www.sjm06.com

Serbian Journal of Management 20 (1) (2025) xxx - xxx

Serbian Journal of Management

CORPORATE GOVERNANCE AND CORPORATE CULTURE: THE IMPACT ON TAX AVOIDANCE AND CORPORATE SOCIAL RESPONSIBILITY

Dianwicaksih Arieftiara*, Masripah Masripah and Shinta Widyastuti

Universitas Pembangunan Nasional Veteran Jakarta, Jalan RS. Fatmawati Raya No.1, Pondok Labu, Cilandak, South Jakarta City, Jakarta 12450, Indonesia

(Received 28 April 2024; accepted 11 September 2024)

Abstract

This study aims to analyze the reciprocal effect of tax avoidance and Corporate Social Responsibility (CSR) by considering the antecedent influence of Corporate Governance (CG) and Corporate Culture (CC). CG indicators include the independence and activities of the board of commissioners (BC) and the audit committee, while CC is measured using indicators of gender diversity on the executive board and power distance. The sample comprises manufacturing companies listed on the Indonesian Stock Exchange (IDX) for the period 2018–2023, totaling 654 firm years. Using a two-stage linear regression, the study showed no reciprocal effect between tax avoidance and CSR. This research failed to document the effect of CG on tax avoidance; however, it does affect CSR. The results showed that CC affects tax avoidance but not CSR. Three important contributions of this study are: providing literature and empirical evidence on the reciprocal effect between tax avoidance and CSR; developing a more comprehensive measure of CC using secondary data; and adding literature on CC in Indonesia and its effect on tax avoidance behavior and CSR disclosure, where existing literature and empirical evidence are limited.

Keywords: audit committee, corporate social responsibility, gender diversity, power distance, independent commissionaire, tax avoidance

1. INTRODUCTION

Numerous national and international businesses continue to engage in tax avoidance, demonstrating its ongoing relevance. Companies utilize tax management to exploit loopholes in tax law to reduce tax payments. In Indonesia, significant evidence of tax evasion activities has been found among companies. As

* *Corresponding author: dianwicaksih@upnvj.ac.id*

DOI: 10.5937/sjm20-50707

reported by the OECD, Indonesia ranks low in tax ratio, indicating persistent tax avoidance.

Tax avoidance often conflicts with the values of Corporate Social Responsibility (CSR), which promote ethical conduct towards stakeholders, including the public. While CSR programs can enhance a company's reputation and benefit society, tax avoidance can undermine these efforts by suggesting the firm is not committed to its social obligations. This can damage public trust and the legitimacy of the company's CSR activities (Lanis & Richardson, 2015; Mao & Wu, 2019; Abdelfattah & Aboud, 2020).

Research by Lanis and Richardson (2015) and Goerke (2019) found that CSR activities reduce tax avoidance. On the other hand, Stephenson and Vracheva (2015) and Liu and Lee (2015) discovered that CSR disclosure does not significantly impact tax avoidance. Hoi et al. (2013), Cabello et al. (2019), and Wang et al. (2020) assert that CSR activities can generate financing that enables companies to avoid taxation, which in turn can support further CSR activities. Mao and Wu (2019) demonstrated that CSR mediates the relationship between corporate governance and tax avoidance. However, Abdul Wahab et al. (2017) argue that CSR does not mediate this relationship effectively.

The literature suggests a complex reciprocal effect between tax avoidance and CSR, warranting further investigation. This study aims to examine the reciprocal effect between tax avoidance and CSR, and the antecedent effect of corporate governance and corporate culture on both. We expect this research to contribute to developing the corporate governance effectiveness index and the corporate culture index based on gender diversity and power distance, both sourced from secondary data. Furthermore, this research aims to provide empirical evidence of the mutual impact between tax avoidance and CSR, particularly in the context of developing nations like Indonesia.

2. LITERATURE REVIEW

2.1. Agency Theory

Agency Theory is a foundational concept in this research. Jensen and Meckling (1976) argue that there is a separation between the owner (principal) and the manager (agent) of a company. The owner desires that the manager act in the best interests of the owner. Previous literature has used agency theory to explain the motivations and impacts of managerial decisions in various areas, including taxation, dividend distribution, financial and non-financial reporting, business marketing, adherence to work rules and culture, and their effects on company performance, stock performance, cost efficiency, and competitiveness (Eichfelder & Kegels, 2014; Gazzola, et al. (2023); Arieftiara et al., 2020).

Agency Theory posits a principal-agent relationship within organizations, where stakeholders are the principals and managers are the agents (Jensen & Meckling, 1976). This theory assumes that individuals act for their personal benefit. In organizational management and economics, agency theory and corporate culture are related concepts. Agency theory addresses issues like goal discrepancies, risk tolerance, and information asymmetry by focusing on the interaction between principals and agents. It offers tools like contracts, monitoring, and incentives to align interests. Corporate culture describes the shared attitudes, convictions, and behaviors that influence interactions within and outside the organization. A strong corporate culture can encourage employees to act in the organization's best interests, reduce information asymmetry, and align interests, creating a synergy that enhances motivation, reduces agency costs, and boosts performance.

2.2. Legitimacy Theory

Legitimacy Theory is based on the relationship between a company and the surrounding community, where the company must align its activities with societal values. This theory explains that a company's actions must be acceptable to the community, adhering to social norms and values (Dowling & Pfeffer, 1975). Corporate social responsibility (CSR) is defined as business practices that consider social and environmental causes, while maximizing benefits and minimizing total losses (Guthrie et al., 2006; Lanis & Richardson, 2015).

2.3. Tax Avoidance

Tax avoidance is the legal minimization of tax liabilities through various strategies, exploiting gaps and loopholes in tax regulations (Masripah et al., 2017; Oats & Tuck, 2019; Wang et al., 2020). It aims to reduce tax burdens for individuals and companies, often involving strategic manipulation of expenses to generate maximum after-tax profit (Arieftiara et al., 2020; Frank et al., 2009; Ftouhi & Ghardallou, 2020).

2.4. Corporate Governance Mechanism

Corporate governance mechanisms are structures and processes designed to ensure that companies are managed in the best interests of their stakeholders. Effective corporate governance can enhance accountability, transparency, and integrity within organizations.

2.4.1. Independent Commissioners

Independent commissioners are those not affiliated with controlling shareholders, the board of directors, or other commissioners. Their role is to supervise the performance of directors, ensuring stringent management oversight (Mappadang, 2019; Khan & Kamal, 2024).

2.4.2. Audit Committee

The audit committee assists the board of commissioners by overseeing risk management, financial reporting, audits, and corporate governance implementation. Members with skills in accounting or finance can identify and advise on tax avoidance strategies (Effendi, 2016; Tresnawati & Indriani, 2021).

2.5. Corporate Culture

2.5.1. Gender Diversity

Gender diversity in corporate governance refers to the inclusion of women in leadership positions, such as executive boards and directors. Research indicates that gender-diverse boards are more financially successful and adept at stakeholder engagement. Gender diversity brings various perspectives and experiences to the boardroom, which can enhance problem-solving and decision-making processes. Female board members often emphasize ethical business practices, transparency, and social responsibility, leading to more prudent decision-making and a reduction in aggressive tax strategies. Policies promoting gender diversity include equitable recruitment and promotion practices, mandatory gender quotas, diversity and inclusion training, mentorship programs, work-life balance policies, and regular reporting and accountability measures. Companies with higher gender diversity are also found to be more responsive to social and environmental concerns, which can positively influence their CSR activities and overall corporate reputation (Richardson et al., 2016; Jarboui et al., 2020; Mumu et al., 2022).

