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Tax aggressiveness of family firms in emerging countries: How does resource-based view explain it?

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ABSTRACT

Objective: The objective of the article is to empirically examine the effects of three resource categories based on the resource-based view – represented by firm size, top manager's experience, and closeness to governments – on family firms tax aggressiveness in emerging countries.

Research Design & Methods: The study used data from the World Bank's Productivity and the Investment Climate Survey that covers several issues, including taxation. The survey was held in 2006-2018. We use data from 19 848 family firms as our sample. Data is analysed with the Ordered Probit Model.

Findings: The results of the analysis showed that family firms with resources of firm size, top manager's better experience, and closeness to government have the options to engage in greater tax aggressiveness than other family firms.

Implications & Recommendations: The governments of emerging countries need to pay more attention to larger family firms and the firms led by more experienced top managers to enhance tax compliance because these firms potentially engage in greater level of tax aggressiveness.

Contribution & Value Added: This study offers a better understanding of the tax aggressiveness of family firm that is relatively poorly understood in the literature with the resource-based view approach.

Article type:	research article
Keywords:	tax aggressiveness; family firms (FFs); resource-based view (RBV); firm size; top manager's experience; closeness to governments
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INTRODUCTION

In emerging economies, family firms (FFs) are considered to have significant economic impacts (Gedajlovic, Carney, Chrisman, & Kellermsirmanns, 2012; Schulze & Gedajlovic, 2010), because they can contribute to job creation and economic growth (Lucky, Minai, & Isaiah, 2011), along with economic recovery during economic crisis (Bonilla, Sepulveda, & Carvajal, 2010). Thus, it is understandable that governments pay much attention to FFs' development (Monticelli, 2017). Even Kim, Kandemir, and Cavusgil (2004) emphasize that the key factor of FFs' development is their closeness to governments, commonly labeled as political connections. According to the resource-based view (RBV), this closeness is indeed one of firms' resources included in the category of organizational resources.

However, closeness to government is often exploited by FFs for their interests, including tax purposes (Welter, 2011), by carrying out tax aggressiveness aimed at reducing their tax obligations. Tax aggressiveness itself is defined as intentional activities to avoid tax obligations and payments (Martinez, 2017). Tax aggressiveness can be done by companies through marking up costs or recording lower real revenue. It is possible that closeness to government is not the only resource that allows tax aggressiveness for FFs but also relates to other resources.

The resource-based view (RBV) classifies firms' resources into three categories, namely physical capital resources, human capital resources, and organizational resources (Barney, 1991; Michalisin, Smith, & Douglas, 1997). Physical capital resources are firms' physically existing capital commonly indicated by firm size. Cabrera-Suárez, Déniz-Déniz, and Martín-Santana (2014), Huybrechts, Voordeckers, Lybaert, and Vandemaele (2016), and Smulders, Stiglingh, Franzsen, and Fletcher (2017) identify that firms' resources – as measured by firm size – negatively affect tax aggressiveness. Meanwhile, human capital resources refer to the characteristics of top management, such as experience, which also negatively affects tax aggressiveness behaviour (Bjuggren & Sud, 2005; Smulders *et al.,* 2017). Although the results of previous studies showed a negative effect, there remains a possibility that the size and experience of top management has a positive effect on tax aggressiveness. Larger FFs will also add tax burden so they tend to be more motivated to carry out tax aggressiveness. Likewise, with the experience of top management, increasingly experiencing a deeper understanding of the ins and outs of taxation including efforts to reduce tax liabilities so as to encourage top management to aggressively tax. The above arguments require further study.

