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# CSR DISCLOSURE AND PROFITABILITY ON TAX AVOIDANCE WITH INDEPENDENT COMMISSIONERS AS MODERATING VARIABLE: EVIDENCE FROM BANKING COMPANIES IN INDONESIA

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**Abstract**
This study examines the effects of Corporate Social Responsibility Disclosure and profitability on tax avoidance, with independent commissioners serving as a moderating variable in banking companies listed on the Indonesia Stock Exchange during the 2021–2024 period. Drawing upon Agency Theory, Legitimacy Theory, and Stakeholder Theory, this study investigates how corporate sustainability practices, financial performance, and governance mechanisms influence corporate tax behavior. A quantitative research design was employed using an unbalanced panel dataset consisting of one hundred and twenty-nine firm-year observations from thirty-three listed banking companies. The data were analyzed using the Fixed Effect Model with robust standard errors to obtain consistent statistical inference under heteroscedasticity and within-panel serial correlation. The findings reveal that CSR disclosure has a positive and significant effect on the Corporate Effective Tax Rate, indicating lower levels of tax avoidance among firms with more extensive CSR disclosure. Profitability, measured by Return on Assets, has no significant effect on tax avoidance. Furthermore, independent commissioners significantly moderate the relationship between CSR disclosure and tax avoidance by weakening the positive effect of CSR disclosure on Corporate Effective Tax Rate, whereas they do not significantly moderate the relationship between profitability and tax avoidance. The model explains forty-nine-point four seven percent of the variation in Corporate Effective Tax Rate. These findings highlight the importance of integrating transparent CSR disclosure with effective corporate governance to encourage responsible corporate tax behavior. This study contributes to the literature by providing recent empirical evidence from Indonesia's banking sector during the post-pandemic period using a moderated panel data regression approach.

Keywords: Corporate Social Responsibility Disclosure, Profitability, Tax Avoidance, Independent Commissioners, Corporate Governance.

## 1. Introduction

Tax revenue constitutes the backbone of Indonesia's state budget, funding public infrastructure, welfare programs, and governance operations. Despite significant improvements in Indonesia's tax administration system, corporate tax avoidance remains a persistent structural challenge. Tax avoidance is legally defined as an effort to minimize tax liability by exploiting ambiguities in tax laws without technically violating statutory provisions (Pohan, 2013; Frank, Lynch & Rego, 2009). While legal, tax avoidance is

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widely criticized as ethically contradictory to a firm's societal obligations, and is strongly discouraged by the Directorate General of Taxes (DJP) and the Financial Services Authority (OJK).

The Indonesian banking sector occupies a strategically critical position in the national economy channeling savings into productive investments, providing payment systems infrastructure, and transmitting monetary policy. As heavily regulated entities supervised by OJK and Bank Indonesia, banking companies are expected to demonstrate high standards of governance and regulatory compliance, including tax compliance. However, given the sector's consistently high profitability relative to other industries, banking companies may face substantial incentives for tax minimization strategies. Empirical evidence from agency theory (Jensen & Meckling, 1976) suggests that management, motivated by performance-linked compensation, may pursue tax avoidance to preserve after-tax earnings.

Corporate Social Responsibility (CSR) Disclosure has emerged as a significant determinant of tax avoidance behavior in recent literature. Based on legitimacy theory (Suchman, 1995) and stakeholder theory (Freeman, 1984), firms with higher CSR disclosure are expected to refrain from tax aggressiveness as doing so would contradict their stated social and environmental commitments. Lanis and Richardson (2012) found a significant negative relationship between CSR activities and tax aggressiveness. Similarly, Hoi, Wu, and Zhang (2013) demonstrated that firms with irresponsible CSR practices exhibit higher tax avoidance. Indonesian studies by Sari and Nugroho (2020) and Putri and Setiawan (2021) corroborate this relationship in the domestic context. However, Nawangsari, Yudhanti, and Rusyda (2022) and Arianti (2020) found no significant impact of CSR disclosure on tax avoidance among Indonesian listed companies, highlighting an empirical inconsistency warranting further investigation.

Corporate governance mechanisms, particularly the presence of independent commissioners on the board, play a pivotal role in moderating the relationship between firm characteristics and tax behavior. OJK Regulation No. 33/POJK.04/2014 requires at least 30% independent commissioners on boards of IDX-listed companies. Independent commissioners free from ties to controlling shareholders or management are theorized to provide objective oversight of strategic decisions, including tax planning (OECD, 2015). Ulhaq and Efendri (2024) found that independent commissioners strengthen the negative relationship between CSR disclosure and tax avoidance, while Kurnia Laras Asih and Darmawati (2022) found that they significantly weaken the profitability–tax avoidance relationship in Indonesian manufacturing firms.

