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Profitability as Mediator in Tax avoidance: Evidence from Indonesian Financial Sector

Andora[1], Fahmi Poernamawatie[2], Dwi Orbaningsih[3], Ronny Hendra Hertanto[4], Nurfilaili Diah Pitalokasari[5]
Universitas Gajayana Malang[1,2,3,4,5]

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Correspondence:
Andora
Sandoradora429@gmail.com

ABSTRACT

This study aims to empirically test whether profitability can mediate the influence of academic qualifications of CFOs and independent commissioners on tax avoidance. The research sample was 62 with a purposive sampling technique in financial sector companies listed on the IDX in 2023. The research method applied is Partial Least Square (PLS) modeling using smartPLS 4.0 software assistance to analyze the data. The results found that H1 was rejected, CFO academic qualifications had no significant effect on tax avoidance. H2 accepted, independent commissioners have a significant effect on tax avoidance. H3 is accepted, CFO academic qualifications have a significant effect on profitability. H4 is accepted, independent commissioners have a significant effect on profitability. H5 accepted, profitability affects tax avoidance. H6 accepted, profitability can mediate the effect of CFO academic qualifications on tax avoidance. H7 accepted, profitability can mediate the effect of independent commissioners on tax avoidance. Firm size as a control variable has no significant effect on profitability and tax avoidance.

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INTRODUCTION

Taxes function as a means of generating revenue for a nation. Conversely, for corporate entities, taxes act as a factor that reduces profit. Consequently, management will endeavor to minimize the taxes paid (Azizah, 2023). The strategic decisions regarding tax avoidance made by companies are derived from policies established and endorsed by company executives (Putri & Damayanti, 2021). According to agency theory, the emergence of problems between agents (managers) and principals can be attributed to discrepancies in their objectives. The fundamental purpose of principals is to augment the assets and financial prosperity of capital owners. Conversely, managers are driven by the pursuit of managerial welfare. This dynamic has the potential to give rise to conflicts of interest within the company, with one particular concern being the practice of tax avoidance.

The Chief Financial Officer (CFO) is the executive who is charged with the oversight of financial management (Kuswara & Sari, 2022). The academic qualifications of Chief Financial Officers (CFO) have the ability to influence the strategies employed in tax avoidance (Simamora & Sari, 2025). Academic qualifications are demonstrated by formal education and analytical skills (Kurnianto & Pramana, 2023). Academic qualifications represent a component of an individual's demographic characteristics (Wicaksono & Oktaviani, 2021). It is evident that Chief Financial Officers (CFOs) who possess strong academic qualifications will assume a pivotal role in the formulation of the company's tax avoidance scheme (Putri & Damayanti, 2021). The upper echelons theory offers further support for this assertion. According to this theory, the demographic characteristics of company leaders, including CFOs, have the capacity to influence the strategic decision-making process within the organization. This encompasses financial and tax policies.

The findings indicated that academic qualifications, as indicated by educational background, exhibited a substantial positive impact on tax avoidance strategies (Ernawati & Suryarini, 2024;

Fahira et al., 2024; Pratiwi, 2023). Nevertheless, additional studies have show that the academic qualifications of the Chief Executive Officer exert a substantial adverse impact (Anggara & Salman, 2023; Huang & Zhang, 2020; Kurnianto & Pramana, 2023).

The academic qualifications of Chief Financial Officers (CFOs) are a significant factor in the pursuit of an executive board career, as they influence the company's mindset and policy-making processes. The upper echelons theory posits that the specific characteristics of a leader, including their educational background, can influence the strategic decision-making process in the company, including in taxation.

Tax avoidance in the banking sector in Indonesia is exemplified by the revelation of a tax bribery case involving PT Bank Pan Indonesia (Bank Panin). The company was indicted on charges of bribery against officials from the Directorate General of Taxes, amounting to Sin$500 thousand (approximately Rp 5 billion), with the aim of manipulating its 2016 tax liabilities (Fauzi, 2023).

The phenomenon of tax compliance in the non-bank sector also involved fiduciary tax evasion addressed to PT Adira Dinamika Multi Finance Tbk branch in 2011. This alleged tax evasion suggests a potential vulnerability in the mechanisms of tax collection and supervision in the financing sector, which could potentially lead to a reduction in state revenue.

Tax avoidance can also result from inadequate internal company supervision. Therefore, the establishment of a system that directs and regulates the relationship between interested parties in formulating company policies is imperative (Alvenina, 2021). The system in question pertains to the system known as Good Corporate Governance (GCG).

