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Financial Constraint Moderation : Tax Avoidance From The Perspective of Company And Executive Characteristics

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ABSTRACT

This study ventures into uncharted waters by examining the Shaping force of executive temperament, capital intensity, and familial ownership on tax avoidance, with financial constraints as a moderating factor, a realm rarely explored within Indonesia's chemical sector. The aim is to dissect how managerial traits and ownership structures shape tax mitigation strategies, and to gauge the extent to which financial limitations amplify or temper these dynamics. Employing a quantitative approach, the study utilizes SEM, drawing on secondary data from chemical firms listed on the Indonesia Stock Exchange over a specified period. Revelations reveal that executive character and family ownership Considerablely bolster tax avoidance, whereas capital intensity exerts no notable effect. Financial constraints weaken the link between family ownership and tax avoidance but do not moderate other Interrelations. The study underscores the pivotal role of executive disposition and ownership concentration in crafting tax strategies, urging stricter oversight by tax authorities on firms with concentrated ownership. Its novelty lies in deploying financial constraints as a moderator within the unique asset and funding context of the chemical industry.

Keywords: Executive Character, Capital Intensity, Family Ownership, Financial Constraint, Tax Avoidance

INTRODUCTION

Tax avoidance practices in Indonesia have become a serious concern for tax authorities, particularly in recent years. One case that has emerged is the practice of tax avoidance in the fisheries sector, revealed by Minister of Maritime Affairs and Fisheries Susi Pudjiastuti in 2017. Revelations from the Tax Service Office (KPP) and Task Force 115 demonstrated various modus operandi carried out by business actors, ranging from reporting the number and price of vessels with a lower value (undervalue), reporting fish catches that do not match the actual condition, to the practice of markdowns aimed at avoiding obligations of Non-Tax State Revenue (PNBP). The Indonesian Forum for Budget Transparency even estimates the value of tax avoidance reaches Rp 110 trillion per year, with 80 percent of the perpetrators being business entities. This phenomenon shows that tax avoidance not only harms state revenues, but also reflects the weak awareness and compliance of taxpayers in the realm of fulfilling their tax obligations.

Tax avoidance is an attempt to minimize the tax burden legally without violating applicable tax regulations. (Dyreng et al., 2018) defines tax avoidance broadly as any action that reduces a company's taxes relative to pre-tax accounting income. Within the scope of measurement studies, there are two commonly used standard indicators: the GAAP Effective Tax Rate, which is the total current tax cost plus deferred tax expense divided by pre-tax accounting profit, and the Cash Effective Tax Rate, which calculates cash taxes paid divided by pre-tax accounting profit. Although legal, the practice of tax avoidance remains an ethical dilemma because on the one hand, companies seek to maximize profits by minimizing tax burdens, but on the other hand, such actions reduce the company's contribution to state revenues that should be used for development and community welfare.

Amidst waves of financial challenges, companies are often caught in a vortex of financial constraints that force them to dance on a knife's edge. When cash flow is strained, priorities shift drastically: survival becomes the primary mantra. Tax burdens, usually managed with ease, now become targets for savings. In these situations, tax avoidance can be a lifeline—a pragmatic strategy to keep the company afloat. However, there are two sides to the coin: some companies, pressed by pressure, may choose an aggressive path to minimize taxes, while others tread cautiously, avoiding the risk of tax disputes that could worsen their financial wounds. Studies such as (Silvera, Hizazi, Hidayat, et al., 2022) , (Rachmawati & Fitriana, 2021) , and (A'alia & Rachmawati, 2022) demonstrate that financial constraints can either strengthen or weaken the relationship between company characteristics and tax avoidance practices, like the wind that sometimes propels or hinders a ship's journey.

