Ilomata International Journal of Tax & Accounting
P-ISSN: 2714-9838; E-ISSN: 2714-9846
Volume 5, Issue 1, January 2024
Page No. 44-59

The Effect of Concentrated Ownership on Tax Avoidance: CSR Mediates or Moderates

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Received : October 25, 2023
Accepted : December 27, 2023
Published : December 31, 2024

Citation: Kinanti, S, P., Midiastuty, P, P., Suranta, E., Putra, D, A. (2024). The Effect of Concentrated Ownership on Tax Avoidance: CSR Mediates or Moderates. Ilomata International Journal of Tax and Accounting, 5(1), 44-59.
https://doi.org/10.52728/ijtc.v5i1.999

ABSTRACT: This study seeks to empirically demonstrate the relationship between concentrated ownership and tax avoidance, exploring the potential role of Corporate Social Responsibility (CSR) as either a mediating or moderating variable. From the aim of this research, the formulation of the problem in this research is whether concentrated ownership has an effect on tax avoidance and this research wants to further prove whether CSR is more appropriate to use as a mediating or moderating variable in explaining the relationship between concentrated ownership and tax avoidance. The research focuses on a selection of manufacturing firms that uphold CSR values during the period from 2019 to 2021, employing purposive sampling as the method for sample selection. Concentrated ownership is defined as ownership exceeding 50%, while tax avoidance is measured using the Effective Tax Rate (ETR). The results prove that concentrated ownership encourages management to conduct tax avoidance as an effort to obtain additional capital for the firm's investment needs so that companies tend to shift current taxes to future taxes. This research proves the existence of agency problems where concentrated ownership expropriates minority interests. CSR functions as a moderating factor in the correlation between concentrated ownership and tax avoidance. It serves to diminish managerial endeavors in evading taxes by establishing corporate legitimacy. With better implementation of CSR, it is hoped that this will not be a motivation for companies to avoid taxes when companies are dominated by concentrated ownership and investors prefer to invest in companies that have concentrated shares.

Keywords: Concentrated Ownership, Tax Avoidance, Corporate Social Responsibility (CSR).

INTRODUCTION

Tax is a mandatory responsibility for a firm, demanding obligatory payments. The imposition of taxes will be a burden for companies since they do not directly profit from the payments made.

Consequently, companies tend to engage in tax planning, aiming to navigate between legal tax avoidance and illegal tax evasion to alleviate this burden.

Tax Avoidance is considered legal and does not violate tax regulations if the firm utilizes loopholes from differences in accounting methods and valuations permitted under the Tax Law and according to accounting standards. According to (Khan et al., 2017), the challenge within tax avoidance lies in the agency problem, characterized by information imbalance and divergent interests between shareholders and corporate management. Tax avoidance occurs in a firm due to differences in interests, firm managers tend to report profits in larger amounts to get compensation if the compensation received by managers is based on reported profit figures while firm owners tend to pay smaller amounts of tax and prefer maximum wealth.

This is what causes agency problems, to solve these agency problems, strict supervision and regulation are needed to prevent tax avoidance practices that are detrimental to all parties involved. The agency problem raises agency costs which aim to regulate and supervise the actions of managers to continue to act based on the interests of the firm. In this case, concentrated ownership is one way to overcome agency problems on tax avoidance because concentrated ownership will limit the manager's intention to commit tax avoidance.

