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**CAN FIRMS' GROWTH MODERATE CSR DISCLOSURE, INSTITUTIONAL OWNERSHIP, AND FINANCIAL DISTRESS TOWARDS CORPORATE TAX AVOIDANCE?**

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**Abstract**

*Corporate Tax Avoidance (CTA) remains a critical issue in developing countries such as Indonesia, where fiscal capacity heavily depends on corporate tax compliance. Prior studies examining the roles of CSR Disclosure (CSR), Institutional Ownership (IOW), and Financial Distress (FD) on CTA report inconsistent findings and are predominantly limited to specific industries. Addressing this gap, this study investigates the relationships between CSR, IOW, and FD on CTA, while incorporating Firm Growth (FG) as a moderating variable within a comprehensive cross-industry framework. Using secondary data from Refinitiv, this study analyzes 4,066 firm-year observations of all non-financial firms listed on the IDX 2020-2024. FEM regression is employed. The findings reveal that CSR and FD are significantly positively associated with higher CTA, whereas IOW significantly constrains CTA. FG as a moderator significantly weakens the positive relationship of FD-CTA, but does not moderate CSR or IOW effects. Robustness tests confirm result stability. Using a large cross-industry sample in a developing country, this study reduces sectoral bias in prior research. This study contributes it extends agency theory by showing that firm growth conditions distress-driven CTA.*

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**INTRODUCTION**

Corporate Tax Avoidance (CTA) remains a critical issue in developing countries such as Indonesia, where state revenue is highly dependent on corporate taxes while compliance levels remain uneven (Duhoon & Singh, 2023). Although taxes have been a cornerstone of fiscal policy, tax avoidance practices are a growing global concern, particularly in accounting and corporate governance. Within emergent economies such as Vietnam, the emergence of income tax coincided with the proliferation of tax consulting firms actively helping companies minimize tax liabilities through legal loopholes (Dang & Tran, 2021). In accounting practice, such behavior poses serious challenges because it subverts the probity of fiscal reportage, distorts corporate transparency, and corrodes the populace's confidence in the fiscal apparatus (Kalbuana et al., 2023). CTA generally stems from managerial incentives to maximize after-tax profitability, illustrating a quintessential discord of interests between proprietorial stakeholders and managerial stewards, where profit maximization often overrides ethical



responsibilities to the state and society (Yoon et al., 2021). The economic impact of CTA is substantial, globally, governments lose approximately an annual pecuniary yield approximating 650 billion due to multinational corporations shifting profits to tax havens (Duhoon & Singh, 2023).

CTA has become widespread in various developing countries, including Indonesia (Kalbuana et al., 2023). Indonesia, being an ascendant nation-state, has earned the largest share of state revenue from the tax sector in the past five years, with revenue realization tending to consistently increase from year to year, including in 2022, reaching 81.81% (Kalbuana et al., 2023). Despite this upward trend, the government has not yet fully achieved its annual tax revenue target, as Indonesia is still perceived to exhibit a diminished degree of adherence and a conspicuously vigorous tax-related avoidance and evasion practices across various economic sectors (Suryatna et al., 2023). Empirical estimates indicate that Indonesia suffers a potential loss of approximately IDR 68.7 trillion (USD 4.86 billion) in tax revenue annually due to tax evasion (Suryatna et al., 2023). After the fiscal reform mandate enshrined within Law No. 7 of 1983 on Income Taxation, the quandary of tax evasion has burgeoned in intricacy and definitional peculiarity. Several factors encourage organizations to engage in tax evasion, including institutional ownership, firm growth, and firm size (Suryatna et al., 2023). This suggests that while macro-level fiscal performance appears strong, micro-level compliance among companies remains problematic. Furthermore, sectoral evidence suggests that capital-intensive industries such as manufacturing, tourism, and the hospitality sector are predisposed toward more audacious tax planning due to complex transactions and weaker fiscal oversight (Giannarou & Tzeremes, 2025).

Prior empirical studies examining the influence of CSR Disclosure (CSRD), Institutional Ownership (IOW), and Financial Distress (FD) on CTA report inconsistent results. Regarding CSRD, some authors report that CSRD is used strategically to legitimize aggressive tax behavior, serving as a reputational shield for companies engaged in tax minimization (Giannarou & Tzeremes, 2025; Karavitis et al., 2025; Khan et al., 2022). Conversely, Mkadmi & Ben Ali (2024) and Yoon et al. (2021) find that strong CSRD commitments improve ethical standards and fiscal compliance, thereby reducing CTA. Regarding IOW, several studies tend to demonstrate its efficacy in attenuating tax evasion by virtue of a more robust surveillance apparatus. Research in India and international markets by Athira & Lukose (2023); Hasan et al. (2022); Hidayat & Zuhroh (2023) shows that institutional investors, especially foreign investors, can ameliorate corporate stewardship and diminish fiscal evasionist proclivities. However, this is inconsistent with a study in Indonesia that presented evidence that institutional proprietorship exerts a markedly affirmative influence upon tax-avoidant conduct, suggesting a tolerance for aggressive tax strategies (Suryatna et al., 2023). Similarly, findings on FD remain inconclusive. Prior studies suggest that financially constrained firms intensify CTA to maintain liquidity (Dang & Tran, 2021). Alternative scholarly inquests discerned no consequential nexus Kalbuana et al. (2023) and even found a negative effect during COVID-19 (Ariff et al., 2023).

