP is defined as quantitative assessment of the bank's soundness toward capital, asset quality, management, profitability, liquidity and sensitivity to market risk factors. It was accessed using the following seven measurements:(1) Return on Asset (ROA), (2) Return on Equity (ROE), (3) Net Interest Margin (NIM), (4) Operational Expenses on Operating Income (BOPO), (5) Loan Deposit Ratio (LDR), (6) Capital Adequacy Ratio (CAR), (7) Non Performing Loan (NPL).

The financial performance used in this study uses 7 (seven) indicators. ROA is an indicator that measures a company's ability to use by comparing net income before tax and average total assets. ROE is an indicator that measures a company's ability to use its capital to make a profitand measured by comparing net income after tax and capital owned. NIM is a ratio that is used as a benchmark to find out how much the bank is able to manage all its productive assets in order to generate higher net income. BOPO is a ratio that describes banking efficiency in carrying out its activities. Operational expenditure is the interest expense given to customers while operating income is interest earned from customers. LDR is a ratio that measures the ability of banks to meet short-term liabilities by dividing total credit against total Third Party Funds (TPF). NPL is an indicator that measures the number of non-performing loans which will be an indication of a problem in the bank. NPL is measured by comparing the number of non-performing loans and total credit. CAR is an indicator of bank performance measurement to measure the level of capital adequacy owned by a bank. This ratio can be formulated as a comparison of bank capital and risk-weighted assets.

In this study, CTA is defined as an action that aims to reduce taxable income without violating tax laws and regulations through tax planning. In this study 4 indicators were used to measure the tax aggressiveness variable. GAAP effective tax rate is one indicator to measure the level of tax aggressiveness by a company where this indicator takes into account the current tax burden and deferred tax expense. This indicator is used in previous studies (Dyreng *et al.*, 2008;Cheng, 2012;Cheng, 2012;Armstrong & Blouin, 2015).It was accessed using the following four measurements: (1) GAAP ETR, (2) Current ETR, (3) ETR Cash, and (4) Fiscal ETR.

In this study, GCG is defined as structured process sequence that is used to manage and direct or lead the company's business with the aim of increasing firm value and business community. It was accessed using the composite values including the following eleven indicators: (1) the duties and responsibilities of the board of commissioners, (2) the duties and responsibilities of the board of directors, (3) the completeness and duties of the audit committee, (4) handling conflicts of interest, (5) compliance functions, (6) internal audit functions, (7) external audit function, (8) function of risk management and internal control, (9) provision of related party funds and large debtors, (10) transparency, and (11) strategic plan. Corporate governance assessment provides a composite value measured by the weight multiplied by rank. A composite value is weighted from 1 to 5, accompanied by a composite predicate. A composite value is lower (close to 1) and this is said to be the better implementation of bank corporate governance. On the contrary, if the composite value is higher (close to 5), it is said that the implementation of bank corporate governance is getting less good.

Another factor is cash effective tax rate, as one indicator to measure the level of tax aggressiveness by companies. This indicator only takes into account the tax burden paid in cash by the company. This indicator was also used in previous studies too (Dyreng et al., 2008;Wang *et al*., 2014). Besides that, current ETR is another indicator to measure the level of tax aggressiveness by companies where this indicator only considers the current tax burden. Current ETR is a calculation that accommodates current paid taxes by companies (Hanlon & Heitzman, 2010). The fiscal effective tax rate is one indicator to measure the level of tax aggressiveness by companies where this indicator takes into account the tax burden owed by companies compared to taxable income.

Control variable in this study including size, growth, capital intensity and leverage. SIZE is the size of the company, measured by the ratio of total assets and the highest total assets. GROWTH is the growth rate of the company, measured by the ratio of total equity and total assets. Capital Intensity (CI) is measured by the ratio of fixed assets and total assets. LEVERAGE is leverage, measured by the ratio of total debt divided by total equity.