2.5.2. Power Distance

Power distance describes the acceptance of unequal power distribution within an organization, influenced by social, educational, and positional factors. High power distance cultures expect and accept unequal power distribution, leading to hierarchical structures where decision-making is concentrated at the top. This can create an environment where subordinates are less likely to question or challenge decisions, potentially leading to unethical practices such as tax avoidance. High power distance can result in imbalanced relationships, misalignment of incentives, and lack of accountability. In contrast, low power distance cultures promote equality and encourage open communication and collaboration among all levels of employees. This can lead to more ethical decision-making, greater transparency, and reduced tax avoidance. Companies with low power distance structures are more likely to foster a culture of trust and cooperation, enhancing their CSR efforts and overall organizational performance. Understanding the impact of power distance on corporate behavior is crucial for developing effective governance and cultural strategies that align with ethical standards and societal expectations (Yoo & Lee, 2019; Yang et al., 2020; Oruh & Dibia, 2022; Jarne-Jarne et al., 2022).

2.6. Hypotheses Development

2.6.1. Reciprocal Effect of Tax Avoidance and Corporate Social Responsibility

Legitimacy theory suggests that CSR activities and tax payments are forms of corporate responsibility. Companies engaging in CSR initiatives aim to enhance their legitimacy by aligning with societal values and expectations. Research indicates a negative relationship between CSR disclosure and tax aggressiveness. For instance, Lanis and Richardson (2018), as well as Col & Patel (2019) found that firms with higher levels of CSR disclosure tend to exhibit lower levels of tax aggressiveness. This is because such firms are more likely to adhere to ethical practices and avoid actions that could harm their reputation. Conversely, tax avoidance can provide financial resources that enable companies to engage in more CSR activities. Abdelfattah & Aboud (2020) and and Eichfelder, & Vaillancourt (2014) argue that tax savings from avoidance can be redirected towards CSR initiatives, creating a reciprocal relationship where both practices reinforce each other. Therefore, we hypothesize:

H1a: CSR disclosure negatively affects tax avoidance.

H1b: Tax avoidance positively influences CSR disclosure.

2.6.2. The Effect of Corporate Governance Effectiveness on Tax Avoidance

Effective corporate governance, through independent commissioners and active audit committees, can reduce tax avoidance by ensuring managers act in stakeholders' best interests. Independent commissioners provide unbiased oversight, helping to align management's actions with the long-term goals of the company and its stakeholders. They are less likely to condone aggressive tax strategies that could harm the company's reputation and financial stability. Faradisty et al. (2020) and and Chouaibi et al., (2022) found that firms with a higher proportion of independent directors tend to have lower levels of tax avoidance. Similarly, the audit committee plays a critical role in monitoring the company's financial reporting and compliance with tax regulations. Members with expertise in accounting and finance can identify tax evasion opportunities and advise against them, promoting transparency and ethical behavior. Tresnawati and Indriani (2021) and Van & Quang (2022) emphasizes that an effective audit committee can mitigate risks associated with financial misreporting and unethical practices. Therefore, we hypothesize:

H2: The effectiveness of corporate governance mechanisms negatively affects tax avoidance.

2.6.3. The Effect of Corporate Culture on Tax Avoidance

Corporate culture, measured through gender diversity and power distance, significantly influences tax avoidance behaviors. Gender diversity leads to more prudent decision-making, reducing tax avoidance. Research by Richardson et al. (2016) indicates that gender-diverse boards are less likely to engage in aggressive tax strategies due to the diverse perspectives and ethical considerations brought by female directors. Women in leadership positions often advocate for transparency, social responsibility, and ethical practices, which can reduce the likelihood of tax avoidance. Jarboui et al. (2020) found that companies with higher gender diversity on their boards exhibit lower levels of tax aggressiveness.

High power distance, on the other hand, leads to perceived unfairness and increased tax avoidance. In high power distance cultures, decision-making is concentrated at the top, and subordinates are less likely to challenge unethical practices. This can create an environment where aggressive tax strategies are more prevalent. Yoo and Lee (2019) argue that high power distance can result in imbalanced relationships and misalignment of incentives, leading to a lack of accountability and higher levels of tax avoidance. Sedighi et al. (2022) suggests that reducing power distance within organizations can promote ethical decision-making and reduce tax avoidance. Therefore, we hypothesize:

H3a: Gender diversity negatively affects tax avoidance.

H3b: Power distance positively affects tax avoidance.

2.6.4. The Effect of Corporate Governance Effectiveness on CSR

Effective corporate governance enhances transparency, accountability, and responsibility, leading to better CSR disclosure. Corporate governance mechanisms, such as independent commissioners and audit committees, play a crucial role in ensuring that companies adhere to ethical practices and fulfill their social responsibilities. Freeman (1998) argues that effective corporate governance can enhance a company's reputation and stakeholder trust, which in turn promotes more comprehensive CSR disclosure. Zaid et al. (2019); Fahad & Rahman (2020) and Hussain & Orij (2018) found that firms with robust corporate governance practices are more likely to engage in CSR activities and provide transparent reporting on their social and environmental impact. Independent commissioners ensure that management decisions align with the interests of all stakeholders, promoting ethical behavior and responsible business practices. The audit committee oversees the company's financial and non-financial reporting, ensuring accuracy and compliance with relevant standards. Therefore, we hypothesize:

H4: The effectiveness of corporate governance mechanisms positively affects CSR disclosure.

2.6.5. The Effect of Corporate Culture on CSR

Corporate culture, measured through gender diversity and power distance, influences CSR disclosure decisions. Gender diversity brings various perspectives to the boardroom, enhancing the quality of decision-making and promoting ethical practices. Companies with higher gender diversity are more likely to engage in CSR activities and provide transparent disclosures. Garcia-Sanchez et al. (2014) found that gender-diverse boards are more responsive to stakeholder concerns and are more likely to disclose CSR activities comprehensively. Female directors often emphasize social responsibility and ethical behavior, which can lead to more proactive CSR engagement and reporting.

Power distance, on the other hand, can negatively affect CSR disclosure. High power distance cultures may hinder open communication and collaboration, leading to less comprehensive CSR reporting. In environments where decision-making is centralized, managers may prioritize financial performance over social responsibilities, resulting in lower levels of CSR disclosure. Jarne-Jarne et al. (2022) suggest that reducing power distance within organizations can foster a culture of transparency and ethical behavior, enhancing CSR reporting. Therefore, we hypothesize:

H5a: Gender diversity positively affects CSR disclosure.

H5b: Power distance negatively affects CSR disclosure.

3. METHODOLOGY

3.1. Sample and Data Collection

The sample comprises manufacturing companies listed on the Indonesian Stock Exchange (IDX) for the period 2018–2023. The total sample size is 654 firm years. Data were collected from annual reports, financial statements, and sustainability reports available on the IDX website and company websites.

3.2. Empirical Model and Variables Measurement

To test the hypotheses, the study employs multiple linear regression analysis with panel data. Two models are developed to examine the reciprocal effect between tax avoidance and CSR disclosure, and the influence of corporate governance and corporate culture.

Model 1: Effect of CSR Disclosure on Tax Avoidance

$$\mathrm{BTD}_{it} = \alpha + \beta_1 \mathrm{CSRD}_{it} + \beta_2 \mathrm{CG}_{it} + \beta_3 \mathrm{GENDER}_{it} + \beta_4 \mathrm{PD}_{it} + \beta_5 \mathrm{SIZE}_{it} + \beta_6 \mathrm{ROA}_{it} + \mathrm{e}_{it}$$

Model 2: Effect of Tax Avoidance on CSR Disclosure

$$CSRD_{it} = \alpha + \gamma_1 BTD_{it} + \gamma_2 ECG_{it} + \gamma_3 GENDER_{it} + \gamma_4 PD_{it} + \gamma_5 SIZE_{it} + \gamma_6 ROA_{it} + e_{it}$$

3.2.1. Tax Avoidance (BTD)

Measured by the book-tax difference (BTD), which is calculated as the difference between accounting income and taxable income scaled by total assets (Frank et al., 2009). The greater difference indicates higher tax avoidance (Arieftiara et al., 2020). The formula for measuring BTD is as follows:

$$BTD_{it} = BI_{it} - \frac{CTE_{it}}{STR_{it}}$$

The BTD_{it} is book tax difference for company i year t; BI_{it} is book income before tax at company i in year t; CTE_{it} is corporate tax expense for company i year t; STR_{it} is statutory tax rate (income tax rates in accordance with applicable tax laws) in the year t.