Meanwhile, on the corporate stage, family businesses play a leading role, particularly in the Asia Pacific, where 56% of global businesses are controlled by blood ties, as noted by the Credit Suisse Scholarly work Institute (2018). In Indonesia, Malaysia, and other developing countries, family ownership is characterized by the concentration of power in the hands of a few family members. They guard their socio-emotional wealth (SEW) as a priceless treasure, as described by (Chen et al., 2010) and (Edwards et al., 2012) . In the realm of tax matters, these families stand at a crossroads: on the one hand, they want to protect their long-term reputation with a conservative stance, avoiding the risk of tax evasion that could tarnish their reputation . However, on the other hand, the drive to maximize concentrated family wealth drives them to play aggressively, minimizing taxes to preserve undiversified assets. It is a delicate dance between caution and ambition.

Then, there's capital intensity, a reflection of a company's strategy that's not just about investment, but also about clever play in the maze of taxation. The capital intensity ratio measures how much a company invests in fixed assets—machinery, buildings, or infrastructure that form the backbone of its operations. As explained by Hilmi et al., 2022 , these fixed assets open the door to tax deductions through depreciation expenses, which erode taxable income annually. The greater the investment in fixed assets, the greater the opportunity to legally cut taxes, lowering the effective tax rate. In other words, asset structure is not just a business decision, but a strategic

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weapon in the realm of tax planning, as emphasized by Pravitasari & Khoiriawati, 2022 , Rahmawati & Asalam, 2022, and Raditya Ekaputra & Husna, 2020. It's a chess game, where each asset's move opens up new opportunities on the tax board.

Ultimately, behind every corporate decision lies an executive who holds the reins, determining the ship's course in the stormy realm of tax strategy. Executive character becomes the lens that colors tax avoidance decisions. (Butje & Tjondro, 2014) divides them into two poles: risk-takers, adventurers who dare to jump into the abyss of risk for high rewards, and risk-averse, door-closers who choose the safe path for stability. This aligns with McGregor's Theories X and Y, where Theory X depicts a conservative, risk-averse mindset, while Theory Y depicts those who are willing to take risks to achieve organizational goals. However, Scholarly work presents a mixed picture. (Dwiyanti & Jati, 2019) found that executive character drives tax avoidance, while (Ardillah & Vanesa, 2022) and (Carolina et al., 2021) observed the opposite effect. (Raditya Ekaputra & Husna, 2020; Rahmawati & Asalam, 2022) , and (Ummaht & Indrawan, 2022) emphasized that this relationship is still like a puzzle awaiting further answers.

Grounded in the phenomena and literature review presented, several Scholarly work gaps require further exploration. First, Scholarly work Revelations on the Shaping force of executive characteristics on tax avoidance still show inconsistencies, necessitating retesting with different contexts and samples. Second, the interaction between the capital intensity ratio, family ownership, and financial constraints in influencing tax avoidance behavior has not been comprehensively studied, especially in developing countries like Indonesia. Third, the role of financial constraints as a moderating variable in the causal relationship between company characteristics and tax avoidance is a relatively new and important area of Scholarly work to explore, given the increasingly uncertain economic dynamics. This Scholarly work is urgent given global efforts to address tax avoidance through the exchange of financial information, including Indonesia's commitment as a member of the G20 and the Global Forum to sign the Multilateral Competent Authority Agreement (MCAA) in 2015, which demonstrates the government's commitment to improving tax transparency and compliance.

Literature Review

Agency Theory

Agency theory highlights the dynamics of the relationship between principals (company owners) and agents (management or executives), which are often characterized by conflicts of interest. Within this framework, principals delegate decision-making authority to agents, but agents do not always act entirely in the principal's best interests due to the drive to maximize personal gain. Information asymmetry is a key trigger for this conflict, with agents having greater access to the company's operational information. This theory, developed by Jensen et al. (1976) , asserts that control mechanisms such as incentives, monitoring, and ownership structure can mitigate these conflicts. In the corporate context, agency theory serves as an important lens for analyzing how executive decisions, capital intensity, family ownership, financial constraints, and tax avoidance strategies affect company performance.