The sample was derived from publicly listed banking firms in Indonesia for the period of 2012-2017. This study examines the relationship between good corporate governance and corporate financial performance which is mediated by corporate tax aggressiveness. This is based on a panel data which has a span of 6 years starting in 2012-2017 with 205 observational data. Data collected in the form of annual financial reports and reports on the implementation of good corporate governance of each bank. The sampled data were obtained through the website of idx.co.id and the website of each bank. For data collection, the banking firm must meet the following criteria: (1) reporting complete data, (2) not as shariah banking, (3) having no negative profit, and (4) having ETR value less than 1.The collected data related to the self assessment report on the GCG implementation. The total of 205 valid data were obtained.

The unit of analysis is the commercial bank in Indonesia. The commercial bank is chosen for this study because it has different characteristics from other companies in terms of: (1) GCG practices as stipulated in the Bank Indonesia Regulation No. 8/14/PBI/2006 concerning Implementation of Good Corporate Governance in Commercial Banks (BI, 2006); (2) the purpose of the bank other than to obtain maximum profit, also has a large social responsibility for the management of public funds; and (3) there is an obligation to fulfill the provisions on bank soundness as stated in Bank Indonesia Circular No. 13/24/DPNP dated October 25, 2011 concerning Assessment of Soundness Levels of Commercial Banks; and (4) there were relatively few previous studies that analyzed the effect of corporate governance on financial performance by using mediation of tax aggressiveness in conventional banks in Indonesia.

## 5. RESULT AND IN INTERPRETATION

Table 1 illustrates the results of descriptive statistics of all variables. GCG of banking shows 1,9 as a good ranking in its corporate governance. CTA is measured by the GAAP ETR, Current ETR, Cash ETR and Fiscal ETR indicator. The average value shows 0.2, CTA indicates that the tax expense is smaller than the taxable income. Banking companies tend to do tax aggressiveness. The aspect of profitability of CFP shows that only BOPO has a higher percentage than other indicators. The ability of banking profits is very low and is likely due to high operational costs (up to 80%).

**Table 1** Descriptive statistics of variable studied

| Variable | Actual score |
|---|---|

| | n | Min | Max | Mean | SD |
|---|---|---|---|---|---|
| Corporate governance | 205 | 3,6700 | 1.000 | 1,8971 | 0,4660 |
| GAAP effective tax rate | 205 | 0.0008 | 0.8276 | 0.2564 | 0.0966 |
| Current effective tax rate | 205 | 0.0000 | 0.5560 | 0.2397 | 0.0910 |
| Cash Effective tax rate | 205 | 0.0000 | 0.9057 | 0.2344 | 0.1320 |
| Fiscal effective tax rate | 205 | -0.8117 | 3.4192 | 0.2924 | 0.3191 |
| Return on asset | 205 | 0.0009 | 0.6400 | 0.0213 | 0.0448 |
| Return on equity | 205 | 0.0026 | 0.3866 | 0.1132 | 0.0755 |
| Net income margin | 205 | 0.0153 | 0.1664 | 0.0560 | 0.0238 |
| Operating expense on Operating Income | 205 | 0.0721 | 1.1050 | 0.8305 | 0.1389 |
| Net performing loan | 205 | 0.0000 | 0.0565 | 0.0151 | 0.0113 |
| Current adequacy ratio | 205 | 0.0127 | 0.8749 | 0.1978 | 0.0836 |
| Loan deposit ratio | 205 | 0.4202 | 1.1330 | 0.8359 | 0.1346 |
| Size | 205 | 0.0010 | 1.0000 | 0.1428 | 0.2525 |
| Growth | 205 | -0.932 | 0.3855 | 6,5667 | 2.6663 |
| Capital intensity | 205 | 0.0003 | 0.8472 | 0.0236 | 0.0603 |
| Leverage | 205 | -0.9121 | 18.8707 | 6.5667 | 2.6663 |

For the analysis, it also uses the partial least square approach as it more powerful(Hair et al., 2011). It is not based on the assumption that the data must be normally distributed and the sample can be large. The least square transactions can also be used to explain whether there is a relationship between latent variables, while analyzing the constructs formed by reflexive and formative indicators. The reflexive model in this study includes corporate tax aggressiveness and corporate financial performance variables. Assessment of outer model is done by looking at cross loading factors, discriminate validity and composite reliability from the construct. The next step assesses the inner model by providing a correlation coefficient value between variables, a significant level and the R-square value which is said to be strong, moderate or weak at the level of 0.70; 0.50 or 0.25(Hair*et al.*, 2011)

Cross loading factor of all indicators shows the value of p-value <0.0001 which is said that the construct has high discriminate validity. Construct indicator correlation has a higher value than the correlation of the indicator to other constructs.