Independent commissioners are thought to oversee decision-making within a company, including matters related to taxation (Dewi & Oktaviani, 2021). The findings indicated that the presence auziof independent commissioners has a favorable impact on the occurrence of tax avoidance strategies (Masrurroch et al., 2021; Sari et al., 2020; Tahar & Rachmawati, 2020). The findings of other studies demonstfrate that independent commissioners exert a detrimental influence on tax avoidance strategies (Ariska et al., 2021; Purbowati, 2021; Putra, 2021).

It is a common practice among company executives is the engagement in tax avoidance strategies as a means of reducing the tax liability that the company is obligated to bear (Fadhila & Andayani, 2022). This suggests that corporations often prioritize profit maximization over fulfilling their financial obligations in an optimal manner. This phenomenon is further substantiated by the findings of recent research studies (Niandari & Novelia, 2022; Riawan & Putri, 2023) which reveal that profitability exerts a substantial influence on tax avoidance activies.

It has been demonstrated that companies with Chief Financial Officers (CFOs) who hold advanced academic qualifications are more adept at managing their financial resources, thereby enabling them to achieve high levels of profitability. This assertion is corroborated by extant research see (Abimanyu & Nugraha, 2024; Alfianto et al., 2024; Ghardallou et al., 2020).

The efficacy of independent commissioners in enhancing corporate performance has been evidenced, particularly in enterprises that employ more substantial boards. The presence of a board of commissioners has been demonstrated to enhance profitability through effective decision-making and governance. This assertion is corroborated by extant research (Dewi & Oktaviani, 2021; Mahaputra et al., 2024; Puspa et al., 2021).

Profitability is a pivotal corporate performance indicator that exerts a direct influence on a company's tax liability. The present study aims to elucidate the intricate interplay among CFO academic qualifications, independent commissioners, profitability, and tax avoidance. This investigation is pertinent to comprehending corporate tax management within the financial sector.

This study examines the direct effects of CFOs' academic qualifications and the role of independent commissioners on tax avoidance practices, as well as the role of profitability as a mediating variable. By examining how profitability mediates the relationship between CFOs' and independent commissioners' academic qualifications and tax avoidance, this research addresses a gap in the literature that has not been discussed in depth. This distinguishes it from previous studies.

Upper Echelon Theory

The Upper Echelon theory was first developed by Hambrick and Mason in 1984. The aforementioned theory posits the notion that the characteristics exhibited by leaders within an organization possess the capability to function as a predictor of strategic choices and the level of organizational performance. The interpretations developed by executives are likely to be influenced by their individual experiences, personal values, and unique personalities. This interpretation will then affect the choice of strategy to be determined (Hambrick & Mason, 1984).

According to the upper echelons theory, the CFO's educational background in economics, management, business, and other relevant fields is indicative of a potential influence on management decisions concerning the determination of tax strategy. The academic qualification of the Chief Financial Officer (CFO) is one important aspect of these characteristics that can reflect the way of thinking, level of competence, and tendency to choose the company's financial strategy. CFOs with higher and relevant educational backgrounds in accounting, finance, or taxation tend to have a deeper understanding of financial regulations and risks. This can affect the company's tendency to implement tax avoidance strategies.

Agency Theory

Agency theory explains the relationship between agent and principal. Agency theory is a problem that occurs between managers and company owners due to differences in objectives, while managers tend to pursue personal interests. The relationship between principal and agent is contractual, shareholders expect management to act in accordance with the interests of shareholders(Jensen & Meckling, 1976).

In this study, tax avoidance is one of the financial policy areas that can lead to conflicts of interest between principals and agents. independent commissioners act as a supervisory mechanism aimed at reducing information asymmetry and ensuring management acts in accordance with the interests of the owner. Principals (shareholders) hope that management can make decisions and act in accordance with the interests of the principal (Masrurroch et al., 2021). Meanwhile, managers tend to pursue personal interests in compensation and job security (Rahmadani et al., 2020).

Effect of CFO Academic qualifications on Tax Avoidance

It has been demonstrated that Chief Financial Officers (CFOs) of companies who possess advanced academic qualifications are more prone to engage in tax avoidance behaviors. The role of the CFO, or Chief Financial Officer, is that of a senior executive, entrusted with the oversight of the company's financial and business operations. It is assumed that the majority of Chief Financial Officers possess a comprehensive understanding of tax regulations, with the objective of minimizing the tax liability of the company. Research findings (Bivianti et al., 2022; Suharto et al., 2022; Ulfa et al., 2021) demonstrate that CFO academic qualifications exert a substantial influence on the extent of tax avoidance.
H1. CFO academic qualifications have a significant effect on tax avoidance.