Despite the growing literature on this topic, empirical studies specifically focusing on Indonesian banking companies across the post-pandemic period (2020–2024) are scarce. The COVID-19 pandemic and subsequent economic recovery created unique conditions including extraordinary government support, restructured loan portfolios, and volatile profitability that may have altered tax avoidance behavior in the banking sector. This study therefore aims to provide current and sector-specific empirical evidence by simultaneously testing the direct effects of CSR Disclosure and profitability on tax avoidance, and the moderating role of independent commissioners, using an unbalanced panel dataset covering the post-pandemic period. This study makes three key contributions: (1) it provides empirical evidence from a regulated financial sector in Indonesia using a comprehensive post-pandemic panel dataset; (2) it employs moderated regression analysis within a panel data framework to test both direct and interaction effects simultaneously; and (3) it applies the Fixed Effect Model with Robust Standard

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Errors validated through three sequential model selection tests (Chow, LM Breusch-Pagan, Hausman), ensuring methodological rigor. The remainder of this paper is organized as follows: Section 2 reviews the theoretical framework and develops hypotheses; Section 3 describes the research methodology; Section 4 presents findings and statistical analysis; and Section 5 concludes with implications and suggestions. Although previous studies have investigated the relationship between CSR disclosure, profitability, and tax avoidance, empirical findings remain inconsistent, particularly regarding the role of corporate governance mechanisms. Moreover, evidence from Indonesia's banking industry after the COVID-19 pandemic remains limited. These inconsistencies indicate the need for further investigation using a more robust panel data approach and recent observations.

## 2. Theoretical Background

### 2.1 Agency Theory

Agency theory, pioneered by Jensen and Meckling (1976), models the firm as a nexus of contracts between principals (shareholders) and agents (managers). Conflicts of interest arise when managers pursue objectives divergent from shareholder wealth maximization. In the taxation context, managerial agents may engage in tax avoidance as a form of earnings management preserving after-tax profits to achieve performance targets and secure compensation (Desai & Dharmapala, 2006). The presence of strong oversight mechanisms, such as independent commissioners, can attenuate this agency problem by monitoring and constraining opportunistic managerial decisions including aggressive tax planning (Pratomo & Rana, 2021).

### 2.2 Legitimacy Theory

Legitimacy theory (Suchman, 1995) holds that an organization's survival depends on society's perception that its activities align with prevailing norms and values. CSR disclosure functions as a strategic tool through which firms communicate alignment with societal expectations (Lanis & Richardson, 2012). Firms with high CSR disclosure levels risk reputation damage if simultaneously engaged in tax avoidance a practice increasingly perceived as socially irresponsible. Watson (2015) and Hoi et al. (2013) provide empirical support for this legitimacy-based argument. Recent developments further show that CSR disclosure extends beyond compliance to serve as a proactive reputational management tool (Tyvonchuk, 2025).

### 2.3 Stakeholder Theory

Freeman's (1984) stakeholder theory expands corporate accountability beyond shareholders to include all parties affected by the firm's activities: employees, customers, communities, governments, and creditors. Tax payment is framed as the firm's contribution to the public goods and institutional infrastructure that enable its operations. Companies that genuinely embrace stakeholder accountability as evidenced by high CSR disclosure are expected to exhibit lower tax avoidance, since non-payment of taxes harms government stakeholders (Lanis & Richardson, 2012; Freeman, 1984).

### 2.4 Tax Avoidance

Tax avoidance constitutes legally motivated behaviors by firms to minimize tax liabilities by exploiting gaps or ambiguities in tax legislation (Pohan, 2013; Frank et al., 2009). It differs from tax evasion which involves illegal concealment in that tax avoidance remains within the boundaries of applicable law, albeit often contrary to legislative intent. In this study, tax avoidance is measured using Cash Effective Tax Rate (CETR), defined as actual cash taxes paid divided by pre-tax income. CETR captures real tax outflows rather than accrual-based tax expense, providing a more accurate reflection of true tax payment behavior and minimizing the influence of deferred tax accruals (Lanis & Richardson, 2012). A lower CETR indicates higher tax avoidance.

### 2.5 CSR Disclosure

CSR Disclosure encompasses the voluntary or mandatory publication of a firm's economic, social, and environmental performance to its stakeholders (GRI, 2021; Huseynov & Klamm, 2012). The Global Reporting Initiative (GRI) Standards 2021 framework provides a globally recognized standard for structured CSR reporting, comprising 65 indicators spanning categories including economic performance, environmental impact, labor practices, human rights, community engagement, and product responsibility. In Indonesia, CSR reporting is institutionally mandated under Law No. 40 of 2007 for all limited liability companies. The CSR Disclosure Index (CSRDI) is calculated as the proportion of GRI Standards 2021 items disclosed relative to the total 65 applicable items.

### 2.6 Profitability

Profitability reflects a firm's ability to generate earnings from its operational activities (Brigham & Houston, 2019). Return on Assets (ROA) defined as net profit after tax divided by total assets is the most widely employed profitability proxy in tax avoidance research, as it captures the efficiency of asset utilization to generate returns. Based on agency theory, highly profitable firms provide greater incentives for managers to engage in tax avoidance so as to maintain or exceed net earnings targets (Niandari & Novelia, 2022; Tanjaya & Nazir, 2021). This implies a positive relationship between ROA and tax avoidance higher profitability is associated with a lower CETR, signaling greater tax avoidance behavior.

