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Transfer Pricing and Board Gender Diversity: Testing the Interaction Effect

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Abstract

This study analyses the transfer pricing phenomenon in Indonesian coal mining companies. The purpose of the study is to examine the influence of ownership concentration, foreign ownership, independent commissioners, and tangibility on transfer pricing, with board gender diversity as a moderator, while controlling for company size, leverage, and profitability. The study used a sample of coal companies listed on the Indonesian Stock Exchange from 2015 to 2021. The study analyzed 87 data observations using panel data regression. The results of the interaction model test (random effect model) show that ownership concentration positively influences transfer pricing practices, while foreign ownership and independent commissioners have a negative influence. Another predictor, tangibility, does not show an impact on transfer pricing practices. The interaction effect test reveals that board gender diversity can moderate the influence of ownership concentration, independent commissioners, and foreign ownership on the company's transfer pricing actions. The novelty of this research lies in the use of board gender diversity as a moderating variable for the effect of ownership concentration, foreign ownership, independent commissioners, and tangibility on transfer pricing, which is controlled by company size, leverage, and profitability.

Keywords: Transfer Pricing, Board Gender Diversity, Ownership, Tangibility

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Introduction

Organizations use transfer pricing as a particular cost structure for transactions among affiliated parties. The existence of a special relationship means any company control another business entity through unique connections that differ from regular business ties. Through transfer pricing taxpayers can boost group profits since this practice enables profit transfer across borders to jurisdictions which apply reduced tax rates. Worldwide developed and developing regions conduct their accounting activities with identical standards under the International Financial Standard Reporting (IFRS) while each state maintains sovereignty in setting its own tax rates.

The world splits into tax classification groups according to their established tax rate levels which include high income groups and moderate income groups and low income or tax-free (safe haven) groups. Transfer pricing supervision receives optimized support from Indonesian tax regulations which grant tax officials the power to evaluate and reestablish values of special relationship transactions. The practice of transfer pricing continues to exist in Indonesia as evidenced through court disclosures of transfer pricing allegations.

The same year Azhari (2021) reported that palm oil plantation groups performed tax evasion by using transfer pricing to embezzle 1.35 trillion worth of taxes while simultaneously reducing

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their income and increasing their financing expenses. During the 2009-2017 period the Adaro Group mining company conducted tax avoidance practices that were revealed to public scrutiny. Partners in the Bakrie Group carried out transfer pricing to cause 1.5 trillion in state losses at Kaltim Prima Coal (KPC) while PT Arutmin shed 2.1 trillion and BUMI resources paid out 300 billion.

Transfer pricing practices lead to MNCs that show numerous fiscal losses without closing down their business operations. A total of 2,794 Foreign Capital Companies (PMA) operating in 2013 did not need to pay corporate income tax since they showed business losses although most entities still grew their operations. During the 2012 through 2016 time span, exactly 5,199 corporate taxpayers continuously displayed financial losses. During 2015-2019 the number of corporate entities that reported losses grew substantially to 9,496 entities according to Langi et al. (2023).

The problem of transfer pricing in Indonesia frequently leads to tax court disputes. A total of 550 tax court decisions about corporate income tax from 2021 were obtained from the tax court website (setpp.kemenkeu.go.id). The total tax court decisions regarding corporate income tax included 37% (205 decisions) which originated from transfer pricing examinations. Among the collected tax court decisions (550) from setpp.kemenkeu.go.id non-transfer pricing cases made up 53% (301) with 9% (49) other dispute cases and transfer pricing accounted for 37% (205) (Zulfiqar et al., 2023). The government achieved a minimal tax ratio of between 8% and 10% throughout 2017 to 2021 marking transfer pricing as a key issue. Among all factors explored in this paper the author selects ownership status together with corporate governance quality and physical properties as examination indicators.

