



THE EFFECT OF FINANCIAL PERFORMANCE AND CORPORATE GOVERNANCE ON TAX AVOIDANCE WITH ENVIRONMENTAL PERFORMANCE AS A MODERATOR

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Abstract

This study aims to examine the influence of financial performance and corporate governance on tax avoidance, with environmental performance acting as a moderating variable. Tax avoidance is designated as the dependent variable, while profitability (ROA), managerial ownership, the composition of independent commissioners, and auditor quality are regarded as independent variables. Corporate Social Responsibility (CSR) is recognized as both an indicator of environmental performance and a moderating variable. The study employs a quantitative methodology utilizing purposive sampling, focusing on banking entities listed on the Indonesia Stock Exchange (IDX) during the period from 2021 to 2023. Data analysis is executed through multiple regression, T-tests, and F-tests using SPSS Version 25. The findings reveal that financial performance (profitability) and environmental performance (CSR) exert a significant negative impact on tax avoidance. Furthermore, CSR enhances the effect of profitability on tax avoidance. Conversely, managerial ownership, the size of the independent board of commissioners, and auditor quality do not exhibit a significant influence on tax avoidance. The research also indicates that environmental performance does not moderate the effects of managerial ownership, the size of the independent board of commissioners, and auditor quality on tax avoidance. The implications of this study highlight the necessity of integrating CSR into business strategies to foster ethical tax practices. These findings contribute to the broader discourse on tax compliance and corporate governance, offering valuable insights for stakeholders aiming to reconcile financial goals with social responsibilities.

Keywords: Auditor Quality, Corporate Social Responsibility (CSR), Independent Commissioners, Managerial Ownership, ROA, Tax Avoidance

INTRODUCTION

Tax avoidance represents a considerable challenge for companies worldwide, including those operating in Indonesia. This practice aims to reduce tax liabilities, which negatively impacts state revenue and contributes to competitive inequities. Research indicates that tax avoidance can significantly affect both state income and social equity (Mahrani, 2019). Furthermore, the ownership structure and environmental performance have been shown to significantly influence tax avoidance among Indonesian companies (Hidayat & Zuhroh, 2023). Therefore, understanding the various factors that contribute to tax avoidance is essential, particularly in relation to financial performance and corporate governance.

Financial performance, defined as the outcomes achieved by a company over a specified timeframe and reflecting its financial health, is a crucial variable influencing tax avoidance. Profitability serves as a primary indicator of financial performance, with higher profits contributing to an increase in Return on Assets (ROA), which signifies robust company performance (Debora & Joni, 2022). This increase in profitability also leads to a greater income tax liability for the company. As a result, firms often implement tax avoidance strategies to alleviate their tax burdens in light of rising financial obligations.

Corporate governance is a vital element explored in this study. The key variables of interest include managerial ownership, the presence of independent commissioners, and auditor quality. Effective corporate governance serves as a safeguard against excessive tax avoidance by fostering transparency and accountability (Kovermann & Velte, 2019). Moreover, efficient and transparent corporate governance can further mitigate tax avoidance by strengthening accountability and oversight (Firmansyah & Estutik, 2020).



Managerial ownership, defined as the proportion of shares held by managers, can have a significant impact on tax avoidance practices. When members of the board of directors hold shares, it may result in a decrease in tax aggressiveness, as their decisions directly influence the entities they oversee (Charisma & Dwimulyani, 2019). Conversely, some research suggests that managerial ownership does not significantly affect tax avoidance, as the relatively small proportion of shares held by managers may restrict their decision-making authority (Muslim & Nengzih, 2020).

Independent commissioners play a pivotal role in mitigating conflicts of interest between management and shareholders, thereby reducing instances of unethical tax avoidance (Rahma & Firmansyah, 2022). Furthermore, the presence of high-quality auditors, along with a well-structured independent board of commissioners, is essential for overseeing corporate tax practices effectively (Ngabdillah et al., 2022). Consequently, effective oversight through robust corporate governance functions as a critical mechanism for regulating tax avoidance.

In addition, environmental performance, as evaluated through Corporate Social Responsibility (CSR), emerges as a significant moderating variable that merits further investigation. Firms that actively engage in CSR initiatives typically demonstrate lower levels of tax avoidance (Chouaibi et al., 2021). Similarly, effective corporate governance, when combined with a strong commitment to CSR, can enhance a company's reputation while mitigating risks associated with tax avoidance (Khan et al., 2022).

This study seeks to investigate the influence of financial performance and corporate governance on tax avoidance, alongside the moderating role of environmental performance. The research methodology employs secondary data sourced from the financial reports of banking companies listed on the Indonesia Stock Exchange (IDX) for the period spanning 2020 to 2022. This dataset is anticipated to provide a comprehensive overview of the relationships among the variables under scrutiny. Utilizing a quantitative approach, the analysis will be conducted to test the hypotheses posited in this study.

Additionally, this research aims to offer recommendations regarding the importance of integrating Corporate Social Responsibility (CSR) practices into corporate business strategies. Given the context of Indonesia, where tax avoidance remains a significant challenge, this study is relevant in providing novel insights for stakeholders.