Several previous studies examining the impact of concentrated ownership on tax avoidance have yielded inconsistent empirical findings. Researchers such as (Ariawan & Setiawan, 2017; Khan et al., 2017; Mita Dewi, 2019; Richardson et al., 2016); (Cahyono et al., 2016; Khan et al., 2017; Leipala, 2017; Lim & Suparman, 2022; Ngadiman & Puspitasari, 2017; Richardson et al., 2016) among others, suggest a positive relationship between concentrated or institutional ownership and tax avoidance. Conversely, studies by (Agustina et al., 2018; Alkurdi & Mardini, 2020; Putranti & Setiawanta, 2016); and (Agustina et al., 2018) propose the opposite, indicating a negative impact of concentrated or institutional ownership on tax avoidance. They argue that highly concentrated or institutional ownership leads to increased tax avoidance practices. (Putranti & Setiawanta, 2016) even suggest that a notably concentrated or institutional ownership presence results in lower tax avoidance due to effective control over agency actions, preventing tax avoidance. (Richardson et al., 2016) uncovered an inverted U-shaped relationship between tax management and ownership concentration. Some studies focused on Jordanian companies, such as (Alkurdi & Mardini, 2020), disclosed that concentrated or institutional ownership negatively affects tax avoidance, leading companies to curtail their tax avoidance strategies. Similarly, (Agustina et al., 2018; Alkurdi & Mardini, 2020; Putranti & Setiawanta, 2016; Utthavi, 2015) dan (Utthavi, 2015), employing Indonesian samples, echoed these findings. However, contradictory research outcomes by (Rusli, 2017; Septiadi et al., 2017), and Yelvita (2022) assert that concentrated or institutional ownership has no significant effect on tax avoidance. They argue that the absence of concentrated or institutional ownership tends to prompt institutional owners to oversee managerial performance, reducing the inclination toward tax avoidance. Additionally, they propose that the degree of concentrated or institutional ownership does not notably influence tax avoidance practices.

Apart from tax payments, companies bear additional responsibilities, notably in executing Corporate Social Responsibility (CSR) initiatives. (Agata et al., 2021) emphasize CSR as a mandatory obligation for companies. CSR activities wield a significant influence on a firm's reputation. To fulfill their societal responsibilities, businesses often utilize CSR performance as a mechanism to minimize their engagement in tax avoidance, as highlighted by (Dakhli, 2022). Consequently, companies demonstrating strong CSR practices tend to abstain from tax avoidance to safeguard their reputation within the community. There are differences in values or norms among the firm and the community that make the firm will be careful not to conflict over existing differences (legitimacy gap). With CSR activities, the firm will carry out a strategy to legitimize itself by positioning itself in the middle of the regulations and values that follow in society. With legitimacy theory, the firm will encourage itself to maintain and improve its reputation through Corporate Social Responsibility (CSR) activities.

This study serves as a replication of (Dakhli, 2022) research, albeit with a distinctive focus on utilizing concentrated ownership as a variable influencing tax avoidance. Dakhli's work incorporated CSR as a moderating variable, revealing institutional ownership's positive and substantial impact on CSR, while noting its negative and significant effect on tax avoidance. Moreover, it highlighted CSR's partial mediation between institutional ownership and tax avoidance. Thus, utilizing the Effective Tax Rate (ETR) as a metric, this study aims to delve deeper into the role of CSR as a mediator or moderator in the relationship between concentrated ownership and tax avoidance.

Given the scarcity of research exploring concentrated ownership's impact on tax avoidance with CSR as a mediating or moderating factor, this study seeks to empirically establish the influence of concentrated ownership on tax avoidance. Additionally, it aims to ascertain whether CSR can mediate or moderate the connection between concentrated ownership and tax avoidance. The theoretical significance lies in the potential novelty this research can offer by contributing new knowledge, insights, and enriching the extensive literature on the correlation between concentrated ownership and tax avoidance, utilizing CSR as a mediating or moderating factor within Indonesian manufacturing companies. From a practical standpoint, this study is expected to offer valuable insights to various stakeholders by identifying and examining pertinent issues related to concentrated ownership and tax avoidance, as well as elucidating the role of CSR in mediating or moderating these dynamics.

Agency Theory

Jensen and Meckling's (1976) agency theory elucidates the dynamic between owners or shareholders (referred to as principals) and managers (referred to as agents). Shareholders (principals) have the authority to assign tasks and manage the firm to managers (agents) to realize the principal's wishes, namely to make a profit. Management tries to reduce tax payments by using tax avoidance strategies to increase firm value, while shareholders do not want tax avoidance because it is considered manipulation of financial statements. After all, the information provided by management doesn't reflect the actual condition of the firm (Sutomo & Djaddang, 1970).