This study contributes to the literature by providing large-sample, cross-industry evidence from a developing country context, thereby reducing sectoral bias in prior research. More importantly, it extends agency and legitimacy theory by demonstrating that Firm Growth (FG) as a moderator can condition the extent to which growing companies motivate CTA behavior. FG represents a critical internal condition that reshapes both agency and legitimacy mechanisms. Rapidly growing firms face heightened pressure to sustain expansion and profitability, which can intensify managerial discretion and weaken monitoring effectiveness, thereby amplifying agency conflicts. Simultaneously, growth affects legitimacy concerns, as expanding firms may rely more heavily on reputational strategies to maintain stakeholder support. Consequently, firm growth is not merely an empirical control but a theoretically

relevant moderator that influences

Accordingly, this study examines the effects of CSRD, IOW, and FD on CTA, while assessing the moderating role of FG. Using panel data from non-financial firms listed on the Indonesia Stock Exchange (IDX) during 2020-2024. The remainder of the paper is structured as follows: the next section develops the hypotheses, followed by the research methodology, empirical results, discussion, and conclusions.

## HYPOTHESIS DEVELOPMENT

### *The Influence of CSRD on CTA*

Corporate Social Responsibility Disclosure embodies an enterprise's avowal to interweave societal considerations, environmental, and ethical dimensions into its operations as a function to meet stakeholder expectations regarding corporate value and maintain social legitimacy (Aguinis et al., 2023). In this study, CSR Disclosure is explicitly conceptualized not as a normative ethical commitment, but primarily as a symbolic legitimacy mechanism that firms employ to manage external perceptions. Previous studies on the CSRD-CTA relationship suggest that CSRD tends to be used as a legitimacy tool to mask aggressive tax behavior, as stated by Giannarou & Tzeremes (2025), Karavitis et al. (2025), and Khan et al. (2022), which delineates a positively signed coefficient between CSRD enactments and CTA proclivities. These findings indicate that companies can utilize CSRD as a reputational mechanism to achieve tax efficiency without losing social legitimacy. Companies may still use CSR as a legitimacy tool to mask reputational risks resulting from aggressive tax practices, as is consistent with legitimacy theory (Eliwa et al., 2021).

Supported by the legitimacy theory perspective, it can reflect greenwashing practices, where companies emphasize positive activities to cover up unethical behavior (Janik & Ryszko, 2026; Zervoudi et al., 2025). Therefore, efforts to maintain legitimacy can encourage companies to combine social commitment with tax avoidance strategies (Raithatha & Shaw, 2022). In line with legitimacy theory and research findings supporting the perception of greenwashing, higher social commitment engenders an augmented propensity toward fiscal avoidance manoeuvres. We now present our following hypothesis,

**H<sub>1</sub>: A higher level of Corporate Social Responsibility Disclosure (CSRD) engagement tends to increase Corporate Tax Avoidance (CTA).**

### *The Influence of IOW on CTA*

Institutional Ownership denotes the proprietary stakes held by institutional financiers, including assurance houses, pensionary trusts, and asset-custodial mandarins, which generally have stronger monitoring capabilities than individual investors (Sastrodiharjo & Mukti, 2024). As a governance mechanism, institutional proprietorship is concomitant with heightened lucidity and accountability, thereby capable of curtailing overzealous tax-eschewal stratagems (Li et al., 2021). Some studies find that institutional ownership effectively reduces CTA, as evidenced by Athira & Lukose (2023) in India and Hasan et al. (2022), who elucidated that extraterritorial institutional financiers markedly circumscribe fiscal-avoidant behaviour across thirty nation-states. In the Indonesian context, Hidayat & Zuhroh (2023) also showed that augmented institutional proprietorship may attenuate proclivities toward tax evasion due to stronger oversight of management.

IOW is generally expected to mitigate agency problems by enhancing monitoring over managerial decisions. Based on agency theory by Jensen & Meckling (1976), it can be suggested that institutional investors possess both the incentives and resources to constrain opportunistic behavior, including aggressive tax planning, thereby aligning managerial actions with long-term firm value. Nevertheless, institutional investors are heterogeneous in their objectives and monitoring intensity (Ariff et al., 2023). While some investors adopt a short-



term orientation that prioritizes governance quality. This study builds its argument on the assumption that dominant IOW reflects long-term, monitoring-oriented investors. Under this assumption, stronger IOW is expected to limit CTA through improved oversight. We now present our following hypothesis,

**H<sub>2</sub>: Greater Institutional Ownership (IOW) is expected to reduce the extent of Corporate Tax Avoidance (CTA) through enhanced monitoring and governance oversight.**

### *The Influence of FD on CTA*

Financial Distress (FD) describes a condition where a company experiences financial pressure characterized by difficulty meeting short-term obligations, increasing the risk of bankruptcy (Altman et al., 2020). This situation can exacerbate agency conflicts because managers are under pressure to maintain short-term performance, leading to more opportunistic decisions (Pham & Nguyen, 2022). A multiplicity of scholarly treatises has evinced that financial distress encourages companies to engage in tax avoidance as a stratagem for preserving pecuniary liquidity. Dang & Tran (2021) found that distressed Vietnamese companies tended to increase tax avoidance as a strategy to maintain cash flow. Other empirical evidence suggests that financial distress increases firms' incentives to engage in tax avoidance to maintain short-term liquidity (Cahyaningrum & Puspitosari, 2024; Fauzia & Sutrisno, 2025).

