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Determinants and Consequences of Executive Compensation: The Case of Emerging Market

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Executive compensation is an important aspect of corporate governance subject. This compensation is considered an internal mechanism of corporate governance. This adequate compensation reduces opportunistic executive behaviour and minimizes agency problems and costs. Academicians and practitioners have given attention to this aspect. However, there is a lack of studies investigating executive compensation using different economic and corporate governance systems, such as in Indonesia. Therefore, this study uses consumer goods companies to examine executive compensation's determinants and consequences. The determinants consist of social stigma, women as chief directors (executive), and institutional ownership. In addition, the consequence variables are company performance, financial reporting fraud, and tax aggressiveness. With 36 final samples or 144 observations. Simple, logistic, and multivariate regression is employed. The result shows that social stigma does not affect executive compensation. However, women's role as chief executive directors has a negative effect on executive compensation. Hence, institutional ownership has a positive association with executive compensation. Of the three consequences proposed as executive compensation, only tax aggressiveness is the successful consequence. The other two consequences (company performance and financial reporting fraud) do not significantly relate to executive compensation. This finding has practical and theoretical implications, which are discussed in detail in the paper.

Keywords: Company Performance, Executive Compensation, Financial Reporting Fraud, Institutional Ownership, Social Stigma, Tax Aggressiveness, Women as Chief Director

Introduction

In Indonesia, board management or executives in the corporate context are the most paid company directors and are the focus of the most attention compared to other positions. The high compensation of committee members and directors is, of course, inseparable from the scope of work in the company. Executive directors and their remuneration issues are continuously discussed in the financial literature. In recent years, compensation-related problems have attracted the attention of scholars, standard setters and the general public (Maharani & Utami, 2019). The point of remuneration certainly receives special attention from a management perspective because remuneration is a source of income for the executive. Therefore, the compensation system must be designed to reward management for their contribution to achieving company goals. One often contradictory problem is the provision of compensation that does not follow managers' expectations because the compensation system prioritizes the interests of certain parties, such as shareholders (Fadli et al., 2020). Several perspectives are used to explain executive compensation, such as

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agency theory (Jensen & Meckling, 1976), social indemnity theory (Kalogeraki & Georgakakis, 2021) and stewardship theory (Hernandez, 2012). Since agency theory presupposes that executives behave in their best interests, a system for allowing executives to consider shareholders' interests must be established (Jensen & Meckling, 1976). Effective supervision will result in the ability to manage the company to improve company performance, and the owner's welfare (principal) also increases.

Social stigma can encourage companies to seek political capital to reduce the public's negative view of the company. To build political capital, the company organises charitable activities to create a positive image of the company in society (Novak & Bilinski, 2018). Research on the relationship between social stigma and executive compensation has been conducted by (Novak & Bilinski, 2018), which states that social stigma positively affects executive compensation. Women are underrepresented on boards of directors because they are good at monitoring managerial performance. Female directors tend to do their best in the company to balance responsible behaviour towards the company, shareholders and society. Female directors are considered more rational in decision-making and financial report transparency than male directors (Hudha & Utomo, 2021). Research on the relationship between female CEOs and executive compensation has been conducted by (Kalogeraki & Georgakakis, 2021), which states a positive relationship between female CEOs and executive compensation. Meanwhile, research conducted by (Bugeja et al., 2009) says that female CEOs do not affect executive payment. The study aims to provide empirical evidence of the effect of social stigma, women as the chief director, institutional ownership on executive compensation and the impact of executive compensation on the company's performance, tax aggressiveness and financial reporting fraud.

Executive Compensation

Since agency theory presupposes that executives behave in their own best interests, a system is required to ensure that executives do not disregard shareholders' interests (Jensen & Meckling, 1976). Large institutional ownership is one mechanism that promotes better monitoring of organisational performance. Large institutional ownership tends to motivate executives to continue increasing and maintaining their productivity, which can increase the compensation received (Maharani & Utami, 2019). Research on the relationship between institutional ownership and executive compensation was conducted by Wati & Nuringsih (2020), who stated that institutional ownership positively affects executive compensation. Meanwhile, research conducted by Daljono (2022) states that institutional ownership does not affect executive payment. Executives with high compensation tend to reduce agency costs so that company performance increases. The good performance of a company shows that the results achieved are satisfactory and can be used as a basis for the company's future development. Therefore, for a company to maintain continuity and develop its business, its performance must be considered. High-quality management is considered capable of managing the company's resources and carrying out the company's operational activities properly so that the company can survive in the face of increasingly competitive competition (Ekadjaja, 2022). Research on the relationship between executive compensation and company performance has been conducted by Vidyatmoko et al. (2013), which state that executive compensation has a positive effect on company performance. Meanwhile, Raithatha & Komera (2016) research says executive compensation does not affect company performance.

