Proceeding Book of
The 2nd International Conference on Business and Banking Innovations (ICOBBI) 2020
"Nurturing Business and Banking Sustainability"

Surabaya, 14 - 15th August 2020

Master of Management of Sekolah Tinggi Ilmu Ekonomi Perbanas Surabaya Indonesia

Collaboration with
Magister Manajemen Sekolah Tinggi Ilmu Ekonomi Perbanas Surabaya
Universitas 17 Agustus 1945 Surabaya
Universitas Surabaya
Universitas Dr. Soetomo Surabaya
Universitas Dian Nuswantoro Semarang
Sekolah Tinggi Ilmu Ekonomi 66 Kendari

Published by :
Magister Manajemen Sekolah Tinggi Ilmu Ekonomi Perbanas Surabaya Indonesia
Jalan Nginden Semolo 34th - 36th Surabaya
Phone : 082247845434
Website : http://pascasarjana.perbanas.ac.id/

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Published 14th & 15th August 2020

Magister Manajemen Sekolah Tinggi Ilmu Ekonomi Perbanas Surabaya Indonesia
Jalan Nginden Semolo 34th - 36th Surabaya, East Java 60118
Telpon 082247845434
Website : http://pascasarjana.perbanas.ac.id/
Indexed by google scholar

ISBN : 978-623-92358-1-9

FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 2nd International Conference on Business and Banking Innovations (ICOBBI) with the topic "*Nurturing Business and Banking Sustainability*". This proceeding contains several researches articles from many fields in Marketing, Management Technology, Finance, Banking, Human Resources Management, Information System Management, and Islamic Economics.

The 2nd International Conference on Business and Banking Innovations was held on 14th – 15th August 2020 by virtual (online) meeting and organized by the Master Management Study Program of STIE PERBANAS Surabaya in Collaboration with six Higher Education Institutions in Indonesia and five Universities from Asia countries. Keynote speakers in this conference were: Prof. Angelica M..Baylon, Ph.D (Director of the Maritime Academy of Asia and the Pacific, Philippines), Chonlatis Darawong, Ph.D. (Head of the Master of Business Program Sripatum Chonburi University - SPU Graduate School Bangkok, Thailand), Prof. Madya Dr. Reevany Bustami (Director of Centre for Policy Research and International Studies Universiti Sains Malaysia), Associate Prof. Dr. Ellisha Nasruddin (Graduate School of Business Universiti Sains Malaysia), Associate Prof. Pallavi Pathak Ph.D. (School of Management Sciences, Varanasi, India) and Prof. Dr. Tatik Suryani (Head of the Master of Management Study Program of STIE Perbanas Surabaya, Indonesia).

I would like to give high appreciation to the Rector of STIE Perbanas Surabaya for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the six universities, namely Universitas 17 Agustus Surabaya, Universitas Surabaya, Universitas Dr. Soetemo Universitas Dian Nuswantoro Semarang, STIE 66 Kendari, Institut Institut Bisnis dan Keuangan Nitro Makassar which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website https://pascasarjana.perbanas.ac.id.

Chair of the Master Management Study Program
STIE Perbanas Surabaya

Prof. Dr. Tatik Suryani, M.M.

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Independence Financial Expertise in Audit Committee and Tax Avoidance: is business strategy moderate this relationship?

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A R T I C L E I N F O

Article history:
Received 10 Agust 2020
Revised 14 Agust 2020
Accepted 29 Agust 2020

Key words:
Independent Financial Expertise, Audit Committee, Business, Strategy, Tax Avoidance.
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A B S T R A C T

The role of financial expertise in audit committee in influencing tax avoidance has been investigated in many previous studies, however, the role of strategy choices by management still not the attention of the researcher. Thus, this study aims to search the strategic choices in moderating the association of financial expertise and tax avoidance. We apply Miles & Snow's Typology, that categorized strategy into prospector, defender, and analyzer. The research sample is listed manufacturing companies in Indonesia Stock Exchange for the period of 2014-2018. There are 320 firm-year that qualify the sample criteria. We find that the existence of financial expertise in commit- tee audit has a significant positive effect on tax avoidance, strategy choices by the companies have no influence on tax avoidance, therefore business strategy cannot moderate the relationship between financial expertise in audit committee and tax avoidance. This research can be implied for companies and governments. With the existence of independent financial expertise can make companies more compliant with applicable regulations and pay taxes according to what they should. For the Government or the authorities can compile policies, especially in taxation, which are appropriate in order to increase taxpayer compliance.