### 2.7 Independent Commissioner

Independent commissioners are board members devoid of financial, ownership, or familial relationships with the company's controlling shareholders or management (OJK No. 33/POJK.04/2014). As required by Indonesian capital market regulations, they must constitute at least 30% of the total board of commissioners. Independent commissioners serve as the primary institutional safeguard against managerial opportunism within the firm. Their presence is associated with stronger oversight of strategic decisions, enhanced transparency, and reduced agency conflicts (OECD, 2015; Fadhilah, 2014). In this study, independent commissioners are measured as the proportion of independent members relative to total board size and are operationalized as a moderating variable.

### 2.8 Hypothesis Development

#### 2.8.1 Effect of CSR Disclosure on Tax Avoidance

Based on legitimacy theory (Suchman, 1995) and stakeholder theory (Freeman, 1984), firms with high CSR disclosure are expected to refrain from tax avoidance to preserve their positive public image and fulfill their societal responsibilities. Lanis and Richardson (2012) and Watson (2015) empirically confirm this negative association. Hoi et al. (2013) show that irresponsible CSR practices correlate with higher tax avoidance. Indonesian evidence from Sari and Nugroho (2020) and Putri and Setiawan (2021) supports this relationship in the local context.

*H1: CSR Disclosure has a significant negative effect on tax avoidance.*

### 2.8.2 Effect of Profitability on Tax Avoidance

Agency theory (Jensen & Meckling, 1976) predicts that managers at profitable firms are motivated to minimize tax expenses to sustain high net earnings, thereby maximizing performance-based compensation. Multiple Indonesian studies (Niandari & Novelia, 2022; Tanjaya & Nazir, 2021; Anggraeni & Oktaviani, 2021; Januari & Suardikha, 2019) consistently find a positive relationship between ROA and tax avoidance. Higher ROA implies more financial resources available for tax planning and stronger managerial incentives to exploit tax loopholes.

*H2: Profitability has a significant positive effect on tax avoidance.*

### 2.8.3 Moderating Role of Independent Commissioners on CSR Disclosure-Tax Avoidance

Based on Agency Theory and corporate governance literature, independent commissioners are expected to strengthen board oversight and influence the relationship between CSR disclosure and tax avoidance. Therefore, the following hypothesis is proposed: that independent commissioners weaken the positive relationship between CSR disclosure and CETR. Although firms with greater CSR disclosure generally exhibit higher CETR (lower tax avoidance), stronger board independence reduces the magnitude of this relationship. This finding suggests that independent commissioners encourage more balanced corporate governance by ensuring that CSR disclosure is accompanied by prudent tax governance rather than relying solely on CSR activities to signal corporate responsibility.

*H3: Independent commissioners weaken the positive relationship between CSR disclosure and tax avoidance.*

### 2.8.4 Moderating Role of Independent Commissioners on Profitability-Tax Avoidance

Corporate governance theory (OECD, 2015) and agency theory predict that independent commissioners can restrain opportunistic managerial behavior arising from high profitability. Kurnia Laras Asih and Darmawati (2022) found that a higher proportion of independent commissioners significantly weakens the positive effect of profitability on tax avoidance in Indonesian manufacturing companies. Stronger independent oversight limits management's ability to exploit high earnings as a justification for aggressive tax planning.

*H4: Independent commissioners weaken the positive relationship between Profitability and tax avoidance.*

## 3. Methods

### 3.1 Research Design

This study employs a quantitative approach with a descriptive and verificative research design to examine the effects of Corporate Social Responsibility Disclosure and profitability on tax avoidance, with independent commissioners serving as a moderating variable in banking companies listed on the Indonesia Stock Exchange during the 2021–2024 period. The verificative method is used to analyze the causal relationships between

CSR disclosure, profitability, and tax avoidance through panel data regression analysis. The quantitative approach is considered appropriate because this study aims to empirically test the proposed hypotheses using statistical analysis of numerical data derived from annual reports, sustainability reports, and financial statements. The explanatory research design enables the examination of causal relationships between independent variables (CSR Disclosure and Profitability), moderating variable (Independent Commissioners), and dependent variable (Tax Avoidance measured using Cash Effective Tax Rate).

### 3.2 Population and Sample

The population of this study consists of all banking companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. The banking sector was selected due to its strategic role in the Indonesian financial system, high regulatory scrutiny, and significant public interest in corporate transparency and accountability. Using purposive sampling, the study selected companies that met the following criteria: (1) banking companies listed on the IDX during the 2021–2024 observation period; (2) banking companies that published complete annual reports during the 2021–2024 observation period; (3) banking companies that provided sustainability report data during the 2021–2024 observation period; and (4) banking companies that did not experience losses during the 2021–2024 observation period. The initial balanced panel consisted of 132 firm-year observations. Two observations were unavailable because two companies did not publish complete data for 2021, while one additional observation was excluded because of incomplete financial information. Consequently, the final sample comprised 129 firm-year observations from 33 banking companies over four years, resulting in an unbalanced panel dataset suitable for panel data regression analysis.