Executive compensation is a reward given to management for the contribution made to the company and is also an attempt to control management behaviour. Various attempts have been made so that the agent or executive can obtain compensation as expected. One effort can be made to minimise the tax burden (Riswandari & Bagaskara, 2020). Research related to the relationship between executive compensation and tax aggressiveness has been carried out by (Pakpahan et al., 2020), which states that executive compensation has a positive effect on tax aggressiveness because taxpayers are tax-resistant to not paying taxes voluntarily, so executives who become taxpayers

will try to control the company to get a large compensation. This is in line with research Riswandari & Bagaskara (2020), which states that executive compensation positively affects tax aggressiveness; the higher the executive compensation, the Effective Tax Rate (ETR) will decrease, while the level of tax aggressiveness increases. Meanwhile, research conducted by Purwanto & Purwantoro (2020) states that executive compensation has a negative effect on tax aggressiveness. Compensation plans for executives can affect executive policy when compiling numbers in financial reports. The existence of an executive compensation contract can encourage opportunistic behaviour. Executive compensation can be good corporate governance and positively impact the company and other stakeholders (Indiraswari, 2021). Other expert states that giving greater executive compensation can encourage accounting fraud. Ding et al. (2010) found different results, which indicated that executive compensation had a negative effect on financial reporting fraud. Meanwhile, Indiraswari (2021) research states that executive compensation does not impact financial statement fraud.

Executive compensation is a crucial aspect of corporate governance and organizational performance. Conyon & He (2012) emphasizes that executive compensation, particularly through equity ownership like stock options and restricted stock, is essential for aligning executives' interests with shareholders. This alignment incentivizes executives to make decisions that enhance firm performance. Sápp (2008) underscores that executive compensation is a critical component of corporate governance. Designing compensation packages is vital for attracting and retaining top talent, motivating executives to drive organizational success, and ensuring alignment with shareholder interests. Studies by Park & Byun (2021) show that executive compensation motivates management to make decisions that enhance shareholders' wealth and improve organizational performance.

Compensation packages are structured to encourage executives to make strategic decisions benefiting the company. Ferry et al. (2021) suggests that high executive pay incentivizes talented executives to contribute to the firm's performance. Recognizing and rewarding top talent through competitive compensation packages can lead to improved organizational outcomes and sustained performance. Wen et al. (2022) highlights that a reasonable compensation system for executives is crucial for aligning managers' behaviours with shareholders' interests. Executive compensation mechanisms help ensure that executives make decisions in the best interest of the company and its stakeholders. In conclusion, executive compensation is vital for attracting, retaining, and motivating top talent, aligning executive interests with organizational goals, and driving performance and decision-making that benefit shareholders and the company. The design and implementation of executive compensation packages are integral components of corporate governance and organizational success.

Social stigma and Executive Compensation

Novak & Bilinski (2018) explores the relationship between social stigma and executive compensation. This study specifically delves into how social stigma influences executive compensation, shedding light on the dynamics between external perceptions and organisational compensation structures. Understanding the impact of social stigma on executive compensation is crucial for comprehending how societal perceptions can shape reward systems and incentives for corporate leaders. Additionally, Novak & Bilinski (2014) delves into the "Social Stigma Premium" concept in executive compensation within Sin firms. This study likely provides insights into how social stigma affects compensation practices in specific contexts, offering valuable perspectives on the interplay between societal judgments and financial rewards for executives. Exploring the notion of a stigma premium in compensation can provide valuable insights into how external perceptions impact executive pay structures. In conclusion, Novák & Bilinski (2018) and Novak & Bilinski (2014) are relevant resources for investigating the influence of social stigma on executive compensation. These studies likely offer valuable insights into how societal perceptions and

stigmas shape compensation practices within organizations, contributing to a deeper understanding of the complexities surrounding executive pay in the context of social judgments.
H1: Social stigma has a positive effect on executive compensation.

Women in executive director and Executive Compensation

Among the provided references, Cook et al. (2018) and Zhang & Yang (2019) are particularly relevant to exploring the relationship between women in executive chairman roles and executive compensation. These studies delve into how women's influence, especially through roles such as chairing the compensation committee, can impact the gender gap in executive compensation. Understanding the dynamics of board composition, particularly the presence of women in leadership positions, and its effect on executive pay is crucial for comprehending gender disparities in organisational compensation practices. In addition, Shin (2011) provides insights into how the gender gap in executive pay can be influenced by the presence of women on the compensation committee. This study highlights the importance of board diversity, particularly in terms of gender representation, in shaping executive compensation practices. Exploring the impact of female representation on the compensation committee on narrowing the gender pay gap can offer valuable perspectives on promoting gender equality in executive remuneration. In conclusion, Cook et al. (2018), Zhang & Yang (2019) and Shin (2011) are valuable resources for examining the relationship between women in executive chairman roles and executive compensation. These studies likely offer insights into how gender diversity in leadership positions, particularly on the compensation committee, can influence compensation decisions and contribute to addressing gender disparities in executive pay.
H2: Women as executive chairman have a positive impact on executive compensation.