Effect of Independent Commissioner on Tax Avoidance

As posited by the agency theory, there is a possibility of the emergence of potential conflicts of interest in the relationship corporate magemend and stockholders. These conflicts can result in decisions made on behalf of the company that may not align with the shareholders' best interests (Asih & Darmawati, 2022). Independent commissioners, operating as impartial overseers, have the capacity to ameliorate agency issues by ensuring that organizational management decisions are consistent with the interests of the owners. It is anticipated that their presence will result in a reduction of tax avoidance activities. This oversight has been demonstrated to facilitate the protection of minority shareholders and to encourage compliance with tax regulations, thereby

contributing to long-term sustainability and ethical corporate practices (Deviansyah et al., 2024). The extant research (Cristan & Poniman, 2023; Masrurroch et al., 2021; Oktaviana & Kholis, 2021; Sari et al., 2020; Tahar & Rachmawati, 2020) however, has indicated a significant impact on tax avoidance by independent commissioners.
H2. Independent commissioners have a significant effect on tax avoidance.

Effect of CFO Academic Qualification on Profitability

The upper echelon theory posits that the education held by the Chief Financial Officer (CFO) constitutes a measurable attribute that can be leveraged to predict the strategic actions undertaken by the CFO in formulating a company's strategy. According to the aforementioned theory, the propensity of highly educated Chief Financial Officers (CFOs) to embrace novel concepts, transformative shifts, and investment prospects is predicted to be elevated. As demonstrated in the seminal works of (Abimanyu & Nugraha, 2024; Alfianto et al., 2024; Ghardallou et al., 2020) previous research has yielded substantial findings regarding the impact of education on Return on Assets (ROA).
H3. CFO academic qualifications have a significant effect on profitability.

The Effect of Independent Commissioners on Profitability

The inclusion of independent commissioners within the firm can serve as a favorable indicator for investors, as it suggests the potential for the company to enhance its performance in the future. The presence of a greater number of independent commissioners is associated with enhanced oversight of company operations. However, an excess of independent commissioners can impede decision-making efficiency and performance (Soedarman et al., 2023). According to agency theory, independent supervision can increase accountability and transparency, which can ultimately lead to increased profitability through betters decision-making and stakeholder trust. As (Dewi & Oktaviani, 2021) have demonstrated, the independent board of commissioners exerts a partial influence on profitability (ROA). This assertion is consistent with the findings of recent research (Islami, 2018; Mahaputra et al., 2024; Puspa et al., 2021), which demonstrates that the independent board of commissioners exerts a substantial impact on profitability.
H4. Independent commissioners have a significant effect on profitability.

Effect of Profitability on Tax Avoidance

The term "profitability" is a quantitative metric of a firm's financial performance, defined as the degree to which a company is generating profit from its asset management strategy, as measured by the profit margin the firm generates from its assets (Hidayat, 2018). A rise in corporate profits is associated with an escalation in tax obligations. Consequently, corporations are motivated to adopt tax avoidance strategies (Rahmadani et al., 2020). The presence of strong profitability in a firm is associated with an increased likelihood of leveraging its financial resources for purposes that include the exploitation of loopholes and engagement in practices that reduce taxable income. This phenomenon aligns with the agency theory perspective, wherein company leaders (agents) are driven to maximize profits while minimizing tax liabilities for the benefit of shareholders (principals). The validity of this assertion is reinforced by the findings of recent research endeavors. Specifically, the studies conducted by (Mariadi & Dewi, 2022; Rahmadani et al., 2020; Widyastuti et al., 2022) have demonstrated a substantial impact of profitability on the phenomenon of tax avoidance.
H5. Profitability has a significant effect on tax avoidance.

Profitability Mediates the Effect of CFO Academic Qualifications on Tax Avoidance

According to (Zunianto et al., 2024), a correlation has been demonstrated between the possession of academic qualifications and a propensity towards rational and cautious risk-taking behavior, including in the context of taxation. The correlation between CFO academic qualifications and tax avoidance is a subject of scholarly debate (Ernawati & Suryarini, 2024; Suharto et al., 2022). Academic qualifications, as indicated by education, are a cognitive characteristic that has the potential to influence an individual's abilities, modify their cognitive patterns, and become a significant contributing factor to the enhancement of profitability disclosure efforts.

Research conducted by (Bivianti et al., 2022; Suharto et al., 2022; Ulfa et al., 2021) has demonstrated a substantial impact of CFO academic qualifications on the extent of tax avoidance strategies employed. The academic qualifications of the CFO have been demonstrated to facilitate enhanced financial management, thereby increasing profitability. Consequently, higher profitability offers companies greater incentives and capacity to explore tax avoidance strategies (Mariadi & Dewi, 2022; Rahmadani et al., 2020).
H6. Profitability mediates the effect of CFO academic qualifications on tax avoidance.