The objective of the article is to empirically examine the effects of the three resource categories based on the RBV, namely physical capital resources, human capital resources, and organizational resources that are represented by firm size, top manager's experience, and closeness to governments on FFs' tax aggressiveness in emerging countries. This paper contributes to the literature by offering a better understanding of FFs' tax aggressiveness, which is relatively understudied, in at least two ways. Firstly, we analyse the issue from FFs' heterogeneous and unique resources and not from the agency perspective as do other studies. However, this study uses the RVB framework that has a prominent position in strategic management research because it provides a comprehensive explanation regarding the combination of firm's internal resources and capabilities as a key to achieving sustainable competitive advantage. Secondly, we add closeness to government as firm resources, which was

analysed by previous studies. This study uses data from the World Bank's Productivity and Investment Climate Survey that covers several issues, including taxation. The survey was held in 2006-2018 with the total of 136 889 respondents. We use only FFs from emerging countries as our sample that meet several criteria: firms with single ownership of more than 50% of total ownership and formal firm. The above criteria produce the final sample of 19 848 firms. We test our hypothesis by using the ordered probit model (OPM).

The rest of the article is structured as follows. The second section presents the literature review and the theoretical arguments underlying the research hypotheses on the effects of firm size, top managers' experience, and closeness to governments on firms' tax aggressiveness. The third section presents the research data and methods. Next, the fourth section discusses the results of hypothesis testing. Lastly, the fifth section concludes and suggests future research directions.

LITERATURE REVIEW

Barney's article (1991) "Firm Resources and Sustained Competitive Advantage" was an important milestone for the RBV, commonly known as the resource-advantage theory. Principally, RBV considers firm as a collection of resources and capabilities. Differences in resources and capabilities from competitors create the competitive advantage of firms (Peteraf & Barney, 2003). Firms develop their competitive advantage by utilizing and managing their resources productively to create valuable, rare, inimitable, and non-substitutable resources (Kabue & Kilika, 2016). When firms operate in industries that do not facilitate them to develop inimitable or non-substitutable resources, they need to build competencies to convert imitable and substitutable resources into inimitable and non-substitutable resources so as to ensure sustainable competitive advantage. Thus, firms must be creative and entrepreneurs must create competitive advantage (Barney, 2001). Competence building is the product of organizational culture and values that will shape firms' behaviours.

Similarly in FFs, they must properly manage their resources in order to increase their competitive advantage. A family firm can be dominantly controlled by a family with the vision to potentially sustain family control across generations (Zellweger, 2017, pp. 98-99). This definition of a FF is in line with the definition conveyed by Chua, Chrisman, and Sharma (1999), which emphasizes two central attributes: the controlling family and control across generations. For dominant control interests to remain in the hands of the family, ownership or voting rights of more than 50% are required (Bednarz, Bieliński, Wołowik, & Otukoya, 2017). Basically, the nature of FFs will be determined by the cultural and behavioural aspects introduced by the controlling family (Chrisman, Chua, & Steier, 2005; Zellweger, Eddleston, & Kellermanns, 2010). The intention of the founder of the family company is not only to create wealth that will only be enjoyed by the founder but has a vision to be passed to future generations. The existence of a family business is inseparable from the existence of several strengths and weaknesses. For example, Zellweger (2017, pp. 162) identifies the strengths of FFs, including lower agency costs, efficient leadership, continuity, and long-term orientation. Meanwhile, their weakness was high dependence on family and challenges of succession.

From the RBV perspective, firms' resources can be classified into three types, namely physical capital resources, human capital resources, and organizational resources (Barney, 1991; Michalisin *et al.*, 1997). Firms need to interact with these three resource types

to achieve their objectives. Enz (2008) argues that a resource does not suffice to build a competitive advantage. In this respect, firms need to organize various resources in certain ways to build capabilities in creating competitive advantage as the basis of firm behaviour. Firm size is often associated with reputation and information openness. Larger firms exhibit a better reputation (Waluyo, 2017). FFs' managers tend to avoid tax aggressiveness to protect their firms' long-term reputation (Isakov & Weisskopf, 2015; Sánchez-Marín, Portillo-Navarro, & Clavel, 2016). In terms of governance, relatively larger FFs likely have better governance than smaller ones. The argument is also supported by Madhani (2016) who shows the positive correlation between size and governance. Besides, larger firms have greater incentives to disclose information to reduce political cost because they attract public scrutiny (Eilbert & Parket, 1973) and have sufficient resources to produce information. Better governance and more disclosed information disincentivize FFs to engage in tax aggressiveness.