Institutional Ownership and Executive Compensation

Hartzell & Starks (2003) suggest that more concentrated institutional ownership leads to lower executive compensation, shedding light on how institutional investors impact organisational compensation structures. In addition, Ozkan (2011) finds that institutional ownership positively influences CEO pay-performance sensitivity of option grants, emphasizing the role of institutional investors in aligning executive pay with firm performance. Hence, Bebchuk & Fried (2003) examine the agency problem in executive compensation and conclude that more concentrated institutional ownership results in lower executive compensation, addressing the challenges of aligning executive pay with performance. Finally, Almazán et al. (2005) discuss the impact of active institutional shareholders on monitoring costs and executive compensation, revealing a clientele relationship between executive compensation and institutional ownership, where institutions prefer firms with higher pay-for-performance sensitivity and lower excess compensation. In conclusion, these studies collectively indicate that institutional ownership significantly influences executive compensation practices. Higher institutional ownership tends to lead to lower executive compensation and increased pay-performance sensitivity, underscoring the role of institutional investors in aligning executive pay with firm performance and governance objectives.
H3: Institutional ownership has a positive effect on executive compensation.

Executive compensation and company performance

Among the provided references, the relationship between executive compensation and company performance can be explored through various lenses: Conyon & He (2011) suggests that executive compensation positively correlates with firm performance, aligning with agency theory. This correlation underscores the importance of compensation in motivating executives to enhance company performance. Buachoom (2017) reports a positive and significant association between accounting-based performance, measured by Return on Equity (ROE), and executive

compensation. This finding highlights the link between firm performance metrics and executive pay. Abdalkrim (2019) discusses the interconnected temporal cycle between executive compensation and firm performance, indicating that an increase in firm performance leads to higher executive compensation, subsequently enhancing company efficiency. Zhang et al. (2016) identifies a positive correlation between executive compensation and company performance, particularly in firms with higher growth opportunities. This relationship suggests that company performance metrics influence executive pay. Gea & Haryetti (2019) explores the impact of board structure and firm performance on chief executive compensation, emphasizing the determinants of executive pay, including company performance and corporate governance practices. In conclusion, these references collectively suggest that executive compensation plays a vital role in motivating executives, aligning their interests with company performance, and driving organizational success. The relationship between executive compensation and company performance is complex, influenced by factors such as firm performance metrics, growth opportunities, and corporate governance practices.
H4: Executive compensation is positively related to company performance.

Executive compensation and Tax aggressiveness.

The relationship between executive compensation and tax aggressiveness is a complex and multifaceted area of study within corporate finance and governance. Understanding how executive pay structures influence tax planning strategies is essential for comprehending the dynamics of financial decision-making and risk management within organizations. Executive compensation and tax aggressiveness are interconnected aspects of corporate governance and financial management. The relationship between executive compensation and tax aggressiveness can be explored through various research studies: Rego & Wilson (2012) suggest that equity risk incentives in executive compensation can influence corporate tax aggressiveness. This study delves into how the structure of executive compensation, particularly equity-based incentives, may impact tax strategies within organizations. Putri (2023) highlights that higher executive compensation tends to be associated with more aggressive tax planning strategies. This study examines how executive incentives, including compensation packages, can drive tax avoidance behaviours in companies. Arora & Gill (2022) discuss the impact of executive compensation on corporate tax aggressiveness, particularly focusing on the relationship between equity-based compensation and tax strategies. This study explores how compensation structures can influence tax planning decisions. Halioui et al. (2016) examine the role of corporate governance structures, CEO compensation, and their impact on tax aggressiveness. This study suggests that governance practices and executive pay can significantly influence tax planning behaviours within firms. Jbir et al. (2021) provides evidence on the relationship between CEO compensation, CEO attributes, and tax aggressiveness. This study explores how managerial incentives, including compensation, can affect tax avoidance practices in organizations.
H5: Executive compensation positively contributes to tax aggressiveness.