### 3.3 Data Collection Techniques

Secondary data were collected from annual reports, sustainability reports, and financial statements of banking companies listed on the Indonesia Stock Exchange during 2021–2024, obtained from the official IDX website (www.idx.co.id) and company websites. The data collection procedure involved several sequential steps: (1) identification of banking companies listed on the IDX during the 2021–2024 period; (2) selection of companies meeting the predetermined purposive sampling criteria; (3) extraction of CSR disclosure data from sustainability reports using content analysis based on GRI Standards 2021; (4) collection of financial data from audited annual financial statements, including information required for calculating Cash Effective Tax Rate, Return on Assets, and independent commissioner proportion; and (5) documentation of all extracted data systematically organized into a panel dataset suitable for statistical analysis. The secondary data sources employed in this research are considered reliable as they represent official publications from the Indonesia Stock Exchange and audited financial reports.

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### 3.4 Operational Definition of Variables

The operational definitions of the variables examined in this study are presented in Table 1.

**Table 1. Operational Definition and Measurement of Variables**

| Variable | Type | Definition | Measurement | Scale | Source |
|---|---|---|---|---|---|
| Tax Avoidance (CETR) (Y) | Dependent | Firm's legal tax minimization effort | CETR = Cash Tax Paid / Pre-Tax Income (Lower CETR = Higher Tax Avoidance) | Ratio | Frank et al. (2009) |
| CSR Disclosure (CSRDI) ($X_1$) | Independent | Non-financial disclosure based on GRI Standards 2021 | Measured as the natural logarithm of the Corporate Social Responsibility Disclosure Index (LN_CSRDI). The original CSRDI was calculated based on the GRI Standards 2021 disclosure index. | Ratio | GRI Standards 2021 |
| Profitability (ROA) ($X_2$) | Independent | Firm's ability to generate profit from assets | Measured as the natural logarithm of Return on Assets (LN_ROA), where ROA is calculated as net income divided by total assets. | Ratio | Harahap (2021) |
| Independent Commissioner (KI) (Z) | Moderating | Board proportion free from controlling parties | KI = Independent Commissioners / Total Board × 100% | Ratio | OJK No.33/2014 |

Source: Compiled by the author based on GRI Standards (2021), Frank et al. (2009), Harahap (2021), and OJK Regulation No. 33/POJK.04/2014

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### 3.5 Data Analysis Techniques

Data analysis in this study is conducted using panel data regression with the assistance of statistical software. The analysis stages include:

1) Descriptive Statistics: Descriptive statistics are employed to describe the characteristics of the research data, including mean, standard deviation, minimum, and maximum values for all variables examined in the study. Prior to regression estimation, CSRDI and ROA were transformed using the natural logarithm to reduce potential positive skewness, improve data normality, and minimize the influence of extreme observations, thereby enhancing the stability of the panel regression estimates while preserving the relative variation among firms.
2) Classical Assumption Tests: Prior to hypothesis testing, classical assumption tests are conducted to ensure that the regression model satisfies the required assumptions so that the estimation results are more reliable. The tests include normality test, multicollinearity test using Variance Inflation Factor (VIF), heteroscedasticity test, and autocorrelation test (Durbin-Watson).
3) Panel Data Model Selection: The selection of the appropriate panel data regression model is carried out through three main stages: the Chow Test to compare whether the Common Effect Model (CEM) or Fixed Effect Model (FEM) is the better model to use; the Hausman Test to determine whether the best model is FEM or Random Effect Model (REM); and the Lagrange Multiplier (LM) Test to confirm whether REM is more appropriate than CEM.
4) Panel Data Regression Analysis: The moderated panel regression model is specified as:

   $$CETR_{it} = \alpha + \beta_1 CSRDI_{it} + \beta_2 ROA_{it} + \beta_3 KI_{it} + \beta_4 (CSRDI_{it} \times KI_{it}) + \beta_5 (ROA_{it} \times KI_{it}) + \varepsilon_{it}$$

   Where:

   | | | |
   |---|---|---|
   | CETR | = | Cash Effective Tax Rate (tax avoidance proxy) |
   | CSRDI | = | CSR Disclosure Index |
   | ROA | = | Return on Assets |
   | KI | = | Independent Commissioner proportion |
   | (CSRDI×KI) | = | Interaction terms for moderation tests H3 |
   | (ROA×KI) | = | Interaction terms for moderation tests H4 |
   | $\alpha$ | = | Constant |
   | $\beta_1$–$\beta_5$ | = | Regression coefficients |
   | $\varepsilon$ | = | Error term |
   | i | = | Firm |
   | t | = | Time period |