Consequently, the study intends to examine how environmental performance can moderate the relationship between financial performance and corporate governance concerning tax avoidance. This research transcends a narrow focus on financial metrics and corporate governance, as it also incorporates the increasingly vital environmental dimension within the contemporary business environment. Through rigorous analysis, this study aspires to generate findings that will assist companies in effectively managing their tax obligations while simultaneously maintaining their social and environmental responsibilities.

LITERATURE REVIEW

Agency Theory

Agency theory elucidates the dynamics between company owners (principals) and managers (agents) tasked with the management of the enterprise. Within the context of tax avoidance, this theory asserts that managers possess incentives to maximize the firm's profits, which may encompass engaging in tax avoidance strategies. Mahrani (2019) posits that tax avoidance is frequently influenced by the profitability of the company, as managers are inclined to explore avenues for reducing tax liabilities in the interest of shareholders. Hidayat & Zuhroh (2023) further note that "the ownership structure and company performance are pivotal in determining the extent of tax avoidance, with managers aiming to bolster short-term profits."



Stakeholder Theory

Stakeholder theory underscores the importance of stakeholders in corporate decision-making processes. In this context, effective environmental performance through Corporate Social Responsibility (CSR) can strengthen the relationship between the firm and its stakeholders, including the community and governmental entities. Research by Chouaibi et al. (2021) reveals that "companies that adopt strong CSR practices are generally more transparent in their tax reporting, which can, in turn, affect their tax avoidance strategies." This observation is consistent with the findings of Solikhah et al. (2019), who contends that "the quality of auditor and the presence of independent commissioners are crucial in monitoring corporate tax practices."

Legitimacy Theory

Legitimacy theory centers on the efforts of companies to attain and sustain legitimacy in the perceptions of the public and stakeholders. In the realm of tax avoidance, firms that engage in aggressive tax avoidance strategies may face significant reputational risks. Research conducted by Khan et al. (2022) indicates that "CSR can negatively affect tax avoidance in specific contexts, as companies with a solid reputation are less inclined to participate in tax avoidance." This suggests that strong environmental performance can act as a safeguard against reputational risk.

Financial Performance

Financial performance refers to the outcomes achieved by a corporation over a specific period, serving as a vital indicator of its financial health. Evaluating financial performance involves analyzing liquidity, solvency, profitability, and overall financial viability. Mahrani (2019) notes that fluctuations in profitability significantly affect tax avoidance behaviors; specifically, higher profitability is linked to increased tax liabilities, which diminishes the likelihood of tax avoidance. Key profitability metrics, such as Return on Assets (ROA), are essential for assessing a company's efficiency in generating profits from its assets, providing stakeholders with critical insights into operational effectiveness.

Previous research has established a significant correlation between profitability and tax avoidance practices. Muslim & Nengzih (2020) found that firms with higher profitability are more likely to engage in tax avoidance, a conclusion that aligns with Mahrani's (2019) findings. This trend is consistent with agency theory, suggesting that corporate managers are motivated to maximize profits, including through tax avoidance strategies. Thus, enhanced profitability not only improves financial performance but may also encourage more aggressive tax avoidance behavior.

Corporate Governance

Managerial Ownership

Managerial ownership, which pertains to the proportion of shares held by management, can significantly influence tax avoidance practices. Research by Charisma & Dwimulyani (2019) demonstrates that managerial ownership exerts a negative effect on tax avoidance. As the shareholding by management increases, their incentive to safeguard shareholder interests also intensifies, given that erroneous decisions can have direct repercussions on their financial position. Furthermore, a study by Hidayat & Zuhroh (2023) revealed that "an imbalanced ownership structure can result in elevated levels of tax avoidance." Conversely, findings from Muslim & Nengzih (2020) provided empirical evidence indicating that managerial ownership does not significantly affect tax avoidance.

Independent Board of Commissioners

The independent board of commissioners holds a vital position in monitoring management and ensuring that decisions are consistent with the interests of shareholders. According to Ngabdillah et al. (2022), the existence of an independent board contributes to



more effective tax management by fostering increased transparency and accountability. Independent directors can reduce the risk of tax avoidance by promoting adherence to tax regulations among management. Additionally, Solikhah et al. (2019) notes that "independent commissioners who actively engage in oversight can help curb unethical tax avoidance practices."