3.2.2. CSR Disclosure (CSRD)

Measured using the Global Reporting Initiative (GRI) standards. The CSRD index is calculated based on the proportion of GRI indicators disclosed in the sustainability reports (Clarkson et al., 2008; Ching et al., 2017; Deswanto & Siregar, 2018). The measure for the CSR index is: $CSRD_j = \sum X_{ij} / N_j$, or the sum of number CSR item disclosed by the companies scaled by total item maximum of disclosure. The higher index means the more item disclosed, indicate that the company is more transparent in publishing social responsibility activities.

3.2.3. Effectivenes of Corporate Governance (ECG)

Effectiveness of Corporate Governance (ECG) is the monitoring of managers' activities in relation to the determination and implementation of business strategies and tax avoidance activities. This score is based on Arieftiara et al. (2020), and the ASEAN Corporate Governance Scorecard. It demonstrates how effectively the board of commissioners supervises the company. It is composed of five factors: the independence of the board of commissioners, their activities, size, competence, and the effectiveness of the audit committee.

The measurement of each proxy is based on Arieftiara et al. (2020), which uses a checklist to assess the characteristics of each company's board of commissioners. Each question on the checklist has three possible scores:

• Good (3): The annual report provides clear and detailed information about the item.

• Fair (2): The annual report mentions the item, but it lacks clarity and detail.

• Poor (1): The annual report does not contain the item.

We have adjusted some of Arieftiara et al. (2020) checklists to suit the context of this study, particularly for strategy setting and tax avoidance activity supervision. In addition, this study adds several new questions from the ASEAN CG Scorecard related to the supervision of business strategy determination and tax avoidance activities. Due to the lack of explicit information regarding taxation supervision in the report of the board of commissioners, the researchers used certain assumptions and considerations for several questions. We conduct Cronbach alpha testing to assess the reliability of each question. The Appendix presents the list of questions (checklist) used in this study separately, based on their types and sources.

3.2.4. Corporate Culture (CC)

Gender diversity

According to some literature, the composition of all organizational elements, including the top, middle, and bottom structures, can determine or form the organizational culture. This includes the organizational culture established by the organization's leadership and executives. Diversity in the composition and gender of the board of directors, as well as gender diversity among company executives, can significantly influence the strategic and operational decisions of the company. This includes aspects such as company development, investment management, taxation, finance, accounting, marketing, human resources, and logistics. The characteristics of women who are detailed, thorough, persistent, careful, but emotional, and tend to be irrational color the decisions and results of company management, including those related to tax decisions and CSR disclosure decisions (Hamid, 2015).

According to Gladwin (1981), Francis et al. (2014), Hester et al. (2021) and Basri (2015), the composition of female members on the board of directors or executive board is a definition of gender diversity. The proportion of female directors to the total number of directors on an organization's board of directors measures gender diversity.

Power distance

Hofstede's (1980) theory of organizational culture suggests that the type of organizational structure determines organizational culture. There are two types of organizational structures: functional organizational structures, divisional organizational structures, or vertical and horizontal organizational structures. Differences in organizational structure have an impact on the level of leadership hierarchy, which can then determine the culture adopted by the organization.

All members of the organization experience justice as a result of this organizational structure, in accordance with Adam Smith's theory of justice distribution. Organizations with a vertical structure will distribute justice differently from those with a horizontal structure. Top management typically makes strategic decisions to ensure that the high or low power distance has an impact on the distribution of justice felt by all members of the organization.

According to some literature (Hamid,

2015; Sibuea & Arieftiara, 2022), this long span of power, known as power distance, influences managers' decisions about tax evasion and the disclosure of CSR activities. The type of organizational structure in a company measures power distance; the higher the hierarchy from top management to lower management and the lowest organizational members, the greater the span of power and the perceived fairness gap within the company. Different top management considerations arise when making decisions, particularly strategic ones like tax avoidance and CSR disclosure, as these decisions indirectly affect all members of the organization (Sibuea & Arieftiara, 2022).

3.2.5. Control Variables

Control variables include firm size (SIZE), profitability (ROA), leverage (LEV), and industry type (IND). These variables are included to account for other factors that may influence tax avoidance and CSR disclosure, consists of Firm Size (SIZE), measured by Natural logarithm of total assets; Profitability (ROA), measured by Return on assets, calculated as net income divided by total assets; Leverage (LEV), measured by Ratio of total debt to total assets; measured by Industry Type (IND): Dummy variables representing different industry classifications.

3.3. Data Analysis Technique

3.3.1. Best Panel Model Testing

This study utilizes a panel data structure, and to determine the best panel data regression model, the empirical model is tested using the Chow test, Hausman test, and Langrange Multiplier (LM) test. The Chow test is used to decide between the common effect model and the fixed effect model, the LM test determines whether to use the random effect model or the common effect model, and the Hausman test identifies whether the random effect model or the fixed effect model is more appropriate.

3.3.2. Validity and Reliability Test

The validity and reliability of the data are tested using classic assumption tests, including the normality test, multicollinearity test, and heteroscedasticity test. The normality test ensures that the data is normally distributed, with skewness measuring data asymmetry and kurtosis measuring the data distribution's peakedness. The multicollinearity test checks the relationship between independent variables using the Variance Inflation Factor (VIF) and tolerance values, with VIF values between 1-10 and tolerance values above 0.10 indicating no multicollinearity (Ghozali, 2018). The heteroscedasticity test assesses variance differences in residuals using the Breusch-Pagan-Godfrey test, where a p-value greater than 0.05 indicates no heteroscedasticity.

3.3.3. Statistical Analysis

Data analysis is conducted using Stata software. Descriptive statistics are calculated to provide an overview of the sample characteristics. The model feasibility test includes the Determination Coefficient Test (R^2) and the F Significance Test. The R^2 test measures the magnitude of the relationship between the independent and dependent variables, with values close to zero indicating no relationship and values close to one indicating a strong relationship, thus signifying a good regression model (Milošević et al., 2024). The F Significance Test determines whether the variation in the independent variables can effectively explain the dependent variable. If the probability *F* result is less than the 5% significance level, it indicates that the independent variables significantly affect the dependent variables simultaneously.

The hypotheses are tested based on the significance of the t-values. Specifically, H1a is accepted if $\beta_1 \neq 0$ with a *p*-value<0.05; H1b is accepted if $\gamma_1 \neq 0$ with a *p*-value<0.05; H2 is accepted if $\beta_2 < 0$ with a *p*-value <0.05; H3a is accepted if $\beta_3 < 0$ with a *p*-value<0.05; H3b is accepted if $\beta_4 > 0$ with a *p*-value<0.05; H4 is accepted if $\gamma_2 \neq 0$ with a *p*-value<0.05; H5a is accepted if $\gamma_3 > 0$ with a *p*-value<0.05; and H5b is accepted if $\gamma_4 < 0$ with a *p*-value< 0.05.

The descriptive statistics for the study variables are presented in Table 1. The Corporate Governance (CG) index ranges from a minimum of 1 to a maximum of 5, with higher scores indicating more effective governance. This index is calculated based on the board of commissioners' independence, activities, size, competency, and the audit committee's effectiveness, as described by Arieftiara et al. (2020) and adjusted with additional questions from the ASEAN CG Scorecard.

4. RESULT AND DISCUSSION

4.1. Sample Overview

This research investigates all manufacturing companies listed on the Indonesia Stock Exchange from 2018 to 2023. Manufacturing companies were selected because they have been proven to engage in tax evasion and during this period, in line with POJK No. 51/2017, there was a transition from voluntary to mandatory sustainability reporting, making this period highly relevant. Table 1 presents the sampling procedure.