   Robust standard errors were employed to ensure consistent statistical inference under potential heteroscedasticity and within-panel serial correlation commonly observed in panel datasets. This approach improves the reliability of hypothesis testing by providing heteroscedasticity-consistent standard errors without altering the estimated regression coefficients.
5) Hypothesis Testing: Hypothesis testing is conducted using:
   a. t-test (Partial Test): Used to determine the partial effect of each independent variable on the dependent variable. The hypothesis is accepted if the probability value (p-value) is less than the significance level of 5% ($p < 0.05$) with t-statistic $> 1.96$.
   b. F-test (Simultaneous Test): Used to examine the simultaneous effect of independent variables on the dependent variable. The model is considered

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significant if the probability value (p-value) is less than the significance level of 5% ($p < 0.05$).

c. Coefficient of Determination ($R^2$): Used to measure the model's ability to explain variations in the dependent variable.
d. Moderation Testing: Moderation testing is conducted using Moderated Regression Analysis (MRA) by examining the significance of the interaction terms between the independent variables and independent commissioners.

All hypothesis tests are conducted at a significance level of 5% ($p < 0.05$) using appropriate statistical software. The analysis examines how CSR disclosure and profitability influence tax avoidance, and whether independent commissioners moderate these relationships in banking companies listed on the Indonesia Stock Exchange during the 2021–2024 period.

## 4. Results and Discussion

### 4.1 Results

**Table 2. Descriptive Statistics**

| Variable | Mean | Std. Dev. | Minimum | Maximum |
|---|---|---|---|---|
| CETR | -0.223205 | 0.055067 | -0.659193 | -0.090069 |
| CSRDI | -0.458012 | 0.295709 | -1.776492 | -0.041891 |
| ROA | -4.691379 | 1.165641 | -10.181148 | -2.475829 |
| Independent Commissioner | 0.591253 | 0.124744 | 0.333333 | 1.000000 |
| CSR × Independent Commissioner | 0.387440 | 0.119014 | 0.084615 | 0.733333 |
| ROA × Independent Commissioner | 0.008810 | 0.008156 | 0.000013 | 0.042047 |

Source: Author's calculation using EViews 13 based on annual reports and sustainability reports of banking companies listed on the Indonesia Stock Exchange (2021–2024)

Table 2 presents the descriptive statistics of the research variables based on 129 firm-year observations. It should be noted that CSRDI and ROA were transformed using the natural logarithm prior to estimation. Consequently, the negative values reported for these variables represent logarithmic transformation results rather than negative CSR disclosure or firm profitability. The average Corporate Effective Tax Rate (CETR) was -0.2232, indicating relatively consistent tax payment behavior among the sampled companies. The Corporate Social Responsibility Disclosure Index (CSRDI) recorded a mean value of -0.4580, while Return on Assets (ROA) averaged -4.6914. The average proportion of independent commissioners was 59.13%, indicating that most sample companies complied with Indonesian corporate governance regulations requiring a minimum proportion of independent commissioners. The relatively small standard deviations indicate moderate variability among the observations, suggesting that the data are reasonably consistent across the sampled firms.

**Table 3. Classical Assumption Test Results**

| Test | Indicator | Result | Conclusion |
|---|---|---|---|
| Normality | Jarque–Bera Probability | 0.7796 | Normal distribution |
| Multicollinearity | Highest Correlation | 0.7720 | No multicollinearity |
| Heteroscedasticity | Glejser Probability | >0.05 | No heteroscedasticity |
| Autocorrelation | Durbin–Watson | 2.1798 | No autocorrelation |

Source: Author's calculation using EViews 13

Table 3 presents the classical assumption test results. The regression model satisfied all classical assumption tests. The Jarque–Bera normality test produced a probability value of 0.7796 (>0.05), indicating normally distributed residuals. The correlation matrix showed that all correlation coefficients among independent variables were below 0.85, confirming the absence of multicollinearity. The Glejser heteroscedasticity test revealed probability values greater than 0.05 for all variables, indicating homoscedastic residuals. Furthermore, the Durbin–Watson statistic of 2.1798 fell within the acceptable range, confirming that the model was free from autocorrelation.

**Table 4. Panel Data Model Selection**

| Test | Probability | Selected Model |
|---|---|---|
| Chow Test | 0.0000 | Fixed Effect Model |
| Hausman Test | 0.0214 | Fixed Effect Model |
| Lagrange Multiplier Test | 0.0542 | Common Effect Model |
| **Final Model** | | **Fixed Effect Model (FEM)** |

Source: Author's calculation using EViews 13

Table 4 presents the results of the panel model selection tests. Three panel regression models were estimated, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The Chow test and Hausman test both indicated that the Fixed Effect Model (FEM) was the most appropriate specification, whereas the Lagrange Multiplier (LM) test suggested the Common Effect Model (CEM). Since both the Chow and Hausman tests supported the Fixed Effect Model (FEM), while the LM test only serves to compare the Common Effect Model (CEM) and Random Effect Model (REM), the FEM was considered statistically superior and selected as the final estimation model. Accordingly, all subsequent hypothesis testing and interpretation were based on the Fixed Effect Model with Robust Standard Errors.