**Table 2** Combined loadings and cross loadings

| | **Corporate governance** | **Tax aggressiveness** | **Financial performance** | ***P* value** |
|---|---|---|---|---|
| Corporate governance | 1.000 | 0.000 | -0.000 | <0.001 |
| GAAP effective tax rate | 0.162 | 0.738 | -0.108 | <0.001 |
| Current effective tax rate | -0.084 | 0.657 | 0.011 | <0.001 |
| Cash Effective tax rate | -0.165 | 0.793 | -0.032 | <0.001 |
| Fiscal effective tax rate | 0.100 | 0.664 | 0.147 | <0.001 |
| Return on asset | 0.301 | 0.281 | 0.581 | <0.001 |
| Return on equity | -0.210 | -0.231 | 0.790 | <0.001 |
| Net income margin | 0.065 | 0.049 | 0.721 | <0.001 |
| Operational expense and revenue expense | 0.384 | 0.397 | -0.427 | <0.001 |
| Net performing loan | 0.269 | 0.197 | 0.143 | <0.001 |
| Current Adequity ratio | 0.244 | 0.220 | 0.265 | <0.001 |
| Loan deposit ratio | 0.009 | 0.156 | 0.427 | 0.017 |

Discriminate validity assesses a construct describing the variances by its measurement compared to other constructs. This is done by comparing the square of AVEs to the construct correlation. If the square of AVEs of a construct is greater than the correlation between constructs and other constructs, it is considered valid. The results in Table 3 shows diagonal elements greater than their respective off-diagonal elements, indicating the adequacy of discriminate validity.

Table 3 also illustrates the positive correlation between corporate governance and financial performance ($r^2$ = 0.021; p <0.05), tax aggressiveness ($r^2$ = 0.183; p <0.01) suggesting that corporate governance is an important variable in enhancing financial performance and tax aggressiveness. Additionally, it also shows financial performance influenced by tax aggressiveness ($r^2$ = 0.152; p <0.01) suggesting financial performance can be improved by tax aggressiveness. The measurement models can connect each indicator with its latent variables.

**Table 3** Discriminant validity

| | **Corporate governance** | **Tax aggressiveness** | **Financial performance** |
|---|---|---|---|
| Corporate governance | 1.000 | | |
| Tax aggressiveness | 0.183*** | 0.715 | |
| Financial performance | 0.021** | 0.152*** | 0.526 |

Diagonal element: square root of AVE; off-diagonal: correlation between constructs
***Significant at $p$<0.01
**Significant at $p$<0.05

The results of testing variables indicate that the independent variables affect the dependent variable. Corporate governance is able to significantly affect financial performance of 0.034 (below 0.05), and significantly also affects tax aggressiveness of 0.003. Also, tax aggressiveness can significantly affects financial performance of 0.015.The structural model analysis is used to test hypothesized relationships, specifically to examine the effect of corporate governance on financial performance, either directly or indirectly (by mediating using tax aggressiveness). In this study, it was found that corporate governance affects financial performance. It follows the steps taken by Mahfud (2011), in forming a structural model analysis, this study used a step-wise approach. First, it examines if corporate governance affects financial performance directly in proposition*H1*. Second, it used PLS to introduce tax aggressiveness as a mediating variable.