Based on agency theory, high financial pressure can increase managers' opportunistic behavior to maintain their performance image in the eyes of investors (Dang & Tran, 2021). Thus, FD intensify conflicts of interest, as managers may prioritize short-term survival over long-term compliance and legitimacy. Therefore, predicated upon the tenets of agency theoretics and most of the empirical evidence, corporate financial distress can strengthen tax efficiency strategies. We now present our following hypothesis,

**H<sub>3</sub>: Firms with greater Financial Distress (FD) tend to intensify Corporate Tax Avoidance (CTA) efforts to maintain liquidity and ensure short-term financial stability.**

### *Firms' Growth Moderates the Relationship Between CSRD and CTA*

Firm growth, which reflects a company's ability to expand operations and maintain financial performance, often increases managerial pressure to pursue efficiency, including tax avoidance (Belitski & Desai, 2021). In this situation, companies may intensify CSRD activities to legitimize opportunistic tax behavior (Giannarou & Tzeremes, 2025; Raithatha & Shaw, 2022). Firm growth reshapes a firm's legitimacy environment by increasing public visibility and reputational exposure (Chandrasena et al., 2025). As firms expand, raising the potential legitimacy costs associated with controversial practices such as CTA.

Consistent with legitimacy theory by Suchman & Mark (1995), firms seek to align observable actions with social expectations to secure public approval when legitimacy is threatened. As firm growth increases public visibility and reputational exposure, the legitimacy risks associated with aggressive tax avoidance intensify. Under such conditions, CSRD is more likely to be employed as a symbolic legitimacy strategy to offset negative perceptions of tax avoidance rather than as a substantive ethical commitment (Eliwa et al., 2021). Consequently, higher firm growth strengthens the use of CSRD as a legitimacy shield, thereby reinforcing the positive association between CSRD engagement and CTA. We now present our following hypothesis,

**H<sub>4</sub>: The positive influence of Corporate Social Responsibility Disclosure (CSRD) on Corporate Tax Avoidance (CTA) is stronger when Firm Growth (FG) increases.**

### *Firms' Growth Moderates the Relationship Between IOW and CTA*

In high-growth firms, pressure to maintain profitability can encourage managers to maximize tax efficiency even when institutional owners maintain oversight (Suryatna et al., 2023). Rapid growth increases organizational complexity and managerial autonomy, which can

limit the capacity of institutional investors to closely monitor managerial decisions. As managerial discretion expands in high-growth environments, the governance role of institutional ownership may weaken, reducing its effectiveness in limiting opportunistic practices such as tax avoidance (Damayanti & Wulandari, 2021). Conversely, in low-growth firms, managerial focus on stability and governance enables institutional owners to exercise monitoring functions more effectively, strengthening their influence on tax-related decisions.

According to agency theory, institutional proprietorship assumes a pivotal custodial function in surveilling managerial conduct and in restraining opportunistic dispositions, inclusive of tax-avoidant manoeuvres (Belitski & Desai, 2021). However, the effectiveness of this monitoring mechanism is conditional on internal firm characteristics, particularly the level of managerial discretion shaped by firm growth. Accordingly, firm growth is expected to weaken the governance role of institutional ownership in influencing corporate tax avoidance behavior. We now present our following hypothesis,

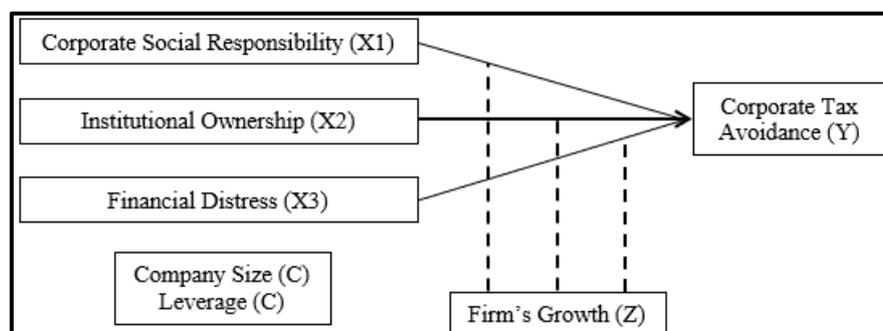
**H<sub>5</sub>: The negative influence of Institutional Ownership (IOW) on Corporate Tax Avoidance (CTA) becomes weakened when Firm Growth (FG) increases.**

#### ***Firms' Growth Moderates the Relationship Between FD and CTA***

While financial distress intensifies incentives for opportunistic behavior, firm growth provides additional internal resources and financial flexibility that can buffer distress-related pressures. Growing firms may have greater access to funding alternatives, reducing reliance on aggressive tax strategies to preserve liquidity. This argument extends agency theory by examining how dynamic internal conditions moderate managerial responses to financial pressure.