**Table 5. Panel Regression Results (Fixed Effect Model)**

| Variable | Coefficient | Probability | Decision |
|---|---|---|---|
| CSRDI | 0.153657 | 0.0030 | Significant (+) |
| ROA | 0.010345 | 0.4032 | Not Significant |
| Independent Commissioner | 0.301878 | 0.0075 | Significant (+) |
| CSRDI × Independent Commissioner | -0.370831 | 0.0158 | Significant (-) |
| ROA × Independent Commissioner | 0.437756 | 0.8500 | Not Significant |

Source: Author's calculation using EViews 13 (Fixed Effect Model with Robust Standard Errors)

Table 5 presents the panel regression results. Because tax avoidance is proxied by the Cash Effective Tax Rate (CETR), a positive regression coefficient on CETR indicates a lower level of tax avoidance, whereas a negative coefficient indicates higher tax avoidance. Therefore, the estimated coefficients should be interpreted in terms of changes in CETR rather than tax avoidance directly. The Fixed Effect Model revealed that Corporate Social Responsibility Disclosure Index (CSRDI) had a positive and statistically significant effect on CETR ($\beta = 0.1537$; $p = 0.0030$). This finding supports Legitimacy Theory, which argues that firms seek to maintain social legitimacy by aligning their corporate behavior with societal expectations. Companies providing more extensive CSR disclosure tend to exhibit higher CETR, indicating lower tax avoidance, because aggressive tax planning would contradict their publicly disclosed commitment to social responsibility.

Independent Commissioner also positively influenced CETR ($\beta = 0.3019$; $p = 0.0075$). In contrast, Return on Assets (ROA) showed no significant effect on CETR ($p = 0.4032$). The insignificant effect of profitability suggests that tax avoidance decisions among Indonesian banking companies are not primarily driven by financial performance. As highly regulated institutions supervised by the Financial Services Authority (OJK) and

Bank Indonesia, banks are subject to stricter governance and regulatory oversight, reducing managerial discretion to engage in aggressive tax planning despite higher profitability.

Regarding the moderating effects, the interaction between CSRDI and Independent Commissioner was significant and negative (β = -0.3708; p = 0.0158), indicating that Independent Commissioner weakens the positive relationship between CSR disclosure and CETR. This result indicates that independent commissioners moderate the relationship between CSR disclosure and CETR by reducing the magnitude of CSR's positive effect on tax compliance. However, the interaction between ROA and Independent Commissioner was not statistically significant (p = 0.8500).

**Table 6. Goodness-of-Fit Statistics**

| Indicator | Value |
|---|---|
| $R^2$ | 0.6408 |
| Adjusted $R^2$ | 0.4947 |
| F-statistic Probability | 0.0000 |
| Final Model | Fixed Effect Model |

*Source: Author's calculation using EViews 13*

Table 6 presents the goodness-of-fit statistics. The regression model was statistically significant, as indicated by the F-statistic probability of 0.0000. The Adjusted $R^2$ value of 0.4947 suggests that approximately 49.47% of the variation in CETR is explained by CSR disclosure, profitability, Independent Commissioners, and their interaction effects, while the remaining 50.53% of the variation in CETR may be attributed to other determinants of tax avoidance that were not included in this study, such as firm size, leverage, audit quality, institutional ownership, capital intensity, ESG performance, political connections, and board diversity.

## 4.2 Discussion

### 4.2.1 CSR Disclosure Affects Tax Avoidance

The hypothesis testing results indicate that CSR disclosure has a significant positive effect on CETR, with a coefficient value of 0.153657 and a probability value of 0.0030, indicating that H1 is accepted. This finding suggests that firms with more extensive CSR disclosure tend to exhibit lower levels of tax avoidance. Since a higher CETR indicates lower tax avoidance, the positive coefficient confirms that CSR disclosure is associated with more responsible tax behavior.

This finding supports Legitimacy Theory, which argues that firms seek to maintain social legitimacy by aligning their corporate behavior with societal expectations (Suchman, 1995). Companies providing more extensive CSR disclosure tend to exhibit higher CETR, indicating lower tax avoidance, because aggressive tax planning would contradict their publicly disclosed commitment to social responsibility (Lanis & Richardson, 2012). The finding is also consistent with Stakeholder Theory, suggesting that transparent CSR reporting reflects stronger accountability to stakeholders, including governments as tax beneficiaries (Freeman, 1984).

This result is consistent with previous research by Lanis and Richardson (2012) and Watson (2015), who documented that firms with stronger CSR practices tend to be less tax aggressive. Hoi et al. (2013) also found that irresponsible CSR practices correlate with higher tax avoidance. In the Indonesian context, this finding supports Sari and Nugroho (2020) and Putri and Setiawan (2021), who found a negative association between CSR disclosure and tax avoidance. The positive relationship between CSR disclosure and CETR suggests that CSR disclosure serves as a commitment mechanism that constrains opportunistic tax behavior.