A coal mining company serving as the research subject was selected based on three essential criteria because it predominantly exports coal while reaching 6.6 million tons in 2022 (Analko et al., 2022). The profits of exporting organizations and businesses working with affiliated companies can move their earnings to countries that have tax rates lower than those of Indonesia. The mining sector ranks among the key industries causing tax leakage (Mulia, 2021). This happens because monitoring the mining sector proves harder than tracking the trade sector due to recordable purchase trails (Mulia, 2021). Moreover, the last reason involves coal mining firm PT Adaro Energy (Krisyadi & Mulfandi, 2021) Kaltim Prima Coal along with 18 other coal companies that KPK investigated for transfer pricing violations (Husen & Waluyo, 2022).

Literature Review and Hypothesis Development

Agency Theory

The Agency Theory shows how the principal shareholder faces a conflict of interest with the agent who manages the company. Bramaputra et al. (2022) state that the conflict in priorities between parties represents an agency problem. Managing directors will receive performance assessments from shareholders based on their profit-maximal abilities that lead to extra-larger bonus amounts. Company management will adopt every possible method to make financial reports look profitable while also beautifying them. Information disparities between parties contribute to intensify this matter which is known as asymmetric information. The diverse information helps financial report embellishment through several accounting rules including transfer pricing as one of them.

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Positive Accounting Theory

Positive accounting theory presents the political cost hypothesis as an explanation for agent deviant actions since managers choose deviant aggressive opportunities to decrease government contributions including tax reductions. Modern business practices involve rewarding employees with bonuses using the tax savings they successfully generate from the finance (tax) division. The higher the tax savings you demonstrate the more substantial your financial bonus becomes. Beebeejaun (2019) explains transfer pricing as the system of establishing prices for transactions between connected firms who exchange property and deliver services and intellectual assets as well as cross-border money movements.

Transfer prices between related parties should follow exactly the same pricing levels of transactions between independent parties as per current tax laws. Transfer pricing serves both legal and moral purposes; abusing the hospitality benefits given by host countries represents an unethical practice (Mehafdi, 2000). Transfer pricing strategies used by multinational corporations affect global poverty by permitting the companies to reduce tax responsibilities through price transfers to jurisdictions with lower taxes thus negatively affecting their home markets as well as lowering resources available for poverty relief (Arifin & SH, 2024).

The Indonesian government created regulations regarding transfer pricing to manage the documentation process following PMK-213/2016 since 2016. The main goal of transfer pricing operations for taxpayers exists in profit optimization. Business organizations can optimize their profit management by implementing both profit centers and appropriate transfer pricing as Wells (1968) demonstrated in his research. Transfer pricing serves multiple organizational goals which consist of competitive market profitability and market share growth together with company expansion and satisfied customers and return on investment (Cravens, 1997).

Strict transfer pricing enforcement has negative side effects on developing regions when the countries do not maintain solidarity. De & Liu (2017) evaluated whether host country transfer pricing regulations trigger multinational affiliates to decrease their investment by employing panel data analysis from more than 250,000 firms across 60 countries between 2006 and 2015. They detected that investment might relocate to tax-friendly jurisdictions. Research on transfer pricing factors conducted by the author indicates minimal incorporation of board gender diversity as a moderator between independent and dependent variables while controlling for leverage and profitability and company size.

The level of corporate ownership directly associates with firm tunneling. Tunneling served as an initial theory to explain Czech Republic non-controlling shareholder acquisitions through asset transfers and income diversion for control purposes. The previous studies produced contrasting outcome data. Research conducted by (Solikhah et al., 2021) and (Murtanto & Bonita, 2021) verifies the positive and significant impact of ownership concentration on transfer pricing. Devita & Sholikhah (2021) produced research results that demonstrated ownership concentration does not affect transfer pricing.

Companies with strong ownership concentration enable majority shareholders to make uncritical business decisions through which they can shift both profits and assets across firm borders for individual advantage. This managerial action results in minority shareholders enduring the related expenses. Presently incentive tunneling proves more efficient within

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corporate structures where one entity exercises control over most company shares. Due to higher levels of group control there is stronger motivation to perform aggressive transfer pricing that reduces tax liability. According to the provided information the author establishes that ownership concentration produces positive effects on transfer pricing activities.