Executive Character

Executives, as individuals who hold the ultimate control over a company's operational management, play a crucial role in determining the organization's strategic direction. Executive characteristics can be classified into two main types: risk-takers and risk-averse. Risk-taker executives tend to be bold in making decisions with high levels of uncertainty, such as major investments or aggressive expansion, in pursuit of potentially greater profits (Anam et al., 2021) . Conversely, risk-averse executives prefer a conservative approach, avoiding Considerable risks to maintain company stability. The level of risk taken by executives can be measured by the standard deviation of company earnings; the greater the deviation, the higher the executive's propensity to take risks. This characteristic is Shaping forced by various factors, including experience, personal values, and pressure from shareholders, which ultimately shape a company's strategic decision-making patterns (Mulyono et al., 2021) .

Capital Intensity

Capital intensity refers to the ratio of a company's fixed assets to its total assets, reflecting the extent to which a company relies on investments in physical assets such as machinery, equipment, or infrastructure (Hasyim et al., 2022) . This ratio is an important indicator for understanding a company's operational structure, as a high proportion of fixed assets typically indicates a reliance on long-term investments that require careful financial planning. Companies with high capital intensity tend to face greater liquidity risks but also have the potential to generate operational efficiencies in the long term. This factor is often linked to a company's business strategy, with industries such as manufacturing or mining typically having higher capital intensity than the service sector. In financial Scrutiny, capital intensity serves as a tool for evaluating how a company's resource allocation affects its performance and competitiveness in the market (Rinaldi et al., 2023) .

Family Ownership

Family ownership occurs when an individual or family group controls more than 20% of the voting rights in a company, giving them Considerable Shaping force over strategic decision-making (Almashaqbeh et al., 2023) . In Scholarly work, this variable is often measured as a dummy variable, with a value of 1 for family-controlled companies and 0 for non-family companies. Family ownership is often associated with a more centralized management style and a focus on long-term interests, such as preserving the family's legacy or financial stability. However, this can also trigger agency conflicts, particularly when family interests conflict with those of minority shareholders (Setyastrini et al., 2022) . Family companies often have flexibility in decision-making, but are also vulnerable to nepotism or a lack of professionalism, which can impact operational efficiency and company growth (Karlina & Utami, 2023) .

Financial Constraint

Financial constraints describe the obstacles a company faces in accessing external funding sources, whether through bank loans, stock issuance, or internal asset liquidity. This condition is often Shaping forced by factors such as debt levels, the company's reputation in the capital market, or macroeconomic conditions. To measure the level of financial constraints, the Whited & Wu Index (WW Index) is often used, which considers variables such as cash flow, company size, and debt ratio. Companies facing financial constraints tend to be more cautious in managing resources, but can also be hampered in pursuing growth opportunities (Wardhana et al., 2024) . In the context of agency theory, financial constraints can exacerbate conflicts between principals and agents, as management may be forced to make decisions that are inconsistent with the owner's long-term vision.

Tax evasion

Tax avoidance refers to legal strategies employed by companies to minimize their tax burden within the applicable tax legislation framework. These efforts typically involve exploiting legal loopholes, tax incentives, or profit management to reduce tax liabilities without violating regulations. One key indicator of tax avoidance is the Effective Tax Rate (ETR), which measures the ratio of taxes paid to pre-tax profit, reflecting the difference between book profit and taxable profit. This strategy often reflects management's financial acumen, but can also pose reputational risks or scrutiny from tax authorities. (Ivanda et al., 2024) . From an agency theory perspective, tax avoidance can be a source of conflict if management prioritizes tax savings for personal incentives, rather than considering the long-term interests of the company or shareholders (Wardhana et al., 2022) .

Table 1. Measurement Ratio

Variable	Formula / Measurement	Description
Firm Risk	$\text{Firm Risk} = \text{Standard Deviation of} \left(\frac{\text{EBITDA}}{\text{Total Assets}}\right)$	Firm risk is measured as the volatility (standard deviation) of the ratio of EBITDA to total assets over a specified period.
Capital Intensity Ratio	$\text{Capital Intensity Ratio} = \frac{\text{Total Fixed Assets}}{\text{Total Assets}}$	Reflects how much a company’s assets are tied to fixed

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Variable	Formula / Measurement	Description
		(long-term) assets.
Financial Constraint Index (Fcit)	$FC_{it} = -0.091 \left(\frac{\text{Cash Flow}}{\text{TA}} \right) - 0.062 \times (1 \text{ if } dv > 0;\ 0 \text{ if } dv = 0) + 0.021 \left(\frac{\text{LTD}}{\text{TA}} \right) - 0.044 \times \ln(\text{TA}) - 0.035 \times SG$	Composite index indicating a firm's financial constraints Grounded in cash flow, dividend dummy, long-term debt, firm size (log of total assets), and sales growth.
Effective Tax Rate (ETR)	$\text{ETR} = \frac{\text{Income Tax Expense}}{\text{Earnings Before Tax}}$	Measures the proportion of earnings paid as income tax; commonly used as a proxy for tax avoidance behavior.