Within the context of agency theory, managers in financially distressed companies are often compelled to take opportunistic actions to maintain liquidity and stabilize financial performance (Cahyaningrum & Puspitosari, 2024; Dang & Tran, 2021; Fauzia & Sutrisno, 2025). As firm growth increases, companies generally have stronger cash flow capacity, thus reducing the pressure to engage in tax avoidance because liquidity needs are more easily met (Kalbuana et al., 2023). Conversely, in a low-growth firm, financial pressure increases, prompting managers to rely on tax avoidance to maintain cash flow and mitigate bankruptcy risk (Fauzia & Sutrisno, 2025). These findings suggest that firm growth can mitigate opportunistic responses to financial distress by providing a more ethical alternative to financial stability. We now present our following hypothesis,

**H<sub>6</sub>: The positive relationship between Financial Distress (FD) and Corporate Tax Avoidance (CTA) becomes weakened when Firm Growth (FG) increases.**



Source: Processed by author, 2025

**Figure 1.**  
**Conceptual Framework of Research**



## RESEARCH METHOD

This treatise embraces a numerically oriented research schema to empirically interrogate the determinants of Corporate Tax Avoidance among enterprises listed on the Indonesia Stock Exchange (IDX). Quantitative methods allow for objective measurement, statistical hypothesis testing, and model generalization across companies and time periods (Sekaran & Bougie, 2020). The present inquiry avails itself of ancillary datasets procured from Refinitiv, a provider of various data services and platforms from the London Stock Exchange Group (LSEG).

CSRD performance is measured using Refinitiv's ESG Combined Score, which aggregates environmental, social, and governance disclosures based on standardized and publicly verifiable information. However, it is acknowledged that ESG scores may imperfectly capture the substantive quality of CSR practices in developing countries, where disclosure standards and enforcement mechanisms vary. Accordingly, the ESG score in this study is interpreted as a measure of CSR Disclosure engagement rather than intrinsic social performance. The deployment of secondary evidentiary material ensures comparability and consistency in measurement variables and is extensively espoused within contemporaneous scholarly explorations of corporate tax avoidance phenomena (Chen et al., 2020).

The investigatory populace encompasses the totality of non-financial enterprises listed on the Indonesia Stock Exchange during 2020–2024, except for the financial sector, due to its likely different regulatory characteristics and capital structure (Solikhah et al., 2025). The entire population was included in the sample to increase the reliability of the panel analysis, in line with accounting and governance research recommendations that encourage the use of full population data to more accurately capture firm dynamics (Velte, 2023). The ultimate analytic corpus comprised 4,066 firm–year enumerations derived from 843 corporate entities, forming an unbalanced panel due to variations in reporting completeness. Outlying magnitudes were thereafter subjected to winsorisation at the first and ninety-ninth percentiles to abate distortive aberrations.

The dataset was scrutinized through descriptive statistical expositions to delineate variable characteristics, alongside Pearsonian correlational diagnostics to assess initial relationships and detect potential multicollinearity. The primary analysis used unbalanced panel regression with a Fixed Effects Model (FEM), which amalgamates cross-sectional effects and temporal fixed effects to circumscribe unobserved idiosyncrasies intrinsic to the firms and time variations, resulting in more consistent estimates (Solikhah et al., 2025). Robustness tests were conducted by estimating alternative model specifications in the data through the use of year restrictions to ensure the stability of the main findings. All statistical analyses were performed using E-Views 12 following standard multivariate procedures.

Control variables include firm size (SIZE) and debt-to-asset ratio (DAR). Firm size is included because larger firms tend to possess greater tax planning capacity and political visibility, while leverage captures the role of debt-related tax shields. The dependent variable is CTA measured using the effective tax rate multiplied by negative one ( $ETR^*-1$ ), a widely used proxy due to its interpretability and data availability. However, because tax avoidance multidimensional, the ETR proxy alone is certainly not sufficient to fully capture the complexity of aggressive tax avoidance strategies.

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

Variable	Code	Definition	Measurement	Expected Sign
Corporate Tax Avoidance (Y)	CTA	Efforts by firms to lower their tax obligations through legally permissible tax planning strategies, which may nonetheless pose reputational risks and diminish the transparency (Kalbuana et al., 2023).	Effective Tax Rate (ETR) = (Total Tax Expense/ Pre-Tax Income) * -1	Higher ETR = Higher CTA
Corporate Social Responsibility (X <sub>1</sub> )	CSR	A firm's ethical dedication to environmental, social, and governance principles that enhance stakeholder trust and legitimacy (Mkadmi & Ben Ali, 2024).	ESG Combined Score (range: 0.00-100.00)	(+)
Institutional Ownership (X <sub>2</sub> )	IOW	Proportion of a company's shares held by institutional investors representing external monitoring strength (Suryatna et al., 2023).	IOW = Institutional Shares/Total Outstanding Shares	(-)
Financial Distress (X <sub>3</sub> )	FD	Firm's likelihood of financial instability or bankruptcy (Dang & Tran, 2021).	Altman Z-Score * -1	(+)
Firm Growth (Z)	FG	The company's revenue expansion rate reflects managerial pressure on profitability and growth-oriented decisions (Belitski & Desai, 2021).	Revenue Growth (%) = (Revenue <sub>t</sub> – Revenue <sub>t-1</sub> ) / Revenue <sub>t-1</sub>	(±)
Firm Size (C)	SIZE	The company's total scale and capacity to influence reporting and tax policy (Chen et al., 2020).	Natural Logarithm of Total Assets (LnTA)	(±)
Leverage (C)	DAR	Firm's financial structure and risk level (Kalbuana et al., 2023).	Debt to Assets Ratio (%) = Total Liabilities / Total Assets	(±)