Ownership Concentration has a Positive Effect on Transfer Pricing

This study establishes foreign ownership as its substitute measure for indicating ownership control. Foreign investors who possess ownership stakes in a company serve as the definition of foreign ownership. Foreign investors can participate in the capital market financing system of Indonesia due to its open capital status. Share ownership levels of foreign investors directly correlate with their decision-making power in managing the company (Solikhah et al., 2021). Foreign shareholders who possess significant control authority above certain thresholds can use their companies to carry out business deals with entities located in their home country along with other countries. Since these factors exist the author develops a theory that foreign ownership leads to increased opportunities for transfer pricing. Research carried out by Hikmatin and Suryarini (2019) validates this proposed hypothesis. Cristea and Nguyen (2016) reached outcomes that matched these results. Foreign ownership generates negative results according to Buttang (2020).

Transfer pricing receives a positive influence when foreign entities take ownership of domestic businesses.

Organizations that maintain good corporate governance standards should avoid receiving sanctions or legal issues. Companies demonstrate willingness to increase expenses for supervision as reported by Awalia & Widaryanti (2024). An organization achieves open operational supervision by employing independent commissioners as one effective approach. A commissioner from an oversight board who maintains no direct ties with either the executive directors or major shareholder group qualifies as an independent commissioner. An increase in independent commissioners leads to decreased aggressive transfer pricing thus the researcher establishes a hypothesis that independent commissioner proportion negatively affects transfer pricing. The study by Solikhah et al., 2021 supports this proposed hypothesis. Research conducted by Buttang (2020) established that independent commissioners did not influence what actions were taken for transfer pricing.

Independent Commissioners have a Negative Influence on Transfer Pricing

In addition to the use of debt, depreciation costs are also costs that can be used to reduce taxes. One of the tax plans with a small risk is investing in fixed assets which ultimately increases depreciation expenses. Companies that have large fixed assets can be used as collateral in affiliate transactions (Aldrighi et al., 2018) Based on this argument, a hypothesis can be built that the larger the fixed asset structure, the greater the potential for transfer pricing. However, there are other findings, previous research conducted by Nurrahmi & Suryarini (2019) shows that the fixed asset structure has no effect on transfer pricing.

Tangibility has a Positive Effect on Transfer Pricing

Big companies usually possess better resources which enable them to execute beneficial transfer pricing systems. Companies of size can use multiple expert teams that help them understand and implement required transfer pricing regulations. The findings of research

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performed by (Arifin et al., 2020) show that larger company size positively influences the actions related to transfer pricing.

The selected debt policy of a company influences the establishment of its transfer pricing system. The external interest expenses from debt usage to fund specific subsidiaries or branches should be included when determining the transfer price. Company payments of interest reduce the profit available for taxation. A company's debt policy affects transfer pricing practices by establishing internal loan interest payments along with leveraging country-specific interest rates and controlling the relationship between financing structure and pricing strategies and conducting tax regulatory oversight. Organizations need to understand the transfer pricing implications to create debt policies that fulfill their tax obligations. The research findings of (Wahyudi et al., 2021) match the positive impact debt policy has on transfer pricing practices.

A company bears increased tax burden when its profits reach higher levels. Firms can reach tax avoidance through transfer pricing by allocating business activities to foreign branches with minimal regulations as well as subsidiaries within their domestic area with particular tax advantages. Research demonstrates that business entities favor using transfer pricing schemes when their profitability reaches higher levels (Richardson & Lanis, 2007). Board Gender Diversity consists of the total number of female directors in the institution. Inserts an intervening effect between all independent variables and dependent variables in this investigation.