In agency theory, companies with concentrated ownership often have differences of interest between principals and agents. This conflict of interest arises due to differences in information received between shareholders and managers. This makes managers take action for their own interests. Majority shareholders also have full control over the firm, so they tend to take actions that benefit majority shareholders and potentially harm the position of minority shareholders (expropriation) which can lead to tax avoidance activities.

Legitimacy Theory

Legitimacy theory is said to be a potential source for companies to survive with social agreements between companies and society. The firm will provide distribution both in the economic, social, and political fields to society to improve the firm's reputation (Shocker & Sethi, 1973). There is a difference between the values according to the firm and the values that exist in society, therefore the firm will feel threatened if this difference occurs (Legitimacy gap) (Shafirah et al., 2022). The legitimacy gap occurs because of the conflict that is not aligned between the firm and society due to the insensitivity of the firm's activities. In this way, legitimacy theory is able to encourage companies to maintain and improve their reputation through Corporate Social Responsibility (CSR).

Companies undertake Corporate Social Responsibility (CSR) initiatives to demonstrate the alignment of their corporate values with societal values. Basically, the firm is not only responsible and concerned with itself, but the firm must be responsible and pay attention to the interests of various parties (consumers, employees, creditors, debtors, etc.). The more the firm conducts social activities that have a positive impact, the more beneficial and the better the firm's reputation in the eyes of the public. With this theory, companies implement CSR to gain community legitimacy from both the investor lens and the public lens in various ways such as financial assistance, goods, expert assistance from the firm, and others. So with this theory, it can emphasize CSR to develop companies in ethical and sustainable business practices economically, socially, and environmentally. For this reason, the firm will divert funds to pay its obligations (taxes) by carrying out CSR activities in the firm.

Concentrated Ownership and Tax Avoidance

Ownership concentration can be used as a firm measure of who controls most or all business activities in a firm. Companies tend to use concentrated ownership where the majority shareholder has great control over the firm. The division between ownership and control within firms characterized by concentrated ownership can give rise to agency problems, where the interests of controlling shareholders may not be in line with the interests of majority shareholders (information asymmetry). Although various regulations have been implemented to protect the interests of minority shareholders in Indonesia, these efforts have not shown effectiveness in reducing ownership concentration in Indonesian companies (Hakim & Fuad, 2015). Companies with concentrated ownership can have an unfavorable influence on shareholders, so there will be conflicts between majority and minority shareholders that have a negative impact on business (Yusuf et al., 2023). It will trigger majority shareholders to prioritize personal interests over the petty interests of investors. With the power of the majority shareholder in the firm, the decisions made may affect the course of a firm's business, especially those related to reducing corporate tax obligations.

Prior research has extensively examined the impact of ownership concentration on tax avoidance, yet the empirical findings across diverse country samples have lacked consistency. (Khan et al., 2017) suggested, based on the agency theory of tax avoidance, that institutional or concentrated ownership might correlate with increased tax avoidance through the utilization of tax shelters. (Sunarto et al., 2021) revealed a positive relationship between institutional or concentrated ownership and tax avoidance, positing that a higher concentration of institutional investors in Indonesian banking firms could prompt management to engage in tax avoidance. These findings align with previous research by (Cahyono et al., 2016; Khan et al., 2017; Leipala, 2017; Lim & Suparman, 2022; Ngadiman & Puspitasari, 2017; Richardson et al., 2016; Sunarto et al., 2021) all indicating a positive association between concentrated or institutional ownership and tax avoidance. With previous research, can be assumed that the first hypothesis proposed is:
H1 : Concentrated ownership affects tax avoidance.