Auditor Quality

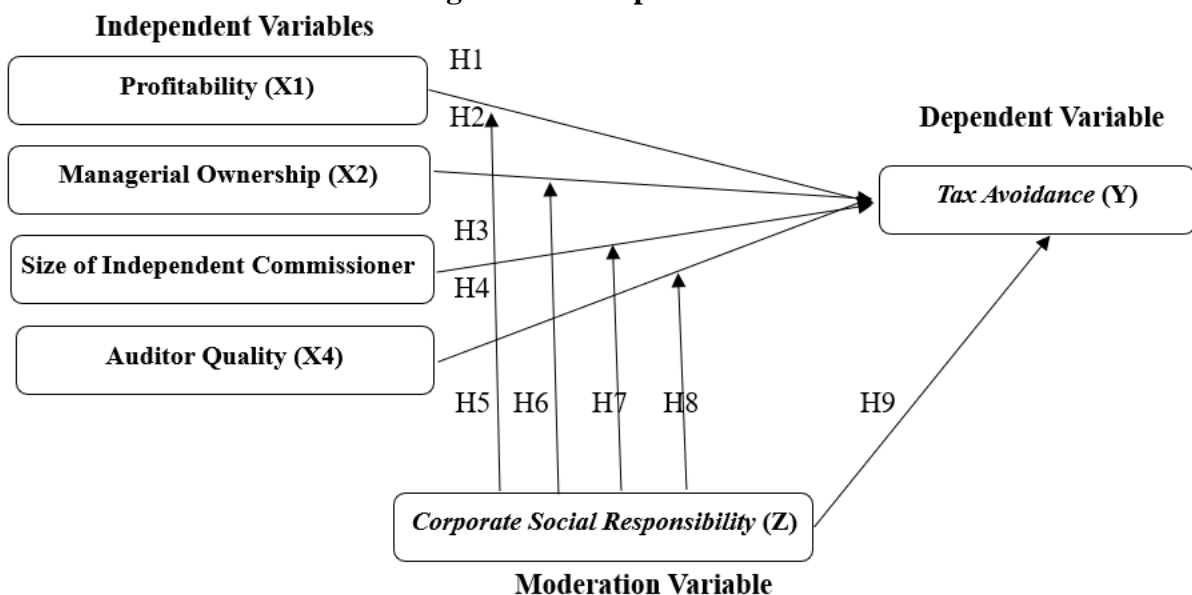
The quality of auditors is evaluated based on the reputation and competence of the audit firm in delivering objective and independent assessments of financial statements. Mahrani (2019) highlights that high auditor quality can aid companies in mitigating tax avoidance, as reputable auditors are inclined to ensure compliance with tax regulations. Furthermore, reliable auditors can bolster public and stakeholder trust in the financial reports of the company. Research conducted by Rahma & Firmansyah (2022) reinforces this notion by stating that "high-quality auditor are crucial in curbing tax avoidance."

Environmental Performance

Environmental performance, assessed through Corporate Social Responsibility (CSR), is proposed as a moderating variable in this research. Safitri & Muid (2020) indicate that companies with high levels of CSR disclosure are less likely to engage in tax avoidance, as they seek to build strong relationships with stakeholders and maintain a positive reputation within the community. This finding suggests that CSR can function as a beneficial factor that enhances the relationship between financial performance and tax avoidance. Chouaibi et al. (2021) asserts that "effective CSR practices can mitigate tax avoidance," as companies that are more socially responsible tend to avoid aggressive tax avoidance measures to preserve a favorable image among stakeholders and the public. This evidence reinforces the notion that CSR can play a significant role in strengthening the connection between financial performance and tax avoidance.

The relationships among the independent variables, which include profitability, managerial ownership, independent board of commissioners, and auditor quality, in relation to the dependent variable of tax avoidance, along with the moderating variable of Corporate Social Responsibility (CSR), can be represented in a research model as follows:

Figure 1. Conceptual Framework



Research Hypotheses

H1: Profitability exerts a negative influence on tax avoidance.

H2: Managerial ownership exerts a negative influence on tax avoidance.



- H3: The presence of an independent board of commissioners exerts a negative influence on tax avoidance.
- H4: Auditor quality exerts a negative influence on tax avoidance.
- H5: Corporate Social Responsibility (CSR) moderates the relationship between profitability and tax avoidance, whereby companies exhibiting strong environmental performance are likely to diminish their tax avoidance behaviors.
- H6: Corporate Social Responsibility (CSR) moderates the relationship between managerial ownership and tax avoidance, whereby companies demonstrating a high commitment to CSR are likely to eschew aggressive tax avoidance practices.
- H7: Corporate Social Responsibility (CSR) moderates the relationship between the presence of an independent board of commissioners and tax avoidance, such that companies with a robust board of commissioners and a significant commitment to CSR will demonstrate greater transparency in tax reporting.
- H8: Corporate Social Responsibility (CSR) moderates the relationship between auditor quality and tax avoidance, such that companies audited by high-quality auditors with a strong commitment to CSR are more likely to adhere to tax regulations.
- H9: Corporate Social Responsibility (CSR) exerts a negative influence on tax avoidance.

METHODS

This research adopts a quantitative approach designed to investigate the relationships among variables that affect tax avoidance. This methodology allows for precise measurement and statistical analysis, thereby providing a comprehensive understanding of the effects of financial performance, corporate governance, and Corporate Social Responsibility (CSR) on tax avoidance.

The population for this study comprises secondary data sourced from the financial statements, annual reports, and sustainability reports of banking institutions listed on the Indonesia Stock Exchange (IDX) for the period spanning 2021 to 2023. The choice of the banking sector offers unique insights due to its distinct operational characteristics and regulatory environment compared to other sectors. In this regard, the banking sector demonstrates measurable financial performance through detailed reporting and adheres to elevated standards of corporate governance, which facilitates the analysis of the relationship between governance and tax avoidance.