This research used an unbalanced panel because not all companies have the complete data needed for the 2018-2023 period. Table 1 presents the research sample obtained over 6 years, totaling 1,249 samples. Some companies did not have complete data, resulting in a final sample size of 654 companies.

The study focuses on Corporate Social Responsibility (CSR) disclosure and Tax Avoidance as the dependent variables to test the reciprocal effect. Independent variables include the effectiveness of the board of commissioners' supervision, organizational

Table 1. Sampling Procedure

No	Description	2018	2019	2020	2021	2022	2023	Total
1	Manufacturing companies listed on IDX during 2018-2023	201	224	199	197	241	187	1249
2	Companies that do not report financial statements and annual reports	(4)	(56)	(15)	(13)	(57)	(4)	(141)
3	Companies that do not disclose CSR in sustainability reports per GRI Standards	(176)	(53)	(64)	(51)	(51)	(59)	(454)
	Final number of samples	21	115	120	133	133	132	654
	Final data of observation (Firm Years)							654

Source: Data processed

culture (gender diversity and power distance), and control variables (company size and profitability).

The data were sourced from annual reports, financial reports, and sustainability reports available on the IDX website and company websites. All data were processed using STATA, followed by normality tests.

4.1.1. Descriptive Statistics Analysis

Descriptive statistical analysis was performed to describe the characteristics of the variables studied. Descriptive statistics include the mean, standard deviation, minimum, and maximum values. The analysis provides a reflection of the research object based on the data samples. The results are presented in Table 2.

4.1.2. Interpretation

1. Disclosure of Corporate Social Responsibility (CSR)

The CSR disclosure is proxied by CSRD, calculated by dividing the number of indicators disclosed by the company by the total number of disclosure indicators per GRI Standards. The minimum value is 0.168142 (Fajar Surya Wisesa) with 19 out of 113 items disclosed, and the maximum value is 0.7964602 (Century Textile Industry) with 90 out of 113 items disclosed. The average CSRD is 0.444616, indicating that on average, companies disclosed 44.5% of the CSR items, a moderate level.

2. Tax Avoidance (BTD)

The BTD measure indicates tax avoidance levels. The mean BTD is 0.079157. The lowest BTD is -1.389601 (PT Siantar Top), where fiscal profit exceeds commercial profit, and the highest is 1.142175 (PT Multi Bintang Indonesia), indicating higher tax avoidance. The positive average BTD suggests greater tax avoidance, with accounting profit exceeding taxable profit, leading to deferred tax liabilities.

3. Power Distance (PD)

Most companies (71.56%) have a high-power distance (vertical organizational structure), suggesting a significant disparity

Table 2. Descriptive Statistical Results

Variable	Obs	Mean	Std. Dev	Min	Max
BTD	654	0.079157	0.278386	-1.389601	1.142175
CSRD	654	0.444616	0.121949	0.168142	0.7964602
ECG	654	0.578942	0.337088	0.025640	0.9358974
Gender	654	0.110819	0.063585	0.000000	0.5
SIZE	654	27.16589	0.7173851	25.48905	30.40459
ROA	654	1.35398	0.6667763	-2.640992	1.672986

$CSRD_{it}$ = CSR Disclosure; BTD_{it} = Book Tax Difference (measure of Tax Avoidance); ECG_{it} = Effectivity of Corporate Governance (index of Board Commisioner and Audit Committee activities); $Gender_{it}$=Gender Diversity; $SIZE_{it}$= Company's Size (log natural dari total asset); ROA_{it}= Profitability (measured by Return on Asset). Source: data processed

Table 3. Nominal Scale Data

PD	Frequency	Percentage	Cumulative
0	186	28.44%	28.44%
1	468	71.56%	100%
Total	654		100%

PD_{it}= Power Distance, 1 = vertical structure of organization, 0 = horizontalstructure of organization.
Source: data processed

in decision-making power within the organization. Companies with a horizontal structure account for 28.44%, indicating lower power distance.

4. Gender Diversity (GD)

The average proportion of female directors is 11.08%, indicating low gender diversity in the sample companies. Some companies have no female directors (minimum value of 0), while others have up to 50% female directors (ALTO).

5. Effectiveness of Corporate Governance (CG)

The effectiveness of the board of commissioners' supervision averages 0.578942 (57.8%), indicating moderate supervision. The lowest supervision effectiveness is 2.56% (LPIN), and the highest is 93.5%, indicating highly effective supervision. The mean value of ECG is 57.8%, means that the level of CG monitoring effectiveness of companies is moderate.

4.1.3. Result of Best Panel Model Testing

The Chow test results indicate that the fixed effect model is preferred over the common effect model ($p<0.05$). The LM test results suggest using the random effect model over the common effect model ($p<0.05$). The Hausman test results show that the fixed effect model is more appropriate than the random effect model ($p<0.05$). Therefore, the fixed effect model is used for further analysis.

4.1.4. Result of Validity and Reliability Test

The validity test using Cronbach's alpha result is the ECG α=0.85; the total of corporate culture: α=0.78, consists of gender diversity: α=0.72 and power distance: α=0.74; meanwhile, for CSR Disclosure: α=0.82. The results indicate that the measurements are highly reliable, as all values are greater than 0.7.

The normality test, utilizing skewness and kurtosis, confirms the normal distribution of the data. We check multicollinearity using VIF and tolerance values; all VIF values fall between 1 and 10, and all tolerance values exceed 0.10, indicating no multicollinearity. The Breusch-Pagan-Godfrey test results ($p>0.05$) confirm no heteroscedasticity issues.

4.2. Hypothesis testing

4.2.1. Goodness of Fit

The coefficient of determination (R^2) measures how well the independent variables explain the dependent variable in the research model. The results are presented in Table 4.

For Model 1, the R^2 value is 0.1346, indicating that the independent variables (CSR disclosure, effectiveness of Corporate Governance mechanisms, gender diversity, and power distance) explain 13.46% of the variance in Tax Avoidance. The remaining 86.54% is explained by other variables not included in this study. The prob-F stats result indicates that the model is fit to explain the BTD activities.

For Model 2, the R^2 value is 0.0349, indicating that the independent variables (Tax Avoidance, Corporate Governance

Table 4. Goodness of Fit Results

	R Square	Prob-F stats
Model 1	0.1346	0.0000
Model 2	0.0349	0.0080

Source: Data Processed

Effectiveness, Gender Diversity, and Power Distance) explain 3.49% of the variance in CSR disclosure. The remaining 96.51% is explained by other variables outside the scope of this study. The prof-F stats result indicates that the model is fit to explain the CSR Disclosure activities.

4.2.2. Empirical Test Result

The regression test, commonly called the t-test, is conducted to determine the effect of the independent variables on the dependent variable. The results are presented in Table 5.

In Model 1, the Gender Diversity (GD) variable has a significant coefficient (*p*=0.015), indicating a significant negative influence on Tax Avoidance. This suggests that higher gender diversity is associated with lower tax avoidance. The CSR Disclosure (CSRD), Corporate Governance (CG), and Power Distance (PD) variables do not show significant effects on Tax Avoidance, as their p-values are greater than 0.05. Therefore H3a is accepted, meanwhile H1a, H2, and H3b are not supported by data.

In Model 2, the Corporate Governance (CG) effectiveness variable shows a significant negative coefficient (*p*=0.001), indicating a significant influence on CSR Disclosure. This implies that more effective corporate governance mechanisms are associated with higher CSR disclosure. The Tax Avoidance (BTD), Gender Diversity (GD), and Power Distance (PD) variables do not show significant effects on CSR Disclosure, as their p-values are greater than 0.05.Therefore H4 is accepted, meanwhile H1b, H5a and H5b are not supported by data.