Source: Processed from various references by the author, 2025

### Empirical Model

This study uses two main regression models: a foundational econometric schema and a modulatory specification. Each model is estimated using a single measure of Corporate Tax Avoidance (CTA).

#### Model 1: Baseline Model

$$CTA_{it} = \alpha_0 + \beta_1 CSR_{it} + \beta_2 IOW_{it} + \beta_3 FD_{it} + \beta_4 SIZE_{it} + \beta_5 DAR_{it} + \varepsilon_{it}$$

#### Model 2: Moderation Model

$$CTA_{it} = \alpha_0 + \beta_1 CSR_{it} + \beta_2 IOW_{it} + \beta_3 FD_{it} + \beta_4 FG_{it} + \beta_5 (CSR \times FG)_{it} + \beta_6 (IOW \times FG)_{it} + \beta_7 (FD \times FG)_{it} + \beta_8 SIZE_{it} + \beta_9 DAR_{it} + \varepsilon_{it}$$

The initial specification is employed to assay the unmediated imprimatur between



CSRD, IOW, and FD on CTA, thus serving as the basis for testing hypotheses H<sub>1</sub> to H<sub>3</sub>. The second model is developed by adding the moderating variable, Firm Growth, along with the interaction of each main variable to test the moderating influence on H<sub>4</sub> to H<sub>6</sub>.

## RESEARCH RESULTS AND DISCUSSION

### *Descriptive Statistics*

This section presents the empirical findings of the study. The analysis begins with descriptive statistics to provide an overview of the distribution and characteristics of the research variables. The results, including the minimum, maximum, mean, and standard deviation values, are presented in Table 2.

**Table 2.**

#### **Descriptive Statistics**

Variable	Mean	Median	Std. Dev.	Maximum	Minimum
CSRD	83.233	85.829	10.361	85.829	15.020
IOW	4.610	0.1000	9.797	36.014	0.000
FD	-4.979	-1.824	14.353	10.690	-110.819
FG	0.239	0.051	0.980	6.855	-0.888
SIZE	27.817	27.767	2.062	33.789	17.982
DAR	0.259	0.209	0.261	1.609	0.000
CTA	-0.478	-0.138	1.640	3.870	-6.830

*Source: Output E-Views 12 processed by author, 2025*

Table 2 delineates the descriptive statistical compendium for the entirety of the investigatory variables. CTA as a dependent variable has a mean of -0.478 and a median of -0.138, with a fairly wide range (-6.830 to 3.870). This indicates heterogeneity in tax avoidance practices among companies, with some entities even having negative ETR values due to lower tax burdens from related accounting accounts, such as tax losses. The CSRD variable has a relatively high mean value of 83.233, with scores ranging from 15.020 to 85.829, indicating that most firms in the sample disclose sustainability activities at a relatively high level, although substantial variation in disclosure quality remains. The IOW variable has an uneven distribution (mean 4.610; median 0.100), suggesting that institutional shareholding is generally low, despite reaching a maximum of 36.014 in some firms. The FD shows considerable dispersion, as reflected by a wide range from -110.819 to 10.690 and a high standard deviation of 14.353, indicating substantial heterogeneity in firms' financial conditions. Meanwhile, the moderating variable, FG, possesses an arithmetic mean of 0.239 and ranges from -0.888 to 6.855, suggesting that while most firms experience moderate growth, some face revenue contraction or exceptionally high expansion. Finally, the control variables, SIZE and DAR, have a more stable distribution pattern, thus expected to be able to circumscribe divergences pertaining to company size and funding structure in the regression model.

**Table 3.**

#### **Pearson Correlations**

	CSRD	IOW	FD	FG	SIZE	DAR	CTA
CSRD	1						
IOW	-0.03350	1					
FD	0.01106	0.04230	1				
FG	0.03274	0.01480	-0.01592	1			
SIZE	-0.36752	0.08306	0.04786	-0.07742	1		
DAR	-0.00168	0.15902	0.26199	-0.05307	0.08418	1	
CTA	-0.03119	0.07975	0.01335	-0.02969	0.12331	0.08962	1

*Source: Output E-Views 12 processed by author, 2025*

Correlational diagnostics are marshalled to appraise the rectilinear relational contours between variables and detect potential multicollinearity in the model (Solikhah & Weng, 2024). Table 3 shows that all correlation coefficients are at low levels, including the relationship between CTA and the main variables, each of which is well below the multicollinearity threshold of 0.70. From a substantive perspective, CSRD exhibits a weak negative correlation with CTA (-0.031), indicating that higher CSRD is not strongly associated with tax avoidance at the bivariate level. IOW shows a weak positive correlation with CTA (0.079), while FD also demonstrates a minimal positive association with CTA (0.013). These weak correlations suggest that the relationships between CTA and the main variables not linear or dominant in isolation, thereby justifying further multivariate regression analysis to capture conditional and moderating effects.