However, it is possible that family firm size will positively impact tax aggressiveness with several arguments, including the fact that larger firms tend to have greater profits than smaller firms, and the tax burden is higher, which encourages firms to take actions to reduce their tax payments (Irianto, Sudibyo, & Wafirli, 2017). The larger firms also have more complexity in their transactions, which provides more opportunities in the effort to avoid taxation (Rego, 2003). Moreover, the Political Power Theory – as initially proposed by Siegfried (1972) – also hypothesizes that larger firms have greater political power that they can use to engage in political negotiations to facilitate tax aggressiveness, and larger firms also have a better financial ability to hire tax experts to carry out tax planning. The above arguments receive support from previous studies conducted by Irianto *et al.* (2017), Ogbeide (2017), Wang, Campbell, and Johnson (2014), Nicodème (2007), Dyreng, Hanlon, and Maydew (2008), and Mills, Nutter, and Schwab (2013), which prove that firm size has a positive and significant influence on tax aggressiveness. Based on the above discussion, we propose the following hypothesis:

H1: Family firm size positively affects firms' tax aggressiveness.

RBV positions human capital resources as the source of sustainable competitive advantage. These human capital resources can be in the form of individual experiences in an organization. Several studies relate top managers' experience to firms' financial performance (Peni, 2014; Saidu, 2019). The results demonstrate the positive correlation between Chief Executive Officer's (CEO) experience and firm's financial performance. CEOs' longer experience also contributes to the reputation of CEOs and firms. More reputable CEOs are associated more with firms' resources than less reputable ones (Stanwick & Stanwick, 2003; Wade, Porac, Pollock, & Graffin, 2008). In the taxation context, FFs managed by more experienced CEOs will focus on their performance and reputation, so they are likely to exhibit lower tax aggressiveness.

There is also a reason that manager's experience is positively related to tax aggressiveness. Experienced managers can be associated with their ability to manage firm resources more efficiently. According to Koester, Shevlin, and Wangerin (2016), managers with higher ability to manage resources efficiently are likely to be involved in greater tax avoidance. This is based on three arguments. Firstly, higher-ability managers have a good understanding of how to identify and exploit tax planning opportunities. Secondly, higher ability managers are likely to choose a reduction in tax costs compared to operational cost,

because the former do not have a direct adverse effect on the firm's operations (Dyreng, Hanlon, & Maydew, 2010). Thirdly, managers with higher ability try to make cash tax savings that are redeployed to more productive uses through profitable investment activities. Furthermore, Koester *et al.* (2016) succeeded in providing empirical evidence that managers with a higher ability are more likely to engage in tax aggressiveness by reducing tax cash payments. Therefore, we argue that FFs managed by experienced managers can potentially reduce tax aggressiveness or vice versa. This leads to our hypothesis:

H2: Family firms' top managers' experience positively affects firms' tax aggressiveness.

FFs' closeness to governments is an example of organizational resources. Closeness to governments or political connections is a pervasive phenomenon in transitioning and developing countries (Wu *et al.,* 2012). The political connection can take various forms such as the presence of at least one government official in a firm's ownership structure, the board of director, or audit committee (Khlif & Amara, 2018). Firms with close connections to governments will arguably receive special treatment such as loans or a lowered risk of tax inspection (Hanny & Niandari, 2018). Such special treatments imply that politically connected firms are more tax aggressive than firms distant to government. Besides, firms use tax aggressiveness to reduce political cost (Kim & Zhang, 2015).

Previous studies demonstrate that politically connected firms tend to enjoy tax benefits by paying lower Effective Tax Rate (ETR; Wu, Wu, Zhou, & Wu, 2012). In the same vein, politically connected firms are more tax aggressive as measured by book-tax differences than non-politically connected firms (Aswadi, Wahab, Ariff, Marzuki, & Sanusi, 2017; Kim & Zhang, 2011). Based on this discussion, we propose the following hypothesis:

H3: Family firms' political connections positively affect firms' tax aggressiveness.