### 4.2.2 Profitability Does Not Affect Tax Avoidance

The hypothesis testing results indicate that profitability does not significantly affect CETR, with a coefficient value of 0.010345 and a probability value of 0.4032, indicating that H2 is rejected. This finding suggests that tax avoidance decisions among Indonesian banking companies are not primarily driven by financial performance.

The insignificant effect of profitability may be attributed to several factors. First, the banking sector is highly regulated and supervised by the Financial Services Authority (OJK) and Bank Indonesia, which impose strict governance and regulatory oversight on banks' operations, including tax-related matters. This regulatory environment reduces managerial discretion to engage in aggressive tax planning despite higher profitability (Pratomo & Rana, 2021). Second, banks operate under significant public scrutiny and are expected to maintain high levels of transparency and accountability. Aggressive tax avoidance could damage their reputation and erode public trust, which is a vital asset in the banking industry (Lanis & Richardson, 2012). Third, banks are subject to specific capital requirements and prudential regulations that limit their ability to engage in aggressive tax planning.

This finding is inconsistent with previous studies by Niandari and Novelia (2022), Tanjaya and Nazir (2021), and Anggraeni and Oktaviani (2021), which found a positive relationship between ROA and tax avoidance in non-financial sectors. The difference in findings may be attributed to the unique characteristics of the banking industry, which is subject to stricter regulatory oversight compared to other sectors. Therefore, corporate governance mechanisms may play a more important role than profitability in explaining tax behavior within the banking sector.

### 4.2.3 Independent Commissioners Weaken the Positive Relationship between CSR Disclosure and CETR

The hypothesis testing results indicate that independent commissioners significantly moderate the relationship between CSR disclosure and tax avoidance, with an interaction coefficient of -0.370831 and a probability value of 0.0158, indicating that H3 is accepted. This finding suggests that independent commissioners weaken the positive relationship between CSR disclosure and CETR.

This result indicates that while CSR disclosure generally promotes higher CETR (lower tax avoidance), the presence of independent commissioners reduces the magnitude of this effect. Rather than relying solely on CSR disclosure as a legitimacy mechanism, independent commissioners encourage a more balanced governance approach by ensuring that corporate responsibility is accompanied by prudent tax governance. This finding reinforces Agency Theory, which emphasizes the monitoring role of independent boards in reducing managerial opportunism (Jensen & Meckling, 1976).

The moderating effect suggests that independent commissioners play a critical role in ensuring that CSR disclosure reflects genuine commitment rather than symbolic legitimacy-seeking behavior. When independent commissioners are present, they may scrutinize both CSR practices and tax strategies more carefully, ensuring that companies do not simply use CSR disclosure to mask aggressive tax practices. This finding highlights the importance of strong corporate governance mechanisms in ensuring that

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CSR disclosure translates into responsible corporate behavior across multiple dimensions, including tax compliance.

#### 4.2.4 Independent Commissioners Do Not Moderate the Relationship between Profitability and Tax Avoidance

The hypothesis testing results indicate that independent commissioners do not significantly moderate the relationship between profitability and tax avoidance, with an interaction coefficient of 0.437756 and a probability value of 0.8500, indicating that H4 is rejected. This finding suggests that board independence alone is insufficient to influence the relationship between profitability and tax avoidance.

The absence of a significant moderating effect suggests that tax planning decisions associated with firm profitability may be affected by other governance mechanisms, such as audit committee effectiveness, institutional ownership, or external monitoring, rather than solely by the proportion of independent commissioners. Previous research has shown that the effectiveness of independent commissioners depends on their qualifications, independence, and active participation in decision-making, not merely their numerical representation (Fadhilah, 2014).

This finding is inconsistent with Kurnia Laras Asih and Darmawati (2022), who found that a higher proportion of independent commissioners significantly weakens the positive effect of profitability on tax avoidance in Indonesian manufacturing companies. The difference in findings may be attributed to the unique characteristics of the banking sector, where other governance mechanisms may be more influential in constraining tax avoidance behavior. Additionally, the effectiveness of independent commissioners may be influenced by the quality of their oversight, their expertise in tax matters, and their willingness to challenge management decisions. Future research should examine these factors to better understand how governance mechanisms influence tax avoidance behavior in the banking sector.

## 5. Conclusion

This study examines the effects of Corporate Social Responsibility Disclosure and profitability on tax avoidance, with independent commissioners serving as a moderating variable in banking companies listed on the Indonesia Stock Exchange during the 2021–2024 period. Drawing upon Agency Theory, Legitimacy Theory, and Stakeholder Theory, this study investigates how corporate sustainability practices, financial performance, and governance mechanisms influence corporate tax behavior. The sample consists of 129 firm-year observations from 33 banking companies selected using purposive sampling. Panel data regression analysis with the Fixed Effect Model was employed to test the proposed hypotheses.