Moreover, noteworthy Corporate Social Responsibility (CSR) initiatives within this sector may act as a moderating variable influencing this relationship. Given the significant role of the banking sector in the economy, tax avoidance practices within this domain have the potential to considerably impact state revenue (Hanlon & Heitzman, 2010).

The research sample is selected using purposive sampling, which entails choosing based on specific criteria to ensure the data collected are both relevant and representative. The criteria for sample selection are as follows:

Table 1. Sample Selection

Population		Period of Observation			Total
		2021	2022	2023	
Companies listed on the IDX banking sector in 2023		47	47	47	141
Criteria:					
1.	Banking sector companies not listed on the IDX during the years 2021-2023	0	0	0	0
2.	Banking sector companies that reported profit before tax in the years 2021-2023	-12	-6	-3	-20
Total observational data		35	41	44	120
Outliers		-3	-4	-4	-11
Total observational data excluding outliers		32	37	40	109



Table 2. Operational Definitions and Variable Measurements

Variable	Operational Definition	Measurement
Dependent:		
<i>Tax avoidance</i> (Y)	Tax avoidance is defined as the legal reduction of tax obligations through strategies such as the utilization of tax deductions and exploitation of legal loopholes, distinguishing it from illegal tax evasion. (Hidayat & Zuhroh, 2023); (Ngabdillah et al., 2022); (Safitri & Muid, 2020).	$ETR = \frac{Total\ Taxes\ Paid}{Earnings\ Before\ Tax} \times 100\%$
Independent:		
Profitability (X1)	In this research, profitability is evaluated through the metric of Return on Assets (ROA). ROA serves as a significant profitability ratio that measures a company's efficiency in generating profit. It illustrates the capacity of a firm to realize earnings as governed by its management (Debora & Joni, 2022); (Muslim & Nengzih, 2020).	$ROA = \frac{EAT}{\sum Assets} \times 100\%$
Managerial Ownership (X2)	Managerial ownership refers to the condition in which managers hold shares in the company, indicating that these managers simultaneously serve as shareholders of the organization (Muslim & Nengzih, 2020).	$\frac{Managerial\ Ownership}{\sum Outstanding\ Shares} \times 100\%$
Size of Independent Commissioner Board (X3)	An independent commissioner is characterized as an individual who has no affiliations with the controlling shareholders, lacks any connections to the board of directors or the board of commissioners, and does not hold a directorship in any company related to the owner, in accordance with the regulations established by the Indonesia Stock Exchange (BEI) (Muslim & Nengzih, 2020).	$\frac{Proportion\ of\ Independent\ Commissioners}{Total\ Number\ of\ Commissioners} \times 100\%$
Auditor Quality (X4)	Auditor Quality. Research indicates that companies audited by large public accounting firms (KAP) exhibit lower instances of tax avoidance, as auditors affiliated with The Big Four demonstrate a higher level of competence and professionalism compared to those from Non-Big Four firms. As a result, they possess superior expertise in detecting and addressing	$Auditor\ Quality = \begin{cases} 1 & \text{if the auditor is from a large firm (Big Four)} \\ 0 & \text{if the auditor is from a small or lesser-known firm} \end{cases}$



	potential manipulations of financial statements by companies (Ngabdillah et al., 2022).	
Moderation:		
Corporate Social Responsibility (Z)	<p>Content Analysis The assessment of Corporate Social Responsibility (CSR) is represented by the CSR disclosure ratio, which is based on 89 indicators derived from the GRI (Global Reporting Initiative) Content Index 2021. The evaluation of CSR disclosure is performed by comparing the items outlined in the GRI Content Index 2021 checklist with those disclosed by the company in their annual reports (Safitri & Muid, 2020).</p>	$CSR\ Di = \frac{\sum xi}{n}$ <p>CSR Di : CSR Disclosure $\sum xi$: The number of items valued 1 for company i n : Total number of items in the CSR (n=89)</p>

The research utilizes a multiple linear regression equation defined as follows:
 $Y = \alpha + \beta_1(X_1) + \beta_2 (X_2) + \beta_3 (X_3) + \beta_4 (X_4) + \beta_5 (X_1*Z) + \beta_6(X_2*Z) + \beta_7(X_3*Z) + \beta_8(X_4*Z) + \beta_9*Z + \varepsilon$

- Y : Tax Avoidance
- α : Constant
- $\beta_1 \dots \beta_9$: Regression Coefficients of the Variables
- X1 : Profitability
- X2 : Managerial Ownership
- X3 : Independent Commissioner Board
- X4 : Auditor Quality
- Z : Corporate Social Responsibility
- ε : Error

RESULTS AND DISCUSSIONS

This research utilizes descriptive statistical methods, with data processed through SPSS version 25. The descriptive analysis yields information about the data quantity, minimum and maximum values, mean, and standard deviation for each variable examined. Following this, the analysis is conducted using a classical assumption testing framework, encompassing tests for normality, heteroscedasticity, autocorrelation, and multicollinearity.