**Table 4.**

**Main Regression Results**

Cross-section (fixed) included: 843 companies						
Period (fixed) included: 5 years						
Total panel (unbalanced) observations: 4066 firms-years						
<b>Dependent Variable: CTA</b>						
Variable	Regression results			Interaction effect regression results		
	Coeff.	T-Stat.	Prob.	Coeff.	T-Stat.	Prob.
C	14.0353	9.43	0.0000	14.2336	9.50	0.0000
CSRD	0.0087***	1.72	0.0852	0.0093***	1.79	0.0720
IOW	-0.0705**	-2.25	0.0245	-0.0711**	-2.26	0.0234
FD	0.0044***	1.73	0.0837	0.0055**	2.08	0.0374
FG				0.4478	0.65	0.5120
CSRD*FG				-0.0052	-0.65	0.5138
IOW*FG				0.0018	0.95	0.3416
FD*FG				-0.0033***	-1.80	0.0707
SIZE	-0.5397	-10.60	0.0000	-0.5488	-10.72	0.0000
DAR	0.4598	2.25	0.0239	0.4661	2.28	0.0223
<i>Notes: *** significant within 10%; ** significant within 5%; * significant within 1%</i>						
<b>Effect Specification</b>						
R-squared				0.4197		
Adjusted R-squared				0.2660		
F-statistic				2.7318		
Prob (F-statistic)				0.0000		

Source: Output E-Views 12 processed by author, 2025

Table 4 expounds the inferential outcomes of the fixed effect estimation for both the baseline and interaction models. The results show that CSRD and FD are positively coefficient with CTA, both effects are only marginally significant at the 10% level. Such marginal significance is considered relevant in the context of developing countries like Indonesia, where firm heterogeneity, uneven disclosure quality, and institutional diversity often weaken statistical power. In contrast, IOW exhibits a negative coefficient and significant effect at the 5% level, providing stronger support for the monitoring role of institutional investors in constraining CTA.

Regarding moderation effects, firm growth (FG) does not exhibit a significant direct effect on CTA. Among the interaction terms, only the FD\*FG interaction is statistically significant at the 10% level and negatively signed, indicating that firm growth weakens the positive association between financial distress and tax avoidance. By contrast, the interaction effects of CSRD\*FG and IOW\*FG are statistically insignificant, indicating that FG does not function as a boundary condition in these relationships within the Indonesian context. Overall, the findings indicate that firm growth plays a limited and context-specific moderating role,



providing only weak support for moderation in the FD-CTA relationship, while offering no empirical support for moderation in the CSRD-CTA and IOW-CTA relationships. The overall model is statistically valid, as indicated by the Prob F-statistic ( $p < 0.01$ ), with an R-squared of approximately 0.41-0.42.

**Table 5.****Robustness Tests**

Cross-section (fixed) included: 843 companies						
Period (fixed) included: 4 years						
Total panel (unbalanced) observations: 3331 firms-years						
<b>Dependent Variable: CTA</b>						
Variable	Regression results			Interaction effect regression results		
	Coeff.	T-Stat.	Prob.	Coeff.	T-Stat.	Prob.
C	17.6829	9.22	0.0000	17.8941	9.28	0.0000
CSRD	0.0161**	2.34	0.0191	0.0166**	2.35	0.0185
IOW	-0.1487*	-3.17	0.0015	-0.1495*	-3.18	0.0014
FD	0.0096*	3.00	0.0027	0.0111*	3.33	0.0009
FG				0.4389	0.58	0.5617
CSRD*FG				-0.0051	-0.57	0.5667
IOW*FG				0.0005	0.24	0.8084
FD*FG				-0.0040***	-1.95	0.0503
SIZE	-0.6830	-10.44	0.0000	-0.6918	-10.54	0.0000
DAR	0.6248	2.24	0.0251	0.6202	2.22	0.0264
<i>Notes: *** significant within 10%; ** significant within 5%; * significant within 1%</i>						
<b>Effect Specification</b>						
R-squared				0.4662	0.4672	
Adjusted R-squared				0.2833	0.2834	
F-statistic				2.5486	2.5428	
Prob (F-statistic)				0.0000	0.0000	

Source: Output E-Views 12 processed by author, 2025

Table 5 reports the robustness test results using a restricted sample period of 2021–2024, reducing the number of observations to 3,331 firm–year data points. Overall, the results remain largely consistent with the main regression findings. CSRD continues to exhibit a positive and statistically significant association with corporate tax avoidance ( $\beta = 0.0161$ ;  $p = 0.0191$ ), while IOW retains a strong negative effect ( $\beta = -0.1487$ ;  $p = 0.0015$ ). FD also remains positively related to tax avoidance with higher statistical strength than in the main model ( $\beta = 0.0096$ ;  $p = 0.0027$ ). The explanatory power of the model improves slightly, with an R-squared of 0.4662 compared to 0.4197 in the baseline estimation, indicating that the core relationships are not sensitive to the exclusion of the initial observation year.