The results indicate that CSR disclosure has a positive and significant effect on the Corporate Effective Tax Rate, indicating lower levels of tax avoidance among firms with more extensive CSR disclosure. This finding supports Legitimacy Theory and Stakeholder Theory, suggesting that firms with extensive CSR disclosure seek to maintain social legitimacy by aligning their corporate behavior with societal expectations, including responsible tax payment. Profitability, measured by Return on Assets, has no significant effect on tax avoidance, suggesting that tax avoidance decisions among Indonesian banking companies are not primarily driven by financial performance. The insignificant effect of profitability may be attributed to the strict regulatory oversight imposed by the Financial Services Authority and Bank Indonesia on the banking sector, which reduces managerial discretion to engage in aggressive tax planning despite higher profitability.

Furthermore, independent commissioners significantly moderate the relationship between CSR disclosure and tax avoidance by weakening the positive effect of CSR disclosure on CETR. This finding indicates that independent commissioners encourage a more balanced governance approach by ensuring that corporate responsibility is accompanied by prudent tax governance, reinforcing Agency Theory which emphasizes the monitoring role of independent boards in reducing managerial opportunism. However, independent commissioners do not significantly moderate the relationship between profitability and tax avoidance, suggesting that board independence alone is insufficient to influence the relationship between profitability and tax avoidance.

The model explains 49.47% of the variation in CETR, indicating that CSR disclosure, profitability, independent commissioners, and their interaction effects collectively explain a substantial proportion of tax avoidance behavior in the Indonesian banking sector. The remaining variation may be attributed to other determinants not included in this study, such as firm size, leverage, audit quality, institutional ownership, capital intensity, ESG performance, political connections, and board diversity.

The theoretical implications of this study extend the application of Legitimacy Theory, Stakeholder Theory, and Agency Theory to the context of tax avoidance in the Indonesian banking sector. The findings demonstrate that CSR disclosure serves as a mechanism for firms to maintain social legitimacy through responsible tax behavior, and that independent commissioners play a critical role in ensuring that CSR disclosure reflects genuine commitment rather than symbolic legitimacy-seeking behavior. This study also contributes to the understanding of the interaction between CSR disclosure and corporate governance mechanisms, suggesting that CSR disclosure and corporate governance should be viewed as complementary mechanisms that together promote ethical corporate behavior.

From a practical perspective, the findings provide actionable insights for regulators, banking companies, investors, and policymakers. For regulators, the findings suggest the importance of strengthening governance supervision by ensuring that independent commissioners effectively oversee tax compliance and possess the necessary expertise to monitor tax practices. For banking companies, the findings highlight the importance of integrating CSR reporting with transparent tax governance practices, viewing CSR disclosure not merely as a compliance exercise but as a strategic tool for building stakeholder trust. For investors, the findings suggest that CSR disclosure quality and board independence may serve as indicators of responsible corporate tax behavior. For policymakers, the findings highlight the importance of strengthening both CSR reporting standards and corporate governance mechanisms to promote responsible tax behavior.

This study has several limitations that should be acknowledged. First, the study focuses on the banking sector in Indonesia, which may limit the generalizability of the findings to other sectors or countries. Second, the study uses CETR as the sole measure of tax avoidance, which may not capture all dimensions of tax avoidance. Third, the study uses CSR disclosure as a measure of corporate social responsibility, which may not fully capture the substantive implementation of CSR practices. Fourth, the study does not examine the role of other governance mechanisms, such as audit committees, institutional ownership, or managerial ownership, in influencing tax avoidance behavior. Fifth, the study covers the 2021–2024 period, which includes the post-pandemic recovery period, and the findings may not be generalizable to other time periods.

Future research should examine whether the relationships observed in this study hold for other sectors and countries to enhance generalizability. Researchers should use multiple measures of tax avoidance, such as book-tax differences or discretionary permanent differences, to provide a more comprehensive assessment. Future studies should complement CSR disclosure measures with other indicators of CSR performance, such as ESG scores or third-party CSR ratings. Researchers should incorporate other governance mechanisms, such as audit committees, institutional ownership, and managerial ownership, to provide a more comprehensive understanding of the determinants of tax avoidance. Finally, future research should extend the observation period to examine whether the relationships observed in this study persist over time and how they evolve in response to changes in the regulatory environment, particularly as tax regulations and enforcement continue to evolve in Indonesia.

In conclusion, this study contributes to the literature on CSR disclosure, tax avoidance, and corporate governance by providing empirical evidence from the Indonesian banking sector during the post-pandemic period. The findings highlight the importance of integrating transparent CSR disclosure with effective corporate governance to encourage responsible corporate tax behavior. As sustainability and governance issues continue to receive increasing attention from regulators, investors, and the public, understanding the mechanisms through which CSR disclosure and governance mechanisms influence corporate tax behavior becomes increasingly important for promoting transparency, accountability, and sustainable development in the banking sector.

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