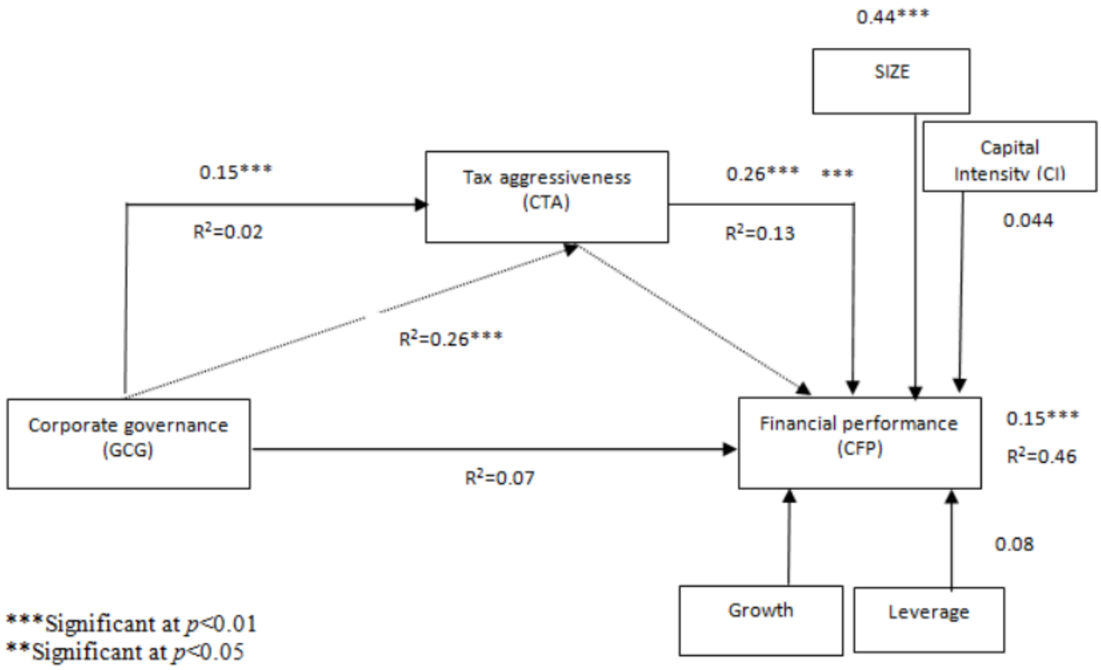
The results (see Table 4, panel A) show that corporate governance has a positive effect on financial performance (coefficient = 0.41; p <0.01, $R^2$ = 0.170). Referring to *H1*that corporate governance affects financial performance positively supported. The next analysis introduces tax aggressiveness as a mediating variable that corporate governance affects tax aggressiveness (coefficient = 0.34; p <0.01; $r^2$ = 0.113) and tax aggressiveness influences financial performance (coefficient = 0.47; p <0.01; $r^2$ = 0.250) (see Table 4, panel B). This means that tax aggressiveness mediates the effect of corporate governance on financial performance. In other words, there is an indirect impact on corporate governance on financial performance through tax aggressiveness, corporate governance still has a direct effect on financial performance.

**Table 4** PLS result (path coefficient, t-statistics, and $R^2$)

| **Panel A. Direct effect** | | |
|---|---|---|
| Variable | | Path to Financial performance |
| Corporate governance | | 0.41*** |
| $R^2$ | | 0.17 |
| Panel B. Testing the mediating effect of tax aggressiveness | | |
| Variable | Path to Tax aggressiveness | Financial performance |
| Corporate governance | 0.34*** | 0.41*** |
| Tax aggressiveness | | 0.47*** |
| $R^2$ | 0.113 | 0.250 |

***Significant at $p$<0.01
**Significant at $p$<0.05

This study also introduces tax aggressiveness as the mediating variable as shown in Figure 2. The results show that corporate governance has a significant effect on tax aggressiveness (path coefficient = 0.15; p <0.01; $R^2$=0.02), tax aggressiveness affects financial performance (path coefficient = 0.26; p <0.01; $R^2$=0.13), and corporate governance has an effect on financial performance (path coefficient = 0.26; p <0.01; $R^2$=0.07). Finally, when tax aggressiveness is included in the model, this study found that the direct impact of corporate governance on financial performance is insignificant. A summary of the path coefficient and $R^2$ in the complete model are presented in Table 4 and Figure 2.




Overall, the results show that tax aggressiveness partially mediates the effect of corporate governance on financial performance, which means the influence of independent variables on significant dependence after being controlled by the impact of mediating variables. In this study, the total indirect effect is 0.1598 which is calculated based on the path coefficient shown in Table 5. It shows the biggest part of the indirect effect is the attribute of tax aggressiveness.