Table 3. Results of Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
ETR	109	1.46	90.14	24.6687	11.58175
ROA	109	.04	11.43	1.9972	1.88672
Managerial Ownership	109	.00	74.70	3.5223	13.89266
Size of the Independent Board of Commissioners	109	25.00	100.00	59.0039	13.97607
ESG_Score	109	23.00	41.00	32.9358	4.13270
X1_Z	109	-4.21	3.71	-.0966	1.06239
X2_Z	109	-6.58	1.01	-.2624	1.15591
X3_Z	109	-1.37	5.85	.3395	1.05133
X4_Z	109	-2.08	1.92	.2275	.98055

Source: data processed



The ETR (Effective Tax Rate) variable registers a minimum value of 1.46%, which suggests the existence of entities with exceptionally low effective tax rates, as well as the potential for tax avoidance or the utilization of tax incentives. In contrast, the maximum ETR value reaches 90.14%, indicating that some companies contribute a substantial proportion of their taxes, likely due to high levels of compliance or the issuance of Tax Assessment Letters. The average ETR stands at 24.67%, closely aligning with the applicable tax rate of 22%. Additionally, a standard deviation of 11.58% reflects considerable variability in ETR values, signifying significant differences in tax payments that may arise from diverse tax strategies and other pertinent factors.

The analysis of the ROA (Return on Assets) variable uncovers a minimum value of 0.04% and a maximum of 11.43%, with an average of 1.99%, which indicates a generally low return on assets. Moreover, a standard deviation of 1.88% highlights significant variability among companies, influenced by factors such as company size and operational strategies.

The variable of Managerial Ownership demonstrates a notable range, with a minimum value of 0% and a maximum of 74.70%. The average managerial ownership stands at 3.52%, suggesting that most managers within the studied companies possess very limited share ownership. A standard deviation of 13.89% indicates substantial variability in ownership among managers, reflecting significant disparities between companies.

Conversely, the variable of Independent Board of Commissioners presents a minimum value of 25.00% and a maximum of 100%, with an average of 59.00%, indicating a considerable proportion of independent board members in the companies under review. This average illustrates the companies' initiatives to enhance oversight and reduce conflicts of interest, which are essential components of effective corporate governance. Nonetheless, a standard deviation of 13.97% reveals significant variability in board composition among companies, influenced by factors such as size and corporate governance policies.

Table 4. Descriptive Statistics of Auditor Quality Variables

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Auditors affiliated with small or lesser-known firms	47	43.12	43.12	43.12
	Auditors associated with major firms (Big Four)	62	56.88	56.88	100.00
	Total	109	100.00	100.00	

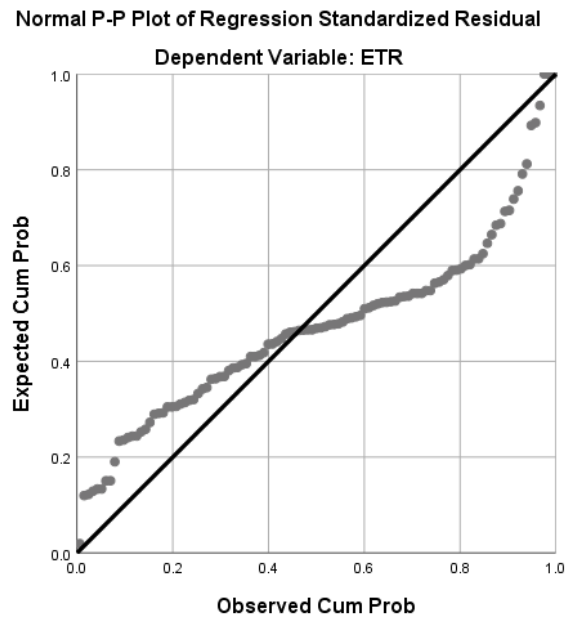
Source: data processed

The analysis of the Auditor Quality variable indicates that 43.12% of respondents engage auditors from small or lesser-known firms, whereas 56.88% prefer auditors from larger firms, specifically the Big Four. This inclination towards larger firms suggests a belief in their enhanced reputation, experience, and credibility in financial reporting, which in turn fosters greater confidence among stakeholders. Nevertheless, the considerable proportion of respondents choosing auditors from smaller firms suggests that some companies also consider cost-related factors or a more personalized relationship in their selection process.

Classical assumption testing is conducted utilizing the final dataset after excluding all observations that do not meet the specified criteria. This testing is carried out sequentially, encompassing assessments of normality, heteroscedasticity, autocorrelation, and multicollinearity.



Figure 2. PP Plot



Source:dataprocessed

Normality testing employs two methods: a graphical technique involving a PP Plot and a hypothesis test using the One-Sample Kolmogorov-Smirnov (K-S) test. This dual approach is intended to verify that the data adheres to the normal distribution assumption, which is a fundamental prerequisite for regression analysis.