Research documents show women in director positions display greater risk aversion compared to male directors (Elmagrhi et al., 2019; Liu et al., 2020). An increase in female directorship reduces transfer pricing activities because female directors make decisions which enforce the potential tax sanctions on the company. Four relationships regarding the link between Board Gender Diversity exist with ownership concentration and foreign ownership in transfer pricing as well as independent commissioners and tangibility in transfer pricing.

Methods

This quantitative study works with four variable groups that consist of dependent variables alongside independent variables as well as moderating variables and control variables. The problems raised by the author require studies with explanatory causal designs implementing their research. The author tests the moderation effect through an analysis using Moderated Regresion Analysis (MRA). The author relies on secondary data which he gathered from the IDX website in addition to the KSEI website. This research uses purposive sampling because the sample includes businesses that match the study requirements according to assessment needs. The research uses the following company-based evaluation criteria:

Table 1: Sample Selection

No.	Criteria	Does not meet the	Qualify
	Population		
1.	Coal mining issuers on the IDX		23
2.	Registered on the IDX in or before 2015	(4)	19
3.	Companies that have published audited financial statements during the research period	(1)	18
4.	Companies that consistently carry out transfer pricing	(4)	14

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	during the research period		
5.	Number of research samples = 7 years * 14		98

Only one dependent variable appears in this investigation which is transfer pricing. This research includes four independent variables such as ownership concentration variables as well as foreign ownership and independent commissioners and tangibility. Board Gender Diversity functions as the moderating variable in this study and company size along with DER and ROA play the role of control variables.

Table 2. Measurement of Variables

No	Variables	Measurement
1	Transfer Pricing	Related party receivables divided by total receivables (Baroroh et al., 2021)
2	Ownership Concentration	The number of shares owned by the largest shareholder divided by the number of shares outstanding (Puspita & Harto, 2014)
3	Foreign ownership	Shares owned by foreign investors divided by the number of shares outstanding (Wulandari & Setiawan, 2023)
4	Independent Commissioner	Independent commissioners divided by total commissioners (Sarafina & Saifi, 2017)
5	Tangibility	Book value of fixed assets divided by total assets (Zeitun et al., 2022)
6	Board Gender Diversity	Measured with a dummy variable, if there are female directors, it is coded 1, if not, 0 (Rose, 2007)
7	Company size	Natural logarithm of total assets (Richardson & Lanis, 2007)
8	Debt to equity ratio	Total debt divided by total equity (Solikhah et al., 2021)
9	ROA	Profit after tax divided by total assets (Arifin et al., 2020)

By using panel data, data processing will test the following four equations:

$$TP_{it} = \alpha_0+\beta_1CON_{it}+\beta_2FO_{it}+\beta_3INCOM_{it}+\beta_4TANG_{it}+e_{it} \quad (1)$$

$$TP_{it} = \alpha_0+\beta_1BGD_{it}+e_{it} \quad (2)$$

$$TP_{it} = \alpha_0+\beta_1CON_{it}+\beta_2FO_{it}+\beta_3INCOM_{it}+\beta_4TANG_{it}+\beta_5BGD_{it}+ \beta_6CON_{it}*BGD_{it}+ \beta_7FO_{it}*BGD_{it} +\beta_8INCOM_{it}*BGD_{it} +\beta_9TANG_{it}*BGD_{it}+e_{it} \quad (3)$$

$$TP_{it} = \alpha_0+\beta_1TNC_{it}+\beta_2FO_{it}+\beta_3INCOM_{it}+\beta_4TANG_{it}+\beta_5BGD_{it}+ \beta_6CON_{it}*BGD_{it}+ \beta_7FO_{it}*BGD_{it} +\beta_8INCOM_{it}*BGD_{it} +\beta_9TANG_{it}*BGD_{it}+e_{it} +\beta_{10}SIZE_{it}+\beta_{11}DER_{it} +\beta_{12}ROA_{it}+e_{it} \quad (4)$$

Keterangan:

TP	= Transfer Pricing
CON	= Concentration of Ownership
FO	= Foreign Ownership
INDCOM	= Independent Commisioners
TANG	= Tangibility
SIZE	= Firm Size
DER	= Debt to Equity Ratio
ROA	= Return On Assets
BGD	= Board Gender Diversity
CONxBGD	= Interaction between CON and BGD
FOxBGD	= Interaction between FO and BGD
INDCOMxBGD	= Interaction between INDCOM and BGD

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TANGxBGD = Interaction between TANG and BGD
e_{it} = Residual

Results and Discussion

For the analysis the selected data covered seven consecutive years from 2015 to 2021 (independent variable) which yielded 98 research points using the lag method in the following year (2016 to 2022). The author eliminated 11 outlier data because the normality test was failed which brought the research data to 87.

Table 3. Descriptive Statistics

Variable	Minimum	Maximum	Average	Frequency
Transfer Pricing	0.000426	0.596154	0.164288	-
Ownership concentration	0.263690	0.797921	0.555459	-
Foreign Ownership	0.001025	0.991219	0.311175	-
Independent Commissioner	0.000000	0.750000	0.408060	-
Tangibility	0.067895	0.610334	0.339785	-
Company Size	27.91338	32.31554	30.10834	-
Debt to Equity Ratio	-2.113984	34.05558	2.209108	-
Return On Assets	-0.098395	0.520175	0.106764	-
Board Gender Diversity code 1	-	-	-	26
Board Gender Diversity code 0	-	-	-	61

Testing was conducted to identify the most suitable between the common effect model, fixed effect model and random effect model. The selected model emerged as a random effect model based on the model testing results.

Table 4. Selection of the Best Regression Model

Types of Test Models	Results	Conclusion
Chow Test (CEM vs FEM)	The value of the cross-section Chi-square sig is 0.0009 or less than 0.05.	FEM
Hausman Test (FEM vs REM)	The value of the random cross-section sig is 0.4410 or more than 0.05	REM
LM Test	The value of the Breusch-Pagan Significance (both) is 0.0091 or less than 0.05	REM

The classical assumption test starts with performing the normality test. The normality test demonstrates that the research model meets statistical criteria because its Jarque-Bera significance value indicator equals 3.3801 which exceeds 0.05. The results of the multicollinearity test present no powerful correlation among independent variables and mediators and controls because their VIF values remain below 10. Heteroscedasticity problems do not exist in the research model since its OBS*R squared significance value stands at 0.6338 or higher than 0.05. The classical assumption test also shows no autocorrelation. According to Anshari and Amin (2017), the Durbin-Watson statistical value of 1.55 indicates no autocorrelation problems since it does not exceed 2. For hypothesis testing, the following shows the regression results of equations 1, 2, 3 and 4:

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Table 5: Results of Regression and MRA Testing

Variabel		Equality 1		Equality 2		Equality 3		Equality 4	
		B	Sig	B	Sig	B	Sig	B	Sig
Konstanta		0.0819	0.4434	0.1287	0.0000	0.1106	0.3913	-0.0454	0.1132
CON		0.3510	0.0035*	-	-	0.1125	0.3918	0.2882	0.0036**
FO		-0.1094	0.0597***	-	-	-0.1184	0.0595***	-0.1282	0.0106*
INDCOM		-0.2619	0.0646***	-	-	-0.0883	0.6278	-0.0647	0.6981
TANG		0.0890	0.4739	-	-	0.1062	0.4828	0.0773	0.4453
SIZE		-	-	-	-	-	-	-0.0136	0.1723
DER		-	-	-	-	-	-	-0.0030	0.2400
ROA		-	-	-	-	-	-	-0.1549	0.0775***
BGD		-	-	0.1136	0.0014*	-0.2518	0.1912	-0.1999	0.2599
CON*BGD		-	-	-	-	0.9884	0.0008*	0.9790	0.0001*
FO*BGD		-	-	-	-	-0.0697	0.6029	-0.0624	0.5622
NDCOM*BGD		-	-	-	-	-0.3827	0.1003	-0.3966	0.0889***
TANG*BGD		-	-	-	-	-0.1839	0.3913	-0.3432	0.0598***
R Square		0.1944	-	0.1146	-	0.3671	-	0.4813	-
Adj R Square		0.1551	-	0.1042	-	0.2931	-	0.3993	-
F Test		0.0012	-	0.0013	-	0.0000	-	0.0000	-