**Table 5** The indirect, direct, and total effects of participation on goal commitment

| | | |
|---|---|---|
| Path (Corporate governance-tax aggressiveness-financial performance) | 0.34 x 0.47 | |
| Indirect effect | | 0.1598 |
| Direct effect | | 0.4100 |
| Total effect | | 0.5698 |
| VAF – partial mediating | | 0.2804<br>28% |

In order to test the mediating effect of tax aggressiveness on the effect of corporate governance on financial performance, this study used Sobel's test. Statistical results show the total effect is of 0.2804 (28%). It means that Variance Accounted for (VAF) is between 20%-80% including partial mediation(Hair*et al.*, 2017).

## 6. DISCUSSION

In relation to *H1*, it shows that corporate governance is an important factor for improving the bank financial performance. Good corporate governance for the banks is required. The bank functions are to receive, manage and channel funds from other parties including the community so that the bank is obliged to account for them transparently and accountably. This can be done if the bank has a good management structure and strict supervision. Strict supervision is carried out to ensure the fulfillment of stakeholder expectations and interests. One of the expectations and interests of stakeholders that must be met is the achievement of good financial performance to provide high returns and be able to maintain business continuity in the future.

This study provides evidence that *H2* and *H3*hypothesis have been fulfilled/it indicates that corporate governance affects tax aggressiveness and so does tax aggressiveness, it affects financial performance. Good corporate management affects tax avoidance without violating tax provisions. More importantly, the existence of a supervisory mechanism for the management of the company ensures that the company avoids government sanctions that will harm and reduce the company's reputation for the public. The better corporate governance, the stronger the company does not do tax aggressiveness. On the other hand, tax aggressiveness is interpreted as an effort to reduce the tax burden the bank owns. This is done to provide high net income. The stronger the effort of tax aggressiveness, the better the financial performance of the company is. The company choose an accounting policy that has an effect on reducing the tax burden without violating tax provisions. Hypothesis*H4* also shows that tax aggressiveness is a partial mediating variable.

Practically, this study implies that the selection of accounting policies is important to accommodate the achievement of a smaller tax burden. It is also considered a practical step that can be carried out by taxpayers without violating tax provisions. Therefore, tax aggressiveness is beneficial for taxpayers in planning tax obligations and is expected to be a comprehensive strategy in corporate governance and able to be used to achieve good financial performance.

## 7. CONCLUSION

This study has four propositions that have tested: (*H1*) Good corporate management is expected to be able to improve the company's financial performance. This study proves that the management of the company is done to safeguard the bank assets, increase returns for investors and secure public funds. (*H2)* Good company management is expected to reduce the possibility of excessive tax aggressiveness and impact on bank risk. (*H3*)Efforts to tax aggressiveness is carried out legally without violating tax provisions to achieve good financial performance. The tax aggressiveness that is carried out has the effect of reducing the tax burden owed and increasing corporate profits. (*H4*)the effort of tax aggressiveness is proven to be able to mediate the effect of good corporate governance on the company's financial performance. This conclusion is based on the samples obtained at the Indonesian stock exchange with the total of 205 observational data.

This study has no limitations. First, the secondary data were obtained directly through the Indonesian stock exchange website and the website of each bank. This shows that the banks could carry out transparency and accountability especially financial information for the stakeholders. Second, the secondary data were related to the aspects of taxation that can be obtained directly through the annual report. This proves that the banks have reconciled financial statements with the applicable tax provisions in Indonesia. Furthermore, future studies can be carried out using a larger sample of various other industrial sectors, or it can use primary data on individual or corporate taxpayers to measure the perceptions that reflect the level of compliance.

## ACKNOWLEDGEMENTS

The authors thank the anonymous reviewers and editor for their valuable contributions.

## FUNDING

This research received no specific grant any funding agency in the public, commercial, pr not-for-profit sectors.

## REFERENCES

[1] Afang, H., Bature, A. & David, M. (2016). Ownership structure and the financial performance of listed conglomerate firms in Nigeria.The Business and Management Review, 7(3), pp. 1–10. https://doi: 10.5923/j.ijfa.20160502.06.

[2] Annisa, N. A. & Kurniasih, L. (2012). Pengaruh Corporate Governance Terhadap Tax Avoidance.Jurnal Akuntansi dan Auditing, pp. 123–136. https://doi: 10.1017/CBO9781107415324.004.