MATERIAL AND METHODS

This study uses an explanatory method because it seeks to explain effects of the three firm resources based on RBV categories – firm size, top manager's experience, and closeness with the government – on tax aggressiveness behaviour and focus in the family firm context in emerging countries.

The study uses data from the World Bank's Productivity and Investment Climate Survey that covers several issues, including taxation. The survey was held in 2010-2018 with the total of 136 889 respondents. The data collection method used by the World Bank is a field survey through face-to-face interviews with respondents consisting of firm owners, top managers, accountants, and human resources specialists. Target firm data is sourced from the master list of companies obtained from the country's statistical office and other government agencies such as tax or business licensing authorities. For the sake of sample representation, the selection of surveyed companies is based on multistage random sampling based on firm size, business sector, and geographic region within a country.

As our sample, we only use FFs that meet several criteria; firstly, firms with single ownership of more than 50% of total ownership (Bednarz *et al.,* 2017). Next, we only use observations from emerging countries as defined by the IMF, namely Argentina, Bangladesh, Brazil, Bulgaria, Chile, China, Colombia, Hungary, India, Indonesia, Malaysia, Mexico, Pakistan, Peru, Filipina, Poland, Romania, Russia, South Africa, Thailand, Turkey, Ukraine,

and Venezuela. Secondly, the formal firm considering the focus of this study is tax compliance (Gokalp, Lee, & Peng, 2017). Thirdly, outliers are not included. The above criteria produce the final sample of 19 848 firms.

The study involves tax aggressiveness as the response variable, along with firm size, top manager's experience, and closeness to government as predicting variables and several control variables. Tax aggressiveness is measured with the response to the question "Over the last year, how many times was this establishment either inspected by tax officials or required to meet with them?" We use the question related to tax inspection because more frequent tax inspections indicate that taxpayers have more tax-related problems (OECD, 2014). Thus, firms inspected by tax officials more frequently are likely more tax aggressive.

Table 1. List of variable measurement

Variable	Measurement
Tax aggressiveness (TC)	Measured with the frequency of tax inspections. Classified into three categories, 1 = never inspected, 2 = 1-30 times inspected, and 3 = inspected more than 30 times.
Firm size (SIZE)	Classified into three categories, 1 = small (the firm has up to 20 employees), 2 = medium (the firm has 20-99 employees), and 3 = large (the firm has more than 100 employees).
Top Manager's Experience (EXP)	Measured with how long the top manager worked in the same industry as the one in which the firm operates.
Closeness to the Government (GOV)	A dummy variable that equals 1 if the firm seeks to secure government contracts and 0 if otherwise.
Industry (IND)	A dummy variable that equals 1 if the firm operates in the manufacturing industry and 0 if otherwise.
Firm age (AGE)	Measured with the natural logarithmic value of the number of the firm's operating years.

Source: own study.

We measure firm size with the number of employees. Based on the classification of company size conducted by the World Bank (2009), we classify firms into three categories: small (up to 19 employees), medium (20-99 employees), and large (more than 100 employees). Next, the top manager's experience is measured with his/her years of experience in managing similar firms. Next, we measure closeness to government with the question of "Over the last year, has this establishment secured or attempted to secure a government contract?"

We use both industry-level and firm-level control variables. The industry-level control variable is a dummy variable that equals one if the firm is in the manufacturing industry and zero if otherwise. Meanwhile, firm age is the firm-level control variable.