Source: Scholarly worker processed data, 2025

Hypothesis

H1: The nature of executive leadership Shaping forces the practice of reducing the tax burden.

H2: The level of capital intensity has an impact on the company's efforts in managing tax obligations.

H3: Family ownership structure has a hindering effect on tax reduction strategies.

H4: Executive characteristics Shaping force tax management practices with financial constraints as a moderating factor.

H5: Capital intensity has an impact on reducing the tax burden with financial constraints as a moderating variable.

H6: Family ownership Shaping forces tax management strategies with the moderation of financial constraints.

RESEARCH METHODS

The population of this study comprised 45 companies listed in the LQ45 index on the Indonesia Stock Exchange (IDX) during the 2020–2022 period. Without exception, all members of the population were sampled using a saturated sampling technique (Sugiyono, 2022) , ensuring that every entity was represented. The data used were secondary, in the form of financial reports compiled from the official IDX and ICMD websites, and other relevant sources. The data collection process employed a documentation approach, delving into financial reports, books, journals, and supporting literature, much like an archaeologist searching for clues in ancient scrolls. The Scrutiny relied on Partial Least Squares–Structural Equation Modeling (PLS-SEM), a flexible, variance-based approach that is not bound by the assumption of normality and is friendly to small samples and complex models. Using SmartPLS 3.2.9, this study underwent two stages: first, the measurement model (outer model) to ensure Idea validity and reliability, measured by Average Variance Extracted (AVE) > 0.5 for convergent validity and Composite Reliability (CR) > 0.7 for reliability. Discriminant validity was examined through cross-loading and the Fornell-Larcker criterion. The second stage, the structural model (inner model), explored the Interrelations between latent variables, with the Modifying effect of dividends tested using the product indicator approach a la Chin et al. and Henseler & Fassott. To ensure model robustness, evaluations were conducted using R^2, f^2, F-test, and Goodness of Fit with SRMR < 0.08 and RMS_theta close to zero. The bootstrapping procedure served as a compass, verifying the significance of the paths and the accuracy of the coefficient estimates (Ghozali, 2021) .

RESULTS AND DISCUSSION

In the reflexive approach to the measurement model (outer model), the quality of the relationship between Ideas and indicators is tested through two main aspects: the suitability of the indicators in describing their Ideas (convergent validity) and the indicator's ability to distinguish one Idea from another (discriminant validity). Furthermore, the robustness of inter-indicator consistency is assessed through composite reliability, a measure of the reliability of the indicator block (Ghozali, 2021) . The test Revelations obtained through SmartPLS are presented in the following display:

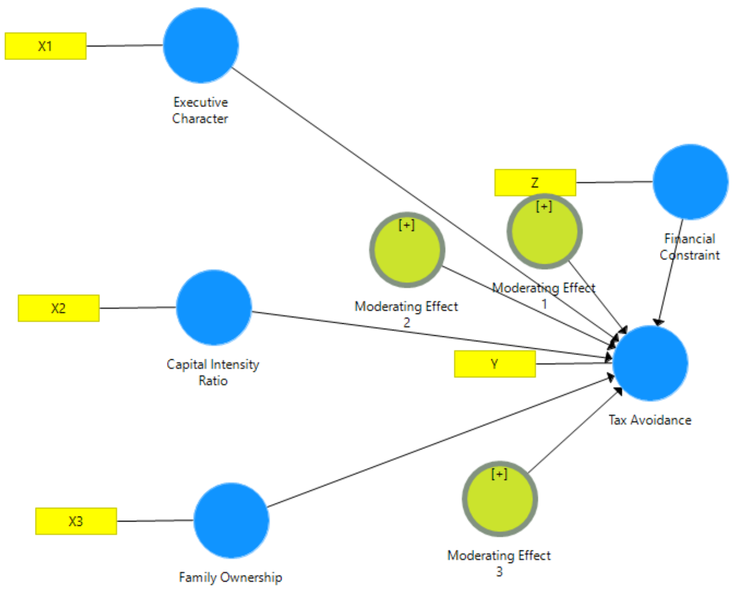

Figure 1. SmartPLS output

Source: SmartPLS Processed Data, 2025

Table 2. Calculate PLS algorithm

Variable	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Executive Character	1.000	1.000	1.000	1.000
Tax Avoidance	1.000	1.000	1.000	1.000
Capital Intensity Ratio	1.000	1.000	1.000	1.000
Moderation Effect 1	1.000	1.000	1.000	1.000
Moderation Effect 2	1.000	1.000	1.000	1.000
Moderation Effect 3	1.000	1.000	1.000	1.000
Family Ownership	1.000	1.000	1.000	1.000
Financial Constraint	1.000	1.000	1.000	1.000

Source: SmartPLS Processed Data, 2025

The Revelations of calculations using the PLS Algorithm at the outer model evaluation stage revealed that each Idea demonstrated very strong reliability. This can be seen from the composite reliability value which exceeded 0.90 , indicating very high indicator consistency in the domain of representing the Idea. This is reinforced by the Cronbach's Alpha value which was also above 0.90 , demonstrating extraordinary good measurement stability. In addition, all Ideas had an Average Variance Extracted (AVE) value above 0.50 , so the indicators used have optimally met the convergent validity criteria. After convergent validity was proven, the Scrutiny continued with the discriminant validity test to ensure that each Idea truly has conceptual differences and does not overlap with each other . The detailed Revelations of the discriminant validity test are presented in the following table:

Table 3. Discriminant validity

	Capital Intensity	Financial Constraint	Executive Character	Family Ownership	Modifying effect 1	Modifying effect 2	Modifying effect 3	Tax Avoidance
Capital Intensity	1.000							
Financial Constraint	-0.083	1.000						
Executive Character	-0.723	0.181	1.000					
Family Ownership	-0.105	0.713	0.102	1.000				
Modifying effect 1	0.311	0.152	-0.564	0.086	1.000			
Modifying effect 2	-0.412	-0.189	0.315	-0.149	-0.770	1.000		
Modifying effect 3	-0.088	0.780	0.052	0.743	0.207	-0.277	1.000	
Tax Avoidance	-0.158	0.410	0.483	0.522	-0.245	-0.049	0.228	1.000

Source: SmartPLS Processed Data, 2025

One more in-depth way to assess the quality of the outer model is to observe the square root of the Average Variance Extracted (AVE) value for each Idea and compare it with the correlation between other Ideas. This approach is known as discriminant validity testing, which aims to ensure that each Idea is conceptually unique and does not overlap with other Ideas. If the square root of the AVE value for a Idea exceeds the correlation between Ideas, this indicates that the Idea has excellent discriminatory ability (Sholekhah, 2018). Grounded in the Revelations presented in the table, it appears that the loading factor value for each indicator is greater for the intended Idea compared to its correlation with other Ideas. This Revelation confirms that each latent variable truly stands alone conceptually, with indicators that predominantly reflect their Ideas. In accordance with Ghozali (2018), the loading factor value is said to be appropriate if it exceeds 0.5 .