Profitability Mediates the Effect of Independent Commissioners on Tax Avoidance

The capacity of the board of commissioners to influence company management to produce quality financial reports is an inherent aspect of the board's supervisory function (Roviqoh & Khafid, 2021). The fundamental mission of these independent commissioners is to ensure the effective implementation of the company's strategy, without any actions that might result in the abuse of power for the purpose of increasing profitability.

As (Dewi & Oktaviani, 2021) have demonstrated, the independent board of commissioners has a significant impact on profitability (ROA). This assertion is consistent with the findings of recent research (Islami, 2018; Mahaputra et al., 2024; Puspa et al., 2021); which demonstrates that the independent board of commissioners exerts a substantial positive influence on profitability. The findings of research conducted by (Mariadi & Dewi, 2022; Rahmadani et al., 2020; Widyastuti et al., 2022), in the study demonstrate that profitability exerts a positive influence on tax avoidance.
H7. Profitability mediates the effect of independent commissioners on tax avoidance.

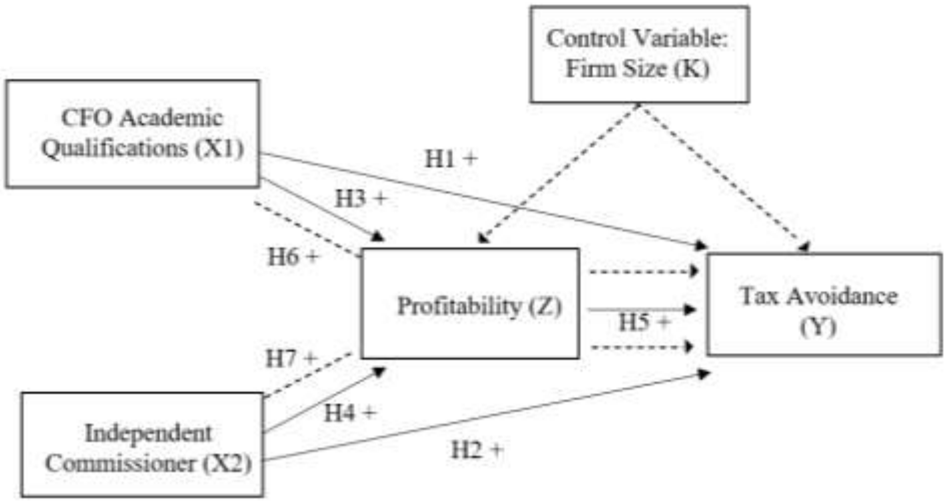

Figure 1. Conceptual Framework

RESEARCH METHODS

The present research employs a descriptive quantitative research design. The second data set employed in this study has been derived from the annual reports of financial sector entities publicly traded on the Indonesia Stock Exchange (IDX) in 2023. The data was retrieved from two sources: the official IDX website (www.idx.co.id) and the company's own website. Both sources are available online.

The study's population consists of all companies operating within the financial sector that are listed on the Indonesia Stock Exchange (IDX) during the 2023 period, amounting to 105 companies. The present study's sample comprised 62 subjects who were selected via a purposive sampling method, and the following criteria were employed in the subject selection procedure: 1) The company publishes the Annual Report and Financial Statements in full, 2) Financial statements use rupiah currency, 3) Profit before tax of the company is positive, 4) Companies that pay taxes. 5) Companies that present complete research variable data in the Annual Report and Financial Statements.

Table 1. Operational Definition and Measurement of Variables

Variable	Variable Definition	Measurement	Scale
CFO Academic Qualifications (X1)	Educational background is an experience or formal/specialized education that is owned from the learning process and training that affects attitudes and knowledge.	0 = Senior high shcool 1 = Bachlor (S1) 2 = Master (S2) 3 = Doctor (S3) (Fahira et al., 2024; Krisnata, 2023)	Ordinal
Independent Commissioner (X2)	Independent commissioners are individuals devoid of affiliations with the board of directors, do not serve as company directors, and lack relationships with controlling shareholders.	Independent Commissioner= $\frac{\text{Number of independent commissioners}}{\text{Total Board of Commissioners}}$ (Oktaviana & Kholis, 2021; Ubaidillah, 2021)	Ratio
Tax Avoidance (Y)	Tax avoidance is a legally permissible strategy employed by taxpayers that adheres to tax regulations.	Cerrent ETR = $\frac{\text{Tax burden}}{\text{Profit before tax}}$ (Rahmadani et al., 2020)	Ratio
Profitability (Z)	Profitability is the return on assets possessed by the company.	ROA = $\frac{\text{Profit after tax}}{\text{Total Assets}}$ X 100% (Rahmadani et al., 2020)	Ratio
Firm Size (K)	Firm size serves as a metric that delineates the scale of a company's operations.	Firm Size = LN (Total assets) (Mariadi & Dewi, 2022)	Ratio