1. INTRODUCTION

In the Indonesia Government State Budget 2019 released by the Ministry of Finance, it shows that taxes are the source of state revenue which has the most significant contribution or around 82.5% of state revenue. The magnitude of the role of taxes for the country makes the government try to increase revenue from the sector. However, efforts to optimize tax revenue have problems, due to tax avoidance activities (Swingly & Sukartha, 2015) and tax evasion. One of the actions taken to avoid taxes is the underground economy. The underground economy itself includes economic activities that are both illegal and legal that have been missed from the calculation of the Gross Domestic Product (GDP) and cannot be separated from economic activity in al-most all countries, including Indonesia. The growing development of underground economic activities makes the state loss even greater through the amount of potential tax lost. High and low of this activity is also believed to be a reaction from people who feel burdened by taxes (Budi, 2011). For companies, taxes are a burden that will reduce net in-come so that it tries to pay taxes to a minimum. With the tax burden that arises makes companies try to avoid tax, both legally (tax avoidance) and illegally (tax evasion) (Noviantari, 2019). Tax avoidance is a major concern, not only for the government, but also for the world (Shokirjonovich, 2011). The International Center for Taxation and Development (ICTD) provides corporate tax avoidance data for 30 countries in 2016 and Indonesia itself is ranked as the 11th largest (Susilo, 2017).

The company's business strategy is one important aspect related to the company's choice to do tax avoidance. A company's business strategy determines how the company will compete in the chosen market and whether the business strategy affects tax avoidance. Miles & Snow (1978) states that there are four basic pat- terns or strategies that emerge as a company's effort to adapt to the competitive environment and solve business problems encountered. Problems often faced by companies can be categorized into entrepreneurial problems, engineering problems, and administrative problems. To deal with these problems, companies can apply defenders, prospectors, analyzers, or reactors

Every choice of a company's business strategy will have an impact on their efforts to carry out tax avoidance. According to Dyreng, Hanlon, and Maydew (2010), the practice of avoiding taxes is often done by companies through decisions taken by company management. To establish certain business strategies and options for conducting appropriate tax avoidance, companies need help from experts, namely members of the audit committee who have adequate financial expertise. Research by Hsu, Moore and Neubaum (2014).

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found that having an audit committee with financial expertise can motivate or prevent managers from doing tax avoidance. With the business strategy chosen, the company can strengthen or weaken the influence of financial expertise on tax avoidance. For companies that choose a defenders strategy that tends to focus on cost efficiency and avoid the practice of tax risk, the existence of financial expertise in corporate defenders will motivate managers to be more aggressive in doing tax avoidance. Unlike companies that choose prospector strategies that are more willing to take risks, the presence of financial expertise will prevent managers from being too aggressive in doing tax avoidance. The manufacturing sector was chosen because of the number of manufacturing companies that dominate the Indonesia Stock Exchange, as well as having more varied product lines and more complex business processes.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