[3] Armstrong, C. S. et al. (2015). Corporate governance, incentives, and tax avoidance, Journal of Accounting and Economics, 60(1). https://doi: 10.1016/j.jacceco.2015.02.003.

[4] Armstrong, C. S. & Blouin, Jennifer L; Larcker, D. (2015). The Incentives for Tax Planning.Journalof Accounting and Economics, 60(1), pp. 391–411.

[5] Assidi, S., Aliani, K. & Omri, M. A. (2016). Tax optimization and the firm's value: Evidence from the Tunisian context.Borsa Istanbul Review. Elsevier Ltd, 16(3), pp. 177–184. https://doi: 10.1016/j.bir.2016.04.002.

[6] Balachandran, B. & Faff, R. (2015). Corporate governance, firm value and risk: Past, present, and future.Pacific Basin Finance Journal. Elsevier B.V., 35, pp. 1–12. https://doi: 10.1016/j.pacfin.2015.07.002.

[7] BI (2006) Peraturan Bank Indonesia Nomer 8/14/PBI/2006 Tentang Pelaksanaan GCG Perbankan.

[8] BI (2007) SE BI No. 9/12/DPNP Tentang Pelaksanaan Good Corporate Governance Bagi Bank Umum.

[9] BI (2011) Surat Edaran Bank Indonesia No. 13/24/DPNP/2011 Tentang Penilaian Tingkat Kesehatan Bank.

[10] BI (2013) Surat Edaran No. 15/15/DPNP Tentang Pelaksanaan Good Corporate Governance Bagi Bank Umum.

[11] Chan, K. H., Mo, P. L. L. & Zhou, A. Y. (2013). Government ownership , corporate governance and tax aggressiveness : evidence from China.Accounting and Finance, 53(7200272), pp. 1029–1051. https://doi: 10.1111/acfi.12043.

[12] Chauhan, Y., Lakshmi, K. R. & Dey, D. K. (2016). Corporate governance practices, self-dealings, and firm performance: Evidence from India.Journal of Contemporary Accounting and Economics. Elsevier Ltd, 12(3), pp. 274–289. https://doi: 10.1016/j.jcae.2016.10.002.

[13] Cheng, C. S. A. (2012). The Effect of Hedge Fund Activism on Corporate Tax Avoidance.The Accounting Review, 87(5), pp. 1493–1526. https://doi: 10.2308/accr-50195.

[14] Crabtree, A. D. & Kubick, T. R. (2014). Corporate tax avoidance and the timeliness of annual earnings announcements.Review of Quantitative Finance and Accounting, 42(1), pp. 51–67. https://doi: 10.1007/s11156-012-0333-9.

[15] Desai, Mihir. A & Dharmapala, D. (2006). Corporate tax avoidance and high-powered incentives.Journal of Financial Economics, 79(1), pp. 145–179. https://doi: 10.1016/j.jfineco.2005.02.002.

[16] Desai, Mihir. A & Dharmapala, D. (2009). Corporate Tax Avoidance and Firm Value.The review of Economics and Statistics, 91(3), pp. 537–546. Available at: http://law.bepress.com/cgi/viewcontent.cgi?article=1188&context=alea.

[17] Donaldson, T. & Preston, L. E. (1995). The stakeholder theory of the corporation.The Academy of Management Review, 20(1), pp. 65–91. https://doi: 10.5465/AMR.1995.9503271992.

[18] Dyreng, S. D., Hanlon, M. & Maydew, E. L. (2008). Long-Run Corporate Tax Avoidance.The Accounting Review, 83(1), pp. 61–82. https://doi: 10.2308/accr.2008.83.1.61.

[19] Eisenhardt, K. M. (1989). Agency Theory: An Assessment and Review. Academy of Management Review, 14(1), pp. 57–74. https://doi: 10.5465/AMR.1989.4279003.

[20] Esteban-Sanchez, P., de la Cuesta-Gonzalez, M. & Paredes-Gazquez, J. D. (2017) Corporate social performance and its relation with corporate financial performance: International evidence in the banking industry.Journal of Cleaner Production. Elsevier Ltd, 162, pp. 1102–1110. https://doi: 10.1016/j.jclepro.2017.06.127.