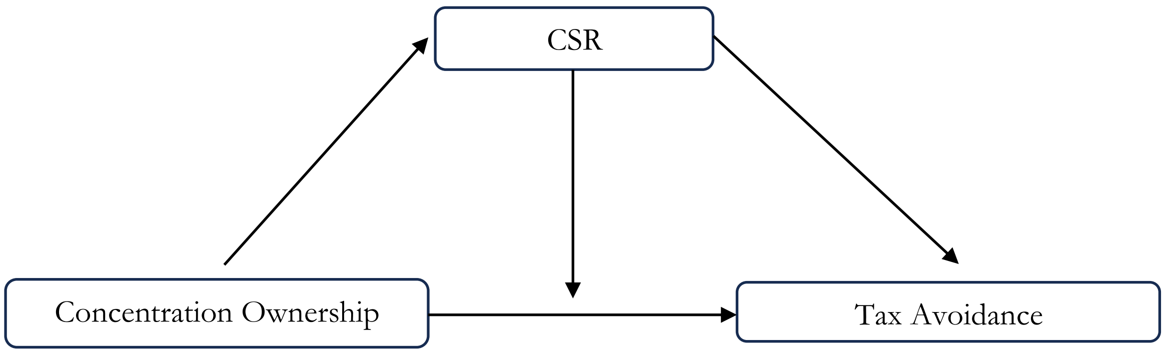
Ownership Concentration and Tax Avoidance: Exploring the Role of Corporate Social Responsibility (CSR) as a Mediator

Companies will use Corporate Social Responsibility (CSR) to raise the firm's reputation in external eyes. Several studies have discussed the INST / concentrated relationship that can affect CSR and tax avoidance (Chabachib et al., 2019; Chen et al., 2019; Choi et al., 2020); (Alkurdi & Mardini, 2020). According to research by (Davis et al., 2018; Kovermann & Velte, 2019) state that CSR has a negative effect on tax avoidance. However, CSR performance will cause companies to act in the interests of society through low-level tax avoidance (Lanis & Richardson, 2012; Para-González & Mascaraque-Ramírez, 2019; Zeng, 2019) found that companies with good CSR performance will tend to practice lower tax avoidance and tend not to get involved in aggressive tax activities. This is assumed because CSR performance will act in the interests of society so that funds that should be used to make tax payments are diverted to CSR activities.

Recent findings by (Dakhli, 2022) indicate that Corporate Social Responsibility (CSR) plays a partial mediating role in the connection between institutional or concentrated ownership and corporate tax avoidance. Conversely, (Luo et al., 2015) suggest that concentrated ownership negatively impacts the quality of CSR disclosure reports, as shareholders with concentrated ownership tend to shift the firm's wealth, contradicting the principles of CSR disclosure. (Sari & Mulyani, 2020) assert that institutional or concentrated ownership influences decisions regarding tax avoidance policies, revealing that a lower percentage of institutional or concentrated ownership heightens the likelihood of tax avoidance. However, (Dewi et al., 2022) analysis, incorporating CSR as a moderator, suggests that while the relationship between capital intensity and institutional or concentrated ownership on tax avoidance may strengthen, CSR does not enhance the relationship between firm size and tax avoidance. Consequently, with regard to CSR mediating or moderating the relationship between concentrated ownership and tax avoidance, the following hypotheses could be proposed:

H2 : CSR mediates the relationship between concentrated ownership and tax avoidance
H3 : CSR moderates the relationship between concentrated ownership and tax avoidance

Research Framework



METHOD

Research Model and Design

This study falls under empirical research, specifically adopting a descriptive quantitative approach. It aims to objectively expound upon numerical data obtained from an existing phenomenon. The research aims to uncover the impact of concentrated ownership on tax avoidance and examine whether Corporate Social Responsibility (CSR) mediates or moderates the association between concentrated ownership and tax avoidance within manufacturing firms that report CSR Scores and demonstrate profitability before tax.

Population and Sample Selection Method

This study selected its population from manufacturing firms enlisted on the Indonesia Stock Exchange (IDX) within the timeframe spanning from 2019 to 2021. This research does not use the year 2022 because CSR data for 2022 is very limited to be obtained through GRI-G4. Accordingly, the observation year in this research is only up to 2021. Employing a purposive sampling approach, the study specifically targeted companies that had implemented Corporate Social Responsibility (CSR) and maintained a CSR score throughout the observation period defined by the researcher.