This research is based on Resource-Based View Theory, which focuses on optimizing company re-sources to gain competitive advantage and win business competition. This theory is associated with the ability of organizations to manage their re-sources effectively and efficiently to achieve certain end results (Helfat & Peteraf, 2003). Resource-Based View offers strategists how to evaluate potential factors that can be used to provide a competitive ad-vantage to the company. Barney (2001) defines re-sources as all assets, capabilities, organizational processes, attributes, information, knowledge and so on that are controlled by a company that allows companies to develop and implement strategies that increase efficiency and effectiveness. In an effort to improve efficiency and effectiveness, companies need to manage their resources, one of which is financial. In a company, the tax burden can reduce the company's profit. With companies managing the tax burden they can optimize their finances. Other resources that a company can control are human resources. In order to optimize financially, it requires the presence of independent financial expertise in an audit committee in a company that can manage the company's taxes that can be used in business competition. Tax avoidance is a practice to avoid tax that is done by utilizing loopholes in existing tax regulations (Rego, 2003). In the research of Hsu, Moore, & Neuabum (2014) said that tax avoidance directly affects the company's net income, so it can be measured using all the tax costs incurred by the company compared to the company's profits before being taxed. To measure tax avoidance in this study using the GAAP ETR (Effective TaxRate) disclosed in the company's financial statements (Dyreng, Hanlon, & Maydew, 2010). Business strategy which is a way to achieve de-sired goals. In this study typology of Miles and Snow (1978) is used which divides the strategy into four patterns, namely prospectors, defenders, analyzers and reactors. Miles and Snow's (1978) strategy reflects the environment faced by companies such as consumer behavior, technology, organizational structure, and other managerial characteristics of a company. Reactors were not used in this study be-cause the characteristics of the company's strategy were difficult to identify. Financial expertise on the audit committee is someone who understands Generally Accepted Ac-counting Principles (GAAP), experience in the preparation, accounting, analysis, or evaluation of financial statements; and the ability to understand accounting principles or understand internal controls and procedures for financial statements (SEC, 2003). In Indonesia, there are regulations from the Financial Services Authority (OJK) in 2015 that it is written that one of the members of the Audit Committee must have background, education and expertise in accounting and or finance.

According to research conducted by Hsu, Moore and Neubaum (2014) using 11,263 company year samples from 2004 to 2012, the role of financial expertise in companies is to motivate managers to be more aggressive in tax avoidance or prevent managers from being too aggressive in tax avoidance. Another study conducted by McGuire, Omer and Wang (2012) who examined whether the presence of industry expertise possessed by external audits affects the level of tax avoidance that occurs in client companies. The sample is taken from the observation of companies that use tax services from external audit companies for the years 2002 to 2009 with a total of 14,338 company years. The results of this study found that individuals or companies that use taxation services from external parties tend to be involved in greater tax avoidance. Because external audit companies have the potential to influence the client's tax avoidance activities through the provision of tax consulting services and financial statement audits. In addition, this study also examines whether overall tax expertise and audit expertise from external audit firms influence tax avoidance. Researchers found that overall expertise from external audit firms is associated with increasing tax avoidance, which shows that experts as a whole can combine their audit and tax expertise to develop tax strategies that benefit clients from both a tax perspective and financial statement. This is also in line with research conducted by Cook & Omer (2010). Other research conducted by Maydew and Shackelford in 2007 also showed that the existence of financial experts can influence the extent to which tax avoidance is carried out from the perspective of taxation and financial statements and reduce the potential impact. In this study, someone with sufficient financial expertise and business knowledge will be able to monitor corporate tax planning activities. With the existence of financial experts in the company to encourage companies to do tax avoidance.

In a previous study stated that the appropriate financial expertise limitations on the audit commit-tee can reduce the ability of directors to oversee ac-counting practices in the company (Coles, Daniel, & Naveen, 2008; Khrisnan & Visvanathan, 2008; Hsu, Moore, & Neubaum, 2014). Based on research con-ducted by Khrisnan and Visvanathan (2008) found that the proportion of financial expertise with an interest in the audit committee was significantly related positively to accounting conservatism which showed that the importance of financial expertise exists in an audit committee in the company. The government also stresses the importance of financial expertise on the audit committee, which shows the government's concern about the existence of financial expertise on the audit committee that is inadequate can hinder the audit committee's oversight ability in relation to financial reporting, seen from regulations that require at least one financial expertise in the audit committee (Sarbanes Oxley Act, 2002). Faber (2005) found that companies that are subject to SEC enforcement have fewer financial experts on the audit committee than other similar companies. Financial experts are positively related to accrual quality (Dhaliwal, Naiker, & Navissi, 2010). Financial expertise can be more important for the audit committee because the audit committee is responsible for several tasks that require a lot of experience (Khrisnan & Visvanathan, 2008).