Executive compensation and Financial reporting fraud

Executive compensation and financial reporting fraud are interconnected aspects of corporate governance and financial management. The relationship between executive compensation and financial reporting fraud can be explored through various research studies: Erickson's study (ERICKSON, 2006) explores the link between executive equity incentives and accounting fraud. The research delves into how the structure of executive compensation, particularly equity-based incentives, may influence financial reporting integrity and the risk of fraudulent activities. A study of Conyon & He (2014) investigates the relationship between executive compensation and corporate fraud in China. The research examines how different compensation structures and governance practices impact the likelihood of financial misconduct within organizations. A study

of Wang et al. (2010) emphasizes the role of investor beliefs and executive compensation in influencing fraud occurrences. The research explores how executive compensation structures can affect fraud through their impact on investor monitoring and financial decision-making. A study by Seifzadeh et al. (2021) discusses the relationship between management entrenchment and financial statement fraud. The study reveals a negative correlation between management entrenchment and the likelihood of fraudulent activities in financial reporting. A survey of Alkebsee et al.(2022) focuses on the impact of independent directors' cash compensation on corporate fraud. The research highlights the importance of governance mechanisms, including director compensation, in mitigating the risk of fraudulent financial reporting. In conclusion, the relationship between executive compensation and financial reporting fraud is a critical area of study within corporate governance and fraud prevention. Understanding how compensation structures influence ethical behavior, risk management, and financial integrity is essential for promoting transparency and accountability within organizations.
H6: Executive compensation is negatively related to financial reporting fraud.

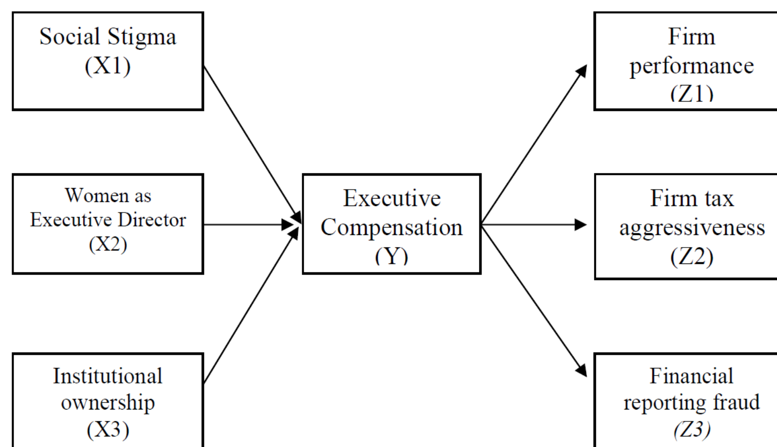

Figure 1. Conceptual framework

Methods

Consumer products businesses listed on the Indonesia Stock Exchange (IDX) serve as research subjects for this study. This company was chosen because of executive compensation fluctuations in several consumer goods companies. The population in the study amounted to 103 companies. The following criteria were applied when using the purposive sample method for sampling: (i) consumer products firms that were listed between 2017 and 2020 on the Indonesia Stock Exchange (IDX), (ii) consumer goods companies that published consecutive annual reports for 2017-2020, and (iii) companies consumer goods presenting consecutive executive compensation 2017-2020. The type of data used in this study is secondary data sourced from the website www.idx.co.id and the company's official website. Executive compensation is the total of salaries and bonuses given to executives. (Pakpahan et al., 2020) state that the total compensation received by executives can be used as a measure of executive compensation. Return on equity (ROE) can measure company performance indicators in this study. The purpose of choosing ROE as a measure of company performance is because this ratio has been widely proven and used as a measurement that can show company performance over a period of time. It is also a very useful measurement for stakeholders. The Effective Tax Rate (ETR) is a measure in assessing the tax rates paid by companies and can provide an overview of the tax burden that will affect accounting profit. If the ETR value is close to zero, the company is indicated to be tax-aggressive (Wardoyo et al., 2021). ETR is measured using the ratio of income tax expense divided by profit before tax. Financial report fraud can be in the form of a previously published restatement of financial statements (annual report restatement).

The restatement annual report is considered a company step in smoothing out fraudulent financial statements. Measuring financial statement fraud uses a dummy variable where the company will be given a score of 1 if it takes an annual report restatement action during the research period and a score of 0 if it does not take an annual report restatement action. According to Novák & Bilinski (2018), social stigma is measured by a dummy variable. If the company carries out charitable activities such as social and community development, educational programs and so on, it scores 1. Meanwhile, if the company does not carry out charitable activities, it is given a score of 0. Women as the main directors referred to in this study are the number of female company directors. President directors are measured by dividing the number of female directors by the number of company directors. According to Jusup & Sambuaga (2022), women as main directors are measured using the ratio of the number of women as directors divided by the number of directors. Institutional ownership is defined as the ratio of share owned by institutional investors. The measurement of institutional ownership is based on the number of institutional shareholding is divided by total outstanding shares. The following formula is research models.