Data Collection Method

This research uses secondary data from manufacturing companies listed on the Indonesia Stock Exchange (BEI) and collects annual reports from the site www.idx.co.id which has CSR data and has a CSR score for three years of observation (2019-2021). Employing a documentation approach, the study gathered data from annual reports of manufacturing firms meeting the specified research criteria. The information was sourced from both the Indonesia Stock Exchange (IDX) website and the respective firm websites.

Data Processing Method

This research employs multiple linear regression through the IBM SPSS Statistics 22 software. Multiple linear regression serves to examine and analyze the connection between an independent variable and a dependent variable. The purpose of this regression analysis within this study is to assess the effect of concentrated ownership on tax avoidance, while also investigating whether Corporate Social Responsibility (CSR) intervenes or regulates the association between concentrated ownership and tax avoidance. To prove the mediating variable, a Sobel test is used with the following formula (Ghozali, 2018) :

$$sab = \sqrt{b^2a^2 + a^2b^2 + sa^2sb^2}$$

Next, testing is carried out for the mediating variable with the following formula :

$$Z = \frac{ab}{sab}$$

Operational Definition and Variable Measurement

This research aimed to explore the potential moderating or mediating role of Corporate Social Responsibility (CSR) Scores observed over three years on the relationship between concentrated ownership and tax avoidance within companies. The study measures tax avoidance using the Effective Tax Rate (ETR) as a proxy variable. The identified independent variables in this research encompass Concentrated Ownership, while CSR is regarded as the mediating or moderating variable. Additionally, control variables such as Return on Asset (ROA), Leverage (LEV), and Firm Size (SIZE) were employed.

Table 1 Measurement Variable

Variables		**Measurement**	**Source**
Dependent Variable	**Tax Avoidance**	$\text{ETR} = \frac{\text{Current Tax Expense}}{\text{Total income before Tax}}$	(Salihu et al., 2015; Suranta et al., 2020); (Inanda et al., 2016)
Independent Variable	**Concentrated Ownership**	Measured by percentage of share ownership ≥50% of total shares.	(Midiastuty et al., 2017)
Moderating or Mediating Variable	**CSR**	$CSRI_j = \frac{\sum Xyi}{ni}$	(Septiadi et al., 2017)
Control Variable	**Return on Assets (ROA)**	$ROA = \frac{Net\ Profit}{Total\ Assets}$	(Salihu et al., 2015; Suranta et al., 2020)

Leverage (LEV)	$\text{Lev} = \frac{Total\ Debt}{Total\ Assets}$	(Midiastuty et al., 2016)
Firm Size (SIZE)	Size = Ln (Total Assets)	(Midiastuty et al., 2016)

RESULT AND DISCUSSION

Descriptive Statistic

The findings derived from the descriptive statistical analysis conducted in this study are outlined and showcased in the following Table 2.

Table 2 Descriptive Statistic

Variable	Minimum	Maximum	Mean	Std. Deviation
ETR	.0354	7.3463	.430627	.9506025
ConOwn	.5011	.9996	.688574	.1415108
CSR_Score	.5058	.9907	.694791	.1114815
LEV	.1335	.7986	.477384	.1798488
ROA	-.0187	.4163	.081646	.0978991
SIZE	25.3444	33.5372	30.012955	1.7297398

Source: Secondary Data Processed, 2023

This research employs the Effective Tax Rate (ETR) as a proxy for tax avoidance, representing the current tax income divided by earnings before tax. The average ETR value of 0.430627 indicates that 43% of the average company in the study pays higher tax costs than the tax rates set by regulations (ETR = 25%). The maximum ETR value of 73.46% indicates a scenario where the agency refrains from tax avoidance due to better ETR costs, while the minimum value of 3.54% highlights instances of tax avoidance by certain companies. The standard deviation value is 0.9506025, which is higher than the average ETR of 0.430627, indicating that there is quite a large variation in tax avoidance carried out by the companies sampled in this study.