Regarding the interaction terms, firm growth continues to demonstrate a limited moderating role. The interaction between FD\*FG remains negative and marginally significant ( $\beta = -0.0040$ ;  $p = 0.0503$ ), although the level of significance is weaker than in the five-year model ( $p = 0.0707$ ). In contrast, the CSRD\*FG ( $\beta = -0.0051$ ;  $p = 0.5667$ ) and IOW\*FG ( $\beta = 0.0005$ ;  $p = 0.8084$ ) interactions remain statistically insignificant, reinforcing the conclusion that firm growth does not operate as a meaningful boundary condition in shaping the influence of CSRD or IOW on tax avoidance behavior.

The decision to limit the robustness analysis to the 2021–2024 period is grounded in the economic disruption caused by the COVID-19 pandemic. The year 2020 represents a period of acute economic shock, characterized by revenue contractions, temporary tax relief policies, and heightened financial uncertainty that may distort firm growth measures and tax-related decisions. By focusing on the post-shock adjustment phase, this robustness test reduces potential bias arising from extreme volatility and crisis-driven fiscal interventions. While this

approach does not fully eliminate endogeneity concerns, it provides a complementary sub-period robustness check and supports the inference that the study's main findings remain relatively stable even under crisis-affected economic conditions.

## **Discussion**

### *The Effect of CSRD on CTA*

The empirical assays evince that CSRD, as proxied by the ESG Combined Score, has a positive coefficient with a significance level at the 10% level, but is not significant at the 5% level due to a p-value of 0.0852, suggesting a weak but consistent tendency for firms with higher ESG scores (based from the descriptive statistics results with an mean value 83.233) to engage in greater tax avoidance. Rather than indicating substantive ethical commitment, this finding highlights CSRD role as a symbolic legitimacy mechanism, particularly in the Indonesian context where governance enforcement remains uneven. Such an inference comports with the canons of legitimacy theoretics, which explains that companies can use CSR as a symbolic or greenwashing strategy to mask aggressive tax behavior (Wahyuningrum et al., 2021). Antecedent scholarly inquests similarly discerned those enterprises manifesting superior ESG comportment can leverage this reputation as legitimacy protection, thus not always reducing tax avoidance practices (Asmoro et al., 2024). This empirical attestation stands in concordance with the pronouncement of Solikhah & Weng (2024), who stated that companies can use sustainability disclosure as a symbolic strategy to maintain their image, not necessarily as a substantive action that reduces CTA. Therefore,  $H_1$  is marginally accepted at the 10% significance level.

### *The Effect of IOW on CTA*

The empirical assays evince that the IOW variable has a negative and significant coefficient at the 5% level with a p-value of 0.0245, indicating a robust governance effect. This finding suggests that institutional investors in Indonesia are able to constrain opportunistic tax behavior through monitoring and oversight mechanisms. This inferential pattern accords with agency theoretic exegesis, which posits that institutional investors have stronger incentives and monitoring capabilities to limit opportunistic management behavior that tends to be oriented towards short-term company value. Previous research also supports this finding, where institutional ownership has been shown to suppress tax aggressiveness through stricter monitoring mechanisms (Hasan et al., 2022; Suryatna et al., 2023). The consistency of findings across studies indicates that the presence of institutional shareholders tends to increase governance pressure on management, making companies more cautious in implementing tax avoidance strategies. Overall, the consistency of empirical evidence strengthens the negative relationship between IOW and CTA; thus,  $H_2$  is accepted.

### *The Effect of FD on CTA*

The empirical assays evince that FD has a positive and marginally significant coefficient at the 10% significance level, rather than the 5%, with a p-value of 0.0837. This bespeaks those enterprises beset by more acute fiscal duress are inclined to amplify their resort to tax-eschewal manoeuvres. Because FD is proxied by the Altman Z-Score multiplied by -1, higher values reflect more severe distress. While the statistical support is marginal, the direction of the relationship is economically intuitive and consistent with prior evidence that firms under financial pressure resort to tax-based cash flow management (Altman et al., 2020; Ariff et al., 2023). Given the weak inferential power, this finding is interpreted as an initial indication of distress-driven tax behavior, rather than a definitive causal relationship. This deduction harmonizes with the agency postulations of Jensen & Meckling (1976), wherein it is contended that conditions of distress exacerbate conflicts of interest and encourage managers to take



opportunistic actions to reduce the risk of corporate bankruptcy. Therefore, H<sub>3</sub> is marginally accepted at the 10% significance level.

#### *The Effect of Interaction Between CSRD and FG on CTA*

The regressionary outcomes evince that the CSRD\*FG interaction term has a negative but insignificant coefficient, with a p-value of 0.5138, indicating that firm growth does not condition the CSRD–CTA relationship. This suggests that CSR's symbolic use as a legitimacy device persists across different growth levels. In the Indonesian setting, growth-related visibility does not appear sufficient to transform CSRD into a constraint on tax avoidance, likely due to standardized disclosure practices and limited stakeholder enforcement.