The amount of financial expertise on the audit committee significantly influences the distribution of tax avoidance (Armstrong, Blouin, Jagolinzer, & Larcker). The audit committee's accounting and financial expertise also has a positive effect on tax avoidance that is not at risk. The background of the audit committee in addition to accounting and finance, apparently tends to do risk avoidance tax. So it can be seen that the audit committee that has financial expertise significantly influences the company's decision to control management in acting in the interests of shareholders (Robinson, Xue, & Zhang, 2012). To do tax avoidance requires care- ful-ness in terms of accounting, taxation and legal regulations. Audit committee members with accounting or financial expertise better understand gaps in tax regulations and ways that avoid detection risks, so they can provide useful advice for avoiding taxes and generating greater profits for shareholders (Puspita & Harto, 2014). Based on this explanation, the following hypotheses can be formulated:

H1: The presence of independent financial expertise in the audit committee affects the company's tax avoidance.

Miles and Snow (1978) argue that different competitive strategies arise from the way companies decide to address three fundamental problems: entrepreneurial, engineering (engineering) and administrative (administrative). The problem of entrepreneurship is related to how companies must manage their market share. Technical issues involve how companies must apply their solutions to the problem of entrepreneurship. Administrative problems consider how companies must arrange themselves to manage the application of solutions to the first two problems. Miles and Snow (1978) argue that four basic patterns or strategies emerge when companies try to solve this problem: the prospector, de-fender, analyzer, and reactor strategy.

Hambrick (1983) classifies companies as prospectors or defenders who use data from product markets and examines the relationship between strategy and company performance. He found that defenders out-performed prospectors in terms of profitability and cash flow. Ittner, Larcker and Rajan (1997) examine whether companies emphasize non-financial steps in Chief Executive Officer (CEO) bonus contracts when they follow the prospector strategy. They build a measure of the company's strategy and use this measure to classify the company as a prospector or defender. They found that the CEO of the prospector was given more compensation on the basis of non-financial measures than the CEO of the defender company. Dunbar and Phillips (2001) classify companies as defenders (not growing companies) or prospectors (developing companies), and examine the relationship between these two strategies and the activities of the corporate tax function. The author believes that the prospector is less focused on minimizing income tax burden, and thus will outsource more of their tax planning and com-pliance activities. Dunbar and Phillips (2001) also classify companies as prospectors and defenders based on a single variable (i.e. growth). However, previous theoretical and empirical research in management provides evidence that strategies are multi-dimensional, and should not be defined based on a single variable (Miles & Snow, 1978; Hambrick, 1983). Although Miles and Snow (1978) do not con-sider tax avoidance behavior from their corporate topology, the attributes of these groups must lead to an increase or decrease in emphasis on tax avoidance.