*sig at 0.01 **sig at 0.05 ***sig at 0.10

The four models demonstrate excellent goodness of fit according to eviews 12 output results because the F test significance value reaches 0.00 at the 1% level. The coefficient of determination demonstrates a substantial growth from 0.1944 to 0.3993 meaning a nearly complete increase from the original model up to the model containing moderator variables with control variables. The value of coefficient of determination shows higher rises in equations three and four thus indicating that control variables enhance the explanatory power of predictor variables for dependent variables.

All independent variables demonstrate negative impacts on transfer pricing except for independent commissioners and the remaining variables show no impact according to the initial model. A 5% significant level for BGD as a moderating variable provides better evidence for its development as such a variable. The BGD variable functions as the sole element of testing within model 2. The model 3 investigation with independent variables and moderation elements omitted control variables and demonstrated ownership concentration as the sole variable able to modify the BGD variable but the other three elements produced no such effect. Implementation of control variables delivers superior outcomes since they allow the BGD variable to modify the effects of CON, INDCOM and BG on transfer pricing actions.

The Effect of Ownership Concentration on Transfer Pricing

Only in equation 3 did Ownership Concentration show an alignment with the author's hypothesis regarding its positive and significant link to transfer pricing actions even though its significance became negligible. A strong positive connection indicates that excessive share ownership by one company generates more transfer pricing behavior. The tax authorities need to implement increased monitoring for business entities with very dominant controlling stakeholder ownership. The current government regulations seek to reduce controlling shareholder motivation regarding share ownership when public companies that gain a corporate income tax reduction of 3% (under the regulations of PMK 40 of 2023 must distribute at least 40% of their shares to the public and thus have maximum tunneling incentives restricted to 60%. The total number of stock ownership remains at minimum 300 shares distributed among

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different parties. The policy becomes ineffective because optimal supervision remains out of reach when nominee shareholders continue to exist.

The Effect of Foreign Ownership on Transfer Pricing

All test models of this study demonstrated foreign ownership to have a significant and negative impact. The introduction of SIZE, DER and ROA variables within the model affected statistical significance from 10% to 5% in equations 1 and 3. The research hypothesis demonstrates a positive correlation that shows higher foreign ownership enhances transfer pricing action but the results in this study present the opposite direction. The research outcome matches the findings published by Solikhah et al. (2021). Research outcomes challenge the theory that foreign ownership typically results in concentration which enhances transfer pricing events since this study showed significant reduction instead of elevation.

A considerable portion of shareholders in the GEMS issuer during the research period came from foreign citizens but the study found that an Indonesian citizen controlled the Sinarmas Group. A key factor in this phenomenon stems from foreign shareholders who do not seek tax evasion when their home countries tax rates exceed Indonesia or when they follow tax regulations properly. According to the study results the mean percentage of foreign ownership reached 31.11% indicating substantial monitoring capabilities for firm policies. Research by Nurmawan & Nuritomo (2022) demonstrates that elevated foreign ownership diminishes tax avoidance patterns since it correlates to the allocations of risk.

The Effect of Independent Commissioners on Transfer Pricing

The data shows that Independent Commissioners generate a 10% negative impact on transfer pricing thus confirming the acceptance of the hypothesis regarding their adverse relationship. Independent commissioners exist to minimize transfer pricing activities as the relationship maintains a negative association. The data demonstrates that independent commissioners help resolve positive accounting theory issues which cause directors to achieve bonuses by establishing tax-saving transfer prices. The tax authorities need support from connected entities to verify independent board of commissioner's participation in corporate institutions as well as confirm unbiased board member selection. The high portion of independent commissioners in this research can be examined through an average percentage of 40.80% independent commissioners.