The independent variable, Concentrated Ownership (ConOwn) has an average value of 0.688574, indicating that the concentration of ownership in the sample companies reaches 68.85% of the total shares outstanding. This aligns with the Financial Services Authority regulation Number 18 / POJK.03 / 2014, which defines ownership concentration as an individual or entity owning at least 50% of the firm. The range between the minimum ConOwn value of 0.5011 (indicating companies with the lowest ownership concentration of 50.11%) and the maximum ConOwn value of 0.9996 (reflecting companies with the highest ownership concentration of 99.96%) elucidates the extent of control exerted by concentrated shareholders. With a greater average value of 0.688574 compared to the standard deviation value of 0.1415108 there is limited variation in concentrated ownership in the sample companies in this study

Corporate Social Responsibility (CSR) serves as the mediating or moderating variable in this research. The average CSR value stands at 0.694791, denoting that, on average, companies disclosing CSR (with CSR Scores) within the sample contribute 69.47% of the total disclosures based on GRI-G4 (45 or 46 disclosures). The range from the minimum CSR value of 0.5058 (depicting companies with the lowest CSR Score at 50.58% of all disclosures in the GRI-G4 index) to the maximum CSR value of 0.9907 (representing companies reporting disclosures totaling 99.07% of all disclosures in the GRI-G4 index showcases the spectrum of CSR disclosure levels among the sampled companies. The smaller standard deviation of 0.1114815 compared to the average value indicates smaller variations in CSR carried out by the companies in this research sample.

Examining the Total Debt to Equity Ratio (LEV), the average value of 0.477384 indicates that the average firm in the sample uses debt to fund 47.73% of its assets. The minimum LEV value of 0.1335 indicates that there is a firm that has the lowest level of debt is 13% of the total assets owned by the firm, while the maximum LEV value of 0.7986 indicates that there is a firm that has the highest level of 79.86% from total assets owned by the firm. The average value is 0.477384 and the standard deviation is 0.1798488 indicating that LEV has a smaller variance and the sample companies utilize debt to fund 47.73% of their assets. Additionally, the Return on Assets (ROA) demonstrates a positive average value of 0.081646, illustrating that, on average, firms in the sample generate profits amounting to 8.16% of their total assets utilized. The minimum value of 0.0187 illustrates that there is a firm that reports the largest loss of 1.87% of the total assets owned by the company. The maximum ROA value of 0.4163 illustrates that 41% of the firms sampled in this study have the largest profit capability from the total assets owned by the firm. With an ROA standard deviation of 0.0978991 (greater than the average value), it shows that the ROA variable varies. Lastly, Firm Size (SIZE), measured by the natural logarithm (Ln) of total assets, shows an average SIZE value of 30.012955, indicating that the average firm sampled in this study is a large firm with a total of over IDR 100 billion. The smallest SIZE in the sample of firm used has a minimum SIZE value of 25.3444 and the largest SIZE in the sample of firm used has a maximum value of 33.5372. Indicating an average SIZE value of 30.012955 and a standard deviation of 1.7297398 means that the variance of the SIZE variable in all sample firms is very limited.

Hypothesis Testing and Discussion

Hypothesis testing is presented in table 3 below aims to test the impact between the variables used. Panel A is aimed at testing the effect of CSR on tax avoidance, panel B is aimed at testing the effect of concentrated ownership on CSR, panel C is aimed at testing the effect of CSR on tax avoidance, panel D is aimed at testing the effect of concentrated Ownership on tax avoidance mediated by CSR, and panel E is aimed at testing the influence of CSR in moderating the relationship between concentrated ownership and tax avoidance. The results are presented in table 3.