Table 5. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		109
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	10.04881238
Most Extreme Differences	Absolute	.225
	Positive	.225
	Negative	-.141
Test Statistic		.225
Asymp. Sig. (2-tailed)		.000 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

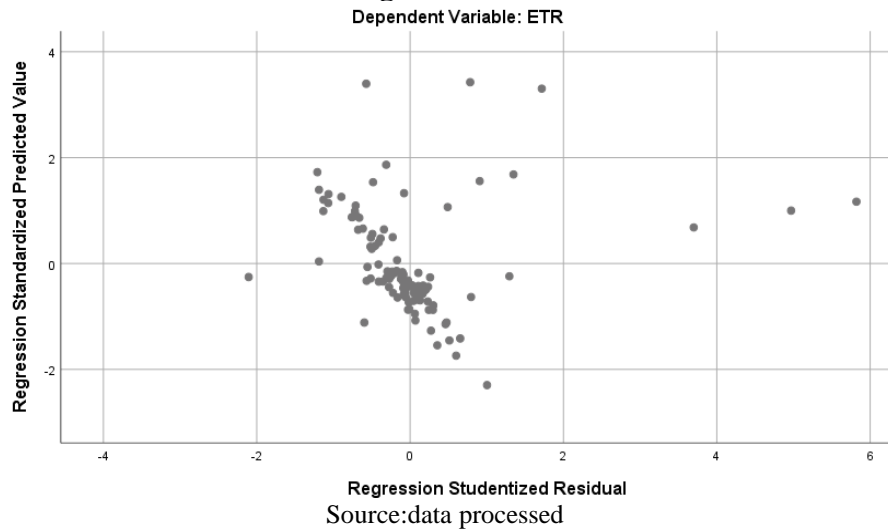
Source:data processed

A model is deemed normally distributed if the residual PP Plot closely aligns with the line $y=x$ and the probability value exceeds 0.05. However, the results of the testing indicate that the graph does not conform to the line $y=x$ and that the probability value is 0.00, which falls below the alpha level of 0.05. Consequently, it can be inferred that the data does not exhibit a normal distribution. Nevertheless, based on the Central Limit Theorem and the Law of Large Numbers, this deviation from the normality assumption can be disregarded, given that the large sample size ($n > 30$) enhances the robustness of the analytical findings.

The heteroscedasticity test was performed utilizing a scatter plot that depicts the relationship between the residual values and the predicted values generated by the model. This methodology seeks to identify any patterns within the distribution of residuals that could suggest a breach of the homoscedasticity assumption.



Figure 3. Scatter Plot



Data is regarded as lacking heteroskedasticity if the scatter plot of the residuals does not display any discernible patterns. The results of the testing indicate that most residuals exhibit random characteristics. Consequently, it can be concluded that this data adheres to the assumption of heteroskedasticity.

Table 6. Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.497 ^a	.247	.179	10.49564	1.102

a. Predictors: (Constant), X4_Z, Auditor Quality, X1_Z, X3_Z, ROA, Managerial Ownership, Size of the Independent Board of Commissioners, ESG Score, X2_Z

b. Dependent Variable: ETR
Source: data processed

The results of the autocorrelation analysis indicate a Durbin-Watson statistic of 1.102, which falls outside the optimal range of 1.6 to 2.4. This value suggests a potential presence of autocorrelation within the model, thereby compromising the reliability of the regression analysis results. To effectively address this autocorrelation, several statistical solutions can be employed. First, utilizing Autoregressive Integrated Moving Average (ARIMA) models may prove advantageous, as these models explicitly incorporate autocorrelation. Additionally, incorporating lagged dependent or independent variables into the regression framework can help capture the autocorrelation inherent in the data. Employing Generalized Least Squares (GLS) or the Cochrane-Orcutt procedure can further adjust the model to account for autocorrelation, while the application of Newey-West standard errors will provide more robust estimates. Moreover, differencing the data, conducting supplementary diagnostic tests such as the Breusch-Godfrey test, or applying variable transformations may assist in stabilizing variance and enhancing the overall reliability of the regression analysis results.

Table 7. Results of the Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
ROA	.823	1.216
Managerial Ownership	.288	3.476
Size of the Independent Board of Commissioners	.741	1.349
Auditor Quality	.742	1.348
ESG Score	.603	1.659
X1_Z	.804	1.244
X2_Z	.287	3.487



X3_Z	.788	1.269
X4_Z	.790	1.266

Source: data processed

The findings from the multicollinearity analysis reveal that all independent variables within this model exhibit a tolerance value exceeding 0.1 and a Variance Inflation Factor (VIF) below 10, indicating that significant multicollinearity issues are absent. The Managerial Ownership variable reflects a tolerance value of 0.288 and a VIF of 3.476, whereas the Size of the Independent Board of Commissioners and Auditor Quality present tolerance values of 0.741 and 0.742, with corresponding VIFs of 1.349 and 1.348, respectively. Furthermore, the Return on Assets (ROA) variable shows a satisfactory tolerance value of 0.823 and a VIF of 1.216, affirming its independence in impacting corporate performance. These values suggest that each variable independently contributes to the model without exerting mutual influence. Consequently, the regression analysis performed can be regarded as valid, and the results are considered reliable.

Subsequent to the fulfillment of all classical assumptions, the data is subjected to further analysis using the Goodness of Fit test, which includes the coefficient of determination, simultaneous testing/F-test/ANOVA, and partial testing/t-test/hypothesis testing. The Goodness of Fit test serves to assess the extent to which the statistical model accurately explains the observed data.