Meanwhile, the evaluation of the inner model or structural model aims to assess the extent to which the Interrelations between Ideas are able to describe predictive Interrelations. This is done by observing the R-Square value for each endogenous latent variable. A high R-Square value indicates that the model has strong explanatory power and that the exogenous variables make a substantial contribution to the endogenous variables. Thus, the higher the R-Square value, the stronger the structural Shaping force formed in the model domain (Hair et al., in the domain of Ghozali, 2015). The overall Revelations of this evaluation are presented in the following table:

Table 4. R Square

	R Square	**Adjusted R Square**
Tax Avoidance	0.616	0.604

Source: SmartPLS Processed Data, 2025

Grounded in the Revelations presented in the table above, it is known that the R-Square value for the Tax Avoidance variable reached 0.616, which means that approximately 61.6% of the variation in this variable can be explained by the independent variables included in the scientific Scholarly work study model domain. This figure reflects that the model has strong explanatory power regarding the phenomenon of tax avoidance. Meanwhile, the Adjusted R-Square value of 0.604 shows that after taking into account the number of independent variables in the model domain, there is still 60.4% of the variation in the Tax Avoidance variable that can be effectively explained by the Idea used.

In other words, more than half of the tax avoidance dynamics in this Scholarly work study can be explained by the factors included in the model, while the remaining 38.4% comes from the Shaping force of other variables outside the scope of the Scholarly work study. The R-Square value of 0.616 also places this model in the strong category, indicating a high level of predictive

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accuracy. This means that the greater the proportion of explained variance, the stronger the model's ability to describe tax avoidance behavior. Therefore, it can be concluded that this Scholarly work study model not only has solid predictive power but also demonstrates a good fit between exogenous and endogenous Ideas in the context of the relationship being tested.

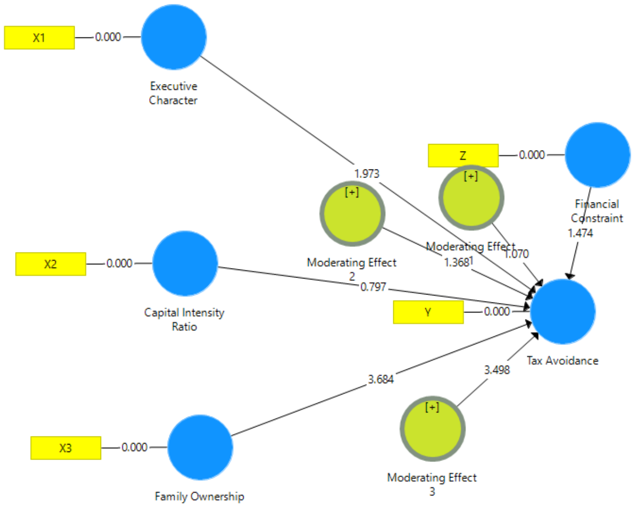

Figure 2. SmartPLS Bootstrapping Structural Model Output

Source: SmartPLS Processed Data, 2025

In the realm of Scrutiny using SmartPLS, the strength of the relationship between variables in the outer model is measured by the Computed t-value value, which serves as the basis for hypothesis testing. Quoting Jogiyanto (2009), a relationship is considered Considerable if the Computed t-value value exceeds 2.014, especially for two-tailed tests with a 5% alpha significance level. This means that the higher the Computed t-value value above this threshold, the stronger the empirical evidence supporting the scientific Scholarly work hypothesis. The Revelations of the Path Coefficients and significance tests are as follows:

Table 5. Output Path Coefficients

	Original Sample (O)	**Sample Mean (M)**	**Standard Deviation (STDEV)**	**T Statistics (|O/STDEV|)**	**P Values**
Capital Intensity Ratio -> Tax Avoidance	0.193	0.302	0.231	0.837	0.403
Financial Constraint -> Tax Avoidance	0.209	0.182	0.138	1.516	0.130
Executive Character -> Tax Avoidance	0.491	0.597	0.237	2.068	0.039
Family Ownership -> Tax Avoidance	0.673	0.691	0.171	3.942	0.000
Modifying effect 1 -> Tax Avoidance	-0.275	-0.293	0.245	1.123	0.262
Modifying effect 2 -> Tax Avoidance	-0.336	-0.368	0.244	1.379	0.168
Modifying effect 3 -> Tax Avoidance	-0.295	-0.291	0.082	3.600	0.000