Table 3 Hypothesis Testing and Discussion

	PANEL A	PANEL B	PANEL C	PANEL D	PANEL E
	ETR Coefficient t Sig	**CSR** Coefficient t Sig	**ETR** Coefficient t Sig	**MEDIATION** Coefficient t Sig	**MODERATION** Coefficient t Sig
Constant	0.224 0.832 0.410	0.173 1.134 0.264	1.261 2.421 0.019	0.405 1.194 0.238	0.261 0.445 0.658
ConOwn	0.308 3.075 **0.003**	0.164 2.101 **0.042**		0.289 2.461 **0.017**	0.420 2.095 **0.041**
CSR			-0.644 -2.619 **0.012**	-0.270 -1.907 0.062	0.195 0.722 0.474
ConOwnCSR					-0.900 -2.615 **0.012**
LEV	-0.044 -0.577 0.566	-0.150 -2.568 0.014	0.237 1.538 0.130	-0.037 -0.412 0.682	-0.061 -0.398 0.692
ROA	-0.199 -1.456 0.152	0.058 0.581 0.564	-0.532 -1.934 0.059	-0.303 -1.902 0.063	-0568 -2.058 **0.045**
SIZE	-0.005 -0.615 0.541	0.013 2.006 0.052	-0.020 -1.258 0.214	-0.004 -0.402 0.689	-0.006 -0.349 0.729
R Square	0.207	0.236	0.209	0.218	0.224
Adjusted R Square	0.142	0.158	0.148	0.138	0.130
F	3.191	3.016	3.433	2.734	2.399
Sig.	0.021	0.029	0.015	0.030	0.041

Source: Secondary Data Processed, 2023

First Hypothesis Testing and Discussion

The initial hypothesis testing aims to verify the influence of concentrated ownership on tax avoidance. The regression analysis demonstrates a statistically positive and significant correlation between Concentrated Ownership (ConOwn) and the Effective Tax Rate (ETR). This is evident from Table 3, where the resulting coefficient value stands at a statistically significant 0.003 ($\alpha \leq 0.05$), indicating that concentrated ownership exhibits a partially positive and significant impact on tax avoidance. The direction of the positive and significant regression coefficient confirms the acceptance of the first hypothesis (H1), suggesting that higher concentrated ownership correlates with a reduced likelihood of tax avoidance. This finding aligns with the principles of agency theory, suggesting that concentrated ownership acts as a monitoring mechanism to oversee managerial actions, thereby mitigating the occurrence of tax avoidance.

These outcomes resonate with findings from studies conducted by (Cahyono et al., 2016; Khan et al., 2017; Leipala, 2017; Lim & Suparman, 2022; Ngadiman & Puspitasari, 2017; Richardson et al., 2016; Sunarto et al., 2021). They emphasize that concentrated or institutional ownership involves shareholders playing a supervisory role within the firm. Shareholders, in this context, possess the capacity to monitor managerial actions and access extensive information about their investment activities. Then the shareholders have the authority to monitor management efficiently to avoid unilateral decisions from managers related to tax avoidance.

Second Hypothesis Testing and Discussion

From the regression results of hypothesis testing that has been carried out, it can be stated that the coefficient value of Concentrated Ownership (ConOwn) on Corporate Social Responsibility (CSR) is 0.164 with a standard error of 0.078 and the CSR coefficient value on Effective Tax Rate (ETR) is -0.644 with a standard error of 0.246. Based on the test results above, it can be seen that the direct effect, indirect effect, and full effect of Concentrated Ownership (ConOwn) on Tax Avoidance (ETR) which is in table 4 below.

Table 4 Mediated Testing

Variable	Direct Effect		Indirect Effect		Full Effect
	Koefisien	Std. eror	Koefisien	Std. eror	
KT – ETR	0.289	0.118	-	-	0.183384
KT - CSR	0.164	0.078	-	-	
CSR - ETR	-0.644	0.246	-	-	
KT - CSR- ETR	-	-	-0.105616	0.019188	

Source: Secondary Data Processed, 2023

After knowing the test results in table 4 above, a Sobel test will then be carried out to ensure the significance of the CSR variable in mediating the relationship between concentrated ownership and tax avoidance. This Sobel test uses a formulation, namely $sab = \sqrt{b^2a^2 + a^2b^2 + sa^2sb^2}$ and these values can be seen in table 4 above. The calculation results show that Z = -1.41026650 (Z ≤ 1.96) which means CSR doesn't serve as a mediating factor in the relationship between Concentrated Ownership and Tax Avoidance, leading to the rejection of the second hypothesis test (H2). Hence, CSR doesn't emerge as a strategy for companies to evade taxes.