4.3. Discussion

4.3.1. Reciprocal Effect of Tax Avoidance and Corporate Social Responsibility

The results for Model 1 and Model 2 indicate that CSR disclosure has no significant effect on Tax Avoidance, and vice versa, Tax Avoidance has no significant effect on CSR disclosure. This shows that hypotheses H1a and H1b are not supported by the data. However, several studies have found support for these results. For example, Mao (2019) states that there is no link between CSR and tax avoidance. Gras-Gil et al. (2016) indicate that companies making CSR disclosures use existing resources effectively to improve performance, which is similar to the purpose of tax avoidance. Davis et al. (2016) argue that CSR disclosure and tax avoidance have a substitution relationship, not a

Table 5. T-Test Results

Model 1				Model 2			
	Coef.	**t**	**P>|t|**		**Coef.**	**t**	**P>|t|**
Constant	-0.9488	-0.59	0.555	*Constant*	1.3632	2.33	0.020**
CSRD	-0.0063	-0.05	0.959	BTD	-0.0008	-0.05	0.959
CG	0.0685	1.61	0.108	CG	-0.0505	-3.28	0.001***
Gender	-0.6213	-2.43	0.015**	Gender	0.1056	1.13	0.260
PD	-0.0076	-0.19	0.853	PD	-0.0019	-0.13	0.897
Size	0.0222	0.38	0.705	Size	-0.0338	-1.58	0.115
ROA	0.3417	7.86	0.000***	ROA	0.0342	2.04	0.042 **
N	654						

***Significant at 1%; ** significant at 5%
Source: Data processed

complementary one.

In general, the level of CSR disclosure among the sampled companies is moderate (less than 50% of disclosure items), suggesting that managers are not strongly focused on non-financial reporting activities. This aligns with Article 6 of the Income Tax Law in Indonesia, which allows expenses not solely for tax avoidance but to provide non-financial information to stakeholders.

Aligned with Model 1, the results of Model 2 show that managers' tax avoidance behavior does not affect the intensity of CSR disclosure. The mean BTD value of 0.079157 indicates that accounting profit is greater than taxable profit, representing a higher level of tax avoidance. The results imply that high levels of tax avoidance activities are not necessarily followed by increased CSR activities intended to balance the potential negative image caused by tax avoidance.

4.3.2. The Influence of the Effectiveness of Corporate Governance Mechanisms on Tax Avoidance

The effective monitoring role of the board of commissioners is essential in reducing agency costs arising from the separation of ownership and management. An effective board of commissioners ensures that strategic decisions by managers align with stakeholders' welfare and the interests of the company's owners. However, the test results indicate that the effectiveness of the board of commissioners does not significantly influence the intensity of tax avoidance activities. This finding can be attributed to the board's focus on other strategic decisions, such as addressing environmental uncertainties, rather than concentrating on tax avoidance strategies. Additionally, large companies often delegate tax management to tax consultants (Kovermann & Velte, 2019; Arieftiara et al., 2020; Khan et al., 2022) and also focus on risk management, specifically the importance of thorough oversight in tax practices (Adeniji et al., 2013; Rachmawati & Martani, 2017).

Table 2 shows that, generally, the effectiveness of board monitoring is at a moderate level, neither too stringent nor too lenient in supervising managerial activities. This suggests that the board of commissioners tends to prioritize other aspects of business decision-making over tax avoidance. The moderate level of board monitoring for manufacturing companies implies that interventions are more likely focused on strategic decisions related to competitiveness, efficiency, and maintaining profitability, rather than on minimizing tax burdens through tax avoidance activities (Arieftiara et al., 2020; Kovermann & Velte, 2019; Khan et al., 2022; Rose, 2016; Tandean & Winnie, 2016). managers can "Training in risk analysis significantly enhances operational performance, highlighting the importance of thorough oversight in tax practices"

4.3.3. The Effect of Corporate Culture on Tax Avoidance

The results indicate that gender diversity has a negative effect on tax avoidance, supporting Hypothesis 3a. Gender diversity, defined as having at least one female executive member or board director (Riguen et al., 2020), influences decision-making due to inherent differences in character (Richardson et al., 2016). According to Sah et al. (2022) and Sarin and Wieland (2016), women naturally approach security and fear risks, leading to a more cautious attitude towards risks and a preference for less risky policies. This prudence helps prevent risk gaps that could harm the company's image, such as tax avoidance practices. The data shows that, although the composition of female directors is relatively low (11%), their presence leads to more cautious tax-related decisions, thereby reducing tax avoidance activities or ensuring these activities are driven by effective motives rather than opportunistic ones. This condition aligns with the characteristics of females being more risk-averse, prudent, and detail-oriented, which helps prevent aggressive tax avoidance behavior.

Corporate culture, shaped by the degree of power distance within the organizational structure, can lead to differences in perceived fairness among company members. According to Hofstede (1980), Tsakumis et al. (2007) and Sibuea and Arieftiara (2022), when the power span from the top to the bottom of the hierarchy in an organization is too high (vertical organization), the impacts and potential risks arising from top management's taxation-related decisions may result in perceived inequality among lower-level employees. However, the results indicate that power distance has no effect on tax avoidance, rejecting Hypothesis 3b. The data in Table 3 shows that 71.5% of companies have a vertical structure, indicating higher disparities between top and lower management compared to horizontal organizations. Despite this, the results do not support the notion that higher power distance leads to increased tax avoidance by top management. The data suggests there is no significant inequality in tax-related decisions that could influence tax avoidance activities. Manufacturing companies in Indonesia tend to have a vertical organizational structure based on operational needs rather than for minimizing tax burdens. Overall, during 2016-2021, there was no significant perception of inequality regarding tax-related decisions among subordinates in these companies.

4.3.4. The Effect of Effectiveness of Corporate Governance on CSR

The results indicate that corporate governance effectiveness positively influences CSR disclosure, thereby supporting Hypothesis 4. Effective corporate governance implementation reflects the condition of good governance within companies, implying adherence to principles of transparency, accountability, responsibility, independence, fairness, and equality. Independence, activity, competence of the Board of Directors, and the experience background of the Board of Commissioners enhance corporate accountability and transparency in CSR disclosure (Lau et al., 2016).

Effective corporate governance ensures that companies disclose not only financial information but also information related to social responsibility. According to stakeholder theory (Freeman, 1998), companies have responsibilities to stakeholders that extend beyond economic obligations to include social responsibilities. Well-managed companies with effective governance structures are more likely to be socially responsible, thereby enhancing their CSR activities (Alshbili et al., 2020).

4.3.5. The Influence of Corporate Culture on Corporate Social Responsibility

The t-test regression results for the gender diversity and power distance variables show no significant influence on CSR disclosure, leading to the rejection of Hypotheses 5a and 5b. This indicates that corporate culture, as measured by these variables, does not impact CSR disclosure.

The descriptive analysis reveals that the average gender diversity is 11%, indicating that women on the boards of directors in the sample companies are in the minority. This low representation means that female directors do not significantly influence company policies and decision-making processes, supporting the rejection of Hypothesis 5a. This finding aligns with Ahmad et al. (2018), who also found that female directors do not impact CSR. Although there is extensive literature suggesting that female directors influence board decisions, research specifically examining the relationship between gender and CSR is limited (Swierczek & Ha, 2003; Rao & Tilt, 2016; Büschgens, 2013).

The average power distance is 71%, suggesting that most sample companies have a functional organizational structure. In such structures, each unit operates independently, which can hinder communication and coordination between units (Steiger et al., 2014; Markovic et al., 2023; Clarkson et al., 2008). CSR disclosure involves communicating the organization’s social and economic activities to specific groups or the general public. According to the attachment to the Decree of the Chairman of Bapepam Number KEP-134/BL/2006, companies are required to disclose information related to corporate governance, including CSR activities and related costs in their annual reports.

However, despite potential communication challenges in functional organizational structures, the average CSR disclosure value is 44.5%, indicating that CSR disclosure is relatively good. This suggests that the quality of CSR disclosure is not influenced by the organizational structure's power distance. Therefore, whether CSR disclosure is effective is not dependent on having a functional organizational structure.