[21] Fama, E. F. (1983). Agency Problem and Residual Claims.Journal of Law & Economics, XXVI(June), pp. 327–349.

[22] Freeman, E. R. & Evan, W. M. (1979).A Stakeholder Theory of the Modern Corporation: Kantian Capitalism.Ethical theory and business, pp. 97–106. Available at: http://www.business.uzh.ch/professorships/strategy/stu/BS/lecture/Evan_Freeman_1988.pdf.

[23] Gail, Talya; Milton, S. M. W. (2017). The perceived relevance of tax risk-management in a South African context.Meditari Accountancy Research, 25(1), pp. 1–25.

[24] Gaitán, S., Herrera-Echeverri, H. & Pablo, E. (2018). How corporate governance affects productivity in civil-law business environments: Evidence from Latin America.Global Finance Journal. Elsevier, 37(July 2017), pp. 173–185. https://doi: 10.1016/j.gfj.2018.05.004.

[25] Guenther, D. A., Matsunaga, S. R. & Williams, B. M. (2017). Is tax avoidance related to firm risk?.Accounting Review, 92(1). https://doi: 10.2308/accr-51408.

[26] Hanlon, M. & Heitzman, S. (2010). A review of tax research.Journal of Accounting and Economics. Elsevier, 50(2), pp. 127–178. https://doi: 10.1016/j.jacceco.2010.09.002.

[27] Ibrahim Aramide, S., Siti Normala Sheikh, O. & Hairul Azlan, A. (2014). Government Ownership and Corporate Tax Avoidance: Empirical Evidence from Malaysia.Proceedings Book of ICETSR, pp. 673–689.

[28] J, Hair; T, Hult; C, Ringle& M, S. (2017).A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). Los Angeles: Sage.

[29] Jafarinejad, M., Jory, S. R. & Ngo, T. N. (2015). The effects of institutional ownership on the value and risk of diversified firms.International Review of Financial Analysis, 40, pp. 207–219. https://doi: 10.1016/j.irfa.2015.05.019.

[30] Jensen, M. C. & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure.Journal of Financial Economics, 3(4), pp. 305–360. https://doi: 10.2139/ssrn.94043.

[31] Joseph, Hair; William, Black; Barry, Babin& Rolph, A. (2011).Multivariate Data Analysis.pdf. New Jersey: Pearson.

[32] Khurana, I. K. & Moser, W. J. (2013). Institutional Shareholders' Investment Horizons and Tax Avoidance.American Accounting Association, 35(1), pp. 111–134. https://doi: 10.2308/atax-50315.

[33] Laguir, I., Staglianò, R. & Elbaz, J. (2015). Does corporate social responsibility affect corporate tax aggressiveness?.Journal of Cleaner Production, 107, pp. 662–675. https://doi: 10.1016/j.jclepro.2015.05.059.

[34] Lee, N. & Swenson, C. (2016). Effects of overseas subsidiaries on worldwide corporate taxes.Journal of International Accounting, Auditing and Taxation. Elsevier Inc., 26, pp. 47–59. https://doi: 10.1016/j.intaccaudtax.2016.02.001.

[35] Lim, Y. (2011). Tax avoidance, cost of debt and shareholder activism: Evidence from Korea.Journal of Banking and Finance. Elsevier B.V., 35(2), pp. 456–470. https://doi: 10.1016/j.jbankfin.2010.08.021.

[36] Liu, X. & Zhang, C. (2017). Corporate governance, social responsibility information disclosure, and enterprise value in China.Journal of Cleaner Production. Elsevier Ltd, 142, pp. 1075–1084. https://doi: 10.1016/j.jclepro.2016.09.102.

[37] Louw, A. & Maroun, W. (2017). Independent monitoring and review functions in a financial reporting context Article information.Meditari Accountancy Research, 25(2), pp. 1–37. https://doi: 10.1108/MEDAR-02-2017-0114.

[38] Mahfud, Sholihin& Dwi, R. (2013).Analisis SEM-PLS dengan WarpPLS 3.0 untuk Hubungan Nonlinier dalam Penelitian Sosial dan Bisnis. Yogyakarta: Andi Offset.