Because the dependent variable of this study is measured with ordinal scale, we test our hypotheses by using the following ordered probit model (OPM) equation (Greene, 2018, pp. 111):

$$y* = \beta' x + \varepsilon \quad (1)$$

in which $y*$ is the response variable, x is the vector of predictors variable, β is a vector of unknown parameters to be estimated, and ε_{ni} is the random error term capturing the effect of unobserved factors, which is assumed to follow a normal distribution with zero

mean and unit variance. The response variable ($y*$) of this study (tax aggressiveness) is measured by using three levels, namely (1) low tax aggressiveness, (2) moderate tax aggressiveness, and (3) high tax aggressiveness.

$$y\,(TA) = \begin{cases} 1, if\ TA < \omega 1 \\ 2, if\ \omega 1\ \leq TA \leq\ \omega 2 \\ 3, if\ TA >\ \omega 2 \end{cases} \quad (2)$$

Thus, the following is the equation

$$TA * i =\ \beta 0 +\ \beta 1 SIZEi +\ \beta 2 EXPi +\ \beta \Sigma \mathrm{GOVi} +\ \beta \Sigma \mathrm{INDi} +\ \beta \Sigma \mathrm{AGEi} +\ \varepsilon \mathrm{i} \quad (3)$$

in which TA is the tax aggressiveness level, EXP is top manager's experience, SIZE refers to firm's size classified into three measures (small, medium, and large). Further, GOV is a dummy variable that equals 1 if the firm has close ties with the government and 0 if otherwise. Similarly, IND is also a dummy variable that equals 1 if the firm belongs to the manufacturing industry and 0 if otherwise, while AGE is firm's age.

RESULTS AND DISCUSSION

Descriptive Statistics

The descriptive statistics of 19 848 observations reveal that 46.68% of total observations fall into the non-tax aggressive category, while 51.96% of total observations fall into moderately aggressive. Only relatively few firms – 1.36% of total observations – fall into the very aggressive category.

Small and medium firms dominate the observations. Specifically, 40.84% of total observations are small firms, while 37.09% of total observations are medium firms. Meanwhile, 22.07% of total observations are large firms.

Table 2. Descriptive statistics of dependent, explanatory, and control variables

Category	n	Proportion (%)
Tax Aggressiveness		
Not aggressive	9 265	46.68
Moderately aggressive	10 314	51.96
Very aggressive	269	1.36
Firm Size		
Small	8 107	40.84
Medium	7 361	37.09
Large	4 380	22.07
Closeness to the Government		
No	16 571	83.49
Yes	3 277	16.51
Industry Type		
Manufacture	12 855	64.77
Non-Manufacture	6 993	35.23

Source: own study.

In terms of closeness to government, 83.49% of total observations show no closeness to government as indicated by firms' efforts to secure contracts from governments. Furthermore, 64.77% of total observations are manufacturing firms and the rest are non-manufacturing firms.

The correlation matrix demonstrates the relationship between firm size, top manager's experience, closeness to government, industry type, and firm age. Table 3 also shows no high correlation coefficients between independent variables, thus indicating no serious multicollinearity issue. Thus, the results suggest that all independent variables can be used for our ordered probit analysis.

Table 3. Spearman correlation matrix of explanatory and control variables

Variables	(1)	(2)	(3)	(4)	(5)
Firm Size(1)	1.000				
Top Manager's Experience (2)	0.0802 0.000***	1.000			
Closeness to Government (3)	0.0428 0.000***	0.0471 0.000***	1.000		
Industry Type (4)	0.1777 0.000***	0.0899 0.000***	-0.0548 0.000***	1.000	
Firm Age (5)	0.2108 0.000***	0.2743 0.000***	0.0351 0.000***	0.1635 0.000***	1.000

Notes ***p < 0.01
Source: own elaboration in Stata.