Corporate social responsibility (CSR), as described by (Desai & Dharmapala, 2006), is highlighted as a method employed by companies to enhance the welfare of stakeholders who hold an interest in the firm. Companies will tend to give the most maximum and accurate information related to

CSR so companies that are more willing to disclose CSR information are companies that do not favor tax avoidance (Desai & Dharmapala, 2006; Muller & Kolk, 2015; Para-González & Mascaraque-Ramírez, 2019); Mouakhar et al. (2020). From some of these research results, concentrated ownership and CSR are complementary mechanisms in tax avoidance efforts.

This study corroborates the findings of (Krisnadayu et al., 2021; Pratiwi, 2018; Rudiatun & Suryaningrum, 2023), which suggest that CSR does not act as a mediating factor in the association between concentrated or institutional ownership and tax avoidance. However, this research doesn't support the research of (Dakhli, 2022; Pratiwi, 2018) which reveals that institutional/concentrated ownership can influence tax avoidance both directly and indirectly through CSR. The better the firm does CSR, the firm will reduce tax avoidance.

Third Hypothesis Testing and Discussion

The third hypothesis aims to assess whether CSR acts as a moderator in the connection between concentrated ownership and tax avoidance. This entails examining whether CSR amplifies or diminishes the relationship between concentrated ownership and tax avoidance. The test outcomes reveal that the coefficient value of the CSR moderating variable stands at -0.900 with Sig. 0.012 (0.000 ≤ 0.050). The negative and significant regression indicates the acceptance of the third hypothesis (H3), signifying that CSR reinforces the bond between Concentrated Ownership and tax avoidance. When Concentrated Ownership aligns with CSR, companies tend to engage in tax avoidance. The presence of CSR within a firm becomes an added obligation borne by the firm, thus reducing shareholder welfare. Consequently, Concentrated Ownership leans towards pursuing tax avoidance, driven by CSR's influence. This is because the funds allocated for tax avoidance are directed towards funding the firm's CSR initiatives. Therefore, as the firm's CSR performance improves, the tendency to engage in tax avoidance decreases.

CONCLUSION

This research aims to presents data and empirical evidence regarding the relationship between concentrated ownership and tax avoidance within Indonesian manufacturing firms spanning the period from 2019 to 2021. Additionally, it aims to explore the involvement of Corporate Social Responsibility (CSR) in either mediating or moderating the relationship between concentrated ownership and tax avoidance. The study's hypothesis testing reveals several key findings: firstly, concentrated ownership positively influences tax avoidance. Secondly, CSR does not mediate the relationship between concentrated ownership and tax avoidance. Lastly, CSR does serve as a moderator in the relationship between concentrated ownership and tax avoidance. This outcome suggests that when concentrated ownership aligns with CSR, companies are inclined to engage in tax avoidance due to CSR's impact, acting as a corporate burden that diminishes shareholder welfare.

The results of this research provide implications for agency theory where brightness can be a mechanism for resolving agency problems in permits with tax avoidance carried out by companies. Furthermore, the results of this research also do not support the legitimacy theory which states that CSR carried out by companies is with the aim of providing legitimacy to capital market players regarding firm performance, especially performance related to CSR. In fact, CSR is implemented in a firm which results in ownership preferring to avoid taxes. Apart from that, this research also has several practical implications. Companies are expected to continue to improve the quality of CSR reporting in an effort to legitimize themselves as companies that are good at disclosing CSR. With this disclosure, it is hoped that CSR disclosure will not be an attempt by the company to avoid tax. It is hoped that investors when choosing their share investments, can consider choosing company shares that are not owned by concentrated ownership, where when concentrated ownership has the motivation to carry out good CSR disclosures, the aim is as an effort to avoid tax.

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