$$KOMP_{it} = \alpha + \beta_1 STIG_{it} + \beta_2 WSDU + \beta_3 INST + \varepsilon \quad (i)$$
$$KINP = \alpha + \beta KOMP + \varepsilon \quad (ii)$$
$$AGRE = \alpha + \beta KOMP + \varepsilon \quad (iii)$$
$$FRF = \alpha + \beta KOMP + \varepsilon \quad (iv)$$

Where,

KOMP = executive compensation (bonuses +salaries)
STIG = social stigma (dummy)
WSDU = women in executive director (female director/total director)
INST = institutional ownership (share owned by institutional investor/share oustanding)
KINP = firm performance (Net Income/total Equity)
AGRE = firm tax aggressiveness (income tax expences/earning before tax)
FRF = financial reporting fraud (dummy)
α = constant
β = coefficient regression
ε = error term

Result

The final sample of this study was 36 companies representing 35% of the population of consumer goods companies. This number is obtained from a population of 103 companies minus 67 (65%) companies without complete executive compensation information. Table 1 demonstrates the sample selection.

Tabel 1. Sample selection

Object, population and sample	Population	Percent
Consumer goods companies	103	100
Companies do not disclose the executive compensation consistently from 2017-2020	67	65
Final research sample	36	35
Number of observation (company years)	144	

Table 1 presents the outlier test results and descriptive statistics on the research variables. Executive compensation variable was detected by five outlier observations (3%); the lowest value was Rp. 0.50 billion, and the highest value is Rp. 398.40 billion with an average value of Rp. 64.04 billion and a standard deviation of Rp. 95.88 billion, while the average in previous research was Rp. 24.87 billion (Fadli et al., 2020). Women as the main director detected 29 outlier observations (20%); the lowest value was 0.00%, and the highest value was 38.00%, with an average value of 13.83% and a standard deviation of 15.63%, while the average in previous research it was 11.34%

(Hudha & Utomo, 2021). Two outlier observations detected institutional ownership (1%); the lowest value was 25.00%, and the highest value was 99.00%, with an average value of 80.10% and a standard deviation of 19.41%. In contrast, the average in previous research was 82.92% (Fadli et al., 2020). Firm performance was detected by 8 outlier observations (5%), the lowest value was -105.00% and the highest value was 118.00% with an average value of 9.90% and a standard deviation of 36.68%, while the average in the previous studies of 7.43% (Edi & Felicia, 2022). Tax aggressiveness was detected by six outlier observations (4%); the lowest value was 0.00, and the highest value was 0.60, with an average value of 0.21 and a standard deviation of 0.16, while the average in the previous study was 0. 26 (Riswandari & Bagaskara, 2020).

Table 2. Statistics Descriptive

Variable	∑ Outlier	%	Descriptive Statistics Setelah Outlier			
			Min	Max	Mean	SD
Executive compensation (Rp. M)	5	3	0.50	398,40	64.04	95.88
Stigma social (Dummy)	0	0	0.00	1.00	0.20	0.09
women as chief executive director (%)	29	20	0.00	38.00	13.83	15.63
Institutional ownership (%)	2	1	25.00	99.00	80.10	19.41
Firm performance (%)	8	5	-105.00	118.00	9.90	36.68
Tax aggressiveness	6	4	0.00	0.60	0.21	0.16
Financial Reporting Fraud (Dummy)	0	0	0	1	0.34	0.11

Resources: SPSS output

The first classic assumption test to be performed is the normality test. In this study, the skewness value per standard error is used to detect whether there is a normality problem. The assessment criteria are between -2.59 and +2.59 if the observations are less than 300 (Manning & Munro, 2004). Based on Table 2 below, the results of the early-stage analysis show that the two variables are not normal because the S/SE values are outside the criteria above. Then, the two variables are transformed to Log10 (KOMP) and SQRT (INST) so that the five variables have S/SE values in the range -2.59 and +2.59 so that they are normally distributed.

Table 3. Normality test

Variable	Skewness			Decision	Transform		Decision
	Statistic	SE	S/E		Log10	SQRT	
Executive compensation	2.33	0.20	11.51	Not Normal	-0.86		Normal
Stigma social	-2.75	0.20	-13.60	dummy			dummy
women as chief executive director	0.52	0.20	2.57	Normal			Normal
Institutional ownership	-1.38	0.20	-6.83	Not Normal		1.84	Normal
Firm performance	0.46	0.20	2.29	Normal			Normal
Tax aggressiveness	0.48	0.20	2.38	Normal			Normal
Financial Reporting Fraud	3.05	0.20	15.08	dummy			dummy

The next classic assumption test is the multicollinearity test shown in Table 4. Based on Table 4, it can be seen that all independent variables are not related (correlation) to each other because the tolerance value is ≥ 0.10 and the VIF value is ≤ 10 (Ghozali, 2018).