The Effect of Tangibility on Transfer Pricing

The study shows that tangibility or fixed asset to total asset ratio has no relationship with transfer pricing activities. The study refutes the hypothesis presented by this author yet demonstrates a positive relationship in accordance with the author's established connections. The tangibility variable demonstrates no relationship because companies add fixed assets for non-transfer pricing requirements (Nurrahmi & Rahayu, 2020). The analysis revealed that companies like INDY possess small ratios of fixed assets which amounts to an average of 19% because the business relies on the mining and transportation services of PTRO (Petrosea) rather than buying its own mining hardware and heavy equipment.

The Effect of BGD in Moderating the Influence of Ownership Concentration on Transfer Pricing

Researchers test the interaction effect within the fourth model. The effect of ownership concentration on transfer pricing receives a significant positive boost through the CON*BGD interaction at a 1% confidence level when BGD comes into play. The research findings about

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CON's influence on transfer pricing actions match those observed before the variables were placed into interaction. When combined with BGD the variable displays quasi-moderator properties. The addition of BGD to the analysis strengthens the relationship between ownership concentration and transfer pricing behavior based on an increase in the regression coefficient value (0.3510 to 0.9790).

The Effect of BGD in Moderating the Influence of Foreign Ownership on Transfer Pricing

The analytical results identified how the interaction among BGD*FO failed to influence foreign ownership effects on transfer pricing activities therefore leading to non-support of the fifth hypothesis. The BGD variable does not serve as a moderator variable in combination with FO and TP because foreign ownership demonstrated significant effects on transfer pricing actions before the interaction in model 1. BGD did not function as a modifying factor because the male domination among directors remained high in the coal sector the study assessed. The sample revealed that six companies throughout 2015 to 2021 maintained only male directors instead of female directors in their directorship.

The Effect of BGD in Moderating the Influence of Independent Commissioners on Transfer Pricing

The authors tested BGD*INDCOM interactions in model four which confirmed that Business Group Dominance affects independent commissionaires' role in transfer pricing decisions. The BGD*INDCOM interaction does not produce effects as variables such as company size, leverage and profitability are controlled within the analysis of model three. The study reveals varying effects of the interaction on organizational groups involving large companies versus small businesses together with companies possessing high debts versus low debt companies and large profit-distributing companies versus small profit-distributing entities. The results match the hypothesis because female directors contribute to sustaining independent commissioner presence which reduces transfer pricing activities. The net value of independent commissioner variables in model 1 demonstrates a higher degree of strength compared to the interaction variable specified in model four.

The Effect of BGD in Moderating the Influence of Tangibility on Transfer Pricing

The BGD*Tang interaction results demonstrate that BGD functions as a pure moderator variable. Model 1 indicates that Tangibility produces no significant impact on the variable but shows a negative correlation at the 10% level after the moderator BGD interaction and SIZE DER and ROA controls. The relationship between BGD and Tan demonstrates the characteristics of a moderator because the BGD variable transforms the direction from positive to negative.

Conclusion

The BGD variable demonstrates an effective capacity to modify the impact of independent variables (CON, FO and INDCOM) on transfer pricing actions according to research results with the selected random effect model. The BGD variable fails to moderate the results of the foreign ownership variable. The application of control variables triggered a change in the significance level regarding the effect of interaction between Tangibility and other variables. The implementation of BGD moderating variable would enhance the research model resulting in stronger relationships between independent variables and their effect on dependent variables because it improves the coefficient determination. This research only evaluates transfer pricing

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activity from the sales perspective by using affiliate receivables as evidence while dismissing expenses from affiliated entities. Additional indicators need to be applied for further evaluation of transfer pricing levels. Researchers should investigate transfer pricing occurrences within the plantation sector because it is believed to diminish state tax revenue through complex price transactions.

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