In a study conducted by Higgins, Omer and Phillips (2012) who examined whether the business strategy defined by Miles and Snow topology is associated with more or less tax avoidance, which depends on the impact of the differential characteristics of these two strategies on the benefits and costs of tax avoidance. Benefits of tax avoidance include greater tax savings, while the costs include planning and implementation costs, potential penalties imposed by the IRS and reputation costs (Chen et al, 2010). On one hand, the topology of Miles and Snow (1978) shows that the potential benefits of tax avoidance are greater for defender companies than for prospector companies because defender companies emphasize cost efficiency as a basis for competitive advantage, whereas prospector focuses more on innovation and growth and less on cost minimization. Therefore, because defenders are primarily interested in minimizing costs, and because the in-come tax burden is the main cost for most companies, companies that follow a defender strategy should benefit more from increased tax savings resulting from increased tax avoidance activities than companies that follow prospector strategy. As an alternative, even though a defender must benefit more from tax planning than a prospector, the costs and uncertainties associated with tax avoidance may be greater than the tax benefits for defender companies. Although tax planning strategies can create additional tax savings, the costs of planning and implementing these strategies can be widened. Mills et al. (1998) argue that while all companies can engage in a number of basic plans to comply with tax laws, some companies may find that the additional investment costs in tax planning outweigh the benefits. Thus, for defender companies aware of the costs, the benefits of additional tax savings may not outweigh the implementation costs. In addition, another important cost of tax avoidance is due to uncertainty regarding the long-term success of maintaining an aggressive tax strategy and potential fines imposed by tax authorities. These costs are more likely to have a large influence on the defender's competitive position compared to the prospector. The structure and process of a defender's organization are all designed to reduce uncertainty in the organization. The prospector strategy is more conducive to uncertainty and takes greater risk. Another potential non-tax expense for de- fender companies is damage to reputation if it is associated with failed tax avoidance. Defender operates in a very narrow product domain, offers limited products (compared to prospectors), and competes through cost and quality leadership (Miles & Snow, 1978). Because these companies compete on the basis of costand not innovation, substitutes are most likely to be available for these companies' products or services. Mean- while, prospectors produce more unique products, making it difficult to find the right re-placement. Overall, both the benefits and costs of tax avoidance seem to be greater for defender companies than for prospector companies. But in the results of research conducted by Higgins, Omer and Phillips (2012) it was found that although defenders can avoid taxes to reduce costs, prospectors are more willing to run a tax planningbusiness that has un-certain results. This is also supported in further re-search conducted by Higgins, Omer and Phillips (2013).

Unlike companies with business strategy analyzers that are more focused on stability, so the analyzer combines the characteristics of prospector and defender. Analyzer has a low intensity to enter new markets and introduce new products to consumers, because it is waiting for the success of the prospector first. Analyzer also applies a stable and flexible technology that makes a company inefficient in terms of cost (Miles and Snow, 1978). Therefore, the tax avoidance done by the analyzer is not as high as prospector and defender because they have to maintain the stability and flexibility of the company. Based on this explanation, the following hypotheses can be formulated:

H2: Business strategy affects the company's tax avoidance.

By considering the company's business strategy, defenders who have a focus on minimizing costs and will tend to avoid taxes less than they should, with the presence of independent financial expertise in the audit committee will encourage the defenders to be more involved in doing tax avoidance. Conversely, because prospectors have greater tax planning opportunities and will avoid more taxes than they should, the presence of independent financial expertise on the audit committee will weaken prospectors in carrying out risky tax avoidance. This is supported in research conducted by (Hsu, Moore, & Neubaum, 2014). McGuire, Omer and Wang (2012) found that those who use a financial expert do a greater tax avoidance when the expert is a tax expert. Having these experts has the potential to influence tax avoidance activities through the provision of tax consulting services and financial statement audits. Independent financial expertise in the company analyzer functions in preparing the right strategy so that the company does not avoid high taxation that can endanger the stability of the company. Based on this explanation, the following hypotheses can be formulated:

H3: Business strategies moderate the influence between the presence of independent financial expertise in the audit committee on tax avoidance.

3. RESEARCH METHOD

In this study, the research model (Figure 1) is used to determine the impact of independent financial expertise (FEX) on tax avoidance (TAX) by moderation of business strategies (STRATEGY). The population in this study were all manufacturing companies listed on the Indonesia Stock Ex-change in 2014-2018. The sample selection method uses purposive sampling. The criteria used in determining the sample are (1) Manufacturing Companies listed on the Indonesia Stock Exchange in 2014-2018. (2) Manufacturing companies which publish financial statements during the observation period in rupiah currency. (3) Companies that experience losses are excluded from the study because they will cause distortion in the results of the study. (4) Manufacturing companies that have all the required data in full. This study used samples from manufacturing companies listed on the Indonesia Stock Exchange from 2014 to 2018. And after eliminating the sample based on established criteria, the number of sample companies was 64 with 5 years of research, so the amount of data in this study was 320 data. Data sources used in this study are secondary data obtained from annual financial statements from IDX and the company's website that publishes its financial statements.