5. CONCLUSION, LIMITATIONS, AND SUGGESTIONS

5.1. Conclusions

This study aims to examine the reciprocal effect between tax avoidance and corporate social responsibility (CSR) disclosure by considering the influence of corporate governance and corporate culture. The research results indicate that there is no reciprocal influence between CSR and tax avoidance, and no significant effect of corporate governance on tax avoidance. However, corporate culture, particularly gender diversity, does influence tax avoidance. Additionally, corporate governance significantly influences CSR disclosure, but corporate culture does not have a significant effect on CSR disclosure.

The study investigates the relationships among tax avoidance, CSR disclosure, corporate governance, and corporate culture in Indonesian manufacturing companies. The findings suggest that companies may need to reevaluate their strategies and separate financial planning from CSR initiatives. Gender diversity appears to enhance ethical decision-making and reduce aggressive tax evasion tactics. The results also highlight the need for stronger governance frameworks to ensure compliance with tax regulations and improve transparency.

Investors may become cautious about

funding companies involved in tax evasion due to potential regulatory actions and financial risks. Conversely, robust governance frameworks can be seen as indicators of strong CSR activities, thereby enhancing investor attractiveness and brand value. Gender diversity can be a criterion for making ethical investment decisions. Indonesian regulators might be encouraged to develop more transparent policies and standards that promote open taxation, potentially revising tax legislation to deter tax evasion. Additionally, they should enforce stricter regulations to ensure accurate CSR disclosure and promote gender diversity in corporate leadership.

5.2. Limitations and Suggestions

This study has certain limitations. Primarily, it uses the Book-Tax Difference (BTD) as a proxy for tax avoidance. In various literature, BTD is considered a raw measure because, according to tax regulations and accounting standards, there are many gaps that are not solely attributable to tax avoidance activities. Therefore, investors should be cautious when interpreting BTD as it may not fully capture tax avoidance behaviors.

Furthermore, the composition of the board of directors, particularly the inclusion of women, has been shown to prioritize the company's good image, potentially affecting the intensity of corporate tax avoidance. This suggests that gender diversity on boards is a positive indicator for ethical corporate behavior.

For future research, it is recommended to use more refined measures of tax avoidance that incorporate managerial discretion, such as the abnormal book-tax difference. This approach could provide a more accurate representation of tax avoidance activities and offer deeper insights into the role of corporate governance and culture in influencing these behaviors.

References

Abdelfattah, T., & Aboud, A. (2020). Tax avoidance, corporate governance, and corporate social responsibility: The case of the Egyptian capital market. Journal of International Accounting, Auditing and Taxation, 38, 100304.

Abdul Wahab, E.A., Ariff, A.M., Madah Marzuki, M. and Mohd Sanusi, Z. (2017). Political connections, corporate governance, and tax aggressiveness in Malaysia. Asian Review of Accounting, 25 (3), 424-451.

Adeniji, A.A., Osibanjo, O.A., & Abiodun, A.J. (2013). Organizational change and human resource management interventions: An investigation of Nigerian banking industry. Serbian Journal of Management, 8 (2), 139-154.

Ahmad, N.B.J., Rashid, A., & Gow, J. (2018). Corporate board gender diversity and corporate social responsibility reporting in Malaysia. Gender, Technology and Development, 22 (2), 87–108.

Alshbili, I., Elamer, A.A., & Beddewela, E. (2020). Ownership types, corporate governance and corporate social responsibility disclosures: Empirical evidence from a developing country. Accounting Research Journal, 33 (1), 148–166.

Arieftiara, D., Utama, S., Wardhani, R., & Rahayu, N. (2020). Contingent fit between business strategies and environmental uncertainty: The impact on corporate tax avoidance in Indonesia. Meditari Accountancy Research, 28 (1), 139–167.

КОРПОРАТИВНО УПРАВЉАЊЕ И КОРПОРАТИВНА КУЛТУРА: УТИЦАЈ НА ИЗБЕГАВАЊЕ ПОРЕЗА И ДРУШТВЕНА ОДГОВОРНОСТ ПРЕДУЗЕЋА

Dianwicaksih Arieftiara, Masripah Masripah, Shinta Widyastuti

Извод

Ова студија има за циљ да анализира реципрочни ефекат избегавања пореза и корпоративне друштвене одговорности (КДО) узимајући у обзир претходни утицај корпоративног управљања (КУ) и корпоративне културе (КК). Индикатори КУ укључују независност и активности одбора комесара (ОК) и одбора за ревизију, док се КК мери коришћењем индикатора родне разноликости у извршном одбору и удаљености моћи. Узорак се састоји од производних компанија које котирају на Индонежанској берзи (ИБ) за период 2018–2023, укупно 654 године. Користећи двостепену линеарну регресију, студија није показала реципрочни ефекат између избегавања пореза и друштвено одговорног пословања. Ово истраживање није успело да документује ефекат КУ на избегавање пореза; међутим, то утиче на КДО. Резултати су показали да КК утиче на избегавање пореза, али не и на друштвено одговорно пословање. Три важна доприноса ове студије су: обезбеђивање литературе и емпиријских доказа о реципрочном ефекту између избегавања пореза и друштвено одговорног пословања; развој свеобухватније мере КК користећи секундарне податке; и додавање литературе о КК у Индонезији и његовом утицају на понашање избегавања пореза и обелодањивање КДО, где су постојећа литература и емпиријски докази ограничени.

Кључне речи: одбор за ревизију, корпоративна друштвена одговорност, родна разноликост, дистанца моћи, независни повереник, избегавање пореза

Basri, Y.M. (2015). The influence of cultural and religiosity dimensions on tax fraud (in Indonesian). Akuntabilitas, 8 (1), 61–77.

Büschgens, T., Bausch, A., & Balkin, D. B. (2013). Organizational Culture and Innovation. Journal of Product Innovation Management, 30, 763-781.

Cabello, O.G., Gaio, L.E., & Watrin, C. (2019). Tax avoidance in management-owned firms: evidence from Brazil. International Journal of Managerial Finance, 15 (4), 580-592.

Chouaibi, J., Rossi, M., & Abdessamed, N. (2022). The effect of corporate social responsibility practices on tax avoidance: an empirical study in the French context. Competitiveness Review, 32 (3), 326-349.

Ching, H.Y., Gerab, F., & Toste, T.H. (2017). The quality of sustainability reports and corporate financial performance: evidence from Brazilian listed companies. SAGE Open, 7(2). https://doi.org/10.1177/2158244017712027

Clarkson, P.M., Li, Y., Richardson, G.D., & Vasvari, F.P. (2008). Revisiting the relation between environmental performance and environmental disclosure: An empirical analysis. Accounting, Organizations and Society, 33(4-5), 303-327. https://doi.org/10.1016/j.aos.2007.05.003

Col, B., & Patel, S. (2019). Going to Haven? Corporate Social Responsibility and Tax Avoidance. Journal of Business Ethics, 154, 1033–1050.

Daniels, M.A., & Greguras, G.J. (2014). Exploring the Nature of Power Distance: Implications for Micro- and Macro-Level Theories, Processes, and Outcomes. Journal of Management, 40 (5), 1202–1229.

Davis, A.K., Guenther, D.A., Krull, L K., & Williams, B.M. (2016). Do socially responsible firms pay more taxes? Accounting Review, 91 (1), 47–68.

Dewanto, R.B., & Siregar, S.V. (2018). The associations between environmental disclosures with financial performance, environmental performance, and firm value. Social Responsibility Journal, Vol. 14 No. 1, pp. 180-193. https//doi.org/10.1108/SRJ-01-2017-0005

Dowling, J., & Pfeffer, J. (1975). Organizational legitimacy: Social values and organizational behavior. Pacific Sociological Review, 18 (1), 122-136.

Eichfelder, S., & Vaillancourt, F. (2014). Tax compliance costs: A review of cost burdens and cost structures. Hacienda Pública Española / Review of Public Economics, IEF, 210(3), 111-148.