Ordered Probit Model (OPM) Analysis

Table 4 shows that the pseudo R^2 value is 0.0285, indicating that 2.91% of the variant proportion of tax aggressiveness variable is explained by the predicting variables. Similar to research in the field of health – in behavioral studies – the low pseudo R^2 is acceptable because numerous factors determine a behavior (Martin, 2013). Furthermore, Martin (2013) also states that the main point lies in reliable relationships; especially in studies involving large sample sizes. The χ^2 probability of the model is <0.0001, implying that at least one of the regression coefficients in the model is not equal to zero. The OPM does not produce an intercept as a constant but a cutpoints value (/cut) as the determinant of tax aggressiveness when the firm size, top manager's experience, and political connection variables are equal to zero. The cutpoints 1 value of 0.5168 indicates that tax aggressiveness will be lower if variables other than the research variables are 0.5168 or lower and, conversely, they will be higher if variables other than the research variables are 3.716 (cutpoints 2) or higher. If the values of other variables fall within the range of 0.5168-3.716, then tax aggressiveness is moderate.

Next, the coefficient of firm size is 0.263 (p-value < 0.000), suggesting that larger firms tend to engage in a greater level of tax aggressiveness (H_1 is supported). The results also show that managers with longer experience in the same industry usually engage in greater tax aggressiveness (H_2 is supported), as indicated by its coefficient value of 0.020 (p-value 0.034). Furthermore, the coefficient value of closeness to government is 0.367 (p-value < 0.000), also indicating that firms with close ties with governments tend to exhibit a greater level of tax aggressiveness (H_3 is supported). Thus, firms have the option to engage in

greater tax aggressiveness due to larger firm size, longer manager's experience, and close ties with governments.

For control variables, the industry type and firm age variables are positively associated with tax aggressiveness (coef. 0.030 p-value 0.060; coef. 0.002 p-value 0.033). Thus, besides the variables of interest – firm size, top manager's experience, and closeness to government – industry type and firm age as control variables also affects tax aggressiveness.

Table 4. OPM estimates of tax aggressiveness

Variable	Coef	p-value
Firm Size	0.263	0.000***
Top Manager's Experience	0.020	0.034**
Closeness to Government	0.367	0.000***
Control Variable		
Industry Type	0.030	0.060*
Firm Age	0.002	0.033**
/cut1	0.517	
/cut2	3.717	

Notes: the number of observations = 19 848; Wald $\chi 2$ = 809.81; probability $\chi 2$= 0.0000;Pseudo R2 = 0,0291
*p < 0.1; **p < 0.05; ***p < 0.01.
Source: own elaboration in Stata.

Discussion

The study demonstrates that larger FFs in emerging countries exhibit a greater level of tax aggressiveness. The results are in line with previous studies that show that firm size is associated with the level of tax aggressiveness (Irianto *et al.,* 2017; Ogbeide, 2017; Wang *et al.,* 2014). FFs with an increasingly large size are not balanced with awareness to meet their tax obligations but, instead, motivated to make tax avoidance. Larger firm size motivates FFs to not only focus on family values but also on profit maximization, including through tax aggressiveness. Larger FFs in emerging countries are likely to make use of their financial advantages to influence parties related to taxation and the complexity of their transactions to facilitate tax aggressiveness.

We also observe that managers who have longer experience in the same industry tend to engage in greater tax aggressiveness. The finding implies that – in FFs in emerging countries – managers with long experience in similar industries also have a better experience in engaging in aggressive tax behaviour. Managers with longer experience tend to have a higher ability to manage various aspects of FFs, including taxation aspects. This can lead to the behaviour of managers to carry out tax aggressiveness, which may seek cash savings that can be used as an alternative source of financing firm development. Cash obtained from tax savings will be allocated in firm projects that are expected to generate a positive return on investment (Koester, *et al.,* 2016). In FFs, managers' longer experience will shift the objectives of owning families from building FFs in societies into satisfactory income to continue the business.

The likely explanation of our results with previous studies on non-FFs – both for firm size and top manager's experience – is the difference in FFs' stages. FFs have four phases,

namely development, management, transformation, and preservation. During the development and management phases, owning families still likely maintain their ideal objectives of owning FFs (family values and reputation). Thus, FFs will thoroughly analyse impacts of tax aggressiveness on firms' long-term wealth and reputation (Isakov & Weisskopf, 2015; Sánchez-Marín *et al.,* 2016). However, during the transformation and preservation phases – characterised by professionalism in managing firms – the ideal objectives of owning families will arguably wane, and FFs will mostly focus on maximizing profits because of their obligations to bequeath FFs' assets to following generations (Casson, 1999).