The present study employs PLS (Partial Least Squares) analysis. The methodology employed in the analysis of the research data under consideration involves a path analysis approach. The implementation of path analysis in this study by SmartPLS version 4.0 application. This particular analysis approach was selected due to its capacity to process data types with disparate data scales (Hair et al., 2021).

RESULTS AND DISCUSSION

Table 2. Descriptive Statistics

Name	Mean	Median	Scale min	Scale max	Standard deviation
X1 (EDU)	1.548	2.000	1.000	3.000	0.529
X2 (COMS)	0.491	0.500	0.000	0.750	0.140
Z (ROA)	1.729	1.411	0.014	6.064	1.383
Y (TAX)	0.234	0.214	0.002	0.981	0.172
K (SIZE)	30.806	31.000	27.000	35.000	2.039

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Source: Secondary data processed, 2025

Based on Table 2, the study analyzes 62 cases using descriptive statistics. The CFO academic qualification variable (X1) has a mean of 1.548, with values ranging from 1.000 to 3.000 and a standard deviation of 0.529, indicating moderate qualifications and notable variance. The independent commissioner variable (X2) has a maximum value of 0.750 and a mean of 0.491, reflecting a moderate level of independent commissioner presence across companies. The profitability variable (Z), measured by ROA, ranges from 0.014 to 6.064, with a mean of 1.729 and a standard deviation of 1.383, indicating considerable variability in asset utilization efficiency. The tax avoidance variable (Y) has a mean of 0.234, with values ranging from 0.002 to 0.981 and a standard deviation of 0.172, suggesting substantial variability in tax avoidance practices. Firm size shows a mean of 30.806, a median of 31.000, and a standard deviation of 2.039, indicating a relatively symmetrical distribution with notable differences in company size within the sample.

Table 3. Multicollinearity

	VIF
X1 (EDU)	1.000
X2 (COMS)	1.000
Z (ROA)	1.000
Y (TAX)	1.000
K (SIZE)	1.000

Source: Secondary data processed, 2025

As illustrated in Table 3, the inner VIF value is less than 5, indicating the absence of multicollinearity among the variables of CFO academic qualification (X1), independent commissioner (X2), profitability (Z), firm size (K) and tax avoidance (Y). This strengthens the parameter estimation in SEM-PLS is robust (unbiased).

Table 4. Determination R-Square (R2)

	R-square	*R-square adjusted*
Y (TAX)	0.120	0.058
Z (ROA)	0.258	0.219

Source: Secondary data processed, 2025

As illustrated in table 4, the R-squared for the profitability variable is 0.258, or 25.8% (indicating a weak model). This finding indicates that the contribution of CFO academic qualifications and independent commissioners to profitability is 25.8%. The remaining 74.2% of the variance is attributable to other variables that were not addressed in this study.

Table 5. Path Coefisien

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
X1 (EDU) -> Y (TAX)	-0.063	-0.073	0.125	0.505	0.307
X2 (COMS) -> Y (TAX)	-0.294	-0.288	0.133	2.220	0.013
X1 (EDU) -> Z (ROA)	-0.255	-0.258	0.103	2.483	0.007
X2 (COMS) -> Z (ROA)	-0.394	-0.384	0.144	2.737	0.003
Z (ROA) -> Y (TAX)	-0.336	-0.325	0.129	2.610	0.005
K (SIZE) > Z (ROA)	0.033	0.038	0.122	0275	0.392
K (SIZE) > Y (TAX)	-0.087	-0.073	0.188	0.743	0.229

Source: Secondary data processed, 2025

The results of the path coefficient analysis, as presented in Table 5, indicate that Hypothesis 1 (H-1) is rejected, as CFO academic qualifications (X1) do not significantly affect tax avoidance (Y) (path coefficient = -0.063; p = 0.307). Hypotheses 2 to 5 (H-2 to H-5) are accepted. Independent commissioners (X2) have a significant negative impact on tax avoidance (Y) (path coefficient = -0.294; p = 0.013) and a significant negative effect on profitability (Z) (path coefficient = -0.394; p = 0.003). CFO academic qualifications (X1) significantly influence profitability (Z) (path coefficient = -0.255; p = 0.007). Furthermore, profitability (Z) significantly and negatively affects tax avoidance (Y) (path coefficient = -0.336; p = 0.005). Firm size (K), however, does not significantly influence either profitability (Z) or tax avoidance (Y), with path coefficients of 0.33 and -0.087, and p-values of 0.392 and 0.229, respectively.