Table 8. Coefficient of Determination/Adjusted R Square Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.497 ^a	.247	.179	10.49564	1.102

a. Predictors: (Constant), X4_Z, Auditor Quality, X1_Z, X3_Z, ROA, Managerial Ownership, Size of the Independent Board of Commissioners, ESG Score, X2_Z

b. Dependent Variable: ETR

Source: data processed

The Adjusted R Square value of 0.179 indicates that the model accounts for 17.9% of the variation in the Effective Tax Rate (ETR). This suggests that only 17.9% of the ETR variation can be attributed to the independent variables analyzed, while the remaining 82.1% is influenced by other variables not included in the model. This finding underscores the presence of numerous external factors that significantly impact ETR and warrant consideration in future analyses.

Table 9. Simultaneous Test Results/F Test/ANOVA Test ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3581.096	9	397.900	3.612	.001 ^b
	Residual	10905.692	99	110.159		
	Total	14486.788	108			

a. Dependent Variable: ETR

b. Predictors: (Constant), X4_Z, Auditor Quality, X1_Z, X3_Z, ROA, Managerial ownership, Size of the Board of Commissioners, ESG Score, X2_Z

Source: data processed

The results of the simultaneous test/F-test/ANOVA yield a significance value (Sig.) of 0.001, indicating that this probability is lower than the alpha threshold of 0.05. This finding suggests a significant collective impact of the independent variables including Auditor Quality, Return on Assets (ROA), Managerial Ownership, Size of the Independent Board of Commissioners, and ESG Score on the dependent variable ETR. Consequently, the model under examination can be regarded as relevant, demonstrating that these independent variables collectively contribute to elucidating the variation in ETR.

Table 10. Partial Test Results/t-Test/Hypothesis Test



Variabel	B/coef	t	Sig/ p value	Conclusion	
(Constant)	60.774	5.811	.000		
ROA	-2.089	-3.540	.001	Negative influence	H1 is accepted
Managerial ownership	-.141	-1.037	.302	No significant effect	H2 is rejected
Size of the Independent Board of Commissioners	.096	1.150	.253	No significant effect	H3 is rejected
Auditor Quality	-.178	-.076	.940	No significant effect	H4 is rejected
X1_Z	3.989	3.762	.000	Moderates and enhances	H5 is accepted
X2_Z	-.767	-.470	.639	Does not moderate	H6 is rejected
X3_Z	.741	.685	.495	Does not moderate	H7 is rejected
X4_Z	.629	.543	.589	Does not moderate	H8 is rejected
ESG Score	-1.131	-3.593	.001	Negative influence	H9 is accepted

It is considered influential when the p-value is less than 0.05.

Source: data processed

The results of the t-test presented in Table 10 indicate that the profitability variable, as measured by Return on Assets (ROA), significantly influences the Effective Tax Rate (ETR). The findings reveal a significance value of 0.001, which is lower than the alpha threshold, along with a coefficient value of -2.089. This suggests that hypothesis H-1 can be accepted, leading to the conclusion that profitability has a negative impact on tax avoidance. These results are consistent with the studies conducted by Debora & Joni (2022), Muslim & Nengzih (2020), Oktaviana & Kholis (2021), and Moeljono (2020), which assert that higher returns on assets correlate with lower ETR levels. Consequently, this may facilitate an increase in tax avoidance.

Table 10 reveals that the significance value for managerial ownership is 0.302, which exceeds the 0.05 threshold. This finding indicates that hypothesis H-2 cannot be accepted, leading to the conclusion that managerial ownership does not significantly influence tax avoidance. These results are supported by the research conducted by Muslim & Nengzih (2020) and Purbowati (2021), both of which similarly conclude that managerial ownership does not exert a significant effect on tax avoidance. The relatively low level of managerial ownership has failed to address the agency problems between the principal (owner) and the agent (manager), where managerial shareholding could potentially mitigate opportunistic behaviors harmful to the owners of the company. However, this finding contrasts with the conclusions of Apriliani & Wulandari (2023) and Noorica & Asalam (2021), who assert that managerial ownership has a significant effect on tax avoidance.

According to Table 10, the size of the independent board of commissioners does not significantly affect tax avoidance, as evidenced by a calculated t-value of 1.150 and a significance value of 0.253, both of which surpass the 0.05 threshold. As a result, hypothesis H-3 cannot be accepted. These findings are in alignment with the studies conducted by Muslim and Nengzih (2020), Mahrani (2019), Fauzan et al. (2021), and Purbowati (2021). The rationale for these results suggests that the proportion of independent commissioners within the organization, relative to the total number of commissioners, does not considerably influence tax avoidance behavior. This outcome contradicts the findings of Dewi & Oktaviani (2021), (Sari et al., 2020), and Pratomo & Rana (2021), which assert that the proportion of independent commissioners does have a significant effect on tax avoidance.