Table 4. Multicollinearity test

Model	Tolerance	VIF	Multicollinearity
	0.95	1.05	Tol>0,10, VIF<10
Model 1	0.99	1.01	Tol>0,10, VIF<10
	0.96	1.04	Tol>0,10, VIF<10
Model 2	1	1	Tol>0,10, VIF<10
Model 3	1	1	Tol>0,10, VIF<10
Model 4	1	1	Tol>0,10, VIF<10

The next classic assumption test is the autocorrelation test. The results of the autocorrelation test used the Durbin-Watson test (Watson, 1950) with a dw limit value between 4-du to detect autocorrelation problems. The result of durbin watson test is demonstrated in tabel below.

Tabel 5. Result of Autocorrelation Test

Model	Durbin Watson	DU	4-DU	Decision
Model 1	1.72			
Model 2	2.01			
Model 3	2.11			
Model 4	2.19	1.71	2.29	no autocorrelation problem

The results of the dw test show that the table value of DW are 1.72 for model 1, 2.01, 2.11, and 2.19 respectivelly are at the values of du < DW < 4-du (1.71< DW<2.29) so that the model is free from autocorrelation symptoms. The heteroscedasticity test aims to test whether the model has a difference and whether the variance is equal from the residuals of one observation to another. Suppose the variance of the residuals of other observations is different. In that case, there is a symptom of heteroscedasticity, and if the variance of the residuals from one observation to another remains, then it is called homoscedasticity. A good regression model has homoscedasticity or does not have heteroscedasticity (Ghozali, 2018). The heteroscedasticity test can be measured using the Glejser test and the Park test, a regression between the independent variables and the absolute residual variable; if the significance value is > 0.05, then the variable is declared free from heteroscedasticity. The results of the heteroscedasticity test show that the model is free from heteroscedasticity problems because the probability value (sig) in each variable used in this study is greater than 0.05. Hence, the model tested meets all the classical assumptions.

Table 6. Heteroskedastisity Test

Model	Unstandardised Coefficients		t	Sig
	B	SE		
	0.90	0.86	1.04	0.30
Model 1	0.01	0.02	0.35	0.73
	0.00	0.01	-0.15	0.88
Model 2	-0.01	0.03	-0.54	0.59
Model 3	0.00	0.00	-1.12	0.27
Model 4	0.00	0.00	1.41	0.16

A summary of the results of multiple linear and logistic regression analysis tests is presented in Table 7, Table 8, Table 9 and Table 10. The F-significant value of 0.00 <0.05 means that social stigma, women as the main director and institutional ownership simultaneously significantly affect executive compensation. The R square test results obtained an R square value of 0.09, indicating that 9% of the executive compensation variable can be explained by social stigma, women as the main director, and institutional ownership. At the same time, the remaining 90% is influenced by other variables not examined in this study. The partial t-test shows that the social stigma variable has a regression coefficient of 20.571 and a significance value of 0.44 > 0.05. Thus, (H1) in this study cannot be supported. This research does not align with Novak & Bilinski (2018), which found that social stigma significantly affects executive compensation. The female variable as the main director has a regression coefficient of -1.36 and a significance value of 0.01 <0.05, meaning that the female variable as the main director significantly negatively affects executive compensation. Thus, (H2) in this study cannot be supported. This study's results differ from the research conducted by (Kalogeraki & Georgakakis, 2021), which found that women as main directors positively affect executive compensation. Based on the test results on (H3), it can be seen that the institutional ownership variable has a regression coefficient value of 0.93 and a value significance of 0.02 <0.05, which means that the institutional ownership variable has a significant positive effect on executive compensation. This research aligns with (Wati & Nuringsih, 2020) research. This research differs

from those conducted by (Daljono, 2022) and (Maharani & Utami, 2019), who found that institutional ownership has no significant effect on executive compensation.

Table 7. Result of Regression Analysis: Model 1

Variable	Coeff Reg	t statistic	Sig
Social stigma	20.57	0.77	0.44
Women as chief executive director	-1.36	-2.75	0.01
Institutional ownership	0.93	2.28	0.02
F Statistic = 4,81			
F Sig = 0,00			
R Square = 0,09			

Based on the results of multiple linear regression testing in Table 6, it can be seen that F-significant 0.09 > 0.05 means that executive compensation simultaneously does not affect firm performance. In the R2 test results, an R square value of 0.02 is obtained, which indicates that 2% of the firm's performance variables can be explained by executive compensation. At the same time, the remaining 98% is influenced by other variables not examined in this study. The t-test results show that the executive compensation variable has a regression coefficient of 0.05 and a significance value of 0.09 > 0.05, meaning that the executive compensation variable has no significant positive impact on firm performance. Thus, this study's fourth hypothesis (H4) cannot be supported. This study's results align with the research of (Raithatha & Komera, 2016), which also found no significant impact between executive compensation and firm performance. This research differs from that conducted by (Vidyatmoko et al., 2013), who found that executive compensation positively impacts firm performance.