Fahad, P., & Rahman, P.M. (2020). Impact of corporate governance on CSR disclosure. International Journal of Disclosure and Governance, 17 (2-3), 155-167.

Faradisty, A., Hariyani, E., & Wiguna, M. (2020). The effect of corporate social responsibility, profitability, independent commissioners, sales growth and capital intensity on tax avoidance. Journal of Contemporary Accounting, 1 (3), 153–160.

Francis, B., Hasan, I., Wu, Q., & Yan, M. (2014). Are Female CFOs Less Tax Aggressive? Evidence from Tax Aggressiveness. Bank of Finland Research Discussion Papers, 16/2014.

Frank, M.M., Lynch, L.J., & Rego, S.O. (2009). Tax reporting aggressiveness and its relation to aggressive financial reporting. The Accounting Review, 84(2), 467-496. https://doi.org/10.2308/accr.2009.84.2.467

Freeman, R.E. (1998). A Stakeholder Theory of the Modern Corporation. In M. Clarkson (Ed.), The Corporation and Its Stakeholders: Classic and Contemporary Readings. University of Toronto Press. 125-138.

Ftouhi, K., & Ghardallou, W. (2020). International tax planning techniques: a review of the literature. Journal of Applied Accounting Research, 21 (2), 329-343.

Garcia-Sanchez, I. M., Cuadrado-Ballesteros, B., & Sepulveda, C. (2014). Does media pressure moderate CSR disclosures by external directors? Management Decision, 52 (6), 1014-1045.

Gazzola, P., Paterson, A., Amelio, S., Grechi, D., & Cristina, S. (2023). The role of individual social responsibility and corporate social responsibility in the tax fraud war: A comparison between the priorities of Italian and Romanian consumers. Corporate Social Responsibility and Environmental Management, 1–13.

Ghozali, I. (2018). Multivariate Analysis Applications with IBM SPSS 25 Program. 9th edition (in Indonesian). Semarang: Publisher Institution: Universitas Diponegoro.

Gladwin, T.N. (1981). Culture’s Consequences: International Differences in Work-Related Values. Academy of Management Review, 6 (4), 681–683.

Gras-Gil, E., Palacios Manzano, M., & Hernández Fernández, J. (2016). Investigating the relationship between corporate social responsibility and earnings management: Evidence from Spain. BRQ Business Research Quarterly, 19 (4), 289–299.

Goerke, L. (2019). Corporate social responsibility and tax avoidance. Journal of Public Economic Theory, 21 (2), 310–331.

Hester, N., Jones, B. C., & Hehman, E. (2021). Perceived femininity and masculinity contribute independently to facial impressions. Journal of Experimental Psychology: General, 150 (6), 1147–1164.

Hofstede, G. (1980). Culture's consequences: International differences in work-related values. Beverly Hills, CA: Sage Publications.

Hoi, C.K., Wu, Q., & Zhang, H. (2013). Is Corporate Social Responsibility (CSR) Associated with Tax Avoidance? Evidence from Irresponsible CSR Activities. The Accounting Review, 88 (6), 2025–2059.

Hussain, N., Rigoni, U., & Orij, R. P. (2018). Corporate Governance and Sustainability Performance: Analysis of Triple Bottom Line Performance. Journal of Business Ethics, 149, 411–432.

Jarboui, A., Kachouri Ben Saad, M., & Riguen, R. (2020). Tax avoidance: do board gender diversity and sustainability performance make a difference? Journal of Financial Crime, 27 (4), 1389-1408.

Jarne-Jarne, J. I., Callao-Gastón, S., Marco-Fondevila, M., & Llena-Macarulla, F. (2022). The Impact of Organizational Culture on the Effectiveness of Corporate Governance to Control Earnings Management. Journal of Risk and Financial Management, 15 (9), 379.

Jensen, M.C., & Meckling, W.H. (1976). Theory of the firm: Managerial behavior, agency cost and ownership structure. Journal of Financial Economics, 3(4), 305-360. https://doi.org/10.1016/0304-405X(76)90026-X

Khan, N., Abraham, O. O., Alex, A., Eluyela, D. F., & Odianonsen, I. F. (2022). Corporate governance, tax avoidance, and corporate social responsibility: Evidence of emerging market of Nigeria and frontier market of Pakistan. Cogent Economics and Finance, 10 (1), 2080898.

Khan, S., & Kamal, Y. (2024). Corporate board, audit committee and earnings manipulation: does the corporate regulation matter? An emerging economy perspective. Corporate Governance, 24 (4), 831-864.

Kovermann, J., & Velte, P. (2019). The impact of corporate governance on corporate tax avoidance—A literature review. Journal of International Accounting, Auditing and Taxation, 36, 100270.

Laguir, I., Staglianò, R., & Elbaz, J. (2015). Does corporate social responsibility affect corporate tax aggressiveness? Journal of Cleaner Production, 107, 662-675.

Lanis, R., & Richardson, G. (2015). Is Corporate Social Responsibility Performance Associated with Tax Avoidance? Journal of Business Ethics, 127 (2), 439–457.

Lanis, R., & Richardson, G. (2018). Outside directors, corporate social responsibility performance, and corporate tax aggressiveness: an empirical analysis. Journal of Accounting, Auditing & Finance, 33 (2), 228-251.

Lau, C.M., Lu, Y., & Liang, Q. (2016). Corporate Social Responsibility in China: A Corporate Governance Approach. Journal of Business Ethics, 136 (1), 73–87.

Lenz, H. (2020). Aggressive Tax Avoidance by Managers of Multinational Companies as a Violation of Their Moral Duty to Obey the Law: A Kantian Rationale. Journal of Business Ethics, 165, 681–697.

Lin, K. Z., Cheng, S., & Zhang, F. (2017). Corporate Social Responsibility, Institutional Environments, and Tax Avoidance: Evidence from a Subnational Comparison in China. The International

Journal of Accounting, 52 (4), 303-318.

Liu, H., & Lee, H. A. (2019). The effect of corporate social responsibility on earnings management and tax avoidance in Chinese listed companies. International Journal of Accounting & Information Management, 27 (4), 632-652.

Markovic, I., Janković Perić, M., & Rabasović, B. (2024). The influence of corporate characteristics on CSR reporting in Serbia. Serbian Journal of Management, 19 (1), 207-218.

Masripah, M., Diyanty, V., & Fitriasari, D. (2017). Controlling shareholder and tax avoidance: family ownership and corporate governance. International Research Journal of Business Studies, 8 (3), 167-180.

Mappadang, A. (2019). Do corporate governance mechanism influences tax avoidance and firm value. International Journal of Academic Research in Business and Social Sciences, 9 (10), 203-217.

Mao, C.W. (2019). Effect of corporate social responsibility on corporate tax avoidance: evidence from a matching approach. Quality and Quantity, 53 (1), 49–67.

Mao, C.W., & Wu, W.C. (2019). Moderated mediation effects of corporate social responsibility performance on tax avoidance: evidence from China. Asia-Pacific Journal of Accounting & Economics, 26 (1-2), 90-107.

Milošević, I., Plotnic, O., Tick, A., Stanković, Z., & Buzdugan, A. (2024). Digital transformation in manufacturing: Enhancing competitiveness through Industry 4.0 technologie. Precision Mechanics & Digital Fabrication, 1 (1), 31 - 40.

Mulyani, S., Wijayanti, A., & Masitoh, E. (2018). The Effect of Corporate Governance toward Tax Avoidance (in Indonesian). Jurnal Riset Akuntansi Dan Bisnis Airlangga, 3 (1), 322–340.

Mumu, J.R., Saona, P., Haque, M.S., & Azad, M.A.K. (2022). Gender diversity in corporate governance: a bibliometric analysis and research agenda. Gender in Management, 37 (3), 328-343.

Oats, L., & Tuck, P. (2019). Corporate tax avoidance: is tax transparency the solution? Accounting and Business Research, 49 (5), 565-583.