Source: SmartPLS Processed Data, 2025

Discussion

1. The Shaping force of Executive Character on Tax Avoidance

The Revelations of this scientific Scholarly work study demonstrate that executive character has a positive and Considerable Shaping force on tax avoidance, in line with agency theory. An estimated parameter of 0.491, a Computed t-value of 2.068, and a calculated probability of 0.039 indicate that the more opportunistic an executive is, the greater their tendency to engage in tax avoidance. Agency theory explains the conflict of interest between the owner (principal) and the executive (agent) (Jensen et al., 1976) , where executives with risk-taker characteristics tend to be more aggressive in making tax decisions to maximize company value through tax savings. Such executives also have high confidence in interpreting tax regulations and often exploit regulatory loopholes to gain profits for the company. Furthermore, a performance-based compensation system motivates them to avoid taxes to increase after-tax profits and personal compensation. Conversely, risk-averse executives are more cautious and avoid the risk of sanctions or reputational damage, demonstrating that executive character plays a Considerable role in determining a company's tax strategy. This Revelation differs from those of Rahmawati & Asalam (2022) and Ummaht & Indrawan (2022) , which concluded that executive character had no Considerable impact on tax avoidance. Therefore, the Revelations of this scientific Scholarly work study provide a new perspective that executive character, particularly risk-taking, plays a Considerable role in corporate tax avoidance practices.

2. The Effect of Capital Intensity on Tax Avoidance

The Scrutiny Revelations show that the Capital Intensity Ratio has a enhancing effect on tax avoidance with an estimated parameter of 0.193, but this Shaping force is not Considerable (Computed t-value 0.837 < 1.966; calculated probability 0.403 > 0.05) . This means that capital intensity does not have a Considerable impact on tax avoidance practices in the realm of this scientific Scholarly work study. Grounded in the Trade-off Theory (Badertscher et al., 2013) , companies will weigh the advantages and disadvantages of fixed asset financing decisions, including their tax implications. A high capital intensity ratio indicates a large investment in fixed assets that finds a high depreciation burden, so that taxable profits are reduced and taxes payable are lower. However, the Scrutiny Revelations show that although the potential for tax avoidance through depreciation exists, its Shaping force is not Considerable enough to affect tax avoidance practices as a whole. From the perspective of the Trade-off Theory, companies strive to achieve a balance between the tax benefits of asset depreciation and the potential costs of financial distress. This Revelation differs from the Revelations of (Rahmawati & Asalam, 2022) and (Raditya Ekaputra & Husna, 2020) which stated that capital intensity has a positive impact on tax

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avoidance, but is in line with a scientific Scholarly work study (Pravitasari & Khoiriawati, 2022) which found that capital intensity does not have a Considerable impact on tax avoidance practices.

3. The Shaping force of Family Ownership on Tax Avoidance

The Revelations of a scientific Scholarly work study show that family ownership has a positive and Considerable impact on tax avoidance with an estimated parameter of 0.673, a Computed t-value of 3.942, and a calculated probability of 0.000. This means that the greater the proportion of family ownership, the higher the tendency of the company to engage in tax avoidance. Grounded in Agency Theory (Jensen et al., 1976) , in the realm of family companies, the agency problem shifts from owner-manager conflict to conflict between majority (family) and minority shareholders. Concentrated ownership gives the family the ability to control management and utilize tax policies according to their interests. Although family companies are generally long-term oriented and maintain reputation, concentrated ownership allows them to enjoy direct benefits from tax savings, thus encouraging more intensive tax avoidance behavior. Therefore, the balance between ownership, control, and long-term orientation of the family determines the level of aggressiveness of tax avoidance. The Revelations of this scientific Scholarly work study are consistent with those of (Raditya Ekaputra & Husna, 2020) , who also found that family ownership has a Considerable impact on tax avoidance.