Table 8. Result of Regression Analysis: Model 2

Variable	Coeff Reg	t statistic	Sig
Executive compensation	0.05	1.70	0.09
F Statistic = 2.88			
F Sig = 0.09			
R Square = 0.02			

Based on the results of multiple linear regression testing in Table 7, it can be seen that F-significant 0.01 <0.05 means that executive compensation simultaneously has a significant effect on tax aggressiveness. In the R^2 test results, an R square value of 0.05 is obtained, which indicates that 5% of the tax aggressiveness variable can be explained by executive compensation. In comparison, the remaining 95% is influenced by other variables not examined in this study. According to the partial t-test, the executive salary variable significantly positively affects tax aggression, with a regression coefficient of 0.00 and a significance value of 0.01 <0.05. Thus, the fifth hypothesis (H5) in this study is accepted. This research is in line with the investigation of (Pakpahan et al., 2020) and (Yuniarti & Riswandi, 2021), who found that executive compensation positively affects tax aggressiveness. (Purwanto & Purwantoro, 2020) found different results that stated that executive compensation negatively affects tax aggressiveness.

Table 9. Result of Regression Analysis: Model 3

Variable	Coeff Reg	t statistic	Sig
Executive compensation	0.00	2.64	0.01
F Statistic = 6.95			
F Sig = 0.01			
R Square = 0.05			

Based on the results of logistic regression testing in Table 8, it can be seen that F-significant 0.49 > 0.05 means that executive compensation does not simultaneously affect financial reporting fraud. The R^2 test yielded an R square value of 0.01—indicating that executive salary explains 1% of the financial reporting fraud variable. In contrast, additional factors not covered in this study impact the remaining 99%. The executive remuneration variable does not affect financial reporting

fraud, according to the partial t-test, which also reveals that it has a regression coefficient of 0.00 and a significance value of 0.47 > 0.05. Thus, the sixth hypothesis (H6) in this study was rejected. This research is in line with (Indiraswari, 2021), who found that executive compensation does not affect fraud in financial reporting. Different research results were found by others researchers (Uygur, 2013), which stated that executive compensation affected financial reporting fraud.

Table 10. Result of Regression Analysis: Model 4

Variable	Coeff Reg	t statistic	Sig
Executive compensation	0.00	0.53	0.47
F Statistic = 0.48			
F Sig = 0.49			
R square = 0.01			

Discussion

Stigma Social and Executive Compensation

The first hypothesis was tested to determine whether there is a significant effect between social stigma and executive compensation. This study showed no significant influence between social stigma and executive compensation because it showed a considerable value > 0.05. According to research by (Novák & Bilinski, 2018), social stigma can encourage companies to seek political capital to reduce the public's negative view of companies. The firm organises charity activities that aim to build a positive image of the firm for the community. This research differs from that of (Novák & Bilinski, 2018), which found that social stigma significantly affects executive compensation. In previous studies using industrial companies as research objects, the period was 1992-2012, and the research sample was 82,625 tobacco industry companies in the United Kingdom. Thus, it can be concluded that good or bad social stigma against a firm does not affect the size of the compensation received by firm executives because charitable activities carried out by companies are a form of corporate social responsibility, so the presence or absence of philanthropic activities carried out by the firm does not affect the amount of compensation received by the executive. Charity activities carried out by the firm aim to create a positive image of the firm for the community. This charity activity is a form of the firm's concern for the surrounding community.

Women as Executive Directors and Executive Compensation

The second hypothesis was tested to determine whether there is a significant effect between women as chief directors and executive compensation. In this study, it was found that there was a significant negative effect between women as the main director and executive compensation because it showed a significance value of <0.05. According to social identity theory, individuals tend to identify with and support their group. The presence of women as chief directors will supposedly eliminate gender differences in pay for corporate executives. Research conducted by (Hudha & Utomo, 2021) states that female directors are considered more rational in making decisions and more transparent about financial reports than male directors. This study's results differ from research by (Kalogeraki & Georgakakis, 2021), which found that women as main directors positively affect executive compensation. Previous studies used panel regression analysis and control variables. In this study, the average woman as the main director on the board of directors is only around 13.83%. Because female directors are considered more rational than male directors, the existence of women as main directors significantly affects the compensation received by firm executives. Thus, it can be concluded that the presence of women as presidential directors influences the firm's compensation policy because female directors are considered more rational in making decisions, so if the main director of a firm is a woman, then the main director tends to be more careful regarding executive compensation policies because compensation High executives lead to high agency costs as well.