In terms of closeness to government, our results show a similar result to other studies focusing on non-FFs. Thus, firms with close ties with governments exhibit a greater level of tax aggressiveness. Our study supports the findings of Aswadi *et al.* (2017), Kim and Zhang (2015), and Wu *et al.* (2012). FFs' closeness to government is a component of organizational resources that cause these firms to receive special treatments, such as receiving loans and having a low risk of tax inspection. The argument implies that politically connected firms tend to be more tax aggressive than non-politically connected firms.

The results elaborate on the conflicting results of previous studies on tax aggressiveness of FFs. In particular, several studies show that FFs are more aggressive (Martinez & Ramalho, 2014; Chen, Chen, Cheng, & Shevlin, 2010; Mafrolla & Amico, 2016; Steijvers & Niskanen, 2014), while others indicate that FFs are not aggressive (Pierk, 2016; Gaaya, Lakhal, & Lakhal, 2017). FFs' aggressiveness, especially in emerging countries, is affected by their resources, measured by this study using firm size, top manager's experience, and closeness to government. Thus, FFs' heterogeneous and unique resources are determinants of tax aggressiveness as explained by the RBV.

However, our study finds that larger firm size, more experienced top manager, and closeness to government exhibit a greater level of tax aggressiveness. Thus, besides creating a competitive advantage – as suggested by Peteraf and Barney (2003) – firms' resources can also motivate firms to exhibit dysfunctional behaviour such as tax aggressiveness. Consequently, in minimizing tax aggressiveness, FFs in emerging countries need to manage their resources productively so as to create valuable, rare, inimitable, and non-substitutable resources.

CONCLUSIONS

Management literature often mentions the important role of FFs in developing countries such as drivers of economic growth and job creation and economic buffering during crises, However, the question arises as to how far FFs comply with their tax obligations and whether the strength of resources owned by FFs leads to tax compliance or tax aggressiveness, in which tax becomes the main source of financing for developing country development. This study has empirically analysed FFs' tax aggressiveness based on their resources by using 19 848 sample firms in emerging countries. The results demonstrate that FFs with resources of firm size, top manager's experience, and closeness to government exhibit greater levels of tax aggressiveness.

Therefore, our article offers implications relevant for academicians, policymakers, and practitioners. More specifically, the study offers a better understanding of FFs' tax aggressiveness by using the RBV, which is relatively understudied in the literature. Currently, the RBV as initiated by Barney (1991), offers a framework of the strategic role of firms' resources

– which consist of physical capital resources, human capital resources, and organizational resources that are valuable, rare, inimitable, and non-substitutable (Kabue & Kilika, 2016) – as the basis of sustainable competitive advantage. However, as our study finds, the RBV also offers the framework as the basis of FFs' tax aggressiveness behaviour. Our results indicate that 51.34% of FFs in emerging countries tend to engage in tax aggressiveness. The findings suggest that governments of emerging countries must pay more attention to the behaviour of FFs in meeting their tax obligations. Governments must continue to increase the supervision of financial reporting of FFs through audit activities – especially for larger FFs and FFs led by more experienced top managers – so as to enhance tax compliance, because these firms potentially engage in greater levels of tax aggressiveness. Moreover, our study supports previous studies (Aswadi *et al.,* 2017; Kim & Zhang, 2015; Wu *et al.,* 2012) that find that FFs with closeness to government tend to use this close relationship for tax aggressiveness. The findings suggest that government officers must remain objective in levying taxes on all FFs, regardless of their closeness to government. This requires law enforcement, as governments must also impose strict sanctions on officers who do not act objectively. Meanwhile, practical implications for business actors are that top managers of FFs should prioritize the use of their resources to increase their firms' competitive advantage and reputation to support long-term firm existence rather than for the benefit of saving money through activities intended to avoid tax obligations and payments.

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