The analysis of the auditor quality variable yielded a significance value of 0.940 and a t-value of -0.076. Given that this significance value is considerably greater than 0.05, hypothesis H-4 cannot be accepted. This finding contradicts the research conducted by Ngabdillah et al. (2022), Charisma & Dwimulyani (2019), Tresnawati & Indriani (2021), and Oktaviana & Kholis (2021) which assert that auditor quality negatively impacts tax avoidance. However, this outcome aligns with the studies by Mahrani (2019), Solikhah et al. (2019), Lopian & Haq (2023), and Yohanes & Sherly (2022) which also concluded that auditor quality



does not significantly influence tax avoidance. This suggests that there is no substantial difference in tax avoidance practices between firms audited by Big Four audit firms and those audited by non-Big Four firms. Auditor quality is closely linked to the auditors' capacity to detect misuse of the accounting system as reported in audit findings. Although Big Four audit firms are expected to maintain a strong reputation and integrity, there is no assurance that they can effectively identify fraudulent activities.

According to Table 10, the moderating effect of variable X1 multiplied by Z demonstrates a coefficient value of 3.989 with a significance value of 0.000. This indicates that the Corporate Social Responsibility (CSR) variable enhances the moderating influence of profitability on tax avoidance. In other words, firms with strong environmental performance are inclined to diminish tax avoidance practices, thereby leading to the acceptance of hypothesis H-5. This finding underscores the significant role that CSR plays in mitigating tax avoidance behaviors.

The results of the moderation test for variable X2 multiplied by Z indicate a significance value of 0.639 and a t-value of -0.470. Given that this significance value is substantially greater than 0.05, hypothesis H-6 cannot be accepted. This finding suggests that Corporate Social Responsibility (CSR) does not function as a moderator in the relationship between managerial ownership and tax avoidance. In essence, the presence of CSR does not contribute to either strengthening or weakening the relationship between managerial ownership and corporate tax avoidance behavior.

The results of the moderation test for variable X3 multiplied by Z reveal a significance value of 0.495 and a t-value of 0.685. Since this significance value is substantially greater than 0.05, hypothesis H-7 cannot be accepted. This finding indicates that the presence of Corporate Social Responsibility (CSR) does not have a significant effect on either strengthening or weakening the relationship between the independent board of commissioners and corporate tax avoidance behavior.

Similarly, the results of the moderation test for variable X4 multiplied by Z yield a significance value of 0.589 and a t-value of 0.543. Given that this significance value is considerably higher than 0.05, hypothesis H-8 cannot be accepted. This suggests that CSR does not significantly influence the impact of auditor quality on corporate tax avoidance behavior.

In contrast, the results of the ESG Score test indicate a significance value of 0.001, which falls below the alpha threshold, along with a coefficient value of -1.131. This suggests that hypothesis H-9 can be accepted. This finding indicates that CSR has a negative impact on tax avoidance. It is consistent with the research conducted by Hidayat & Zuhroh (2023), (Dakhli, 2022), which demonstrates that environmental, social, and governance (ESG) performance significantly negatively affects tax avoidance, with companies that incorporate ESG practices being more transparent and accountable regarding their tax obligations. By addressing environmental concerns, such as reducing emissions and utilizing sustainable resources, and engaging in social responsibility, such as fostering positive relationships with communities and being accountable to employees, companies can enhance their reputation among stakeholders.

CONCLUSIONS

The results of this study provide empirical support for the influence of financial performance and corporate governance on tax avoidance, with environmental performance acting as a moderating variable. Specifically, both financial performance (profitability) and environmental performance (CSR) demonstrate a negative relationship with tax avoidance. Furthermore, the research indicates that environmental performance enhances the moderating effect of profitability on tax avoidance. These findings underscore the significant role that Corporate Social Responsibility (CSR) plays in reducing tax avoidance practices.



In contrast, managerial ownership, the size of the independent board of commissioners, and auditor quality do not exhibit a significant impact on tax avoidance. Additionally, this study reveals that environmental performance does not moderate the effects of managerial ownership, board size, or auditor quality on tax avoidance. These results imply that while environmental performance positively influences profitability, other aspects of corporate governance do not significantly contribute to tax avoidance.

Based on the findings presented, several recommendations warrant consideration. Firstly, companies should incorporate Corporate Social Responsibility (CSR) practices into their business strategies. By strengthening their commitment to CSR, organizations can not only enhance their reputation among stakeholders but also potentially mitigate tax avoidance practices. Moreover, it is crucial to improve transparency and accountability in financial reporting and tax practices through more detailed and accurate disclosures regarding tax obligations, alongside the proactive involvement of the independent board of commissioners in oversight functions.

Additionally, the advancement of CSR moderation theory could be explored through further research aimed at establishing a more comprehensive theoretical framework concerning the role of CSR in influencing the relationship between financial performance and tax avoidance. This inquiry may encompass additional variables that could serve as potential moderators in this relationship, such as firm size, liquidity, institutional ownership, foreign ownership, political connections, and related-party transactions, among others.

Finally, future research could adopt a longitudinal approach to examine the evolving impacts of financial performance, corporate governance, and environmental performance on tax avoidance over an extended timeframe. This research might also investigate the influence of external factors, such as tax regulations, economic conditions, and pressures from various stakeholders, on tax avoidance. By implementing these recommendations, it is anticipated that companies will be able to enhance their tax performance while upholding their social and environmental responsibilities.

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