4. The Shaping force of Executive Character on Tax Avoidance with Financial Constraint Moderation

The Revelations of this scientific Scholarly work study demonstrate that financial constraints do not strengthen the relationship between executive character and tax avoidance. The moderation coefficient value of -0.275 with a Computed t-value of 1.123 < 1.966 and a calculated probability of 0.262 > 0.05 indicates that the effect is inConsiderable. Grounded in Signaling Theory (Ross & Ross, 1977) , risk-taking executives in conditions of financial constraints should be more aggressive in avoiding taxes to increase cash flow. However, the Revelations show the opposite: when companies face financial constraints, executives actually become more cautious, considering the high risk of aggressive tax avoidance can worsen financial conditions. This indicates that tax savings are not an effective signaling mechanism when financial constraints occur. Thus, financial constraints not only fail to strengthen the Shaping force of executive character on tax avoidance, but also show that tight financial conditions can reduce managers' tendency to act aggressively in the tax realm. This Revelation differs from the Revelations of (Silvera, Hizazi, Syurya Hidayat, et al., 2022) which stated that financial constraints actually strengthen the positive Shaping force between independent variables and tax avoidance practices.

5. The Effect of Capital Intensity on Tax Avoidance with Financial Constraint Moderation

The Revelations of a scientific Scholarly work study show that financial constraints do not strengthen the relationship between capital intensity and tax avoidance. The interaction coefficient value of -0.336, Computed t-value 1.379 < 1.966, and calculated probability 0.168 > 0.05 indicate an inConsiderable effect. Grounded in Pecking Order Theory (Migliori et al., 2018) , companies prioritize internal funding before using external sources. Although high capital intensity offers the potential for tax savings through depreciation, large investments in fixed assets also drain cash and worsen financial conditions. In conditions of financial constraints, companies tend not to maximize the tax benefits of capital intensity and are more cautious about the risk of aggressive taxation. These Revelations show that financial constraints do not strengthen, and can even weaken, the relationship between capital intensity and tax avoidance. Thus, conditions of financial constraints actually reduce the tendency of companies to engage in aggressive tax avoidance. This Revelation is inconsistent with (Silvera, Hizazi, Syurya Hidayat, et al., 2022) who stated that financial constraints can strengthen the positive Shaping force of independent variables on tax avoidance practices.

6. The Effect of Family Ownership on Tax Avoidance with Financial Constraint Moderation

The Revelations of scientific Scholarly work studies show that financial constraints Considerablely weaken the relationship between family ownership and tax avoidance, with a coefficient of -0.295, a Computed t-value of 3.600 > 1.966, and a calculated probability of 0.000. Grounded in Agency Theory (Jensen et al., 1976) , family ownership usually encourages long-term control and caution against reputational risks, but in the realm of limited financial conditions, companies face a dilemma between maintaining reputation and meeting liquidity needs. Families as controlling shareholders may choose a tax avoidance strategy to maintain the company's survival, but financial pressure can also limit their room for maneuver in the realm of making aggressive tax decisions. These Revelations show that financial constraints are able to Considerablely moderate the relationship between family ownership and tax avoidance, but the direction of the effect is negative, which means it weakens the relationship. This Revelation is in line with (Rachmawati & Fitriana, 2021) who stated that institutional ownership can weaken the relationship between financial constraints and tax aggressiveness, and (A'alia & Rachmawati, 2022) who found that monitoring mechanisms such as independent commissioners can Shaping force the relationship between financial constraints and corporate tax behavior.

CONCLUSION

Grounded in the Revelations of this scientific Scholarly work study, it can be concluded that executive character and family ownership have a positive and Considerable Shaping force on

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tax avoidance, while capital intensity has no Considerable impact. Furthermore, financial constraints are unable to Considerablely moderate the relationship between executive character and capital intensity on tax avoidance, but they Considerablely weaken the relationship between family ownership and tax avoidance. These Revelations demonstrate that the personality of company leaders and family ownership structure play a Considerable role in determining tax strategies, while the company's financial condition can limit aggressiveness in the realm of tax avoidance. The implication of these Revelations is the need for companies to pay attention to the character and orientation of decision-makers in the realm of establishing tax policy to ensure it remains in accordance with the principles of good governance. For regulators, the Revelations of this scientific Scholarly work study can provide input to strengthen oversight of tax avoidance practices, especially in companies dominated by family ownership and managed by risk-taking executives. Meanwhile, future Scholarly workers are advised to expand the variables, observation period, and consider other moderating factors such as corporate governance or external pressures to gain a more comprehensive understanding of the determinants of tax avoidance.

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