Tax avoidance as dependent variable measured by GAAP Effective Tax Rate, defined as the ratio of total tax expenses divided by earning before tax. For independent financial expertise in audit committee as independent variable measured by following the criteria in the SEC, financial expertise is called an expert if it meets the criteria, namely (1) Education with an accounting or financial background. (2) Experience in a position as chief financial or accounting officer, controller, public accountant, or auditor, or in a position that involves a similar function. (3) Experience in actively overseeing chief financial or accounting officials, controllers, public accountants, or auditors (or individuals who perform similar functions). (4) Experience in monitoring or evaluating companies or public accountants in the preparation, audit or evaluation of financial statements. To measure business strategies following previous re-searchers by Ittner et al. (1997); Bentley, Omer, & Sharp (2010); Higgins, Omer, & Philips, (2013); Hsu, Moore, & Neubaum, (2014); Anwar & Hasnu (2016) who used 6 variables to determine strategy. Calculated using a moving average of each annual ratio for the previous 5 years, namely (1) The Ratio of Re-search and Development to Sales (2) The Ratio of Employees to Sales (3) A Historical Growth Measure (4) The Ratio of Marketing (SG&A) to Sales (5) Employee Fluctuations (6) Capital Intensity. Measurement of research and development ratios are not included in this study because the required data sources are not commonly available in financial statements.

4. DATA ANALYSIS AND DISCUSSION

In this study found 175 companies in the manufacturing sector which were listed on the Indonesia Stock Exchange in 2014 to 2018. After elimination in accordance with the criteria of the research sample, 64 companies were identified as research samples. The total number of samples in this study were 320 observational data obtained from 64 companies during the 5 years of research, namely 2014 to 2018. After the sample was tested, it was found that there were companies that caused bias in the study, thus eliminating these companies. There are 31 companies that have data that are too extreme and cause bias. After elimination, the number of sample companies became 33 companies with 165 data that can be used in this study.

Table 1 Statistic Descriptive Test Result

	Mean	Std. Deviation	N
TA	25,0570	3,43723	165
FEX	0,7833	0,24275	165
STRATEGY	2,0848	0,30053	165
STRA_FEX	1,6318	0,56535	165

From the results of statistic descriptive test (Table 1) show that the total number of research samples is 165 data. For the tax avoidance variable (TAX), it can be seen that the average value is 25.0570 where the average value is generally 25%, which indicates that companies in the manufacturing sector tend to be compliant in making tax payments to the state. It can also be seen that the standard deviation value for tax avoidance is 3,43723 which means that of 165 observational data has a diversity of data that tends to be low because the standard deviation is lower than the average value. For the independent financial expertise (FEX) variable, it can be seen in Table 4.2 that the average value for the variable is 0.7833, where the maximum value is 1 if all audit committees are financial expertise, which means that of the 165 companies, most an independent audit committee has financial expertise of at least half of all committee members. While the standard deviation is 0.24275 indicating that this variable does not have diverse data. In this study there are no companies that do not have a financial expertise. This is also due to a regulation from the Financial Services Authority (OJK) in Indonesia that says that "one of the members of the Audit Commit-tee must have background, experience, or ability in the field of accounting and or finance". Descriptive statistical test results for the business strategy variable (STRATEGY) showed that the average value was 2.0848 with a standard deviation of 0.30053 which showed low diversity of data. For business strategy variables are grouped into 3 (three), namely prospector with a value of 1, analyzer with a value of 2 and a defender with a value of 3. Seeing that the average value is 2.0848 shows the business strategy analyzer dominates companies in the manufacturing sector. This means that the company tends to look at market conditions to take action. The analyzer itself is between the prospector and the defender. Then there is the STRA_FEX variable which is an interaction be- tween the independent financial expertise variable and the business strategy variable. Descriptive statistical test results indicate that the average value of 1.6318 with a standard deviation of 0.56535. This shows that most companies implement the analyzer strategy and have independent financial expertise in the company's audit committee, and of 165 companies do not have diversity of data.