Table 6. Specific Indirect Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
X1 (EDU) -> Z (ROA) -> Y (TAX)	0.086	0.085	0.051	1.676	0.047
X2 (COMS) -> Z (ROA) -> Y (TAX)	0.132	0.128	0.080	1.659	0.049

Source: Secondary data processed, 2025

As presented in Table 6, the evaluation of the specific indirect effect supports the acceptance of Hypotheses 6 (H-6) and 7 (H-7). The results indicate that CFO academic qualifications (X1) significantly influence tax avoidance (Y) through a mediating effect, with a path coefficient of 0.086 and a p-value of 0.047. Additionally, profitability is shown to mediate the connection among independent commissioners (X2) and tax avoidance (Y), as evidenced by a significant path coefficient of 0.132 and p-value of 0.049.

Effect of CFO Academic Qualification on Tax Avoidance

The test of the first hypothesis (H1) was rejected. Tax avoidance in this study is measured using the Current Effective Tax Rate (CETR), which is the ratio of tax expense to pre-tax profit. A low CETR value indicates a higher level of tax evasion practices. The academic qualifications of the CFO can influence tax avoidance practices because the education obtained reflects knowledge, expertise, and mindset in making accounting or business decisions. CFOs with academic qualifications in the field of EMBAN have a better understanding of tax regulations, tax planning, and legal loopholes that can be utilized to legally reduce tax liabilities.

This result is not in line with the upper echlons theory because the characteristics of a top management, such as educational background, work experience and personal values cannot influence the strategic decision-making process in the company including in taxation. Based on the upper echlons, CFOs who have higher academic qualifications in the field of emban have more experience regarding tax regulations and potential loopholes in the tax system, so they are better able to utilize aggressive tax avoidance strategies.

Currently, regulations and supervision in the banking sector in Indonesia are getting tighter. This will certainly limit the CFO's room for maneuver in implementing tax avoidance strategies, regardless of the academic qualifications held by the CFO. Compliance making in companies is generally collective and involves many parties, including audit committees, directors and supervision from external authorities, so the role of CFOs becomes less dominant.

While previous studies have focused on the CEO, the results and implications can be attributed to the role of the CFO, given that the CFO also has a position in financial design and control. The CFO is also part of the top management who is actively involved in the Company's strategy. The results of this study are in line with previous research (Anggara & Salman, 2023; Oktaviani et al., 2022).

Effect of Independent Commissioner on Tax Avoidance

The results of testing the second hypothesis (H2) are accepted, namely independent commissioners have a positive influence on tax avoidance. This shows that the higher the proportion of independent commissioners in the board of commissioner structure, the lower the level of tax avoidance carried out by the company. Commissioners in this study are measured by the ratio of the number of independent commissioners to the total number of commissioners. The higher the ratio, the greater the role of independent supervision of company management. Tax avoidance in this study is measured using the Current Effective Rate (CETR) with tax expense divided by profit before tax.

This shows that the presence of independent commissioners effectively reduces tax avoidance practices. Theoretically, independent commissioners are tasked with providing oversight of managerial policies, but the existence of independent commissioners does not necessarily function properly and even approves tax avoidance which is considered to benefit the company in the short term.

These results are in line with agency theory due to conflicts of interest between managers and company owners. In this study, independent function as a commissioner corporate governance mechanism to reduce this conflict of interest. In agency theory, tax avoidance is seen as a form of manager's beneficial action taken to increase profit after tax.

Based on the results of this study, supervision from independent commissioners is not effective in suppressing profitable managerial actions, including tax avoidance. Independent commissioners may have limited information, do not have more competence in taxation or have an interest relationship with management, so they are open to tax avoidance strategies. The results of this study are in line with (Cristan & Poniman, 2023; Masrurroch et al., 2021; Oktaviana & Kholis, 2021; Tahar & Rachmawati, 2020).

Effect of CFO Academic Qualification on Profitability

The third test result (H3) is accepted, this indicates that the higher the CFO's academic qualifications in the field of EMBAN, the greater the company's profitability. Profitability is measured using Return on Assets (ROA). ROA is a measure that reflects how efficient the company is in generating profits from its assets. CFO as a high-ranking official who is responsible for financial planning, management and corporate financial decision making in optimizing company performance. Supporting academic qualifications, especially in the field of EMBAN, have a qualified knowledge and technical capacity in preparing financial strategies.