Previous research also shows that growing companies tend to focus more on expansion and profitability, making ethical commitment less of a priority Aguinis et al. (2023), and that CSRD in developing countries is not yet effective as a tax risk management tool (Mkadmi & Ben Ali, 2024). Thus, although CSRD has the potential to reduce CTA, and is in line with legitimacy theory which states that companies that show strong expansion should have stronger incentives to maintain their reputation, Firm Growth has not been empirically proven to have a strengthening or weakening effect on this relationship. Empirically, H<sub>4</sub> cannot be accepted because moderation is not significant, even though the relational trajectory comports with the prognostications of extant theoretical canons.

#### *The Effect of Interaction Between IOW and FG on CTA*

The regressionary outcomes evince that the IOW\*FG interaction term has a positive but insignificant coefficient, thereby intimating that corporate expansionism fails to modulate the imprint of institutional proprietorship upon CTA. This finding suggests that increases in firm complexity and managerial discretion associated with growth may neutralize additional monitoring incentives. Whereas from the vantage point of agency theoretic exegesis, institutional financiers ought to strengthen monitoring as firms grow, but these results indicate that growth pressures have not been able to increase the effectiveness of such monitoring. This condition is in line with the finding that in high growth firm, IOW tend to prioritize expansion and short-term performance, which can weaken their monitoring intensity and reduce governance effectiveness (Euis Nessia Fitri & Dani Rahman Hakim, 2024). Additionally, IOW in developing markets is often characterized by relatively passive investment behavior, limiting their capacity to consistently influence strategic decisions such as CTA (Drobetz et al., 2024). Thus, H<sub>5</sub> is rejected because the moderating effect is insignificant and the direction of the coefficient does not stand in harmonious concord with theoretic suppositions.

#### *The Effect of Interaction Between FD and FG on CTA*

The FD\*FG interaction term shows a negative and marginally significant coefficient with a p-value of 0.0707, evincing that firm expansion attenuates the affirmatively signed influence of financial distress upon tax-eschewal proclivities. FD proxied by the Altman Z-Score\*-1, reflects a higher level of distress that should encourage firms to engage in CTA to maintain cash flow. However, the negative interaction term indicates that growing firms have better resource capacity and funding flexibility, thus reducing the pressure to resort to tax-eschewal manoeuvres amidst fiscal duress, since corporate expansion may be viewed as a buffer against managerial opportunistic behavior. This empirical attestation comports with Damayanti & Wulandari (2021) and Suniantari & Yasa (2022), who stated that growing firms tend to maintain performance stability through long-term strategies and have greater cash flow flexibility. Thus, the negative coefficient direction supports theoretic expectations, and H<sub>6</sub> is accepted at the 10% marginal significance level. Although the support is marginal, the result offers novel insight into how internal firm dynamics shape tax behavior under adverse conditions.

## CONCLUSION

This study reveals three main findings. First, the inquiry's outcomes intimate that CSR Disclosure exerts a faint yet discernible salutary influence upon CTA, indicating a tendency to use CSR merely as a token of positive corporate behavior toward the environment, particularly in developing countries like Indonesia. Second, Institutional Ownership is shown to significantly reduce CTA, in consonance with agency precepts, which intimate those investors can suppress opportunistic management behavior. Third, Financial distress increases CTA behavior, with firm growth acting as a moderating factor attenuating this relationship, suggesting that growth provides financial expectations that reduce reliance on opportunistic tax strategies. In contrast, firm growth does not moderate the effects of CSR or IOW.

Theoretically, this study contributes by refining agency theory and legitimacy theory in the context of developing countries, demonstrating that internal corporate conditions influence governance mechanisms asymmetrically. Institutional Ownership serves as a substantive agency control mechanism, while CSR Disclosure primarily serves a legitimacy-preserving role that does not translate into reduced tax avoidance. Growth moderates agency-driven corporate behavior under financial stress but does not serve as a common boundary condition across governance and legitimacy mechanisms. From a practical perspective, regulators such as the Directorate General of Taxes (DJP) and the Financial Services Authority (OJK) should prioritize companies experiencing financial distress in their tax risk assessments and avoid treating CSR Disclosure as a proxy for tax compliance. For managers and investors, these findings underscore the importance of strong governance structures and financial stability, as tax avoidance behavior is more influenced by internal conditions than external legitimacy signals.

This study has limitations because CSR is measured solely using the Refinitiv ESG Combined Score, and CTA practices are measured using a single indicator. This does not reflect the broader variation in corporate sustainability practices and tax avoidance strategies. Heterogeneity across industries and differing financial dynamics between companies can create structural biases that are not fully captured by unbalanced data models. Therefore, future research is recommended to integrate multiple proxies for several variables, particularly for dependent variables such as CTA, which can be complexed with Book-Tax Differences (BTD) or Cash Effective-Tax Rate (CETR), and explore other moderating factors such as financial slack, ownership concentration, political connections, or market competition to deepen our understanding of corporate tax behavior. Cross-country studies can also be conducted to capture the sensitivity of tax behavior to changes in macroeconomic conditions and regulatory regimes.

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