Table 2 Hypothesis Test Result

	H1	H2	H3
R Square	0,024	0,002	0,013
t	2,013	-0,513	1,462
F	4,051	0,263	2,137
Sig	0,046	0,609	0,146

As seen above in Table 2, The coefficient of determination in hypothesis 1 is 0.024 which means that the percentage of influence of independent financial expertise on tax avoidance from manufacturing companies in this study is 2.4%, while the remaining 97.6% is influenced by other variables not examined in this study. For hypothesis 2, the coefficient of determination is 0.002 which means that the percentage of influence of business strategy on tax avoidance in this study is 0.2%, which means that 99.8% is influenced by other variables not examined in this study. And for hypothesis 3 is 0.013, which means that the percentage of influence of independent financial expertise and business strategies on tax avoidance in this study is 1.3%, so the remaining 98.7% is influenced by other variables not examined in this study.

From Table 2, we find that the results of t and F test for hypothesis 1 are larger than the t and F table and the significance level is larger than 5% means hypothesis 1 is accepted. Otherwise, for hypothesis 2 and 3 show that the results of t and F test are smaller than the t and F table and the significance level is smaller than 5% means hypothesis 2 and 3 are not accepted.

Hypothesis 1

Based on statistical tests that have been done using SPSS it can be concluded that independent financial expertise has a positive effect on tax avoidance in the companies in this study. This shows that the more members of the audit committee who are independent and have background, experience, or ability in the field of accounting and or finance, the higher the tendency of a company to make tax evasion. Vice versa. Tax avoidance itself is a legal tax avoidance practice (Rego, 2003). By doing tax avoidance, companies hope to minimize the taxes paid but also maximize their profits. To do this, it re-quires planning and people who are able to do it. This person is then called independent financial expertise in a company that is on the audit commit-tee. SEC (2002) emphasizes that financial expertise is important in audit committees in companies. The board of directors with inadequate financial expertise will hinder the ability to monitor their audit committee in relation to financial reporting.

This hypothesis is supported by several previous studies. Research conducted by Hsu, Moore and Neubaum (2014) says that financial expertise plays a role in motivating managers to be more aggressive in tax avoidance or in preventing managers from being too aggressive in tax avoidance.

Other research that also supports this hypothesis is a study conducted by McGuire, Omer and Wang in 2012, they found that the presence of financial experts in a company encourages companies to do tax avoidance. Because these experts can com-bine their expertise in auditing and taxation to develop tax strategies that benefit them, both from the perspective of taxation and financial statements. It means that someone with sufficient financial expertise and business knowledge will be able to monitor the company's taxation activities. They also tend to be more daring to avoid tax because they understand the taxation in Indonesia. From this explanation, it can be concluded that the first hypothesis in this study was accepted.

Hypothesis 2

From the results of statistical tests that have been done show that the business strategy has no significant negative effect on tax avoidance. This can be caused by differences in tax regulations between Indonesia and other countries. Previous research (Hambrick, 1983; Dunbar and Phillips, 2001; Chen et al., 2010; Higgins, Omer and Phillips, 2012), most-ly carried out in the context in America so that there are differences in the application of tax regulations between the two countries. In Indonesia alone, manufacturing companies listed on the Indonesia Stock Exchange are dominated by companies that implement the analyzer strategy compared to two other strategies namely prospector and defender.

From the results of the study it can be seen that the business strategy does not have a significant negative effect on tax avoidance. Negative shows that companies that implement a defender strategy tend not to do tax avoidance. The results of this study are not in line with research conducted by Higgins, Omer and Philips (2010) which states that there is a relationship between business strategy and the level of tax avoidance activity. However, in the context of research in Indonesia, the results of this study are in line with other studies conducted in Indonesia before (Ali, 2017; Muhammad, 2012; Wardani & Khoiriyah, 2018) which show that business strategy has no influence on tax avoidance. This can be caused by the average manufacturing companies listed on the Stock Exchange as a sample of this study have not been able to establish a consistent strategy pattern from year to year. It could be that this year the company used a defender strategy, the following year the analyzer. As a result of the inconsistency in the implementation of this business strategy, the selection of strategies for both prospector, defender and analyzer does not have a significant influence on the level of tax avoidance in the company. From the above explanation it can be concluded that the second hypothesis in this study was rejected.