Academic qualifications provide an understanding of financial principles, accounting reporting and risk and investment analysis. Such capabilities can ensure CFOs make the right decisions in resource allocation, cost efficiency, debt management and budget control that have a direct impact on profitability levels. A CFO's education not only reflects academic capacity but is also an indicator of potential success in corporate financial management.

These results are in line with the upper echelon theory because the personal characteristics of executives such as academic qualifications (education) affect the way they interpret information and make decisions that ultimately have an impact on the company. CFOs have an important role in financial planning and supervision in increasing profitability.

Previous studies focus on the CEO, the results and implications can be attributed to the role of the CFO, considering that the CFO also has a position in financial planning and control. CFOs are also part of top management who are actively involved in corporate strategy. The results of the study are also in line with research (Abimanyu & Nugraha, 2024; Alfianto et al., 2024; Ghardallou et al., 2020) the positive impact of CFO education on profitability is well-documented.

The Effect of Independent Commissioners on Profitability

The effect of independent commissioners (X2) on profitability (Z) results in a path coefficient value of -0.393 with a p-value of 0.002. The p-value of 0.002 <0.05 indicates that independent commissioners (X2) have a positive effect on profitability (Z). This shows that the higher the proportion of independent commissioners in the board of commissioners, the higher the level of company profitability. This study indicates that the existence of independent commissioners can function as an effective control and supervision tool for management. Commissioners have an important role in overseeing the running of the company in accordance with corporate governance.

In this study, independent commissioners were measured by comparing the number of independent commissioners to the total number of commissioners in a company. Profitability is measured using Return on Assets (ROA). The high proportion of independent commissioners reflects the stronger supervisory function in the company. In agency theory this relationship is very related. This result is in line with agency theory because of the conflict of interest between managers and shareholders. Managers as company managers can act inconsistently with the interests of shareholders. The existence of independent commissioners is an external control tool that can minimize conflicts and ensure that management acts in the interests of the owners of capital. Strong supervision from unaffiliated parties can suppress irregularities by the management.

This research is in line with research (Novarialdi, 2022) and (Merawati et al., 2025) which state that the proportion of independent commissioners has a positive effect on profitability. Research (Puspa et al., 2021) also states that the more the number of independent commissioners who oversee company performance, the profitability will increase in ensuring the creation of good GCG, independent commissioners are required to have good credibility, professionalism and integrity.

Independent commissioners will proactively encourage management to run the company in accordance with the wishes of shareholders and applicable regulations. Management will always be encouraged by shareholders through the independent board of commissioners to always optimize company assets in improving company performance.

Effect of Profitability on Tax Avoidance

The result of H5 which states that profitability has a positive influence on tax avoidance is accepted. This can be interpreted that the higher the profitability of the company, the higher the tendency of the company to do tax avoidance. The results indicate that companies that have good financial performance can take advantage of tax loopholes to minimize the tax burden. This can happen because the company is more profitable. Companies with high profits have a larger tax burden. Management has a strong opportunity to do tax avoidance to reduce the tax burden that must be paid, so that the net profit earned remains high.

These results are in line with agency theory because managers as agents have a responsibility to maximize net profit after tax. In carrying out their obligations, managers make strategic corporate decisions, including tax avoidance, to reduce tax liabilities and increase reported net income. The findings of this study are in line with research (Manja & Saleh, 2024; Nurtanto & Wulandari, 2024; Rahmadani et al., 2020) that profitability has a positive effect on tax avoidance.

Mediating Effect of Profitability CFO Education Qualification on Tax Avoidance

The results of testing the fourth hypothesis are accepted. This indicates that profitability can positively mediate the effect of CFO academic qualifications on tax avoidance. This means that the CFO's academic qualifications contribute to an increase in the company's profitability, which also increases the company's tendency to engage in tax avoidance. CFO academic qualifications are a reflection of the capacity and knowledge of management in the company. CFOs with academic qualifications in EMBAN have higher analytical skills in strategizing financial and tax efficiency.

Good education supports quality decision-making, including in optimizing company performance through increased profitability. High profitability, measured using ROA, shows the company's ability to generate profits from all assets owned. With high profitability has a greater incentive to do tax avoidance. The greater the profit, the greater the tax burden that must be paid. To reduce the tax burden, companies with high profits are more motivated to find legal ways to minimize their tax liabilities.