Oruh, E. S., & Dibia, C. H. (2022). Corporate Governance Principles and the Challenges of High-power Distance Culture: The Experience of Nigeria's Employment Terrain. In K. O. Omeihe & C. Harrison (Eds.), The African Context of Business and Society (New Frontiers in African Business and Society). Emerald Publishing Limited. 115-135.

Otoritas Jasa Keuangan Republik Indonesia. (2017). Financial Services Authority Regulation Number 57/POJK.04/2017 Retrieved from: https://www.ojk.go.id/id/kanal/pasar-modal/regulasi/peraturan-ojk/Pages/POJK-Nomor-57-POJK.04-2017.aspx

Purbawangsa, I. B. A., Solimun, S., Fernandes, A. A. R., & Mangesti Rahayu, S. (2020). Corporate governance, corporate profitability toward corporate social responsibility disclosure and corporate value (comparative study in Indonesia, China and India stock exchange in 2013-2016). Social Responsibility Journal, 16 (7), 983-999.

Rachmawati, N. A., & Martani, D. (2017). Book-Tax Conformity Level on the Relationship between Tax Reporting Aggressiveness and Financial Reporting Aggressiveness. Australasian Accounting, Business and Finance Journal, 11 (4), 86-101.

Rao, K., & Tilt, C. (2016). Board Composition and Corporate Social

Responsibility: The Role of Diversity, Gender, Strategy and Decision Making. Journal of Business Ethics, 138 (2), 327–347.

Richardson, G., Taylor, G., & Lanis, R. (2016). Women on the board of directors and corporate tax aggressiveness in Australia. Accounting Research Journal, 29 (3), 313–331.

Riguen, R., Salhi, B., & Jarboui, A. (2020). Do Women in Board Represent Less Corporate Tax Avoidance? A Moderation Analysis. International Journal of Sociology and Social Policy, 40 (1/2), 114–132.

Rose, C. (2016). Firm performance and comply or explain disclosure in corporate governance. European Management Journal, 34 (3), 202-222.

Sah, N.B., Adhikari, H.P., Krolikowski, M.W., Malm, J., & Nguyen, T.T. (2022). CEO gender and risk aversion: Further evidence using the composition of firm's cash. Journal of Behavioral and Experimental Finance, 33, 100595.

Sarin, R., & Wieland, A. (2016). Risk aversion for decisions under uncertainty: Are there gender differences? Journal of Behavioral and Experimental Economics, 60, 1–8.

Sedighi, L., Royaei, R., Taghavi, M., & Haghshenas Kashani, F. (2022). Organizational Culture and Corporate Tax Evasion. International Journal of Finance & Managerial Accounting, 7 (25), 65-79.

Sibuea, R.M.S., & Arieftiara, D. (2022). The Effect of Managerial Ownership, Institutional Ownership, and Organizational Culture on The Disclosure of Corporate Social Responsibility With The Audit Committee as A Moderation Variable (in Indonesian). Veteran Economics, Management, & Accounting Review, 1 (1), 133-148.

Steiger, J.S., Hammou, K.A., & Galib, M.H. (2014). An Examination of the Influence of Organizational Structure Types and Management Levels on Knowledge Management Practices in Organizations. International Journal of Business and Management, 9 (6), 43–57.

Stephenson, D., & Vracheva, V. (2015). Corporate Social Responsibility and Tax Avoidance: A Literature Review and Directions for Future Research. Available at SSRN: https://ssrn.com/abstract=2756640

Swierczek, F.W., & Ha, T.T. (2003). Entrepreneurial orientation, uncertainty avoidance and firm performance: International Journal of Entrepreneurship and Innovation, 4, 46-58.

Tandean, V. A., & Winnie, W. (2016). The Effect of Good Corporate Governance on Tax Avoidance: An Empirical Study on Manufacturing Companies Listed in IDX period 2010-2013. Asian Journal of Accounting Research, 1 (1), 28–38.

Tresnawati, R., & Indriani, N.P. (2021). The Effect of Good Corporate Governance on Tax Avoidance in Mining Corporate Listed on The IDX for The Period 2013-2017. Turkish Journal of Computer and Mathematics Education (TURCOMAT), 12(11), 1240-1243.

Tsakumis, G. T., Curatola, A. P., & Porcano, T. M. (2007). The relation between national cultural dimensions and tax evasion. Journal of International Accounting, Auditing and Taxation, 16 (2), 131–147.

Van, C. D., & Quang, K. N. (2022). Audit committee characteristics and tax avoidance: Evidence from an emerging economy. Cogent Economics & Finance, 10 (1), 2023263

Waagstein, P. R. (2011). The Mandatory Corporate Social Responsibility in Indonesia: Problems and Implications.

Journal of Business Ethics, 98, 455–466.

Wang, F., Xu, S., Sun, J., & Cullinan, C. P. (2020). Corporate tax avoidance: A literature review and research agenda. Journal of Economic Surveys, 34 (4), 793-811.

Yang, R., Pepper, G.A., Wang, H., Liu, T., Wu, D., & Jiang, Y. (2020). The mediating role of power distance and face-saving on nurses' fear of medication error reporting: A cross-sectional survey. International Journal of Nursing Studies, 105, 103494.

Yoo, J.S., & Lee, Y.J. (2019). National culture and tax avoidance of multinational corporations. Sustainability (Switzerland), 11 (24), 6946.

Yuniarwati, I. C. A., Dewi, S. P., & Lin, C. (2017). Factors That Influence Tax Avoidance in Indonesia Stock Exchange. Chinese Business Review, 16 (10).

Zaid, M.A., Wang, M., & Abuhijleh, S.T. (2019). The effect of corporate governance practices on corporate social responsibility disclosure: Evidence from Palestine. Journal of Global Responsibility, 10 (2), 134-160.

Zeng, T. (2016). Corporate Social Responsibility, Tax Aggressiveness, and Firm Market Value. Accounting Perspectives, 15 (1), 7-30.

Appendix 1. Board of Commissioners and Audit Committee Effectiveness Assessment Checklist

No.	Questions Description
A.	**Board Independence**
1.	How many independent members of the board of commissioners?
2.	Is the main commissioner an independent commissioner?
3.	Does the company state the definition of independence in its annual report?
4.	How many members of the board of commissioners work for shareholders or affiliated companies?
5.	Does the company have a nomination committee and a remuneration committee in the elements of corporate governance?
6.	What is the average length of service as a member of the board of commissioners in the company?
B.	**Board Activity**
7.	Does the company explain and detail the responsibilities of the board?
8.	How many board of commissioners meetings are held in one year?
9.	What is the number of attendance at the board of commissioners meeting during one year?
10.	Is there an assessment report from the board of commissioners on the company's financial statements?
11.	Does the board of commissioners evaluate the manager's performance for one year?
C.	**Board Size**
12.	How many members of the board of commissioners?
D.	**Competence and Expertise of the Board of Commissioners**
13.	Do members of the board of commissioners have knowledge of accounting and finance?
14.	What is the average age of board of commissioners?
15.	Do members of the board of commissioners have adequate knowledge of the company's business?
E.	**Audit Committee Activities**
16.	Evaluation of internal control
17.	Propose/appoint an external auditor
18.	Reviewing financial statements
19.	Evaluating compliance (including compliance with tax regulations)
20.	Prepare an audit committee report for disclosure
21.	How many meetings are held in the current year?
22.	What is the attendance frequency of audit committee members in one year?
23.	Does the audit committee evaluate the scope, accuracy, cost effectiveness, independence, and objectivity of external auditors?
F.	**Audit Committee Size**
24.	What is the size of the audit committee?
G.	**Audit Committee Expertise and Competence**
25.	Does the audit committee have an accounting background?
26.	What is the average age of the audit committee?
Checklist Scoring Explanation: • **Good**: Clear and detailed information disclosed in the annual report. • **Fair**: Mentioned in the annual report but less clear and less detailed. • **Poor**: Cannot be found in the annual report.	