Hypothesis 3

Based on the results of statistical tests that have been done, independent financial expertise does not have a significantly positive effect on tax avoidance with the moderation of the business strategy of the company. In contrast to previous research conduct-ed by Hsu, Moore and Neubaum in 2014 which showed that the existence of financial expertise will encourage defender companies to do more tax avoidance compared to prospectors who are not too aggressive in doing tax avoidance. The study also found that businessstrategies affect the level of tax avoidance of a company.

In this study it was found that business strategy had no significant effect on tax avoidance. And with the moderation of the business strategy, the existence of independent financial expertise has no significant effect on tax avoidance. This could be due to the context of the research conducted in Indonesia by using a sample of companies from the Indonesia Stock Exchange in 2014-2018. In that year, the business strategy pattern was not consistent from year to year. With the moderation of business strategies, both in companies that apply prospector, defender and analyzer strategies, the existence of an independent financial expertise does not significantly influence the level of tax avoidance of the company. The business strategy in this study did not succeed in moderating the influence of independent financial expertise and tax avoidance because the results of the study found that the existence of independent financial expertise without seeing the business strategy had a significant effect on tax avoidance.

In this study, the role of business strategy moderation was not proven in the effect of independent financial expertise on tax avoidance. The research hypothesis is not proven because independent financial expertise in the company's audit committee is not strong enough to influence management in determining the strategy used. In accordance with government regulations governing that the mini-mum number of audit committees is 3 people and at least one person has knowledge and experience in finance / accounting. In principle, the main task of the audit committee is to assist the board of com-missioners (Diantari & Ulupui, 2016). From the data in this study it was found that the sample companies had independent financial expertise totaling 2 to 3 people, this number did not reach 100% of the existing audit committee members. So that a limited amount causes insignificant influence.

From the research data it was also found that the majority of sample companies applied the analyzer strategy, where the analyzer was a mixture of defender and prospector strategies. Analyzer looks at and analyzes market conditions before entering the market and also takes the best strategy and proven success by the prospector (Miles & Snow, 2003). Because the characteristics of this strategy that follow the success of the prospector cause the existence of independent financial expertise in the audit committee does not significantly influence the company's tax avoidance. From explanation above, it can be concluded that the third hypothesis in this study was rejected.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study aims to determine the effect of independent financial expertise on tax avoidance with the moderation of business strategies in the company. This study takes data from the financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2014 to 2018. The sample used in this study amounted to 165 observational data. From the results of the research, we find that the existence of financial expertise in committee audit has a significant positive effect on tax avoidance, strategy choices by the companies have no influence on tax avoidance, therefore business strategy cannot moderate the relation-ship be-tween financial expertise in audit committee and tax avoidance.

From the results of this research, suggestions can be given to companies and governments. For companies, the results of this study can be seen that the existence of a financial expertise in an independent audit committee can affect the tax avoidance of a company. The role of financial experts is important in a company. With the existence of independent financial expertise can make companies more com-pliant with applicable regulations and pay taxes according to what they should. For the Government or the authorities can compile policies, especially in taxation, which are appropriate in order to increase taxpayer compliance.
Limitations of this research that can affect the results of research, including limited research periods in the span of 5 years from 2014 to 2018, to see a clearer picture needs to be added to the research time period. This study also considers business strategy as an exogenous variable and does not consider other factors that can influence managers in making decisions in choosing a business strategy. Another limitation in this study is only to focus on the independent financial expertise variable, which does not see a larger function, namely the audit committee as part of the board of directors in the company, given the task of the audit committee to assist the board of directors. In further research, it can consider using the board of directors variable so that it can know the role of moderation of the business strategy and the tax avoidance conducted by the company. This study takes data sources from secondary data in the form of financial statements to see the level of tax avoidance in the company. This can cause differences in influence between research variables due to differences in tax policies that apply in each country, the business strategies adopted, and others. In sub-sequent studies, research can be done using other methods to see a broader picture of the influence of independent financial expertise, business strategies and tax avoidance in a company.

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