[39] Matinfard, M. & Kazemi Juybari, M. (2017). Long-run corporate tax avoidance: Evidence from Tehran Stock Exchange.Accounting, 3, pp. 197–210. https://doi: 10.5267/j.ac.2016.9.001.

[40] Mayur, M. & Saravanan, P. (2017). Performance implications of board size, composition and activity: empirical evidence from the Indian banking sector.Corporate Governance: The international journal of business in society, 17(3), pp. 466–489. https://doi: 10.1108/CG-03-2016-0058.

[41] Moussa, B. & Aymen, M. (2014). Impact of Ownership Structure on Financial Performance of Banks : Case of Tunisia.Journal of Applied Finance and Banking, 4(2), pp. 163–182.

[42] Mugisha S, Xavier; Jaya, S. J. O. M. (2015). Effect of Corporate Governance on Financial Performance of Banking Industry in Rwanda.International Journal of Small Business and Entrepreneurship Research, 3(6), pp. 29–43.

[43] Oh, W. and Park, S. (2015). The relationship between corporate social responsibility and corporate financial performance in Korea.Emerging Markets Finance and Trade, 51, pp. S85–S94. https://doi: 10.1080/1540496X.2015.1039903.

[44] Richardson, G., Taylor, G. and Lanis, R. (2015). The impact of financial distress on corporate tax avoidance spanning the global financial crisis: Evidence from Australia.Economic Modelling. Elsevier B.V., 44, pp. 44–53. https://doi: 10.1016/j.econmod.2014.09.015.

[45] Rodriquez-Fernandez, M. (2016). Social responsibility and financial performance: The role of good corporate governance.BRQ Business Research Quarterly. ACEDE, 19(2), pp. 137–151. https://doi: 10.1016/j.brq.2015.08.001.

[46] Schandlbauer, A. (2017). How do financial institutions react to a tax increase?.Journal of Financial Intermediation. Elsevier Inc., 30, pp. 86–106. https://doi: 10.1016/j.jfi.2016.08.002.

[47] Shank, T., Hill, R. P. and Stang, J. (2013). Do investors benefit from good corporate governance?.Corporate Governance (Bingley), 13(4), pp. 384–396. https://doi: 10.1108/CG-03-2010-0027.

[48] T. Ying; B. Wright; & W Huang (2017). Ownership Structure and Tax Aggressiveness of Chinese Listed Companies.International Journal of Accounting and Information Management, 25(3), pp. 313–332. https://doi: https://doi.org/10.1108/IJAIM-07-2016-0070.

[49] Taylor, G., Richardson, G. & Lanis, R. (2015). Multinationality, Tax Havens, Intangible Assets, and Transfer Pricing Aggressiveness: An Empirical Analysis.Journal of International Accounting Research, 14(1), pp. 25–57. https://doi: 10.2308/jiar-51019.

[50] Turner, M. J. & Coote, L. V. (2017). Incentives and monitoring: impact on the financial and non financial orientation of capital budgeting.Meditari Accountancy Research. https://doi.org/10.1108/MEDAR-02-2017-0117.

[51] Wahba, H. (2015) Article information :The joint effect of board characteristics on financial performance: Empirical evidence from Egypt, Review of Accounting and Finance.

[52] Wahyudin, A. & Solikhah, B. (2017). Corporate governance implementation rating in Indonesia and its effects on financial performance, Corporate Governance (Bingley), 17(2), pp. 250–265. https://doi: 10.1108/CG-02-2016-0034.

[53] Wang, Y., Campbell, M. & Johnson, D. (2014). Determinants of Effective Tax Rate of China Publicly Listed Companies, International Management Review, 10(1), pp. 10–20.

[54] Watson, L. (2015). Corporate Social Responsibility, Tax Avoidance, and Earnings Performance, American Accounting Association, 37(2), pp. 1–21. https://doi: 10.2308/atax-51022.

[55] Winata, F. (2014). Pengaruh Corporate Governance Terhadap Tax Avoidance Pada Perusahaan Yang Terdaftar Di Bursa Efek Indonesia Tahun 2013, Tax & Accounting Review, 4 (1)(1), pp. 1–11.