Institutional Ownership and Executive Compensation

Based on the results of hypothesis testing, there is a significant positive relationship between institutional ownership and executive compensation because it shows a considerable value of <0.05. According to (Maharani & Utami, 2019), Large institutional ownership motivates executives to continue to increase and maintain their productivity so that the compensation received is also greater. According to agency theory, large institutional ownership will impact the implementation of effective monitoring; this is one way to deal with problems in agency theory, namely the conflict of interest between owners and management. This study supports the findings of (Wati & Nuringsih, 2020). This research differs from those conducted by (Daljono, 2022) and (Maharani & Utami, 2019), who found that institutional ownership has no significant effect on executive compensation. Therefore, it can be concluded that the size of a firm's institutional ownership affects the compensation received by firm executives. The higher the firm's institutional ownership, the higher the owner's control over the firm's management.

Executive Compensation and Firm Performance

Based on the results of hypothesis testing, there was no significant impact between executive compensation and firm performance because it showed a substantial value of > 0.05. According to research by (Ekadjaja, 2022), high executive compensation tends to improve firm performance because management is motivated by providing large compensation if it succeeds in achieving its strategic goals. This study's results align with the research of (Raithatha & Komera, 2016), which also found no significant impact between executive compensation and firm performance. This research differs from that conducted by (Vidyatmoko et al., 2013), who found that executive compensation positively impacts firm performance. Thus, it can be concluded that the size of the compensation received by the executive does not affect the firm's good or bad performance because good or bad firm performance depends on how management carries out the firm's operational activities.

Executive compensation and tax aggressiveness

Based on the hypothesis testing results, it shows a significant impact between executive compensation and tax aggressiveness because it shows a significance value of <0.05. Agency conflicts between owners and management certainly affect the firm's performance, one of which is the firm's tax policy. Research conducted by (Riswandari & Bagaskara, 2020) states that various efforts have been made so that agents or executives can obtain compensation as expected. One action that can be taken is to minimise the tax burden. This research is in line with the study of (Pakpahan et al., 2020) and (Riswandari & Bagaskara, 2020), who found that executive compensation positively affects tax aggressiveness. (Purwanto & Purwantoro, 2020) found different results that stated that executive compensation negatively affects tax aggressiveness. Thus, it can be concluded that executive compensation affects the level of corporate tax aggressiveness because executives try to minimise the tax burden to obtain large compensation. The higher the executive compensation, the firm tends to be tax aggressive.

Based on the results of hypothesis testing, there was no significant impact between executive compensation and financial reporting fraud because it showed a significance value of > 0.05. The higher the compensation given to firm executives, the lower the financial statement fraud committed by the firm because, according to stewardship theory, individuals have a moral and binding commitment with their organisation to work towards achieving common goals without taking advantage of each other. This research is in line with (Indiraswari, 2021), who found that executive compensation does not affect fraud in financial reporting. Different research results were found by (Uygur, 2013), which stated that executive compensation affected financial reporting fraud. Thus, it can be concluded that the size of the payment received by firm executives does not affect the occurrence of fraudulent financial statements because, based on the theory of

stewardship, individuals and their organisations have a moral commitment to work to achieve common goals, without taking advantage of each other.

Conclusion

The results of this study indicate that women as chief directors have a negative effect on executive compensation. The higher the woman as the main director, the lower the executive compensation. Conversely, the lower the number of women as the main director, the higher the executive compensation. Social identity theory argues that individuals tend to judge other members who belong to the same social category as themselves. From this point of view, women as main directors tend to be more rational regarding compensation policies, thereby eliminating gender differences in salary at the firm's top management. Therefore, the authors suggest companies choose women as the firm's main directors because women tend to provide smaller executive compensation so this low compensation can reduce the firm's agency costs. The study results show that institutional ownership has a significant positive effect on executive compensation, meaning that the higher the institutional ownership, the higher the executive compensation.

On the other hand, the amount of executive compensation certainly increases the firm's agency costs. Large institutional ownership can overcome agency problems between owners and firm management. The study results show that executive compensation has a significant positive impact on tax aggressiveness. The higher the executive compensation, the higher the tax aggressiveness. This is one of management's opportunistic attitudes to fulfil their interests by minimising the tax burden. On the other hand, inappropriate corporate tax aggressiveness can certainly damage the firm's reputation. Therefore, to reduce the level of tax aggressiveness, companies can reduce the amount of executive compensation. This research has limitations related to the relatively limited number of samples that do not represent all consumer goods companies listed on the Indonesia Stock Exchange (IDX), namely 36 companies and the relatively short research period, namely 2017-2020.

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