This result is in line with the upper-echelon theory because individual characteristics at the top management level, including academic qualifications, will influence organizational strategy and performance. In this study, CFOs with strong academic qualifications will significantly influence the direction of the company's financial policies, including strategies to increase profitability and tax management.

CFO education is a reflection of perspective, values and ability to read financial efficiency opportunities. A competent CFO is better able to direct the company towards achieving optimal profit and tax avoidance strategies that are in accordance with applicable regulations. Therefore, one of the characteristics of CFO, namely educational background, not only has a direct effect, but also has an indirect effect, namely through profitability.
This is in line with agency theory because the CFO as an agent is responsible for managing company finances with efficiency and maximizing company value, including by reducing the tax burden.

With high profitability as a result of the CFO's financial policies and strategies, the company has an incentive to legally avoid taxes. This strategy is considered as an effort to maintain net worth stability, maintain the company's image in the eyes of investors and meet shareholder expectations. Profitability is proven to positively mediate the effect of CFO educational background on tax avoidance. Research (Abimanyu & Nugraha, 2024; Alfianto et al., 2024; Ghardallou et al., 2020) show that CFOs can positively increase profitability. Research (Manja & Saleh, 2024; Nurtanto & Wulandari, 2024; Rahmadani et al., 2020), which states that the higher the ROA, the greater the tendency of companies to do tax avoidance.

Mediating Effect of Independent Commissioner Profitability on Tax Avoidance

The results in this study indicate that profitability can positively mediate the effect of independent commissioners on tax avoidance. This shows that the presence of independent commissioners not only has a direct impact on tax avoidance, but also indirectly through the company's financial performance as reflected in profitability (ROA). Independent commissioners are one of the important components in the corporate governance structure. His main task is to carry out the supervisory function of management, ensuring that the company's strategic decisions continue to run according to the principles of transparency, accountability and compliance with regulations, including in financial and tax aspects. The existence of independent commissioners and not having an interest relationship with management, theoretically can improve the quality of supervision of operational and financial strategies, which then has an impact on the efficient use of company assets and an increase in net profit (profitability).

These results are in line with agency theory to minimize conflicts, one of which is the use of corporate governance mechanisms through the appointment of independent commissioners who act as supervisors of management actions. The link in this study is that independent commissioners play a role in ensuring operational efficiency and optimizing the company's lab. However, the impact of the supervisory function does not always have an impact on strict tax compliance. Conversely, when profitability increases, agents (management) have a greater opportunity to maintain net income through legal tax avoidance.

Previous research states that profitability acts as a mediating variable in the relationship between independent commissioners and tax avoidance. Profitability is not only influenced by the effectiveness of supervision of independent commissioners, but also becomes a path that bridges the influence of independent commissioners on tax avoidance practices, so profitability is proven to positively mediate the influence of independent commissioners on tax avoidance.

Previous research (Puspa et al., 2021) and (Novarialdi, 2022)shows that the presence of independent commissioners is able to increase company profitability through a strong, professional and objective supervisory mechanism on management performance. This increase in profitability is then related to the company's tendency to carry out tax avoidance, also explained by (Rahmadani et al., 2020) and (Nurtanto & Wulandari, 2024), companies that have high profits are more likely to develop tax avoidance strategies for fiscal burden efficiency.

CONCLUSIONS AND SUGGESTION

This study shows that the academic qualifications of CFOs have no significant effect on tax avoidance (CETR), thus not supporting the upper echelons theory. This is due to the strong supervisory system and collective decisions in the financial sector that reduce the dominance of the CFO role. In contrast, independent commissioners have a significant effect, where the higher their presence, the lower the tax avoidance, in accordance with agency theory. Profitability is shown to mediate the effect of CFO academic qualifications on tax avoidance; CFOs with an accounting or finance educational background drive efficiency and profitability, which leads to tax avoidance strategies. Profitability also mediates the effect of independent commissioners, which not only suppresses tax avoidance directly, but also increases firm profitability. These findings are consistent with agency theory and upper echelons, and support previous research.

This research contributes to the development of tax policy theory and practice, particularly in Indonesia's financial sector. Theoretically, these findings enrich the literature examining the influence of individual characteristics within corporate governance structures—such as the academic qualifications of CFOs and the presence of independent commissioners—on tax avoidance behavior. Practically, the results of this research provide implications for regulators and policymakers, particularly the Directorate General of Taxes and the Financial Services Authority, to consider the qualitative dimensions of corporate governance when designing tax oversight and incentive policies. Regulations that encourage the enhancement of the academic capacity of financial officials and the strengthening of the oversight function of independent commissioners can serve as strategic instruments in curbing tax avoidance practices and improving tax compliance in the financial sector.

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